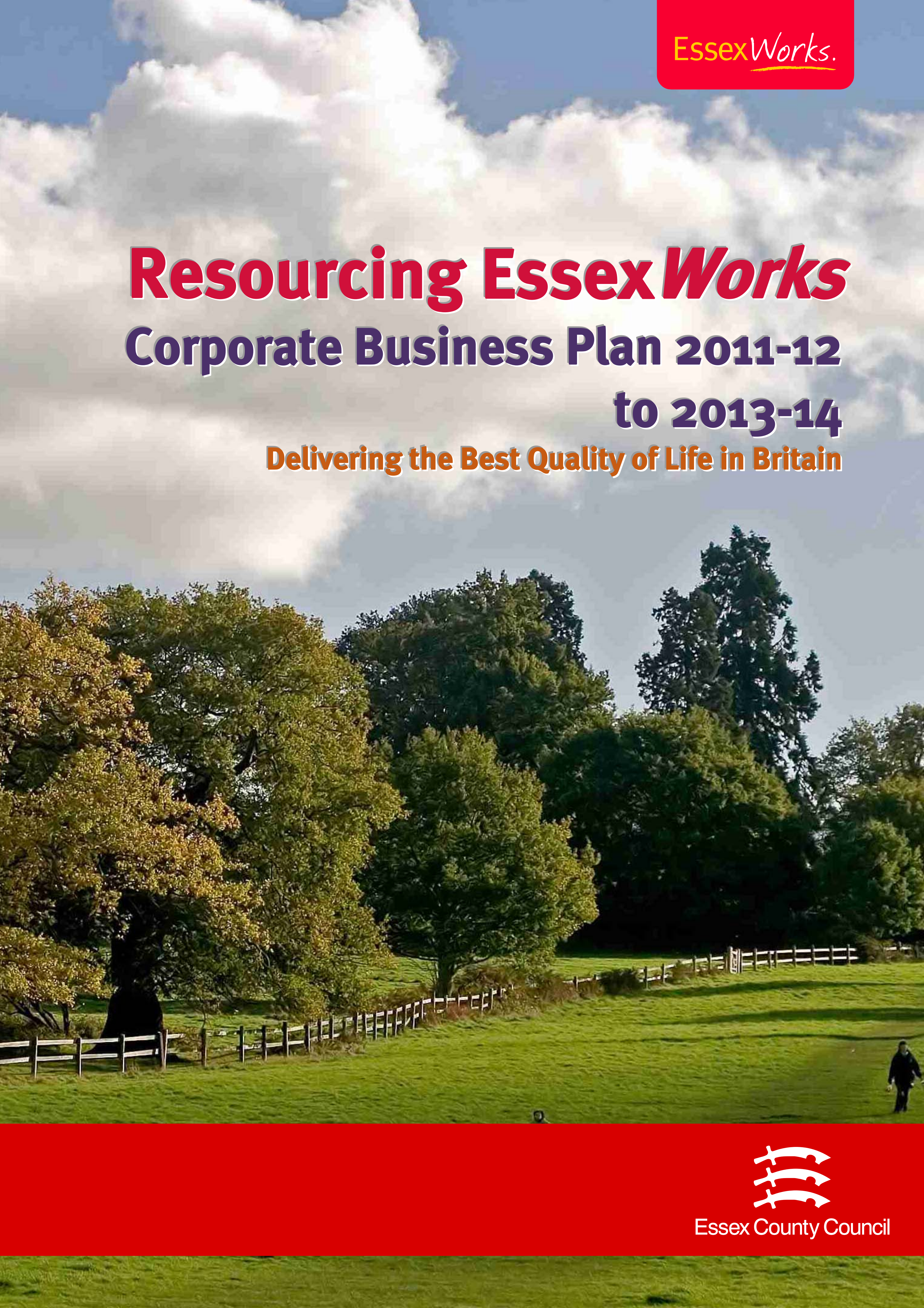
EssexWorks.



Resourcing Essex*Works*

Corporate Business Plan 2011-12 to 2013-14

Delivering the Best Quality of Life in Britain

Essex County Council

CORPORATE BUSINESS PLAN
2011/12 TO 2013/14

CONTENTS

LEADER'S FOREWORD

In 2008, we set out an ambitious vision to deliver the best quality of life in Britain for the people of Essex. I believe that this ambition is even more relevant to our residents in these tough economic times than ever before

We can be proud of what we have achieved since we launched the Essex*Works* programme in 2008. Our adults social care services are rated as 'excellent.' We have promoted and helped to provide thousands of adults with personal budgets so that they are empowered to make their own care choices. Crime rates have dropped year on year and are significantly below the national average. We have lifted educational outcomes and launched a pioneering Apprenticeship Programme that has already supported over 1,200 young people. And we have done all of this whilst keeping to our pledge to keep council tax increases below inflation.

But we have more to do and the challenges of today are fundamentally different to the challenges of 2008. Over the next four years, central government funding will fall significantly as the Coalition Government tackles the national deficit. Like all councils, Essex is having to find significant savings and this will require that we take difficult decisions to focus our resources on the issues that our residents and customers tell us are their core priorities.

This context means it is more important than ever before that we spend taxpayers' money wisely and that we look at what we do and how we do it so that services are built around the needs of the customer, not the organisation. That is why this corporate plan has two overarching principles that guide everything that we do: **putting the customer first** and **delivering value for money.**

It is also why we carried out a public budget consultation so that our residents and customers could tell us what matters to them. This Corporate Plan sets out the **seven priorities** that we believe represent our primary purpose and reflect the issues that residents tell us matter to their quality of life.

Above all, the plan reiterates our commitment to the people of Essex to delivering the best quality of life in Britain in these tough economic times. We will support and empower the most vulnerable, both young and old. We will deliver real value for money for all the people we serve. We will protect and enhance the environment. And we will help secure new jobs for Essex people. In doing so, we aim to deliver a safer, successful and greener Essex.

We cannot achieve these ambitions alone. It requires us to work closely with our partners in Health, Education, the Police and the voluntary and community sectors to deliver shared outcomes. And it requires us to trust and empower individuals and communities to take decisions for themselves. We already have an excellent track record in empowering local communities and we will work to go even further to promote this.

I believe we are as well-placed as any council in England to deal with the challenges and opportunities that lie ahead and this plan will help us to do so. I hope you find the document interesting.

Cllr Peter Martin
Leader of the Council

CHIEF EXECUTIVE'S FOREWORD

The County Council's vision is for Essex residents' to enjoy the best quality of life in Britain. We want all our citizens to fulfil their potential. We want our towns to be safe. We want the elderly and the young to be protected and supported. We want our businesses to flourish and our economy to prosper. We want our citizens to be healthy and to enjoy our coast and green spaces; our history, art, and architecture.

We want these things because the 1.3 million people of Essex want them. And we will achieve this vision by empowering them to choose what services they want to receive and when. We will go further, creating new opportunities for individuals to take charge of their own lives. Where they are too vulnerable to do that, we will continue to protect and support them, making it our number one priority to ensure that everyone in our care is well looked after and free from the risk of harm.

This corporate plan makes clear our ambition to draw on the hidden wealth and capacity that exists in all our communities and neighbourhoods – already Essex people give up nearly 1 million days a year volunteering. But it also makes clear that in order to do that we will have to re-engineer the way that public services are delivered so that they are built around the needs of individuals not the needs of separate service organisations. The achievement of the ambitions set out in this corporate plan can only be delivered by a three-way partnership between the people of Essex, the public and voluntary sector, and the County Council.

The next twelve months represent the biggest challenge that public services in this country have faced in peacetime. Local authorities will have to make reductions of nearly one third over the next four years, despite the fact that pressures on spending continue to accelerate. Yesterday's thinking is no longer adequate to meet the demands of today's problems or to seize tomorrow's opportunities.

In Essex, we have already embarked on a transformation programme that not only will reduce our costs by more than £300 million but will also fundamentally change the way we work. In the future we will make greater use of external providers from the voluntary as well as the commercial sector. We will make better use of technology and more efficient use of our property assets. We will purchase goods and services in a more cost effective manner, and we will be rigorous in taking unnecessary costs out of the organisation. We will also tell you what we are doing and publish what we are spending so that you can hold us to account for the promises we make.

This corporate plan sets out a solid agenda of change, focused on seven key priorities, the priorities that the people of Essex told us were important to them and underpinned by the principles running through all of our work of putting the customer first and value for money.

I hope you will enjoy reading the EssexWorks corporate business plan and I hope you will work with us to help deliver its ambitions.

Joanna Killian
Chief Executive

1. Corporate Plan

Overview of EssexWorks

EssexWorks was introduced in 2008 to help Essex County Council achieve its vision for Essex residents to enjoy the best quality of life in Britain. It is a framework which sets out clearly and simply those areas that are most important to delivering our vision over the next three years.

We remain fully committed to our overarching principle of 'Putting the Customer First'. This year we are making 'Delivering Value for Money' a second overarching principle that will inform everything that we do.

In 2010 we carried out a detailed consultation to find out which issues the people of Essex consider the most important. The information gathered told us that residents' top priorities were: Protecting vulnerable people (including the young, elderly and infirm); Education; Transport (both infrastructure and public transport); Health; and Safer communities. Based on this, we have identified seven key priority areas that we believe should represent our primary focus because they are the things that Essex County Council can influence that most affect the quality of life of Essex's residents.

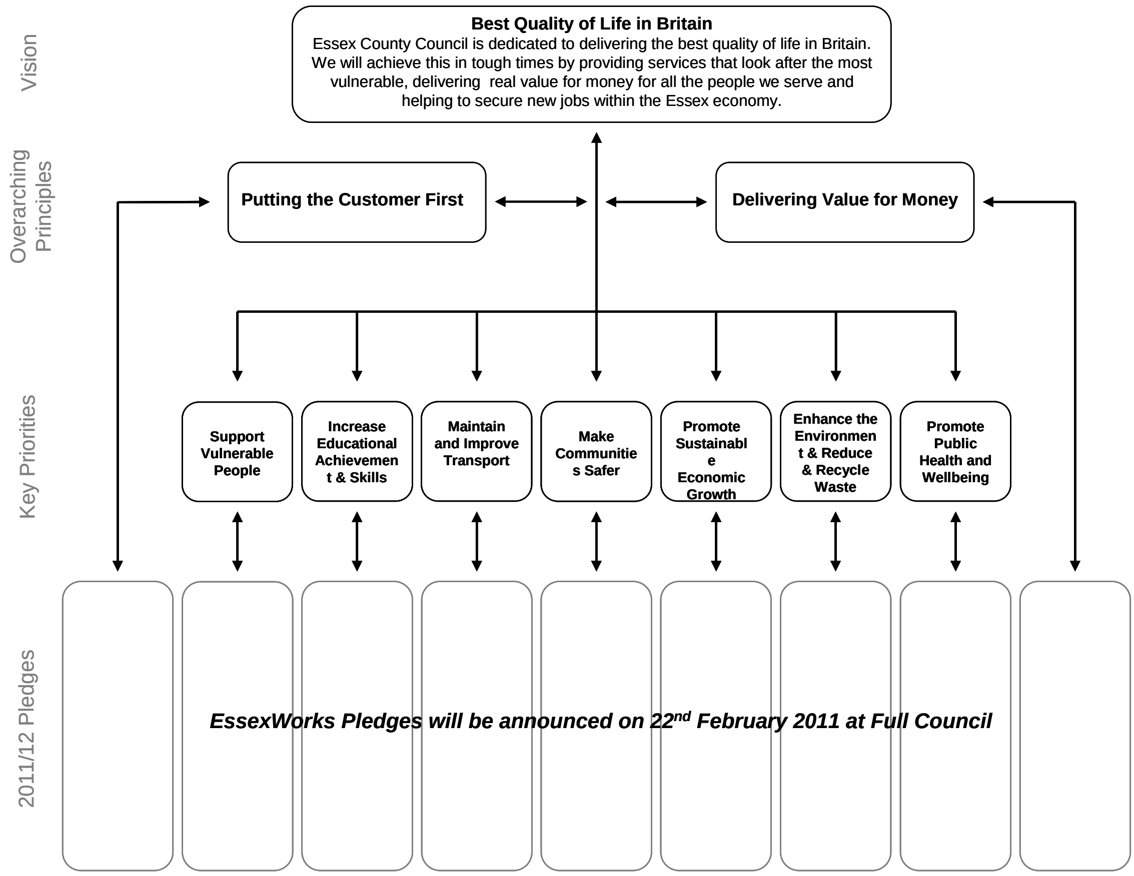
This plan describes the work that we will undertake in each of these key priority areas, as well as in other areas, and also sets out how we can be judged on our success in delivering improvements.

Each of our overarching principles and priorities are also supported by an annual Pledge to the people of Essex. These Pledges represent a key outcome in each area, and meeting these annual commitments will help us toward achieving our longer-term ambitions.

We will continue to let our residents and partners know how we are performing against our priorities, including on our website which is designed to enable our customers and residents to engage with us and tell us what they think about our services.

The diagram overleaf shows the EssexWorks planning framework for 2011/12 – 2013/14

EssexWorks Planning Framework



Delivering EssexWorks: Our Priorities and Pledges

This section defines each of our overarching principles and key priorities, explains why they are important for Essex, and also announces our Pledges for 2011/12.

Putting the Customer First (Overarching Principle)

We are committed to delivering the best quality of life in Britain. Central to this, our overarching principle of putting the customer first means that we will design and operate our services from our customers' perspective. We will better understand our customers' priorities and needs, and make it simpler and easier to access and use our services.

Putting our customer first underpins everything we do. Over the next twelve months:

Our **Adults, Health and Community Wellbeing** portfolio will:

- engage citizens more closely still in the evaluation and development of our services;
- continue to implement personalisation and prepayment cards, giving the individual greater choice;
- procure a new IT system to support self-service, partnership working and the further development of advice and guidance; and
- improve further our evidence, intelligence and understanding of local needs.

Our **Children's Services** portfolio will:

- redesign and commission early years and childcare services in partnership with the NHS and adult services, making for a better client experience.

Our **Education and 2012 Games** portfolio will:

- ensure Essex residents can enjoy the Olympic Mountain Bike competition when it comes to Hadleigh Farm in 2012.

Our **Environment and Waste** portfolio will:

- improve the community safety information available to the public.

Our **Finance and Transformation Programme** portfolio will:

- support the Council to deliver excellent and customer-focused services at a time of reducing resources; and
- deliver improved channels for customer service.

Our **Heritage, Culture and the Arts** portfolio will:

- work with other local and community organisations to co-locate and integrate services within libraries, making the most efficient use of property and provide seamless services to communities.

Our **Highways and Transportation** portfolio will:

- improve how we respond to public enquiries by introducing digital technology in our Public Rights of Way service.

Our **Major Projects and Commercial Services** portfolio will:

- roll out "Tell Us Once" in the Registration Service - improving the customer experience and eliminating the need to ask for the same information twice.

Our Pledge to you

In the next 12 months we will put the customer first by:

EssexWorks Pledges will be announced on 22 February 2011 at Full Council

Delivering Value for Money (Overarching Principle)

We never forget that the money we spend is yours. In straightened times, it is even more important that we deliver the best possible value for money for Essex taxpayers. We do this in a number of ways such as improving efficiency, getting a better deal when we buy goods and services; making better use of our property; trading our services within Essex and beyond; and collaborating with other parts of the public sector.

Every part of our organisation seeks to deliver the best possible value for money. Across the authority, we are working hard to reduce cost, improve efficiency, and maximise trading, thereby ensuring Essex residents get the best possible value services. Just some of the savings and efficiencies we plan to make are detailed below.

Annex D provides a report on the Equality Impact Assessment of the savings and efficiencies being made as part of the 2011/12 corporate planning process.

Over the next twelve months:

Our **Adults, Health and Community Wellbeing** portfolio will:

- make procurement efficiencies of approximately £21.2 million;
- collaborate with health partners to make savings of circa £500,000 and to help the delivery of GP commissioning clusters across Essex; and
- review processes and working practices to make £2.3 million of efficiencies.

Our **Children's Services** portfolio will:

- develop and improve a wider range of children looked after placements at lower cost;
- pilot Community Budgets for families with complex needs, delivering better value for money by reducing cost and duplication, and improving results;
- negotiate better prices with suppliers of residential home and school placements, saving almost £750,000;
- restructure our residential services, saving £1.7 million; and
- redesign our early years service, saving around £4.5 million.

Our **Communities and Planning** portfolio will:

- deliver £690,000 of savings through restructuring, improving ways of working and reducing consultancy spend.

Our **Education and 2012 Games** portfolio will:

- save £1.67 million by reviewing the way we provide Home to School transport; and
- save £820,000 in capital project support costs and £760,000 in strategic development support from the Building Schools for the Future programme.

Our **Environment and Waste** portfolio will:

- save £1.45 million by re-tendering waste contracts; and
- send less waste to landfill, saving a further £900,000.

Our **Finance and Transformation Programme** portfolio will:

- provide the support structure to achieve the overall savings programme of £98 million
- deliver e-Payroll and i-expenses projects resulting in yearly savings of almost £900,000;
- sell our HR services to others, bringing in £300,000; and
- save £800,000 by reducing consultancy spend on programme management.

Our **Heritage, Culture and the Arts** portfolio will:

- contract with other local authorities who want to make use of our first-class public library services;
- review library service provision, ensuring no community loses its local library, whilst saving £400,000; and
- increase income from our Cressing Temple site.

Our **Highways and Transportation** portfolio will:

- select one single service provider for Highways Services, making significant efficiencies and budget savings as a result; and
- restructure our A12 patrols, saving £800,000.

Our **Major Projects and Commercial Services** portfolio will:

- continue to work towards our £150 million procurement savings target whilst professionally managing the complex supply base and purchasing goods, services & works in a socially and environmentally responsible way; and
- expand our external trading of legal services.

Our Pledge to you

In the next 12 months we will deliver value for money by

EssexWorks Pledges will be announced on 22 February 2011 at Full Council

Priority 1: Support Vulnerable People

Supporting our most vulnerable residents – whatever their age – is one of the most critical functions we perform. We support and improve the quality of life and the safety of a wide range of vulnerable citizens from young children and families to older people and individuals with a learning, mental ill-health, or physical and sensory disability.

Essex County Council takes its responsibility to protect and safeguard children and vulnerable adults very seriously. In order to ensure that our safeguarding approach is robust, we will enable, support and facilitate awareness and training on safeguarding issues so that all employees, volunteers and partner agencies embrace safeguarding as part of their core roles.

Over the next twelve months, our **Adults, Health and Community Wellbeing** portfolio will:

- implement our new Carers' and Prevention strategies and continue the shift of investment into preventative and early intervention services;
- develop the SAFE safeguarding service (Safeguarding Essex) countywide and further support other councils to develop robust safeguarding arrangements; and
- continue to develop an "all age" service to address the transition of children into adulthood for those with life long support needs.

Our **Children Services** portfolio will:

- embed and evidence consistently good practice within social care teams;
- improve the recruitment and retention of in-house foster carers;
- redesign and develop our social care operating model to reflect best practice;
- reduce, whenever possible, the number of children looked after and ensure those that remain receive the support they need; and
- develop provision that enables children and young people with special educational needs to remain in their local community and access local education, health and social care services.

Our **Education and 2012 Games** portfolio will:

- reduce the number of children with statements of special educational needs, whilst ensuring those who are still statemented receive the support they need.

Our Pledges to you:

In the next 12 months we will support vulnerable children by

In the next 12 months we will support vulnerable adults by

EssexWorks Pledges will be announced on 22 February 2011 at Full Council

Priority 2: Increase Educational Achievement and Skills

Essex's people are its greatest asset. The right knowledge and skills are vital not only for the county's future competitiveness but also for Essex residents' future prosperity and quality of life.

We will help Essex residents achieve their potential. Amongst other things, this means working with schools and children to improve outcomes for all; improving training and opportunities for young people – especially those currently not in employment, education or training – and ensuring high quality further education for adults.

Over the next twelve months:

Our **Adults, Health and Community Wellbeing** portfolio will:

- tackle the broader determinants of health and health inequalities including school attainment, employment opportunities and the needs of vulnerable groups.

Our **Children's Services** portfolio will:

- develop provision that enables children and young people with special educational needs to remain in their local community and access the local education, health and social care services they need.

Our **Education and 2012 Games** portfolio will:

- ensure sufficient primary school places to cope with growth in pupil numbers;
- redesign and refocus our school improvement services towards schools in the most challenging services;
- reduce the number of children with statements of special educational needs, ensuring those that remain enjoy education in a mainstream school wherever possible;
- narrow the gap between those children that do well at school and those that do not; and
- increase the number of children who successfully make the transition back into mainstream schools from alternative provision such as short-stay schools.

Our **Major Projects and Commercial Services** portfolio will:

- work with our suppliers and partners to develop additional apprenticeship opportunities.

Our Pledge to you:

In the next 12 months we will increase educational achievement and skills by

EssexWorks Pledges will be announced on 22 February 2011 at Full Council

Priority 3: Maintain and Improve the Transport Network

Our residents tell us that improving transport is a priority. Our road network keeps the Essex economy moving. A well-run transport network will support our county's future economic development.

But it is not just about the roads. Public transport, cycle paths, bridleways and footpaths connect our communities and support our vision for a holistic transport network that is sustainable and helps deliver the best quality of life for the residents of Essex.

Over the next twelve months:

Our **Communities and Planning** portfolio will:

- ensure the delivery of any development schemes that are necessary to achieve the aspirations set out in the Integrated County Strategy.

Our **Highways and Transportation** portfolio will:

- sustain capital investment and deliver improvements to 350 kilometres of roads and footways;
- deliver major projects across the transport network, including Roscommon Way, Sadlers Farm junction and the Witham and Braintree Freeport footbridges;
- reduce casualties on Essex roads and ensure that the network remains safe and open for use;
- work with local businesses and developers to implement sustainable travel plans (including for example, car share schemes); and
- improve the way we structure our contracts for highways improvement work – improving efficiency and delivering savings for the taxpayer.

Our Pledge to you:

In the next 12 months we will maintain and improve the transport network by

EssexWorks Pledges will be announced on 22 February 2011 at Full Council

Priority 4: Make Communities Safer

Essex is a safe place to live. Essex residents rightly want to keep it this way. Surveys tell us that tackling crime and the perception of crime is crucial to making Essex the best place to live.

Making communities safer is more than this. It means warning young people of the dangers of drugs and alcohol, improving road safety, and clamping down on those rogue traders who prey on the vulnerable.

Over the next twelve months:

Our **Children's Services** portfolio will:

- target those families whose lifestyles and behaviours incur the greatest financial, social and personal costs.

Our **Environment and Waste** portfolio will:

- continue to make Essex the safest county in which to live;
- reduce levels of crime, anti-social behaviour and reoffending across Essex;
- make more community safety information available to the public;
- ensure that victims of crime are properly supported;
- expand programmes of community payback for offenders;
- confront rogue traders, cold callers, illegal sales and unauthorised trading; and
- tackle enviro-crime working with the Environment Agency and other Essex councils.

Our **Highways and Transportation** portfolio will:

- target groups such as young drivers and motorcyclists to reduce casualties on Essex roads through our work with the Essex Casualty Reduction Board.

Our Pledge to you:

In the next 12 months we will make communities safer by

EssexWorks Pledges will be announced on 22 February 2011 at Full Council

Priority 5: Promote Sustainable Economic Growth

Whilst Essex has not escaped the effects of the global downturn, our county is better positioned than most to benefit when the recovery comes. We have worked to ensure Essex provides an environment in which private enterprise can flourish.

Continued sustainable economic growth is vital if Essex is to be competitive in a global economy. A vibrant local economy will provide jobs for the future, improve people's quality of life, reduce deprivation and help Essex maximise opportunities in what remains a challenging economic climate.

Over the next twelve months:

Our **Leader's** portfolio will:

- work with partners in Greater Essex, Kent and East Sussex to ensure our Local Enterprise Partnership helps our area to realise its economic potential;
- facilitate greater private investment in Essex;
- ensure innovative local businesses can access any specialist support they need;
- reduce unnecessary burdens on Essex businesses;
- strengthen links between Essex businesses and emerging global economies;
- realise the economic potential of our ports and airports;
- deliver improvements in priority growth areas such as the Thames Gateway, Haven Gateway, West Essex and the Heart of Essex; and
- support the delivery of the key priorities outlined by local business and others as articulated in the Integrated County Strategy.

Our **Communities and Planning** portfolio will:

- encourage the extension of wireless and next generation broadband; and
- ensure that the planning service balances the needs of local residents, Essex communities and businesses.

Our **Education and 2012 Games** portfolio will:

- ensure that Essex, Southend and Thurrock secure an economic legacy from the London 2012 Olympic and Paralympic games; and
- prepare and provide support for pre-games training camps in the county in 2012.

Our **Environment and Waste** portfolio will:

- encourage more visitors to all our country parks.

Our **Heritage, Culture and the Arts** portfolio will:

- maximise tourism benefits from the 2012 Olympic and Paralympic Games;

- secure European funding to develop additional tourism initiatives that will support Essex businesses and the economy; and
- support VisitEssex's growth and success, emphasising Essex's tourist potential.

Our Pledge to you:

In the next 12 months we will promote sustainable economic growth by

EssexWorks Pledges will be announced on 22 February 2011 at Full Council

Priority 6: Enhance the Environment and Reduce and Recycle Waste

Essex residents value their environment, open spaces and countryside. A clean, green environment is not only good for our health, tourism, business and wellbeing, it is also worth protecting for future generations.

If we want to pass Essex on to our children and grandchildren, we need to do all we can to live within our ecological means: reducing the amount of waste we produce and recycling whatever we can, will help us work towards this.

Over the next twelve months:

Our **Communities and Planning** portfolio will:

- advance Essex's strategic plans for sustainable minerals and waste development; and
- improve water management and drainage systems in urban areas.

Our **Environment and Waste** portfolio will:

- increase the number of communities participating in environmental projects;
- support the voluntary and community sector's work to improve green spaces in Essex;
- reduce the volume of waste generated in our county;
- invest in improving recycling services;
- recycle over half of Essex's household waste;
- encourage small businesses to increase recycling; and
- reduce our reliance on landfill sites.

Our **Major Projects and Commercial Services** portfolio will:

- ensure that we reduce our environmental impact, meeting our obligations to cut CO_2 emissions; and
- help us reduce energy costs and consumption.

Our Pledge to you:

In the next 12 months we will protect the environment and reduce and recycle waste by

EssexWorks Pledges will be announced on 22 February 2011 at Full Council

Priority 7: Promote Public Health and Wellbeing

Individual lifestyle choices today can have repercussions tomorrow. We want to work with Essex residents to help them make informed decisions that will mean they can lead healthier lives now and in the future. We are proud to host the 2012 Olympic mountain biking competition and want to use this global sporting event to deliver a lasting legacy of sporting activity across the county.

We also recognise that there are wider determinants of public health such as deprivation, educational attainment and access to employment. We are committed to addressing these inequalities and ensuring that all Essex residents have the opportunity to lead as active and healthy a life as possible.

Over the next twelve months:

Our **Adults, Health and Community Wellbeing** portfolio will:

- improve our understanding and analysis of local needs so that we are better placed to take the right action to support our residents' needs;
- develop and improve our partnership arrangements and joint services with health partners to improve the experiences and outcomes of service users;
- implement, with partners, our dementia and end of life care strategies;
- help people to live healthy lifestyles and reduce preventable ill health; and
- ensure a successful transfer of public health responsibilities to the County Council.

Our **Education and 2012 Games** portfolio will:

- deliver the Olympic Mountain Bike venue on time and on budget for the test event in July 2011; and
- ensure that Essex, Southend and Thurrock secure a sporting legacy from the London 2012 Olympic and Paralympic games.

Our **Highways and Transportation** portfolio will:

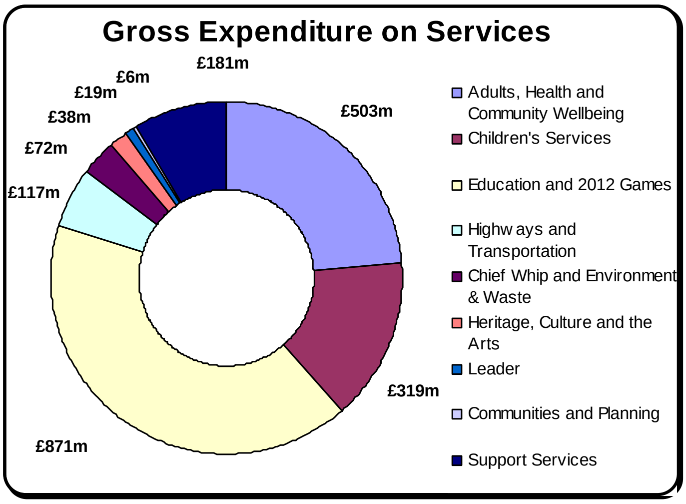
- improve the way we manage our Public Rights of Way service to encourage greater use and enjoyment; and
- work with local businesses to develop and implement sustainable travel plans, while leading by example with our own scheme.

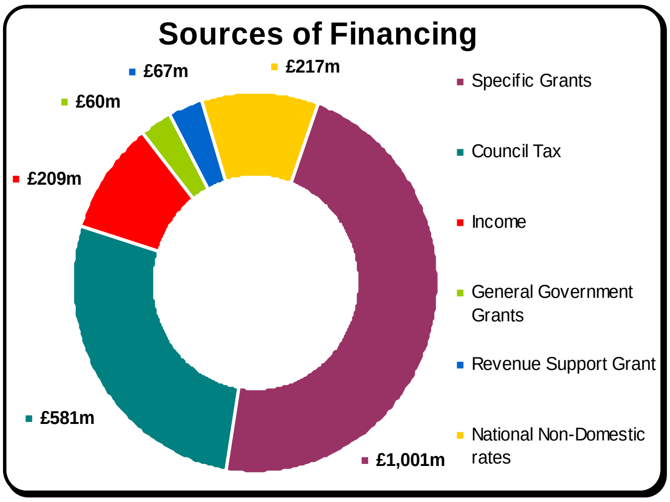
2. Financial Summary

Overview of Key Figures

Revenue Budget

In total the council is planning to spend £2.1 billion on delivering services in 2011/12. This spend is funded by a combination of Government grant, council tax, and fees and charges.





To determine our council tax, we have to calculate the net revenue budget requirement, which is then financed by Formula Grant (incorporating a share of Revenue Support Grant and National Non-Domestic Rates) and council tax. All other funding, including fees and charges, and other income, is shown within service budgets before the calculation of the budget requirement. For 2011/12 the budget requirement amounts to £864 million, which is an apparent increase of £42 million (5.1%) over the £822 million for 2010/11 as shown in the budget summary tables. However, this is not a like-for-like comparison due to the funding adjustments made by the Government in 2011/12. An 'alternative notional budget' of £899 million has been calculated for 2010/11 to reflect the funding adjustments that have been made in 2011/12. This therefore supports a direct comparison between the years, so the like-for-like movement in the budget requirement between 2010/11 and 2011/12 is a reduction of £35 million (-3.9%).

This decrease is the net result of:

- An increase of £85 million relating to new investment and other pressures; and
- An increase of £24 million relating to pay and price inflation;
- A decrease of £98 million relating to efficiencies and savings;
- An increase of £8m as a contribution to reserves;
- A decrease of £54m being reductions in government grant.

A high-level summary of the revenue budget showing the sources of finance is shown on page 25. The Council operates two principle budget structures: one according to the service directorate structure of the Council, and the other according to the Cabinet member portfolio structure. The totality of both is the same, but the mix of ingredients varies. This document is presented in portfolio format and details are shown on page 30 onwards.

2011/12 Grant Settlement

Nationally, the headline figures are as follows:

- Total Formula Grant will decrease by 9.9%.
- ‘Floors’ remain part of the system (setting a maximum level of decrease). However, a new methodology has been applied which takes into account ability to raise funds locally through council tax.
- For those authorities freezing or reducing council tax between 2010/11 and 2011/12, they will receive a grant from the Government equivalent to a 2.5% increase in council tax.
- The government has made it clear that authorities deemed to be setting excessive increases in their council tax will be capped. For 2011/12, the Government has determined an excessive council tax increase to be greater than 3.5%.

Essex’s Funding Settlement

The position for Essex County Council is:

- Formula Grant for 2011/12 is £283.714 million. This equates to a 12.4% reduction in grant compared to 2010/11, when compared on a like-for-like basis.
- We will be funded above the ‘floor’ and our formula grant allocation has been reduced by £15.446 million to support authorities who would otherwise have received funding decreases beyond the maximum decrease level set for their authority i.e. the ‘floor’.
- As the authority is proposing a Council Tax freeze, it will receive £14.4 million of grant from central government, the equivalent of a 2.5% increase in the council tax, to offset the impact of the freeze.
- Provisional Dedicated Schools Grant (DSG) is £871.336 million. There has been no increase in school funding per pupil, year on year, and there is unlikely to be any increase in per pupil funding through 2011 -15. Final DSG figures will not be issued until summer 2011.
- Specific grants (excluding Dedicated Schools Grant) amount to £129.405 million. In addition, we will receive £60.448 million in general Government grants.

Council Tax

- The council tax for a band D property will be £1,086.75, which is the same as that for 2010/11; the table on page 25 shows the council tax for all property bands. As mentioned above, as the County Council has not increased its council tax for 2011/12, the Government is giving the Council a grant, equivalent to a 2.5% increase in council tax.

- The tax base for council tax purposes has increased by 0.6% from 529,060 in 2010/11 to 532,492 in 2011/12 reflecting a continuing increase in the number of households in Essex.

- The council tax precept will be £578.685 million and Essex County Council share of the net surplus on the Collection Funds maintained by district councils as billing authorities is £1.846 million.

Capital Programme

In addition to the revenue budget which provides for the day-to-day running costs of providing essential services to the people of Essex, we are proposing to invest £221 million in a capital programme to deliver new and improved facilities such as schools and roads.

Capital expenditure is financed from a number of sources:

- Specific grants and contributions, such as those from developers.
- Capital receipts.
- Revenue contributions (via the use of the Reserve for Future Capital Funding).
- Borrowing.

The Council can determine the level of its borrowing for capital financing purposes, based upon its own views regarding the affordability, prudence and sustainability of that borrowing. The Council must however assess the level of its borrowing as part of the budget process, in accordance with the CIPFA Prudential Code for Capital Finance. The borrowing levels for the capital programme are therefore constrained by this assessment and by the availability of revenue budget to meet the borrowing considered within the context of the overall revenue budget considerations. Further detail is contained in the section on Prudential Indicators and Treasury Management as set out from page 53 onwards.

Overall, the capital programme for 2011/12 is set at a reduced level of £221.045 million compared to the £384.076 million for 2010/11. This is due to the significant reduction in overall grant support from the Government and the need to reduce the impact of the borrowing costs of the capital programme on the revenue budget.

Each major scheme is subject to the Council's programme management governance process, which tracks projects through the phases of development and delivery.

Revenue Reserves and Balances

The underlying level on the general balance is forecast to amount to £42 million at 1 April 2011. The forecast balances on the revenue reserves and balances are set out on page 29.

Efficiency and Other Savings

In order to deliver new investment in the services that are important to our residents and partners, to maintain essential public services to those who rely upon them and to keep the council tax as low as possible we will deliver £97.8 million of cashable efficiencies and savings in 2011/12.

Further Information

Prudential Indicators, Treasury Management Strategy & Provision for Repayment of Debt Policy

Section 5 of this document is our Prudential Indicators, Treasury Management Strategy & Provision for Repayment of Debt Policy. This sets out our strategy for borrowing to support the capital programme and for investing surplus cash balances and demonstrating that our capital investment plans are affordable and that borrowing is at a prudent and sustainable level. In addition, it sets out the arrangements for ensuring that the Council makes a prudent provision for the repayment of borrowing for capital financing purposes undertaken in 2010/11.

Revenue Budget Summary 2011/12

2009/10		2010/11		2011/12
Actual		**Original Budget**	**Latest Budget**	**Budget**
£'000		**£'000**	**£'000**	**£'000**
2,557,608	Gross Expenditure	2,179,986	2,276,714	2,125,985
(274,738)	Specific Government Grants (Excluding DSG)	(228,418)	(307,822)	(129,405)
(661,777)	Income	(262,083)	(285,172)	(208,976)
1,621,093	**Sub total**	**1,689,485**	**1,683,720**	**1,787,604**
(764,466)	Specific Government Grants (Dedicated Schools Grant)	(785,391)	(785,391)	(871,336)
856,627	**Net cost of services**	**904,094**	**898,329**	**916,268**
6,611	General Balance - contribution/(withdrawal)	0	318	8,425
(60,065)	General Governanment Grants	(82,031)	(76,584)	(60,448)
803,173	**Budget Requirement**	**822,063**	**822,063**	**864,245**
	Finance By			
(44,800)	Revenue Support Grant	(31,281)	(31,281)	(66,990)
(194,095)	National non-domestic Rates	(215,423)	(215,423)	(216,724)
(561,419)	Council tax precept	(574,956)	(574,956)	(578,685)
(2,858)	Collection fund surpluses	(403)	(403)	(1,846)
(803,172)	**Total Financing**	**(822,063)**	**(822,063)**	**(864,245)**

Council Tax

Council Tax at each property band		2010/11	2011/12
		£	£
Band A	Up to £40,000	724.50	724.50
Band B	£40,001 to £52,000	845.25	845.25
Band C	£52,001 to £68,000	966.00	966.00
Band D	**£68,001 to £88,000**	**1,086.75**	**1,086.75**
Band E	£88,001 to £120,000	1,328.25	1,328.25
Band F	£120,001 to £160,000	1,569.75	1,569.75
Band G	£160,001 to £320,000	1,811.25	1,811.25
Band H	More than £320,000	2,173.50	2,173.50

Tax base	2010/11	2011/12
Band D equivalent properties	529,060	532,492

Portfolio Budgets Summary 2011/12

Revenue budgets

Controllable Net	Portfolios / Policy Budgets	Controllable Net		
2009/10		2010/11		2011/12
Actual		Original Budget	Latest Budget	Original Budget
£000		£000	£000	£000
	Budget Summary			
342,208	**Adults, Health and Community Wellbeing**	375,807	378,385	**353,732**
	Children's Services			
276	Dedicated Schools Budget	7,987	(12,394)	**(2,748)**
150,451	Non Dedicated Schools Budget	137,610	151,912	**186,853**
150,727		**145,597**	**139,518**	**184,105**
	Education and 2012 Games			
13,233	Dedicated Schools Budget	721	10,905	**(99)**
29,480	Non Dedicated Schools Budget	52,920	45,853	**45,983**
2,548	Lee Valley Park and 2012 Games	2,508	2,501	**2,746**
45,261		**56,149**	**59,259**	**48,630**
72,638	**Highways and Transportation**	73,987	75,027	**85,997**
61,408	**Environment & Waste**	64,333	64,442	**66,136**
22,496	**Heritage, Culture and the Arts**	21,518	22,131	**18,306**
16,265	**Leader**	17,364	17,334	**10,805**
5,276	**Communities and Planning**	5,001	5,510	**4,576**
1,962	**Major Projects and Commercial Services**	1,882	1,686	**1,438**
	Finance and Transformation Programme			
559	Central Services	1,131	1,101	**1,265**
(165)	Non distributed costs	-	-	**-**
1,348	Precepts and Magistrates	1,545	1,538	**1,751**
1,742		**2,676**	**2,639**	**3,016**
29,525	**Other operating costs**	68,139	36,356	**71,910**
	Recharged Support Services			
	Highways and Transportation			
1,304	Transport Coordination Centre	1,415	1,442	**1,296**
288	Car Provision Scheme	(300)	(487)	**(300)**
	Environment & Waste			
904	Democratic Services	918	897	**888**
	Leader			
1,877	Communications and customer relations	2,275	2,502	**2,024**
2,269	Customer Services	2,278	4,644	**3,049**
	Major Projects and Commercial Services			
14,847	Facilities Management Service	12,970	13,308	**10,797**
4,344	Essex Legal Services	2,622	4,193	**356**
2,765	Asset Management	2,672	4,279	**2,640**
2,830	Procurement	1,989	9,877	**2,092**
	Finance and Transformation Programme			
30,553	Information Services	15,807	17,105	**11,990**
21,719	Finance	7,140	16,849	**13,566**
7,562	Human Resources	7,830	8,618	**6,427**
7,845	Insurance Cost Recovery Account	5,354	4,685	**4,685**
2,072	Transformation Support Unit	6,019	4,728	**4,147**
	-	-	-	**-**
5,939	**Building Maintenance**	2,652	3,402	**3,960**
856,626	**Net cost of Services**	**904,094**	**898,329**	**916,268**
6,611	**General Balance Contribution/(Withdrawal)**	-	318	**8,425**
(60,065)	**General Government Grants**	(82,031)	(76,584)	**(60,448)**
803,172	**Budget Requirement**	**822,063**	**822,063**	**864,245**

Capital Budget Summary 2011/12 to 2013/14

Summary of capital programme by portfolio

Capital programme summary with financing			
Portfolio			
	2011-12	**2012-13**	**2013-14**
	£000	**£000**	**£000**
Adults, Health and Community Wellbeing	2,953	220	200
Children's Services	1,280	5,712	9,983
Education & 2012 Games	105,517	71,435	43,245
Highways and Transportation	84,880	40,000	33,902
Environment and Waste	9,854	11,745	7,950
Heritage, Culture and the Arts	2,423	738	738
Leader	7,250	500	-
Communities & Planning	3,162	1,500	1,500
Major Projects & Commercial Services	2,374	1,200	1,250
Finance & Transformation Programme	1,352	4,767	1,330
Total	**221,045**	**137,817**	**100,098**
Financing			
	2011-12	**2012-13**	**2013-14**
	£000	**£000**	**£000**
Specific grant funding	160,489	90,386	68,708
Contributions (eg. from developers)	11,170	5,063	4,835
Capital receipts	5,998	6,356	5,410
Unsupported borrowing	43,388	36,012	21,145
Total	**221,045**	**137,817**	**100,098**

The capital programme was compiled by reviewing the indicative programme for 2011/12 onwards. All schemes that were not contractually or politically committed were prioritised on various criteria including, whether the scheme was a statutory duty, delivered an Essex Works priority and if the scheme was fully funded.

Bilateral meetings with Portfolio members resulted in some reductions to the programme.

The settlements from the Departments for Education and for Transport were received in December 2010 and the awards were made as grant allocations rather than a mix of supported borrowing and grants as per previous years. The Department for Education (DfE) has only given firm figures for 2011/12; the allocations for 2012/13 until 2014/15 will be informed by the outcome of a capital review, which will be published in spring 2011.

The Highways and Schools programmes were revised in light of these settlements.

The revenue consequences of the borrowing, required by the proposed capital programme, were then assessed and portfolio members were advised to reduce the borrowing requirement by £40 million. The preferred option was to reduce by £10 million a year in the following splits:

2011/12

- £1 million reduction in the Highways & Transportation portfolio
- £5 million reduction in the Education & 2012 Games and Children's Services portfolios
- £4 million reduction in the other portfolios

2012/13 to 2014/15

- £2 million reduction in the Highways & Transportation portfolio
- £6 million reduction in the Education & 2012 Games and Children's Services portfolios
- £2 million reduction in the other portfolios

The capital programme is published with three years worth of detail but, due to the uncertainty of future allocations from Department of Education (DfE), 2012/13 and 2013/14 are for planning purposes only. All schemes will be subject to the Council's programme management governance process which tracks projects through the phases of development.

Reserves and Balances

Reserves and Balances	Balance at 31 March 2010	Estimated closing balances 2010-11	2011-12	2012-13	2013-14
	£000	£000	£000	£000	£000
General Balance	**(33,384)**	**(33,388)**	**(41,814)**	**(41,814)**	**(41,814)**
Earmarked Revenue Reserves					
General Reserves					
Service Improvements / Transformation Pump	(5,164)	(877)	(65)	(65)	(65)
Essex Pledges	(7,526)	-	-	-	-
Quadrennial Elections Reserve	(594)	(570)	(570)	(785)	(1,000)
Capital Receipts Pump Priming	(866)	(866)	(866)	(866)	(866)
IMT Development	(1,947)	(212)	-	-	-
Partnerships	(968)	(968)	(968)	(968)	(968)
Insurance	(467)	(335)	(335)	(335)	(335)
Pensions Deficit Reserve	-	-	-	-	-
Transformation reserve	-	-	-	-	-
Debt financing reserve	-	-	-	-	-
Essex Art Fund	(258)	(258)	-	-	-
LAA Performance	(1,873)	(1,381)	(1,381)	(1,381)	(1,381)
Health and Safety Reserve	(1,087)	(1,087)	(1,087)	(1,087)	(1,087)
ExDRA Partnership	(4,221)	(3,488)	(3,488)	(3,488)	(3,488)
Carbon Reduction Reserve	(1,536)	(1,536)	(1,536)	(1,536)	(1,536)
Essex On-line Partnership	(248)	(248)	(248)	(248)	(248)
Children's Reserve	-	-	-	-	-
Essex Transport Reserve	(1,398)	(1,322)	(501)	(501)	(501)
Carry Forwards Reserve	(6,044)	(3,260)	-	-	-
Developing Partnerships	(1,500)	(1,500)	-	-	-
Life Raft Pledge Reserve	(728)	(728)	-	-	-
Newton Bequest Reserve	(118)	(118)	(118)	(118)	(118)
Personal Care Reserve	-	(1,800)	-	-	-
Severe Weather Reserve	(252)	(252)	(252)	(252)	(252)
Tendring PPP	(429)	(429)	(429)	(429)	(429)
Trading Activities	(2,885)	(1,751)	(1,751)	(1,751)	(1,751)
Redundancy Reserve	-	-	-	-	-
General Replenishment of Reserves & Balances	-	-	-	(9,779)	(19,558)
	(40,109)	**(22,986)**	**(13,595)**	**(23,589)**	**(33,583)**
Future Capital Funding					
General	(3,517)	(2,846)	(2,846)	(2,846)	(2,846)
Bellhouse Landfill	(61)	(61)	(61)	(61)	(61)
Historic Building Reserve	(120)	(120)	(120)	(120)	(120)
	(3,698)	**(3,027)**	**(3,027)**	**(3,027)**	**(3,027)**
Equalisation Reserves					
PFI reserves					
A130 PFI	(51,863)	(53,778)	(55,003)	(56,228)	(57,453)
Clacton Secondary Schools' PFI	(4,685)	(4,857)	(5,045)	(5,161)	(5,277)
Debden Park PFI	(5,533)	(5,629)	(5,723)	(5,754)	(5,785)
Waste reserve	(35,428)	(28,688)	(11,962)	(43,731)	(88,497)
Landfill Allowances Equalisation	-	-	-	-	-
	(97,509)	**(92,952)**	**(77,733)**	**(110,874)**	**(157,012)**
Schools	**(48,161)**	**(48,161)**	**(48,161)**	**(48,161)**	**(48,161)**
Total	**(222,861)**	**(200,514)**	**(184,330)**	**(227,465)**	**(283,597)**

1. The Transformation Reserve will have a contribution of £10 million in 2011/12 and 2013/13, although it is estimated that all will be used.
2. The Redundancy Reserve will have a contribution of £6.5 million in 2011/12, 2012/13 and 2013/14, although it is estimated that all will be used.

Revenue and Capital Budgets by Portfolio

Adults, Health and Community Wellbeing

Revenue Budget

Controllable Net Expenditure	Portfolios / Policy Budgets	2011/12 Budget		
2009-10 Actual £000		2010/11 Original Budget £000	Latest Budget £000	Controllable Net Expenditure £000
	ADULTS, HEALTH AND COMMUNITY WELLBEING			
	Adult Social Care			
	Access, Assessment and Care Management			
6,114	North East	6,645	7,051	**6,225**
5,576	Mid	5,982	6,160	**5,648**
3,226	South East	3,416	3,328	**3,103**
4,138	South West	4,112	4,207	**3,883**
5,195	West	5,016	5,067	**4,321**
1,893	Countywide	2,570	3,556	**3,335**
26,142		**27,741**	**29,369**	**26,515**
	Supported Facilitated (Purchased & Provided Care)			
129,100	Older People	120,034	124,338	**101,604**
29,143	Physical & Sensory Impairmenrt	32,111	32,085	**33,172**
105,483	Learning disabilities	115,574	112,574	**116,006**
263,726		**267,719**	**268,997**	**250,782**
	Mental Health			
13,137	Support Facilitated Care	13,045	13,316	**11,853**
7,633	Access, Assessment & Care Management	8,401	8,140	**7,431**
20,770		**21,446**	**21,456**	**19,284**
	Other social care			
6,971	Third Sector Funding (Grants/SLA's)	5,862	6,762	**6,802**
406	Carer's Strategy	968	206	**206**
301	User carer involvement	304	279	**279**
48	Essex Vulnerable Adults Committee	(48)	(48)	**(48)**
7,726		**7,086**	**7,199**	**7,239**
	Supporting People			
30,194	Programme costs	29,897	30,037	**23,230**
745	Administrative costs	823	169	**153**
(29,193)	Grant income	(1,073)	(220)	**-**
368	Supporting People ASC	406	13	**-**
2,114		**30,053**	**29,999**	**23,383**
		-	-	**-**
	Service management costs			
22,135	Service management costs	22,446	22,049	**26,882**
(765)	Recharge of service management costs	(1,045)	(1,045)	**(714)**
360	**Corporate and Democratic Core**	361	361	**361**
342,208	**Total**	**375,807**	**378,385**	**353,732**

Capital Budget

Start Year	Portfolio	2011-12 Payment Approvals			Payment Approvals			
		Gross Expenditure £000	Income £000	Net Expenditure £000	2012-13 £000	2013-14 £000	Later years £000	Total Payment Approvals £000
	ADULTS, HEALTH & COMMUNITY WELLBEING							
2010-11 & Earlier	Accommodation/Housing Strategies	300	-	300	220	200	200	920
2010-11 & Earlier	Shaftesbury Extra Care Grant	2,653	(2,653)	-	-	-	-	2,653
	ADULTS, HEALTH & COMMUNITY WELLBEING	**2,953**	**(2,653)**	**300**	**220**	**200**	**200**	**3,573**

Note: Later years include 2014/15 and 2015/16

Children's Services

Revenue Budget

Controllable Net Expenditure 2009/10 Actual £000	Portfolios / Policy Budgets	2010/11 Original Budget £000	2010/11 Latest Budget £000	2011/12 Budget Controllable Net Expenditure £000
	CHILDREN'S SERVICES			
	Schools Budget			
-	Individual schools budget			
31,580	Special	28,046	29,955	**28,046**
(2,659)	Special School Development grant	-	(2,543)	**-**
28,368	Education for the under 5s	36,508	29,296	**29,372**
221	Miscellaneous expenditure	413	409	**381**
15	School specific contingencies	3,385	1,137	**3,385**
57,525		**68,352**	**58,254**	**61,184**
	Special educational needs (Schools)			
15,546	Fees for pupils at independent schools	19,091	17,091	**17,111**
5,810	Provision for pupils with statements	10,483	3,533	**8,689**
5,763	Special educational needs support services	5,648	5,891	**5,891**
-	Promoting good practice	500	500	**500**
1,113	Re-imbursement cross boundary placements	981	981	**981**
-	School standards grant Pupil Referral Units	-	-	**-**
9,156	Behaviour support plans/Pupil Referral Units	8,958	6,908	**6,814**
8,664	Education out of school	8,759	8,583	**8,402**
433	Playgroup fees	313	314	**314**
-	Non devolved standards fund - Schools	51	1	**1**
-	Service Management	-	699	**699**
46,485		**54,784**	**44,501**	**49,402**
104,010	**Total (prior to Dedicated Schools Grant)**	123,136	102,755	**110,586**
(103,734)	**Dedicated Schools Grant**	(115,149)	(115,149)	**(113,334)**
276	**Total**	**7,987**	**(12,394)**	**(2,748)**

Revenue Budget continued

Controllable Net Expenditure 2009/10 Actual £000	Portfolios / Policy Budgets	2010/11 Original Budget £000	2010/11 Latest Budget £000	2011/12 Budget Controllable Net Expenditure £000
	CHILDREN'S SERVICES			
	Schools LA			
	Access			
1,436	Asset management	2,780	692	**692**
83	Excluded pupils	(45)	(40)	**(40)**
(5,492)	**Special School Improvement**	(3,812)	5,435	**5,418**
(31)	**Early Year and Childcare Grant**	(6,959)	-	**33,257**
(585)	**Service management**	(5,077)	1,083	**624**
74	**Corporate and democratic core**	69	69	**69**
71	**CYP Strategic Partnerships**	-	770	**770**
	Special educational needs (LA)			
4,110	Education psychology service	3,546	-	**-**
339	Education related to looked after children	723	205	**205**
386	Collaboration	449	3	**3**
14,351	Home to school transport	14,410	14,251	**12,520**
1,082	Education welfare service	902	-	**-**
	Children's Services			
-				
48,830	Care management and assessment	48,156	48,116	**50,948**
71,094	Children looked after	67,954	64,577	**65,495**
4,172	Other children's services	3,873	4,494	**4,372**
153	Essex child protection	137	103	**137**
-	Children's Fund	24	-	**-**
-	Children's Trust	-	-	**-**
424	Young Persons substance misuse	425	396	**396**
(55)	Clacton Joint Services Centres	-	-	**-**
1,323	Children Services Directorate	801	1,783	**1,664**
(997)	Service management	(804)	7,614	**5,545**
244	Corporate and Democratic Core	244	244	**244**
-				
7,930	**TASCCS teams**	7,765	115	**115**
-				
1,509	**Youth Offending Teams**	2,049	2,002	**1,919**
-	**Community Place Based Budgets**	-	-	**2,500**
-				
150,451	**Total**	**137,610**	**151,912**	**186,853**
150,727	**Total Children's Services**	**145,597**	**139,518**	**184,105**

Capital Budget

Start Year	Portfolio	2011-12 Payment Approvals Gross Expenditure £000	2011-12 Payment Approvals Income £000	2011-12 Payment Approvals Net Expenditure £000	Payment Approvals 2012-13 £000	Payment Approvals 2013-14 £000	Payment Approvals Later years £000	Total Payment Approvals £000
	CHILDREN'S SERVICES							
	Special Schools							
2010-11 & Earlier	Ramsden Hall, Food Technology Grant	281	(281)	-	-	-	-	281
2010-11 & Earlier	Schools Access Initiative	257	(257)	-	-	-	-	257
2011-12 Start	Schools Access Initiative 11/12	250	(250)	-	-	-	-	250
2012-13 Start	Schools Access Initiative 12/13	-	-	-	520	-	-	520
2012-13 Start	Special School sufficiency/modernisation 12/13	-	-	-	4,842	2,158	-	7,000
2013-14 Start	Schools Access Initiative 13/14	-	-	-	-	750	-	750
2013-14 Start	Special School sufficiency/modernisation 13/14	-	-	-	-	6,725	25	6,750
	Children & Families							
2011-12 & Later	Minor Works - Family Centres	200	-	200	200	200	200	800
2011-12 & Later	Minor Works - Residential Homes	150	-	150	150	150	150	600
2011-12 Start	Ongar Theatre Resources	142	-	142	-	-	-	142
	CHILDREN'S SERVICES	**1,280**	**(788)**	**492**	**5,712**	**9,983**	**375**	**17,350**

Note: Later years include 2014/15 and 2015/16

Education and 2012 Games

Revenue Budget

Controllable Net Expenditure	Portfolios / Policy Budgets			2011/12 Budget
2009/10 Actual £000		**2010/11 Original Budget £000**	**Latest Budget £000**	**Controllable Net Expenditure £000**
	EDUCATION AND 2012 GAMES (DSG)			
	Schools Budget			
	Individual Schools Budget			
387,877	Primary	344,685	395,623	**390,768**
414,157	Secondary	358,119	407,969	**390,142**
6,270	Local Delivery Groups	-	6,046	**-**
246	Devolved standards grant	39,055	60	**-**
(13,626)	Devolved standards fund	-	(13,962)	**-**
(38,195)	School Development Grant	-	(37,419)	**-**
-	Excellence in cities	-	-	**-**
-	Transitional Support Grant	-	-	**-**
317	School meals in primary and special schools	370	358	**370**
173	Free school meals eligibility	173	-	**-**
490	Licence fees and subscriptions	682	682	**682**
1,777	School admissions	1,782	187	**187**
23	School forum	24	24	**24**
366	Supply cover	683	683	**686**
-	Termination of employment costs	309	309	**309**
524	Miscellaneous	561	506	**506**
530	School specific contingencies	5,648	4,589	**16,914**
-	Grants supporting schools delegated budgets	-	-	**-**
(50,886)	LSC funding for post 16 pupils	(49,887)	(49,887)	**(52,030)**
(38,813)	School Standards grant	(39,055)	(39,055)	**-**
492	Non devolved Standards Fund - Schools	243	(108)	**293**
(1)	Non devolved School Development Grant	-	-	**-**
-	Devolved School Meals Grant	-	-	**-**
-	Devolved Targeted School Meals Grant	-	-	**-**
(1,061)	Other specific grant aided schemes	(32)	(1,608)	**-**
2,399	Contribution to combined budgets	2,566	1,897	**2,566**
17	14-16 More practical learning options	510	510	**510**
390	Capital Expenditure from Revenue	1,288	1,260	**1,288**
673,466		**667,724**	**678,664**	**753,215**
	Special educational needs			
499	Promoting good practice	703	357	**357**
-	Education out of school	2,536	330	**2,536**
673,965	**Total (prior to Dedicated Schools Grant)**	670,963	679,351	**756,108**
-	**Service Management**	-	1,796	**1,795**
(660,732)	**Dedicated Schools Grant**	(670,242)	(670,242)	**(758,002)**
13,233	**Total**	**721**	**10,905**	**(99)**

Revenue Budget continued

Controllable Net Expenditure	Portfolios / Policy Budgets			2011/12 Budget
2009/10 Actual £000		2010/11 Original Budget £000	Latest Budget £000	Controllable Net Expenditure £000
	EDUCATION AND 2012 GAMES (NON DSG)			
	Schools LA			
	Strategic management			
(8,726)	Statutory and regulatory duties	2,938	1,709	**1,456**
(213)	Early and premature retirement / redundancy costs	3,408	3,403	**3,403**
	Specific Grants			
(3,957)	Non Devolved Standards Fund	774	(3,193)	**172**
-	Non Standards Fund	-	-	**-**
-	Other specific grant aided schemes	81	81	**81**
	Access			
17,113	Home to school/college transport	16,015	15,374	**14,843**
119	Pupil support	104	71	**71**
211	Outdoor education	241	196	**196**
118	Provision of school places	197	60	**96**
2,345	Building schools for the future	(70)	(70)	**586**
10,722	**School improvement**	12,351	15,758	**11,076**
1,890	**Support to students**	1,143	20	**20**
-	**YPLA Funding**	-	-	**-**
-	**Asset Charges**	-	-	**-**
	Children's Services			
10,307	Youth Service	10,960	10,957	**10,422**
(3)	Surestart	-	-	**-**
(13)	Connexions	86	22	**1,586**
8	Essex LCSB	8	8	**8**
(441)	Service management	4,684	1,457	**1,967**
29,480	**Total**	**52,920**	**45,853**	**45,983**

Controllable Net Expenditure	Portfolios / Policy Budgets			2011/12 Budget
2009/10 Actual £000		2010/11 Original Budget £000	Latest Budget £000	Controllable Net Expenditure £000
	EDUCATION AND 2012 GAMES (LEE VALLEY & 2012 GAMES)			
	2012 Games and sports development			
852	Sports development	770	770	**770**
77	Hadleigh Castle Country Park	116	116	**281**
	Precepts			
1,619	Lee Valley Regional Park Precept	1,622	1,615	**1,695**
2,548	**Total**	**2,508**	**2,501**	**2,746**
45,261	**Total Education and 2012 Games**	**56,149**	**59,259**	**48,630**

Capital Budget

	Portfolio	2011-12 Payment Approvals			Payment Approvals			
Start Year		Gross Expenditure £000	Income £000	Net Expenditure £000	2012-13 £000	2013-14 £000	Later years £000	Total Payment Approvals £000
	EDUCATION & 2012 GAMES							
	Schools							
	Basic Need Schemes							
2010-11 & Earlier	Buckhurst Hill, Buckhurst Hill Primary	1,376	(1,376)	-	-	-	-	1,376
2010-11 & Earlier	Colchester, Queen Boudica Primary	769	(769)	-	-	-	-	769
2010-11 & Earlier	Stansted, Rochford Nurseries Primary	3,266	(3,266)	-	1,361	-	-	4,627
2010-11 & Earlier	Takeley, Priors Green Primary	4,606	(4,606)	-	1,535	-	-	6,141
2010-11 & Earlier	Witham, Chipping Hill Primary (Maltings Lane)	1,578	(1,578)	-	-	-	-	1,578
2011-12 Start	Buckhurst Hill, St. Johns	1,650	(1,650)	-	200	-	-	1,850
2011-12 Start	Chelmsford, Chelmer Valley High School	2,933	(2,933)	-	-	-	-	2,933
2011-12 Start	Chelmsford, Hylands	2,968	(2,968)	-	-	-	-	2,968
2011-12 Start	Colchester Primary Review	2,252	(2,252)	-	4,134	2,600	500	9,486
2011-12 Start	Harlow, New Hall Farm Primary School	685	(685)	-	3,819	1,924	-	6,428
2011-12 Start	Mildmay, Replacement of relocatables	357	(357)	-	-	-	-	357
2011-12 Start	Temporary Accommodation	1,000	(1,000)	-	500	-	-	1,500
2012-13 Start	Chelmsford, New Primary School	619	(619)	-	3,856	1,411	-	5,886
2012-13 Start	Colchester, South New Primary	608	(608)	-	3,882	1,320	-	5,810
2012-13 Start	Epping Primary additional places	187	(187)	-	1,313	-	-	1,500
2012-13 Start	Felsted, New Primary School	10	(10)	-	490	-	-	500
2012-13 Start	Harlow, Primary additional places	63	(63)	-	437	-	-	500
2012-13 Start	Severalls, 420 Place School	470	-	470	3,168	1,162	-	4,800
2012-13 Start	Temporary Accommodation Block 12/13	34	(34)	-	1,466	-	-	1,500
2013-14 Start	Broomfield, Primary School	25	(25)	-	760	3,801	2,415	7,001
2013-14 Start	Chelmsford Secondary Review	-	-	-	-	1,500	12,500	14,000
2013-14 Start	Temporary Accommodation Block 13/14	-	-	-	40	1,460	-	1,500
Later Years	Temporary Accommodation Block 14/15	-	-	-	-	40	1,460	1,500
	Reorganisation Schemes							
2010-11 & Earlier	Harlow Passmores Redevelopment	6,055	(6,055)	-	-	-	-	6,055
2010-11 & Earlier	Hutton Willowbrook Primary School	3,551	(3,551)	-	-	-	-	3,551
2012-13 Start	Brentwood Secondary Provision	375	(375)	-	2,660	965	-	4,000
Later Years	Colchester Secondary reorganisation	-	-	-	27	913	29,060	30,000
	Modernisation Schemes							
2010-11 & Earlier	Food Technology	214	(214)	-	-	-	-	214
2010-11 & Earlier	Targeted Capital	595	(595)	-	-	-	-	595
	Academies							
2010-11 & Earlier	Basildon Upper Academy	4,185	(4,185)	-	-	-	-	4,185
2010-11 & Earlier	Witham Academies	15,235	(15,235)	-	3,607	-	-	18,842
	Primary Capital Programme (PCP)							
2010-11 & Earlier	Harlow, Purford Green infant/junior amalgamation	2,708	(2,708)	-	-	-	-	2,708
2010-11 & Earlier	PCP Burnham Primary School	887	(887)	-	-	-	-	887
2010-11 & Earlier	PCP Canvey, Winter Garden Primary	609	(609)	-	-	-	-	609
2010-11 & Earlier	PCP Clacton Ravenscroft Primary	200	(200)	-	-	-	-	200
2010-11 & Earlier	PCP Clacton, Coppins Green Primary	419	(419)	-	-	-	-	419
2010-11 & Earlier	PCP John Fisher Catholic Primary	84	(84)	-	-	-	-	84
2010-11 & Earlier	PCP Mersea Island Primary	806	(806)	-	-	-	-	806
2010-11 & Earlier	White Court Primary School, permanent replacements	1,206	(1,206)	-	-	-	-	1,206
	Formula Capital Grant							
2010-11 & Earlier	Formula Capital Grant	8,380	(8,380)	-	4,986	-	-	13,366
2011-12 Start	Formula Capital Grant 11-12	4,156	(4,156)	-	-	-	-	4,156
2012-13 Start	Formula Capital Grant 12-13	-	-	-	4,156	-	-	4,156
2013-14 Start	Formula Capital Grant 13-14	-	-	-	-	4,156	-	4,156

Note: Later years include 2014/15 and 2015/16

Capital Budget continued

	Portfolio	2011-12 Payment Approvals			Payment Approvals			
	Other							
2010-11 & Earlier	Education Joint Fund Initiative	817	(817)	-	-	-	-	817
2010-11 & Earlier	Extended Schools	707	(707)	-	-	-	-	707
2010-11 & Earlier	Minor Works Primary School Halls 10-11	20	(20)	-	-	-	-	20
2011-12 Start	Asset Management Plan - Modernisation	600	(600)	-	3,600	-	-	4,200
2011-12 Start	Capital Programme Support	700	(700)	-	-	-	-	700
2011-12 Start	Capitalised maintenance 11-12	10,500	(10,500)	-	500	-	-	11,000
2011-12 Start	James Hornsby High, Playing Field	1,265	(1,265)	-	-	-	-	1,265
2011-12 Start	Colchester, Kendall Primary	1,083	(1,083)	-	90	-	-	1,173
2011-12 Start	Minor works - general and feasibility studies 11-12	150	(150)	-	-	-	-	150
2011-12 Start	Rayleigh, Down Hall Primary Extension	293	(293)	-	-	-	-	293
2012-13 Start	Asset Management Plan - Modernisation	-	-	-	2,000	-	-	2,000
2012-13 Start	Capital Programme Support	-	-	-	700	-	-	700
2012-13 Start	Capitalised maintenance 12-13	-	-	-	9,500	500	-	10,000
2012-13 Start	Minor works - general and feasibility studies 12-13	-	-	-	150	-	-	150
2012-13 Start	South Essex Secondary/Special co-location	-	-	-	700	5,028	17,272	23,000
2013-14 Start	Asset Management Plan - Modernisation	-	-	-	-	6,950	50	7,000
2013-14 Start	Capital Programme Support	-	-	-	-	700	-	700
2013-14 Start	Capitalised maintenance 13-14	-	-	-	-	8,500	-	8,500
2013-14 Start	Minor works - general and feasibility studies 13-14	-	-	-	-	150	-	150
	Youth							
2010-11 & Earlier	Danbury Outdoors Site Facility	787	-	787	12	-	-	799
2010-11 & Earlier	Disability Discrimination Act Works	49	-	49	-	-	-	49
2010-11 & Earlier	Mersea Outdoors Site Facility	2,113	(1,150)	963	101	15	-	2,229
2010-11 & Earlier	Minor Works - Outdoor Education Centres	150	-	150	150	150	150	600
2011-12 Start	Harlow Youth Provision	800	-	800	-	-	-	800
	2012 Games							
2010-11 & Earlier	Hadleigh Farm Park - 2012 Games	364	-	364	265	-	-	629
	Building Schools for the Future							
2010-11 & Earlier	Capital contribution to Wave 4 BSF	2,209	-	2,209	-	-	-	2,209
2010-11 & Earlier	De la Salle	3,396	(3,396)	-	5,605	-	-	9,001
2011-12 Start	Investment in PFI SPV's	300	(300)	-	-	-	-	300
2011-12 Start	James Hornsby High (Wave 4)	1,036	(1,036)	-	3,109	-	-	4,145
2011-12 Start	Pioneer School	501	(501)	-	-	-	-	501
2011-12 Start	Shorefields (Wave 4)	2,556	(2,556)	-	2,556	-	-	5,112
	EDUCATION & 2012 GAMES	**105,517**	**(99,725)**	**5,792**	**71,435**	**43,245**	**63,407**	**283,604**

Note: Later years include 2014/15 and 2015/16

Highways and Transportation

Revenue Budget

Controllable Net Expenditure 2009/10 Actual £000	Portfolios / Policy Budgets	2010/11 Original Budget £000	2010/11 Latest Budget £000	2011/12 Budget Controllable Net Expenditure £000
	HIGHWAYS AND TRANSPORTATION			
28,249	**Roads and footways**	28,187	28,908	**27,684**
7	**Traffic Management Act**	(470)	(270)	**(652)**
1,479	**Bridges**	1,789	1,827	**1,824**
9,275	**Street Lighting**	8,727	8,787	**8,777**
6,267	**Congestion**	7,211	7,292	**5,759**
5,918	**Road Safety**	6,838	6,358	**5,124**
4,192	**Strategic development and transportation**	1,485	1,539	**1,722**
3,170	**Public Rights of Way**	3,067	3,198	**3,551**
(496)	**A130 Private Finance Initiative**	235	218	**908**
13,624	**Passenger transport**	16,003	16,160	**30,345**
-	**Support services**	-	-	**-**
953	**Corporate and Democratic Core**	915	1,010	**955**
72,638	Total	73,987	75,027	85,997

Capital Budget

Start Year	Portfolio	2011-12 Payment Approvals Gross Expenditure £000	Income £000	Net Expenditure £000	Payment Approvals 2012-13 £000	2013-14 £000	Later years £000	Total Payment Approvals £000
	HIGHWAYS & TRANSPORTATION							
	Maintenance Initiative							
2011-12 & Later	Maintenance Initiative	5,000	-	5,000	5,000	5,000	10,000	25,000
	Asset Maintenance							
2011-12 & Later	A130 Bypass PFI Improvements	100	(100)	-	100	100	200	500
2011-12 & Later	County Bridges maintenance and strengthening	2,939	(2,939)	-	3,546	4,525	6,519	17,529
2011-12 & Later	County roads maintenance	12,889	(12,889)	-	10,392	9,611	17,719	50,611
2011-12 & Later	Footway maintenance	2,000	(2,000)	-	2,000	2,000	4,000	10,000
2011-12 & Later	Street lighting replacement	1,300	(1,300)	-	1,300	1,300	2,600	6,500
	Integrated Transport							
2010-11 & Earlier	Braintree Freeport Community Link	863	(563)	300	-	-	-	863
2010-11 & Earlier	Surface Water Alleviation	548	(548)	-	570	466	927	2,511
2011-12 & Later	Passenger Transport (including Community Link)	1,593	(1,593)	-	998	2,279	4,634	9,504
2011-12 & Later	Public Rights of Way	452	(452)	-	528	377	892	2,249
2011-12 & Later	Safer Roads (including Casualty Reduction)	1,548	(1,548)	-	1,470	1,242	2,439	6,699
2011-12 & Later	Safety Barrier Replacement	500	(500)	-	500	500	1,000	2,500
2011-12 & Later	Tackling Congestion	1,524	(1,524)	-	1,662	1,694	3,152	8,032
2011-12 & Later	Traffic Management Improvements	910	(910)	-	950	787	1,557	4,204
2011-12 & Later	Traffic Signals refurbishment	1,000	(1,000)	-	1,000	1,000	2,000	5,000
2011-12 & Later	Walking and Cycling	695	(695)	-	730	572	1,572	3,569
	Major new infrastructure							
2010-11 & Earlier	Chelmer Valley Park & Ride	50	-	50	-	-	-	50
2010-11 & Earlier	Epping Forest Transport Strategy Ph 1	420	(300)	120	-	-	-	420
2010-11 & Earlier	Hadleigh Farm Access Improvements	700	-	700	-	-	-	700
2011-12 & Later	Major Schemes planning & management	1,500	(500)	1,000	1,500	1,500	3,000	7,500
2011-12 & Later	Street Lighting CMS	2,171	-	2,171	2,171	-	-	4,342
2011-12 & Later	Transportation & Major schemes	33,849	(29,586)	4,263	125	-	-	33,974
2011-12 Start	Colchester Northern Approaches Road Phase 3	6,000	(4,000)	2,000	2,800	-	-	8,800
2011-12 Start	Cuckoo Farm P&R	2,100	-	2,100	1,700	-	-	3,800
2011-12 Start	Epping Forest Transport Strategy	200	-	200	-	-	-	200
2013-14 Start	Chelmsford Chelmer Valley P&R	-	-	-	-	-	-	-
	Other							
2010-11 & Earlier	Basildon Enterprise Corridor	115	-	115	-	-	-	115
2010-11 & Earlier	Castle Point A13 Passenger Transport Corridor	1,513	(1,513)	-	-	-	-	1,513
2010-11 & Earlier	Colchester A134 St Botolph's Roundabout	950	(950)	-	-	-	-	950
2010-11 & Earlier	Harlow Cycle Town	200	(200)	-	-	-	-	200
2010-11 & Earlier	Moulsham Street Improvements	300	-	300	-	-	-	300
2010-11 & Earlier	Springwood Avenue, Braintree	98	-	98	-	-	-	98
2010-11 & Earlier	Witham Station Footbridge Extension	625	-	625	-	-	-	625
2011-12 Start	Vehicle Location System	228	(228)	-	958	949	559	2,694
	HIGHWAYS & TRANSPORTATION	**84,880**	**(65,838)**	**19,042**	**40,000**	**33,902**	**62,770**	**221,552**

Note: Later years include 2014/15 and 2015/16

Environment & Waste

Revenue Budget

Controllable Net Expenditure 2009/10 Actual £000	Portfolios / Policy Budgets	2010/11 Original Budget £000	2010/11 Latest Budget £000	2011/12 Budget Controllable Net Expenditure £000
	ENVIRONMENT & WASTE			
	Environment and Commerce			
	Waste management			
23,653	Waste disposal	24,319	24,951	**27,434**
(1,384)	Trade waste income	(1,577)	(1,577)	**(1,563)**
14,023	Recycling initiatives	17,566	17,426	**19,987**
1,040	Tipping away payments	292	292	**1,118**
301	Landfill aftercare	335	335	**339**
8,828	Civic amenity service	8,843	8,351	**7,702**
364	Exceptional Wastes	334	334	**410**
-	Waste Performance and efficiency grant	-	-	**-**
1,695	Waste Strategy	1,905	1,905	**1,924**
2,304	Waste Management and support services	2,742	2,841	**1,610**
50,824		54,759	54,858	**58,961**
3,043	**Trading standards**	3,319	3,316	**2,511**
274	**Environmental strategy**	394	378	**130**
960	**Natural Environment**	278	391	**222**
-	**Management and support services**	-	-	**-**
55,101	**Total Environment and Commerce**	**58,750**	**58,943**	**61,824**
960	**Country parks**	617	750	**501**
-	**Marsh Farm**	435	458	**(12)**
-	**Contributions to other bodies**	102	102	**93**
55,101	**Emergency planning**	1,072	880	**951**
-	**Community safety**	458	428	**377**
381	**Community policing**	150	150	**-**
239	**Anti social behaviour**	247	237	**160**
102	**Management and support services**	-	-	**-**
1,024	**Corporate and democratic core**	173	172	**65**
809	**Member support**	2,329	2,322	**2,177**
61,408	**Total**	**64,333**	**64,442**	**66,136**

Capital Budget

Start Year	Portfolio	2011-12 Payment Approvals Gross Expenditure £000	Income £000	Net Expenditure £000	Payment Approvals 2012-13 £000	2013-14 £000	Later years £000	Total Payment Approvals £000
	ENVIRONMENT & WASTE							
	Waste							
2010-11 & Earlier	Shalford closed landfill gas control system	50	-	50	-	-	-	50
2010-11 & Earlier	Waste Capital Infrastructure Grant, District Support	1,497	(1,497)	-	-	-	-	1,497
2011-12 Start	CCTV new installations	53	-	53	-	-	-	53
2011-12 Start	Drainage	22	-	22	-	-	-	22
2011-12 Start	Leachate Treatment	333	-	333	333	333	800	1,799
2011-12 Start	Line Painting	45	-	45	-	2	2	49
2011-12 Start	Pedestrian steps	35	-	35	35	35	70	175
2011-12 Start	Perimeter Fencing/Site Security	70	-	70	33	-	16	119
2011-12 Start	Resurfacing	18	-	18	45	-	41	104
2011-12 Start	Site Layout improvements	40	-	40	15	-	-	55
2011-12 Start	Site office accommodation	12	-	12	12	12	24	60
2011-12 Start	Waste Compactors	190	-	190	228	-	-	418
2011-12 Start	Waste Receptacles	30	-	30	30	30	60	150
2012-13 Start	CCTV upgrades	-	-	-	112	-	-	112
2012-13 Start	Landfill Restoration, Remediation and Landscaping	-	-	-	400	750	-	1,150
	Waste Strategy							
2010-11 & Earlier	Biowaste	-	-	-	2,808	-	-	2,808
2010-11 & Earlier	Courtauld Road Improvements	2,483	-	2,483	50	-	-	2,533
2010-11 & Earlier	Transfer Stations	4,926	-	4,926	7,644	6,788	-	19,358
	Country Parks							
2010-11 & Earlier	Machinery Replacement	50	-	50	-	-	-	50
	ENVIRONMENT & WASTE	**9,854**	**(1,497)**	**8,357**	**11,745**	**7,950**	**1,013**	**30,562**

Note: Later years include 2014/15 and 2015/16

Heritage, Culture and the Arts

Revenue Budget

Controllable Net Expenditure	Portfolios / Policy Budgets			2011/12 Budget
2009/10 Actual £000		2010/11 Original Budget £000	Latest Budget £000	Controllable Net Expenditure £000
	HERITAGE, CULTURE AND THE ARTS			
101	**Cressing Temple**	129	123	**108**
903	**Built environment**	905	978	**676**
2,636	**Heritage and cultural services**	2,266	2,665	**2,180**
546	**Historic environment**	566	565	**449**
141	**Quality of Life**	147	-	**-**
470	**Tourism**	336	435	**276**
	Adult community learning			
(206)	Adult education	(887)	(543)	**(1,116)**
-	Community education local funds	-	-	**-**
814	Residual pension liability	801	801	**801**
73	Service management costs	83	83	**29**
	Libraries and Information Services			
13,776	Library operational services	14,038	13,891	**12,162**
3,053	Resources	2,929	2,929	**2,679**
27	Community information points	28	28	**28**
162	Service management costs	177	176	**34**
22,496	**Total**	**21,518**	**22,131**	**18,306**

Capital Budget

Start Year	Portfolio	2011-12 Payment Approvals Gross Expenditure £000	Income £000	Net Expenditure £000	Payment Approvals 2012-13 £000	2013-14 £000	Later years £000	Total Payment Approvals £000
	HERITAGE, CULTURE & THE ARTS							
	Adult Learning							
2010-11 & Earlier	Maldon Learning Hub	50	-	50	-	-	-	50
2011-12 Start	St Peters College, Chelmsford	1,000	-	1,000	-	-	-	1,000
	Libraries							
2010-11 & Earlier	Radio-frequency identification (RFID) extension	500	-	500	250	250	250	1,250
2010-11 & Earlier	Springfield Library Facility	614	-	614	125	50	-	789
	Built Environment							
2011-12 Start	Public Art - School building enhancements	44	-	44	168	238	400	850
2011-12 Start	Public Art - Tourism Initiatives	60	-	60	50	-	-	110
2011-12 Start	Public Art - Town Centre enhancements	155	-	155	145	200	400	900
	HERITAGE, CULTURE & THE ARTS	**2,423**	**-**	**2,423**	**738**	**738**	**1,050**	**4,949**

Note: Later years include 2014/15 and 2015/16

Leader

Revenue Budget

Controllable Net Expenditure 2009/10 Actual £000	Portfolios / Policy Budgets	2010/11 Original Budget £000	2010/11 Latest Budget £000	2011/12 Budget Controllable Net Expenditure £000
	LEADER			
	Democratic core			
3,226	Democratic representation & management	2,785	4,433	**3,044**
3,115	Corporate management - leadership	3,552	3,176	**3,104**
	Other			
-	Essex Initiatives	988	529	**500**
334	Contributions and subscriptions	157	390	**177**
-	Corporate management - resource management	-	-	**-**
-	Publications	-	-	**-**
(59)	**Local Area Agreement pooled funds**	4,841	1,252	**1,115**
	International development			
-	Other international development	-	-	**-**
234	International Projects	-	-	**344**
2,619	**Economic Regeneration**	1,720	3,122	**1,418**
450	**Inward Investment**	448	501	**280**
1,032	**Skills and International Trade**	2,873	3,109	**823**
5,314	**LAA Performance Reward**	-	822	**-**
16,265	**Total**	**17,364**	**17,334**	**10,805**

Capital Budget

Start Year	Portfolio	2011-12 Payment Approvals Gross Expenditure £000	2011-12 Payment Approvals Income £000	2011-12 Payment Approvals Net Expenditure £000	Payment Approvals 2012-13 £000	Payment Approvals 2013-14 £000	Payment Approvals Later years £000	Total Payment Approvals £000
	LEADER							
	Skills							
2010-11 & Earlier	Canvey Island Vocational Centre	7,250	(4,383)	2,867	500	-	-	7,750
	LEADER	**7,250**	**(4,383)**	**2,867**	**500**	**-**	**-**	**7,750**

Note: Later years include 2014/15 and 2015/16

Communities and Planning

Revenue Budget

Controllable Net Expenditure	Portfolios / Policy Budgets			2011/12 Budget
2009/10 Actual £000		2010/11 Original Budget £000	Latest Budget £000	Controllable Net Expenditure £000
	COMMUNITIES AND PLANNING			
450	**Area and partnership coordination**	335	335	**335**
904	**Develop partnerships with Districts**	901	901	**-**
243	**Making the Link**	237	236	**116**
268	**Rural Issues**	281	281	**281**
27	**Travellers**	(26)	9	**69**
970	**Sustainable development**	860	874	**661**
1,026	**Development management**	1,317	1,445	**1,320**
1,044	**Environmental planning**	1,096	1,060	**1,024**
344	**Volunteering**	-	369	**329**
-	**Big Society Fund** [1]	-	-	**441**
5,276	**Total**	**5,001**	**5,510**	**4,576**

Capital Budget

	Portfolio	2011-12 Payment Approvals			Payment Approvals			
Start Year		Gross Expenditure £000	Income £000	Net Expenditure £000	2012-13 £000	2013-14 £000	Later years £000	Total Payment Approvals £000
	COMMUNITIES & PLANNING							
	Localism							
2010-11 & Earlier	Big Society Fund [1]	988	(988)	-	1,500	1,500	1,500	5,488
2010-11 & Earlier	Youth Community Initiatives Fund	404	(13)	391	-	-	-	404
	Travellers							
2010-11 & Earlier	Colchester Gypsy Site / Severalls East	1,770	(1,770)	-	-	-	-	1,770
	COMMUNITIES & PLANNING	**3,162**	**(2,771)**	**391**	**1,500**	**1,500**	**1,500**	**7,662**

Note: Later years include 2014/15 and 2015/16

[1.] The full value of the Big Society Fund including both capital and revenue components is £1,429,000.

Major Projects and Commercial Services

Revenue Budget

Controllable Net Expenditure 2009/10 Actual £000	Portfolios / Policy Budgets	2010/11 Original Budget £000	2010/11 Latest Budget £000	2011/12 Budget Controllable Net Expenditure £000
	MAJOR PROJECTS AND COMMERCIAL SERVICES			
(30)	**Shared use buildings**	7	7	**38**
256	**Registration of births, deaths and marriages**	171	117	**19**
1,748	**Coroners' courts**	1,713	1,624	**1,256**
-	**Assets**	-	-	**-**
(91)	Surplus properties	(73)	(62)	**74**
79	Other property services	64	-	**51**
1,962	**Total**	**1,882**	**1,686**	**1,438**

Capital Budget

Start Year	Portfolio	2011-12 Payment Approvals Gross Expenditure £000	Income £000	Net Expenditure £000	Payment Approvals 2012-13 £000	2013-14 £000	Later years £000	Total Payment Approvals £000
	MAJOR PROJECTS & COMMERCIAL SERVICES							
	Asset Management							
2010-11 & Earlier	Hadleigh Farm Build - 2012 Games	753	-	753	-	-	-	753
2010-11 & Earlier	Office Strategy - To Exit Leased Offices	371	-	371	-	-	-	371
	Facilities Management							
2011-12 Start	2011/12 DDA Block	250	-	250	-	-	-	250
2011-12 Start	Capitalised Building Maintenance 2011/12	500	-	500	-	-	-	500
2011-12 Start	Minor Works 2011/12	500	-	500	-	-	-	500
2012-13 Start	2012/13 DDA Block	-	-	-	250	-	-	250
2012-13 Start	Capitalised Building Maintenance 2012/13	-	-	-	450	-	-	450
2012-13 Start	Minor Works 2012/13	-	-	-	500	-	-	500
2013-14 Start	2013/14 DDA Block	-	-	-	-	250	-	250
2013-14 Start	Capitalised Building Maintenance 2013/14	-	-	-	-	500	-	500
2013-14 Start	Minor Works 2013/14	-	-	-	-	500	-	500
	MAJOR PROJECTS & COMMERCIAL SERVICES	**2,374**	**-**	**2,374**	**1,200**	**1,250**	**-**	**4,824**

Note: Later years include 2014/15 and 2015/16

Finance and Transformation Programme

Revenue Budget

Controllable Net Expenditure 2009/10 Actual £000	Portfolios / Policy Budgets	2010/11 Original Budget £000	2010/11 Latest Budget £000	2011/12 Budget Controllable Net Expenditure £000
	FINANCE AND TRANSFORMATION PROJECTS			
	Central services to the public			
(614)	Other services	31	31	**183**
1,173	Second Homes Discount Scheme	1,100	1,070	**1,082**
559		**1,131**	**1,101**	**1,265**
	Non distributed costs			
293	Past service cost/(gains)	-	-	**-**
1,046	Curtailment	-	-	**-**
(1,504)	Settlement	-	-	**-**
(165)		**-**	**-**	**-**
	Precepts			
1,114	Environment Agency	1,315	1,299	**1,365**
230	Kent and Essex Sea Fisheries	230	239	**386**
4	Financial Reporting Council	-	-	**-**
1,348		**1,545**	**1,538**	**1,751**
1,742	**Total**	**2,676**	**2,639**	**3,016**

Capital Budget

Start Year	Portfolio	2011-12 Payment Approvals Gross Expenditure £000	2011-12 Payment Approvals Income £000	2011-12 Payment Approvals Net Expenditure £000	Payment Approvals 2012-13 £000	Payment Approvals 2013-14 £000	Payment Approvals Later years £000	Total Payment Approvals £000
	FINANCE & TRANSFORMATION PROGRAMME							
	Information Services							
2010-11 & EARLI	ICT modernisation	1,352	-	1,352	4,767	1,330	1,390	7,487
	FINANCE & TRANSFORMATION PROGRAMME	**1,352**	**-**	**1,352 -**	**4,767**	**1,330**	**1,390**	**7,487**

Note: Later years include 2014/15 and 2015/16

Other Operating Costs

Controllable Net Expenditure	Portfolios / Policy Budgets			2011/12 Budget
2009/10 Actual £000		2010/11 Original Budget £000	Latest Budget £000	Controllable Net Expenditure £000
	OPERATING COSTS			
	Interest receivable			
(4,960)	External interest receivable	(2,931)	(2,781)	**(2,305)**
622	Interest on earmarked reserves	2,006	756	**1,173**
	Interest Payable			
13,577	External interest payable	20,395	16,389	**19,591**
(766)	Contributions towards transferred debt	(694)	(694)	**(667)**
(128)	Loan charges grant	(130)	(130)	**(130)**
	Capital financing			
(21)	Depreciation	-	-	**-**
-	Government grants	-	-	**-**
22,939	Repayment of external loans	28,508	28,300	**33,358**
	Pension interest & return on assets			
(57,313)	Expected return on pension assets	-	-	**-**
103,205	Pension interest	-	-	**-**
(13,384)	Pension reserve (FRS 17)	-	-	**-**
	Appropriations			
(7,216)	**Schools**	-	-	**-**
	Capital Financing			
(2,896)	Future capital funding	-	(671)	**-**
-	Bellhouse landfill	-	-	**-**
	PFI capital financing equalisation reserves			
2,142	A130 reserve	1,915	1,915	**1,225**
174	Debden Park reserve	96	96	**94**
77	Clacton Secondary School PFI	172	172	**188**
12,181	Waste reserve	24,160	8,258	**4,274**
(1)	Tendring PPP	-	-	**-**
	General Reserves			
(17,201)	Service improvements reserve	(4,289)	(4,288)	**9,188**
(1,495)	Essex Pledges reserve	(7,526)	(7,526)	**-**
(886)	Quadrennial Elections Reserve	-	(24)	**-**
(491)	Capital Receipts Pump Priming Reserve	-	-	**-**
(4,541)	IMT reserve	-	(1,735)	**(212)**
(44)	Partnerships	-	-	**-**
(4,047)	Insurance reserve	(132)	(132)	**-**
(2,627)	Pension Fund deficit	-	-	**-**
(773)	Transformation reserve	-	-	**-**
(5,600)	Debt financing reserve	-	-	**-**
25	Essex Art Fund	-	-	**(258)**
1,873	LAA performance reserve	(7,595)	(492)	**-**
(1,918)	Health and safety reserve	-	-	**-**
-	Landfill Allowances Equalisation reserve	-	-	**-**
877	ExDRA Partnership reserve	-	(733)	**-**
15	Carbon Reduction reserve	-	-	**-**
(104)	Essex on-line partnership reserve	-	-	**-**
-	Children's Reserve	4,400	-	**-**
-	Developing Partnerships	-	-	**(1,500)**
(84)	Essex Transport reserve	(16)	(76)	**(821)**
(2,179)	Carry Forwards reserve	-	(2,784)	**(3,260)**
728	Life Raft Pledge reserve	-	-	**(728)**
118	Newton reserve	-	-	**-**
-	Personal care reserve	1,800	1,800	**(1,800)**
252	Severe Weather reserve	-	-	**-**
-	Redundancy Reserve	-	-	**6,500**
(605)	Trading activities	-	(1,408)	**-**
-	**Emergency contingency**	8,000	2,144	**8,000**
29,525	**Total**	**68,139**	**36,356**	**71,910**

Recharged Strategic Support Services

Controllable Net Expenditure	Portfolios / Policy Budgets			2011/12 Budget
2009/10		2010/11		Controllable
Actual		Original Budget	Latest Budget	Net Expenditure
£000		£000	£000	£000
	RECHARGED STRATEGIC SUPPORT SERVICES			
	Highways and Transportation			
1,304	Transport Coordination Centre	1,415	1,442	**1,296**
288	Car Provision Scheme	(300)	(487)	**(300)**
	Environment & Waste			
-	Democratic Services	918	897	**888**
	Leader			
1,877	Communications and customer relations	2,275	2,502	**2,024**
2,269	Customer Contact Centre	2,278	4,644	**3,049**
	Major Projects and Commercial Services			
14,847	Facilities Management Service	12,970	13,308	**10,797**
4,344	Essex Legal Services	2,622	4,193	**356**
2,765	Asset Management	2,672	4,279	**2,640**
2,830	Procurement and Car Provision Scheme	1,989	9,877	**2,092**
	Finance and Transformation Programme			
30,553	Information Services	15,807	17,105	**11,990**
21,719	Finance	7,140	16,849	**13,566**
7,562	Human Resources	7,830	8,618	**6,427**
7,845	Insurance Cost Recovery Account	5,354	4,685	**4,685**
2,072	Transformation Support Unit	6,019	4,728	**4,147**
101,179	**Total**	**68,989**	**92,640**	**63,657**
5,939	**BUILDING MAINTENANCE**	**2,652**	**3,402**	**3,960**

3. Executive Director for Finance Report on Robustness of the Budget

Introduction

The Council is statutorily required, in accordance with Section 25 of the Local Government Act 2003 to, when deciding the budget and council tax precept, receive and have regard to a report from its Section 151 Officer on the robustness of the estimates made in the budget setting and the adequacy of the Council's reserves.

The items set out below represent my assessment of these matters based on:

- information from services about financial risks; and
- the knowledge and experience of myself and the finance department.

Summary and Recommendation

In the light of the information made available during the budget process, and taking account of the considerations set out in this report, **it is my view that there is sufficient robustness within the Council's estimates and that the level of reserves are adequate.** However, it must be emphasised that the combination of an intensive savings and efficiencies programme with its inherent delivery risks and the use of reserves on a short term basis, does mean that both adequate general reserves and robust management of delivery programmes is required to maintain sound finances. In this way, future reliance on reserves to sustain services can be avoided and the firm foundations of sound budgeting with ongoing funds restored.

It is recommended that the Council have regard to this report in considering the budget.

Background to the Budget

In arriving at the budget for 2011/12 (both revenue and capital), account has been taken of the following factors:

- Policy and service priorities.
- Government grant funding.
- Increases in demand for services and other growth pressures.
- The impact of current and the proposed capital programme on the revenue financing budgets.
- Impact of expected pay and price increases.
- Transformation and efficiency programmes underway.
- Adjustments to reflect changing responsibilities, funding transfers and other technical adjustments.
- Any potential impacts of the current economic climate.
- Emerging issues from the projected 2010/11 outturn as reported in the Third Quarter Financial Review to Cabinet on 8th February 2011.

In keeping with the developing risk management agenda within the Council, all services were asked to complete specific risk assessments in their service plans, and this work, along with the service and corporate risk registers has been taken into account when compiling this report.

Assessment of Risks

Although best estimates have been taken into account when compiling the budget, the nature of the services provided by the Council means that there will always be a level of financial risk which needs to be monitored and managed.

Risks have been quantified based on the Corporate Risk Scoring Guidelines using a 4x4 matrix, taking account of likelihood of occurrence and impact if they do occur.

In 2011/12, these risks have been assessed as having a value of £34.4 million, comprising savings risk of £17.6 million and demand risk of £16.8million

Demand Risk

£16.8 million (49% of total) relates to the risk of demand pressures from service users resulting in costs exceeding budget provision (particularly relating to adult social care, support for vulnerable children, concessionary fares and waste disposal).

The council is responsible for the care of some 24,000 adult service users, including some whose needs are severe and complex. Pressures can arise both from increases in the numbers of service users beyond expectations and changes in the average cost of packages of care due to changes in the mix of severity of cases and of care solutions. The average cost of an older person receiving home care is £6,000 per year, a residential care package could cost up to £23,000 per year, and someone with complex learning disabilities could require care costing on average £67,000 per year (although more complex cases can cost more than double this amount).

The numbers and type of care package for ‘looked after children’ significantly impact on the total costs of providing Children’s Services. The cost of a residential care package can be around £180,000 per year whilst the average cost of supporting a child or young person in a fostering placement is £26,000 per year.

Waste costs will vary according to the level of waste which needs to be disposed. A 1% increase in waste volume could cost an additional £200,000 to £250,000.

Savings Risk

£17.6 million (51%) of the risk profile relates to the delivery of savings and efficiency programmes.

The Council is delivering an ambitious transformation programme to ensure we deliver the best quality of life to our residents in addition to delivering savings and efficiencies programmes totalling £109 million in 2011/12.

Strong project management, benefits tracking and robust financial management will form a key part of ensuring these risks do not materialise, combined with appropriate governance structures which support decision making.

Steps to Minimise and Manage Risk

In building the budget, the authority has considered the risks inherent within it and has mitigated these as follows:

- The consideration of specific service contractual obligations which may not conform to general inflation levels.
- The on-going impact of the Schools, Children and Families improvement programme and the additional impact of the 'Baby P' case.
- The reflection of lower interest rates on the investment returns budgets.
- The absence of the use of capital receipts to finance the capital programme to reflect the fall of activity in this area.

In addition, the authority has a number of processes embedded within its day to day working to minimise, and manage its risks, including:

- Promoting a robust approach to financial planning with services, looking at both the near and longer term.
- Use of performance reporting and balanced scorecards to act as an early warning system.
- Regular reporting to Members of the projected outturn, including outlining remedial action where appropriate – the quarterly reports to Cabinet are also considered by the Audit and General Scrutiny Committee.
- An established system of financial management, culminating in the presentation of regular reports to the Corporate Leadership Team.
- The operation of a risk management approach as set out in our Risk Management Policy and Strategy: *Prudence, Strength and Performance*.
- 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.
- An annual review of the status of the control environment leading to the published Annual Governance Statement within the Statement of Accounts.
- The operation of the Outcomes and Delivery Boards to provide a challenge and quality assurance process to business developments to ensure they are soundly based.

However, it has to be recognised that these steps will not serve to eliminate risk entirely, especially for those that come from external sources, such as the demand pressure for social care support, and price fluctuations beyond those already included in the budget. 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 overall impact of risks.
- The extent to which it is possible to move funds around the organisation, and so utilise savings in one area against pressure in another.
- The Council's insurance arrangements – the overall budget and insurance provision allow for estimated excesses on claims and costs that fall to the council.
- The level of the council's emergency contingency, which is set at £8 million.
- The level of general reserves, which is set at £42 million.

Adequacy of Reserves

Reserves provide for mitigation of the level of risk inherent in building a budget in times of financial constraint. As well as providing for the future we know that balancing our budget requires innovative savings plans which may suffer delays, for example. Our reserves are essential to cushion services against shortfalls.

We have built up acceptable and reasonable levels of reserves so that the authority can continue to deliver services, even in the advent of financial shocks. Our budget process has made use of reserves to ease the financial pressures but this had to be done in a responsible and sustainable way.

Many of the reserves e.g. waste, PFI and insurance are earmarked to enable us to afford to pay our bills in future years without further impacting the council tax - i.e. we are saving today for the rising costs of tomorrow to smooth costs. This is a prudent approach to these future pressures.

The Waste reserve, in particular has been set up by Essex County Council to smooth the year on year increase in waste disposal costs arising from EU legislation on landfill limits. This was exemplary forward prudent planning by the authority which has won us praise from central government project assessors.

Raiding the reserves is not a long-term sustainable policy as they soon run out and in any case, ongoing revenue funding requirements should not be funded from one-off sources. Consequently any 'borrowing' from reserves is budgeted for pay back in later years.

We have made use of reserves to fund invest to save (transformation) projects. This is a good example of where we are using one off money to fund one off expenditure and then paying back from the savings that ensue. In addition, we are being very flexible about the payback period to ensure the strain on individual years is not too great and current expenditure on key services is protected as far as is possible

We have incorporated £42 million of general reserves in the 2011/12 budget that are not earmarked. This, combined with the £8 million of Emergency Contingency, amounts to some 5.7% of the net revenue budget and it is the view of the S151 Officer (Executive Director for Finance), that given the level of risks inherent within the budget, it would be imprudent to go lower.

4. Medium Term Financial Plan

The Government has only announced two years' settlement information, for 2011/12 and 2012/13. In his Local Government Settlement speech on 13th December, Eric Pickles, the Secretary of State for Communities and Local Government, announced this settlement as a transitional one, using an inherited system. He said that in providing details for the next two years he was aiming to strike a balance between the need to help councils plan and the need to reform the system.

As a result, whilst considerable work has been undertaken on the 2013/14 budget, there remains some uncertainty over the resources available. Consequently, there are no funding figures shown in the table below as they cannot be predicted with any certainty.

Forecast Budget Requirement

Net Controllable Budget				
Portfolio	**Latest 2010/11**	**2011/12**	**2012/13 draft**	**2013/14 draft**
	£'000	**£'000**	**£'000**	**£'000**
Adults, Health and Community Wellbeing	378,385	353,732	337,901	323,651
Children's Services	139,518	184,105	175,899	170,082
Education and 2012 Games	59,259	48,630	39,941	36,341
Highways and Transportation	75,027	85,997	82,618	84,652
Environment & Waste	64,442	66,136	65,086	70,309
Heritage Culture and the Arts	22,131	18,306	16,696	16,696
Leader	17,334	10,805	10,254	9,690
Communities and Planning	5,510	4,576	5,062	5,045
Major Projects and Commercial Services	1,686	1,438	1,538	1,538
Finance and Transformation Programme	2,639	3,016	2,002	2,076
Other Operating Costs	36,356	71,910	119,568	136,780
Recharged Support Services				
Highways and Transportation	955	996	996	996
Environment & Waste	897	888	888	888
Leader	7,146	5,073	5,073	5,073
Major projects and Commercial Services	31,657	15,885	14,085	18,575
Finance and Transformation Programme	51,985	40,815	36,765	36,209
Building Maintenance	3,402	3,960	4,210	3,960
Net Cost of Services	**898,329**	**916,268**	**918,582**	**922,561**
Including:				
General Goverment grants	(76,584)	(60,448)	(60,278)	(59,714)
General Balance - contribution/(withdrawal)	318	8,425	0	0
Budget Requirement	**822,063**	**864,245**	**858,304**	**862,847**
Financed by:				
Revenue Support grant	(31,281)	(66,990)	(80,668)	
National non-domestic rates	(215,423)	(216,724)	(179,738)	
Council tax precept	(574,956)	(578,685)	(596,124)	
Collection Fund surpluses	(403)	(1,846)	(1,774)	
Total Financing	**(822,063)**	**(864,245)**	**(858,304)**	

There are two notable features in regard of the figures above for 2013/14 in addition to the continuing pressures and transformation / efficiency programmes. Firstly 2013/14 sees a planned substantial payback of the Waste Reserve of the amounts 'borrowed' in 2011/12 and 2012/13. This is to restore the reserve to the level required to sustain waste expenditure in future years.

Secondly, as indicated above, the provisional settlement is only for two years, hence the funding for year 3, 2013/14, is far from certain. While we have an indication of the national funding figure, it is known that CLG is reviewing the funding formula. It is anticipated that further information on this review, and exemplifications arising from it, will emerge in 2011.

As a consequence of the pressures, efficiencies, capital programme adjustments and payback of reserves the projected budget 2013/14 is approximately £863 million.

During the budget process the authority has been careful to act in a measured way to predict funding shortfalls, ensuring that robust plans are in place. Consequently, the authority is taking the following mitigating measures to address the projected funding shortfall in 2013/14:

- Continuing delivery of the transformation programme, especially the 'New Ways of Working' series of projects, which facilitate a more efficient way of delivering valued services
- Reviewing planned commitments against the Waste Reserve to identify if replenishment can be delayed without jeopardising the ability of the reserve to support the long term waste project
- Continuing to make representations to CLG on the funding formula to ensure that it reflects Essex County Council's circumstances, that floor protection is properly funded and that area cost adjustment is protected
- Maximising income across all services
- Ensuring that appropriate operating models are deployed in both front line and back office services to reduce costs whilst protecting services to the public
- Reviewing the capital programme in terms of quantum and funding sources to seek to reduce the impact on the revenue budget

Whilst it is disappointing that the CLG has not been able to declare provisional funding settlements across all years of the CSR, from the point of view of financial planning, it is hoped that a fundamental review of the four block model will produce a more transparent, stable and equitable methodology for funding allocation. Meanwhile, Essex County Council will continue to push forward its Transformation Programme to ensure that it is best placed to effectively assess the impact of future settlements, and wherever possible does not have to react with short term savings measures.

5. Prudential Indicators & Treasury Management

Background

The Council has a statutory duty to:

- Comply with the following Codes of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA):
  - The Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
  - The Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (the Treasury Management Code).
- Determine an investment strategy in accordance with guidance issued under Section 15 (1) (a) of the Local Government Act 2003 (Investments guidance).
- Determine an annual policy that indicates how the Council will discharge its duty to make a prudent revenue provision for the repayment of debt.

This section of the Corporate Business Plan is therefore presented in compliance with these Codes of Practice and statutory regulations.

Prudential Code

The Local Government Act 2003 places a requirement upon the Council to determine, and keep under review, how much money it can afford to borrow for capital financing purposes. Regulations issued under the Local Government Act 2003 specifically require the Council to determine the affordability of its borrowing in compliance with the CIPFA Prudential Code.

Compliance with the Prudential Code enables the Council to demonstrate, via a series of prudential indicators, that its capital investment plans are affordable, that consequential borrowing is at a prudent and sustainable level and that treasury management decisions will be undertaken in accordance with good professional practice.

Prudential indicators for 2009/10 to 2013/14 are presented in **Annex A**, with explanatory commentary.

Treasury Management Code / Investments Guidance

Treasury Management activities are those associated with the management of the Council's cash flows and its borrowing and investments. A fundamental aim is to effectively control the risks associated with these activities and to pursue value for money, in so far as this is consistent with the effective management of risk.

The Local Government (Capital Finance and Accounting) (England) Regulations 2003 require the Council to comply with the CIPFA Treasury Management Code.

The Treasury Management Code requires the Council to have in place:

- A **Policy Statement** which states the Council's treasury management policies, objectives and approach to risk management.

- **Treasury Management Practices** (TMPs) which set out the manner in which the Council will seek to achieve those policies and objectives, and prescribe how these activities will be managed and controlled.
- An annual **Treasury Management Strategy** that outlines the expected treasury activity for the forthcoming three years. This must address the matters specifically required by the Secretary of State's guidance on investments. In particular, the strategy must define the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Policy Statement and TMP's were last updated and approved by the Council in February 2010, following changes to the CIPFA Treasury Management Code. As no further changes or updates are considered necessary, neither have been reproduced in this report. The Treasury Management Strategy for 2011/12 is set out from page 59.

Revenue provision for the repayment of debt

When the Council chooses to finance capital expenditure from borrowing, it is required to make an annual provision for the repayment of that borrowing from the Revenue Budget (referred to as the 'Minimum Revenue Provision' or MRP).

The Council has a statutory duty to determine a <u>prudent</u> level of revenue provision which ensures that debt is repaid over a period that is either reasonably commensurate with the period over which the capital expenditure provides benefit or, in the case of borrowing supported by the Government, reasonably commensurate with the period implicit in the determination of that support.

The Council's policy for ensuring a prudent level of revenue provision for the repayment of debt in 2011/12 is set out from page 65 onwards.

Prudential Indicators

Context

The Prudential Code provides a framework that enables the Council to assess the affordability, prudence and sustainability of its capital investment plans and ensure that consequential treasury management decisions are taken in accordance with good professional practice.

This framework highlights, via a set of prudential indicators, the level of the Council's capital expenditure, the impact of that expenditure upon its borrowing and investment levels and the overall controls in place to ensure that the activity remains affordable, prudent and sustainable.

A summary of the Prudential Indicators is provided in **Annex A** (see page 68). Explanatory comments are set out in the following paragraphs.

Capital Expenditure Plans

Actual capital expenditure and sources of financing for 2009/10, together with the original and updated plans for 2010/11, proposals for 2011/12 (which are presented in detail in the financial summary section) and the indicative guidelines for the subsequent two years, are summarised in **Annex A**. These figures exclude liabilities associated with PFI and leasing arrangements.

Capital Financing Requirement

The Capital Financing Requirement (CFR) is a vital component of the Council's capital financing strategy as it represents the cumulative total of the Council's capital expenditure that has not yet been paid for from cash resources (i.e. from capital receipts, capital grants and contributions from the revenue budget). It therefore provides a measure of the Council's 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. These are arrangements that enable the Council to acquire fixed assets on deferred payment terms; examples include finance lease and Private Finance Initiative schemes.

The actual CFR for 2009/10 is derived directly from the Council's 2009/10 Balance Sheet. The annual movements in the CFR from this point forward are the net result of:

- **Increases**, as capital expenditure is incurred that is not resourced immediately from cash resources (i.e. capital receipts, direct charges to revenue and capital grants and contributions) and to reflect the liabilities arising from entering into new PFI and finance lease arrangements.
- **Reductions**, as provision is made within the Revenue Budget for the repayment of debt and finance lease obligations

The actual CFR for 2009/10 and the estimated movements for the current and forthcoming three years are set out in **Annex A**. The split of the CFR between borrowing and credit arrangements is also shown.

The analysis of the CFR shows that the amount related to borrowing will start to decrease, year on year, from 2012/13. This is because the annual provision for the repayment of debt is forecast to exceed the amount of new borrowing undertaken. This downward trend represents a significant shift in direction to that forecast in previous years, when incremental annual increases were anticipated; it results from the Government's decision to provide support for local authorities' capital investment in the form of capital grant with effect from 2011/12, combined with ceasing provision for supported capital expenditure, rather than as revenue support towards the costs of local authority borrowing.

Net Borrowing and the Capital Financing Requirement

As the Council is only permitted to undertake long term borrowing in order to finance its capital expenditure, it follows that borrowing and other credit arrangements should not exceed the Capital Financing Requirement (CFR).

With reductions forecast to the CFR over the medium to longer term (as explained above), external borrowing will need to be managed carefully to ensure that, as the CFR reduces, the necessity to repay debt at premium is avoided.

A comparison is provided in **Annex A** of the medium term forecast of the CFR and the projected level of the Council's external borrowing (including credit arrangements). This shows that the Council expects to be able to keep net borrowing below the CFR over the medium term. This assessment takes account of current commitments and plans and the capital programme proposals summarised in **Annex A**.

External Debt

In order to ensure that external debt is maintained at a level consistent with the Council's capital financing decisions, limits are established upon the level of the Council's external debt, as follows:

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

External debt for this purpose is deemed to represent the sum of borrowing and other long term liabilities (i.e. credit arrangements that are used to acquire fixed assets on deferred payment terms, such as via finance lease and Private Finance Initiative schemes).

Limits are proposed for external debt, within **Annex A**, that take account of the capital financing assumptions for the period 2010/11 to 2013/14. These limits are based upon an estimate of the most likely, prudent, but not worst case scenarios. They allow sufficient headroom for fluctuations in the level of cash balances.

The proposed limits for external debt are below the Capital Financing Requirement. The Council is able to maintain this position by temporarily utilising cash that has been set aside, such as in earmarked revenue reserves, as a short to medium term alternative to external borrowing. This practice does not diminish the magnitude of funds held in reserves and balances; the funds are merely being borrowed to defer external borrowing. Further comments on the Council's borrowing strategy are set out within the Treasury Management Strategy that commences on page 59.

Ratio of Financing Costs to Net Revenue Streams

This indicator identifies the trend in the cost of capital (i.e. borrowing costs, net of investment income) in relation to the Council's overall revenue budget requirement.

The actual ratio for 2009/10 and estimates for the current and forthcoming three years are set out within **Annex A**.

Incremental Impact of Capital Investment Decisions on Council Tax

A key measure of the affordability of new capital investment is the impact upon council tax. This indicator therefore identifies the revenue costs associated with capital schemes proposed to start in 2011/12 and later years.

The incremental impact of the capital investment plans upon council tax is shown in **Annex A**. The indicators represent the difference between:

- A council tax (at band D) that would result from only continuing schemes already under way in 2010/11; and
- A council tax (at band D) that would arise from undertaking the schemes proposed to start in 2011/12 and subsequent years.

Hence, the intention of this indicator is to demonstrate the increase in revenue costs that result from commencing new schemes in 2011/12 and subsequent years.

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

- The revenue costs flowing from capital schemes will not be financed entirely from council tax – they will be financed from a combination of general grants, non domestic rates and council tax income.
- No account has been taken of any savings that may accrue from invest to save / improve schemes.

Treasury Management

The Prudential Code focuses on capital finance and effective capital planning. The CIPFA Treasury Management Code focuses on effective treasury management and also requires a number of treasury management indicators which are complementary to the Prudential Code.

The Prudential Code requires the Council to confirm adherence to the principles of CIPFA Treasury Management Code. This confirmation is provided within the Treasury Management Strategy which commences on page 59.

Summary

The prudential indicators set out within **Annex A** aim to demonstrate that the capital expenditure plans presented elsewhere within the Corporate Business Plan are affordable, prudent and sustainable, and that the associated borrowing will be managed within a sound treasury management framework.

Treasury Management Strategy

Introduction

Treasury management is an important aspect of the overall financial management of the Council. The Prudential Indicators, as summarised in **Annex A** and explained in pages 55 to 58, considered the affordability and impact of the Council's capital expenditure proposals; this section considers funding of these decisions.

The Council's treasury activities are strictly regulated by the CIPFA Treasury Management Code and statutory requirements. One of the key aspects of the Treasury Management Code is the requirement to produce an annual Treasury Management Strategy that outlines expected activity for the forthcoming three years.

In addition to addressing the requirements of the Treasury Management Code, the annual treasury management strategy must address matters specifically required by guidance issued under Section 15 (1) (a) of the Local Government Act 2003 on investments (Investments Guidance). In particular, the strategy must define the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Treasury Management Strategy for the forthcoming three years, which is set out in the subsequent paragraphs, includes:

- Borrowing and investment projections.
- The expected movements in interest rates.
- Borrowing and investment strategies.
- Treasury management performance indicators.
- Specific limits on treasury activities.

Borrowing and Investment Projections

The Council primarily undertakes borrowing in order to finance its capital programmes, although can also borrow for cash management purposes. 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) that are available to be invested.

The Capital Financing Requirement (CFR) provides a measure of how much the Council needs to borrow for capital financing purposes (see comments on page 55 and figures in **Annex A**). In reality, the Council is able to maintain external borrowing at a level well below its CFR by making use, temporarily, of some of the cash it has set aside for longer term purposes. This practice is referred to as 'internal borrowing', and means that there is no immediate link between the need to borrow to pay for capital expenditure and the level of external borrowing. The use of internal borrowing only defers the need for external borrowing though; as reserves and balances are used for their intended purpose, the Council may need to substitute internal for external borrowing.

Greater reliance was placed upon internal borrowing during 2010/11 because:

- It was more beneficial to use cash balances to defer interest payments on new loans rather than to hold them for investment.

- This reduced the amount of cash the Council had to invest, thereby reducing the risks associated with this activity.

It is largely intended to maintain this under borrowed position throughout 2011/12. This is a prudent strategy, both recognising that:

- It will continue to be more beneficial to use cash balances to defer interest payments on new loans rather than to hold them for investment; and
- It may not be appropriate to increase the level external borrowing significantly when it is anticipated that the CFR will start to diminish (as explained on pages 55 to 56).

A forecast of the amount of external borrowing and investment balances for the forthcoming three years is provided in **Annex B**. Revenue budget provision for interest payments and investments income has been determined on the basis of these estimates.

Interest Rates

An estimate of the movement in interest rates over the forthcoming three years is provided in **Annex B**. The following paragraphs provide some commentary to set the backdrop to these estimates.

Inflation has been above the 2% target for so long that the credibility of the Monetary Policy Committee (MPC) may become a greater focus during 2011. This will make the MPC's decisions during 2011 a difficult judgement between controlling inflation and continuing to aid recovery. Thus, although short term rates are expected to remain on hold through most of 2011, there is a risk that the MPC may feel the need to take action sooner.

The recovery in the economy is well underway, but the strong rates of growth we have recently seen are unlikely to be sustained. The Government's determination to cut the size of the public sector deficit will be a drag upon activity in the medium term. The void left by significant cuts in public spending will need to be filled by a number of alternatives – corporate investment, rising exports and consumers' expenditure. In terms of sheer magnitude, the latter is the most important, but strong growth in this area is by no means certain. The combination of the desire to reduce the level of personal debt, lack of access to credit and continued job uncertainty is likely to weigh heavily upon spending. Without growth in personal spending, any recovery in the economy is set to be weak and protracted.

The outlook for long term interest rates is favourable in the near term, but is set to deteriorate again in the latter part of 2011. Rates will be suppressed by continued investor demand for safe haven instruments following the uncertainties and unfolding tensions within the entire Eurozone. In addition to this, the market has been underpinned by evidence of moderating activity in major economies.

While the UK's fiscal burden will almost certainly ease, it will be a lengthy process and deficits over the next two to three financial years will still require a very heavy programme of gilt issuance. The latest Bank Inflation Report suggests the market will not be able to rely upon Quantitative Easing indefinitely to alleviate this enormous burden.

Eventually, the absence of the Bank of England as a continued buyer of gilts will shift the balance between supply and demand in the gilt-edged market. Other investors will almost certainly require some incentive, in the form of higher yields, to continue buying government paper.

The longer end of the interest rate curve will suffer from the lack of support from the major savings institutions – pension funds and insurance companies – who will continue to favour other investment instruments as a source of value and performance.

Sensitivity to Interest Rate Movements

A **1%** movement in interest rates would have the following implications for the Council:

- Increase / decrease the cost of new long and short term borrowing (i.e.: existing arrangements would be unaffected).
- Increase / decrease the level of income earned from short term investments.
- Increase / decrease the level of interest attributed to reserves and sums on deposit.

The costs of longer term debt of a callable nature may also change if interest movements coincide with scheduled 'option' dates; these being dates on which the lender has the opportunity to renegotiate over the interest rates of the borrowing.

Revenue budget provision for interest payable and receivable has been determined in accordance with the interest rate forecasts set out within **Annex B**. An estimate of the impact of a **1%** variance from these rates is also provided.

Borrowing Strategy

- **Borrowing requirement**

  Estimates of the Council's net additional borrowing requirements are set out within **Annex B**. These estimates take account of:

  - The borrowing required to finance the capital programme (as set out within **Annex A**).
  - The Council's ability to sustain 'internal borrowing'.
  - The annual revenue provision for the repayment of debt.
  - Maturing loans, which it is assumed will be refinanced, depending upon interest rates, the prevailing cash flow position and the Council's Capital Financing Requirement.

  The net additional borrowing requirement for 2011/12 can be accommodated within both the authorised limit and operational boundary for external debt (as set out within **Annex A** and explained on page 56).

  Unless it is necessary to substitute internal for external borrowing, it is not currently envisaged that external borrowing will be required in 2012/13 and 2013/14; this reflects the withdrawal of government supported borrowing from 2011/12 and the consequential reduction in the CFR.

- **Long and short term borrowing**

  Long term borrowing, for capital financing purposes, will only be undertaken for periods in excess of 364 days. Short term borrowing will be undertaken to manage cash flow fluctuations and, if appropriate, to defer long term borrowing until interest rates are considered favourable.

  Long term rates are at risk of being higher over the medium term, and short term rates are expected to rise too, although more modestly. Before any longer term borrowing is undertaken, consideration will be given to the prevailing and forecast interest rates, the Council's underlying cash balances and its Capital Financing Requirement.

- **Debt refinancing**

  With the likelihood of long term rates increasing, any debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt. However, following the Comprehensive Spending Review the PWLB increased borrowing interest rates by approximately **1%**, without changing debt redemption rates. This will significantly reduce PWLB debt rescheduling opportunities.

- **Counterparties**

  The Government intends that the Public Works Loans Board (PWLB) will be able to meet every local authority's legitimate need for long term borrowing. Applications for loans from the PWLB are considered without regard to an authority's ability to raise funds elsewhere. Thus, the Council will be able, if it so wishes, to satisfy the whole of its borrowing requirement from the PWLB.

  Loans are provided by the PWLB at rates of interest determined by the Treasury. Loans can be secured from the PWLB on either of the following bases:

  - **Fixed interest loans -** the rate of interest is fixed for the life of the loan; and
  - **Variable rate loans -** the rate of interest is varied at fixed intervals of one, three or six months.

  Existing PWLB loans have all been secured at fixed interest rates, because this gives certainty regarding cost of the loan over its life. Variable rate loans will however also be considered over the forthcoming three years.

  Money market loans from UK financial institutions will continue to be considered alongside those offered by the PWLB, together with opportunities to borrow from other local authorities.

  If short term borrowing is necessary, this will be secured via the money markets or from other local authorities.

- **Maturity structure of borrowing**

  In order to avoid having large amounts of debt maturing in any one year, upper and lower limits are proposed in **Annex B** for the maturity structure of borrowing.

- **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**

  The Treasury Management Code requires the establishment of performance indicators that can be used as a benchmark to assess treasury management performance over the year. It is proposed that new long term borrowing is assessed against the average PWLB rate for the year.

Investment Strategy

- **Key objectives**

  The primary objectives of investment activities are:

  - Firstly, to safeguard the principal sums invested;
  - Secondly, to ensure adequate liquidity; and
  - Lastly, to consider investment returns or yield.

- **Risk benchmarking**

  The current investment climate has one over-riding risk consideration – that of counterparty security risk. As a result of these underlying concerns, it is intended to apply risk benchmarking for the forthcoming period. This includes the benchmarking of security, liquidity and yield.

  It is intended to benchmark security risk by assessing the historic level of default against the minimum criteria used in drawing up the Council's lending list as follows:

Historic risk of default	Maximum
Whole portfolio	0.1%
Investments for up to one year	0.08%
Investments for up to two years	0.06%
Investments for up to three years	0.08%
Investments for up to four years	0.14%
Investments for up to five years	0.21%

  These benchmarks are embodied in the criteria for selecting cash investment counterparties. Where counterparties are not credit rated, a proxy rating will be applied.

  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 £10 million available with a week's notice.

  Yield will be measured against the Local Authority Seven Day rate (LA7DR).

- **Short and long term investments**

  Surplus cash balances will usually be invested on a short term basis (up to a maximum period of 364 days) until the funds are next required. However, funds may be invested beyond 364 days, up to the maximum limits specified within **Annex B**.

- **Investment counterparty selection criteria**

Funds will primarily be invested according to the Secretary of State's definition of specified investments, these being sterling deposits made for periods of less than one year, 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 be invested according to the Secretary of State's definition of non specified investments. Non specified investments are undertaken for longer periods, or with bodies that are not of high credit quality. Their sole use in this Strategy is for the purpose of investing funds for periods in excess of one year (i.e. up to the limit set out within **Annex B**).

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**.

Whilst the criteria set out within **Annex C** rely on the application of credit ratings, additional operational market information will be applied before making any specific investment decision from the pool of counterparties. This additional market information (e.g. Credit Default Swaps, negative rating watches/outlooks etc) will be applied to compare the relative security of differing investment counterparties.

The criteria for choosing counterparties set out within **Annex C** provide a sound approach to investment in normal market circumstances. Under exceptional market circumstances, the Director for Finance may temporarily limit investment activity to those counterparties considered of higher credit quality than the minimum criteria set out within **Annex C**.

- **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.

Treasury management advisors

The Council uses Sector as its treasury management advisor. Sector provides a range of services to the Council, including:

- Technical support on treasury matters and capital finance issues;
- Economic and interest rate analysis;
- Debt services, which includes advice on the timing of long term borrowing;
- Debt re-scheduling advice in relation to the Council's existing portfolio of loans;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings comprising the three main credit rating agencies and other relevant market information.

Whilst Sector provides support to the Council in these areas, the final decision on all treasury matters rests with the Council.

The services received from Sector are kept under regular review.

Other matters

The Council currently provides treasury management support to the Essex Probation Board, Essex Cares Ltd and Library Services (Slough) 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 on a daily basis with the Council's cash balances, and the Council invests or borrows on the basis of 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.

Revenue Provision for the Repayment of Debt Policy

Introduction

The Council has a statutory duty to make a prudent annual provision, from the Revenue Budget, for the repayment of debt. External debt for this purpose is deemed to represent the sum of borrowing undertaken for capital financing purposes and credit arrangements used to acquire fixed assets under deferred payment terms, such as via finance lease or PFI arrangements.

Prudent Provision

The broad aim of a prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure, or asset acquired via a credit arrangement, provides benefit. For the element of capital expenditure met from borrowing supported by the government a prudent revenue provision should ensure that debt is repaid over a period commensurate with the period implicit in the determination of the government grant.

Four options are specified by the Government as methods of making a prudent provision, although other options are not ruled out. The four options are summarised as follows:

- **Option 1 – regulatory method**

  This represents a continuation of the methodology previously prescribed by the Capital Financing Regulations. This method can now only be used in respect of capital expenditure incurred before 1 April 2008 and in respect of subsequent expenditure financed from government supported borrowing.

- **Option 2 – CFR method**

  This is similar to, but slightly simpler than, the regulatory method and is determined at a rate of 4% of the Capital Financing Requirement at the end of the preceding financial year.

  As with option 1, it can only be used in respect of capital expenditure incurred before 1 April 2008 and in respect of subsequent expenditure financed from government supported borrowing.

- **Option 3 – asset life method**

  This option provides a simple framework for spreading capital expenditure financed from borrowing, which falls outside of the scope of options 1 and 2, over the useful life estimated at the start of the relevant asset's life.

  Revenue provision is chargeable in the first financial year after the relevant asset becomes operational. At that point, the estimated useful life of the asset is fixed and annual revenue provision is determined using an equal instalments or annuity method.

- **Option 4 – depreciation method**

  This option is available to be applied to any capital expenditure incurred by the Council. Unless option 3 is applied, option 4 must be applied in respect of all capital expenditure incurred on or after 1 April 2008 that cannot be financed from government supported borrowing.

  This option is applied to particular items of capital expenditure and places reliance on standard depreciation accounting procedures in setting revenue provision charges. Provision for the repayment of debt is charged by making debits to the Revenue Account for depreciation and impairments which would count as expenditure that scores against the General Fund balance (ie. these charges would not be reversed out of the Revenue Account, as would normally be the case with depreciation). Depreciation and impairments would continue to score against the General Fund balance until the cumulative charge equals the amount of capital expenditure originally financed from borrowing.

In summary, each of these options can only be applied to determine a prudent provision for the repayment of debt in certain circumstances, as follows:

Borrowing	**Options**			
	1	**2**	**3**	**4**
Pre 1 April 2008	✓	✓	✓	✓
1 April 2008 and later:				
▪ Government supported	✓	✓	✓	✓
▪ Unsupported	✗	✗	✓	✓

In the case of finance leases and PFI contracts, the MRP requirement is regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability.

The statutory guidance does not require the amount of Revenue Provision for the forthcoming year to be specified and there is no requirement for the Council to confirm the actual amount of Revenue Provision once it has been determined.

Revenue Provision for Debt Repayment Policy 2011/12

In accordance with the requirement to make a prudent provision for the repayment of borrowing undertaken for capital financing purposes, the Council will ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by the Government, reasonably commensurate with the period implicit in the determination of that support.

This will be achieved by:

- Applying the **Regulatory Method** (Option 1) to determine revenue provision in relation to borrowing undertaken prior to 1 April 2008, and in relation to government supported borrowing undertaken since this date.

  This approach is consistent with the basis applied to determine the Council's revenue support grant entitlement in relation to government supported borrowing.
- Applying the **Asset Life Method** (Option 3) to determine Revenue Provision in relation to unsupported borrowing undertaken since 1 April 2008.

Revenue Provision will be determined on an equal instalments basis, as this will ensure that annual charges are predictable for all future financial years once expenditure has been nominated for treatment under this option.

Asset lives for Revenue Provision purposes will normally be consistent with the useful life determined for depreciation purposes at the time that an asset is brought into use, with the distinction that it is not then expected to be reviewed over the remaining life of the asset.

The Council will however keep under review its general responsibility to make a prudent provision and will apply a shorter useful life in any circumstances where use of the standard useful life would not be supportable as prudent.

In the case of finance leases and on balance sheet PFI contracts, the MRP requirement will be met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability. Thus, the **Asset Life Method** (Option 3) will apply in a modified form.

The revenue budget provision for Revenue Provision charges in 2011/12 has been compiled on a basis consistent with this policy.

Prudential Indicators

Summary of prudential indicators		2009-10 Actual	2010-11 Original Estimate	2010-11 Updated Estimate	2011-12 Estimate	2012-13 Forecast	2013-14 Forecast
Capital expenditure & financing							
Capital Expenditure	£m	255	384	304	231	126	102
Capital Financing							
Supported borrowing	£m	63	52	52	-	-	-
Unsupported borrowing	£m	47	92	66	60	30	23
Grants and contributions	£m	140	238	184	165	90	74
Capital receipts and earmarked reserves	£m	5	2	2	6	6	5
Total capital financing	£m	255	384	304	231	126	102
Capital financing requirement							
Capital financing requirement (CFR)							
Opening CFR	£m	693	1,018	776	862	985	977
Add							
Additional borrowing	£m	110	144	118	60	30	23
Additional credit liabilities (PFI schemes)	£m		-	-	100	-	-
		803	1,162	894	1,022	1,015	1,000
Less							
Revenue provision for debt repayment	£m	(27)	(28)	(32)	(37)	(38)	(40)
Capital Financing Requirement	£m	776	1,134	862	985	977	960
Analysis of the Capital Financing Requirement							
Supported borrowing and pre 2008/09 unsupported borrowing	£m	598	628	626	601	576	553
Unsupported borrowing (2008/09 and later)	£m	55	156	117	169	189	199
Sub total - borrowing	£m	653	784	743	770	765	752
Credit arrangements (PFI / Finance leases)	£m	123	350	119	215	212	208
Total	£m	776	1,134	862	985	977	960
Net borrowing and the CFR							
Medium term forecast of CFR	£m	985	1,294	977	960	941	920
Forecast external debt (long term) and credit arrangements	£m	451	874	531	674	670	660
Headroom	£m	534	420	446	286	271	260
External debt							
Authorised limit							
Borrowing	£m	630	670	520	650	680	670
Other long term liabilities	£m	350	350	150	250	250	250
Total authorised limit	£m	980	1,020	670	900	930	920
Operational boundary							
Borrowing	£m	550	550	430	530	530	530
Other long term liabilities	£m	350	350	130	220	220	220
Total operational boundary	£m	900	900	560	750	750	750
Actual external debt (incl. credit arrangements)	£m	451	N/A	N/A	N/A	N/A	N/A
Financing & net revenue streams							
Ratio of financing costs to net revenue streams	%	3.9%	5.7%	5.1%	6.1%	6.7%	7.1%
Incremental impact on Council Tax							
Effect of capital schemes starting in:							
2011/12	£	-	£0.02	£1.22	£6.37	£12.05	£14.44
2012/13	£	-	-	-	-	£0.06	£0.21
2013/14	£	-	-	-	-	£0.03	£0.37
2014/15	£	-	-	-	-	£0.19	£0.19
2015/16	£	-	-	-	-	-	-
Total	£	-	£0.02	£1.22	£6.37	£12.33	£15.21

Treasury Management Summary

Treasury Management Summary		2010-11 Latest Estimate	2011-12 Estimate	2012-13 Forecast	2013-14 Forecast
Estimated debt and investments					
Investments (average balance at each 31st March)	£m	60	60	100	190
External debt (operational boundary for borrowing)	£m	430	520	520	510
Expected movement in interest rates					
Bank Rate	%	0.5%	0.7%	1.7%	3.1%
Money rates					
3 month	%	0.7%	0.9%	1.9%	3.3%
1 year	%	1.5%	1.8%	2.8%	3.8%
PWLB (borrowing) rates					
5 year	%	2.6%	3.5%	4.0%	4.8%
10 year	%	3.7%	4.5%	5.0%	5.3%
25 year	%	4.6%	5.3%	5.4%	5.6%
50 year	%	4.7%	5.3%	5.4%	5.6%
Source: Sector - January 2011					
Effect of 1% increase in interest rates					
Interest on borrowing	£000		938		
Interest on investments	£000		(1,154)		
Interest attributed to reserves & balances	£000		1,616		
Interest attributed to other bodies	£000		170		
Net total	£000		1,570		
Note This shows the effect of a 1% deviation from the rates assumed in the Revenue Budget. The Revenue Budget has been compiled taking account of the interest rate forecasts referred to above.					
Borrowing requirement	£m	91	32	3	-
Interest rate exposures					
Upper limits for exposure to fixed rates					
Net exposure	%	100%	100%	100%	100%
Debt	%	100%	100%	100%	100%
Investments	%	100%	100%	100%	100%
Upper limits for exposure to variance rates					
Net exposure	%	70%	70%	70%	70%
Debt	%	30%	30%	30%	30%
Investments	%	100%	100%	100%	100%
Maturity structure of borrowing (upper limit)					
Under 12 months	%	40%	40%	40%	40%
12 months and within 24 months	%	40%	40%	40%	40%
24 months and within 5 years	%	60%	60%	60%	60%
5 years and within 10 years	%	60%	60%	60%	60%
10 years and within 25 years	%	60%	60%	60%	60%
25 years and within 40 years	%	60%	60%	60%	60%
40 years and within 50 years	%	60%	60%	60%	60%
50 years and above	%	40%	40%	40%	40%
Maturity structure of borrowing (lower limit)					
All maturity periods	%	0%	0%	0%	0%
Total sums invested for more than 364 days					
Upper limit for sums invested for more than 364 days	£m	50	50	50	50
Actual sums invested for more than 364 days (maximum)	£m	10	N/A	N/A	N/A

Counterparty Criteria for Investments

Lending List

The Council will only use 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 and Poor	Moody's
Short term rating	**F1**	**A-1**	**P-1**
Long term rating	**A**	**A**	**A2**
Individual / financial strength rating	**B**	**-**	**C**
Support rating	**3**	**-**	**-**

The Council may also use eligible institutions for the HM Treasury Credit Guarantee Scheme, initially announced on 13 October 2008, that satisfy the minimum short and long term ratings above.

In addition, the Council may invest its funds with:

- The UK Government.
- Other local authorities.
- Pooled investment vehicles (i.e. Money Market Funds) that have been awarded an **AAA** credit rating.
- Financial institutions nationalised by the UK Government whose credit ratings do not meet the above criteria.
- Bank subsidiaries and treasury operations where their parent bank has the necessary ratings outlined above. In addition, the subsidiary must itself have a short and long term rating meeting the above criteria or be guaranteed by the parent bank.

Finally, the Council may use banks and building societies whose ratings fall below the criteria specified above if all of the following conditions are satisfied:

- Wholesale deposits in the bank are covered by a government guarantee;
- The government providing the guarantee is rated **AAA** by Fitch, Standard and Poor and Moody's.
- The Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.

Notes:

- The criteria outlined above will ensure that the Council's funds are only invested with high quality counterparties.
- Not all ratings categories are assessed by each of the ratings agencies.
- Counterparties will only be considered for inclusion on the Council's lending list if they have <u>all</u> of the following credit ratings:

- Short term rating.
- Long term rating.
- Individual / financial strength rating.
- Support rating.

- Where a counterparty is rated by more than one credit rating agency, the lowest ratings will be used to determine whether or not it is included on the counterparty list.
- Credit ratings are continually monitored, and counterparties will be removed from the Council's lending list in the event that they receive a downgrading to their credit rating status below the minimum criteria outlined above. Counterparties will also be suspended from the lending list in the event that they are placed on 'negative ratings watch'.
- Money Market Funds (MMFs) are short term investment instruments; they are 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 MMFs that the Council would use will all be denominated in sterling and be regulated within the EU.
- In the event that the Council's own banker falls below the minimum credit rating criteria outlined above, the bank will be used for transactional purposes only, and not as an active outlet for investments.
- Organisations that are Eligible Institutions for the HM Treasury Credit Guarantee Scheme are authorised UK deposit-takers which have a substantial business in the UK or are UK building societies. The Government considers the role of institutions in the UK banking system, and to the overall economy, when considering applications to the Credit Guarantee Scheme. The Credit Guarantee Scheme provides Eligible Institutions with access to government help in raising capital and with the ability to issue securities with a government guarantee, thus enabling the organisations in question to meet their funding needs.

Lending Limits

For banks and building societies satisfying the 'lending list' criteria, lending limits will be determined with reference to the counterparties' short and long term credit ratings, as follows:

- Investment limit of **£60 million** for investments of up to **5** years:

Rating category	Credit rating agencies		
	Fitch	Standard and Poor	Moody's
Short term rating	**F1+**	**A-1+**	**P-1**
Long term rating	**AA**	**AA**	**Aa2**

- Investment limit of **£50 million** for investments of up to **4** years:

Rating category	Credit rating agencies		
	Fitch	Standard and Poor	Moody's
Short term rating	**F1+**	**A-1**	**P-1**
Long term rating	**AA-**	**AA-**	**Aa3**

- Investment limit of **£35 million** for investments of up to 1 year:

Rating category	Credit rating agencies		
	Fitch	Standard and Poor	Moody's
Short term rating	**F1**	**A-1**	**P-1**
Long term rating	**A**	**A**	**A2**

The lending limits for organisations that are Eligible Institutions for the HM Treasury Credit Guarantee Scheme will also be determined with reference to the counterparties' short and long term credit ratings, as outlined above. However, investments with these counterparties will be restricted to periods of up to 1 year.

Lending limits for other counterparties will be as follows:

- No restrictions will be placed on the amounts that can be invested for periods of up to one year with the UK Government (ie. Debt Management Office).
- An investment limit of **£50 million** will be applied for investments with individual Money Market Funds.
- An investment limit of **£25 million** will be applied for investments of up to **one** year with individual top tier local authorities.
- An investment limit of **£15 million** will be applied for investments of up to **one** year with individual lower tier local authorities.
- In addition to the limits outlined above, a further restriction will be applied in respect of investments with non UK financial institutions; that is, a country limit of **£35 million** will be applied and investments outside of the UK will only be made for periods of up to one year. Thus, the individual limits for non UK financial institutions will be the lower of the country limit or the limit that results from applying the credit rating criteria outlined above. In addition, the country limit will restrict the total amount that can be invested within any one country outside of the UK at any one time.

Notes:

- The above lending limits represent the maximum amounts that can be placed with counterparties; the Director for Finance may apply lower limits for management purposes, to ensure that funds are managed prudently according to prevailing circumstances.
- The short, long term, individual and support ratings will be used to determine the pool of counterparties with whom the Council can transact. The short and long term ratings will then be used further, to determine the maximum amount that can be invested with each of these counterparties, and for what period.
- Top tier local authorities will include county councils, unitary and metropolitan authorities and London Boroughs.

- Lower tier local authorities will include district / borough councils and police and fire authorities.

Credit Ratings

6.1 Credit Ratings

There are three main agencies assigning credit ratings to financial institutions, namely Fitch, Standard and Poor and Moody's. When these agencies assign ratings, they take account of any country specific circumstances. Ratings are therefore applicable worldwide; hence the risk of investing with two different counterparties that have similar ratings is the same, irrespective of their country of origin.

6.2 Fitch Credit Ratings

Description	Rating	Definition
Short term rating	**F1**	Indicates the strongest capacity for timely repayment of financial commitments. The addition of **+** denotes any exceptionally strong credit feature.
Long term ratings	**AAA**	Indicates lowest expectation of credit risk. This rating is assigned only in the case of exceptionally strong capacity for timely repayment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
	AA	Indicates a very low expectation of credit risk, with a very strong capacity for timely repayment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. The addition of **+** or **-** indicate the bank's position within the category. i.e. the order of ranking is AA +, AA, AA -.
	A	Indicates a low expectation of credit risk, with a strong capacity for timely repayment of financial commitments. This capacity may be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings. The addition of **+** or **-** indicate the bank's position within the category.
Individual ratings	**A**	A very strong bank. Characteristics may include outstanding profitability and balance sheet integrity, franchise management, operating environment or prospects.
	B	A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise management, operating environment or prospects.

Description	Rating	Definition
Support ratings	**1**	Denotes a bank for which there is extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question.
	2	Denotes a bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to support the bank in question.
	3	Denotes a bank for which there is a moderate probability of external support because of uncertainties about the ability or propensity of the potential provider of support to do so.
Money Market Funds rating	**AAA**	Indicates lowest expectation of credit risk. This rating is assigned only in the case of exceptionally strong capacity for timely repayment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

6.3 Standard and Poor's

Description	Rating	Definition
Short term rating	**A-1**	Indicates a strong capacity to meet its financial commitments. It is rated in the highest category by Standard and Poor's. The addition of **+** denotes an extremely strong capacity to meet its financial commitments.
Long term ratings	**AAA**	Indicates an extremely strong capacity to meet its financial commitments.
	AA	Indicates a very strong capacity to meet its financial commitments. The addition of **+** or **-** indicate the bank's position within the category. i.e. the order of ranking is AA+, AA, AA-.
	A	Indicates a strong capacity to meet its financial commitments, but is susceptible to the adverse effects of changes in circumstances and economic conditions. The addition of **+** or **-** indicates the bank's position within the category.
Money Market Funds rating	**AAA**	The fund's portfolio holdings provide extremely strong protection against losses from credit defaults.

6.4 Moody's

Description	Rating	Definition
Short term rating	**P-1**	Banks rated P-1 for deposits offer superior credit quality and a very strong capacity for timely payment of short term deposits.
Long term ratings	**Aaa**	Indicates exceptional credit quality and have the smallest degree of risk. Whilst credit qualities may change, such changes as can be visualised are most unlikely to materially impair the bank's strong position.
	Aa	Indicates excellent credit quality, but a greater susceptibility to long term risks than those banks rated Aaa. The addition of numerical modifiers 1, 2 or 3 indicates the bank's position within the category. (ie. the addition of 1 indicates the bank is in the highest end of its letter rating category, 2 indicates a mid range ranking and 3 indicates the bank is in the lower end of the ranking).
	A	Indicates good credit quality. However elements may be present that suggest a susceptibility to impairment over the long term. The addition of numerical modifiers 1, 2 or 3 indicates the bank's position within the category.
Financial strength ratings	**A**	Possesses superior intrinsic financial strength. Typically, they will be institutions with highly valuable and defensible business franchises, strong financial fundamentals and a very predictable and stable operating environment.
	B	Possesses strong intrinsic financial strength. Typically, they will be institutions with valuable and defensible business franchises, good financial fundamentals and a predictable and stable operating environment.
	C	Possesses adequate intrinsic financial strength. Typically, they will be institutions with more limited but still valuable business franchises. These banks will display either acceptable financial fundamentals within a predicable and stable operating environment or good financial fundamentals within a less

		predictable and stable operating environment.
Money Market Funds rating	**Aaa**	Money Market Funds and Bond Funds rated Aaa are judged to be of an investment quality similar to Aaa-rated fixed income obligations – that is, they are judged to be of the best quality.

Equality Impact Assessments

Introduction

Essex County council is committed to fair outcomes for all those who live, work and visit the County. The Equality Act 2010, sets out the legal framework for the County Council to treat everyone with dignity and respect. A new public sector Equality Duty will be brought into force on 6th April 2011.The general duty has three aims, it requires the Council to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010;
- advance equality of opportunity between people who share a protected characteristic and those who do not ; and
- foster good relations between people who share a protected characteristic and those who do not.

The new duty covers the following eight protected characteristics: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

Equality impact assessments (EIAs) put fairness to our customers firmly at the heart of the Council's decisions on setting the 2011/12 budget and delivering value for money. This section provides a brief summary of the impact of the budget on achieving the Council's priority to:

(Priority 1): Support Vulnerable People
(Priority 2): Increase Educational Achievements and Skills
(Priority 3): Maintain and Improve the Transport Network
(Priority 4): Make Communities Safer
(Priority 5): Promote Sustainable Economic Growth
(Priority 6): Enhance the Environment and Reduce and Recycle Waste
(Priority 7): Promote Public Health and Well Being

This overview will be supported by portfolio and project impact assessments to develop specific mitigating actions, monitoring arrangements and to recognise those areas where impacts are inevitable.

Summary

The Council consulted residents on the 2011/12 budget to determine the services that residents most wanted to see prioritised. People are committed: to protecting vulnerable people, including younger and frail older people; raising educational attainment and, improving transport and health. People also want to see more spent on the third sector, (charities and voluntary groups). These views support the development of this business plan.

The demography of Essex is changing - the population is increasing, ageing and becoming more ethnically diverse. People are living for longer, often with ill health. One in four people in the county will experience a mental health condition.

Customers of the Council's mainstream and targeted services are likely to be older and younger vulnerable people, children, disabled people, women, certain black and minority ethnic groups including Gypsies and Travellers, people on lower income and carers. Individuals with one or more of these characteristics or circumstances are more likely to experience the benefits and adverse impacts of substantial changes in services.

Overview of Impact of Efficiencies/ Savings on Priorities

This section highlights key impacts for each of the Council's priority with mitigating actions. The Council is achieving efficiencies through better procurement and commissioning of services. Fairness for the customer will remain central to these activities.

Priority 1 Support Vulnerable People (Adults and Children)

Over 50% of savings in services that support vulnerable children, younger people, adults and older people will be achieved through procurement efficiencies and a review of processes and work practices. Negotiating better prices with suppliers of residential homes for children and school placements for children and young people create opportunities for the Council to embed fair outcomes for vulnerable people. The Council recognises that these outcomes will only be realised if they are integral to ongoing contract negotiations.

Savings will also be achieved by merging specific and targeted services e.g. counselling services into mainstream services. Disabled and black and minority ethnic children and adults, (including Gypsies and Travellers) are more likely to be impacted by these changes. The council will ensure that significant aspects of these services are not lost through mainstreaming by building mitigating actions into revised services.

Diversity and Equality training will also continue to be included within the safeguarding training programme and will assist to raise awareness of emerging safeguarding issues to protect our vulnerable people.

Cuts in Area Based Grants mean that the Council will have to reduce spend related to extended school services and for, Extended Rights to Free Travel (£1.41 million in 2011/12). This is likely to impact upon families with children and young people. Older and disabled people are also likely to experience changes to services where grants have been withdrawn. The Council will undertake further detailed impact assessments and consult with stakeholders, including customers to determine the full extent of impacts and to consider further options. Eligible disabled children will continue to benefit from short breaks, essential for wellbeing.

Priority 2 Increase Educational Achievements and Skills
The Connexions structure discontinues in July/August 2011, with full savings of £7 million annually being realised by 2012/13. This is likely to impact upon younger people. The Council will monitor the impact of this decision during 2011/12 to determine the need for any future actions.

Priority 3 Maintain and Improve the Transport Network
The Council is detailing mitigating actions for transport savings which impact upon pedestrians and passengers.
The Council will become custodians of a county wide Concessionary Travel Scheme. Currently, eligible residents receive a variety of concessions including taxi tokens; disabled persons' bus passes; older persons' bus passes and; companion passes. The scheme will achieve parity of services across the county and savings. Adverse impacts will be buffered by promoting Community Transport providers to promote services and to support 'Shopper Bus' or 'Hopper' services.

Future saving proposals on discretionary services for transporting children and young people, for example, to and from school will be mitigated by negotiating provision with care providers and adjusting future expectations. Younger people will also be affected by the cessation of Youth Concessionary Fares (£0.7 million saving). The Council will monitor the effect of this change during 2011/12 to determine the need for any future actions.

Closing Park and Ride sites on most Saturdays (£0.1 million savings) during the year into Chelmsford town centre, is likely to impact on people living in areas not served by public transport. It is envisaged that there is sufficient off and on street parking provision available for disabled people with blue badges.

Priority 4 Make Communities Safer
Services related to crime reduction, including domestic violence, are not currently affected by budget reductions. Savings will be achieved by joint operations with police, reducing budgets allocated to crime and disorder reduction and the anti-social behaviour budget (£0.2 million in 2011/12).

Priority 5 Promote Sustainable Economic Growth
Essex apprenticeships schemes (1250 apprenticeship opportunities) are directly targeted at disadvantaged and vulnerable young people to further their skills and career aspirations. The current economic climate, coupled with the decline in the number of available jobs, enhances the outcome of younger people being out of

work. These schemes are progressing despite the loss of the Performance Reward Grant.

Although there may be concerns that the end of the Community Initiatives Fund (£0.5 million in 2011/12) may impact upon third sector organisations, this risk should be mitigated by the creation of the £1.4 million Big Society Fund to provide small, flexible grants at grass-roots level. The Council will continue to strengthen its approach to engaging, supporting and working with these community organisations and will continue to use fair, transparent procedures for allocating funds.

Priority 6 Enhance the Environment and Reduce and Recycle Waste
It is unlikely for savings, within this priority, to generate disproportionate impacts upon customers. Staff savings through restructure (£1.68 million by 2011/12) will impact upon both men and women employees. Impact assessments will support fair employment outcomes.

Priority 7 Promote Public Health and Well Being
Access to outdoor spaces and attractions supports health benefits. Visitors to attractions e.g. Marsh Farm will benefit from improved facilities including a new paddock and soft play area. Disabled people will also benefit from a changing place toilet provision. The revised pricing structure, resulting from the EIA, will ensure parity in admission charges for disabled people with carers and non disabled people. Older people and families will also continue to benefit from concessions.

Joint working with Health – ECC is working collaboratively with Health partners to target efficiencies of approximately £500,000 and to aid the delivery of GP services. A full assessment will support the development of a revised service.

During 2010/11, library services were reviewed to take into account fairness. Further reviews will continue during 2011/12. No libraries are identified for closure.

Our Employees

A substantial part of the Council's efficiency savings will be achieved by a reduction in the number of posts and relocation.

Women make up 74% (as at March 2010) of the workforce and are therefore more likely to be affected by these reductions. They continue to be those primarily, with family and caring commitments for children, young people and/or dependant adults. They are also more likely to be part time workers or have an alternative flexible working pattern. Any increase in travel time may incur additional care costs and transport. Disabled employees (representing 3% of the workforce) may also require alternative transport arrangements and reasonable adjustments for relocation or redeployment.

New Ways of Working – a programme to review processes and working practices that will target £2.3m of efficiencies in 2011/12 will be able to offset these impacts, to achieve real positive benefits in relation to work life balance.

Using early retirement and voluntary redundancy as part of the mechanism to avoid compulsory redundancies may lead to a disproportionate number of older people leaving the Council. Staff leaving through early retirement is on a voluntary basis and therefore no differential impact is envisaged in relation to these individuals. Employees over 50 represent 38.8% (as at March 2010) of the Council's total workforce. Voluntary redundancy may lead to an overall loss of valuable skills, expertise and experience.

Conclusion

While effort has been committed to avoiding reductions for those services particularly protecting vulnerable people and transport there is likely to be some impact on service users. The proposals are a proportionate means to achieve a legitimate aim to continue to achieve the best quality of life for residents within a time of austerity.

The Council's transformation of policies, functions and services will achieve an operating model in which fair outcomes are embedded. Impact assessments remain an integral tool to achieving this aim.

Big Society and the devolvement of decisions and services to local communities, presents further opportunities and new considerations-fairness will need to be rooted within local communities, through promoting good community relations and supporting seldom heard people to engage. The Council will work with stakeholders including third sector organisations to develop a strategy for embedding fairness across the county.

EssexWorks.
For a better quality of life

This book is issued by
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