Essex County Council

Revenue Budget 2014/15

Capital Programme 2014/15

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REVENUE BUDGET 2014/15
CAPITAL PROGRAMME 2014/15 TO 2016/17
CONTENTS

1. Overview of key figures

1.1 2014/15 Background

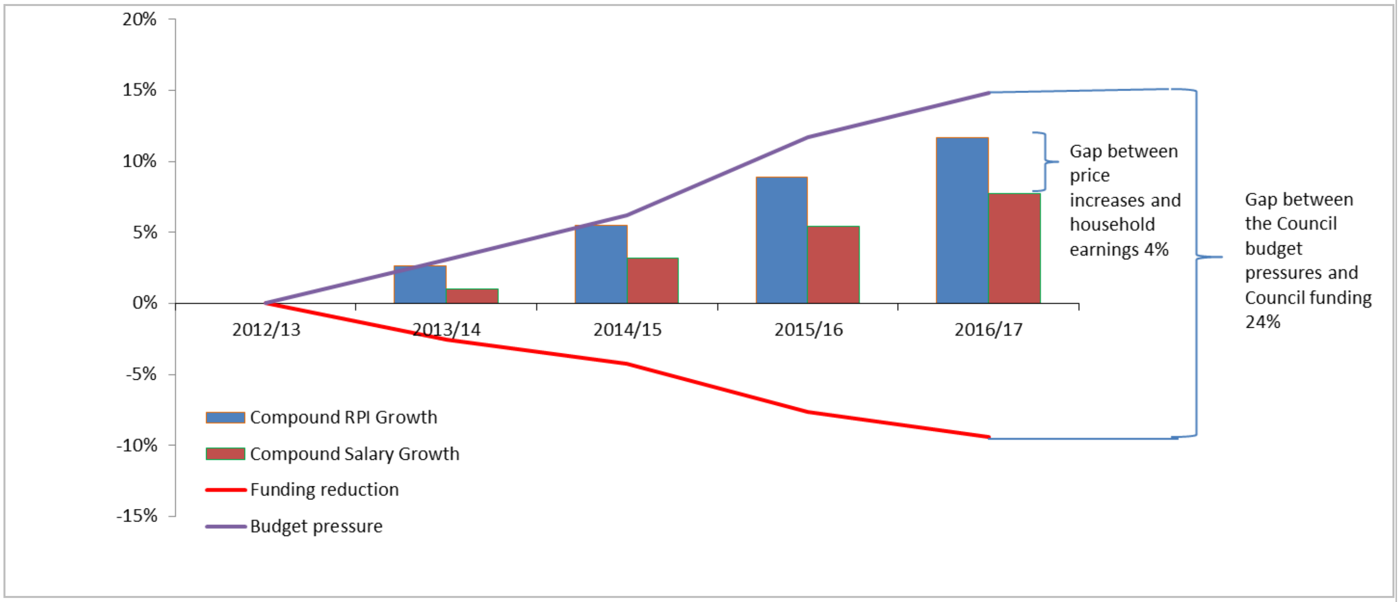
1.1.1 Essex County Council (the Council) is facing considerable financial challenge due to national reductions in public sector spending, compounded by expected inflation and an increasing demand for its services. In his 2014 New Year's speech, the Chancellor has made clear that austerity will continue with more reductions to public sector spending for the foreseeable future and it is necessary to plan accordingly. Households throughout Essex face similar challenges to the Council – often with real terms reduction in income against a backdrop of increasing costs. The Council must continue to manage every single penny in a responsible and frugal way, to ensure the value for money of all spending and to direct as much money as possible to front line services.

1.1.2 Whilst the Council is seeing real terms reductions in its budget, it still has significant resources, funding critical services for a wide-range of customers – for example social care, education, roads, waste disposal, libraries and infrastructure. The report recommends a gross expenditure budget of **£1,855.9m** in 2014/15, with a net cost of services of **£931.8m.** This represents a **£40.0m** spending reduction on 2013/14, a substantial proportion of this reduction arising from cuts to the Revenue Support Grant (RSG).

1.1.3 As a result of Central Government fiscal policy, the amount of support provided to the Council via the RSG in 2014/15 is **£29.9m** less than that provided for 2013/14 – this is a **13%** reduction in this source of funding.

1.1.4 The graph below illustrates how the average household earnings have changed over the period when compared to the pressures on the prices on everyday items (RPI). It can be seen that the increase in the prices outstrip the increase in earnings, thus creating a pressure or "gap" in household income levels of around 4p in every £1 by 2016.

Average household earnings compared to RPI, Council funding and Council budget pressures (2012/13 – 2016/17)



1.1.5 The graph also considers the same type of analysis for the Council, with the budget pressure representing the increased prices the Council has to pay and the increased numbers of service users, particularly from an ageing population. Without significant changes to how services are delivered, this would increase costs considerably against declining funding levels. Without intervention, this would drive a gap for the Council by 2016 of around 24p for every £1 received by 2016/17 (or over **£235m**).

1.1.6 The Council must produce a balanced budget in any year, without the ability to use an overdraft to help fund shortfalls in funding; therefore it must take action to manage the pressure.

1.2 Council tax

1.2.1 Within this context, the Council has managed to not increase council tax since 2010/11 alongside delivering **£364m** savings. The intention is to again freeze the council tax for the fourth year running.

1.2.2 The Cabinet paper presented in January had included a proposal for a 1.49% increase to the council tax charge in 2014/15, however the final returns from the billing authorities, who provide the council tax base has shown a growth in the amount of council tax income that the Council will receive. There have also been small changes to business rates and the collection fund surplus.

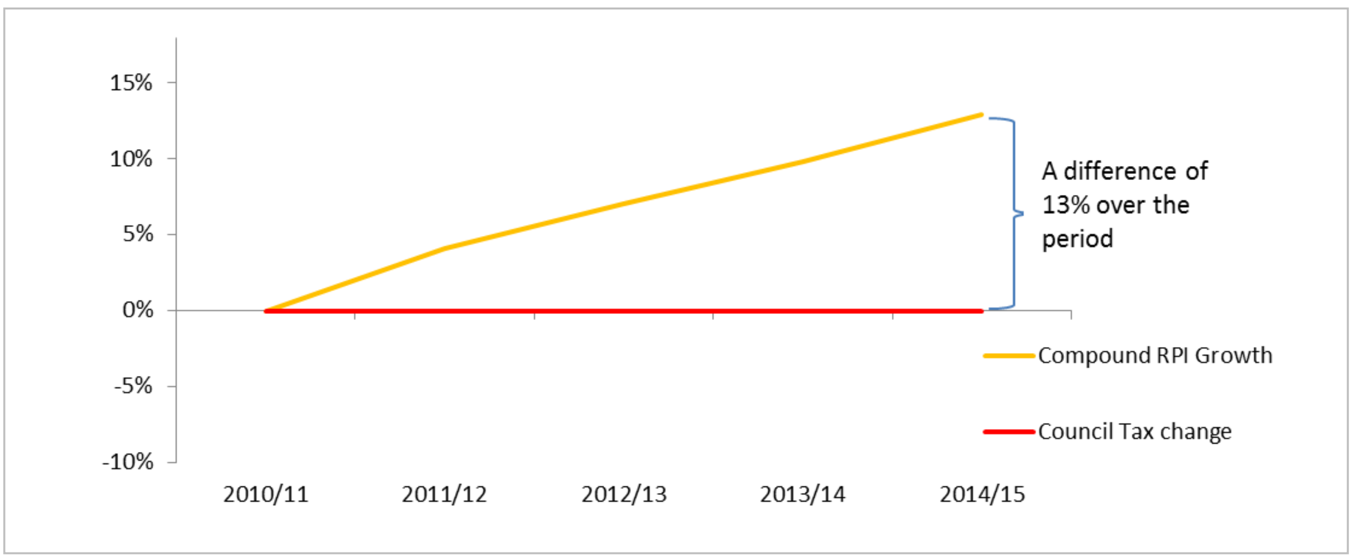
1.2.3 This is the first year of the new council tax scheme launched on 1 April 2013 and so 2014/15 represents the first opportunity for the budget to be based on real performance data. The tax base of Essex is also higher than originally forecast primarily as a result of one-off changes to the local council tax support schemes and discounts. This increase in the tax base means that the Council has more money than expected at January Cabinet and is now able to propose a council tax freeze for the fourth year in a row. This movement represents just over a 1% change on the annual tax base.

1.2.4 This also means the Council has the opportunity to invest in front line services, namely:

- £1.0m investment for education improvement projects;
- £4.8m investment in our roads to help us deal with the impact of the recent bad weather; and
- £2.0m investment in flood management across the County to help us put in place protective measures at a time of unprecedented and prolonged bad weather.

1.2.5 The graph below compares increases in the Retail Price Index (RPI) to the change in council tax over the four years to 2014/15. Council tax funding is discussed in more detail in Section 2.

Comparison of RPI vs. Council Tax change 2010/11 – 2014/15



1.2.6 As a result of freezing the council tax rates for a fourth consecutive year, the council tax for a Band D property for 2014/15 is again **£1,086.75**. By freezing its share of the council tax, the Council has saved the average household **£221.74** cash over the last 4 years (compared to if it had increased the charge by 2% per year). If the Council had not frozen council tax, the charge would be **£89.58** per year higher than the recommended charge for 2014/15.

2.0 Budget Overview

2.1 Net cost of services

2.1.1 Gross expenditure to be incurred in the delivery of Council services in 2014/15 is **£1,855.9m**. After taking income and specific grants into account, the net costs of services amounts to **£931.8m**.

2.1.2 The draft net cost of services is as set out in the following table, with a detailed budget book included at Appendix A. 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. This shows a recommended net cost of services of **£931.8m** as compared with a latest budget in 2013/14 of **£971.7m**.

2.1.3 The net cost of services is funded from a number of different external funding sources including **£528.5m** of council tax, **£156.7m** of non-domestic rates (NDR), **£202.1m** of Revenue Support Grant (RSG), **£36.3m** of other government grants and **£2.5m** drawdown from the general balance.

2014/15 Budget breakdown

	2014/15 £m
Gross Expenditure	**1,855.9**
Deduct:	
Income	(196.7)
Specific Government Grants (excluding DSG)	(150.6)
Specific Government Grants (DSG)	(576.8)
Subtotal: Net Cost of Services	**931.8**
Deduct:	
Council Tax Requirement	(528.5)
Revenue Support Grant	(202.1)
Non-Domestic Rates (top up £115.4m and billed £41.3m)*	(156.7)
General Government Grants	(36.3)
Withdrawal from General Balance	(2.5)
Collection Fund Surplus **	(5.6)
Subtotal: Total Funding	**(931.8)**
Surplus/ (Deficit)/ Balanced budget	**-**

* Further explanation of 'top up' and 'billed' is provided in Section 2

** Estimate of the variation of actual council tax revenue 2013/14 compared to that budgeted (technical adjustment)

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

Statutory disclosure requirement to the £

£	2014/15
Net cost of Services	931,756,744
General Government Grants	36,347,928
Withdrawal from general balance	2,500,000
Budget requirement	**892,908,816**
Less funding available:	
RSG	202,109,239
NDR	156,741,179
Collection fund surplus	5,592,879
	364,443,298
Council tax requirement	**528,465,518**
Tax base (Band D equivalent properties)	468,281
Band D council tax	1,086.75

2.1.5 Section 3 sets out the types of services delivered for this budget and what the Council's customers receive from us.

Net cost of services 2014/15

Portfolio	2014/15 £m
Adults Social Care	378.0
Economic Growth and Infrastructure	5.1
Education and Lifelong Learning	38.6
Families and Children	121.0
Highways and Transportation	95.7
Leader and Finance	22.2
Libraries Communities and Planning	19.0
Public Health and Wellbeing	24.7
Transformation and Corporate Services	19.0
Waste and Recycling	69.7
Other Operating Costs*	66.0
Recharged Strategic Support Services (RSSS)**	
Highways and Transportation Recharged Strategic Support Services	1.2
Leader and Finance Recharged Strategic Support Services	21.0
Transformation and Corporate Services Recharged Strategic Support Services	50.7
Net cost of services	**931.8**

*The Other Operating Costs pay for organisation wide spend such as insurance and the borrowing costs to fund capital expenditure.

**The Recharged Strategic Support Service costs pay for a variety of central costs that are critical to the running of the Council - Human Resources, Information Services, Procurement, Finance, Legal, Audit, Governance, Programme and Project Management and Property amongst other services.

2.2 Sources of Funding

2.2.1 Total funding in 2014/15 of **£931.8m** is **£40.0m** lower than that of 2013/14 (equivalent to 4.1% reduction), as detailed in the table below. **£14.3m** of this is due to a reduction in external funding with the remainder being a change in the level of transfer from the general balance **£25.7m**.

Movement in funding streams over the period 2013/14 – 2014/15

	2013/14 £m	2014/15 £m	Movement Inc / (Dec) £m	Movement %
Council Tax	518.1	528.5	10.4	2%
Revenue Support Grant	232.0	202.1	(29.9)	(13%)
Non-Domestic Rates	154.2	156.7	2.5	2%
General Government Grant	36.3	36.3	-	-
Transfer from General Balance	28.2	2.5	(25.7)	(91%)
Collection Fund Surplus	2.9	5.6	2.7	93%
Total Funding	**971.7**	**931.8**	**(40.0)**	**(4%)**

2.2.2 The total amount of council tax is increasing due to a reduction in the cost of providing council tax support, a reduction in the value of discounts granted and an increase in the number of households paying council tax.

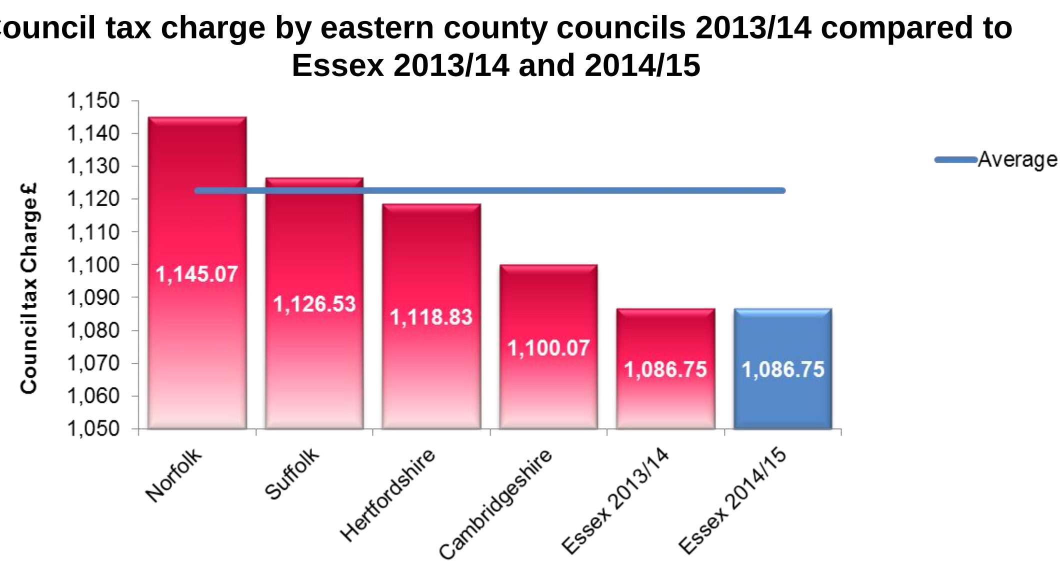
2.2.3 The band D council tax charge is **£1,086.75**. The provisional council tax charge by band is set out in in the following table.

Provisional council tax charge by band

Council Tax Band	2013/14 £	2014/15 £
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

2.2.4 Council tax is driven by the number of eligible dwellings per band and the charge set by individual local authorities within Essex for each band of dwelling. This is adjusted to reflect local council tax support given to individuals and an allowance is made for possible non-collection. Over half (68%) of dwellings are in bands A to C. In terms of revenue earned, bands A to C contribute 61% of total council tax revenue.

2.2.5 Compared to other Eastern County Councils, Essex County Council's council tax charge is the lowest in the region (at Band D) and 3.2% lower than the average for 2013/14 as illustrated in the following graph



2.2.6 Future council tax increases are currently capped at 2% by Central Government which means that any proposed increase above this amount requires the Council to undertake a public referendum. Central Government has not yet announced the level of the cap for 2014/15 but has given strong messages that it is likely that it will be reduced placing further pressure on future projected income levels. As an alternative, Central Government offers a freeze grant to encourage local authorities to maintain council tax at current levels. However, the level of this freeze grant is currently set at 1% which is substantially below expected inflation and demand pressures.

2.2.7 In setting the budget, the tax base (the number of dwellings eligible for council tax translated into equivalent band D dwellings after local council tax support) is based on the actual 2013/14 tax base increased by 0.5% and adjusted for changes to local council tax support schemes and discounts. 2014/15 collection rates are assumed unchanged on 2013/14 budget of 97.8%. This compares favourably with a national average of 97.4% and it is a measure of the success of collaboration across Essex, with a joint initiative on collection, that there is such a high base performance.

2.2.8 Volatility in collection rates presents a financial risk to the Council. A 1% fall in the collection rate would result in an annual loss of income of **£5m**. Essex billing authorities have a history of excellent council tax collection rates, but there is a risk that this could be affected by the impact of reduced benefits for some council tax payers. To mitigate this risk Essex authorities worked together to invest in a programme of proactive collection activity to ensure the best possible collection rates are achieved. Performance at the half year stage was encouraging with collection rates being maintained at an average of 97.8% across the county. The Council has a reserve (see Appendix E) for collection fund risk at a level, consistent with prior year and 2014/15 also faces risk as a result of tougher eligibility criteria for the scheme in Tendring and Basildon, Universal Credit and backlog of business rate appeals.

2.2.9 Billing authorities have finalised their council tax and business rates returns. These returns did result in variation to the Council's assumptions, as per the January Cabinet report. As such the proposed increase in council tax charge has been reviewed and withdrawn.

2.2.10 **Revenue Support Grant (RSG)** is the finance settlement from Central Government of **£202.1m.** This is a **£29.9m** (13%) reduction on the previous year and reflects the continuing downward trend of Local Government funding as Central Government seeks to reduce overall public spending. This reduction is on top of a 15% reduction in funding between 2010/11 and 2013/14. This trend is expected to continue in for the foreseeable future.

2.2.11 On 18 December 2013, Central Government issued its proposals on funding for English local authorities up to 2015. This is the second year of a 2-year settlement and represents a continuation of the decentralised system of Local Government finance following the introduction of the Local Government Finance Act 2012.

2.2.12 **Non-domestic rates (NDR)** are commonly known as business rates and from 1 April 2013, NDR was 'localised' which meant that from that date, half of the revenue raised is retained locally (of which 18% is payable to the Council, with 80% due to the local billing authority and 2% to the Fire Authority) and the other half is paid to Central Government. This new scheme represents an opportunity for the Council to benefit from economic growth in the county.

2.2.13 NDR increases each year by RPI. However, in his Autumn Statement, the Chancellor announced that NDR increases would be capped at 2%. The NDR budget for 2014/15 is therefore **£156.7m**, an increase of 1.6% on the previous year. This is made up of **£41.3m** which is the Council's share of the local share of business rates net of a £1.0m adjustment for 2013/14 actual performance against that budgeted and a fixed 'Top-up' grant of **£115.4m** which Central Government determines as part of the funding settlement. This fixed 'Top-up' grant has been increased by the 2% determined by Central Government DCLG have confirmed that local authorities will be reimbursed for the loss of income arising as a result of capping NDR increases at 2% through a section 31 grant.

2.2.14 The estimated local share of business rates of **£42.3m** is based on an increase of 3% on 2013/14 business rates revenue, which includes 2% inflation on rates, and a 1% growth in the number of businesses paying NDR.

2.2.15 The Council receives **general government grants** of **£36.3m**. This primarily relates to PFI contributions of **£20m**. A breakdown of those grant sources is in the following table

Breakdown of government grants (£m) 2014/15

General Government Grants	2014/15 £m
Localised Services Support Grant	1.5
Council Tax Freeze Grant	5.9
New Homes Bonus	4.7
New Homes Bonus Adjustment Grant	2.1
Small Business Rates Relief Grant	2.1
Schools PFI	12.4
Roads PFI	7.6
Total	**36.3**

2.2.16 **Specific government grants** are offset against service expenditure within the net revenue budget and comprise:

- Dedicated Schools Grant (DSG) of **£576.8m**; in 2013/14 this was **£589.1m** and;

- Other service specific grants of 2014/15 **£150.6m**; in 2013/14 this was **£137.9m**.

2.2.17 Schools receive funding through a variety of sources. The major funding source for schools is the Dedicated Schools Grant (DSG), and whilst the Council are the accountable body (the funds flow through the Council) it lies largely outside of the Council's control.

2.2.18 Other service specific grants include:

- A **£52.8m** grant is received for Public Health and Wellbeing. The main grant is the Public Health Grant (**£50.2m),** which is a ring-fenced grant received from the Department of Health to support the delivery of public health services in Essex following the transfer of responsibilities from Primary Care Trusts from 1 April 2013. This grant is expected to continue in future years but no confirmation has been received from the

Department of Health at time of writing. There are other smaller grants which relate to the Essential Living Fund, Healthwatch and transfer from health to support mental health services.

- Total grant funding of **£31.2m** is received in respect of adults social care; this compares to **£25.1m** in 2013/14 and relates to funding that is transferred from health partners to support the protection of adult social care and the provision of reablement services. The increase in 2014/15 reflects the impact for Essex of the government announcement to increase the national allocation for the protection of social services by **£200m**. From 2015/16 all of this funding will be transferred in to the Better Care Fund, as part of the programme of integration of commissioning for health and social care.

- The 2014/15 grant funding for the Education and Lifelong Learning is **£58.0m** (excluding the Dedicated Schools Grant). The main three grants are Pupil Premium (**£24.3m**) which provides additional funding to schools for pupils from deprived backgrounds, the Education Services Grant (**£16.0m**) which funds services such as School Improvement that the Authority provides to schools and the Skills Funding Agency (**£10.6m**) which funds the delivery of adult education. The grants are expected to be recurrent over the next 3 years but the Department for Education have announced a 20% reduction in the Education Services Grant in 2015/16.

- The level of grant funding within this portfolio has increased by **£6.6m** since 2013/14 primarily due to an increase in the Pupil Premium of **£8.5m**, mirroring the Government decision to increase this nationally. The Education Services Grant allocation has reduced (**£1.5m**) due to the on-going conversion of schools to academies.

- The 2014/15 grant funding for the Families and Children portfolio is **£7.8m**. The main three grants are the Troubled Families Grant from DCLG (**£3.9m)** that pump primes the Council's innovative Troubled Families Programme, the Youth Justice Board grant of **£1.3m** that helps fund the Council's Youth Offending Services, and the Adoption Reform Grant of **£1.1m** which is a Government Grant to support councils look at innovative ways in which it can improve adoption rates for older children. It is assumed that the Youth Justice Board is a recurrent grant over the next 3 year period and that whilst funding for Troubled Families and Adoption reform reduces by 2016/17 based on current allocations, further announcements are expected from Central Government in respect of the availability of further funding for both programmes.

2.2.19 Income is earned from fees and charges levied on the services the Council delivers, and is also derived from internal adjustments such as reserve movements. In 2014/15 £196.7m of income is budgeted, an increase of 4.0%

on 2013/14 (£189.1m). External income is primarily raised from contributions arising from a means tested charge for adult social care (£78.8m); charging for adult community learning courses (£3.7m); activities provided to teenagers to improve their quality of life (£3.0m); provision of music tuition and hire of music equipment (£1.6m); local bus fares and concessionary fares (£11.7m); and charges for services delivered by registrar offices and partner contributions to the coroners service (£5.0m).

3 Service Narrative

Adult Social Care

3.1 In the current year Adult Social Care has delivered some strong outcomes for the Council's customers: eliminating waiting lists for occupational therapy assessments, increasing investment in Reablement Services and reducing the number of older people admissions into long term residential care. There has also been a significant fall in the number of working age adults admitted to residential care and a move into the community via the Supported Living project. The Adult Social Care budget in 2013/14 is **£371.6m**, but there will be a moderate increase in 2014/15 to **£378.0m**.

3.2 85% or **£322.1m** of the available budget is used in the provision of packages of care and support for vulnerable adults. This can be in the form of residential care, care in the individuals own home, in the community or via a cash payment. Services are provided to those assessed as having eligible care needs and **£24.5m** is spent on the provision of the assessment and care management service. A further **£21.4m** is spent on the Housing Related Support service which supports vulnerable people to live independently rather than entering a residential home.

3.3 The budget means the Council can support over 15,000 vulnerable adults each year. This includes 160,000 hours per week of domiciliary care and 6,300 residential placements. This would increase to 17,500 vulnerable adults each year by 2017 based on the Council's demographic assumptions if it were not for intervention. This pressure is to be mitigated by a range of initiatives that are set out below.

3.4 The provision of social care services is a statutory duty for the Council and is provided under the Health and Social Care Act. With pressure from an increasing population amounting to **£13.4m** and inflation of **£11.2m** in 2014/15 there is a need to maximise savings through joining up services with health partners and through working closely with the care providers to develop services which focus on early intervention, enablement (to ensure vulnerable adults can maintain as independent as possible life in the community) and rehabilitation to reduce the need for long term care. There has been an overall increase of **£6.3m** in the 2014/15 budget compared to 2013/14.

3.5 Over the next three years **£73.2m** of savings are currently planned to be delivered across adult social care some of which are outlined below.

- Increasing Independence Programme for Working Age Adults is expected to deliver **£23.8m** through enabling people to move away from life-long dependency on services towards an independent life accessing everyday life activities.

- The Older Peoples programme targets **£12.4m** through a joint commissioning approach to the adults intermediate care pathway (such as reablement – this is to help vulnerable adults learn or re-learn the skills they need for daily living which may have been lost through deterioration in health) to considerably increase planned and avoid emergency access to social care and health services. Reablement allows people to regain independence and thereby reduce their on-going care needs.

- There are service management savings of **£10.7m** these reflect use of grants to fund joint initiatives with health to deliver system wide savings by planned rather than emergency access to health and social care services. **£4.1m** of these savings are from a one off source of funding therefore a sustainable saving will need to be identified for 2015/16 onwards.

- Adults category management saving of **£6.2m** will deliver better commercial deals with the Council's providers who provide the Council's care and support contracts during 2014/15.

- Public Health **£6.9m** – investing in public health initiatives such as falls and stroke prevention which will result in a reduced demand for social care services.

3.6 The capital programme for the portfolio is **£7.5m** to 2016/17. The programme will provide grants to a range of providers to provide accommodation for Vulnerable and Older people. It is expected that a minimum of 120 units will be provided and 10 clients supported in Shared Ownership arrangements.

Economic Growth and Infrastructure

3.7 The revenue budget in 2014/15 is **£5.1m**, with the Council investing more in economic growth compared to **£4.7m** in 2013/14.

3.8 Services within the Economic Growth and Infrastructure portfolio work to create the right environment in which businesses can start and flourish. By working with a range partners the Council works collaboratively to develop joint activities designed to maximise resources, monitor and analyse economic conditions, secure regeneration investment to the county and promote sustainable economic development.

3.9 The 2013/14 budget is **£4.7m** and achievements include the following:

- supporting 662 apprenticeships across various sectors including logistics, digital creative, low carbon and offshore industries and Science, Technology, Engineering and Maths;
- 187 businesses assisted to increase productivity through Skills for economic growth;
- 800 jobs created / retained with Inward Investment assistance
- The A120 is considered a major economic artery in north Essex, due to it being the main route from the M11 and Stansted airport to the port of Harwich and Felixstowe and on to Europe – providers have been appointed to carry out economic studies in the area and provide advice on the development / improvements necessary to deliver growth; and
- A127 Plan, and Basildon Enterprise Corridor - this is a scheme to regenerate Basildon's industrial areas to support the largest employment zone in South Essex. Local Pinch Point Fund was bid for and won from government to remove bottlenecks on the local highway network which of some £4m.

3.10 It is widely acknowledged that each £1 invested in Economic Growth will generate financial as well as social and environmental returns. This investment provides the Council with local leverage to align resources and secure external funding. With a revenue budget of **£5.1m** in 2014/15 aligned to this portfolio the priorities for the medium term will be:

- Strategic infrastructure planning to regenerate key sites
- Offer business premises to early stage innovative enterprises
- Provide expert business advice / signposting to academic and commercial contacts
- Facilitate skills, apprenticeships and career development
- Increase the range of quality employment opportunities available
- Inward investment to sustain and grow the business base
- Support the visitor economy through the creation of high quality events and services

3.11 The capital programme for the portfolio is **£19.0m**. The majority of the programme provides investment for economic growth focussed projects in the shape of the Integrated County Strategy Fund. Funding will be allocated against projects as identified through the current drafting of the Economic Plan for Essex (due to be completed in March 2014).

Education and Lifelong Learning

3.12 In 2013/14, the budget is **£39.8m**. This is delivered a series of improved outcomes in schools where the percentage of primary schools achieving level 4 or above in reading, writing and maths has increased so that it is now in line with national average (75%) and the improvement journey within the Council's secondary schools has continued with the percentage of pupils achieving at least 5 A*-C Grade GCSE's increased to 59%, compared to 50.2% in 2009. In addition, the portfolio has provided over an additional 1,000 school places across Essex through the Capital Programme.

3.13 The 2014/15 gross expenditure budget, net of education grants, is **£57.7m**. The main sources of funding are the Education Services Grant (**£16.0m**) and Dedicated Schools Grant agreed contribution to recharges (**£3.1m**). The 2014/15 net expenditure budget is **£38.6m** which is funded by the Council's own funding sources.

3.14 The main areas of the budgets are the costs of providing home to school transport to children at **£23.9m**, overseeing the assessment and monitoring the quality of provision for children and young people with a special educational need (**£10.7m**) and **£10.2m** for a variety of school improvement services aimed at ensuring there are sufficient school places and that standards are raised in the 554 schools across the county.

3.15 However, these large areas of expenditure mask a series of high profile activities that are also contained within this portfolio. These include the provision of Princes Trust courses, National Citizen Service programmes within Youth Services and Adult Community Learning where the Council is one of the largest providers of adult learning in Essex, supporting in the region of 30,000 people annually.

3.16 The DSG is a ring-fenced grant from the Department for Education, of which the majority is passed through to schools and a remainder kept by the Local Authority to fund education support services to all schools across Essex. The retained budget for 2014/15 has been set on the basis of a series of assumptions around the services that the grant will be used for and which services will be undertaken by the Council for all schools.

3.17 The 2014/15 DSG will be agreed by the Schools Forum in February 2014, and certain funding announcements have yet to be finalised by Government.

Therefore, there continues to be a risk that assumptions may change following any late funding announcements or following discussion and challenge by Schools Forum.

3.18 The ESG is a grant provided by Central Government to help fund local authority services to schools. However, as more and more schools across Essex convert to Academy status, the level of grant funding to the Council has fallen. The level of grant funding is also likely to fall further in 2015/16, which will act as a driver for transforming the type of educational support services that the Council commissions.

3.19 Of the proposed savings for 2014/15, the major areas of activity relate to the re-design of Youth Services across Essex and proposals to change some of the discretionary aspects of the Council's Home to School Transport policies. Both of these proposals have been subject to extensive consultation with service users and members of the public, which will determine the shape of the future service provide and the level of associated savings that they will deliver. Reserves have been built into the 2014/15 budget that will be able to release funding to this portfolio should Cabinet agree changes to proposals following the consultation.

3.20 As a result of the additional income a further £1.0m is to be invested in school improvement.

3.21 The capital programme for the portfolio is **£140.1m**. The majority of the capital programme focuses on providing additional school places, with 2,200 planned for 2014/15. There is also investment for additional provision of places for 2 year olds in nurseries, the introduction of the new government policy on infant schools meals and an additional **£1.0m** for youth centre improvements. Following the recent consultation, it has highlighted importance of the Service to residents and young people. This investment will enable improvements at youth centres to facilitate the provision of services, and increase access of these facilities to Community Groups. Part of this investment will provide small grants to Community Groups to undertake minor capital works to improve capacity at other facilities. The additional **£1.0m** will be funded by a drawdown from reserves.

3.22 Investment in maintaining and improving the Council's school assets is also incorporated in this programme.

Families and Children

3.23 In 2013/14 the budget for this portfolio is **£129.1m** and is predominantly built upon the Looked after Children Strategy which has successfully reduced the number of people in care from 1,252 at 1st April 2013 to an expected 1,134 by the 31st March 2014, a significant achievement which bucks the national trend. Services in the portfolio have also won plaudits for innovation including winning the prestigious Municipal Journal Award for Innovative Finance for its implementation of a Social Impact Bond targeted at vulnerable children and young people on the edge of care.

3.24 Families and Children has a budget of **£121.0m** in 2014/15. Approximately three quarters of this budget is spent on two main areas. These are:

- **£55.8m** for looking after vulnerable children in a variety of settings such as fostering, adoption and residential units.

- **£43.1m** Children's Fieldwork reflects the cost of social workers across the County that undertake assessments, provide support and undertake preventative actions for all children and young people that are referred to the Council.

Other significant areas of spend include **£13.6m** for the provision of Early Years Education and **£2.1m** for preventative, multidisciplinary teams working to support Youth Offenders.

3.25 Overall, the activity levels which are funded from this budget include supporting approximately 3,900 children and young people in care or with an agreed plan, funding 6,600 nursery places to eligible children, providing 7 family centres that give specialist intervention and parenting programmes, and approximately 400 social worker posts providing frontline needs based fieldwork support to all children and young people referred to the Council.

3.26 This portfolio budget is underpinned by the 2011-2016 Looked After Children Strategy, which in turn has actions in place to reduce the number of children having to come into care. This strategy has been successful in reducing Children in Care numbers from 1,527 in January 2012 to 1,167 in December 2013, a reduction of 24%. The 2014/15 budget has been predicated on this number falling further to 1,134 by April 2014. Reducing the number of children in care has reduced cost, as the average cost of a child in care is approximately £65,000. The placement strategy through to the 31st March 2015 assumes Children in Care numbers will reduce to around 1,000 and remain at this level for the foreseeable future.

3.27 This reduction has helped deliver savings including the removal of posts and the funding of innovative preventative solutions such as Divisional Based Intervention Teams that use highly intensive sessions with children with turbulent circumstances to significantly reduce the number of teenagers coming into care. In addition, the 2014/15 budget reflects the first full year of financial benefits of establishing the Family Solutions programme, set up as part of the

Community Budgets programme to work holistically with disadvantaged families with multiple difficulties.

3.28 This portfolio is leading on the Council's approach to domestic abuse, which affects the lives of over 40,000 people in Essex each year. The 2014/15 budget increases expenditure in this area to **£435,000** to develop further work as to how the Council can work with its partners to jointly fund services that transform the support the Council provide to victims and help them and their families improve their lives.

3.29 The total investment for this portfolio 2014/15 is **£121.0m**. The main movements between the 2013/14 and 2014/15 revenue budgets are pressures of **£2.6m** (which predominantly relate to inflationary increases in the cost of residential care placements and early year placements at nurseries). This has been more than mitigated by the delivery of **£9.8m** of savings which is in the main made up of a series of **£8.1m** worth of transformation projects, some of which have already been delivered such as the successful negotiation of contracts and efficiency savings.

3.30 Others, such as the transformation of Children's Centre provision and the review of how overnight short break respite for Carers is provided, remain on-going. Both of these proposals have been subject to extensive consultation with service users and members of the public, which will determine the shape of the future service provided and the level of associated savings that they will deliver. A reserve has been built into the 2014/15 budget that will be able to release funding to this portfolio should Cabinet agree changes to proposals following the consultation.

3.31 The remaining **£1.7m** movement reflects the realisation of early achievement of programmed savings.

3.32 The capital programme for the portfolio is **£25,000** for 2014/15 to 2016/17, and relates to continuation of work on the rationalisation of the Integrated Children's System.

Highways and Transportation

3.33 The revenue budget in 2014/15 is **£96.9m (£95.7m** in the main portfolio and **£1.2m** recharged strategic support services) compared to **£92.2m** in 2013/14.The portfolio is responsible for a wide range of services which affect many aspects of life in Essex, including roads and rights of way, street lighting and public transport.

3.34 The total 2013/14 budget is **£175.1m**; (revenue **£92.2m** and Capital **£82.9m**) and has facilitated the following key achievements:

- Expansion of Sandon Park and Ride site, Chelmsford, to add a further 250 spaces to the existing Park and Ride site at Sandon. This will bring the total number of parking spaces at the site to approximately 1,475, making it one of the largest sites of its kind in the country.
- Burnt Mill Roundabout Improvements, Harlow - works have now started on site to improve traffic capacity at the Burnt Mill Roundabout (junction of A414/A1019/A1169) near Harlow Town Station.
- Dealing with crisis - During the storm in October and again in the first week of December, teams from across the organisation were called upon to help deal with the severe weather and flood warnings forecast. Success stories included: ensuring the Council's vulnerable residents within Jaywick and Tendring areas were safely evacuated, teams in Essex Highways responded to any storm damage ensuring the roads and gullies were clear; the Customer Service Centre worked around the clock dealing with concerned callers.
- Implementation of part night lighting technology across the County to enable street lights to be switched off between the hours of midnight and 5am but allowing agreed exceptions as appropriate.

3.35 With a 2014/15 revenue budget of **£96.9m (£95.7m** in the main portfolio and **£1.2m** recharge to strategic support services), the services within the portfolio will:

- Maintain 5,100 miles of roads, 1,500 bridges and other structures, 4,000 miles of public rights of way
- Operate a gritting route that covers 2,000 miles, 40% of the Council's network each year;
- Maintain more than 120,000 street lights,11,000 illuminated signs and 6,000 Illuminated bollards
- Manage a transport network to a wide range of clients across the county
- Administer and manage the national concessionary travel scheme in Essex for over 274,000 customers including some 16,000 disabled customers.
- Operate more than 200 school crossing patrol sites at primary schools.
- As a result of the additional income a further £6.8m is to be invested in road maintenance and flood management to help deal with the impact of recent bad weather.

3.36 The portfolio however faces a number of key challenges over the period covered by this medium term plan which will continue to exert spending pressures; these include:

- Environmental impact - Damage from severe weather (cold, hot, flood, wind) and cost of emergency and sustainable repairs
- Demographic and economic growth effect of: a) aging population increasing demand on passenger transport volumes and effect on road safety incidents; b) population growth - this is compounding traffic volumes and increasing the need for highway maintenance c) economic effect – for example increased HGVs/lorries consequently causing significant damage to the road network.
- Inflationary pressures primarily attributed to rising energy costs and passenger fares aligned to the concessionary travel scheme.

3.37 The efficiency measures outlined above will enable the available resources to be focused on the following key priorities:

- Further evaluation of the county wide rollout of the part-night lighting project – the conversion to part night lighting across the county will decrease energy consumption, maintenance, reduce costs and deliver environmental benefits with no evidence of increase in crime levels.
- Transport efficiencies including facilitating the operation towards a self-funding model for park and ride schemes, deliverable in part due to the increase in the number of people using the service and provides the opportunity for re-prioritisation of public subsidies.
- The services within the portfolio will seek to drive greater efficiencies and economies in scale in the highways strategic partnership with Ringway Jacobs.
- Better maintained roads and rights of way, ensuring that a greater proportion of money is spent on delivering frontline services and improving customer satisfaction – **£87.8m** (revenue **£44.3m** and capital **£43.5m**).
- Efficient transport network management and improved local accessibility **£60.7m**; (revenue **£38.5m** and capital **£22.2m**).
- Other services including road safety and bridge maintenance **£23.1m**; (revenue **£5.7m** and capital **£17.4m**)
- Greater local accountability of minor schemes delivered through Local Highways Panels **£9.6m**; (revenue **£1.6m** and capital **£8.0m**)

3.38 The capital programme for the portfolio is £**147.4m** to 2016/17, with over **£95m** allocated to maintaining the Council's highways infrastructure. The programme also makes provision for improvements to major road junctions, the introduction of a new park and ride facility in Colchester, and expansion at existing sites in Chelmsford. The continuation of the Local Highways Panels is also incorporated.

Leader and Finance

3.39 In 2013/14 the latest budget for this Portfolio is **£51.3m**. During this year many of these services have commenced significant structural changes with some being brought together from across other portfolios into one team for the first time. There has been intensive work to procure an integrated set of Corporate Systems this year that will be starting to deliver savings from 2014/15. There has also been continuing work with public sector partners, initiated by the Community Budgets work in 2012/13, to identify process improvements for citizens requiring related services from across agencies.

3.40 The Leader and Finance, and Leader and Finance Recharged Strategic Support Services Portfolios combined budget for 2014/15 totals **£43.2m** (**£22.2m** in the main portfolio and a **£21.0m** recharged strategic support services), funding many of the strategic running costs and the Finance, Insurance and Communications support services. Most of these support services are overheads attributable to the total costs of services across the organisation and are allocated out on a recharge basis.

3.41 The most significant proportion of this budget (26%) is used to deliver the Council's financial responsibilities, many of which are statutory. These include Internal and External Audit, Financial Services teams, Debt Collection, Invoice Payments, Payroll, Treasury Management, Risk and Health and Safety. There is a major project currently underway across this area to implement a new, fully integrated set of corporate systems over the next couple of years. This project is aimed at improving the efficiency of processes in order to release time and deliver cost savings from this portfolio of **£0.5m** by 2016/17.

3.42 The second largest area of cost for this portfolio is the Insurance Cost Recovery Account. At **£5.1m**, this covers the cost of insurance premiums and the level of payments expected to be made for the areas that the Council self-insures. A major school fire in 2013 and the number of schools becoming academies and no longer buying back a share of insurance costs have both put pressure on this budget for 2014/15, however, a saving of **£0.5m** is targeted for 2015/16.

3.43 **£1.8m** of the total relates to precepts that the Council is required to pay to the Environment Agency to support Flood Defence arrangements and to the Kent and Essex Sea Fisheries to manage, regulate, develop and protect the fisheries around the Council's coastline. These are statutory services and the amounts are calculated based on the Local Authority approved council tax base.

3.44 Corporate policy and publications work accounts for **£3.3m** of this portfolio budget. This spend includes the Council's subscriptions to a number of public sector groups and associations together with policy officers who interpret national policies and support the development of local strategies. A total of

12% savings are targeted against this area for 2014/15 that will be delivered by restructuring the teams and reducing the number of staffing positions.

3.45 Internal and External Communications work accounts for **£3.9m** of this portfolio budget, in addition to a small team of staff to run the function the full costs of running the major publicity campaigns are resourced here. These cover services such as Adoption and Fostering, Apprenticeships, Country Parks, Early Years, Highways Maintenance, Libraries and Schools Admissions.

3.46 Also within this portfolio are the allowances and support arrangements provided to elected Members of the Council that require **£1.9m** for the year and a number of other small budgets to cover Governance and Corporate Law.

3.47 The total portfolio budget for 2014/15 compares with **£51.3m** in 2013/14. Of the movement, **£4.6m** arises from a reduction in the employer's pension deficit charge offset by an increase in the on-going contribution rate, spread across the portfolios. Additional budget reductions relate to one-off funding being applied in 2013/14 to support all transformation projects that require resources from this portfolio, the savings referenced above, **£1.6m** of election expenses incurred in 2013/14 which won't be required for 2014/15 and **£1.1m** of one-off support to Community Budgets projects.

3.48 Additional budget has been set aside of **£1.8m** from 2014/15 (representing less than 1% of the pay budget) to enable the Council to provide market tracking base pay increases where appropriate, and to allow variable payments for high performance to be made. This is an additional provision to a 1% pay rise built into the service's base budgets. The investment represents a continuation of below real terms increase on the overall pay budget. Increased funding for local pay arrangements have been identified as a critical need to allow meaningful performance pay arrangements to be introduced, particularly in hard to recruit areas and to avoid the significant risk of increased turnover and loss of engagement of business critical staff such as social workers. If the Council is not able to attract and maintain an appropriate workforce, it is forced to turn to the interim market where it will have to pay premium rates.

3.49 The capital programme for the portfolio is **£1.3m** for 2014/15 to 2016/17. This provides new schemes for projects in Braintree, and a contribution to a health centre in Basildon.

Libraries, Communities and Planning

3.50 The 2013/14 budget of **£20.5m** and as well as providing the services as set out below, it allowed for the opening of a new library at Springfield in May 2013. This library is staffed by a large pool of volunteers from the local community and since opening has attracted 26,000 visitors (to December 2013). Across the county there have been no library closures in contrast to the national trend.

3.51 The revenue budget in 2014/15 is **£19.0m**. The portfolio is responsible for a wide range of services which affect many aspects of life in Essex, including Libraries, Country Parks, Environment Planning and strategy:

- Run 74 libraries, 11 mobile libraries and the county's record office; which retains the central repository for resources about the history of the county, its people and buildings.
- Manage 8 country parks and visitor centres, nature reserves and heritage sites
- Respond to strategic planning issues that are likely to have an impact across Essex.

3.52 The services within this portfolio face a number of key challenges over the period covered by this medium term plan, these include:

- Retaining a strong network of public libraries, while utilising new technology and other efficiencies to reduce costs. Improving the customer experience by making information on the web site easier to find, reducing avoidable contact and cost. The service will reduce the purchasing account for DVDs and CDs, a declining market and make management cost savings through bringing together Libraries, Registrars and Customer Services.
- Essex intends to build on the successful London 2012 Olympic Mountain Bike events at Hadleigh Farm by retaining the course, opening for public access in spring 2015 and enhance Hadleigh Country Park as well.
- Explore management and maintenance of the Council's outdoor spaces (country parks, heritage sites, outdoor centres, mills and woodlands), reduce the subsidy and find long term sustainable solutions which will provide outstanding facilities for the Council's residents and visitors
- Provide an effective response to responsibilities arising from the Flood and Water Management Act, including managing flood risk from surface and ground water and watercourses (streams and ditches) in the county. Efficiencies will be generated from maximising synergies between Flood and Planning teams when dealing with applications for statutory consents.
- In addition to the challenges above from July 2014 (at the earliest, subject to a further announcement) all Lead Local Flood Authorities are required to monitor all new builds to ensure that there is a sustainable drainage system (SUDS) to support the size (number of builds) of the development. The legislation will provide further guidance on how the scheme will work and charging methodology to be applied.

3.53 The successful implementation of the efficiencies outlined above will result in an overall revenue budget reduction of **£1.5m** when compared to 2013/14.

3.54 The capital programme for the portfolio is **£14.9m**. The programme will make a contribution to the significant work required to the Tendring Coastal area and provide a new legacy asset at the Hadleigh Olympic Site. There is also continued investment in the Community Initiatives scheme which provides grants to voluntary and community groups.

Public Health and Wellbeing

3.55 The Public Health and Wellbeing budget for 2013/14 is **£26.4m**. 2013/14 has seen the successful transition of Public Health responsibilities from Health to the County, and the successful implementation of the Essex Essential Living Fund following the transfer of responsibility from the Department of Work and Pensions. There is a strong inter relationship with the Adult Social Care portfolio and Health partners in the commissioning of services in advance of the implementation of the Better Care Fund to deliver better outcomes adult social care services users and health patients.

3.56 The 2014/15 net budget is **£24.7m** (gross is £88.2m). **£20.6m** of the available budget is used in the provision of Mental Health Services for vulnerable adults. This can be in the form of residential care, care in the individuals own home or in a community setting or via a cash payment. Services are provided to those assessed as having eligible care needs and **£6.4m** of this is spent on the provision of the assessment and care management service. The portfolio also includes the Public Health budget which the responsibility for transferred from Health to Local Authorities from April 2013.

3.57 The specific grants in the portfolio total **£52.8m** for 2014/15, the main grant is the Public Health Grant (**£50.2m**), which is a ring-fenced grant received from the Department of Health to support the delivery of public health services in Essex following the transfer of responsibilities from Primary Care Trusts from 1 April 2013. There are other smaller grants which relate to the Essential Living Fund, Healthwatch and transfer from health to support mental health services.

3.58 The budget includes provision for sexual health services of **£10m** and **£12.4m** in relation to substance abuse. A further **£6.2m** for health programme for Children aged 5-19, and **£3m** for smoking cessation.

3.59 The Mental Health budget will provide services for approx. 600 clients including 1,600 hours per week of domiciliary care and 350 residential placements. The overall number of service users supported will remain constant through to 2017 due to the savings plan set out below.

3.60 The services within the portfolio are all statutory duties for the Local Authority. There are pressures included in the Mental Health budgets from increasing demographics of **£256,000** and inflation pressures across the portfolio of **£2m** in 2014/15. Targeted public health services are being funded to support the reduction of demand for Social Care services.

3.61 There has been a net decrease of **£1.7m** in the 2014/15 budget from that available in 2013/14. This is as a result of savings initiatives across the Council.

3.62 Over the next three years **£8.0m** of savings are being targeted in the Public Health and Wellbeing portfolio to mitigate the demographic growth of **£808,000** and inflationary pressures of **£2.1m**. Some of these are outlined below;

- A further **£2.0m** will be achieved from re-commissioning and re-design of services including smoking cessation, substance misuse, children 5 to 19 health programmes and sexual health services
- Mental Health Demand Management project aims to deliver **£2.1m** savings by 2016/17 whilst ensuring the Council achieves best value and supports service users to move on towards independent living
- **£520,000** from the Customer Services transformation from growth of income in Registrars
- **£1m** from productivity and contract efficiencies from within the Children and Adolescents' Mental Health service, and savings emanating from the work undertaken through the Council's innovative Family Solutions Programme which delivers proactive support to families before their issues become more challenging and require longer term, and more costly support.

3.63 There is a strong inter relationship with the Adult Social Care portfolio, with Public Health initiatives being fundamental in reducing demand for social care services and delivering **£6.9m** of savings referred to in the Adult Social Care portfolio.

Transformation and Corporate Services

3.64 In 2013/14 the budget is **£89.4m**. During this year these services have commenced significant structural changes with some being brought together from across other portfolios into one team for the first time. The Property Transformation and Business Support projects were endorsed for implementation during this year.

3.65 The Transformation and Corporate Services and the Transformation and Corporate Services Recharged Strategic Support Services Portfolios combined budget for 2014/15 totals **£69.8m** (**£19.0m** in the main portfolio and a **£50.7m** recharged strategic support services). This spend covers the support services functions of the Council excluding Finance, Audit and Governance (which are part of the Leader portfolio). These include Business Support, Commercial Services, Commissioning Support, Emergency Planning, Property Services, Information Services, Human Resources, Performance Monitoring, Customer Services, Procurement and Programme Management. These support services are overheads attributable to the total costs of services across the organisation and are allocated out on a recharge basis.

3.66 A substantial part of the portfolio relates to Property costs **£22.1m**, both operating costs and routine maintenance. The Council has a major facilities management contract with MITIE to provide most of this service with a very small client team retained in-house. There is a significant Property Transformation project in train seeking to rationalise the number of premises that the Council needs to use and retain. This is resulting in property disposals to secure additional income. The project is aiming to release cost savings from this portfolio of **£3.8m** by 2016/17, this commences in 2014/15.

3.67 The second largest area of cost for this portfolio is Information Services **£14.9m**. The budgets held here support the costs of the Council's telephony and computer hardware, software and infrastructure. The major project currently underway to implement a new, fully integrated set of corporate systems over the next couple of years is expected to deliver cost savings from this service and a small part of Human Resources and Performance Monitoring totalling **£1.6m** by 2016/17. A new contract has recently been initiated to manage print costs in a more efficient manner and this is targeting savings of **£0.3m** per year. In the next two years it is also planned that the procurement of a new Social Care Case Management system will generate savings totalling **£0.9m** by 2016/17.

3.68 Business Support costs **£12.4m**, which incorporates personal support to senior managers and members; staff who plan and book meetings, events and courses; direct call handling; financial processes and data input. There is a significant Business Support Transformation project underway to restructure how these services are provided across the Council and over three years this project is aiming to release cost savings from the portfolio of **£4.9m** by reducing the total number of positions required.

3.69 The other large area of cost for this portfolio is Commissioning Support **£4.2m**, a new function recently created by centralising existing roles from across other portfolios. This is aligned to the June 2013 Cabinet report setting out the organisation's commissioning-led structure and the purpose of this team is to provide technical support to commissioners across the organisation as they review and plan the most effective and efficient way of delivering the Council's priority outcomes. This new structure is releasing staff-related savings across this portfolio of **£1.0m** in 2014/15.

3.70 Commercial Services has a budget of **£1.7m** and is responsible for both procurement and contract management functions and primarily supports commissioners as they implement new contract arrangements.

3.71 A Customer service programme has been initiated within this portfolio, driven by three key themes: to stabilise and consolidate existing services; to define the future customer contact hubs; and to migrate and transform customer service elements within the core organisation. A total of **£3.3m** of savings have been identified across this function by 2016/17.

3.72 The capital programme for the portfolio is **£47.9m**. This incorporates significant investment in some key IT systems, rollout of the Broadband programme across the County and continuation of the Council's Property Transformation programme. Investment in maintaining and improving the Council's property and IT assets is also incorporated in this programme.

Waste and Recycling

3.73 The revenue budget in 2014/15 is **£69.7m**, an increase on the 2013/14 budget of **£66.3m**. The Waste and Recycling portfolio can in the main be divided into the following two main service areas:

- Waste Management (**£67.7m** and **£64.1m** for 2014/15 and 2013/14 respectively) which in addition to disposing of waste aims to change the way waste is managed, minimise landfill and drive new initiatives, with the aim of encouraging waste prevention and greater levels of recycling and composting
- Trading Standards (**£2.0m** and **£2.2m** for 2014/15 and 2013/14 respectively) which aims to help local people to get a fair deal when buying goods and services, support Essex businesses in compliance with legislation, business growth and tackling rogue traders to ensure a fair and safe marketplace.

3.74 The 2013/14 waste budget has facilitated the following key achievements:

- Construction commenced on the mechanical biological treatment (MBT) facility, which is currently employing 400 people including a number of apprentices
- The award of a long term Integrated Waste Handling Contract, delivering greater service efficiency, operational robustness and service harmonisation across waste infrastructure and operational services throughout the County
- Securing planning on a further 2 sites in the County for Waste Transfer stations with 3 of these now into the construction phase.

3.75 With a revenue budget of **£67.7m** in 2014/15, there is an increase of **£3.6m** on 2013/14. This can in the main be attributed to the cost pressures aligned to inflation, taxation and waste disposal volumes. These are partially offset by efficiency reductions proposed in Inter Authority Agreements, restrictions of materials to recycling centres and reduction in the Waste Strategy budget.

3.76 The key priorities aligned to Waste Management are:

- Dispose of approximately 322,000 tonnes of waste via landfill in 2014/15; no landfill is assumed once the new waste treatment plant is fully operational in the summer of 2015
- Households in Essex are currently recycling and composting over 52% of waste; the Council are maintaining performance in line with national trends and it is the Council's ambition to reach a figure of 60% by 2020 aided, in part by the delivery of the MBT plant.
- The Council is committed to the introduction of new composting technologies to treat food and garden waste, exploring technology such as anaerobic digestion, which produces a gas that can be used to generate 100% renewable electricity.

3.77 The Waste Management Service area faces a number of key challenges over the period covered by this medium term plan which will continue to exert spending pressures; these include but are not limited to:

- Completion of the build and operation of the new mechanical biological treatment (MBT) facility to treat residual waste. The facility will be capable of treating up to 417,000 tonnes of municipal waste a year and is anticipated to start accepting and processing waste in the summer of 2014.
- Population growth and impact on waste disposal volumes - the budget has been uplifted for increase in tonnage of 1% for 2014/15, 0% for 2015/16 and 0% for 2016/17. There has been growth in excess of 1% to date, however this is considered to have been driven by the poor weather in the early part of this year and it is not expected that this will continue. Increase of 1% in tonnage equates to c. **£600,000**.
- Contractual inflationary factors associated with waste disposal and escalating cost of landfill tax which has risen by £8 per tonne every year. In 2010/11, the Council paid **£16.7m** in Landfill Tax and the amount is predicted to increase to c. **£25.8m** in 2014/15.
- Award a Refuse-derived fuel (RDF) contract to assist in achieving the long term strategy to dispose of the MBT outputs via an energy generation route by providing a period of time to test the energy disposal routes in the market.

3.78 The specific key priorities for the portfolio over the next year and the areas where it will focus its resources are encouraging and enabling waste reduction, increasing recycling and composting and reducing the amount of waste landfilled.

3.79 The capital programme for the portfolio is **£18.3m** for 2014/15 to 2016/17. The majority of the programme relates to the delivery of the Waste Strategy (**£15m**). The remaining programme provides improvements at other Waste and Recycling facilities.

3.80 With a revenue budget of **£2.0m**, the Council provides Trading Services to over 6,000 businesses with trading standards advice and support each year. The key priorities for the portfolio over the medium term will be to support economic growth, especially in small businesses, by ensuring a fair, responsible and competitive trading environment.

3.81 The financial strategy through to 31st March 2015 will decrease the overall revenue investment by **£0.2m** when compared to 2013/14 and this can in the main be attributed to a reorganisation of the workforce to create a more efficient work environment.

Other Operating Costs

3.82 The revenue budget in 2013/14 is **£80.3m** and has significantly reduced to **£66.0m** in 2014/15. The expenditure includes the net appropriations to reserves as described in the Reserves section. There is further **£43.7m** financing of the capital programme (borrowing and meeting capital repayments) and **£8m** for the Emergency Contingency.

3.83 The movement from 2013/14 is mainly due to the change in the appropriations and withdrawals from the reserves between the years, in line with changes in the specific liabilities.

4 Capital Programme 2014/15

4.1 As part of the budget setting process the capital programme requirements were also reviewed. The capital programme reflects the 2014/15 requirements, and the on-going implications of these schemes into future years.

4.2 The Cabinet paper presented in January included a total capital programme of **£397.2m**, this has reduced to **£396.3m**, following the DFE announcement on the schools capital maintenance grant allocation

4.3 During the year, an extensive review of the capital programme has been undertaken in light of the increasing slippage in recent years as reported to Cabinet in the quarterly outturn reports. The focus of the review was to ensure that the capital programme is deliverable in accordance with the stated profile.

4.4 A new approach is being implemented for 2015/16 onwards, to ensure that all capital schemes are clearly linked to outcomes and the programme is deliverable in terms of capacity and affordability.

4.5 Therefore the draft capital programme from 2015/16 onwards shows only the on-going impact of the 2014/15 and earlier programmes.

4.6 The Autumn Statement announced additional capital to increase school places and the Council has been awarded a total of **£96m** in the finance settlement for the next 3 years to be spent on increasing school places. This is the second highest funding allocation in the country. Whilst this has minimal impact on the funding assumptions in 2014/15, it is significantly higher in 2015/16 and 2016/17. This additional funding will be fully considered in the new approach for 2015/16 and beyond.

4.7 The draft 2014/15 capital programme and the on-going implications, including approved slippage is shown in the following table. The detailed capital programme is scheduled in Appendix B

4.8 The programmes for 2015/16 onwards will be presented to Cabinet and Council later in the year.

Porfolio	2014/15 £m	2015/16 £m	2016/17 £m	Total £m
Adult Social Care	5.5	2.0	0.0	7.5
Economic Growth and Infrastructure	7.0	6.0	6.0	19.0
Education and Lifelong Learning	50.9	57.0	32.2	140.1
Families and Children	0.0	0.0	0.0	0.0
Highways and Transportation	91.1	28.4	27.8	147.3
Leader	0.8	0.3	0.3	1.3
Libraries, Communities and Planning	7.6	4.7	2.6	14.9
Transformation and Support Services	30.4	16.6	0.9	47.9
Waste and Recycling	18.2	0.2	0.0	18.3
Total	**211.5**	**115.2**	**69.8**	**396.3**

Note: the draft capital programme from 2015/16 onwards shows only the on-going impact of the 2014/15 and earlier programmes. No new programmes for 2015/16 onwards are included.

4.9 The financing envelope is as follows:

Financing	2014/15 £m	2015/16 £m	2016/17 £m	Total £m
Grants	78.3	78.1	69.5	225.9
Capital receipts	20.8	1.7	0.0	22.5
Contributions	5.1	2.1	0.2	7.4
Reserves	14.7	2.0	0.0	16.7
Borrowing	92.6	31.2	0.0	123.8
Total	**211.5**	**115.1**	**69.7**	**396.3**

Note: the draft capital programme from 2015/16 onwards shows only the on-going impact of the 2014/15 and earlier programmes. No new programmes for 2015/16 onwards are included.

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

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

- Prudential Indicators that are intended to demonstrate that the borrowing the Council plans to undertake for capital financing purposes is at a prudent, affordable and sustainable level;

- 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 investment will be managed;
- A policy that explains how the Council will discharge its duty to make prudent revenue provision for the repayment of debt.

6 Reserves

6.1 The Council will continue to face difficult financial times for the foreseeable future, given the austerity cuts to public spending. But the Council is in strong financial health and has a credible base on which to weather such challenge. There is robust financial management throughout all Council's businesses (as confirmed by internal audit and demonstrated through regular unqualified, on target accounts) with some **£15.1m** underspend as at December 2013 (1.6% of our budget) primarily due to early delivery of planned savings.

6.2 The Council has accumulated specific reserves to manage known financial liabilities – as good financial practice would dictate; the Council has set aside the money now for major contractual and legal liabilities on the horizon. These are long term strategies to ensure a financially sustainable future. Our reserves strategy has included impending waste strategy rises and our contract costs for road and school Private Finance Initiatives. This means there will be no lurching from crisis to crisis, or sharp rises in taxation, as the money set aside meets known future cost increases. As an example, the Council started building the Waste Reserve in 2006/07 and is now reaping the benefits, as by spreading the costs of waste disposal across the lifetime of the contract has meant avoidance of what would peak at the equivalent of a 2% rise in council tax, for this service alone.

6.3 The Council also uses these specific reserves to generate income and minimise the cost of debt; reserves do not sit idle. The Council earns £2m per annum from investing surplus cash in the market which is included in the budget and funds services. But it saves substantially more by using the reserves to offset what would otherwise be heightened external borrowing costs. Compared to other authorities, the Council has little debt. It has not mortgaged the future by spending money today it can ill afford, rather it uses its reserves to minimise taking on new debt, avoiding an estimated **£13m** in debt costs each year which is again budgeted for so it can be spent on services today. As a result of the reserve strategy, compared to its peers, the Council spends one of the smallest proportion of its current budget on paying debt charges – which means there is more money available to invest in services.

6.4 There are three major categories of reserve – earmarked, general balance and other reserves (over which there is minimal or no influence, most notably schools reserves). These are considered separately in Appendix E.

6.5 In general terms the Council faces considerable risk and it is essential that it provides for risk in times of financial constraint. In particular balancing the budget requires innovative savings plans, which will equate to over **£235m** over the next three years. The Council has an excellent track record on delivering planned savings, with some **£364m** delivered in the last four years. Despite this, it is inevitable that it will not always deliver 100% against plans or indeed it may change those plans subject to public consultation. Reserves are essential to cushion services against shortfalls caused by such changes in circumstances, and to allow time for thoughtful implementation of change.

6.6 Earmarked reserves are set aside for very specific purposes in preparation for significant future expenditure, which would otherwise cause very uneven cash flows and have negative effects on the Council Tax payers or services. The major reserves will reduce by **£26m (net)** from 2013/14 closing position. There are different drivers for reserve withdrawal:

- **£26m** of earmarked reserves are being withdrawn in 2014/15 to fund planned specific expenditure items, which has been built into the individual portfolio's budget. Examples of which are **£21m** of Waste reserve funding (as per the agreed Waste strategy), **£3m** Economic Growth Strategy and **£1.4m** for the A130 PFI.
- A further **£40m** of earmarked reserves are planned to be used in 2014/15 to fund specific expenditure items, such as the transformation programme costs, up to **£5.9m** for consultation (which protects against the unknown outcomes of several key consultations in 2013/14 to 2014/15), **£1m** Community Resilience Fund which has been set up to help create strong and resilient communities, supported by a vibrant voluntary and community sector and **£22m** from the Reserve for Future Capital funding (meeting the costs of capital most notably waste infrastructure)
- **£47m** of planned contributions to the earmarked reserves, which have been built into the Other Operating costs area of the budget. Examples of which are **£14.6m** to the Waste reserve, **£22m** to the Reserve for Future Capital funding and **£3m** to the Transformation reserve.

6.7 The major reserve balances planned at 31 March 2015 are:

- Waste reserve **£55m**: set up to smooth the year on year increase in waste disposal costs arising from the waste strategy
- Long Term Financial commitments **£65m** to meet contractual liability for works in Essex under PFI contracts, again used to smooth the year on year

costs that can occur in building and maintaining some of the largest infrastructure projects in the county, such as the regeneration of the A130.

- Insurance **£8.8m**: This is a fund set aside for the Council to partly cover its own insurance claims, thus reducing the amount of premium that has to be paid outside of the county.
- Transformation **£14.5m**: the Council has made use of reserves to fund change and transformation projects. This is a good example where an upfront investment (to fund the project) can reap greater rewards over the medium term through the benefits the project delivers. To achieve the anticipated level of savings in excess of **£235m**, the Council needs to set aside resources to invest in that change (over the period 2014/14 – 2016/17 the Council's budget proposes a transfer of **£14m** into transformation reserves, **£3m** of which is contributed in 2014/15)
- Collection Fund risk reserve **£4.8m**: this provides a buffer against the risk of non-payment of council tax, business rates and appeals as described in Section 2, which is in line with the 2013/14 amounts.

6.8 The report recommends an opening **£57.2m** of general balance in the 2014/15 budget and a closing balance of **£54.7m**. The Council has built up acceptable and reasonable levels of reserves so that it can continue to deliver services in the advent of financial shocks. 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. This amounts to some **5.9%** of the net revenue budget or 25 days expenditure, which is consistent with 2013/14. The Council's budget process has made use of reserves to ease the financial pressures but this had to be done in a responsible and sustainable way. The report schedules the risks the Council is facing, not least demographic growth; Care Bill and inflation. The Council has been relatively fortunate so far in not experiencing a major crisis in recent years, but the Council cannot be complacent. If for example, the Council was to experience significant storm and flood surge which other authorities have recently seen, the general balance would bear the brunt of this. It is the view of the s151 Officer (Executive Director for Corporate Services) that the reserves are set at a prudent level, given a significant increase in the organisation's risk profile.

7 Trading Activities

7.1 In 2013/14, it is anticipated that the Trading Activities' will over achieve their planned surplus by **£438,000.** Whilst elements can be attributed to accumulated cashable efficiencies brought forward from previous years it is evident that our traded services continue to secure work in a variety of areas (particularly Essex Education), which deliver social value and will enable reinvestment in front line services.

7.2 For 2014/15, the Council has ambitious plans to deliver a growth in the surplus to **£4.3m**. Examples of areas with growth are:

- the increase of customer base of the Target Tracker software within the Essex Education Services entity over and above the existing c.2,000 schools that purchased the system and associated services in 2013/14

- the establishment of a Trading incubator, allowing the trading units with potential, to pool resources and commercial knowledge and build a sustainable income stream.

8 Statement of the Executive Director for Corporate Services (s151 Officer)

8.1 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 Corporate Services.

8.2 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. The following paragraphs therefore provide a commentary on the robustness of the budget and the reserves in place to support the Council

8.3 The budget is to be set at a time of unprecedented change. 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.

8.4 The continued provision of adequate reserves is essential to ensure 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. In building the budget, the Council has considered the risks inherent within it and has a number of processes embedded within its day to day working to minimise, and manage those risks, including:

- Promoting a robust approach to financial planning with functions.
- Use of performance reporting and balanced scorecards to act as an early warning system.
- Regular reporting to Members of the projected outturn, including outlining remedial action where appropriate.

- An established system of financial management, culminating in the presentation of regular reports to the Corporate Management Board.
- The operation of a risk management approach as set out in the Council's Risk Management Policy.
- The presence of the Council's internal control framework, including the Financial Regulations and Schemes of Delegation for Financial Management which provides the framework for delegated budget management.
- The operation of the internal audit function and its role in assessing controls and processes to highlight critical or major weaknesses and also advise on best practice.

8.5 However, it has to be recognised that these steps will not serve to eliminate risk entirely, especially for those that come from external sources, such as the demand pressure for social care support, and price fluctuations beyond those already included in the budget. There are further measures that can be taken to diminish the overall financial effect of these risks:

- Slowing down or stopping spending or increasing income elsewhere in the organisation. The greater the extent that this is possible, the lower the overall impact of risks.
- The extent to which it is possible to move funds around the organisation, and so utilise savings in one area against pressure in another.
- The level of the Council's emergency contingency, which is set at £8m.
- The level of general reserves, which is set at £57.2m.

8.6 Taking all of the above into account, it is the view of the Executive Director for Corporate Services that the revenue budget and capital programme for 2014/15, and the arrangements for managing and monitoring the budget are robust

8.7 It should be noted, however, that the projections for future years indicate a gap between the Council's expected funding streams and the Council's expenditure. It is therefore essential that the Council continues with its transformation programme to identify further savings opportunities to ensure future budgets are similarly robust.

9 Equality Impact Assessment

9.1 This section of the report describes the most significant equality pressures confronting each main service area, informed by an equality analysis. It highlights the effect of policy and governance changes; an overview of positive and neutral impacts; and a service impact overview. These outcomes are based upon spending decisions taken during the last two years and changes resulting from the 2014/15 budget.

9.2 It is important to note that the budget is a financial plan of the Council's current operational intent and where known the equality impact of change is disclosed. However there are a number of individual decisions that will arise over the period of the 2014/15 budget. Those will require full and proper EIAs at the decision point and cannot be fully assessed now. Final decisions will only be taken after any appropriate consultation and a full equality impact assessment. It cannot be assumed that decisions will be taken to implement all these changes.

9.3 In making this decision the Council must have regard to the public sector equality duty (PSED) under s.149 of the Equalities Act 2010, i.e. have due regard to the need to: A. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act. B. Advance equality of opportunity between people who share a protected characteristic and those who do not. C. Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

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

9.5 The PSED is a relevant factor in making this decision but does not impose a duty to achieve the outcomes in s149, is only one factor that needs to be considered, and may be balanced against other relevant factors.

9.6 The UK is a signatory to the United Nations Convention on the Rights of the Child. This requires the UK to develop and undertake all actions and policies in the light of the best interests of the child. In this case there is a clear need to have a sustainable and affordable home to school transport provision which targets resources at those who most in need. The proposed changes protect those families on the lowest incomes.

Policy and Governance Changes

9.7 The budget will be discharged during a year of significant changes to the provision of health and welfare reform. Essex residents are now experiencing some of the impacts of the welfare reform during 2013/14 (such as changes to child benefit, benefit capping and housing benefit changes as a result of extra bedrooms). There will be further benefit changes ahead, not least as Universal Credit is introduced.

9.8 The localisation of council tax benefit (introducing new payees to Council Tax as a result of national policy changes) was implemented in 2013/14 alongside a scheme for hardship and investment in collection initiatives including Citizens

Advice support. As described to Cabinet previously, the Council has sustained collection rates against this backdrop. Given that success, the Council's budget proposes continuation of the investment into collection and hardship for 2014/15. The Council has anticipated specific increases in demand for services as a result of welfare changes but the full impact of these changes will become more apparent in the months beyond implementation.

9.9 As set out in Section 3, workers are experiencing below inflation wage increases impacting upon disposable family incomes. The Council will need to be mindful in setting its fees and charges policies.

9.10 During 2014/15 the Council will continue to support activity to combat financial exclusion and to promote financial literacy through its education services. 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.

9.11 The Council is responsible for the Social Fund. This fund helps vulnerable people live as independent a life as possible in the community. The eligibility criteria will remain unchanged for 2014/15 with a budget of £2.9M. The Essex scheme provides access to essential items such as food, furniture, white goods and fuel predominantly through the use of third sector partners. The Council works with Southend Council who administer this scheme on the Council's behalf for residents across Essex. Since the scheme was implemented in April 2013, there have been 4,269 food awards, 1,793 fuel awards, and 4,396 items of furniture or white goods (84% of these items are reused).

9.12 Better Care Fund: The Government is determined to ensure that integrated health and social care services become the norm over the next five years. In order to move this agenda forward, the Government has announced the creation of a Better Care Fund (BCF) to the value of £3.8bn nationally to come into effect from 2015/16. This is being described as a single pooled budget for health and social care, to be met from both local government and health budgets. Further guidance on how the fund will work was received on 19 December and the Council's plans will be presented to the Health and Wellbeing Board for approval before 31 March 2014.

Service Impacts Overview

Adult Social Care

a. Efficiency savings of £35.1m have been identified for the 2014/15 financial year. Over the last four financial years the service achieved efficiency savings through activities such as new service design and better purchasing with minimal impact on service delivery. This year, although there are substantial savings to be made they are not expected to result in a significant impact on service delivery.

b. Public Health initiatives are anticipated to include more health checks and other actions to result in fewer falls, improved continence and places a focus on stroke prevention and so will have a positive impact on potential future service users.

c. Equipment services savings are deemed to be a low impact on service with no changes to access to equipment being made.

d. The Increasing Independence programme for Working Aged Adults is aimed at people with disabilities receiving social care services and those most at risk of needing social care services. It does not target user groups by any other of the equality protected characteristics. For people with disabilities this programme looks to improve the employment prospects of people with disabilities; to improve the housing options for people with disabilities and therefore reduce the numbers in registered care; and to address some of the health inequalities experienced by people with disabilities in particular those with additional mental health needs. In conducting a change programme of this scale the planning of the work will seek to identify and mitigate any adverse impacts.

e. The Older Peoples programme of work includes proposals to consult upon removing remove subsidy from the Community Meals service. The rest of the programme has a low impact as it will ensure access to services is more equitable.

f. The Self Directed Support programme of work is deemed to have a medium impact overall on service. Implementation is designed to ensure that people receive support according to their current need.

Economic Growth and Infrastructure

a. Efficiency savings of £71,000 (1.5% of 2013/14 net budget) have been identified for the 2014/15 financial year. This will be delivered by a range of staffing productivity and efficiencies measures will be applied across the services within this portfolio. Care is being taken to minimise the impact of these reductions on the ability to deliver support to front line services.

Education and Lifelong Learning

a. DSG is a dedicated ring fenced grant that is set by Central Government based on pupil numbers and an assessment of need based on a series of factors that help ensure that budget decisions are sufficient and suitable for the children that we have in Essex schools.
b. Of the savings for 2014/15, the major areas of activity relate to the re-design of Youth Services across Essex and proposals to change some of the discretionary aspects of the Council's Home to School Transport policies. Both of these proposals have been subject to extensive consultation with service users and members of the public, which will determine the shape of the future service provision.
c. The intention of the revision to the Home to School Transport policy (considered by Cabinet in January 2014) is to put in place a consistent policy across the County. An Equality Impact Assessment has been carried out to help the service identify what positive actions it needs to make to any group that may be affected by these proposals.

Families and Children

a. The foundation of the Families and Children's portfolio budget is the Looked After Children's Strategy. The priority of the strategy is to avoid the necessity of children having to come into care and look for safe and appropriate alternatives in the first instance.
b. Delivering against the strategy has led to a reduction in the number of children in care. Whilst this approach has led to budget reductions, some of the savings have been used to fund innovative solutions such as the Family Solutions programme that proactively work with families to prevent children entering into the care system.
c. Savings of £8.1m are planned to be implemented in 2014/15; the majority of which relate to efficiencies generated from contract negotiations. Mechanisms are in place to monitor contractual outcomes so that the expected quality of services to users should not be impacted by the savings.
d. There are other areas of savings in this portfolio for 2014/15, notably around the provision of Children's Centres and how overnight short break respite for carers is provided. Both of these options have been out for extensive consultation and service redesign proposals will respond to the consultation and an assessment of the impact they will have on users of these services.

Highways and Transportation

a. Efficiency savings of £4.7m have been identified for the 2014/15 financial year (circa 5.1% of 2013/14 net budget). In addition to these efficiencies the service has absorbed and continues to absorb significant pressures in relation to severe weather damage to the network. The efficiencies within the portfolio are categorised into the 3 areas outlined below, which will result in improved innovation in service provision, environmental benefits and cost reduction.

b. County wide rollout of the part night lighting project – the conversion to part night lighting across the county – in developing the proposal considerations included the possible impact on protected groups (namely people with reduced mobility (difficulty to see obstructions), young people (travelling between midnight and 5am), older people and women (fear of crime), effect on crime levels, impact on people's fear of crime and increased number of road accidents. No particular concerns have been raised by disabled people and there is no evidence that the introduction of part night street lighting will have an adverse impact on any of these areas.

c. A range of transport efficiencies including facilitating the operation towards a self-funding model for park and ride schemes - the proposals consider the possible impact on equality groups and determined the following: introduction of a weekday child fare may result in fewer children using this service, this could be partly mitigated by a reduction in fares on a Saturday offering families a more competitive choice compared to other parking charges. The elderly and other passengers with a concessionary pass retain their entitlement to free travel after 9am and the daily adult rates are considered to still be equitable. Park and ride is more cost effective than the alternative of excessive congestion at peak times.

d. A range of other efficiencies delivered by working effectively in partnership with providers (Ringway Jacobs), using different methodologies to deliver services more efficiently and partnering organisations (Essex Police to develop a combined approach to road safety programme). Other changes to services will primarily be achieved through economies in scale and efficiencies in process. It is not considered that these proposals will have a disproportionately adverse impact on persons who share any relevant protected characteristic.

Libraries Communities and Planning

a. Efficiency savings of £1.8m (9% of 2013/14 net budget) have been identified for the 2014/15 financial year. The largest efficiencies within the portfolio are predominantly associated with the 3 areas outlined below.

b. Libraries and Information services – proposal to stabilise and consolidate customer services - the 2014/15 efficiencies will be achieved primarily via consolidation of the management structures to bring together Libraries, Registrars and Customer Services and reduction of the purchasing account for products in decline. The purchasing fund reduction may result in customers being less able to find the materials they want and arrangements are in place to share purchasing with other authorities and minimise service impact. The risk of potential service disruption whilst new structure is bedding in does however remain.

c. Review of Planning and Environment Services – Implementing improvements which will enable the Council to strengthen its delivery expertise in relation to the outcomes within the Council's Economic Growth Strategy and in support of the Emerging South East Local Enterprise Partnership Strategic Economic Plan. Implementation of this proposal will require a restructuring of the team, creating multi-disciplinary geographically focused groups covering the required professional disciplines, providing greater flexibility in the delivery of planning and environment services, relinquishing activity budgets relating to non-core activity and natural efficiencies from economies of scale. It is expected that planning response times and customer service levels will be maintained and in some cases improved through the proposed changes.

d. Productivity and Efficiency – a range of staffing productivity and efficiencies measures will be applied across the services within this portfolio. Care is being taken to minimise the impact of these reductions on the ability to deliver support to front line services.

e. It is not anticipated that the 3 efficiencies measures outlined above will have any adverse implications in regard to designated protected groups; however these proposals will have an impact on staff, in terms of re-training and staff redundancies. To this effect consultation meetings have been held and the required statutory process is being adhered to.

<u>Public Health and Wellbeing</u>

a. Efficiency savings of £5.2m have been identified for the 2014/15 financial year. The efficiencies within Public Health include better commercial deals with the Council's providers and have no impact on service delivery. Mechanisms are in place to monitor contractual outcomes so that the expected quality of services to users should not be impacted by the savings.

b. The Mental Health programme intends to provide better, joined up support across agencies for the Council's clients and has no detrimental impact on Service Users.

c. The redesign of Children and Adolescents' Mental Health service aims to deliver service improvements and so has no detrimental impact on Service Users.

<u>Waste and Recycling</u>

a. Efficiency savings of £2.8m (4.2% of 2013/14 net budget) have been identified for the 2014/15 financial year. The largest efficiencies within the portfolio are predominantly associated to the following 3 areas.

b. Recycling Centres - the Council provides 21 recycling centres for household waste across the county. This proposal seeks to reappraise the capacity of the centres, developing a long term strategy for the geographical distribution and makeup, reducing capacity within the system whilst continuing to meet service user demand, statutory obligations and reduce associated waste management costs. The final shape of these proposals is subject to consultation. Customers will however be affected by any reductions in service offer and through consultation, service users have the opportunity to shape how reductions in capacity could be achieved so as to minimise impacts on service need. Any changes in capacity levels may result in increases in waste collection levels managed by the Districts. The options once identified will need to be impact assessed prior to any decisions made to implement them.

c. Waste Inter-Authority Agreement - renegotiation of Waste Inter-Authority Agreement contractual incentive payments paid to the Waste Collection Authorities whilst simultaneously supporting Districts to reduce on-going costs. No direct impact on public service delivery is anticipated.

d. Waste Strategy - removal of Waste Strategy revenue budget aligned to the Waste Strategy Programme Team. Implementation of this proposal will not require a restructuring of the team but will be facilitated by natural staffing exits. No direct impact on public service delivery is anticipated.

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's move to an outcomes based, commissioning organisation.

b. There has been no significant change to the Council workforce profile over the past year, following on from a reduction of 48 in 2012/13, resulting in no material adverse impact from the initial reductions in workforce numbers on the diversity groups we monitor. There are likely to be further changes to the Council's workforce as the Council moves to an outcomes based, commissioning organisation; as the skills and capabilities that we need will also change. To support existing employees into any new or changed roles, we will continue to carry out comprehensive selection, assessment and development processes.

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 an increase in the number of people under 25 within the workforce.

The headline comparisons are as follows:

Group	2011/12	2012/13	Dec 2013
Council Black and Minority Ethnic employees	9.0%	9.5%	9.8%
Council disabled employees	2.7%	2.7%	2.7%
Council employees under 25	4.5%	4.8%	5.9%
Council employees aged 50+	39.4%	39.1%	40.2%
Council employees by gender:			
- Female	73.6%	74.4%	74.0%
- Male	26.4%	25.6%	26.0%

Equality Impact Assessment Conclusions

9.13 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. Cabinet is advised to seek on going updates of the issues highlighted within this report to determine any remedial actions which may impact upon the approved 2014/15 budget. Any scheme approvals will require individual equality impact assessments prior to being agreed formally.

10 Legal Implications (Monitoring Officer)

10.1 In each financial year the Council must make its budget calculation in accordance with sections 42A and B 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.

10.2 Those calculations are then used to determine the council tax requirement for the year.

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

10.4 The Council must issue any precept or precepts in accordance with section 40 of the Local Government Finance Act 1992. The section prescribes what must be included in the issue of the precept. It must be issued before 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.

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

10.6 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.

10.7 The budget makes provision on the basis that a number of changes to council services which are under consideration may be made. The budget does not itself authorise any changes to services and does not assume that changes will be made. Any changes to service will need to be the subject of appropriate consideration by the Cabinet Member or the Cabinet following, where appropriate, consultation and a full report setting out options for change, the impact of the proposed changes on service users, including in particular the impact on different equality groups. Where a decision is made not to implement any changes then budgetary adjustments will need to be made.

10.8 The setting of the budget is a function reserved to Full Council but the Cabinet are required to consider the recommendations it wishes to make to Full Council on the various calculations the authority is required to make. Once the budget is agreed by Full Council, the Cabinet cannot make any decisions which conflict with that budget, although 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 Council’s Corporate Plan, ‘A Vision for Essex’.

10.9 Section 106 of the Local Government Finance Act 1992 restricts any member of the Council from voting on the budget or council tax requirement if they owe any amount of council tax to any local authority which has been outstanding for more than two months. If such a member attends a meeting at which the council tax requirement is to be set they must declare this fact and they cannot vote. It is an offence to vote or to fail to make this declaration.

11 Relevance to the Council’s Corporate Plan and Strategic Plans

11.1 The budget is a financial representation of the organisation’s activity. Financial constraints will, therefore, inevitably act as a limit to the activities that can be undertaken.

11.2 The Council has introduced a new management structure and begun its journey on the way to becoming a commissioning led, outcomes focussed organisation. The latest Corporate Outcomes Framework (being presented elsewhere on this agenda) provides the strategic direction and defines the measures with which the Council will gauge it progress against these outcomes.

11.3 This 2014/15 budget is built using the foundations of the new management structure and ways of working, with many of the efficiencies already recognised in the budget. Over time through 2015/16 and beyond the financial strategy will become even more aligned to the new outcomes framework.

Appendix A - Revenue Budget 2014/15

Revenue Budget Summary 2014/15

2012/13 Actuals £'000		2013/14 Original Budget £'000	2013/14 Latest Budget £'000	2014/15 Budget £'000
1,928,844	Gross Expenditure	2,269,076	1,888,572	1,855,912
(240,074)	Income	(173,595)	(189,089)	(196,688)
(124,983)	Specific Government Grants (excluding DSG)	(171,751)	(141,693)	(150,587)
1,563,787	**Subtotal**	**1,923,730**	**1,557,790**	**1,508,643**
(640,966)	Specific Government Grants (Dedicated Schools Grant)	(954,739)	(586,081)	(576,887)
922,820	**Subtotal - Net Cost of Services**	**968,991**	**971,707**	**931,754**
22,535	General Balance - Contribution/(Withdrawal)	(25,470)	(28,187)	(2,500)
(89,078)	General Government Grants	(36,339)	(36,339)	(36,348)
856,279	**Budget Requirement**	**907,182**	**907,182**	**892,909**
	Financed By			
132	Col Fund (Surplus)/Deficit	(2,925)	(2,925)	(5,593)
(581,611)	Council Tax Precept	(518,086)	(518,086)	(528,466)
(269,574)	NDR Precept	(154,226)	(154,226)	(156,741)
(5,226)	Revenue Support Grant	(231,945)	(231,945)	(202,109)
(856,279)	**Total Financing**	**(907,182)**	**(907,182)**	**(892,909)**

Revenue Budget Summary

County Fund

2012/13 Actuals £'000	2013/14 Original Budget £'000	2013/14 Latest Budget £'000		2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Specific Grants £'000	2014/15 Total Net Expenditure £'000
307,902	370,702	371,645	Adults Social Care	487,901	(78,768)	(31,181)	377,953
4,375	3,911	4,647	Economic Growth and Infrastructure	7,140	(1,143)	(928)	5,069
58,906	39,575	39,775	Education and Lifelong Learning	687,012	(14,235)	(634,218)	38,558
127,526	128,818	129,102	Families and Children	134,046	(5,332)	(7,762)	120,954
88,349	88,339	92,168	Highways and Transportation	121,018	(23,966)	(170)	96,881
39,767	44,734	51,289	Leader and Finance	53,255	(9,807)	(256)	43,191
21,864	19,928	20,534	Libraries Communities and Planning	24,465	(5,353)	(130)	18,982
27,161	26,990	26,415	Public Health and Wellbeing	88,167	(10,602)	(52,829)	24,737
85,312	75,803	89,442	Transformation and Corporate Services	81,801	(12,031)		69,771
62,733	66,512	66,315	Waste and Recycling	72,204	(2,552)		69,654
98,924	103,679	80,375	Other Operating Costs	98,903	(32,899)	-	66,004
922,819	**968,991**	**971,707**		**1,855,912**	**(196,688)**	**(727,474)**	**931,754**

Adults Social Care

2012/13 Actuals £'000	2013/14 Original Budget £'000	2013/14 Latest Budget £'000		2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Specific Grants £'000	2014/15 Total Net Expenditure £'000
			Corporate & Democratic Core				
361	361	361	Corporate & Democratic Core	341			341
			Access Assessment & Care Management				
(249)	8,284	(442)	Countywide Teams	(2,627)	(6)	(205)	(2,838)
5,430	3,752	6,024	Mid Teams	6,612	(26)		6,587
6,786	4,865	8,175	North East Teams	8,300	(192)	(188)	7,920
6,334	4,784	7,796	South East Teams	8,025		(157)	7,867
104	52	52	South West Teams	388		(255)	132
3,853	3,037	5,140	West Teams	5,013	(51)	(158)	4,804
			Care & Support				
117,733	165,389	164,193	Learning Disabilities	180,206	(8,487)		171,719
96,989	105,494	105,781	Older People	195,723	(65,875)	(19,351)	110,498
35,838	34,733	36,499	Physical & Sensory Impairment	43,032	(3,118)	(43)	39,872
			Other Social Care				
(17)			Carers Strategy	200	(200)		
(30)			Essex Vulnerable Adults	437	(437)		
4,360	6,036	6,036	Third Sector Funding	6,516		(350)	6,166
			Service Management Costs				
(113)	(366)	(366)	Service Management Recharge	(176)			(176)
8,470	15,543	13,452	Service Management Costs	14,484	(376)	(10,474)	3,634
			Housing Related Support				
22,054	18,737	18,944	Programme Costs	21,427			21,427
307,903	**370,701**	**371,645**	**Net Cost of Services**	**487,901**	**(78,768)**	**(31,181)**	**377,953**

Revenue Budget Summary

Economic Growth and Infrastructure

2012/13 Actuals £'000	2013/14 Original Budget £'000	2013/14 Latest Budget £'000		2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Specific Grants £'000	2014/15 Total Net Expenditure £'000
			Economic Regeneration				
1,061	252	2,284	Economic Regeneration	3,657	(805)	(737)	2,115
			Inward Investment				
398	1,907	439	**i** Inward Investment	487			487
			International Development				
287	283		**ii** International Projects				
			International Trade				
259	248	247	International Trade	304	(58)		246
			Skills				
2,089	949	1,407	**iii** Skills	2,129	(94)	(84)	1,951
			Tourism				
281	272	270	Tourism	563	(186)	(107)	270
4,375	**3,911**	**4,647**	**Net Cost of Services**	**7,140**	**(1,143)**	**(928)**	**5,069**

i Obtaining external investment within Essex
ii Helping Essex businesses export to international markets
iii Includes promoting and supporting apprenticeships and developing skills within Essex

Education and Lifelong Learning

2012/13 Actuals £'000	2013/14 Original Budget £'000	2013/14 Latest Budget £'000			2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Specific Grants £'000	2014/15 Total Net Expenditure £'000
				Education & Life Learn Dsg				
1,795	1,795	1,795		Service Management	1,813			1,813
(640,944)	(954,024)	(585,359)		Dedicated Schools Grant	-	-	(576,884)	(576,884)
39,976	56,358	39,720		Education for Under Fives	47,440			47,440
179		266		Ethnic Minorities and Bi-Lingual Learners	117			117
50,266	40,862	46,883		Special Educational Needs	41,538	(186)		41,352
1,179		7,949		Early Years Contingency	881			881
(15,906)	500	(16,113)	**i**	Pupil Premium Grant	24,178	(6)	(24,259)	(88)
	32	32	**ii**	Prudential Borrowing				
556,531	848,416	502,704		Schools Budget	489,110	(3,152)	(4,708)	481,251
2,234	2,583	782		Special Educational Needs	1,025			1,025
				Education & Life Learn Non Dsg				
28,611	27,824	27,727	**iii**	Access To Education	26,294	(551)		25,743
(430)	(204)	(72)		Adult Community Learning	13,911	(3,651)	(10,557)	(297)
7,289	4,276	4,604	**iv**	Services to Children	6,463	(4,571)		1,892
	176	(17,018)		Education Services Grant Funding	13		(15,366)	(15,353)
8,097	(8,330)	5,959		Improving School Standards	10,454	(420)	(2,372)	7,662
12,279	9,878	10,353		Special Educational Needs School Transport	11,053	(318)		10,735
4,746	4,362	4,520		Strategic Management	4,645	(324)		4,320
3,140	5,069	5,120		Special Educational Needs and Additional Educational Needs Service	7,008	(1,056)		5,952
(138)		(80)		Young Person Learner Agency (YPLA) Funding	69		(72)	(3)
58,906	**39,575**	**39,775**		**Net Cost of Services**	**687,012**	**(14,235)**	**(634,218)**	**38,558**

i Funding for Pupil's from deprived backgrounds
ii DSG budget used in supporting the revenue costs of borrowing money for capital projects in schools
iii Budget for Home to school transport, planning and admissions
iv Includes Youth Services

Revenue Budget Summary

Families and Children

2012/13 Actuals £'000	2013/14 Original Budget £'000	2013/14 Latest Budget £'000		2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Specific Grants £'000	2014/15 Total Net Expenditure £'000
			Childrens Services Non Dsg				
			Childrens Services				
40,087	42,607	43,641	Childrens Fieldwork	47,599	(289)	(4,005)	43,306
244	244	244	Corporate & Democratic Core	244			244
2,853	2,663	2,386	Childrens Service Management	2,749			2,749
59,280	60,681	59,844	Children Looked After	60,697	(3,812)	(1,130)	55,756
			Community Placed Budgets				
1,028	720	749	Community Placed Budgets	30			30
			Cyp Strategic Partnerships				
414	619	596	Cyp Strategic Partnerships				
			Early Years And Childcare				
19,457	16,117	16,740	Early Years & Childcare Grant	13,790	(192)		13,598
			Other Childrens Services				
97	89	89	Domestic Abuse	435			435
(131)	76	76	Essex Local Childrens Safeguarding Board	431	(353)		78
2,464	2,573	2,458	Other Social Care	4,106	(205)	(1,200)	2,701
			Tascc Teams				
(5)			**i** Team Around School Child & Community				
			Youth Offending Service				
1,741	2,428	2,279	Youth Offending Service	3,965	(481)	(1,427)	2,057
127,526	**128,818**	**129,102**	**Net Cost of Services**	**134,046**	**(5,332)**	**(7,762)**	**120,954**

i A multi disciplinary child focused team that have beem reconfigured

Revenue Budget Summary

Highways and Transportation

2012/13 Actuals £'000	2013/14 Original Budget £'000	2013/14 Latest Budget £'000			2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Specific Grants £'000	2014/15 Total Net Expenditure £'000
				Highways And Transportation				
5,805	5,480	4,993		Congestion	9,652	(4,939)		4,714
1,141	956	827		Corporate And Democratic Core	727			727
1,366	1,687	1,687		Bridges	1,952			1,952
703	1,570	1,280		Localism	1,590			1,590
(4,312)	(5,194)	(1,620)		Support Services	1,627	(1,627)		
9,656	10,704	10,704	i	Ongoing operator payments for A130 Pfi	10,204			10,204
2,310	2,552	2,552		Public Rights Of Way	2,514	(49)		2,465
4,097	4,610	4,465		Road Safety	7,880	(4,259)	(170)	3,450
7,480	8,533	8,533		Street Lighting	7,444	(24)		7,421
4,526	2,621	2,621		Winter Service	2,584			2,584
2,661	2,143	1,964		Transportation Planning	2,121	9		2,130
29,431	31,022	30,432		Passenger Transport	42,329	(11,691)		30,637
22,654	20,129	22,153		Roads And Footways	27,346			27,346
625	750	897		Asset Management Planning	1,051			1,051
(865)	(438)	(470)		Traffic Management Act	761	(1,324)		(563)
87,278	**87,125**	**91,018**		**Net Cost of Services**	**119,782**	**(23,904)**	**(170)**	**95,708**
1,072	1,214	1,149	ii	Highways and Transportation Recharged Strategic Support Services	1,236	(62)	-	1,173
88,349	**88,339**	**92,168**		**Total Cost of Services**	**121,018**	**(23,966)**	**(170)**	**96,881**

i PFI = private Finance Initiative - a means of funding large scale capital projects
ii RSSS = Recharged Strategic Support Services

Revenue Budget Summary

Leader and Finance

2012/13 Actuals £'000	2013/14 Original Budget £'000	2013/14 Latest Budget £'000		2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Specific Grants £'000	2014/15 Total Net Expenditure £'000
			Central Services To The Public				
12,920	13,367	13,391	Other Services	12,231	(699)	(256)	11,277
1,066	1,884	1,884	Council Tax Sharing Scheme	2,276			2,276
			Democratic Core				
1,687	1,803	1,609	Corporate Management	1,721			1,721
200	61	139	Democratic representation	59			59
			Other				
185	203	203	Contributions & Subscriptions	262			262
1,757	2,154	3,178	Corporate Policy	1,549	(15)		1,534
80	327	227	Essex Initiatives	500			500
			Support Services				
822	708	485	Communications	648	(102)		545
64	74	74	Finance	68			68
			Members Support				
1,939	1,990	3,298	Members Support	1,936			1,936
			Place Policy				
145	171	196	Place Policy	229			229
			Precepts				
1,297	1,327	1,327	Environmental Agency	1,365			1,365
380	389	389	Kent & Essex Sea Fisheries	400			400
22,542	**24,458**	**26,400**		**23,244**	**(816)**	**(256)**	**22,172**
			Comms And Customer Relations				
2,983	3,266	3,284	Comms And Customer Relations	3,416	- 39		3,377
			Democratic Services				
581	664	859	Democratic Services	862	- 56		805
			Equality And Diversity				
147	194	194	Equality And Diversity	158	- 1		157
			Finance				
12,197	10,771	15,159	Finance	16,986	- 6,056		10,930
			Insurance Cost Recovery A/C				
687	4,818	4,818	Insurance Cost Recovery account	7,985	- 2,839		5,146
			Essex Legal Services				
630	563	575	Essex Legal Services	604			604
17,225	**20,276**	**24,889**		**30,011**	**(8,991)**		**21,019**
39,767	**44,734**	**51,289**	**Net Cost of Services**	**53,255**	**(9,807)**	**(256)**	**43,191**

Revenue Budget Summary

Libraries Communities and Planning

2012/13 Actuals £'000	2013/14 Original Budget £'000	2013/14 Latest Budget £'000		2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Specific Grants £'000	2014/15 Total Net Expenditure £'000
			Anti - Social & Community Safety				
	100	100	Anti Social Behaviour & Community Safety				
			Big Society				
723	517	457	Big Society	450			450
			Built Environment				
	42		Built Environment				
			Development Management				
1,574	1,857	1,963	Development Management	1,895	(45)		1,850
			Corporate & Democratic Core				
74	73		Corporate & Democratic Core				
			Environmental Planning				
906	711	1,113	Environmental Planning	1,343	(288)		1,055
			Environmental Strategy				
177	172	163	Environmental Strategy	220			220
			Travellers				
235	118	151	Travellers	623	(520)		103
			Heritage And Cultural Service				
1,811	1,531	1,559	Heritage And Cultural Servs	1,995	(573)	(31)	1,390
			Historic Environment				
85	288	225	Historic Environment	283	(20)	(6)	258
			Olympics & Sport Development				
89	204	704	Hadleigh Castle Country Park	265	(38)	(7)	220
1,536	1,572	1,572	Lee Valley Park - Precept	1,617			1,617
1,126	534	558	Sports Development	664	(20)		644
			Leisure				
55	70	120	i Contributions To Other Bodies	144	(11)		133
430	307	317	Country Parks	1,777	(1,331)	(86)	360
68	72	66	Cressing Temple	268	(222)		46
201	(3)		Marsh Farm	161	(161)		
			Libraries & Information Servce				
	34	34	ii Libraries Service Management	34			34
8,678	7,513	7,708	iii Library Operational Services	9,924	(2,167)		7,757
2,219	2,319	2,319	Library Resources	1,989			1,989
			Natural Environment				
3			Natural Environment				
			Place Consultancy				
735	650	95	Place Consultancy	(43)	43		
			Rural Issues				
274	213	172	Rural Issues	172			172
			Sustainable Development				
865	1,034	1,138	Sustainable Development	684			684
21,864	**19,928**	**20,534**	**Net Cost of Services**	**24,465**	**(5,353)**	**(130)**	**18,982**

i Contributions to exteranl bodies including Woodland Trust
ii Internally recharged services
iii Predominantly staff within libraries

Revenue Budget Summary

Public Health and Wellbeing

2012/13 Actuals £'000	2013/14 Original Budget £'000	2013/14 Latest Budget £'000		2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Specific Grants £'000	2014/15 Total Net Expenditure £'000
			Child And Adolescent Mh Servs				
2,355	2,770	2,585	Child & Adolescent Mental Health Servs	2,998	(380)		2,618
			Coroners' Courts				
2,033	1,895	1,945	Coroners' Courts	3,083	(1,136)		1,947
			Health Watch				
710	452	452	Health Watch	780		(328)	452
			Mental Health				
6,473	5,945	6,122	i Access Assement & Care Management	6,626	(258)		6,369
13,179	12,355	12,191	Care & Support	14,033	(1,405)		12,629
1,882	2,050	1,810	Third Sector	3,265	(1,439)	(229)	1,597
			Public Health				
240	768	1,356	Public Health	52,007	(2,673)	(49,334)	
			Registrars Office				
(585)	(266)	(266)	Registrars Office	2,437	(3,311)		(875)
			Public Health				
874	1,021	221	Service Management Costs				
			Social Fund				
			Social Fund	2,938		(2,938)	
27,161	**26,990**	**26,416**	**Net Cost of Services**	**88,167**	**(10,602)**	**(52,829)**	**24,737**

i Social work teams that undertake assessments in the community

Revenue Budget Summary

Transformation and Corporate Services

2012/13 Actuals £'000	2013/14 Original Budget £'000	2013/14 Latest Budget £'000		2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Specific Grants £'000	2014/15 Total Net Expenditure £'000
			Property Assets				
(230)	(141)	(141)	Shared Use Buildings	60	(60)		
		(30)	Surplus & Managed Properties		(31)		(31)
			Support Services				
16,962	18,862	14,682	Business Support	12,406	(23)		12,383
2,066	2,542	2,369	Commercial Services	1,711	(5)		1,706
5,725	5,555	4,903	Commissioning Support	4,190	(31)		4,159
843	191	518	Information Services	201			201
			Emergency Planning				
667	678	676	Emergency Planning	609	(2)		607
26,033	**27,687**	**22,977**		**19,177**	**(152)**		**19,025**
			Facilities Management Services				
21,161	20,392	24,611	Facilities Management Services	23,660	(3,421)		20,239
			Asset Management				
1,594	1,784	2,627	Asset Management	1,909	(44)		1,864
			Car Provision Scheme				
61			Car Provision Scheme	4,009	(4,009)		
			Customer Services				
5,197	2,909	3,311	Customer Services	2,544	(403)		2,140
			Human Resources				
5,048	4,871	7,109	Human Resources	7,772	(2,687)		5,085
			Information Services				
16,335	11,440	16,922	Information Services	15,700	(983)		14,718
			Performance				
2,020	2,177	2,483	Performance	2,290	(72)		2,219
			Procurement And Car Provision Scheme				
2,171	2,315	2,568	Procurement And Car Provision Scheme	1,730	(98)		1,632
			Transformation Support Unit				
5,692	2,228	6,834	Transformation Support Unit	3,010	(162)		2,849
59,279	**48,116**	**66,465**		**62,624**	**(11,879)**	**-**	**50,746**
85,312	**75,803**	**89,442**	**Net Cost of Services**	**81,801**	**(12,031)**		**69,771**

Revenue Budget Summary

Waste and Recycling

2012/13 Actuals £'000	2013/14 Original Budget £'000	2013/14 Latest Budget £'000		2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Specific Grants £'000	2014/15 Total Net Expenditure £'000
			Management & Support Services				
130		(50)	Management & Support Services				
			Trading Standards				
2,147	2,265	2,219	Trading Standards	2,336	(313)		2,024
			Waste Management				
8,174	8,447	8,739	Civic Amenity Service	8,772			8,772
935	1,264	1,264	Courtauld Rd Waste Treatment	2,199	(355)		1,844
310	352	352	Exceptional Waste	87			87
332	342	342	Landfill Aftercare	432	(82)		350
1,387	2,034	1,855	Waste Management & Support Services	2,103	(41)		2,063
22,543	24,501	23,379	Recycling Initiatives	23,171			23,171
1,497	998	1,075	Waste Strategy	963	(137)		826
575	609	589	Tipping Away Payments	772			772
26,040	26,900	28,042	Waste Disposal	31,369			31,369
(1,337)	(1,200)	(1,491)	Trade Waste Income		(1,624)		(1,624)
62,733	**66,512**	**66,315**	**Net Cost of Services**	**72,204**	**(2,552)**		**69,654**

Revenue Budget Summary

Other Operating Costs

2012/13 Actuals £'000	2013/14 Original Budget £'000	2013/14 Latest Budget £'000		2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Specific Grants £'000	2014/15 Total Net Expenditure £'000
			Approps To/From Reserves				
265	(949)	(949)	A130 Pfi Reserve		(1,449)		(1,449)
(896)			i Bsf Pfi Reserve				
	(713)	(713)	Building Schools for the Future				
731	1,000	403	Capital Receipts Pump Priming	1,000			1,000
1,419	529	376	Carbon Reduction Reserve	529			529
133	188	188	Clacton Pfi Reserve	188			188
	4,265	4,265	Collection Fund Risk Reserve	4,800			4,800
73			Crime And Police Panel Reserve				
121	(251)	(251)	Debden Pfi Reserve		(251)		(251)
			Economic Growth Strategy		(3,000)		(3,000)
1,200	200	200	Energy Inflation Reserve	200	(400)		(200)
(2,804)			European Social Fund				
4			Essex On - Line Partnership Rsve				
(45)			Essex Transport Reserve				
18,459	10,275	10,933	Reserve For Future Cap Funding	22,402			22,402
591		(4,020)	Grant Equalisation Reserves				
(321)		(648)	Health And Safety Reserves				
(120)			Historic Buildings Reserve				
3,860			Insurance Reserve				
(833)	(1,000)	(1,000)	Laa Performance Rwrd Reserve				
64			Partnership Reserves				
		1,000	Personal Care Reserve				
	5,000	5,000	Pension Deficit Reserve		(574)		(574)
	(24)	(24)	Procurement Reserve				
500	500	(808)	Quadrennial Elections Rsve	500			500
7,001			Redundancy Reserve				
2,527			Schools Reserves				
	(252)	(252)	Severe Weather Reserve				
	(476)	(476)	Street Lighting Reserve				
(2,537)	(1,787)	(1,781)	Trading Activities Reserves	2	(2,495)		(2,493)
9,580	13,000	(5,274)	Transformation Reserves	3,000			3,000
17,591	21,423	21,423	Waste Reserve	14,572	(20,708)		(6,136)
56,563	**50,928**	**27,592**		**47,193**	**(28,877)**	**-**	**18,316**

Other Operating Costs (Continued)

2012/13 Actuals £'000	2013/14 Original Budget £'000	2013/14 Latest Budget £'000		2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Specific Grants £'000	2014/15 Total Net Expenditure £'000
			Capital Financing				
30,546	31,614	31,614	Repayment Of External Loans	28,473			28,473
			Contingencies				
	8,000	7,909	Contingencies	8,000			8,000
			Dividends received				
			Dividends received		(1,000)		(1,000)
			Interest Payable				
15,494	15,321	15,571	External Interest Payable	15,237			15,237
(225)	(118)	(118)	Loan Charges Grant		(118)		(118)
(656)	(615)	(615)	Contribs - Transferred Debt		(615)		(615)
			Interest Receivable				
(3,670)	(2,453)	(2,580)	External Interest Receivable		(2,944)		(2,944)
872	1,002	1,002	Interest Reallocated		655		655
42,361	**52,751**	**52,783**		**51,710**	**(4,022)**		**47,688**
98,924	**103,679**	**80,375**	**Net Cost of Services**	**98,903**	**(32,899)**	**-**	**66,004**

Appendix B - Capital Programme 2014/15

Please Note, all capital figures are represented in £000's

Note: the draft capital programme from 2015/16 onwards shows only the on-going impact of the 2014/15 and earlier programmes.

Capital Programme Summary

Porfolio	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Adult Social Care	5,483	2,000	-	7,483
Economic Growth & Infrastructure	6,950	6,000	6,000	18,950
Education & Lifelong Learning	50,940	56,992	32,203	140,135
Families & Children	25	-	-	25
Highways & Transportation	91,084	28,434	27,847	147,365
Leader	750	250	250	1,250
Libraries, Communities & Planning	7,623	4,681	2,557	14,861
Transformation & Support Services	30,395	16,612	872	47,879
Waste & Recycling	18,175	160	-	18,335
Total	**211,425**	**115,129**	**69,729**	**396,283**

Financing Summary

Financing	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Grants	78,311	78,086	69,472	225,869
Capital receipts	20,758	1,703	39	22,500
Contributions	5,100	2,099	218	7,417
Reserves	14,651	2,000	-	16,651
Borrowing	92,605	31,241	-	123,846
Total	**211,425**	**115,129**	**69,729**	**396,283**

Adult Social Care Portfolio

Scheme	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Blocks				
Accommodation for Vulnerable People	4,000	2,000	-	6,000
Saffron Walden - Extra Care Housing	983	-	-	983
Shared Ownership - Vulnerable People	500	-	-	500
Total Blocks	**5,483**	**2,000**	**-**	**7,483**
Total Adult Social Care	**5,483**	**2,000**	**-**	**7,483**

Economic Growth & Infrastructure Portfolio

Scheme	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Named schemes				
Parkside Office Village (GPF)	450	-	-	450
Total Named Schemes	**450**	**-**	**-**	**450**
Blocks				
Integrated County Strategy	6,500	6,000	6,000	18,500
Total Blocks	**6,500**	**6,000**	**6,000**	**18,500**
Total Economic Growth & Infrastructure	**6,950**	**6,000**	**6,000**	**18,950**

Note: the draft capital programme from 2015/16 onwards shows only the on-going impact of the 2014/15 and earlier programmes.

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Education & Lifelong Learning Portfolio

Scheme	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Named schemes				
Glenwood Relocation	140	660	7,200	8,000
Appleton School	1,580	-	-	1,580
King John School	1,920	-	-	1,920
St John's Abbeyfield Primary	2,717	-	-	2,717
John Ray Infant & Junior School	2,000	4,402	550	6,952
Total Named Schemes	**8,357**	**5,062**	**7,750**	**21,169**
Basic Need				
Severalls New Primary School, Colchester (ECC forward funded & S106)	1,797	3,800	218	5,815
Harlow Primary Basic Need	4,676	3,169	-	7,845
Harlow Secondary Basic Need	-	-	1,000	1,000
Epping Primary Basic Need	633	1,692	568	2,893
Colchester Primary Basic Need	5,117	5,498	36	10,651
Loughton Primary Basic Need	1,594	505	-	2,099
Witham Primary Basic Need	2,036	2,546	-	4,582
Waltham Abbey Primary Basic Need	343	-	-	343
Basildon Primary Basic Need	700	3,700	3,000	7,400
Braintree Primary Basic Need	363	-	-	363
Castle Point Primary Basic Need	360	1,000	-	1,360
Tendring Primary Basic Need	300	3,000	2,700	6,000
Brentwood Primary Basic Need	550	2,650	500	3,700
Stansted Primary Basic Need	1,880	2,500	1,000	5,380
Colchester Secondary Basic Need	1,000	1,572	4,200	6,772
Chelmsford Primary Basic Need	2,662	2,700	-	5,362
Chelmsford Secondary Basic Need	-	300	1,200	1,500
Total Basic Need	**24,011**	**34,632**	**14,422**	**73,065**

Note: the draft capital programme from 2015/16 onwards shows only the on-going impact of the 2014/15 and earlier programmes.

Education & Lifelong Learning Portfolio (cont'd)

Scheme	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Special Schools				
Market Field Special School	2,788	6,998	-	9,786
Special School Estate: Viability and Design Development	200	-	-	200
Total Special Schools	**2,988**	**6,998**	**-**	**9,986**
Blocks				
Capitalised Maintenance Programme	6,500	6,500	6,931	19,931
Temporary Accommodation	1,256	2,000	1,500	4,756
Early Years - Expansion of 2 year old places	1,600	-	-	1,600
Youth Centre Improvements	1,000	-	-	1,000
Infant Free School Meals	2,727	-	-	2,727
Education Estates Strategy - Scheme Design	500	-	-	500
Total Blocks	**13,583**	**8,500**	**8,431**	**30,514**
School Balances (outside ECC control)	-	-	-	-
Devolved Formula Capital	2,000	1,800	1,600	5,400
Total school balances (outside ECC control)	**2,000**	**1,800**	**1,600**	**5,400**
Total Education & Lifelong Learning	**50,940**	**56,992**	**32,203**	**140,135**

Note: the draft capital programme from 2015/16 onwards shows only the on-going impact of the 2014/15 and earlier programmes.

Families & Children Portfolio

Scheme	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Blocks				
Integrated Children's System Rationalisation	25	-	-	25
Total Blocks	**25**	**-**	**-**	**25**
Total Families & Children	**25**	**-**	**-**	**25**

Note: the draft capital programme from 2015/16 onwards shows only the on-going impact of the 2014/15 and earlier programmes.

Highways & Transportation Portfolio

Scheme	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Named schemes				
Colchester Park & Ride	5,997	-	-	5,997
Colchester Northern Approaches Road Phase 3	4,140	250	-	4,390
Street Lighting Central Management System	100	-	-	100
A130 Bypass Improvements	100	100	-	200
Army & Navy Widening	1,223	-	-	1,223
Army & Navy Improvements	2,100	-	-	2,100
Nether Mayne	2,888	-	-	2,888
Harlow Clock Tower	3,339	-	-	3,339
Chelmer Valley Park & Ride	735	-	-	735
Epping Forest Transport Strategy	100	-	-	100
Harlow A414 Capacity Improvements	251	-	-	251
Depot infrastructure	1,950	-	-	1,950
Sadlers Farm	327	-	-	327
Boreham Interchanges Slip Improvements	810	-	-	810
Total Named Schemes	**24,060**	**350**	**-**	**24,410**
Blocks				
Highways Infrastructure	55,687	20,084	20,084	95,855
Advanced Scheme Design	3,000	-	-	3,000
Passenger Transport	188	-	-	188
Local Highways Panels	8,000	8,000	7,763	23,763
Covered Salt Storage	90	-	-	90
Private Streetworks	30	-	-	30
Road Safety Asset Management	29	-	-	29
Total Blocks	**67,024**	**28,084**	**27,847**	**122,955**
Total Highways & Transportation	**91,084**	**28,434**	**27,847**	**147,365**

Note: the draft capital programme from 2015/16 onwards shows only the on-going impact of the 2014/15 and earlier programmes.

Leader Portfolio

Scheme	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Named schemes				
Braintree schemes	250	250	250	750
Contribution to Health Centre (Basildon)	500	-	-	500
Total Named Schemes	**750**	**250**	**250**	**1,250**
Total Leader	**750**	**250**	**250**	**1,250**

Note: the draft capital programme from 2015/16 onwards shows only the on-going impact of the 2014/15 and earlier programmes.

Libraries, Communities and Planning Portfolio

Scheme	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Named schemes				
Community Initiatives	1,500	1,500	1,500	4,500
Hadleigh Legacy Asset	3,988	1,000	-	4,988
Severalls East Gypsy Site	100	-	-	100
Utility Supplies at Gypsy Sites	200	-	-	200
Tendring Coastal Defence	1,000	2,000	1,000	4,000
Total Named Schemes	**6,788**	**4,500**	**2,500**	**13,788**
Blocks				
Radio Frequency Identification Rollout in Libraries	750	-	-	750
Public Realm	85	181	57	323
Total Blocks	**835**	**181**	**57**	**1,073**
Total Libraries, Communities & Planning	**7,623**	**4,681**	**2,557**	**14,861**

Note: the draft capital programme from 2015/16 onwards shows only the on-going impact of the 2014/15 and earlier programmes.

Transformation & Support Services Portfolio

Scheme	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Named schemes				
IS Delivery Programme	555	-	-	555
Waste Data Management System	220	-	-	220
Datacentre Refresh	532	-	-	532
End User Computing	1,500	-	-	1,500
Essex Next Generation Access (BDUK)	6,539	6,276	-	12,815
Corporate Systems Upgrade	4,725	4,125	-	8,850
Social Care Case Management	5,150	5,150	-	10,300
Next Generation Networks	645	221	122	988
Property Transformation	3,997	90	-	4,087
Shire Hall	672	-	-	672
Total Named Schemes	**24,535**	**15,862**	**122**	**40,519**
Blocks				
Capitalised Building Maintenance	5,360	250	250	5,860
Building Maintenance Minor Works	500	500	500	1,500
Total Blocks	**5,860**	**750**	**750**	**7,360**
Total Transformation & Support Services	**30,395**	**16,612**	**872**	**47,879**

Note: the draft capital programme from 2015/16 onwards shows only the on-going impact of the 2014/15 and earlier programmes.

Waste and Recycling Portfolio

Scheme	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Named schemes				
Courtauld Road Improvements	1,545	-	-	1,545
Transfer Stations	13,575	-	-	13,575
Shalford Landfill Gas Control System	50	-	-	50
Thames Chase Forest Centre	40	-	-	40
Other Waste & Recycling Schemes	333	-	-	333
Redevelopment of Shrub End Recycling Centre	1,340	160	-	1,500
Total Named Schemes	**16,883**	**160**	**-**	**17,043**
Blocks				
Landfill Restoration, Remediation and Landscaping	1,292	-	-	1,292
Total Blocks	**1,292**	**-**	**-**	**1,292**
Total Waste and Recycling	**18,175**	**160**	**-**	**18,335**

Note: the draft capital programme from 2015/16 onwards shows only the on-going impact of the 2014/15 and earlier programmes.

Appendix C – Dedicated Schools Grant

Dedicated Schools Grant:

Schools' expenditure, predominantly funded through the Dedicated Schools Grant (DSG), lies largely outside of the Council'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.

In addition funding for early education places for 2 year-olds from lower income households (£14.8m) is being transferred into DSG in 2014/15.

The School Funding Settlement for 2014/15 is shown in the table below. The final DSG allocation for 2014/15 will be determined after the January Pupil Census.

The Pupil Premium for 2014/15 is £2.5 billion nationally, an increase from £1.9 billion in 2013/14. 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, for looked after children and for pupils from a military background.

The per pupil rate for primary school pupils entitled to a free school meal increases from £953 in 2013/14 to £1,300 in 2014/15. The per pupil rate for secondary school pupils entitled to a free school meal increases from £900 in 2013/14 to £935 in 2014/15. The per pupil rate for looked after children increase from £900 in 2013/14 to £1,900 per pupil in 2014/15. The per pupil rate for children from a military background remains at £300 in 2014/15. The indicative allocation released by the DfE is £46m (including the premium for Academies) in 2014/15 compared with £37.4m in 2013/14.

Year	Gross DSG £'000	Academies Deductions £'000	DSG remaining with LA £'000
2013-14 (updated DSG)			
School's Block	794,760	*(369,135)	425,625
High Needs Block	109,860	0	109,860
Early years Block	53,659	0	53,659
TOTAL	**958,279**	**(369,135)**	**589,144**
2014-15 (estimate)			
School's Block	794,225	*(387,471)	406,754
High Needs Block	112,090	0	112,090
Early years Block	58,040	0	58,040
TOTAL	**964,355**	**(387,471)**	**576,887**

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

Appendix D - Trading Activity Financial Plans

Trading Activity Financial Plans

	Revenue reserve 1 April 2014	Income	Expenditure	(Surplus) / deficit	Appropriations To County Revenue Account	To Trading Activity reserve	Revenue reserve 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Education & Lifelong Learning							
School Support							
School improvement & advisory service	1,698	(11,397)	9,538	(1,859)	(763)	(1,096)	2,794
Finance	390	(1,411)	1,292	(119)	(64)	(55)	445
School staffing insurance scheme	1,453	(5,128)	5,128	-	0	-	1,453
Libraries Communities & Planning							
Library Services	42	(2,202)	1,956	(246)	0	(246)	288
Transformation & Support Services Trading							
Information Services infrastructure	15	(6,649)	6,649	-	0	-	15
Legal Services	516	(10,402)	8,321	(2,081)	(1,639)	(442)	958
Place Services	-	(1,614)	1,584	(30)	(30)	-	-
Smarte East	131	(239)	236	(3)	0	(3)	134
Total	**4,245**	**(39,042)**	**34,704**	**(4,338)**	**(2,496)**	**(1,842)**	**6,087**

Note: Libraries trading activity does not represent all libraries operations, rather commercial trading such as with Slough

Appendix E - Reserves and Balances

Reserves and Balances (Attributable to ECC)

	Balance at 31 March 2013	Balance at 01 April 2014		Estimated closing balances 2014-15		2015-16	2016-17
			Estimated contributions	Estimated withdrawals / usage	Estimated closing balances		
	£000	£000	£000	£000	£000	£000	£000
General Balance	(85,551)	(57,209)	-	2,500	(54,709)	(54,709)	(54,709)
Earmarked for future use							
General reserves							
Building maintenance	(713)	-	-	-	-	-	-
Capital receipts pump priming	(1,692)	(2,095)	(1,000)	1,000	(2,095)	(2,095)	(2,095)
Carbon Reduction reserve	(2,955)	(2,955)	(529)	529	(2,955)	(2,955)	(2,955)
Collection Fund Investment Risk	-	-	(4,800)	-	(4,800)	(4,800)	(4,800)
Energy Inflation reserve	(1,200)	(1,120)	(200)	400	(920)	(1,120)	(1,320)
Essex Crime & Police Panel	(73)	(73)	-	-	(73)	(73)	(73)
Essex Transport Reserve	(372)	(372)	-	-	(372)	(372)	(372)
Health and Safety reserve	(648)	-	-	-	-	-	-
Insurance	(10,743)	(8,774)	-	-	(8,774)	(8,774)	(8,774)
LAA performance reserve	(1,000)	-	-	-	-	-	-
Newton bequest reserve	(119)	(119)	-	-	(119)	(119)	(119)
Pensions reserve	-	(5,000)	-	5,000	-	-	-
Procurement	(24)	-	-	-	-	-	-
Quadrennial Elections reserve	(1,006)	-	(500)	-	(500)	(1,000)	-
Redundancy reserve	(10,601)	(9,132)	-	-	(9,132)	(9,132)	(9,132)
Severe weather reserve	(252)	-	-	-	-	-	-
Street lighting reserve	(476)	-	-	-	-	-	-
Tendring PPP	(422)	(422)	-	-	(422)	(422)	(422)
Community Resilience fund	-	(1,000)	-	1,000	-	-	-
Consultation reserve	-	(5,900)	-	5,900	-	-	-
Economic Growth Strategy	-	(3,000)	-	3,000	-	-	-
Transformation Reserve	(26,587)	(23,042)	(3,000)	11,537	(14,505)	(11,004)	(10,336)
Future capital funding							
General	(12,344)	(13,777)	(22,402)	22,000	(14,179)	(19,753)	(25,327)
Bellhouse landfill	(61)	(61)	-	-	(61)	(61)	(61)
Long Term Contractual commitment funding							
PFI reserves							
A130 PFI	(57,837)	(56,888)	-	1,449	(55,439)	(53,490)	(51,041)
Clacton secondary schools' PFI	(3,969)	(4,157)	(188)	-	(4,345)	(4,533)	(4,721)
Building schools for the future PFI	(1,296)	(1,296)	-	-	(1,296)	(1,296)	(1,296)
Debden PFI	(4,818)	(4,567)	-	251	(4,316)	(4,065)	(3,814)
Waste reserve	(61,804)	(61,126)	(14,572)	20,708	(54,991)	(61,840)	(68,109)
Trading activities	(3,158)	(4,245)	(1,842)	-	(6,087)	(6,944)	(7,800)

Reserves and Balances (Not attributable to ECC)

						Estimated closing balances	
	Balance at 31 March 2013	Balance at 01 April 2014	2014-15 Estimated contributions	Estimated withdrawals / usage	Estimated closing balances	2015-16	2016-17
	£000	£000	£000	£000	£000	£000	£000
Partnerships (not available for ECC use)	(2,131) -	(1,881)	-	-	(1,881)	(1,881)	(1,881)
Schools (not available for ECC use)	(52,847)	(52,847)	-	-	(52,847)	(52,847)	(52,847)

Appendix F: 2014/15 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; and
- 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 2012/13 through to 2017/18 is provided in **Appendix G**. Explanatory comments are provided in the following paragraphs.

2.2 *Capital Expenditure Plans*

Actual capital expenditure and financing sources for 2012/13, together with the original and updated plans for 2013/14, proposals for 2014/15 and the indicative guidelines for the subsequent three years, is summarised in **Appendix G**. These capital expenditure proposals are presented in detail elsewhere within the Corporate Business Plan.

2.3 *Capital Financing Requirement*

One of the key ways in which capital expenditure is financed is from 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 2012/13 is derived directly from the Council's 2012/13 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 2012/13 and the estimates for the current, next and subsequent three years are set out in **Appendix G**. These estimates show that:

- The element of the CFR related to borrowing will gradually start to diminish after 2015/16; 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; and
- 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 **Appendix G**, 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 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 2012/13, and the estimates for the current and forthcoming four years, are provided in **Appendix G**. 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 **Appendix G**) therefore shows the council tax at band D that results from continuing with capital schemes started in 2013/14 and earlier years, and the additional amounts that result from commencing new capital projects in the current and subsequent four years.

The actual impact upon council tax may be lower than that implied by the indicators set out in **Appendix G** 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 **Appendix G** 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 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*

<u>Global economy</u>

Debt to Gross Domestic Product (GDP) ratios of Greece, Italy, Portugal, Ireland and Cyprus remain a cause of concern, especially as their debt ratios are continuing to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. Many commentators still view a Greek exit from the Euro as inevitable and there are concerns that austerity measures in Cyprus could also end up forcing an exit. The question remains as to how much damage an exit by one country would do and whether contagion would spread to other countries. However, the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks.

The US economy has managed to return to reasonable growth in 2013 in spite of the sharp cuts in federal expenditure, and increases in taxation. The Federal Reserve has continued to provide huge stimulus to the economy through its asset purchases programme of quantitative easing. However, it is expected that this level of support will start to be reduced soon.

Concerns that Chinese growth could be heading downwards have been allayed, but there are still concerns around an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst.

Japan saw strong growth of 4% in the first half of 2013, which indicates that it can escape stagnation and help support world growth. The fiscal challenges are huge though; the gross debt to GDP ratio was about 245% in 2013, while the government is currently running an annual fiscal deficit of around 50% of total government expenditure.

UK economy

Until 2013, the economic recovery in the UK had been the worst and slowest in recent history. However, growth rebounded in 2013 to surpass expectations. Whilst the signs are encouraging, there is still a long way to go, although growth is expected to be strong for the immediate future. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. A rebalancing of the economy towards exports has started but, as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth.

The Bank of England has issued forward guidance which said that it will not start to consider raising interest rates until the jobless rate has fallen to 7% or below (the UK unemployment rate currently stands at 7.7 %). The Bank's guidance is subject to three provisos, mainly around inflation; breaching any of them would sever the link between interest rates and unemployment levels. This actually makes forecasting Bank Rate much more complex given the lack of available reliable forecasts by economists over a three year plus horizon.

While Bank Rate has remained unchanged at **0.5%**, and quantitative easing has remained unchanged at £375bn in 2013, the Funding for Lending Scheme (FLS), aimed at encouraging banks to expand lending to small and medium size enterprises, has been extended. The FLS certainly seems to be having a positive effect in terms of encouraging house purchases (though levels are still far below the pre-crisis level), FLS is also due to be bolstered by the second phase of Help to Buy aimed to support purchasing of second hand properties, which is now due to start in October 2013. While there have been concerns that these schemes are creating a bubble in the housing market, the housing market remains weak outside of London and the south-east with a significant increase in house prices either being entirely absent or minimal. However, bank lending to small and medium enterprises continues to remain weak and inhibited by banks still repairing their balance sheets and anticipating tightening of regulatory requirements.

Economic outlook

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during the remainder of 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

Near-term, there is some residual risk of further quantitative easing. This could cause shorter-dated gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts in **Appendix H**. The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

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 **Appendix H**. Revenue budget provision for interest payable and receivable in 2014/15 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. This approach of temporarily using the cash balances that the Council has set aside for other purposes to defer external borrowing has been an extremely effective strategy in recent years as:

- It has enabled the Council to avoid borrowing costs of around **£13m** per annum; and
- It has mitigated significantly the risks associated investing cash in what has often been a volatile and challenging market.

Whilst it will be possible to place continued, and possibly further, reliance on internal borrowing over the period covered by this strategy, there are some risks attached to such an approach (*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*). Therefore, 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 **Appendix G**).

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 **Appendix H** 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 **Appendix H** 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 – working capital balances*

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 also 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.

A lending list will be compiled to include counterparties satisfying the criteria set out within **Appendix I**. The lending limits that will be applied to counterparties satisfying these criteria are also set out within **Appendix I**. 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 **Appendix I** provide a sound approach to investing in normal market circumstances. However, the Executive Director for Corporate Services will determine the extent to which the criteria set out within **Appendix I** 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 **Appendix I** 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 *Investment strategy - core / underlying cash*

From 2014/15, it is intended to take a longer term perspective to investing the Council's core / underlying balances (i.e. up to a maximum of **£100m**), with the aim of improving investment returns. This will necessitate an alternative approach to that proposed for managing the Council's 'working capital' cash balances (i.e. in **Appendix I**). Development of this alternative investments strategy requires careful consideration, as it will undoubtedly require the use of investment products not previously utilised by the Council and a different approach to risk.

The alternative products that may be used for investing the Council's underlying / core cash balances will include:

- **Corporate bonds** – bonds issued by companies to raise long term funding other than via issuing equity. Investing in corporate bonds offers a fixed stream of income, paid at half yearly intervals, in exchange for an initial investment of capital.
- **Corporate bond funds** – these are pooled funds investing in a diversified portfolio of corporate bonds, so provide an alternative to investing directly in individual corporate bonds.

- **Enhanced money market funds** – funds designed to produce enhanced returns, and this typically requires the manager to take more risk than the traditional money market funds already used by the Council. This does not mean there is necessarily a reduction in credit quality though.
- **UK Government Gilts / Gilt Funds**
- **UK Government Treasury bills**

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

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

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

The Executive Director for Corporate Services is currently working with the Council's advisors to firm up on proposals for the use of these alternative investment products, taking into account the acceptability or otherwise of the risks associated with their use. It is proposed to bring a further report to Cabinet, setting out the detailed proposals and parameters for the use of alternative investment products, before use is made of any of instruments.

3.7 *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 Capita Asset Services (Treasury Solutions) in this capacity. Capita Asset Services 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 Capita Asset Services are subject to regular review.

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

3.8 *Other matters*

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 2014/15*

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, as a minimum, over a period that is either reasonably commensurate with that over which the capital expenditure provides benefit, or, in the case of borrowing supported by the Government, reasonably commensurate with the period implicit in the determination of that support.

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.

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

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 are to be applied to reduce the CFR, there will be no revenue provision made for the repayment of the debt liability.

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.

The revenue budget provision for Revenue Provision charges in 2014/15 has been compiled on a basis consistent with this policy.

Appendix G: Prudential Indicators (Part 1)

Summary of prudential indicators		2012-13 Actual	2013-14 Original Estimate	2013-14 Updated Estimate	2014-15 Estimate	2015-16 Forecast	2016-17 Forecast	2017-18 Forecast
Capital expenditure & financing								
Capital Expenditure	£m	**127**	**186**	**135**	**211**	**115**	**70**	**59**
Capital Financing								
Borrowing (unsupported)	£m	7	68	3	**93**	31	-	-
Grants and contributions	£m	95	104	95	**83**	80	70	59
Capital receipts and earmarked reserves	£m	25	14	37	**35**	4	-	-
Total capital financing	£m	**127**	**186**	**135**	**211**	**115**	**70**	**59**
Capital financing requirement								
Capital financing requirement (CFR)								
Opening CFR	£m	861	927	835	**836**	1,018	1,015	982
Add								
Additional borrowing	£m	7	68	3	**93**	31	-	-
Additional credit liabilities (PFI / Finance leases)	£m	-	-	31	**120**	-	-	-
		868	995	869	**1,049**	1,049	1,015	982
Less								
Revenue provision for debt repayment	£m	(33)	(35)	(33)	**(31)**	(34)	(33)	(34)
Capital Financing Requirement	£m	**835**	**960**	**836**	**1,018**	**1,015**	**982**	**948**
Analysis of the Capital Financing Requirement								
Supported borrowing and pre 2008/09 unsupported borrowing	£m	577	553	553	**531**	509	489	469
Unsupported borrowing (2008/09 and later)	£m	122	208	119	**207**	231	224	215
Sub total - borrowing	£m	**699**	**761**	**672**	**738**	**740**	**713**	**684**
Credit arrangements (PFI / Finance leases)	£m	136	199	164	**280**	275	269	264
Total	£m	**835**	**960**	**836**	**1,018**	**1,015**	**982**	**948**
Gross borrowing and the CFR								
Medium term forecast of CFR	£m	1,018	1,061	1,015	**982**	949	916	885
Forecast external debt (long term) and credit arrangements	£m	475	551	464	**562**	590	588	572
Headroom	£m	**543**	**510**	**551**	**420**	**359**	**328**	**313**

Appendix G: Prudential Indicators (Part 2)

Summary of prudential indicators		2012-13 Actual	2013-14 Original Estimate	2013-14 Updated Estimate	2014-15 Estimate	2015-16 Forecast	2016-17 Forecast	2017-18 Forecast
External debt								
Authorised limit								
Borrowing	£m		550	491	**600**	630	660	690
Other long term liabilities	£m		230	163	**280**	275	269	264
Total authorised limit	**£m**	**-**	**780**	**654**	**880**	**905**	**929**	**954**
Operational boundary								
Borrowing	£m		380	380	**390**	390	380	380
Other long term liabilities	£m		200	159	**265**	260	254	249
Total operational boundary	**£m**	**-**	**580**	**539**	**655**	**650**	**634**	**629**
Actual external debt (incl. credit arrangements)	**£m**		**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Financing & net revenue streams								
Net revenue streams excl. gen. govnt grants	%		4.9%	5.0%	**4.6%**	4.7%	4.9%	4.9%
Net revenue streams incl. gen. govnt grants	%		4.8%	4.8%	**4.4%**	4.5%	4.7%	4.7%
Incremental impact on Council Tax								
Effect of capital schemes starting in:								
2012/13 and earlier years	£		£101.73	£93.56	**£88.59**	£90.25	£88.47	£86.25
2013/14	£		£1.12	£0.12	**£1.74**	£6.15	£8.27	£8.23
2014/15	£		-	-	**£0.26**	£1.13	£1.60	£1.59
2015/16	£		-	-	**-**	-	-	-
2016/17	£		-	-	**-**	-	-	-
2017/18	£		-	-	**-**	-	-	-
2018/19	£		-	-	**-**	-	-	-
Total	**£**	**-**	**£102.85**	**£93.68**	**£90.59**	**£97.53**	**£98.34**	**£96.07**

Appendix H: Treasury Management Summary

Treasury Management Summary		2013-14 Latest Estimate	2014-15 Estimate	2015-16 Forecast	2016-17 Forecast
Estimated debt and investments					
Investments (estimated balance at each 31st March)	£m	220	**120**	120	140
External debt (operational boundary for borrowing)	£m	380	**390**	390	380
Expected movement in interest rates					
Bank Rate (at each 31st March)	%	0.50%	**0.50%**	0.50%	1.00%
PWLB (borrowing) rates					
5 year	%	2.50%	**2.70%**	3.00%	3.40%
10 year	%	3.60%	**3.80%**	4.10%	4.40%
25 year	%	4.40%	**4.60%**	4.90%	5.10%
50 year	%	4.40%	**4.60%**	5.00%	5.20%
Source: *Capita Asset Services (Treasury Solutions) (December 2013)*					
Effect of 1% increase in interest rates					
Interest on borrowing	£000		**213**		
Interest on investments	£000		**(1,181)**		
Interest attributed to reserves & balances	£000		**2,134**		
Interest attributed to other bodies	£000		**322**		
Net total	£000		**1,488**		
Borrowing requirement (external borrowing)	£m	-	**11**	5	-
Interest rate exposures					
Upper limits for exposure to fixed rates					
Net exposure	£m	491	**600**	630	660
Debt	%	100%	**100%**	100%	100%
Investments	%	100%	**100%**	100%	100%
Upper limits for exposure to variable rates					
Net exposure	£m	147	**180**	189	198
Debt	%	30%	**30%**	30%	30%
Investments	%	100%	**100%**	100%	100%
Maturity structure of borrowing (upper limit)					
Under 12 months	%	40%	**40%**	40%	40%
12 months and within 24 months	%	40%	**40%**	40%	40%
24 months and within 5 years	%	60%	**60%**	60%	60%
5 years and within 10 years	%	60%	**60%**	60%	60%
10 years and within 25 years	%	60%	**60%**	62%	61%
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%**	21%	21%
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	**100**	100	100
Actual sums invested for more than 364 days (as at 31st March 2013)	£m	5	**N/A**	N/A	N/A

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

Rating category	**Credit rating agencies**		
	Fitch	**Standard 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 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 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 Corporate Services, in consultation with the Cabinet Member for Finance.

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. Property Funds

No more than **£5m** will be invested in the CCLA property fund. This is a long term, and relatively illiquid investment, which is expected to yield both rental income and capital gains.

9. Time and monetary limits applying to investments

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

Appendix J: Time and monetary limits

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

In addition, the Council may invest in the CCLA Property Fund, which is an investment in an open-ended vehicle without a defined maturity date. Funds are returned upon request but, as this may require a sale of underlying assets, the fund may not provide instant access or liquidity to the Council.

Appendix J – Pay Policy Statement

For the Year 1 April 2014 to 31 March 2015

Introduction

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

The pay policy statement must include:

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

The Act defines remuneration widely as:

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

The Act also requires that the pay policy statement:

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

1. Determination of Grade

Essex County Council (ECC) policy is to evaluate all job roles covered by the NJC for Local Government Services and under local pay arrangements using:

- Local Government Single Status Job Evaluation Scheme – Bands 1-4.
- HAY Job Evaluation Scheme – Bands 5-13.

No evaluation process exists for Soulbury or Youth & Community conditions, but employees are placed within Nationally Defined grading structures.

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

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

2. Background

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

Pay policy at ECC is to apply National Conditions to roles at the Administrative, Technical and Clerical levels, and local pay and conditions to middle and senior management levels.

The National pay agreement in 1997, known as the Single Status Agreement, required local authorities to reduce the working week of former “blue collar” workers and to introduce a single pay spine for all employees (to replace the separate grading structures that existed). Following negotiation with the trade unions, ECC achieved Single Status in June 2001 and created a broad banded grading structure as follows:

- Band 1 – national spinal points 4 -10 (points 5-10 effective from 1 October 2013 when the Local Government Employers abolished point 4).
- Band 2 - national spinal points 11 -16.
- Band 3 - national spinal points 17 – 25.
- Band 4 - national spinal points 26 – 34.

Above this point, the national spine was retained for middle managers for a period of time while senior managers remained contracted on local pay arrangements.

In July 2007, following a commissioned grading review undertaken for ECC by the HAY Group, local pay arrangements were refreshed and Bands 7-13 created with wide pay scales subject to performance pay arrangements. From January 2008 this scheme was extended on a voluntary basis to middle managers who were able to opt in to newly formed Bands 5 & 6, and by November 2010 all employees at this level were employed on local arrangements.

As a result, while the bulk of the workforce remain employed on National Conditions as determined by the National Joint Council for Local Government Services or other national conditions for smaller employee groups as determined by the Joint National Council for Youth & Community Workers and the Soulbury Committee, a significant proportion are now employed on local pay arrangements.

The values of the incremental points contained within Bands 1-4 (and other National grading structures such as Soulbury and Youth & Community) are as determined by national negotiations between the Local Government Employers and the trade unions. Pay claims, generally on an annual basis, are submitted by the trade unions and considered by the Local Government Employers (following consultation with local authorities). ECC Policy is to adopt any changes made to salary scales arising from National negotiation. No changes to the values of the National incremental spine due to cost of living awards took place between April 2009 and March 2013. A new salary range has applied since April 2013 (see Appendix A).

Local performance pay grades are benchmarked against the HAY London & South East Industrial and Service market. The grading structure applied comprises broad salary bands with no incremental points and all employees are appointed at a spot salary.
The local performance pay grades applied are revisited from time to time to ensure they remain benchmarked against the identified market. Since introduction in July 2007 the salary ranges have been adjusted only once with effect from April 2010. No cost of living awards are applied to these salary ranges.

During 2014 ECC will consider the further cascade of local performance pay arrangements, initially to include Band 4. As ECC transforms into a commissioning based organisation, the introduction of separate pay arrangements (for example to best fit traded services) may also be undertaken.

Details of the grading structure for Bands 1-13 are shown at Appendix A.

3. Definition of Lowest and Highest Paid Employees

As stated above, ECC Policy is that all grades applied to posts are determined by job evaluation and, subject to the results of evaluation, pay ranges fall within National Conditions or local performance pay arrangements.

The lowest paid employees fall within posts evaluated at Band 1, which comprises points 5 to 10 of the National Joint Council for Local Government Services pay spine (see Appendix A for values).

Other than the post of Chief Executive, the highest paid posts within ECC fall within posts evaluated at Band 13 (see Appendix A for values).
The relationship between pay at the lowest and highest levels at ECC is therefore controlled by job evaluation.

4. Pay Ratios

The recommendation of the Hutton Report into “Fair Pay in the Public Sector”, as recognised by the Government in the Code of Recommended Practice for Local Authorities on Data Transparency, was that a pay ratio of the salary of the Chief Executive compared to the median average salary in the organisation should be published.

For the financial year 2013/14 this ratio was 1:8.9.

5. Publication of Pay Data

The Council complies with Data Protection Act obligations and will only publish information about an individual officer’s pay where it is required to do so by law. In accordance with the Accounts and Audit (England) Regulations 2011 the Council will publish, with the accounts, pay information about individual posts for the Chief Executive and the Corporate Management Board members (the Regulations list Chief Officer posts whose pay must be published by reference to individual job title, but presently these posts are all on the Corporate Leadership Team).

In relation to officers whose salary is over £150,000 per annum (pro rata for part time officers) the Council’s accounts will note their pay by reference to their name and job title as required by Regulations. In relation to other officers of the Council, including Deputy Chief Officers, pay information is published relating to salaries of £50,000 or more by reference to total numbers within bands (grouped in bands of £5,000) within the Annual Statement of Accounts which is published on the ECC website.

In the accounts for 2013/14 the Council will publish information about exit packages. This information is given by reference to total numbers within bands (of £20,000 up to £100,000 and thereafter £50,000 bands).

6. Pay Policy upon Appointment

ECC Policy is that there is no restriction upon points at which new recruits should be appointed, and appointing managers or Members may use any point within the evaluated salary scale to recognise a successful applicant’s experience, qualification, technical knowledge, technical skills and market value.

Where a business need exists, and is approved, a salary supplement may be applied.

7. Governance

As one of the largest local authorities in the UK serving an area with approximately 1.4m residents, ECC Policy is to delegate authority for decision making to the appropriate level and to detail such delegations within the Constitution.

Under ECC's Constitution, the Chief Executive is the Head of the Paid Service and has delegated authority to appoint, dismiss and determine pay for all employees except where this function is specifically delegated to Members. The Chief Executive has authorised certain other officers to appoint and dismiss staff.

The full Council appoints members to a politically balanced "Committee to determine the Conditions of Employment of Chief & Deputy Chief Officers". This committee has authority to recommend to full Council the appointment of the Head of the Paid Service, to appoint and dismiss Chief and Deputy Chief Officers and to consider and approve the recommendations of the Chief Executive and the Leader of the Council in respect of performance payments for Tier 1 and 2 Officers.

This means that Councillors make all appointment and dismissal decisions for Chief Officers and Deputy Chief Officers which includes all staff who are appointed on a salary in excess of £100,000.

A Remuneration Panel, comprised of independent persons, has previously advised on executive pay and will be re-constituted as required.

The appointment or dismissal of the Head of the Paid Service is required to be approved by the Full Council.

8. Pay Progression and Links to Performance Management

By agreement with the trade unions, pay progression of all ECC employees has been subject to performance whether under National Conditions or local performance pay arrangements.

ECC Policy is to operate a five factor performance management scheme (branded as 'my performance') and performance outcomes are directly linked to reward.

The performance review year runs from 1 April until 31 March. Stretching objectives and values and behaviour statements will need to be in place within two months of the start of each review year (by 31 May) in order to ensure that employees have a clear idea of what is expected of them in order to achieve a specified level of reward.

Objectives should be contained within a 'my performance' contract and be stretching, SMART and link to the Corporate Plan, Service and Team Plans.
The scheme rewards only effective performance; ineffective performance is not rewarded. Performance outcome ratings of Level 1 (Not Met) and Level 2 (Part Met) will not attract any reward. Performance outcomes of Levels 3 (Fully Met), Level 4 (Exceeds) or Level 5 (Exceptional) may attract a base pay increase (in the form of an increment under National Conditions or expressed as a percentage of salary under local performance pay arrangements).
The scheme provides for bonus opportunity under local performance pay arrangements only. Performance outcomes of Level 4 (Exceeds) or Level 5 (Exceptional) may attract a bonus payment (expressed as a percentage of salary).

Levels of base pay increase and bonus payments are determined by ECC annually taking into account market conditions, benchmarking data and affordability. This decision may also result in a base pay freeze, a bonus freeze, or both. Policy allows the application of different arrangements for separate grading groups.

Guidance on the distribution of performance awards is based upon that expected in a highly performing organisation. This **does not** take the form of a “forced” distribution and guidance is as follows:

- Not Met – 5% of eligible employees.
- Part Met – 10% of eligible employees.
- Fully Met – 60% of eligible employees.
- Exceeds – 20% of eligible employees.
- Exceptional – 5% of eligible employees.

9. Other Reward Mechanisms

(a) In Year Adjustments – Local Performance Pay

Where a post has been evaluated as within locally determined performance pay grades (currently Bands 5-10), a Policy has been established and agreed by Corporate Management Board to consider business cases for in year adjustments to base pay.
Such cases are expected to be minimal, and will need to meet established criteria.

The governance arrangements to approve submitted business cases are as follows:

- Employees within Bands 5-10 (excluding direct reports) – decision to be made by Director unless recommendation exceeds a 10% increase.
- CMB Direct reports – decision to be made by the Chief Executive.
- Any case where recommendation is for an increase in excess of 10% - decision to be made by the Chief Executive.
- In the event that a salary adjustment in year needs to be applied to a member of the Corporate Management Board, this matter to be submitted to the Committee to determine the Conditions of Employment of Chief & Deputy Chief Officers to consider.

(b) Career Progression Schemes

A number of Career Progression Schemes have been developed and implemented within Services for posts graded within Bands 1-4 only (National Conditions).

Policy is that such schemes allow accelerated incremental progression dependent upon employees achieving specified qualifications and experience and, depending upon the terms of the scheme, may allow two reviews to take place in a one year period.

(c) Market Supplements

As a general rule, the National and benchmarked local performance grades provide relevant and adequate compensation to attract and retain employees for the majority of posts and the necessity to apply a salary supplement should not exist.

Policy is that there may be specific circumstances, however, where an additional market supplement may be required to either attract hard to recruit categories of employees or to retain such employees within the employment of ECC. An example exists with posts of Social Worker, where there is a National shortage of applicants and the evaluated grade of posts does not compare to recruitment packages at competitor local authorities.

In all cases a business case will need to be developed to support the payment of market supplements. The business case will need to be approved by the relevant Executive Director and the Director for Human Resources. Contracts of employment should reflect the nature and duration of the salary supplement. All market supplements applied should be kept under review and withdrawn should the recruitment position improve.

(d) Traded Services Pay Arrangements

As ECC transforms into a commissioning based organisation, it may be necessary to develop segmented pay arrangements to fit the nature of the business. All such pay variations will be approved by Corporate Management Board. Any such arrangements will need to consider the implications of equal pay legislation.

(e) Pay Protection

ECC has a pay protection Policy which provides a mechanism to assist employees to adjust to a reduction in pay arising from organisational change, job evaluation or redeployment.

Pay is protected for a period of 18 months following which the employee reverts to a level of pay within the new substantive grade.

(f) Allowances

ECC has determined a range of Flat Rate Allowances to replace a number of premium payments available under National Conditions. These Allowances were negotiated and agreed with trade unions under the Single Status Agreement.

In some cases, allowances available under the National Conditions remain in place.

(g) Pension

ECC operates the Local Government Pension Scheme and the Teacher Pension Scheme and makes pension contributions as required to all employees who elect to participate in either scheme. Both pension schemes are compliant with Pension Automatic Enrolment legislation.

A number of employees have transferred to ECC under a specific staff transfer arrangement which allowed them to continue membership of the NHS pension scheme. ECC makes contributions on their behalf and complies with Pension Legislation in respect of the NHS scheme.

ECC has determined and published policies around the discretions available under the LGPS.

(h) Lease Car Scheme

ECC operates a lease car scheme, and Policy is that employees at any level within the organisation may be offered participation within the scheme.
Such participation is not subject to seniority and depends entirely upon business need.

(i) Lease Car Cash Alternative Payment

ECC Policy is that employees occupying roles graded at Band 8 and above may either participate in the ECC car leasing scheme without having to demonstrate business need, or receive a cash payment as an alternative.

(j) Private Medical Health Insurance

ECC Policy is that employees occupying roles graded at Band 7 and above may receive Private Medical Health Insurance cover. Upon application, cover is provided for employee and spouse or employee and children.

Employees may upgrade to family cover at their own additional expense. Such cover provides a Benefit in Kind and is included in P11D statements resulting in a tax liability for participating employees.

(k) Childcare Vouchers

ECC Policy is that all permanent employees may participate in the Childcare Voucher scheme through a salary sacrifice arrangement.

(l) Cycle to Work Scheme

ECC Policy is that all permanent employees may participate in the Cycle to Work scheme through a salary sacrifice arrangement.

(m) Buying of Annual Leave

Employees are given two opportunities per annum to purchase additional annual leave through a salary sacrifice arrangement.

10. Chief Officer Salaries 2014/15

The Council Policy on the recruitment of Chief Officers is as detailed at paragraphs 7 and 8 of this Statement.

The salary packages applied to posts of Chief Officer and other designated roles for the financial year 2012/13 are published on the Council website within the Statement of Accounts.

11. Appointments to Designated Roles 2014/15

The Council Policy on the recruitment of Chief Officers and Deputy Chief Officers is as detailed at paragraphs 7 and 8 of this Statement.

12. Early Retirement/Termination of Designated Roles 2014/15

The Council Policy on the termination of Chief Officers is as detailed at paragraph 8 of this Statement and within the Constitution.
ECC early retirement Policy is that requests for early payment of benefits will be agreed (before the age of 60) only if there is a compelling business reason for doing so.

13. Compromise Agreements

In exceptional circumstances to avoid or settle a claim or potential dispute, ECC may agree payment of a settlement sum. All cases must be supported by a business case and take account of all legal, financial, contractual and other responsibilities.

Annex A – Salary Ranges Bands 1 – 13

Grade		Point	Annual £
NJC/Band 1		4	**12266**
		5	**12435**
		6	**12614**
	Mid Capped	**7**	**12915**
		8	**13321**
		9	**13725**
		10	**14013**
NJC/Band 2		11	**14880**
		12	**15189**
		13	**15598**
	Mid Capped	**14**	**15882**
		15	**16215**
		16	**16604**
		17	**16998**
NJC/Band 3		18	**17333**
		19	**17980**
		20	**18638**
	Mid Capped	**21**	**19317**
		22	**19817**
		23	**20400**
		24	**21067**
		25	**21734**
NJC/Band 4		26	**22443**
		27	**23188**
		28	**23945**
		29	**24892**
	Mid Capped	**30**	**25727**
		31	**26539**
		32	**27323**
		33	**28127**
		34	**28922**

Band	Minimum	Maximum
Band 5	£28,500	£50,400
Band 6	£35,500	£59,500
Band 7	£46,000	£69,100
Band 8	£55,000	£85,500
Band 9	£66,000	£103,000
Band 10	£78,000	£121,300
Band 11	£94,000	£136,500

Band 12	£98,000	£149,400
Band 13	£135,000	£197,000
Chief Executive	Spot Salary	£210,000

Appendix L – Executive Summary Budget presented to Cabinet in January

Appendix L

Budget recommended by Cabinet in January 2014 to Council

Executive Summary

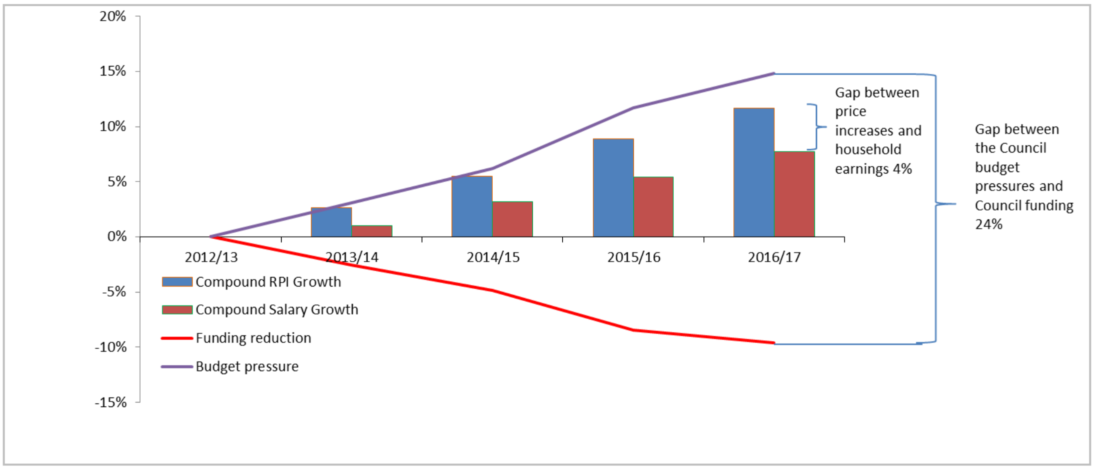
Essex County Council (the Council) is facing considerable financial challenge due to national reductions in public sector spending, compounded by expected inflation and an increasing demand for its services. In his 2014 New Year's speech, the Chancellor has made clear that austerity will continue with more reductions to public sector spending for the foreseeable future and it is necessary to plan accordingly. Households throughout Essex face similar challenges to the Council – often with real terms reduction in income against a backdrop of increasing costs. The Council must continue to manage every single penny in a responsible and frugal way, to ensure the value for money of all spending and to direct as much money as possible to front line services.

Whilst the Council is seeing real terms reductions in its budget, it still has significant resources, funding critical services for a wide-range of customers – for example social care, education, roads, waste disposal, libraries and infrastructure. The report recommends a gross expenditure budget of **£1,845.9m** in 2014/15, with a net cost of services of **£921.8m.** This represents a **£49.9m** spending reduction on 2013/14, a substantial proportion of this reduction arising from cuts to the Revenue Support Grant (RSG).

As a result of Central Government fiscal policy, the amount of support provided to the Council via the RSG in 2014/15 is **£29.9m** less than that provided for 2013/14 – this is a **13%** reduction in this source of funding.

The graph below illustrates how the average household earnings have changed over the period when compared to the pressures on the prices on everyday items (RPI). It can be seen that the increase in the prices outstrip the increase in earnings, thus creating a pressure or "gap" in household income levels of around 4p in every £1 by 2016.

Average household earnings compared to RPI, Council funding and Council budget pressures (2012/13 – 2016/17)



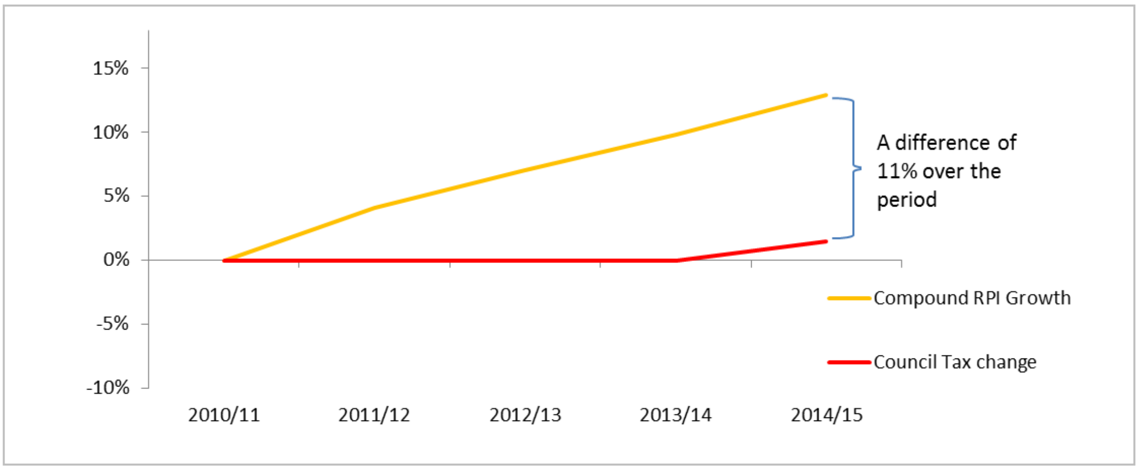
The graph also considers the same type of analysis for the Council, with the budget pressure representing the increased prices the Council has to pay and the increased numbers of service users, particularly from an ageing population. Without significant changes to how services are delivered, this would increase costs considerably against declining funding levels. Without intervention, this would drive a gap for the Council by 2016 of around 24p for every £1 received by 2016/17 (or over **£235m**).

The Council must produce a balanced budget in any year, without the ability to use an overdraft to help fund shortfalls in funding; therefore it must take action to manage the pressure.

Council tax

Within this context, the Council has managed to hold council tax flat between 2010/11 and 2013/14 alongside delivering **£364m** savings. The Council has carefully considered the council tax charge for 2014/15. Given the continued demand pressures for services and the declining trend in Central Government funding, the Council are proposing to increase the council tax charge by 1.49%. Whilst this represents a further burden on household bills, this is less than the rate of inflation. The graph below compares increases in the Retail Price Index (RPI) to the change in council tax over the four years to 2014/15.

Comparison of RPI vs Council Tax change 2010/11 – 2014/15



As a result of increasing the council tax charge, the council tax charge recommended for a band D property for 2014/15 is **£1,102.94**. Over the last 3 years, by freezing its share of the council tax, the Council has saved the average household a total of **£132.16** cash (compared to if it had increased the charge by 2% per year). Increasing the tax rate by 1.49% means the average band D charge is **£16.19** per year higher than for 2013/14 which is an increase of **31p** per week. If the Council had increased the council tax rate by 2% over the last 3 years, the average household would incur a council tax charge of **£89.58** higher than that proposed for 2014/15.

The increase in council tax receipts from the 1.49% increase in the annual charge compared to what we would have received accepting the freeze grant and holding the charge unchanged is **£2.9m**. This additional funding will be spent on:

1. Increase in apprenticeships
2. Care and support for those with physical and learning needs
3. Additional capital provision for youth

The financial strategy for 2014/15 – 2016/17

Over the last 4 years the Council has saved **£364m**. It has a proven track record of delivering considerable savings and strong financial management. This is critical, as over the next 3 years it will need to save further sums. Due to loss of funding and pressures from inflation and population changes (demographics) in particular, there is a need to find savings estimated to be over **£235m** by 2016/17. Whilst this report proposes a balanced budget for 2014/15, there is not yet a balanced budget for 2015/16 and 2016/17.

The medium term position is driven by loss of funding, inflation and demographics. It is important to note that this position is based on the information available – inevitably this will be subject to change and there is considerable uncertainty and risk, over both future funding levels and demand for the Council's services, particularly from 1 April 2015.

The Council also faces cost pressures in the medium term, which without intervention could be **£144m** by 2016/17. The total 'gap' including the loss of funding amounts to over **£235m** over the next three years as shown below:

Inflation, Demographic and Reduction in Income 2014/15 to 2016/17

	2014/15 £m	2015/16 £m	2016/17 £m
Inflationary pressure due to increased costs	29.0	57.0	86.0
Demographics e.g. larger elderly population	31.0	57.0	58.0
Reduction in income	47.2	82.2	93.6
Total Pressure	**107.2**	**196.2**	**237.6**

To offset these total pressures in 2014/15 the Council has identified savings of **£107.2m**. These savings plus others starting 2015/16 (**£66.3m**) mean there is a remaining gap of **£63.6m** as shown below.

Medium Term view

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Net cost of services	971.7	921.8	937.2	939.0
Funding (including Grants)	(971.7)	(921.8)	(886.9)	(875.4)
Gap	**-**	**-**	**50.3**	**63.6**

Core to the Council's strategy is to become an outcomes based commissioning Council. As set out to Cabinet in June 2013 the Council will re-shape, review everything it delivers and have a new approach to commissioning services in future (and that detail is not repeated herein). Core to this are the following principles:

- Separating 'commissioning' activity focussed on securing outcomes from 'Operational' functions;
- Deliver services that have long term financially sustainability;
- Focussing the organisational 'infrastructure' of corporate and customer functions on delivering a quality experience;
- Reducing costs and overhead to the Council – reducing to no more than 12 pence every pound we spend; and

- Adopting a flexible and multi-disciplinary approach to working across functions, as well as making it easier for the Council to work with commercial and other public sector partners.

The Council will continue to face difficult financial times for the foreseeable future, given the austerity cuts to public spending. But the Council is in strong financial health and has a credible base on which to weather such challenge:

- Historically low tax – even after the below inflation council tax rise (the first in four years) the Council charges the lowest council tax in the region (when compared to other eastern counties);
- A long track record of delivering savings - **£364m** in the last four years which has meant the Council has kept tax low and supported front line services wherever possible – for example opening a library rather than closing them and putting in place innovative new services such as the award winning Multi-Systemic Therapy team in Families and Children's;
- There is robust financial management throughout all Council's businesses (as confirmed by internal audit and demonstrated through regular unqualified, on target accounts) with some **£15.1m** underspend as at December 2013 (1.6% of our budget) primarily due to early delivery of planned savings;
- The Council has set aside specific reserves to manage known financial liabilities – as good financial practice would dictate; the Council has set aside the money now for major contractual and legal liabilities on the horizon. This includes impending waste disposal costs and contract costs for road and school Private Finance Initiatives. This means there will be no lurching from crisis to crisis, or sharp rises in taxation, as the money set aside will cushion against known increases in future; and
- The Council also uses these specific cash-backed reserves to minimise the cost of debt – compared to other authorities, the Council has low external debt. It has not mortgaged the future by spending money today it can ill afford, rather it uses its reserves to minimise taking on new debt, avoiding an estimated **£13m** in debt costs each year. As a result, compared to its peers, the Council spends a very small proportion of its current budget on paying debt charges – which means there is more money available to invest in services.

Whilst there is an increase in council tax, the authority has kept this substantially below inflation (which is forecast to rise to over 3% in 2014/15 against a 1.49% council tax rise) and the rise follows four years of unchanged tax charge.

Budget Overview

Gross expenditure to be incurred in the delivery of Council services in 2014/15 is **£1,845.9m**. After taking income and specific grants into account, the net costs of services amounts to **£921.8m**.

The draft net cost of services is as set out in the following table. 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. This shows a recommended net cost of services of **£921.8m** as compared with a latest budget in 2013/14 of **£971.7m**.

The net cost of services is funded from a number of different external funding sources including **£528.4m** of council tax, **£156.6m** of non-domestic rates (NDR), **£202.1m** of Revenue Support Grant (RSG) and **£29.4m** of other government grants.

The budget also includes a withdrawal from the general balance of **£2.5m**.

2014/15 Budget breakdown

	2014/15 £m
Gross Expenditure	**1,845.9**
Deduct:	
Income	(196.0)
Specific Government Grants (excluding DSG)	(151.3)
Specific Government Grants (DSG)	(576.8)
Subtotal: Net Cost of Services	**921.8**
Deduct:	
Council Tax Requirement	(528.4)
Revenue Support Grant	(202.1)
Non-Domestic Rates (top up £115.4m and billed £41.2m)	(156.6)
General Government Grants	(29.4)
Withdrawal from General Balance	(2.5)
Collection Fund Surplus **	(2.8)
Subtotal: Total Funding	**(921.8)**
Surplus/ (Deficit)/ Balanced budget	**-**

** Estimate of the variation of actual council tax revenue 2013/14 compared to that budgeted (technical adjustment)

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

Statutory disclosure requirement to the £

£	2014/15
Net cost of Services	921,782,895
General Government Grants	29,332,815
Withdrawal from general balance	2,518,886

Budget requirement	**889,931,194**
Less funding available:	
RSG	202,109,239
NDR	156,605,517
Collection fund surplus	2,783,137
	361,497,894
Council tax requirement	**528,433,300**
Tax base (Band D equivalent properties)	479,113
Band D council tax	1,102.94

Later sections of the Cabinet report set out the types of services delivered for this budget and what the Council's customers receive from us.

Net cost of services 2014/15

Portfolio	2014/15 £m
Adults Social Care	378.0
Economic Growth and Infrastructure	5.1
Education and Lifelong Learning	37.6
Families and Children	121.0
Highways and Transportation	88.9
Leader and Finance	21.5
Libs Communities and Planning	19.0
Public Health and Wellbeing	24.7
Transformation and Corporate Services	19.0
Waste and Recycling	69.7
Other Operating Costs*	64.5
Recharged Strategic Support Services (RSSS)**	
Highways and Transport Recharged Strategic Support Services	1.2
Leader and Finance Recharged Strategic Support Services	21.0
Transformation and Corporate Services Recharged Strategic Support Services	50.7
Net Cost of Services	**921.8**

*****The Other Operating Costs pay for organisation wide spend such as insurance and the borrowing costs to fund capital expenditure.

**The Recharged Strategic Support Service costs pay for a variety of central costs that are critical to the running of the Council - Human Resources, Information Services, Procurement, Finance, Legal, Audit, Governance, Programme and Project Management and Property amongst other services.

There are two areas of pressure which have not been reflected in this budget. These are the impact of Care Bill and the Children and Families Bill:

The Care Bill is currently making its transition through the parliamentary process and is due to become law from April 2015. The Bill will establish the following:

- a duty to promote integration of care and support with health services and prevention;
- a life time cap on individual's meeting their own care costs;
- free life time care for people with eligible needs that arose before their 18th birthday;
- an increase in the asset threshold for support with residential care costs;
- a duty to assess, support plan and review all individuals;
- a duty to maintain a Care Account for all individuals and record their accrued spend towards the cap on care;
- the right to a Deferred Payment Agreement;
- a requirement to provide universal information, guidance and advice;
- provision to deal with care provider failure to protect service users; and
- reform of social care law.

Government has indicated that the cost of the bill will be fully funded by the Department of Health but there is concern that these costs have been significantly underestimated and the timetable for implementation is unrealistic, and as such, this poses a serious risk to the Council. Further work is underway to fully assess the extent of this, and the Council is working with user groups, other authorities and the Local Government Association to raise awareness of this issue in order to secure the right level of funding.

The Children and Families Bill includes a range of new or reshaped policy areas for children's service, schools and health services. It provides further reshape and focus on adoption, and places new responsibilities about the quality of care for children looked, including strengthening the role of the virtual school, and new consideration for residential care providers.

The Bill also provides the legislative base for Education Health and Care Plans for children and young people with Special Educational Needs and Disabilities (SEND), the main requirements of the proposals are around, involving parents, carers and young people in shaping the provision of services for those with SEND and developing closer cooperation with partners including schools academies and colleges. The Council in conjunction with partners (schools, health commissioners and providers) is required to produce a local offer which details the services to support children and young people with SEND in a transparent way, including the joint assessment and commissioning of services between Health Education and Social Care covering children and young people from birth to age 25. School action and school action plus will be abolished and replaced with a single school category, posing the question of what the school offer should look like to achieve better outcomes, these duties will extend beyond maintained schools to further education colleges, academies and free schools.

Additionally in passage through parliament a key requirement has been added that young people who are in foster care at the age of 18 years of age should be supported to 21 years of age. Government has indicated that it will fund the cost of the new burden, but have not released details of the relevant amounts. There is therefore a risk that the funding provided will not be sufficient to meet the costs.

Sources of Funding

Total funding in 2014/15 of **£921.8m** is **£49.9m** lower than that of 2013/14 (equivalent to 5% reduction), as detailed in the table below. **£24.2m** of this is due to a reduction in external funding with the remainder being a change in the level of transfer from the general balance **£25.8m**.

Movement in funding streams over the period 2013/14 – 2014/15

	2013/14 £m	2014/15 £m	Movement Inc / (Dec) £m	Movement %
Council Tax	518.1	528.4	10.3	2.0%
Revenue Support Grant	232.0	202.1	(29.9)	(12.9%)
Non-Domestic Rates	154.2	156.6	2.4	1.6%
General Government Grant	36.3	29.4	(6.9)	(19.0%)
Transfer from General Balance	28.3	2.5	(25.8)	(91.1%)
Collection Fund Surplus	2.9	2.8	(0.1)	(3.4%)
Total Funding	**971.7**	**921.8**	**(49.9)**	**(5.1%)**

The total amount of council tax is increasing due to 0.49% growth in the tax-base, i.e. the number of households paying council tax, and the increase in the council tax charge by 1.49%.

The band D council tax charge is **£1,102.94**. The provisional council tax charge by band is set out in in the following table.

Provisional council tax charge by band

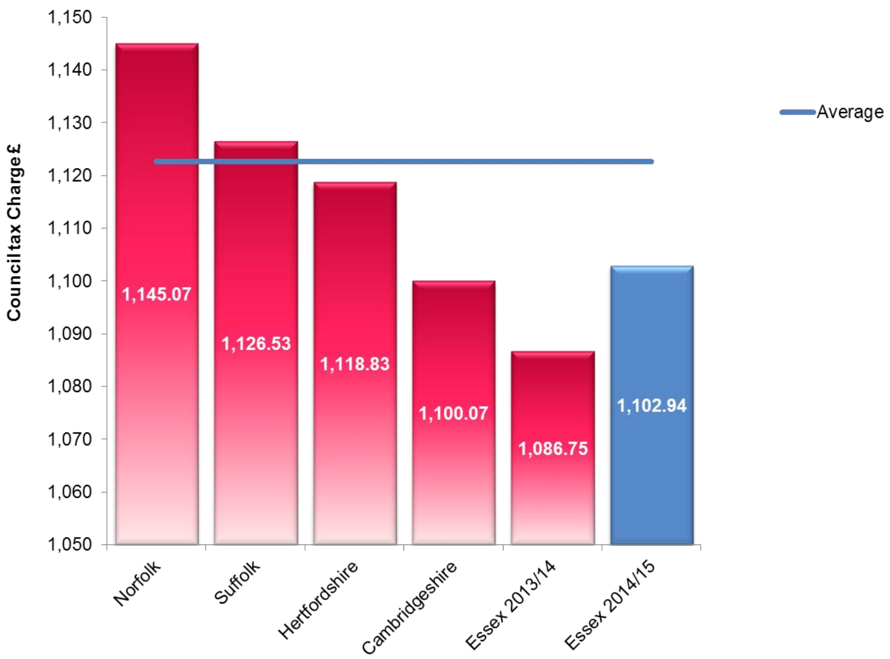
Council Tax Band	2013/14 £	2014/15 £
Band A	724.5	735.29
Band B	845.25	857.84
Band C	966	980.39
Band D	**1,086.75**	**1,102.94**
Band E	1,328.25	1,348.04
Band F	1,569.75	1,593.14
Band G	1,811.25	1,838.23

Band H	2,173.50	2,205.88

Council tax is driven by the number of eligible dwellings per band and the charge set by individual local authorities within Essex for each band of dwelling. This is adjusted to reflect local council tax support given to individuals and an allowance is made for possible non-collection. Over half (68%) of dwellings are in bands A to C. In terms of revenue earned, bands A to C contribute 61% of total council tax revenue.

Compared to other county councils in the east of the country, the Council's council tax charge is the lowest in the region (at band D) and 3.2% lower than the average for 2013/14 as illustrated in the following graph. The council tax charge for an average band D property will still be below the average for the eastern county councils even if no other local authority increases their rate and the Council increase by 1.49% to **£1,102.94**.

Council tax charge by eastern county councils 2013/14 compared to Essex 2013/14 and 2014/15

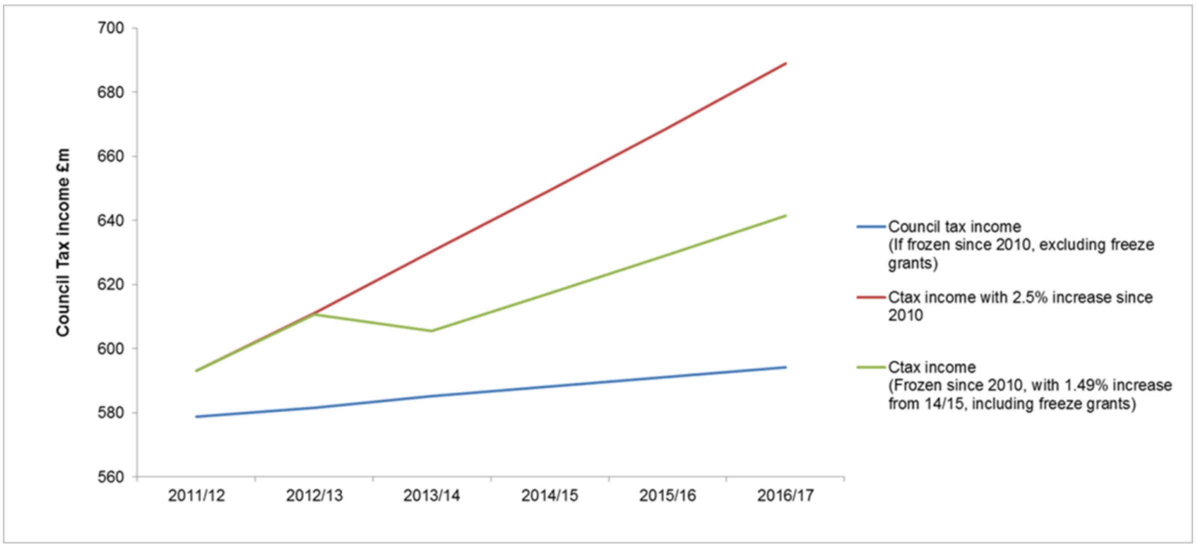


Future council tax increases are currently capped at 2% by Central Government which means that any proposed increase above this amount requires the Council to undertake a public referendum. Central Government has not yet announced the level of the cap for 2014/15 but has given strong messages that it is likely that it will be reduced placing further pressure on future projected income levels. As an alternative, Central Government offers a freeze grant to encourage local authorities to maintain council tax at current levels. However, the level of this freeze grant is currently set at 1% which is substantially below expected inflation and demand pressures.

The options facing the Council are therefore to maintain council tax at the 2013/14 levels, and in doing so receive freeze grant from Central Government equivalent to a 1% increase (**£5.8m**), or increase council tax by up to the current cap level of 1.99%, accepting that there is a significant risk that Central Government will shortly announce a reduction in the level of the cap.

This council tax policy from Central Government has been in place for some years now. The Council has accepted the freeze grant over the last three years to maintain council tax at 2010/11 levels and whilst this has brought benefit to local taxpayers, it has had a significant impact on the Council's funding position. The following graph shows clearly the 'loss' of income, which is on a permanent basis:

Council tax income 2011/12 – 2014/15



The Council is therefore facing a serious dilemma. The twin Central Government policies of freeze grant and capping regime mean that with either option, there is a significant and on-going erosion of the base budget which will seriously affect the Council's ability to deal with the pressures it faces, particularly those relating to inflation, which is forecast to cost the Council some **£86m** over the next three years, and demographic growth of **£58m** over the same period.

This position is exacerbated even further through the lack of clarity of the capping level for 2014/15 adding yet more uncertainty to our position. A council tax increase of 1.99%, just below the current capping level would have generated **£11.8m** of income in 2014/15, compared to the **£8.8m** at 1.49%.

So the Council has had to take a balanced view on whether to increase council tax or not, and if it is increased, by how much given the risk to the 1.99% position. Any decision on council tax increase is a fine balance between impact on service provision through having less income if a freeze or lower council tax rate is agreed, and the impact on tax payers through having to pay an increased charge if council tax is increased.

Taking all of this into account, the Cabinet is proposing council tax be set at a 1.49% increase.

In setting the budget, the tax base (the number of dwellings eligible for council tax translated into equivalent band D dwellings after local council tax support) is based on the actual 2013/14 tax base increased by 0.5%. 2014/15 collection rates are assumed unchanged on 2013/14 budget of 97.8%. This compares favourably with a national average of 97.4% and it is a measure of the success of collaboration across Essex, with a joint initiative on collection, that there is such a high base performance.

Volatility in collection rates presents a financial risk to the Council. A 1% fall in the collection rate would result in an annual loss of income of **£5m**. Essex billing authorities have a history of excellent council tax collection rates, but there is a risk that this could be affected by the impact of reduced benefits for some council tax payers. To mitigate this risk Essex authorities worked together to invest in a programme of proactive collection activity to ensure the best possible collection rates are achieved. Performance at the half year stage was encouraging with collection rates being maintained at an average of 97.8% across the county.

Billing authorities are currently finalising their council tax returns and we expect to receive this information no later than 31 January. It is possible that these returns will result in variation to the Council's assumptions on council tax. If this is the case, the financial report to Council will be amended to reflect the latest position with any amendments being adjusted through the General Balance.

Revenue Support Grant (RSG) is the finance settlement from Central Government of **£202.1m.** This is a **£29.9m** (13%) reduction on the previous year and reflects the continuing downward trend of Local Government funding as Central Government seeks to reduce overall public spending. This reduction is on top of a 15% reduction in funding between 2010/11 and 2013/14. This trend is expected to continue in for the foreseeable future.

On 18 December 2013, Central Government issued its proposals on funding for English local authorities up to 2015. This is the second year of a 2-year settlement and represents a continuation of the decentralised system of Local Government finance following the introduction of the Local Government Finance Act 2012.

Non-domestic rates (NDR) are commonly known as business rates and from 1 April 2013, NDR was 'localised' which meant that from that date, half of the revenue raised is retained locally (of which 18% is payable to the Council, with 80% due to the local billing authority and 2% to the Fire Authority) and the other half is paid to Central Government. This new scheme represents an opportunity for the Council to benefit from economic growth in the county.

NDR increases each year by RPI. However, in his Autumn Statement, the Chancellor announced that NDR increases would be capped at 2%. The NDR budget for 2014/15 is therefore **£156.6m**, an increase of 2% on the previous year. This is made up of **£41.2m** which is the Council's share of the local share of business rates and a fixed 'Top-up' grant of **£115.4m** which Central Government determines as part of the funding settlement. This fixed 'Top-up' grant has been increased by the 2% determined by Central Government   DCLG have confirmed that local authorities will be reimbursed for the loss of income arising as a result of capping NDR increases at 2% through a section 31 grant.

The estimated local share of business rates of **£41.2m** is based on an increase of 3% on 2013/14 business rates revenue, which includes 2% inflation on rates, and a 1% growth in the number of businesses paying NDR. An adjustment is also made to allow for potential further outstanding appeals what are not included in the estimated local share, and this is assumed to be 2.5%.

The billing authorities are currently finalising their NDR returns and the Council expect to receive copies in the second half of January. It is likely that these returns will mean a variation to the Council's assumptions on NDR and the final budget submitted to the Full Council meeting on 11 February will therefore be adjusted to reflect these returns if necessary.

The Council receives **general government grants** of **£29.4m**. This primarily relates to PFI contributions of **£20m**. A breakdown of those grant sources is in the following table

Breakdown of government grants (£m) 2014/15

General Government Grants	2014/15 £m
Localised Services Support Grant	1.5
New Homes Bonus	4.7
New Homes Bonus Adjustment Grant	2.1
Small Business Rates Relief Grant	1.1
Schools PFI	12.4
Roads PFI	7.6
Total	**29.4**

Withdrawal from the general balance of **£2.5m** is required to balance the budget. In 2013/14 a one-off transfer from reserves was made of **£28.3m** to support the transition required to respond to reduced Central Government funding.

Specific government grants are offset against service expenditure within the net revenue budget and comprise:

- Dedicated Schools Grant (DSG) of **£576.8m**; in 2013/14 this was **£589.1m** and;

- Other service specific grants of 2014/15 **£151.3m**; in 2013/14 this was **£137.9m**.

Schools receive funding through a variety of sources. The major funding source for schools is the Dedicated Schools Grant (DSG), and whilst we are the accountable body (the funds flow through the Council) it lies largely outside of the Council's control.

Other service specific grants include:

- A **£51.4m** grant is received for Public Health and Wellbeing. The main grant is the Public Health Grant (**£50.2m),** which is a ring-fenced grant received from the Department of Health to support the delivery of public health services in Essex following the transfer of responsibilities from Primary Care Trusts from 1 April 2013. This grant is expected to continue in future years but no confirmation has been received from the Department of Health at time of writing. There are other smaller grants which relate to the Essential Living Fund, Healthwatch and transfer from health to support mental health services.

- Total grant funding of **£31.2m** is received in respect of adults social care; this compares to **£25.1m** in 2013/14 and relates to funding that is transferred from health partners to support the protection of adult social care and the provision of reablement services. The increase in 2014/15 reflects the impact for Essex of the government announcement to increase the national allocation for the protection of social services by **£200m**. From 2015/16 all of this funding will be transferred in to the Better Care Fund, as part of the programme of integration of commissioning for health and social care.

- The 2014/15 grant funding for the Education and Lifelong Learning is **£58.0m** (excluding the Dedicated Schools Grant). The main three grants are Pupil Premium (**£24.3m**) which provides additional funding to schools for pupils from deprived backgrounds, the Education Services Grant (**£15.4m**) which funds services such as School Improvement that the Authority provides to schools and the Skills Funding Agency (**£10.6m**) which funds the delivery of adult education. The grants are expected to be recurrent over the next 3 years but the Department for Education have announced a 20% reduction in the Education Services Grant in 2015/16.

- The level of grant funding within this portfolio has increased by **£6.6m** since 2013/14 primarily due to an increase in the Pupil Premium of **£8.5m**, mirroring the Government decision to increase this nationally. The Education Services Grant allocation has reduced (**£1.5m**) due to the on-going conversion of schools to academies.

- The 2014/15 grant funding for the Families and Children portfolio is **£7.8m**. The main three grants are the Troubled Families Grant from DCLG (**£3.9m)** that pump primes the Council's innovative Troubled Families Programme, the Youth Justice Board grant of **£1.3m** that helps fund the Council's Youth Offending Services, and the Adoption Reform Grant of **£1.1m** which is a Government Grant to support councils look at innovative ways in which it can improve adoption rates for older children. It is assumed that the Youth Justice Board is a recurrent grant over the next 3 year period and that whilst funding for Troubled Families and Adoption reform reduces by 2016/17 based on current allocations, further announcements are expected from Central Government in respect of the availability of further funding for both programmes.

Income is earned from fees and charges levied on the services we deliver, and is also derived from internal adjustments such as reserve movements. In 2014/15 **£196.0m** of income is budgeted, an increase of 6.9% on 2013/14 (**£189.1m**). External income is primarily raised from contributions arising from a means tested charge for adult social care (**£78.8m**); charging for adult community learning courses (**£3.7m**); activities provided to teenagers to improve their quality of life **(£3.0m**); provision of music tuition and hire of music equipment (**£1.6m**); local bus fares and concessionary fares (**£11.7m**); and charges for services delivered by registrar offices and partner contributions to the coroners service (**£5.0m**).