

AGENDA ITEM 4

Report to Cabinet	Forward Plan reference number
Report of Cllr David Finch	FP/959/11/12
Date of meeting 22/01/13	County Divisions affected by the decision <i>All divisions</i>
Title of report: REVENUE AND CAPITAL BUDGETS 2013/14 AND MEDIUM TERM RESOURCE STRATEGY	
Report by Cllr David Finch, Deputy Leader and Cabinet Member for Finance & and the Transformation Programme	
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1 Purpose of report

The report presents information to enable the Cabinet to consider and make relevant recommendations to the Full Council on the Revenue Budget and Council Tax precept for 2013/14 and the capital programme to 2016/17, and consider the medium term resource strategy for the period to 2016/17 in light of the best information available regarding funding.

2 Decision Areas and Recommendations

It is recommended that the cabinet:

- 2.1 Considers the short and longer term resource issues facing the Authority, particularly in the period to 2016/17, based upon the information available.
- 2.2 Recommends to Full Council
 - a) The budget requirement being £903.6m
 - b) The Council Tax requirement being £510.0m
 - c) The net cost of services being £967.3m
 - d) The revenue Budget for 2013/14, as set out in sections 4 and 5
 - e) That the new Council Tax Freeze grant be accepted for 2013/14, thereby implying that there will be no increase in the Band D Council Tax for 2013/14, which will therefore remain at £1,086.75. Council Tax for other bands are set out in the report at paragraph 4.7.
 - f) The reserves and balances as set out in section 4.12
 - g) The capital programme for the period from 2013/14 – 2016/17, as set out in section 7, noting the funding sources and implications for the medium term resource strategy
 - h) That the Executive Director for Finance, in consultation with the Cabinet Member for Finance and Transformation, be authorised to make adjustments to the phasing of payments between years, should that be necessary in order to address any slippage

arising in 2012/13 as the capital programme is finalised and to report any impact on the Prudential Indicators at the next available quarterly review

- i) The 2013/14 Prudential Indicators, Treasury Management Strategy and Minimum Revenue Provision policy as set out in section 8
- j) The Pay Policy statement for 2013/14 as set out in section 9
- k) That the Executive Director for Finance (section 151 officer) statement on the robustness of the estimates and reserves included in this budget be noted (para 4.15)

2.3 Note the provisional Dedicated Schools Grant (DSG) figures set out in para 4.11

2.4 Note the findings of the Equality Impact Assessment (EIA) carried out and included at section 16 of this report

2.5 Agree that a schedule be presented to the Full Council setting out the Council Tax for each category of dwelling and the precepts on each of the Council Tax billing authorities for 2013/14, together with the final tax base.

2.6 Agree to delegate authority to the Cabinet Member for Finance and Transformation, in consultation with the Executive Director for Finance, to make any necessary adjustments to the figures to be submitted to Full Council upon receipt of the final taxbase and forecast business rates receipts for 2013/14 to be notified to the authority by the respective billing authorities (due by 31st January) and the final capital grant in respect of Education from the Department for Education (DfE) due in mid-January.

3 Background and context

- 3.1 It is essential to the delivery of the Council's objectives that robust revenue and capital plans are in place for the coming years. This enables the Council to plan for the future, particularly in light of the continuing downward pressure on public spending. The Government has announced significant changes to the funding and administrative arrangements for local government, which must be taken into account in the planning framework.
- 3.2 Members will recall that a financial strategy report was received by the Cabinet in December 2012 and this report aims to build on the information provided then. At that time, there were significant uncertainties in the financial planning environment, with a new funding regime coming into place, but no formal notification of the funding settlement each authority could expect. Consequently the draft financial strategy was constructed on the basis of modelled financial envelopes covering the planning period.
- 3.3 The draft settlement was released in late December, although there were, and still are, some missing information sets. On initial review, the overall funding settlement is broadly in line with our modelled figures, with approximately £8m less than was anticipated in our predictions. However, a number of unknown items remain within this settlement that could still affect the position.
- 3.4 The figures published in the settlement reflect a lower expectation on Business Rates receipts than we had modelled, impacting our funding for 2013/14 by around £4m at the time of the publication of this report. However, the billing authorities are due to publish their final tax base figures and forecast business rates receipts for 2013/14 by the end of January and these will be incorporated into the budget that will be presented to Full Council in February.
- 3.5 The government has taken a "top-slice" from the local government control total to pay for New Homes Bonus grants. Any funding left from this top slice once the bonus grants have been paid will be returned to local authorities in proportion with their total anticipated spend. At this stage we do not know how much we will receive in returned funding and this will not be known until after the budget has been set. An estimate for this sum is therefore included and any variation from this will be dealt with in-year as any other budget variations would be.
- 3.6 There have been a number of changes to the arrangements for local authority services to schools, mirroring the move towards academy status within the school community. The government has removed a proportion of funding relating to this activity from the settlement, and will return a sum back to both local authorities and academies in proportion with the number of pupils supported via a separate non ring-fenced grant from the Department for Education.
- 3.7 The formal notification of the returned sum was announced very late and fell short of our modelled expectations by £4.4m, although this is subject to final verification as mentioned in paragraph 5.12, and finalised numbers will be published in the report to Full Council on 5th February. The services that will be impacted by this reduced funding are varied and will have a varied level of flexibility within them to absorb further reductions. For the purposes of this report, the budget has been shown as balanced by effecting a transfer from the General

Balance. However, this is not a sustainable position going forward and work will be undertaken in the next few weeks to identify an appropriate strategy to reduce costs. This will be reported to Cabinet in the new financial year.

3.8 It may therefore be necessary to publish papers on the available information and provide an addendum on the day of the meeting to update any final issues remaining.

4 Revenue Budget 2013/14

4.1 The draft net cost of services is as set out in the following table, with a detailed budget book included at Appendix A. Up until now, the revenue budget has been prepared on a directorate basis, but now that the figures are in a position to be recommended to the Council, they have been recast into portfolio format. This is in accordance with the normal practice of presenting the budget in portfolio format and supports the principles of good financial control as set out in the Financial Regulations.

Controllable net budget Portfolio	2013/14 Draft £m
Adult Social Care	380.3
Children's services	168.2
Communities & planning	5.4
Customer services, Environment & culture	12.8
Economic Development and Waste & Recycling	69.7
Education & 2012 games	15.2
Finance & Transformation	18.3
Health & Wellbeing	25.0
Highways & transportation	93.1
Other Operating Costs	100.7
The Leader	8.8
Recharged Strategic Support Services	69.8
Net Cost of Services	967.3

4.2 This compares with a latest budget in 2012/13 of £950.9m, but this comparison is distorted by the re-classification of Learning Disabilities grant from a specific to a general grant, thereby increasing both the overall expenditure and income by £45m.

4.3 The comparison is also distorted by the re-classification of Local Authority Central Spend Equivalent Grant (LACSEG) funding from a general to a specific Education Services grant, thereby reducing both the overall expenditure and income by £20m.

4.4 Taking the above into account, a comparable figure for the 2012/13 budget would therefore be £976.7m, constituting a year-on-year cash reduction of £9.4m

4.5 The figures assume savings plans in order to absorb the pressures arising from demographic growth, inflation and other factors. The savings and efficiencies planned for

the year total £55m, compared with £123m in 2012/13. In drafting the 2013/14 budget, it has been assumed that under spends in 2012/13 to a total of £25m can be transferred to the General Balance and utilised to support the budget requirement in 2013/14. This underspend is reported elsewhere on the Cabinet agenda (Financial Review as at the Third Quarter).

4.6 In addition to setting the budget requirement the Council also has to carry out an additional budget calculation under sections 42A&B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011. This calculation is required to be made in order to arrive at a Council Tax requirement for the year

	£m
Gross Expenditure	2,267.4
Income	(174.8)
Specific Gov't Grants (excluding DSG)	(170.6)
Specific Gov't Grants (DSG)	(954.7)
Net Cost of Services	967.3
General Government Grants	(31.6)
Withdrawal from General Balance	(32.1)
Budget Requirement	903.6
NNDR	154.3
Revenue Support Grant	236.7
Council Tax Requirement	510.0
Collection Fund Surplus/Deficit	2.6
Total Funding	903.6

4.7 It is recommended that the latest tranche of Council Tax Freeze grant is accepted for 2013/14, which means that the Council Tax rate for 2013/14 would not be increased from that in 2012/13. The tax rates for the banded properties would therefore be as follows:

Council tax Band	2012/13 £	2013/14 £
Band A	724.50	724.50
Band B	845.25	845.25
Band C	966.00	966.00
Band D	1,086.75	1,086.75
Band E	1,328.25	1,328.25
Band F	1,569.75	1,569.75
Band G	1,811.25	1,811.25
Band H	2,173.50	2,173.50

4.8 Services will be assisted in the delivery of further savings through the implementation of the Transformation Programme. The draft budget for 2013/14 contains the ongoing impact of savings projects already underway, and does not yet include any reflection of potential changes arising from any subsequent programme of change. As new change programmes are designed throughout the year, they will go through the normal governance route of Outcomes Board prior to submission to Cabinet

4.9 Schools' expenditure, predominantly funded through the Dedicated Schools Grant (DSG), lies largely outside of ECC's control. Following the Funding Reforms introduced by the Department for Education (DfE), for 2013/14 DSG is split into 3 notional blocks, being the Schools Block, High Needs Block and Early Years Block.

4.10 In addition funding for early education places for 2 year-olds from lower income households (£10.432m) is being transferred into DSG in 2013/14.

4.11 The School Funding Settlement for 2013/14 is shown in the table below. The final DSG allocation for 2013/14 will be determined after the January Pupil Census.

4.11.1 The Pupil Premium for 2013/14 is £1.875 billion nationally, an increase from £1.25 billion in 2012/13. Resources will be delivered to schools on the basis of the number of 4 to 15 year olds who are currently or have been in the last six years entitled to a free school meal.

4.11.2 The per pupil rate increases from £623 in 2012/13 to £900 in 2013/14 for pupils entitled to a free school meal and looked after children. The per pupil rate for children from a military background increases from £250 in 2012/13 to £300 in 2013/14. The indicative allocation released by the DfE is £34.1m (including the premium for Academies) in 2013/14 compared with £23.6m in 2012/13.

Year	Amount per Pupil (GUF)** £	Pupil Numbers	Gross DSG £,000	Academies Deductions £,000	DSG remaining with LA £,000
2012-13 (updated DSG)	4,816.13	195,121	939,748	*(296,282)	643,466
2013-14 DSG (estimate)					
Schools Block	-	-	794,497	*(309,457)	485,040
High Needs Block	-	-	107,654	0	107,654
Early Years Block	-	-	52,588	0	52,588
Total	-	-	954,739	(309,457)	645,282

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

** GUF = Guaranteed Unit of Funding

4.12 The Council's reserves are set out in Appendix B, and fall into two broad categories; Earmarked and General reserves. The former are amounts set aside for specific policy purposes in preparation for significant future expenditure, which would otherwise cause very uneven cash flows. This in turn would have negative effects on the Council Tax increase or on service budgets.

4.13 The General Balance does not have a specific purpose, but is set aside to allow the Council to deal with unexpected events or costs at short notice. It is generally accepted that such balances are in the order of 5% of the budget requirement. ECC is anticipating general balances of £79m at the end of 2012/13, taking into account the projected under spend in 2012/13 reported elsewhere on this agenda. Once the contribution to the 2013/14 budget is taken into account, the total is expected to be around £48m, which, combined with the £8m proposed contingency in the revenue budget, equates to around 5.7% of the net cost of services.

4.14 Proportionately, this is a slightly higher balance than in previous years, but this reflects a significant increase in the organisation's risk profile, which is commented on below. Having such reserves at a time of considerable uncertainty is essential. This allows the council

some measure of safety net to respond to unexpected circumstances should this be necessary.

Statement of the Executive Director for Finance (S151 Officer)

4.15 An integral part of the budget preparation process is for the Section 151 officer (Margaret Lee, Executive Director for Finance), to give her view on the robustness of the budget. The S151 officer has guided the Council through its preparations of this budget and is therefore thoroughly acquainted with it. Her statement is as follows:

4.15.1 We are drafting this budget at a time of unprecedented change in the Local Government Finance environment and within the context of a difficult economic environment. Due to the scale of change in the funding regime and the inherent uncertainty in the funding availability for the future, it has been necessary to take a prudent yet ambitious approach to planning for the coming years. Estimates have been included in the modelled financial envelope to mitigate tax collection volatility which has not been so keenly felt at County Council level previously.

4.15.2 The first transformation programme comes to an end in March 2013, and will have delivered significant efficiency savings by that time. However, our financial modelling set against the continuing and very difficult national economic situation indicates that significant ongoing pressures will continue to necessitate innovation and change within our services to deliver high quality services within a reducing financial envelope.

4.15.3 The continued provision of adequate Earmarked reserves and General balances is essential to my confidence that the Council can successfully manage its financial affairs within increasingly tight cash limits and an increasing risk profile. Without these reserves it may be necessary to take remedial urgent action in-year to mitigate challenges that arise, which could lead to longer term consequences.

4.15.4 On that basis, I am pleased to recommend to Council the budget, including estimates for Reserves and Balances, for 2013/14 as being robust.

4.15.5 It should be noted, however, that our own projections indicate increasing budget gaps over the coming few years as set out in section 6 of this report. It is essential that the Council continues with its record of robust financial management and control and plans now for the challenges of the future to ensure that future budgets remain similarly robust.

5 Service Implications of the Revenue Budget 2013/14

Adult Social Care

- 5.1 The net revenue budget in 2013/14 for Adult Social Care is £380m compared to £318m in 2012/13. £45.2m of this movement relates to funding received in 2012/13 as grant income from Health to fund care packages which will now be received as part of the financial settlement and therefore, no longer appears as income in the ASC budget.
- 5.2 The main pressures in 2013/14, which relate to the Care and Support area of the budget, are Demographic growth (£13.3m) and Inflationary increases (£8.1m). Over the last 3 financial years the service has delivered significant efficiency savings through taking commercial opportunities, containing cost pressures and new ways of working.
- 5.3 The 2013/14 budget includes efficiency savings of £16.9m which contribute to mitigating the cost pressures, although the current economic climate and the savings delivered in prior years mean it is significantly more difficult to take advantage of further efficiency opportunities. Of the £16.9m, £6.4m relates to efficiencies that have been deferred to 2013/14 from the current year due to programme slippage or, a need to profile the savings over a longer period so as to not destabilise the care markets. The 2013/14 savings initiatives include:
- Working Age Adults initiatives - £5.5m
Service redesign looking at complex behaviours and sensory services and how these can best be delivered to meet the needs of the service user. In addition current contracts are being reviewed in order to deliver efficiencies.
 - Reablement Contract - £1.4m
Procurement savings from the re-tender of the contract for Reablement services
 - Reablement Care cost - £1.7m
Savings to be achieved through the provision of a Reablement service to clients resulting in improved outcomes for service users and a reduction in costs to the authority.
- 5.4 These savings are the on-going impact of prior year savings initiatives and therefore it is not anticipated that there will be significant impacts on service delivery as a result of this budget.

Children's services

- 5.5 The net revenue budget in 2013/14 for Children's Services is £168.2m compared with £184.1m in 2012/13. The Children's Services Portfolio is responsible for providing efficient and effective services to improve outcomes for children and young people and keep them safe.

5.6 The service has had a radical relook at how we approach care to build on the strong foundations put in place to ensure we have a sustainable model for social work now and into the future. This has required both innovation and a cultural shift to strengthen current practices and develop new ways of working with children, young people and families, by improving frontline delivery and embedding evidence based practice to reduce demand in services and deliver sustainable positive outcomes.

5.7 The emerging pressures and efficiency opportunities within these budgets include:

- Early Years and Childcare - £2.4m savings

A major redesign of the service, predominantly around the procurement of Children's Centres and enabling Child Care settings will enable the delivery of savings whilst at the same time improving performance

The council will work with partners to further develop the Early Years Strategy setting a more detailed direction for the councils approach to early years over the coming years; the service aims to:

- effectively fulfil the new duty to provide free early education for 'most disadvantaged' 2 year olds;
- maximise the take up of early years free entitlement for 3 and 4 year olds;
- narrow the gap for our most disadvantaged and vulnerable groups; and
- raise education attainment.

- Children Looked After

Children in Care Independent Schools – savings of £3.0m are expected to be achieved through the recharge of full term placement costs for children looked after in Independent Residential Schools to the Dedicated Schools budget as agreed with the Schools Forum

Children in Care placement costs and other - £3.0m savings anticipated to be achieved by the following:

- reduce the need to use more expensive external or residential care placements by Supporting parents and children to enable children to remain safely with their families;
- increase the number and improve the timeliness of children moving from care to permanence through Adoption, Special Guardianship or Residence Orders; and
- innovation - Multi Systemic Therapy (MST) & Intensive Family Support (IFS) / Divisional Based Early Intervention Teams (DBIT)

- Family Support and Assessment -£1.3m saving

Reduced expenditure for legal proceedings associated to children and families within the court proceedings framework and more prudent approach to the support requirement for families e.g. Divisional Based intervention Teams (D-BIT) in working

directly with families to change parenting approaches; facilitating the ability to release elements of the funds aligned to high level family support.

- Carer network rates £1.5m growth

Savings are offset by uplift in rates aligned to Residence Orders, Special Guardianship Orders and Adoption Allowances to reflect the authority's legal responsibility

- Risks

The 'Placement plan' is a long term strategy enabling a focus for the right children to be in care, the objective of stabilising the placement expenditure; strengthening the capacity of the workforce; reduce the need to use more expensive external or residential care placements.

Whilst we are optimistic about the future and have a clear strategy with innovative solutions built into the Medium Term Resource Plan, we are also aware of how rapidly national developments can very quickly reverse the downward trajectory and therefore a level of caution is recommended in financial forecast.

Continuing to maintain safe and effective systems which target resources for children and families most in need remain a priority for the council.

Communities and Planning

5.8 The Portfolio budget has reduced from £6.2m for 2012/13 to £5.4m for 2013/14 as a result of a redirection of £500,000 in Community Safety funding to Police and Crime Commissioner (which is not deemed to have an adverse effect on services), and Environmental Planning savings.

Customer Services, Environment & Culture

5.9 The portfolio budget has decreased from a £14m in 2012/13 to £12.8m in 2013/14. Significant changes include changes to library staff working patterns and reductions in the total number of library staff (It is important to stress that no library services will cease and it is expected there will be only minimal impact on service accessibility), and restructure within the Heritage and Culture Team.

Economic Development, Waste & Recycling

5.10 The portfolio budget has increased from £64.9m in 2012/13 to £69.6m for 2013/14, including an additional £1.5m for Economic Growth Strategy initiatives and a net £3m of additional waste costs.

5.11 Waste costs have increased due to combination of factors including Landfill Tax increases of £8 per tonne (£2.6m p.a.), a demographically driven 1% increase in waste, additional Civic Amenity services and an increase in recycling credits to District Councils.

5.12 Additional efficiencies have reduced the net effect of these waste cost pressures. These measures include improvements in waste transport management costs, reduced reliance on waste consultancy services and increased levels of recycling that have mitigated the impact of Landfill Tax increases.

Education & 2012 Games

5.13 The net revenue budget in 2013/14 for Education and 2012 Games is £15.2m compared to £30.7m in 2012/13. £15.8m of this movement relates to funding received in 2012/13 as general fund formula grant to fund central education functions will now be received as a specific non-ring fenced Education Services Grant and will appear as income in the Learning budget. Additional information has been received which indicate that the grant figure may increase to a range between £16.8m and £18.0m; this is in the process of being validated and the reported position will be updated thereafter. The underlying movement between the two years is therefore £279,000 growth

5.14 The Education financial climate remains difficult and funding regimes are uncertain for 2013/14 and beyond. There are particular risks in respect of: funding allocated to councils with the growing number of Academies nationally; a new funding formula for schools and change in the funding and distribution of the funding for central education functions proportionate to the number of pupils for which the Council is responsible. The Council has kept the focus on improving outcomes for children, continuing to support schools, academies and colleges through a period of financial change. In moving to a national pupil based system for funding Education functions and greater delegation of budgets to Academies to reflect the transferring responsibilities, budgets will need to be reviewed and where appropriate realigned to reflect new local authority responsibilities and priorities.

5.15 Our intention is to continue to make better and more effective use of resources and key areas of focus will include:

- Improving schools which are not yet judged at inspection to be at least good
- Improving young people's engagement in Education, Employment & Training (EET)
- Improve special educational needs (SEN) provision to ensure it is more effective for children and young people

5.16 The 2013/14 emerging pressures and efficiency opportunities within these budgets include:

- Home to School Transport £945,000 growth

The net growth will ensure that all children eligible for services will be enabled to attend their local schools safely and statutory responsibilities will be adhered to in relation to Home to School Transport provision; distance and low income.

- Children's Prevention Measures (Contingency) -£1.5m savings

Historically a collection of commissioning budgets created in 2011/12 as a contingency to support Home to School Transport and a variety of prevention measures; it is proposed that these funds will be utilised to support the portfolio pressures

- School Education Strategy -£1.4m savings

Final phase of the School Education restructure which aimed to generate greater efficiencies within the following areas: Governor Services, Strategic Development, Primary Development and Secondary Improvement.

The Schools Education Service will continue to offer a wide range of monitoring and support to educational establishments with a view to improving the experiences and achievements of children and young people in Essex

- Hadleigh Castle Country Park & Olympic Fund - £830,000 savings.

The saving relates to the reduction of funding aligned to the Hadleigh Castle Country Park and Olympic Fund following the successful delivery of the Olympic mountain biking event in 2012

Finance & Transformation

5.17 The revenue budget in 2013/14 is £18.3m compared to £17.6m in 2012/13. The main increase in the budget is due to the introduction of Council Tax technical sharing arrangements across billing authorities. Other areas of expenditure under this heading include the costs of the Coroners' function, the annual contribution to reduce the Pension Fund Deficit and Agency Precepts..

Health & Wellbeing

5.18 The net revenue budget in 2013/14 for Health and Wellbeing is £25m compared to £26.9m in 2012/13. The main pressures in 2013/14, which relate to the Mental Health area of the budget are Demographic growth (£0.3m) and Inflationary increases (£0.5m).

5.19 The 2013/14 budget includes efficiency savings of £1.6m to be delivered through redesign of the service with Health partners. Of the £1.6m efficiencies, £0.5m relates to savings that have been deferred to 2013/14 from the current year due to slippage in the current savings programme. The current economic climate and the savings delivered in prior years, mean it is increasingly difficult to take advantage of opportunities resulting in efficiencies.

5.20 These savings reflect the on-going impact of prior year savings initiatives and therefore, it is not anticipated that there will be significant impacts on service delivery as a result of this budget.

Highways & Transportation

- 5.21 The portfolio budget has decreased from £94.2m in 2012/13 to £93.1m in 2013/14. It should be noted that adverse weather conditions cannot be foreseen and do have an impact on road conditions.
- 5.22 Due to the nature of the work of the Highways Services, there is significant interdependence between the revenue and capital elements of the service budget, please see the capital programme section 7 of this report.

Other Operating Costs

- 5.23 The revenue budget in 2013/14 is £100.7m compared to £98.8m in 2012/13. These budgets include the net appropriations to and from reserves (£48.5m) of which £21.4m relates to the Waste Reserve, in line with the agreed strategy to fund future Waste costs, £13m to support the delivery of the Council's Transformation Programme, financing of the capital programme (£44.7m), and the Emergency Contingency (£8m).

The Leader Portfolio

- 5.24 The revenue budget in 2013/14 is £8.8m compared to £9.5m in 2012/13. This budget includes the costs of the Democratic Core, Members Support, Corporate Policy and the Essex Initiatives Fund. The reduction in this budget is due to one-off funding having been applied during 2012/13 for a Corporate Services Transformation project.

Recharged Strategic Support Services

- 5.25 The revenue budget in 2013/14 is £69.8m compared to £85.7m in 2012/13. These services include the finance, legal, democratic, performance and procurement functions (£16.5m), Human Resources, Information Services and Transformation Support functions (£18.5m), Asset Management and Facilities Management (£22.2m), Insurance Costs (£4.8m) and Customer Services (£3.0m).
- 5.26 Capacity across these functions was supported by £12.2m of one-off funding during 2012/13 to provide support to all Transformation projects across the organisation.
- 5.27 £2.5m of efficiency savings have been identified as part of the approved IS modernisation programme which will also deliver significant improvements in the service.
- 5.28 Productivity efficiencies are being applied across these services to release £600,000 of savings, although care is being taken to minimise the impact of reductions on the ability to deliver support to front line services.

6 Medium Term Resource Strategy

- 6.1 Members will recall that the previous report to Cabinet in December 2012 set out the basis of significant changes in the Council's funding framework from April 2013. Since publication of that report, the draft financial settlement has been received which has provided further information on which to plan.
- 6.2 It should be noted that in resolving the budget position for 2013/14 a significant sum has been drawn down from the General Balance. As this is a one-off source of funding, this action will result in budget gaps in 2014/15 of an estimated £85m, in 2015/16 of £145m and in 2016/17 of £200m, as detailed below. These budget gaps are the result of reducing government funding, coupled with demographic pressures and inflation rises.
- 6.3 As mentioned above, the draft local government financial settlement was released late in December 2012. This largely confirmed the modelled resources for 2013/14, but left several areas of uncertainty which will be announced in due course. Until such time as they are confirmed, it is necessary to work on assumed sums for these items.
- 6.4 The treatment of National Non-Domestic Rates (NNDR) is changing significantly for 2013/14. In previous years this has been received by ECC as a general government grant, and has therefore been a certain sum for the year. With the forthcoming localisation of NNDR, this treatment will change, and a proportion of the actual income received will come to local authorities with a further "top-up" or "tariff" depending on individual circumstances.
- 6.5 ECC, as a precepting authority, will receive a top-up grant from central government, based on the assessed relative need to spend compared with the expected receipt of NNDR. The anticipated NNDR receipt as per the settlement is £41m for 2013/14, resulting in a top-up of £113.2m. However, the actual NNDR figure will be confirmed from billing authorities' NNDR1 returns, which will be submitted in late January.
- 6.6 Essex Billing Authorities have designed Local Council Tax Support (LCTS) schemes which should award levels of council tax support discounts in line with the funding available, and therefore be cost neutral to ECC. However because the available funding has been reduced by around 10%, there is an increased risk of non-collection of council tax from residents who will be receiving less support. The risk included within ECC's funding assumptions is £8m. This risk increases in future years as we anticipate the demand for support will increase in line with inflation. Billing authorities are considering other actions which could be taken to mitigate this risk, including implementing changes to other council tax discounts to increase council tax income, and an investment in collection activities which aim to reduce the estimated levels of non-collection.
- 6.7 The government has announced a further tranche of Council Tax Freeze grant, this time equivalent to a 1% increase in council tax and the 2013/14 budget has therefore been built on this basis. Government has announced its intention to fund the on-going impact of this in 2014/15.
- 6.8 Based on the best information available, the likely future funding availability has been mapped for the coming four years. This takes into account the assumed funding reductions which are likely to be applied to the national funding allocation. However, it is not possible to predict with accuracy whether the ECC funding allocation will mirror this precisely.

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
NNDR	154.3	154.7	159.4	164.2
RSG	236.7	202.9	168.8	143.6
Council Tax	510.0	510.9	523.4	536.2
Collection fund surplus	2.6	2.6	2.6	2.6
Gen Gov't Grant	31.6	32.4	27.6	28.6
Transfer from General Balance	32.1	-	-	-
Total revenue resources	967.3	903.6	881.8	875.1

6.9 In parallel with modelling the overall funding available, Directorates have been preparing service plans to draft a budget within the funding envelope. The draft budget for 2013/14 does remain within the financial envelope providing that one-off carry forward funds are utilised to balance the position. However, it should be noted that this is a one-off solution and hence in future years there remains a gap between available resources and the draft budget requirement.

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Draft Budget	967.3	988.6	1,026.5	1,075.6
Projected Funding	967.3	903.6	881.8	875.1
Budget Gap	-	85.0	144.7	200.5

6.10 The current Transformation programme comes to an end at the end of March 2013. It is clear from the above that there remains a need to deliver savings and efficiencies in order to mitigate pressures and protect key services as far as possible, and the Cabinet set out early proposals for a second phase of transformation in a report to the December 2012 meeting. A further report is planned for May 2013.

7 Capital Programme 2013 – 2017

7.1 As part of the budget setting process the capital programme requirements were also reviewed, following an extensive prioritisation exercise a year ago. Principles for capital planning were established at this point and have continued to remain relevant for the 2013/14 refresh exercise. These are:

- a) Unringfenced grants will be held corporately and not allocated to the service for which they are notionally provided by central government
- b) Growth in unsupported borrowing is not budgeted for
- c) Projects that are fully funded by external sources are evaluated against the capital prioritisation criteria to ensure they are congruent with the council's corporate priorities.

7.2 The draft capital programme for the period from 2013/14 to 2016/17, including approved slippage, is as follows:

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Maintenance of assets	6.9	5.2	6.5	6.5
Other schemes	39.7	44.3	43.1	34.4
Sub-total Education, Lifelong learning & 2012 Games	46.6	49.5	49.6	40.9
Maintenance of assets	26.9	21.9	20.1	20.0
Other schemes	38.1	6.3	5.1	4.9
Sub-total Highways & transportation	65.0	28.2	25.2	24.9
Deputy Leader, Finance & transformation	18.9	18.8	8.0	0.1
Communities & planning	1.8	1.8	1.8	1.8
Customer services, environment & culture	0.9	0.3	0.3	0.3
Adult Social Care	2.0	2.0	2.0	-
Economic development, waste & recycling	30.1	6.8	4.2	4.0
Total Capital expenditure	165.3	107.4	91.0	72.0

7.3 The draft funding envelope is as follows:

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Grants	82.2	54.9	49.6	49.6
Capital receipts	3.9	1.6	1.6	-
Contributions	22.6	20.7	19.7	3.6
Borrowing	56.6	30.1	20.1	18.8
Total	165.3	107.4	91.0	72.0

8 Prudential Indicators, Treasury Management Strategy and Minimum Revenue Provision Policy

8.1 Appendix C of this report is presented in compliance with statutory regulations and Codes of Practice that require the Council to compile:

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

9 Pay Policy Statement 2013/14

9.1 Section 38 (1) of the Localism Act 2011 required English and Welsh local authorities to produce a pay policy statement for each year from 2012/13 and beyond.

9.2 The pay policy must include:

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

9.3 A pay policy statement is included at Appendix D, and is broadly similar to that approved for 2012/13. The copy attached shows tracked changes to demonstrate where the amendments have been made. The final document will be presented at Full Council alongside the budget for approval for 2013/14.

10 Conclusions

10.1 The public sector continues to face financial pressures in the face of the Government's continued commitment to deficit reduction within the UK economy. Local government must therefore seek to deal with increasing demands on services whilst supporting recovery in the economy. This necessitates improved efficiency and safe financial control. The budget proposals set out in this report will support effective service delivery and good financial management.

10.2 During the development of these budget recommendations, Members and officers have considered various options in order to address any budget gaps, both in revenue and capital. The proposals put forward in this report are seen to be the most effective in delivering the Council's objectives whilst maintaining a balanced budget position.

11 Relevance to ECC's corporate plan and other Strategic Plans

The budget is a financial representation of the organisation's activity. Financial constraints will, therefore, inevitably act as a limit to the activities that can be undertaken. Alongside the budget for 2012/13, the Council approved the Corporate Plan for a 5 year period starting from 2012/13. The strategic priorities identified through that process were as follows, and remain applicable into 2013/14:

- Enabling every individual to achieve their ambitions by supporting a world-class education and skills offer in the county
- Securing the infrastructure and environment to enable businesses to grow
- Improving public health and wellbeing
- Protecting and safeguarding vulnerable people
- Giving people a greater say and a greater role in building safer and stronger communities

These strategic priorities provide context for the development of budget and service proposals, and were used as guiding principles by officers and portfolio holders in defining budgets for 2013/14.

12 Internal and External Consultation

As part of the preparation for the budget, all Portfolio holders and senior managers have been consulted. In addition, budget consultation meetings are held with representatives from the unions and from the business community. This report will also be reviewed by the Executive Scrutiny committee prior to final presentation of the budget to Council on 5th February.

13 Legal Implications (Monitoring Officer)

In each financial year the Council must make its budget calculation in accordance with section 43 of the Local Government Finance Act 1992. In particular, it must calculate the aggregate of -

- the expenditure the authority estimates it will incur in the year in performing its functions and will charge to a revenue account for the year
- such allowance as the authority estimates will be appropriate for contingencies in relation to expenditure to be charged to a revenue account for the year;
- the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure; and
- such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.

The Council is required to set a balanced budget and in considering the budget the Council must have regard to the advice of its Chief Finance Officer appointed under section 151 of the Local Government Act 1972. At Essex County Council, the Chief Finance Officer is Margaret Lee, Executive Director for Finance

Under section 25 of the Local Government Act 2003 the Chief Financial Officer is required to report to the authority on the robustness of the estimates made for the purposes of the calculations required to be made by the Council. These are the estimates which the Cabinet is required to determine and submit to Full Council and are contained within this report. The Chief Finance Officer is also required to report on the level of reserves

In deciding its Capital Programme for the year, the Council should have regard to the “Prudential Code” established in the Local Government Act 2003. This is addressed in the report

The Council is required to consider the equality and diversity implications of all its policy decisions. In cases where services are likely to be reduced or cease or grants are likely to be reduced or ceased then there will need to be an equality impact assessment conducted in order to assess the equality and diversity impacts of any particular decision. As part of this process, the decision maker will need to consider different options

In addition to setting its budget requirement, the Council now also has to carry out an additional budget calculation under sections 42A and 42B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011. This calculation is required to be made in order to arrive at a Council Tax requirement for the year

The Council must issue any precept or precepts in accordance with section 40 of the Local Government Finance Act 1992. The section prescribes what must be included in the issue of the precept. It must be issued before 1st March in the financial year preceding that for which it is issued, but is not invalid merely because it is issued on or after that date

The setting of the budget is a function reserved to Full Council but the Cabinet are required to consider the recommendations it wishes to make to Full Council on the various calculations the authority is required to make. Once the budget is agreed by Full Council, the Cabinet cannot make any decisions which conflict with that budget, although virements and in year changes may be made in accordance with the Council’s Financial regulations which have been adopted by the Council. Similarly, any decision made by the Cabinet or by an officer exercising executive functions must be made in accordance with the policies, plans and strategies agreed by Full Council, including the *EssexWorks* Vision and the Corporate Plan.

14 Finance and Resources Implications (Section 151 Officer)

This report has been authored by the Executive Director for Finance (S151 Officer) and sets out the revenue and capital budget for the coming period. It complies fully with Financial Regulations and the Policy Framework, and includes within it a specific commentary by the S151 Officer on the robustness of the budget and the reserves. No further comment is therefore required here

15 Human Resources Implications

There are no direct HR implications of this report, as no specific actions are proposed as a result. Any HR implications which may arise as a result of operational plans flowing from this budget will be addressed under their specific implementation plans.

16 Equality Impact Assessment

This section of the report describes the most significant equality pressures confronting each main service area, informed by proportionate equality analysis.

Section one highlights the effect of policy and governance changes and section two provides an overview of positive and neutral impacts, in addition to those mentioned in section 3, Service Implications of this Revenue Budget. These outcomes are based upon spending decisions taken during the last two years and there are no significant changes resulting from the 2013/14 budget..

Policy and Governance Changes

The budget will be discharged during a year where there will be significant changes to the governance and provision of health and welfare support.

- a. Essex residents will start to experience the effects of welfare reform during 2013/14. Localising Council Tax benefit, changes to housing benefit, and the introduction of Universal Credit are likely to create pressures on individuals, families and local communities, as some residents see incomes reduce. Stresses may also be born of the need to migrate to less expensive areas. The Council is able to anticipate specific increases in demand for services but the full impact of these changes will become more apparent in the months beyond implementation.
- b. Workers are experiencing below inflation wage increases impacting upon family incomes and about 820,000 families, in which at least one adult has a taxable income exceeding £60,000 per year, stand to lose all their Child Benefit. The affected families stand to lose an average of about £1,300 per year. The Council is able to anticipate specific increases in demand for services but the full impact of these changes will become more apparent in the months following implementation.
- c. During 2013/14 the Council will continue to support activity to combat financial exclusion and to promote financial literacy. Financial exclusion is caused in main by inability of individuals to access mainstream financial products and services. This exclusion, historically has affected people on lower incomes who are also impacted by other forms of social exclusion. The profile of people experiencing financial exclusion is changing in line with a decrease in average earnings across the county.
- d. Essex County Council will be responsible for the county Social Fund scheme as of April 2013. The fund is intended to help vulnerable people live as independent a life as possible in the community. The eligibility criteria will remain unchanged, access to funds to acquire essential items such as food, household equipment and fuel will change. The

Council is working with partners to determine effective ways of providing people across the county with essential items.

- e. The Community Right to Challenge was introduced by the Localism Act 2011 and came into force on 27th June 2012. The aim of the Right is to devolve power down to communities and allows relevant bodies to challenge local authorities on how services are delivered. Communities can express an interest in delivering all or part of a service.
- f. ECC is supportive of the Right and is developing policies and procedures to implement it. The policy is aligned to the Council's Diversity and Equality Strategy of supporting people to participate in the Council's democratic structures, to access the services they need and shape their own lives.
- g. The Health and Social Care Act 2012 created a new duty on commissioners to promote the involvement of individuals, their carers and representatives in decisions about their own care and treatment.

Service Impacts Overview

Adults, Health and Community Wellbeing

- a. Efficiency savings of £18.5m have been identified for the 2013/14 financial year. Over the last three financial years the service achieve efficiency savings through activities, such as new ways of working, with minimal impact on service delivery. There should not be significant impacts on service delivery as a result of this budget.
- b. The overall commissioning budget for Adult Mental Health Services reduced by 10% from 2010/11 to 2011/12. Subsequently cumulative savings of 16% will be realised in 2013/14 and 17% in 2014/15.
- c. Reductions are being achieved through the removal of current vacant posts; efficiencies in contracted services and; supporting people to be more independent and; scrutinizing care packages in place to ensure that they are up to date and meet identified need. These actions are intended to minimise the impact upon customers.
- d. This goal will become an increasing challenge, as the percentage of saving increases. Separate equality analysis will support local saving decisions to understand the impact upon customers and service providers. Service delivered through the current contracts have been monitored and show no adverse impact in terms of a change in the diversity of people using the service.
- e. The service worked with providers to introduce a zero uplift policy with effect from 2009/10 for care contracts. This has been actively enforced by removing uplift clauses from contracts through introduction of framework agreements. This activity has challenged the market meaning services could begin to be compromised and it is highly unlikely that this approach is sustainable.

- f. Implementation of framework agreements mean that although no uplift is contractually required, providers have the opportunity to periodically revise their prices within a defined pricing matrix. This may impact their position on the Preferred Supplier Ranked List and subsequently the volumes of work placed with them. The aim of this approach is to enable the market to be self-managing. In 2013/14 a Market Investment strategy is being developed to ensure service quality is maintained and to support the sustainability of the care market.
- g. Adult social care spend in the care market is in the region of £380m. The 2013/14 budget has allocated £15.2m for cost of living increases of which £2.8m (18%) has been offered up as savings. The remaining £12.4m will be used as an investment in the care market to relieve market pressures, increase frontline staff development, increase capacity in areas of limited supply and to increase quality. The Council will need to pay particular attention to monitoring the effects of the above interventions upon customers.
- h. The investment proposal can be contained within the £12.4m by working in partnership with providers and relevant organisations e.g. Alzheimer's Society. This will facilitate practical links between providers giving support and development opportunities. The Community, friends and family will be encouraged to play a full role, in particular, in quality improvements across the markets.
- i. Changes to services through efficiencies in process or traded services have the potential to improve access to services, customers' experience and outcomes for eligible clients. Essex Assist will be an external trading company that provides residents with another route into social care beyond telephoning the customer service centre. Customers will need access to a computer to use the tool which will mean that it is not available to everyone. Effective communication will ensure that customers understand that this service enhances available options and complements existing services. One of its major products is an Online self-referral tool for use by potential customers and their family / friends.
- j. During 2013/14 the Council will undertake a review of policies implemented as part of transformation. Night-time use of Assistive Technology (AT) forms part of personalised support plans for people with learning disabilities requiring support during the night. The aim of this is to promote increased independence through reducing reliance on the physical presence of staff. A review of feedback from existing stakeholders, as to their experience of using AT at night, will establish whether any groups are disadvantaged by the approach and processes.

Children's services

- a. A reduction in the number of children in care will be achieved by working with parents and children to enable children to remain safely with their families and thus improve their life chances. This positive impact will also achieve £3.0m budget savings.

- b. Additional resources through the creation of 6 posts are proposed to ensure the provision of a consistent, high quality adoption service to all participants in the adoption process and to achieve positive outcomes for children so that they can achieve their full potential. Sufficient resources will enable lessons to be learnt and where necessary, improvements can be made in the way in which partners individually and collectively work to safeguard and promote the welfare of children and young people.

Education & 2012 Games

- a. The Council will invest £150,000 on the Clacton Coastal Academy Skills Centre; a facility that will ensure that young learners can continue to develop skills to compete in the local job market.
- b. With the Paralympics being such a success in summer 2012 it is of great importance that we continue to drive disability sport across the county. Much of our work centres around supporting our National Governing Bodies (NGBs) and partners to help to implement their individual programmes. Equally important is our engagement with disability focussed organisations such as English Federation of Disability Sport (EFDS) and UK Deaf Sport, which are starting to implement new programmes and initiatives post Paralympic Games. The Council will also deliver initiatives to inspire and encourage more individuals to take part in sport. She Has Energy in Essex (SHE) aims to help existing community groups to provide sport or physical activity to its users by providing funding to help overcome the existing barriers.

Customer Services, Environment & Culture

- a. In the light of the ECC Transformation, it is proposed that the current Heritage and Arts Development teams combine budgets to create a single *Cultural Development* team which will better meet the commissioning objectives of the new ECC model by applying rigour and discipline to funding/grant allocation based on evidence and corporate agreed outcomes.

Highways & Transportation

- a. Funding for Highways is driven by asset management information and assumptions are made that it will be in line with previous levels..
- b. Essex County Traveller Unit is a partnership organisation operational since 1st October 2012, working with Police, Fire Service, NHS, District/Borough/City/Unitary Councils and ECC. Target outcomes will be to improve educational and health outcomes and fire safety, reduce impact of unauthorised encampments and provide cost effective Gypsy/Traveller Sites and overall improve service access and quality of life for the Gypsy/Travellers in Essex. To date 58 children are attending school and illegal encampments have been resolved on the same day. 291 families have received outreach for flu immunisations, including vulnerable people.

Our Employees

- a. A substantial part of the Council's efficiency savings continues to be achieved by the change to a new operating model as part of the Council move to a commissioning organisation.
- b. There has been no significant change to the ECC workforce profile over the past year, despite a reduction of 839 in 2012/13 and 528 in the first 3 quarters of 2012/13, suggesting no adverse impact from the initial reductions in workforce numbers on the diversity groups we monitor.
- c. Women in Essex are the majority of workers throughout the public sector. Given the high proportion of women within the workforce, women will continue to be disproportionately represented in the number of people leaving the Council. There has also been a slight drop in the number of people under 25 within the workforce.

The headline comparisons are as follows:

Group	2010/11	2011/12	Summary of changes at December 2012 compared to March 2012
ECC Black & minority ethnic employees	9.0%	9.8%	9.7%, i.e. 0.1% decrease (actual numbers have decreased by 42, now 713)
ECC disabled employees	3.0%	3.3%	3.3%, no change (actual numbers have reduced by 10, now 213)
ECC employees under 25	5.0%	4.5%	4.7%, i.e. 0.2% increase (actual numbers increased by 3, now 382)
ECC employees age 50+	39.0%	40.0%	40.3%, i.e. 0.3% increase (actual numbers decreased by 76, now 3,244)
ECC employees gender profile	74% female 26% male	73.5% female 26.5% male	Male – 26.4%, 0.1% decrease (actual numbers decreased by 146, now 2,088) Female – 73.6%, 0.1% increase (actual numbers decreased by 392, now 5,807)

Equality Impact Assessment Conclusions

- a. It is imperative that the Council continues to engage with customers on any changes to services and secures relevant data on service users including information on service uptake, customer satisfaction and outcomes.
- b. Cabinet is advised to seek ongoing updates of the issues highlighted within this report to determine any remedial actions which may impact upon the development of the 2013/14 budget.
- c. Any scheme approvals will require individual equality impact assessments prior to being agreed formally.

Appendix A

Revenue Budget 2013-14

Revenue Budget Summary 2013-14

2011 - 12 Actuals		2012 - 13 Original Budget £000	2012 - 13 Latest Budget £000	2013 - 14 Budget £000
£000				
2,086,705	Gross Expenditure	2,168,694	2,189,569	2,267,396
(271,834)	Income	(199,556)	(190,197)	(174,795)
(156,465)	Specific Government Grants (excluding DSG)	(116,218)	(102,435)	(170,569)
1,658,406	Subtotal	1,852,920	1,896,936	1,922,032
(744,709)	Specific Government Grants (Dedicated Schools Grant)	(915,013)	(945,995)	(954,739)
913,697	Subtotal - Net Cost of Services	937,906	950,941	967,293
31,025	General Balance - Contribution/(withdrawal)	(2,356)	(5,688)	(32,157)
(80,476)	General Government Grants	(79,764)	(88,975)	(31,581)
864,246	Budget Requirement	855,786	856,278	903,555
	Financed By			
(1,846)	Collectionfund Surplus/Deficit	624	132	(2,631)
(578,685)	Council Tax Precept	(581,611)	(581,611)	(509,975)
(216,724)	Nndr Precept	(269,574)	(269,574)	(154,310)
(66,990)	Revenue Support Grant	(5,226)	(5,226)	(236,639)
(864,246)	Total Financing	(855,786)	(856,278)	(903,555)

Revenue Budget Summary

County Fund

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
24,916	25,344	26,917	Health And Well Being	87,267	(9,287)	(52,961)	25,019
329,603	316,723	318,086	Adults Social Care	486,090	(81,168)	(24,606)	380,316
158,466	184,834	184,147	Childrens Services	176,861	(5,107)	(3,538)	168,216
5,223	6,238	6,198	Communities And Planning	6,653	(1,227)	-	5,425
4,212	17,965	17,620	Deputy Leader	20,756	(1,284)	(1,135)	18,337
62,456	64,813	64,932	Eco Growth & Waste & Recycling	73,858	(3,164)	(1,050)	69,645
70,442	27,143	30,739	Education & 2012 Games	1,071,731	(14,743)	(1,041,807)	15,181
15,887	13,502	14,050	Customer Servs, Env & Culture	23,173	(10,317)	(56)	12,800
94,287	90,651	94,246	Highways And Transportation	112,145	(18,888)	(156)	93,101
8,408	7,986	9,533	The Leader Portfolio	8,851	(10)	-	8,841
57,833	113,852	98,780	Other Operating Costs	109,548	(8,868)	-	100,680
831,733	869,052	865,248		2,176,934	(154,064)	(1,125,308)	897,562

Recharged Support Services

5,239	3,366	5,589	Cust Services Environment Cult	3,201	(167)	-	3,034
70,026	62,102	75,423	Deputy Leader Rsss	78,324	(16,302)	-	62,023
1,066	1,223	1,228	Highways And Transport Rsss	5,426	(4,213)	-	1,214
2,523	2,163	3,452	Leader Rsss	3,511	(50)	-	3,461
78,854	68,854	85,693		90,462	(20,731)	-	69,731
910,587	937,906	950,941	Net Controllable Cost of Services	2,267,396	(174,795)	(1,125,308)	967,293
3,110	-	-	Building Maintenance	-	-	-	-
913,697	937,906	950,941	Net Cost of Services	2,267,396	(174,795)	(1,125,308)	967,293

Budget Summary by Portfolio

Adults Social Care

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
			Access Assessment & Care Mgt				
5,589	2,265	7,734	Aacm Countywide Teams	8,284	-	-	8,284
5,039	5,057	3,619	Aacm Mid Teams	3,777	(26)	-	3,752
5,757	5,624	4,507	Aacm North East Teams	5,479	(614)	-	4,865
2,728	2,943	4,404	Aacm South East Teams	4,784	-	-	4,784
3,546	3,535	73	Aacm South West Teams	52	-	-	52
3,955	4,010	2,980	Aacm West Teams	3,088	(51)	-	3,037
			Care & Support				
112,576	113,611	115,956	Learning Disabilities	173,806	(8,417)	-	165,389
109,626	104,576	97,526	Older People	198,017	(67,918)	(24,606)	105,494
34,027	31,897	34,334	Physical & Sensory Impairment	37,979	(3,245)	-	34,733
			Corporate & Democratic Core				
361	361	361	Corporate & Democratic Core	361	-	-	361
			Housing Related Support				
530	567	478	Administrative Costs	491	-	-	491
23,017	18,822	21,242	Programme Costs	18,737	-	-	18,737
			Other Social Care				
273	200	-	Carers Strategy	-	-	-	-
(75)	(28)	(29)	Essex Vulnerable Adults	282	(282)	-	-
4,626	4,297	5,548	Third Sector Funding	6,036	-	-	6,036
14	272	44	User Carer Involvement	43	-	-	43
			Service Management Costs				
18,100	19,431	20,025	Service Management Costs	25,239	(617)	-	24,622
(87)	(714)	(714)	Service Management Recharge	(366)	-	-	(366)
329,603	316,723	318,086	Net Cost of Services	486,090	(81,168)	(24,606)	380,316

Budget Summary by Portfolio

Childrens Services

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
Childrens Services Dsg							
Education For Under Fives							
33,953	29,387	35,927	Education For Under Fives	31,617	-	-	31,617
Under Fives Dsg							
(34,522)	-	-	Under Fives Dsg	-	-	-	-
Childrens Services Non Dsg							
Childrens Services							
51,721	51,358	40,448	Care Management And Assessment	42,456	(253)	(42)	42,161
68,516	62,514	69,848	Children Looked After	59,623	(2,848)	(86)	56,689
6,523	5,436	8,804	Childrens Service Management	12,802	-	-	12,802
-	-	-	Clacton Joint Service Centres	(22)	22	-	-
-	244	244	Corporate & Democratic Core	244	-	-	244
465	564	613	Ypsmpg	1,377	(608)	-	768
Community Placed Budgets							
202	1,587	1,095	Community Placed Budgets	720	-	-	720
Cyp Strategic Partnerships							
633	955	486	Cyp Strategic Partnerships	634	(16)	-	619
Early Years And Childcare							
23,720	25,726	21,697	Early Years & Childcare Grant	17,340	(112)	-	17,228
Other Childrens Services							
1,688	919	279	Dce - Childrens Directorate	1,105	(250)	(653)	202
18	-	179	Domestic Abuse	89	-	-	89
(52)	88	77	Essex L C S B	311	(234)	-	76
3,992	4,201	2,396	Other Social Care	4,044	(236)	(1,234)	2,573
Tascc Teams							

Budget Summary by Portfolio

Childrens Services

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
59	(48)	(2)	Tascc Teams	-	-	-	-
			Youth Offending Service				
1,550	1,904	2,056	Youth Offending Service	4,520	(570)	(1,522)	2,428
158,466	184,834	184,147	Net Cost of Services	176,861	(5,106)	(3,538)	168,216

Budget Summary by Portfolio

Communities And Planning

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
			Anti-Social & Community Safety				
568	832	774	Anti-Soc Behave & Comm Safety	298	-	-	298
			Big Society				
341	501	341	Big Society	517	-	-	517
			Development Management				
994	1,591	1,769	Development Management	1,870	(14)	-	1,856
			Emergency Planning				
774	665	665	Emergency Planning	805	(128)	-	678
			Environmental Planning				
886	1,155	1,187	Environmental Planning	1,152	(442)	-	711
			Rural Issues				
281	281	281	Rural Issues	213	-	-	213
			Sustainable Development				
1,131	953	932	Sustainable Development	1,066	(32)	-	1,034
			Travellers				
79	107	248	Travellers	730	(612)	-	118
			Volunteering				
170	154	-	Volunteering	-	-	-	-
5,223	6,238	6,198	Net Cost of Services	6,653	(1,227)	-	5,425

Budget Summary by Portfolio

Customer Servs, Env & Culture

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
			Built Environment				
671	392	-	Built Environment	42	-	-	42
			Corporate & Democratic Core				
62	74	72	Corp And Democratic Core	73	-	-	73
			Environmental Strategy				
87	124	196	Environmental Strategy	159	13	-	172
			Heritage And Cultural Service				
1,674	1,740	1,857	Heritage And Cultural Servs	2,131	(600)	-	1,531
			Historic Environment				
623	235	193	Historic Environment	753	(466)	-	288
			Leisure				
68	93	68	Contributions To Other Bodies	94	(25)	-	70
324	457	519	Country Parks	1,580	(1,217)	(56)	307
46	59	63	Cressing Temple	280	(208)	-	72
63	(88)	(34)	Marsh Farm	933	(935)	-	(3)
			Libraries & Information Service				
24	-	-	Community Information Points	-	-	-	-
12	34	34	Libraries Service Managemnt	34	-	-	34
9,525	8,147	8,349	Library Operational Services	10,220	(2,707)	-	7,513
2,703	2,319	2,319	Library Resources	2,319	-	-	2,319
			Natural Environment				
259	140	-	Natural Environment	(17)	16	-	-
			Place Consultancy				
-	-	764	Place Consultancy	2,045	(1,395)	-	650
			Registrars Office				

Budget Summary by Portfolio

Customer Servs, Env & Culture

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
(254)	(224)	(350)	Registrars Office	2,527	(2,793)	-	(266)
15,887	13,502	14,050	Net Cost of Services	23,173	(10,317)	(56)	12,801

Budget Summary by Portfolio

Deputy Leader

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
Central Services To The Public							
192	217	-	Business Continuity	-	-	-	-
1,726	1,789	1,786	Coroners' Courts	3,004	(1,109)	-	1,895
(519)	13,558	13,382	Other Services	14,530	(29)	(1,135)	13,367
1,134	881	915	Second Homes Discount Scheme	1,499	-	-	1,499
(18)	(300)	(140)	Shared Use Buildings	6	(146)	-	(141)
13	-	-	Surplus & Managed Properties	-	-	-	-
Precepts							
1,297	1,433	1,297	Environmental Agency	1,327	-	-	1,327
386	386	380	Kent & Essex Sea Fisheries	389	-	-	389
4,212	17,965	17,620	Net Cost of Services	20,756	(1,284)	(1,135)	18,337

Budget Summary by Portfolio

Eco Growth & Waste & Recycling

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
			Economic Regeneration				
483	295	331	Economic Regeneration	2,130	(829)	(1,050)	252
			International Development				
294	326	326	International Projects	284	(1)	-	283
			International Trade				
152	197	245	International Trade	297	(49)	-	248
			Inward Investment				
385	375	403	Inward Investment	1,918	(10)	-	1,907
			Management & Support Services				
33	(126)	396	Management & Support Services	-	-	-	-
			Place Policy				
181	428	195	Place Policy	171	-	-	171
			Tourism				
379	268	268	Tourism	443	(171)	-	272
			Trading Standards				
2,410	2,226	2,214	Trading Standards	2,538	(273)	-	2,265
			Waste Management				
8,092	3,544	7,000	Civic Amenity Service	8,522	(74)	-	8,447
1,593	1,264	1,151	Courtauld Rd Waste Treatment	1,619	(355)	-	1,264
357	410	352	Exceptional Waste	352	-	-	352
229	339	339	Landfill Aftercare	451	(110)	-	342
20,430	25,342	21,916	Recycling Initiatives	24,503	(2)	-	24,501
616	1,121	1,121	Tipping Away Payments	609	-	-	609
(1,426)	(2,062)	(2,062)	Trade Waste Income	-	(1,200)	-	(1,200)
24,908	27,572	27,572	Waste Disposal	26,912	(12)	-	26,900

Budget Summary by Portfolio

Eco Growth & Waste & Recycling

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
1,520	1,671	1,643	Waste Management & Supp Servs	2,076	(41)	-	2,034
1,819	1,625	1,522	Waste Strategy	1,034	(37)	-	998
62,456	64,813	64,932	Net Cost of Services	73,858	(3,164)	(1,050)	69,645

Budget Summary by Portfolio

Education & 2012 Games

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
Education & 2012 Games Dsg							
(710,186)	(905,018)	(930,676)	Dedicated Schools Grant	-	16	(944,744)	(944,728)
-	-	897	Early Years Contingency	1,645	-	-	1,645
179	817	699	Ethnic Min & Bi-Ling Learners	829	-	-	829
-	-	32	Prudential Borrowing	32	-	-	32
(8,925)	-	(11,862)	Pupil Premium Mainstream	16,258	(6)	(15,752)	500
665,803	818,523	844,895	Schools Budget	909,084	(265)	(50,522)	858,297
1,763	1,795	1,795	Service Management	1,795	-	-	1,795
50,609	51,711	56,071	Special Educational Needs	52,323	(3,761)	(2,026)	46,536
Education & 2012 Games Non Dsg							
24,056	17,467	25,622	Access To Education	28,784	(960)	-	27,824
(530)	29	29	Adult Community Learning	14,072	(3,681)	(10,594)	(204)
10,361	7,025	4,864	Children'S Services	7,987	(2,669)	(573)	4,746
12,820	8,447	10,355	School Improvement	9,509	(713)	(15,945)	(7,149)
5,690	5,526	7,710	Schools - La	8,562	(1,180)	-	7,383
2,420	800	530	Skills	2,607	2	(1,660)	949
12,600	11,589	12,427	Special Educ Needs - La	9,989	(110)	-	9,878
(3,726)	253	172	Specific Grants	176	-	-	176
4,796	4,857	4,140	Strategic Management	5,661	(1,299)	-	4,362
12	20	-	Support To Students	-	-	-	-
(115)	-	(138)	Ypla Funding	(16)	-	16	-
Lee Valley Park & 2012 Games							
2,814	3,302	3,176	Olympics & Sport Development	2,433	(116)	(7)	2,310
70,442	27,143	30,739	Net Cost of Services	1,071,731	(14,743)	(1,041,807)	15,181

Budget Summary by Portfolio

Health And Well Being

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
			Child And Adolescent Mh Servs				
2,104	3,009	3,057	Child And Adolescent Mh Servs	3,467	(697)	-	2,770
			Health Watch				
50	-	720	Health Watch	784	-	(332)	452
			Mental Health				
7,007	7,010	6,726	Access Assessment & Care Mgt	6,400	(30)	-	6,370
12,470	11,906	12,975	Care & Support	13,737	(1,382)	-	12,355
2,098	2,403	2,018	Mh Third Sector	2,186	(136)	-	2,050
			Public Health				
-	-	-	Public Health	48,874	-	(48,874)	-
1,187	1,016	1,422	Service Management Costs	8,837	(7,042)	(774)	1,021
			Social Fund				
-	-	-	Social Fund	2,981	-	(2,981)	-
24,916	25,344	26,917	Net Cost of Services	87,267	(9,287)	(52,961)	25,019

Budget Summary by Portfolio

Highways And Transportation

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
Highways And Transportation							
1,630	1,649	1,679	Bridges	1,687	-	-	1,687
6,410	3,925	5,885	Congestion	9,967	(4,487)	-	5,480
633	864	752	H&T Asset Management Planning	750	-	-	750
232	1,551	1,551	H&T Localism	1,570	-	-	1,570
4,673	4,562	2,591	H&T Winter Service	2,621	-	-	2,621
988	209	1,106	Hat Corp And Democratic Core	956	-	-	956
9,629	10,704	10,704	Highways A130 Pfi	10,704	-	-	10,704
30,005	30,841	31,561	Passenger Transport	41,918	(10,113)	-	31,804
3,133	2,795	2,688	Public Rights Of Way	2,604	(52)	-	2,552
4,395	4,093	4,697	Road Safety	6,627	(1,862)	(156)	4,610
22,144	18,810	21,618	Roads And Footways	20,064	66	-	20,129
8,735	9,042	7,677	Street Lighting	8,574	(41)	-	8,533
236	-	48	Support Services	1,396	(1,396)	-	-
(159)	(299)	(438)	Traffic Management Act	566	(1,004)	-	(438)
1,601	1,905	2,128	Transportation Planning	2,142	1	-	2,143
94,287	90,651	94,246	Net Cost of Services	112,145	(18,888)	(156)	93,101

Budget Summary by Portfolio

Other Operating Costs

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
Approps To/From Reserves							
(154)	(634)	(634)	A130 Pfi Reserve	-	(949)	-	(949)
2,185	-	-	Bsf Pfi Reserve	-	-	-	-
-	-	-	Building Maintenance Reserve	-	(713)	-	(713)
(3)	1,000	1,000	Capital Receipts Pump Priming	1,000	-	-	1,000
-	1,419	1,419	Carbon Reduction Reserve	529	-	-	529
(13,801)	-	-	Carry Forwards Reserve	-	-	-	-
(1,081)	188	188	Clacton Pfi Reserve	188	-	-	188
-	-	-	Collection Fund Invest Risk	4,265	-	-	4,265
-	-	69	Crime And Police Panel Reserve	-	-	-	-
(491)	(251)	(251)	Debden Pfi Reserve	-	(251)	-	(251)
(1,500)	-	-	Developing Partnerships Rvse	-	-	-	-
-	1,200	1,200	Energy Inflation Rsve	200	-	-	200
(130)	-	(75)	Esf Reserve	-	-	-	-
(258)	-	-	Essex Art Fund Reserve	-	-	-	-
31	-	-	Essex On-Line Partnership Rsve	-	-	-	-
(904)	-	-	Essex Transport Reserve	-	-	-	-
1,948	-	(932)	Grant Equalisation Reserves	-	-	-	-
(118)	-	(321)	Health And Safety Reserves	-	-	-	-
-	2,000	-	Hways Maint Reserve	-	-	-	-
(212)	-	-	Imt Reserve	-	-	-	-
4,267	-	-	Insurance Reserve	-	-	-	-
(2,408)	-	-	Laa Performance Rwrđ Reserve	-	(1,000)	-	(1,000)
(728)	-	-	Life Raft Pledges Reserve	-	-	-	-
209	-	(72)	Partnership Reserves	-	-	-	-

Budget Summary by Portfolio

Other Operating Costs

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
-	-	-	Pension Deficit Reserve	5,000	-	-	5,000
(1,800)	2,400	3,483	Personal Care Reserve	-	(1,200)	-	(1,200)
-	-	-	Procurement Reserve	-	(24)	-	(24)
(64)	500	500	Quadrennial Elections Rsve	500	-	-	500
3,600	8,500	8,424	Redundancy Reserve	-	-	-	-
6,834	8,475	8,475	Reserve For Future Cap Funding	8,475	-	-	8,475
2,940	-	-	Schools Reserves	-	-	-	-
(674)	-	-	Section 75 Reserve	-	-	-	-
-	-	-	Severe Weather Reserve	-	(252)	-	(252)
-	-	-	Street Lighting Reserve	-	(476)	-	(476)
23	(1,086)	(1,539)	Trading Activities Reserves	33	(1,820)	-	(1,787)
16,130	12,997	2,147	Transformation Reserves	13,000	-	-	13,000
1,400	17,550	17,158	Waste Reserve	21,423	-	-	21,423
			Capital Financing				
31,137	32,714	30,474	Repayment Of External Loans	31,614	-	-	31,614
			Contingencies				
-	7,820	8,000	Contingencies	8,000	-	-	8,000
			Dividends Received				
(1,000)	-	-	Dividends Received	-	-	-	-
			Interest Payable				
(776)	(640)	(640)	Contribs - Transferred Debt	-	(615)	-	(615)
15,537	20,487	23,236	External Interest Payable	15,321	-	-	15,321
(124)	(130)	(130)	Loan Charges Grant	-	(118)	-	(118)
			Interest Receivable				
(2,902)	(1,456)	(3,298)	External Interest Receivable	-	(2,453)	-	(2,453)

Budget Summary by Portfolio

Other Operating Costs

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
720	799	899	Interest Reallocated	-	1,002	-	1,002
57,833	113,852	98,780	Net Cost of Services	109,548	(8,868)	-	100,680

Budget Summary by Portfolio

The Leader Portfolio

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
			Democratic Core				
3,215	3,577	4,098	Corp Management & Leadership	4,116	(10)	-	4,106
827	94	484	Democratic Rep & Management	61	-	-	61
			Members Support				
2,115	2,082	2,040	Members Support	1,990	-	-	1,990
			Other				
204	177	237	Contributions & Subscriptions	203	-	-	203
1,965	1,615	2,249	Corporate Policy	2,154	-	-	2,154
71	440	424	Essex Initiatives	327	-	-	327
11	-	-	South East Lep	-	-	-	-
8,408	7,986	9,533	Net Cost of Services	8,851	(10)	-	8,841

Budget Summary by Portfolio

Cust Services Environment Cult

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
Customer Services							
5,239	3,366	5,589	Customer Services	3,201	(167)	-	3,034
5,239	3,366	5,589	Net Cost of Services	3,201	(167)	-	3,034

Budget Summary by Portfolio

Deputy Leader Rsss

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
			Asset Management				
2,524	2,283	1,981	Asset Management	1,784	-	-	1,784
			Democratic Services				
683	592	645	Democratic Services	728	(64)	-	664
			Essex Legal Services				
410	609	609	Essex Legal Services	563	-	-	563
			Facilities Management Services				
19,686	18,421	20,955	Facilities Management Services	23,628	(3,236)	-	20,392
			Finance				
15,389	11,452	13,058	Finance	17,109	(6,338)	-	10,771
			Human Resources				
6,620	6,407	5,589	Human Resources	7,309	(2,438)	-	4,871
			Information Services				
10,191	11,712	16,489	Information Services	12,217	(776)	-	11,440
			Insurance Cost Recovery A/C				
3,112	4,644	4,644	Insurance Cost Recovery A/C	8,227	(3,409)	-	4,818
			Performance				
1,678	1,524	2,248	Performance	2,216	(40)	-	2,177
			Procurement And Cps				
4,076	2,184	2,933	Procurement And Cps	2,315	-	-	2,315
			Transformation Support Unit				
5,658	2,275	6,272	Transformation Support Unit	2,228	-	-	2,228
70,026	62,102	75,423	Net Cost of Services	78,324	(16,302)	-	62,023

Budget Summary by Portfolio

Highways And Transport Rsss

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
			Car Provision Scheme				
(71)	(5)	-	Car Provision Scheme	4,134	(4,134)	-	-
			Transport Coordination Centre				
1,137	1,228	1,228	Transport Coordination Centre	1,292	(79)	-	1,214
1,066	1,223	1,228	Net Cost of Services	5,426	(4,213)	-	1,214

Budget Summary by Portfolio

Leader Rsss

2011-12 Actuals £000	2012-13 Original Budget £000	2012-13 Latest Budget £000		2013-14 Gross Expenditure £000	2013-14 Income £000	2013-14 Specific Grants £000	2013-14 Total Net Expenditure £000
			Comms And Customer Relations				
2,374	1,954	3,298	Comms And Customer Relations	3,316	(50)	-	3,266
			Equality And Diversity				
149	209	154	Equality And Diversity	194	-	-	194
2,523	2,163	3,452	Net Cost of Services	3,511	(50)	-	3,461

Capital Programme 2013-14 to 2016-17

Summary (Cabinet Report)

Capital Expenditure

Portfolio	2013-14 Gross Expenditure	2014-15 Gross Expenditure	2015-16 Gross Expenditure	2016-17 Gross Expenditure	Total Gross Expenditure
	£000	£000	£000	£000	£000
Education, Lifelong Learning & 2012 Games	46,459	49,520	49,640	40,850	186,469
Highways & Transportation	64,986	28,238	25,176	24,959	143,359
Deputy Leader, Finance & Transformation	18,918	18,831	7,973	122	45,844
Communities & Planning	1,833	1,750	1,750	1,750	7,083
Customer Services, Environment & Culture	939	250	250	250	1,689
Adult Social Care	2,000	2,000	2,000	-	6,000
Economic Development, Waste & Recycling	30,146	6,846	4,168	4,000	45,160
Children's Services	50	-	-	-	50
Leader	20	-	-	-	20
TOTAL Capital Expenditure	165,351	107,435	90,957	71,931	435,674

Education, Lifelong Learning & 2012 Games

	2013-14 Gross Expenditure	2014-15 Gross Expenditure	2015-16 Gross Expenditure	2016-17 Gross Expenditure	Total Gross Expenditure
	£000	£000	£000	£000	£000
Named schemes					
James Hornsby High	20	-	-	-	20
Canvey Vocational Centre	184	-	-	-	184
Mersea Outdoors Site Facility	70	-	-	-	70
Commonside Pupil Referral Unit Relocation, Harlow	89	-	1,239	1,261	2,589
Deanes / Glenwood Co-Location	3,706	13,700	5,444	-	22,850
Hadleigh Farm Park - 2012 Games	-	-	-	-	-
St John's Abbeyfield Primary	4,246	834	-	-	5,080
Takeley Primary School	12	-	-	-	12
St Marys Foundation School, Stansted	180	-	-	-	180
Other Projects	825	-	-	-	825
Total Named Schemes	9,331	14,534	6,683	1,261	31,809
BSF					
De la Salle	4,685	-	-	-	4,685
Shorefields	1,330	-	-	-	1,330
Total BSF	6,015	-	-	-	6,015
Basic Need					
Severalls New Primary School, Colchester	38	800	3,700	1,700	6,238
Harlow Primary Basic Need	2,939	1,365	500	1,500	6,304
Epping Primary Schools Basic Need	1,360	1,460	-	-	2,820
North Colchester Programme	3,685	660	-	-	4,345
Loughton Basic Need	1,000	475	260	-	1,735
South Colchester Primary Basic Need	1,861	2,539	410	-	4,810
Witham Primary Places Basic Need	1,152	-	200	-	1,352
Waltham Abbey Basic Need	1,400	300	-	-	1,700
Basildon Basic Need	300	500	-	-	800
Braintree Basic Need	363	200	-	-	563
Brentwood Endeavour School	358	-	-	-	358
Stansted Primary Basic Need	450	550	-	-	1,000
Chelmsford Secondary Basic Need	300	1,200	473	-	1,973

Education, Lifelong Learning & 2012 Games (cont'd)

	2013-14 Gross Expenditure	2014-15 Gross Expenditure	2015-16 Gross Expenditure	2016-17 Gross Expenditure	Total Gross Expenditure
	£000	£000	£000	£000	£000
Other Basic Need projects	2,660	-	-	-	2,660
Total Basic Need	17,866	10,049	5,543	3,200	36,658
<u>Special Schools</u>					
Special Schools Needs & Modernisation - ASD Special School / Market Fields	1,000	1,500	4,800	1,200	8,500
Cedar Hall	400	-	-	-	400
Total Special Schools	1,400	1,500	4,800	1,200	8,900
<u>Blocks</u>					
Capitalised Maintenance Programme	6,900	5,217	6,500	6,461	25,078
Temporary Accommodation Block	2,299	1,500	1,500	1,500	6,799
Education Estates Strategy	-	-	8,115	21,468	29,583
Total Blocks	9,199	6,717	16,115	29,429	61,460
Total all projects excl S106	43,812	32,800	33,141	35,090	144,843
<u>Proposed schemes wholly/partially funded by S106 funding</u>					
Colchester Secondary Basic Need	300	1,200	1,473	4,200	7,173
Beaulieu Park - New Early Years, Primary, Secondary & Sixth Form Provision	430	600	5,800	1,560	8,390
Harlow New Hall Farm	570	4,000	3,626	-	8,196
Hall Road, Rochford. New School Site	500	3,300	1,000	-	4,800
Gilden Way Harlow: Relocation & Enlargement of Harlowbury Primary School & New Early Years Cen	-	3,300	1,600	-	4,900
Broomfield Primary School	847	4,320	3,000	-	8,167
Total proposed schemes wholly/partially funded by S106 funding	2,647	16,720	16,499	5,760	41,626
Total Education, Lifelong Learning & 2012 Games	46,459	49,520	49,640	40,850	186,469

Highways & Transportation

	2013-14 Gross Expenditure	2014-15 Gross Expenditure	2015-16 Gross Expenditure	2016-17 Gross Expenditure	Total Gross Expenditure
	£000	£000	£000	£000	£000
Named schemes					
Cuckoo Farm P&R	3,200	-	-	-	3,200
Colchester Northern Approaches Road Phase 3	7,850	-	-	-	7,850
Street Lighting CMS	3,155	-	-	-	3,155
A130 Bypass Improvements	140	100	100	-	340
Epping Forest Transport Strategy	420	100	-	-	520
Colchester A134 St Botolphs	943	-	-	-	943
Harlow A414 Capacity Improvements	1,282	-	-	-	1,282
Depot Infrastructure	1,672	-	-	-	1,672
Automatic Vehicle Location System	34	-	-	-	34
Roscommon Way	55	-	-	-	55
Sadlers Farm	195	-	-	-	195
Total Named Schemes	18,944	200	100	-	19,244
Blocks					
Highways Infrastructure	26,937	21,935	20,084	20,084	89,040
Passenger Transport	392	2,229	2,405	2,405	7,431
Safer Roads Infrastructure	-	1,218	1,221	1,221	3,660
Public Rights of Way Improvements	-	423	469	469	1,361
Traffic Management Improvements	-	777	780	780	2,337
Major Schemes Planning & Management	2,535	-	-	-	2,535
Local Highways Panels	10,766	-	-	-	10,766
Covered Salt Storage	164	-	-	-	164
Cycling Programme	885	-	-	-	885
Private Streetworks & PFI	55	-	-	-	55
Road Safety Asset Management	251	-	-	-	251
Total Blocks	41,985	26,582	24,959	24,959	118,485
Schemes that are outside ECC control					
S106 Developer Contributions - Highways	4,056	1,456	117	-	5,629
Total Schemes that are outside ECC control	4,056	1,456	117	-	5,629
Total Highways & Transportation	64,986	28,238	25,176	24,959	143,359

Deputy Leader, Finance & Transformation

	2013-14 Gross Expenditure	2014-15 Gross Expenditure	2015-16 Gross Expenditure	2016-17 Gross Expenditure	Total Gross Expenditure
	£000	£000	£000	£000	£000
Named schemes					
ICT Modernisation	490	-	-	-	490
ICT Stabilisation	100	-	-	-	100
Essex Next Generation Access (BDUK)	7,752	10,336	7,752	-	25,840
Corporate Systems Upgrade	2,300	1,900	-	-	4,200
Adult Social Care Strategic IT	4,935	5,200	-	-	10,135
Next Generation Networks	238	645	221	122	1,226
Property Transformation	2,053	-	-	-	2,053
Total Named Schemes	17,868	18,081	7,973	122	44,044
Blocks					
Capitalised Building Maintenance	450	250	-	-	700
Building Maintenance Minor Works	600	500	-	-	1,100
Total Blocks	1,050	750	-	-	1,800
Total Deputy Leader, Finance & Transformation	18,918	18,831	7,973	122	45,844

Communities & Planning

	2013-14 Gross Expenditure	2014-15 Gross Expenditure	2015-16 Gross Expenditure	2016-17 Gross Expenditure	Total Gross Expenditure
	£000	£000	£000	£000	£000
Named schemes					
Community Initiatives	1,750	1,750	1,750	1,750	7,000
Severalls Traveller Site	83	-	-	-	83
Total Named Schemes	1,833	1,750	1,750	1,750	7,083
TOTAL Communities and Planning	1,833	1,750	1,750	1,750	7,083

Customer Services, Environment & Culture

	2013-14 Gross Expenditure	2014-15 Gross Expenditure	2015-16 Gross Expenditure	2016-17 Gross Expenditure	Total Gross Expenditure
	£000	£000	£000	£000	£000
Named schemes					
Springfield Library Facility	56	-	-	-	56
Total Named Schemes	56	-	-	-	56
Blocks					
RFID Rollout in Libraries	500	250	250	250	1,250
Public Realm	383	-	-	-	383
Total Blocks	883	250	250	250	1,633
Total Customer Services, Environment & Culture	939	250	250	250	1,689

Adult Social Care

	2013-14 Gross Expenditure	2014-15 Gross Expenditure	2015-16 Gross Expenditure	2016-17 Gross Expenditure	Total Gross Expenditure
	£000	£000	£000	£000	£000
Named Schemes					
Accommodation for Vulnerable People	2,000	2,000	2,000	-	6,000
Total Named Schemes	2,000	2,000	2,000	-	6,000
Total Adult Social Care	2,000	2,000	2,000	-	6,000

Economic Development, Waste & Recycling

	2013-14 Gross Expenditure	2014-15 Gross Expenditure	2015-16 Gross Expenditure	2016-17 Gross Expenditure	Total Gross Expenditure
	£000	£000	£000	£000	£000
Named schemes					
Courtauld Road Improvements	4,000	-	-	-	4,000
Transfer Stations	17,776	538	-	-	18,314
Shalford Gas Control Systems	40	-	-	-	40
Redevelopment of Shrub End Recycling Centre for Household Waste, Colchester	30	1,300	160	-	1,490
Total Named Schemes	21,846	1,838	160	-	23,844
Blocks					
Integrated County Strategy	7,000	5,000	4,000	4,000	20,000
Landfill Restoration, Remediation & Landscaping	1,300	-	-	-	1,300
Perimeter Fencing Security	-	8	8	-	16
Total Blocks	8,300	5,008	4,008	4,000	21,316
Total Economic Development, Waste & Recycling	30,146	6,846	4,168	4,000	45,160

Children's Services

	2013-14 Gross Expenditure	2014-15 Gross Expenditure	2015-16 Gross Expenditure	2016-17 Gross Expenditure	Total Gross Expenditure
	£000	£000	£000	£000	£000
Blocks					
ICS Systems Rationalisation	50	-	-	-	50
Total Blocks	50	-	-	-	50
Total Children's Services	50	-	-	-	50

Leader

	2013-14 Gross Expenditure	2014-15 Gross Expenditure	2015-16 Gross Expenditure	2016-17 Gross Expenditure	Total Gross Expenditure
	£000	£000	£000	£000	£000
Named schemes					
Corporate Complaints System	20	-	-	-	20
Total Blocks	20	-	-	-	20
Total Leader	20	-	-	-	20

Financing of Capital Programme

Financing

	2013-14 Gross Expenditure	2014-15 Gross Expenditure	2015-16 Gross Expenditure	2016-17 Gross Expenditure	Total Gross Expenditure
	£000	£000	£000	£000	£000
Grants	82,184	54,947	49,545	49,596	236,272
Capital receipts	3,932	1,610	1,610	-	7,152
Contributions	22,618	20,729	19,738	3,560	66,645
Borrowing	56,617	30,149	20,064	18,775	125,605
Total Financing	165,351	107,435	90,957	71,931	435,674

Trading Activity Financial Plans

Trading Activity Financial Plans

	Revenue reserve 1 April 2013	Income	Expenditure	(Surplus) / deficit	Appropriations		Revenue reserve 31 March 2014
	£000	£000	£000	£000	To County Revenue Account	To Trading Activity reserve	£000
Schools, Children and Families							
School Support							
School improvement & advisory service	(2,211)	(10,249)	9,029	(1,220)	(271)	(949)	(3,160)
Finance	(217)	(1,609)	1,510	(99)	(42)	(56)	(273)
School staffing insurance scheme	(1,547)	(4,527)	4,527	-	-	-	(1,547)
Customer Services, Environment & Culture							
Library Services	-	(2,140)	1,894	(246)	-	(246)	(246)
Central Services							
Legal Services	(157)	(9,505)	8,032	(1,473)	(1,473)	-	(157)
Smarte East	(83)	(180)	141	(39)	-	(39)	(122)
Information Services infrastructure	(42)	(6,500)	6,500	-	-	-	(42)
Total	(4,257)	(34,710)	31,633	(3,077)	(1,786)	(1,290)	(5,547)

Reserves & Balances

Reserves and Balances

	Balance at 31 March 2012	Balance at 01 April 2013	Estimated contributions	Estimated closing balances 2013-14 Estimated withdrawals / usage	Estimated closing balances	2014-15	2015-16
	£000	£000	£000	£000	£000	£000	£000
General Balance	(63,016)	(54,993)	-	6,157	(48,836)	(48,836)	(48,836)
Earmarked for future use							
General reserves							
Building maintenance	(713)	(713)	-	713	-	-	-
Capital receipts pump priming	(961)	(1,961)	(1,000)	-	(2,961)	(3,961)	(4,961)
Carbon Reduction reserve	(1,536)	(2,955)	(529)	250	(3,234)	(3,763)	(4,292)
Collection Fund Investment Risk	-	-	(4,265)	4,000	(265)	(315)	(365)
Energy Inflation reserve	-	(1,200)	(200)	-	(1,400)	(1,600)	(1,800)
ESF reserve	(2,805)	(2,750)	-	-	(2,750)	(2,750)	(2,750)
Essex Crime & Police Panel	-	(69)	-	-	(69)	(69)	(69)
Essex on-line partnership	(286)	(286)	-	-	(286)	(286)	(286)
Essex Transport Reserve	(417)	(417)	-	-	(417)	(417)	(417)
Health and Safety reserve	(969)	(648)	-	-	(648)	(648)	(648)
Insurance	(6,883)	(6,883)	-	-	(6,883)	(6,883)	(6,883)
LAA performance reserve	(1,833)	(1,833)	-	1,000	(833)	(833)	(833)
Newton bequest reserve	(119)	(119)	-	-	(119)	(119)	(119)
Partnerships	(1,780)	(1,708)	-	-	(1,708)	(1,708)	(1,708)
Pensions reserve	-	-	(5,000)	-	(5,000)	(5,000)	(5,000)
Personal Care reserve	-	(3,483)	-	1,200	(2,283)	(2,283)	(2,283)
Procurement	(24)	(24)	-	24	-	-	-
Quadrennial Elections reserve	(506)	(1,006)	(500)	1,019	(487)	(987)	(1,487)
Redundancy reserve	(3,600)	(11,043)	-	48	(10,995)	(10,811)	(10,595)
Severe weather reserve	(252)	(252)	-	252	-	-	-
Street lighting reserve	(476)	(476)	-	476	-	-	-
Tendring PPP	(422)	(422)	-	-	(422)	(422)	(422)

Reserves and Balances

	Balance at 31 March 2012	Balance at 01 April 2013	Estimated contributions	Estimated closing balances 2013-14 Estimated withdrawals / usage	Estimated closing balances	2014-15	2015-16
	£000	£000	£000	£000	£000	£000	£000
Trading activities	(3,380)	(4,257)	(1,291)	-	(5,548)	(6,839)	(8,130)
Transformation Reserve	(17,006)	(19,450)	(13,000)	7,011	(25,439)	(27,013)	(30,013)
Future capital funding							
General	(3,634)	(10,228)	(8,475)	-	(18,703)	(23,005)	(28,344)
Bellhouse landfill	(61)	(61)	-	-	(61)	(61)	(61)
Historic Buildings reserve	(120)	(120)	-	-	(120)	(120)	(120)
Equalisation Reserves (committed to current & future schemes)							
PFI reserves							
A130 PFI	(57,399)	(57,664)	-	949	(56,715)	(55,766)	(55,766)
Clacton secondary schools' PFI	(3,824)	(4,012)	(188)	-	(4,200)	(4,388)	(4,576)
Building schools for the future PFI	(2,185)	(2,185)	-	-	(2,185)	(2,185)	(2,185)
Debden PFI	(4,683)	(4,432)	-	251	(4,181)	(3,930)	(3,930)
Waste reserve	(44,054)	(61,621)	(21,423)	-	(83,044)	(94,444)	(103,225)
Grants equalisation reserve	(10,149)	(9,233)	-	-	(9,233)	(9,233)	(9,233)
Schools (not available for ECC use)	(50,320)	(50,320)	-	-	(50,320)	(50,320)	(50,320)

2013/14 Prudential Indicators, Treasury Management Strategy and MRP Policy

1 Introduction

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

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

Further detail is provided in the following paragraphs.

2 Prudential indicators

2.1 Context

The Council is required by regulation to comply with the CIPFA Prudential Code when assessing the affordability, prudence and sustainability of its capital investment plans.

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

A summary of the Prudential Indicators for the period 2011/12 through to 2016/17 is provided in **Annex A**. Explanatory comments are provided in the following paragraphs.

2.2 Capital Expenditure Plans

Actual capital expenditure and financing sources for 2011/12, together with the original and updated plans for 2012/13, proposals for 2013/14 and the indicative guidelines for the subsequent three years, are summarised in **Annex A**. These capital expenditure proposals are presented in detail elsewhere within the Corporate Business Plan.

2.3 Capital Financing Requirement

A key source of capital financing is borrowing. The Capital Financing Requirement (CFR) provides a measure of the amount of borrowing the Council needs to undertake for capital financing purposes. This measure incorporates past capital expenditure that has yet to be financed from cash resources (*i.e. from capital receipts, capital grants and contributions from the revenue budget*) and the impact of the Council's decision to finance further capital expenditure from borrowing in the current and forthcoming four years. Credit arrangements are also included in the calculation of the CFR because they have the same practical impact as borrowing; credit arrangements are those that enable the Council to acquire the use of assets on deferred payment terms – typical examples include finance leases and 'on Balance Sheet' Private Finance Initiative (PFI) schemes.

The actual CFR for 2011/12 is derived directly from the Council's 2011/12 Balance Sheet; movements in the CFR in subsequent years result from:

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

The actual CFR for 2011/12 and the estimates for the current and subsequent three years are set out in **Annex A**. These estimates show that:

- The element of the CFR related to borrowing will gradually start to diminish after 2014/15; this is because it is currently anticipated that the revenue provision for the repayment of debt will exceed proposals to finance further capital expenditure from borrowing;
- The element of the CFR related to credit arrangements will increase significantly in 2014/15, when it is currently anticipated that a Private Finance Initiative scheme to which the Council is contractually committed will become operational.

These estimates are predicated on the basis that the Government will continue to support local authorities' capital investment via the provision of capital grant, and on the basis that the Council will not undertake significant levels of unsupported borrowing over a sustained period.

2.4 External borrowing

As the Council is only permitted to externally borrow (*including via credit arrangements*) up to the level implied by its Capital Financing Requirement, limits are established for external debt, as follows:

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

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

The authorised limit and operational boundary related to external borrowing are well below the current estimates of the Capital Financing Requirement for borrowing. This position is sustainable because the Council is able to temporarily utilise the cash that has been set aside, such as in earmarked revenue reserves, as a short to medium term alternative to external borrowing. This practice, which is referred to as 'internal borrowing', does not diminish the magnitude of funds held in reserves and balances; the funds are merely being borrowed to defer the need to secure external loans. Further comments on these limits, in the context of the current borrowing strategy, are set out within the Treasury Management Strategy, in paragraph 3.4.

2.5 Ratio of financing costs to net revenue streams

An indication of the trend in the cost of capital is provided by the 'ratio of financing costs to net revenue streams'. This ratio shows the percentage of the annual revenue budget that is being consumed in order to finance the costs of borrowing (i.e. interest and debt repayments, net of investment income).

The actual ratios for 2011/12, and the estimates for the current and forthcoming four years, are provided in **Annex A**. These show that the Council expects to maintain a position where the proportion of the revenue budget used to finance borrowing costs remains largely static.

2.6 Incremental impact on Council Tax

A key measure of the affordability of new capital investment is the impact upon council tax. The prudential indicator for the incremental impact upon council tax (as shown in **Annex A**) therefore shows the council tax at band D that results from continuing with capital schemes started in 2011/12 and earlier years, and the additional amounts that result from commencing new capital projects in the current and subsequent four years.

The Council Tax base reduces significantly with effect from 2013/14, as a consequence of the localisation of council tax support. This reduction in the tax base is responsible for the apparent step increase in the 'incremental impact on council tax' indicators between 2012/13 and 2013/14. However, other changes have taken place alongside the localisation of council tax support, meaning that the loss of council tax income has been largely mitigated by increases in other financing streams; hence, in reality, the proportion of the Budget Requirement being consumed in 2013/14 to fund capital expenditure proposals remains broadly the same as that which applied in 2012/13 and earlier years (as demonstrated by the 'financing and net revenue streams' indicator referred to in paragraph 2.5 above).

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

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

2.7 Treasury Management

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

3 Treasury Management Strategy

3.1 Introduction

The Prudential Indicators, as summarised in **Annex A** and explained in the previous section, consider 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 by statutory regulations. One of the key aspects of the Treasury Management Code, and the underlying regulations, is the requirement to produce an annual Treasury Management Strategy. The following paragraphs address this key requirement.

3.2 Economic outlook and interest rates

The economic recession in the UK has been the worst and seen slowest recovery in recent history, although the economy returned to positive growth in the third quarter of 2012. Growth prospects are weak and consumer spending, the usual driving force of recovery, is likely to remain under pressure due to consumers focusing on repayment of personal debt, inflation eroding disposable income, general malaise about the economy and employment fears. However, the primary drivers of the UK economy are likely to remain external. The US fiscal tightening, and continuing Eurozone problems, will depress UK growth and this may result in slippage in the UK's deficit reduction plans.

This challenging and uncertain economic outlook has several key treasury management implications:

- The Eurozone sovereign debt difficulties provide a clear indication of high counterparty risk. This continues to suggest the use of higher quality counterparties for shorter periods of time.
- Investment returns are likely to remain relatively low during 2013/14 and beyond.
- Borrowing interest rates continue to be attractive and may remain relatively low for some time.
- There will remain a 'cost of carry' – that is, any borrowing undertaken that results in a temporary increase in the balances available for investment will incur a revenue loss as borrowing costs will exceed investment returns.

3.3 Borrowing, investment and interest projections

The Council primarily undertakes borrowing in order to finance capital expenditure, 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 can either be invested or temporarily utilised to defer the need for external borrowing.

A forecast of the amount of external borrowing (*including existing long term loans*) and investment balances for the forthcoming three years, and estimates for interest rates, are provided in **Annex B**. Revenue budget provision for interest payable and receivable in 2013/14 has been determined in accordance with these forecasts.

3.4 Borrowing

Borrowing strategy

As explained in paragraph 2.4, the Council is currently placing heavy reliance on internal borrowing to temporarily finance its CFR (excluding credit arrangements); about **50%** of the CFR is currently financed in this way, and it is proposed to place increased reliance on internal borrowing over the period covered by this strategy. Whilst there are risks attached to this strategy (*i.e. specifically, that the Council may need to secure external loans at a time in the future when interest rates may be less favourable*), substituting internal for external borrowing now would result in the Council holding higher cash balances for investment in the short to medium term; in the current economic climate, the risks associated with heavy reliance on internal borrowing are considered preferable to the risks and costs associated with holding higher cash balances for investment. It also needs to be borne in mind that the Council's underlying need to borrow for capital financing purposes is forecast to diminish in future years anyway (as referred to in paragraph 2.3 above), and hence that reliance on internal borrowing may reduce naturally, without the need for further external borrowing in the medium term.

Whilst it is not anticipated that further external borrowing will be undertaken over the period to 2015/16, the position will be kept under review, and loans will be secured as necessary, or as considered beneficial in view of prevailing circumstances, within the parameters established by the authorised limit and operational boundary for external debt (as set out within **Annex A**).

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

Maturity structure of borrowing

In order to avoid having large concentrations of debt maturing in any one year, upper and lower limits are proposed in **Annex B** for the maturity structure of borrowing. The purpose of these limits is to ensure that the Council does not have to refinance significant maturing loans at a time when interest rates may be less favourable, and to ensure that the Council maintains sufficient flexibility to vary the level of external debt alongside fluctuations in the Capital Financing Requirement.

For the purpose of setting this indicator, it is assumed that existing Money Market (*Lender option, Borrower option*) loans will mature at the next option date, rather than at the eventual end of the loan term. Option dates are set at fixed intervals during the loan term and enable the lender to renegotiate the terms of the loan; in the event that the lender proposes a variation to the terms of the loan, the Council has the option to repay the loan prematurely, without penalty.

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

Whilst it is not currently anticipated that further external loans will be secured over the period covered by this Strategy, if long term borrowing is undertaken, performance will be assessed against the average PWLB rate for the year for the applicable loan type and interest rate banding; the aim being to secure new loans at a rate that is equivalent to, or less than, the average rate for the year.

3.5 Investments

Investment strategy

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

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

The Council's funds will primarily be invested according to the Secretary of State's definition of **specified investments**, 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 also 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**. Additional operational market information (e.g. Credit Default Swaps, negative rating watches/outlooks etc) will also be considered before making any specific investment decisions.

The criteria for choosing counterparties set out within **Annex C** provide a sound approach to investing in normal market circumstances. However, the Executive Director for Finance will determine the extent to which the criteria set out within **Annex C** will be applied in practice (i.e. according to prevailing circumstances).

Interest rate exposure

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

Liquidity

Liquidity is defined as having adequate, but not excessive cash resources, borrowing arrangements and overdraft or standby facilities to ensure that funds are available, at all times, for the achievement of the Council's objectives. In this respect, the Council will seek to maintain liquid short term deposits of at least **£10m** available with a week's notice.

Performance

Investment performance will be measured against the Local Authority Seven Day rate (LA7DR); the aim being to achieve investment returns that are equivalent to, or greater than, the average LA7DR for the year (i.e. subject to security and liquidity considerations being fully satisfied).

3.6 Treasury management advisors

The Council recognises that there is value in employing external advisors in order to acquire access to specialist treasury management skills and resources. The Council currently employs Sector in this capacity. Sector provides a range of services to the Council, including technical advice on treasury matters and capital finance issues, economic and interest rate analysis and creditworthiness information. The services received from Sector are subject to regular review.

Whilst Sector provides treasury management advice to the Council, the final decision on all treasury matters remains vested with the Council.

3.7 Other matters

Due to changes in local government funding, including the localisation of council tax support, the introduction of the business rates retention scheme and the consequential changes to Revenue Support Grant, the Council's cash flow profile will differ significantly in 2013/14. The Council will hold higher cash balances during the early months of the year (forecast to peak at around **£440m**), although these balances will obviously diminish as the year progresses. This will inevitably present significant challenges, in particular how to manage such sums without compromising the overarching principle of our investment strategy, which is to give priority to security of funds. Whilst it is anticipated that the counterparty criteria for investments, as shown in **Annex C**, will provide sufficient flexibility and capacity to invest the Council's cash balances during 2013/14, there is a risk that application of these criteria will result in lower investment returns. The counterparty criteria for investments will therefore be kept under close review, and proposals made for changes, if considered necessary during 2013/14.

The Council currently provides treasury management support to 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 own 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.

4 Revenue Provision for the Repayment of Debt Policy

4.1 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 non-current assets under deferred payment terms, such as via finance lease and 'on balance sheet' Private Finance Initiative (PFI) arrangements.

4.2 Revenue Provision for Debt Repayment Policy 2013/14

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** 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 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** to determine revenue provision in relation to unsupported borrowing undertaken since 1 April 2008. This method spreads capital expenditure financed from unsupported borrowing over the useful life estimated at the start of the relevant assets' lives (or over a shorter period where use of the standard useful life would not be supportable as prudent). The annual revenue provision is determined using an equal instalment or annuity method.

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

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.

Where loans are awarded by the Council that are classified as capital expenditure in accordance with capital financing regulations, the Capital Financing Requirement (CFR) will increase by the amount of the total indemnity. When any such loans are repaid, the amounts received will be

classified as capital receipts. Where these capital receipts will be applied to reduce the CFR, there will be no revenue provision made for the repayment of the debt liability.

The revenue budget provision for Revenue Provision charges in 2013/14 has been compiled on a basis consistent with this policy.

Prudential Indicators (Part1)

Summary of prudential indicators	2011-12 Actual	2012-13		2013-14 Estimate	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast
		Original Estimate	Updated Estimate				
Capital expenditure & financing							
Capital Expenditure £m	195	194	138	165	107	91	72
Capital Financing							
Borrowing (unsupported) £m	9	61	34	57	30	20	19
Grants and contributions £m	157	131	100	104	75	69	53
Capital receipts and earmarked reserves £m	29	2	4	4	2	2	-
Total capital financing £m	195	194	138	165	107	91	72
Capital financing requirement							
Capital financing requirement (CFR)							
Opening CFR £m	864	1,001	861	927	949	1,055	1,039
Add							
Additional borrowing £m	9	61	34	57	30	20	19
Additional credit liabilities (PFI / Finance leases) £m	22	4	66	-	110	-	-
	895	1,066	961	984	1,089	1,075	1,058
Less							
Revenue provision for debt repayment £m	(34)	(37)	(34)	(35)	(34)	(36)	(35)
Capital Financing Requirement £m	861	1,029	927	949	1,055	1,039	1,023
Analysis of the Capital Financing Requirement							
Supported borrowing and pre 2008/09 unsupported borrowing £m	600	577	576	553	531	509	489
Unsupported borrowing (2008/09 and later) £m	121	202	149	197	219	230	240
Sub total - borrowing £m	721	779	725	750	750	739	729
Credit arrangements (PFI / Finance leases) £m	140	250	202	199	305	300	294
Total £m	861	1,029	927	949	1,055	1,039	1,023
Gross borrowing and the CFR							
Medium term forecast of CFR £m	949	1,014	1,055	1,039	1,023	988	954
Forecast external debt (long term) and credit arrangements £m	503	688	561	551	657	655	642
Headroom £m	446	326	494	488	366	333	312

Prudential Indicators (Part 2)

Summary of prudential indicators		2011-12 Actual	2012-13		2013-14 Estimate	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast
			Original Estimate	Updated Estimate				
External debt								
Authorised limit								
Borrowing	£m	530	570	470	530	560	590	610
Other long term liabilities	£m	250	250	230	230	331	330	330
Total authorised limit	£m	780	820	700	760	891	920	940
Operational boundary								
Borrowing	£m	440	470	370	370	370	370	370
Other long term liabilities	£m	200	200	210	200	310	300	300
Total operational boundary	£m	640	670	580	570	680	670	670
Actual external debt (incl. credit arrangements)	£m	508	N/A	N/A	N/A	N/A	N/A	N/A
Financing & net revenue streams								
Net revenue streams excl. gen. govnt grants	%	5.1%	6.0%	5.0%	4.8%	4.9%	5.0%	5.1%
Net revenue streams incl. gen. govnt grants	%	5.0%	5.5%	4.5%	4.7%	4.8%	4.8%	4.9%
Incremental impact on Council Tax								
Effect of capital schemes starting in:								
2011/12 and earlier years	£	£76.72	£81.73	£86.24	£100.68	£98.02	£94.80	£92.73
2012/13	£	-	£0.52	£0.46	£2.66	£4.11	£4.82	£5.45
2013/14	£	-	-	-	£0.68	£3.31	£5.72	£6.96
2014/15	£	-	-	-	-	-	-	-
2015/16	£	-	-	-	-	-	£0.22	£1.13
2016/17	£	-	-	-	-	-	-	-
2017/18	£	-	-	-	-	-	-	-
Total	£	£76.72	£82.25	£86.70	£104.02	£105.44	£105.56	£106.27

Treasury Management Summary

Treasury Management Summary		2012-13 Latest Estimate	2013-14 Estimate	2014-15 Forecast	2015-16 Forecast
Estimated debt and investments					
Investments (estimated balance at each 31st March)	£m	150	160	190	240
External debt (operational boundary for borrowing)	£m	370	370	370	370
Expected movement in interest rates					
Bank Rate (at each 31st March)	%	0.50%	0.50%	0.75%	1.75%
PWLB (borrowing) rates					
5 year	%	1.70%	1.60%	1.90%	2.60%
10 year	%	2.70%	2.60%	2.90%	3.60%
25 year	%	3.90%	3.80%	4.10%	4.70%
50 year	%	4.10%	4.00%	4.30%	4.90%
Source:	Sector (December 2012)				
Effect of 1% increase in interest rates					
Interest on borrowing	£000		-		
Interest on investments	£000		(2,440)		
Interest attributed to reserves & balances	£000		2,270		
Interest attributed to other bodies	£000		290		
Net total	£000		120		
Borrowing requirement (external borrowing)	£m	-	-	-	-
Interest rate exposures					
Upper limits for exposure to fixed rates					
Net exposure	£m	470	530	560	590
Debt	%	100%	100%	100%	100%
Investments	%	100%	100%	100%	100%
Upper limits for exposure to variable rates					
Net exposure	£m	140	150	160	170
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%	80%	80%	80%
25 years and within 40 years	%	50%	50%	50%	50%
40 years and within 50 years	%	50%	50%	50%	50%
50 years and above	%	20%	20%	20%	20%
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	5	N/A	N/A	N/A

Counterparty Criteria for Investments

1. Context

In order to minimise the risk to investments, the Council stipulates the minimum acceptable credit quality of counterparties for inclusion on its lending list by reference to the ratings, watches and outlooks published by all three ratings agencies (namely Fitch, Standard and Poor and Moody's).

The matters considered by these agencies when assigning their ratings include financial institutions' ability to meet their liabilities in the short and longer term, their financial strength or viability and the extent to which they might receive support from a third party; not all agencies assign ratings in each of these key areas though. The ratings assigned by these agencies are applicable worldwide; hence the risk of investing with two different counterparties that have similar ratings is the same, irrespective of their country of origin.

Definitions of the credit ratings of the three main credit ratings are not reproduced within this report, but are available upon request.

2. Banks and building societies

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

Rating category	Credit rating agencies		
	Fitch	Standard and Poor's	Moody's
Short term rating	F1	A-1	P-1
Long term rating	A	A	A2
Viability / financial strength rating	a	-	C
Support rating	3	-	-

The above ratings will be used to determine the pool of counterparties with whom the Council can transact for term/call deposits and certificates of deposit.

Where counterparties are rated by more than one credit rating agency, the lowest ratings will be used to determine whether or not they are included on the counterparty list. However, financial institutions will only be considered for

inclusion in the 'counterparty pool' if they have a credit rating in each of the four rating categories outlined above.

The criteria outlined above will ensure that the Council's funds are only invested with high quality counterparties.

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

For group organisations, the viability / financial strength rating of the group will be used if an individual entity does not have a viability rating.

Non UK financial institutions must possess a minimum viability / financial strength rating of **a+**.

Credit ratings are continually monitored, with changes in credit ratings being notified by the Council's treasury management advisors. 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 that are placed on 'negative ratings watch' will remain on the Council's lending list at the discretion of the Executive Director for Finance, in consultation with the Cabinet Member for Finance and the Transformation Programme.

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

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

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

4. Bank subsidiaries and treasury operations

Bank subsidiaries and treasury operations which do not have a full set of credit ratings can only be included in the counterparty 'pool' if the parent bank has the necessary ratings outlined in paragraph 2 above. In addition, the subsidiary must itself have short and long term ratings meeting the above criteria or have an unconditional guarantee from the parent bank.

5. Money Market Funds

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

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

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

6. UK Government

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

7. Other local authorities

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

8. Time and monetary limits applying to investments

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

Time and monetary limits

Counterparty type	Short and long term credit rating criteria						Investment Limit £m	Maximum duration (No. years)
	Fitch		Standard & Poor's		Moody's			
	Short term	Long term	Short term	Long term	Short term	Long term		
UK Banks & building societies	F1+	AA-	A-1+	AA-	P-1	Aa3	70	3 years
	F1	A	A-1	A	P-1	A2	60	1 year
UK banks & building societies (nationalised)							60	1 year
Non UK financial institutions	F1	A	A-1	A	P-1	A2	35	1 year
'AAA' rated Money Market Funds							50	1 year
UK Government							No limit	1 year
Local authorities - upper tier							50	3 years
Local authorities - lower tier							35	3 years