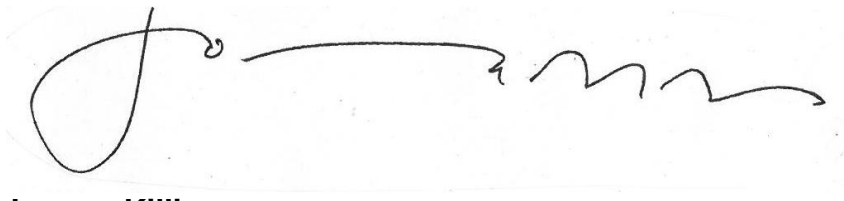


# Summons

To all Members of  
Essex County Council

You are hereby summoned to attend the meeting of the County Council to be held as shown below to deal with the business set out in the Agenda.

<b>10:00</b>	<b>Tuesday, 11 February 2014</b>	<b>Council Chamber, County Hall, Chelmsford, Essex</b>
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**Joanna Killian**  
**Chief Executive**

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**Officer Support to the Council:** Andy Gribben, Governance Officer

**Telephone:** 01245 430044

**Email:** [andy.gribben@essex.gov.uk](mailto:andy.gribben@essex.gov.uk)

This meeting is open to the public and the press.

The agenda is available on the Essex County Council website, [www.essex.gov.uk](http://www.essex.gov.uk). On the home page select 'Your Council' and then 'Meetings and Decisions'. Finally, select 'Full Council' on the date shown above from the meeting calendar.

The agenda and associated documents can be provided on request in alternative formats such as large print, Braille and on disk.



Essex County Council



The meeting will be preceded by Prayers led by the Chairman's daughter the Revd. Ruth Bushyager, Chaplain to the Bishop of Kensington and Chelsea.

		<b>Pages</b>
<b>1</b>	<b>Apologies for Absence</b>	
<b>2</b>	<b>Declarations of Interest</b> To note any declarations of interest to be made by Members	
<b>3</b>	<b>Confirmation of the minutes of the meeting held on 10 December 2013</b>	<b>5 - 20</b>
<b>4</b>	<b>Chairman's Announcements</b>	
<b>5</b>	<b>Receipt of petitions and deputations</b>	
<b>6</b>	<b>The Budget Report 2014/2015</b>	<b>21 - 154</b>
<b>7</b>	<b>The Corporate Outcomes Framework 2014-18</b>	<b>155 - 168</b>
<b>8</b>	<b>Appointments</b>	<b>169 - 170</b>
<b>9</b>	<b>To receive the Leader's report of Cabinet Issues</b>	<b>171 - 178</b>

**10 Questions (Standing Order 16.12)**

a) Written questions (Standing Order 16.12.1)

b) Oral questions of the Leader, Cabinet Member

or the chairman of a committee upon any matter relevant to the business of the Council (Standing Order 16.12.6)

c) Oral questions of the representative of the Essex Police and Crime Panel (Standing Order 16.12.7)

d) Oral questions of the representative of the Essex Fire Authority on any matter relevant to the business of that Authority (Standing Order 16.12.7)

<b>11</b>	<b>The report of the Fire Authority's meeting held on 4 December 2013 is attached</b>	<b>179 - 184</b>
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# Minutes of a meeting of Essex County Council held at County Hall, Chelmsford on 10 December 2013

## Present

Chairman: Councillor K Twitchen

Vice-Chairman: Councillor N Hume

## Councillors:

J Abbott	R Gadsby	D Louis
J F Aldridge	K Gibbs	M Mackrory
W Archibald	R J Gooding	R A Madden
B Aspinell	I Grundy	M Maddocks
Mrs S Barker	C Guglielmi	M McEwen
R L Bass	D Harris	M McGeorge
A Bayley	A M Hedley	Mrs V Metcalfe
K Bentley	G Helm	A Naylor
D Blackwell	I Henderson	Lady Newton
K Bobbin	Mrs T M A Higgins	P Oxley
R G Boyce	R Hirst	M J Page
A Brown	P Honeywood	J W Pike
M Buckley	R C Howard	C C Pond
G Butland	M Hoy	Mrs J M Reeves
J Chandler	J Huntman	S Robinson
P Channer	E C Johnson	C Seagers
K Clempner	J G Jowers	K Smith
T Cutmore	D J Kendall	Mrs A Turrell
M Danvers	J Knapman	S Walsh
J A Deakin	N Le Gresley	R G Walters
M Ellis	S Lissimore	J Whitehouse
A Erskine	J Lodge	A Wood
D Finch	R Lord	J A Young
M D Fisher		

The meeting was preceded by prayers led by The Reverend Canon Philip Need the Director of Ordinands in the Diocese of Chelmsford.

**1. Apologies for Absence**

Apologies for absence were received on behalf of Councillors T Durcan, A J Jackson and J Spence.

The Chairman welcomed Councillor J Pike attending his first meeting after a period of illness. Councillor Pike thanked all those who had sent him good wishes.

**2. Declarations of Interest**

Councillor K Bobbin declared a personal interest in item 8 (Motions) and any other item touching on the Deanes School as a governor of an academy school in Basildon affected by the decision. Councillor I Henderson declared an interest relating to transport matters as a self-employed Transport Consultant and Councillor R G Walsh declared a personal interest with regard to item 8 (Motions) as his wife was employed by the European Parliament.

**3. Minutes of the meeting held on 15 October 2013**

**Resolved:**

That the minutes of the meeting held on 15 October 2013 be approved as a correct record and signed by the Chairman.

**4. Recording of Council Meetings**

The Chairman informed Council that BBC Essex had requested permission to record meetings of Council. The Chairman reported that having discussed it with the Leader and assuming Council had no objection she would approve the request.

**5. Awards**

The Chairman on behalf of the Council received from Councillor D Louis, the Cabinet Member for Transformation and Corporate Services, a national award won by Human Resources for their Excellence in Public Services for successfully engaging employees during a period of unprecedented and complex change.

The Chairman also received on behalf of the Council from Councillor D Louis, an award that the Property and Facilities Management Team and Mitie have jointly won for partnership working in 2013.

**6. Recent Flooding and Emergency Planning**

The Chairman and the Leader, Councillor D Finch, both congratulated the work of the Emergency Planning Teams, the Environment Agency, the emergency services and staff across Local Government who conducted themselves to the highest standards of excellence in response to the recent extreme weather, high tides and flooding in the region.

**7. Former Members' Lunch**

The Chairman requested that Members who were available on Friday 13 December meet with former Members attending the Former Members' Lunch.

**8. Christmas Carol Service and Members' Reception**

The Chairman announced that there was to be a Carol Service in the Chapel in County Hall from 1:00pm to 1:30 pm on Thursday 19 December to which members were invited.

The Chairman also announced that there would be a reception and buffet for all members in the members' courtyard from 5:00pm until 7:00pm on Thursday 19 December.

**9. Presentation of Petitions**

The Chairman received a petition from Councillor J Chandler concerning footpaths in Great Baddow and from Councillor D Harris regarding street lighting in Colchester.

**10. To receive a report on matters reserved to the Council and to consider any recommendations**

The report of Council Issues was received.

**Item 1: Standing Orders of the Council**

Upon being put to the meeting the recommendation was agreed and accordingly it was

**Resolved:**

- (1) That the revision to the Standing Orders of the Council as set out in Annex "A" to the report be adopted.
- (2) That the Standing Orders of the Council be suspended in order to allow the revised Standing Orders to take immediate effect.

## **Item 2: Delegations to Chief Officers**

Upon being put to the meeting the recommendation was agreed and accordingly it was

### **Resolved:**

- (1) That part 15 of the Constitution be replaced with the revised Scheme of Delegation to Officers as set out in Annex "B" to the report.
- (2) That Articles 4.3 and 4.4 of the constitution be replaced with those set out in Annex "C" to the report.
- (3) That the Monitoring Officer be authorised to update any other references to job titles in the Constitution.

## **Item 3: Changes to the UKIP Group's Leadership and Committee Memberships and appointment of Deputy to the Cabinet Member for Transformation and Corporate Services.**

The changes to the UKIP Group's Leadership and Committee Memberships were noted.

The Leader of the Council informed Council of the appointment of Councillor R Hirst as Deputy to the Cabinet Member for Transformation and Corporate Services.

## **11. Motions**

### **The Deanes School**

The Motion, with the consent of the seconder and Council, was withdrawn by Councillor D Blackwell, the mover of the Motion.

### **Transparency of EU costs to Essex County Council**

In accordance with Standing Order 16.11.9, with the consent of Council, Councillor Smith altered the wording of the Motion. In consequence it was moved by Councillor K Smith and seconded by Councillor J Huntman



'This Council believes that the true cost of Britain's membership of the European Union affects all levels of government. The Single European Act right through to the Waste Framework Directive all directly affect the budget of Essex County Council.

- Therefore, this Council calls for the publication of, as far as practicable, the cost of the EU to Essex County Council; acknowledging that financial information relating to the EU is primarily only available at National and regional levels.
- This Council also calls upon Essex County Council to publish the figures on its website and in the annual Council Tax Demand booklet.'

It was moved by Councillor S Robinson and seconded by Councillor J Whitehouse that the Motion be amended to read as follows:

'That Council believes the true cost of Britain's membership of the European Union affects all levels of government. The Single European Act right through to the Waste Framework Directive all directly affect the budget of Essex County Council.

- Therefore, this Council calls upon Essex County Council to publish the full costs and benefits of the EU to the taxpayers of Essex.
- This Council also calls upon Essex County Council to publish the figures on its website and in the annual Council Tax Demand booklet.'

Upon being put to the meeting the amendment was declared to be lost.

Upon being put to the meeting the Motion was declared to be lost.

### **Reduction of Tax Burden**

It was moved by Councillor D Louis and seconded by Councillor A Wood

'That Council notes with considerable concern that at a time of having to make difficult decisions about the future of services Essex County Council is required to pay millions of pounds in so called "Green Taxes". This Council believes that this money would be better spent on providing services for the people of Essex and therefore calls on the Government and EU to significantly reduce this tax burden as a matter of priority.'

It was moved by Councillor J Whitehouse and seconded by Councillor S Robinson that the Motion be amended to read as follows:

'That Council notes with considerable concern that at a time of having to make difficult decisions about the future of services Essex County Council might be asked to support unfunded tax cuts. This Council believes that green taxes are being spent on providing services for the people of Essex, help to enable a cut in income tax of £700 per year and assist in reducing the emission of CO2.'

On a point of order raised by Councillor R Bass and having received advice from the Monitoring Officer, the Chairman ruled that the proposed amendment had the effect of negating the original Motion and therefore was not admissible (Standing Order 16.11.8).

Upon being put to the meeting the Motion was declared to be carried.

### **Youth Service**

It was moved by Councillor D Kendall and seconded by Councillor J Deakin

‘That following the recent Youth Service Public Consultation, this Council considers the proposed cut in the Essex Youth Service budget, which is expected to save £3 million by 2015 / 2016, should be placed on hold.

This Council, therefore, calls for:

- (1) The existing £5 million Youth Service budget to be ring-fenced for the next two years.
- (2) The current Youth Service staffing levels to be maintained for the next two years.
- (3) The Youth Strategy Groups across Essex to be given more devolved powers to allocate funding and resources as soon as possible.
- (4) A major youth volunteer recruitment programme to be started as soon as possible across the County.
- (5) Any major changes arising from the Youth Service Public consultation to be phased in over the next 2/3 years to ensure there is continuity of service out in the community and that Youth volunteers are adequately trained to meet the ever changing needs of our young people.’

Prior to the Motion being put, ten Members demanded a division by name by standing in their places.

The Motion having been put it was declared to be lost by 32 votes for and 40 against.

Those voting for the Motion were Councillors:

J Abbott  
W Archibald  
B Aspinell  
A Bayley  
D Blackwell

M D Fisher  
K Gibbs  
D Harris  
G Helm  
I Henderson

R Lord  
M Mackrory  
M McGeorge  
P Oxley  
C C Pond

K Bobbin  
K Clempner  
M Danvers  
J A Deakin  
M Ellis  
A Erskine

Mrs T M A Higgins  
M Hoy  
J Huntman  
D J Kendall  
N Le Gresley  
J Lodge

S Robinson  
K Smith  
Mrs A Turrell  
J Whitehouse  
J A Young

Those voting against the Motion were Councillors:

J F Aldridge  
Mrs S Barker  
R L Bass  
K Bentley  
R G Boyce  
A Brown  
M Buckley  
G Butland  
J Chandler  
P Channer  
T Cutmore  
D Finch  
R Gadsby  
R J Gooding

I Grundy  
C Guglielmi  
A M Hedley  
R Hirst  
P Honeywood  
R C Howard  
N Hume  
E C Johnson  
J G Jowers  
J Knapman  
S Lissimore  
D Louis  
R A Madden  
M Maddocks

M McEwen  
Mrs V Metcalfe  
A Naylor  
Lady Newton  
M J Page  
J W Pike  
Mrs J M Reeves  
C Seagers  
K Twitchen  
S Walsh  
R G Walters  
A Wood

### **The Deanes School**

It was moved by Councillor J Young and seconded by Councillor M Danvers

‘That this Council acknowledges that until very recently, The Deanes and Glenwood Schools embraced a joint-vision of a community where individual learners, families and the community would share the highest expectations and aspirations for all, raising educational attainment in the area by narrowing the gap between the advantaged and disadvantaged.

This Council expresses deep concern that the Cabinet decision on the closure of The Deanes School has neglected to take into account the pivotal role that the co-location would have played in the area with emerging widespread public discontent raising further questions over the educational outcomes for the south of Essex.

Council calls on the Cabinet to reconsider the decision of whether to close The Deanes School and to consider reaffirming its commitment to co-locate the school as well as undertaking a full review of educational outcomes in the south of the County with a focus on raising attainment in areas which need it most.’

Prior to the Motion being put, ten Members demanded a division by name by standing in their places.

The Motion having been put it was declared to be lost by 33 votes for and 38 against and one abstention.

Those voting for the Motion were Councillors:

J Abbott	K Gibbs	R Lord
B Aspinell	D Harris	M Mackrory
A Bayley	G Helm	M McGeorge
D Blackwell	I Henderson	P Oxley
K Bobbin	Mrs T M A Higgins	C C Pond
K Clempner	R C Howard	Mrs J M Reeves
M Danvers	M Hoy	S Robinson
J A Deakin	J Huntman	K Smith
M Ellis	D J Kendall	Mrs A Turrell
A Erskine	N Le Gresley	J Whitehouse
M D Fisher	J Lodge	J A Young

Those voting against the Motion were Councillors:

J F Aldridge	R J Gooding	M Maddocks
W Archibald	I Grundy	M McEwen
Mrs S Barker	C Guglielmi	Mrs V Metcalfe
R L Bass	A M Hedley	A Naylor
K Bentley	R Hirst	Lady Newton
R G Boyce	P Honeywood	M J Page
A Brown	N Hume	J W Pike
M Buckley	E C Johnson	C Seagers
J Chandler	J G Jowers	K Twitchen
P Channer	J Knapman	S Walsh
T Cutmore	S Lissimore	R G Walters
D Finch	D Louis	A Wood
R Gadsby	R A Madden	

Councillor G Butland abstained.

## **12. To receive the Leader's report of Cabinet Issues**

The Leader, Councillor David Finch, presented a report concerning matters considered by Cabinet since the last Council meeting.

The report of Cabinet Issues was received and adopted.

## **13. To receive a report of Overview and Scrutiny Issues**

The Chairman of the Scrutiny Board, Councillor Simon Walsh, presented a report concerning Overview and Scrutiny Issues. He paid tribute to the staff supporting the work of the Scrutiny function.

The report of Overview and Scrutiny Issues was received and adopted.

#### **14. Written questions to the Leader of the Council and Cabinet Members**

The published answers to the 12 written questions submitted in accordance with Standing Order 16.12.1 were noted.

The following supplementary questions were asked as a result of having received a response:

- (7) Councillor Danvers invited the Cabinet Member to consider a level of public provision to be an example to private providers.

Councillor J Aldridge replied that, as this was a complex matter, he would address the matter with Councillor Danvers outside of the meeting.

- (8) Councillor Gooding assured Councillor Bobbin that all the factors from the consultation would be taken into account before any decisions were taken.

- (10) Councillor Abbott was not satisfied with the answer as it did not provide the information requested on the performance of highways panels.

Councillor Bass replied that had Councillor Abbott attended the Scrutiny Committee he would have understood the reason for the re-allocation of funding and changes made to the guidance given to local highways panels. He was confident that in future the necessary monitoring arrangements were in place for 2013/14 and beyond and for this reason he did not consider that the data Councillor Abbott was seeking justified the officer time needed to provide it.

#### **15. Adjournment**

With the agreement of Council the Chairman adjourned the meeting for luncheon at 1:00pm.

The meeting reconvened at 2:15pm.

#### **16. Oral questions of Leader of the Council, Cabinet Members and Committee Chairmen**

- 1. Councillor C Pond asked the Cabinet Member for Highways and Transportation to use his influence with the officers of the North Essex Parking Partnership to deal with the prohibition of parking on verges in accordance with the Essex Act 1987.

Councillor Bass responded that the County Council could take action in relation to Priority Routes 1 and 2, otherwise it was a matter to be left to the Parking Partnership.

2. Councillor J Young asked the Cabinet Member for Families and Children for information concerning occupancy levels in Lavender House, Colchester, and The Maples, Harlow, and of any action being taken to use the Homes to their full capacity.

Councillor Madden responded that he was currently consulting on the options for the future of the Homes as occupancy rates were falling. He urged Members to get involved with the consultation exercise so that he is able to take an informed decision.

3. Councillor R Howard asked the Cabinet Member for Libraries, Communities and Planning if he agreed that the agencies who had worked together to combat the effects of the recent tidal surge and floods should be congratulated and that it was a matter of some regret that the Essex Flood Defence Committee had been abolished as the work of that committee in the 1970s and 1980s had prepared Essex for this most recent event?

Councillor Jowers agreed.

4. Councillor D Kendall asked the Cabinet Member for Education and Lifelong Learning if the staffing levels quoted in the Youth Service Business Case were correct and how many Mobile Youth Buses will be left operating following the review?

Councillor Gooding replied that no decisions had yet been made.

5. Councillor J Abbott asked the Leader of the Council if, following the discussions at Group Leaders' Meetings and the recent trial of public question time at Cabinet, he agreed that the Council should move towards public question times being available at all main meetings of the Council?

Councillor Finch replied that in principle he agreed that there should be progress on this matter, as well as the recording of meetings and 'tweeting' which were already permitted and it was his intention to present a paper to the Chairman of the Council, Scrutiny Chairmen and Group Leaders with a view to considering how the recent experience and the feedback he had received could be developed into a proposal.

The Chairman pointed out the need to avoid discussion of personal cases. She also hoped that any procedure introduced would be user-friendly and open to all.

6. Councillor A Abbott asked the Cabinet Member for Libraries, Communities and Planning if he did not think it was short-sighted to reduce the level of service-delivery at Cressing Temple Barns, a facility with international significance as both a leisure attraction and an educational facility?

Councillor Jowers replied that reducing the opening hours in winter, and balancing this with increased opening hours in summer was preferable to the complete closure of Cressing Temple. Partners were also being sought to assist in the service-delivery. However, he acknowledged the concerns expressed by Councillor Abbott and invited him to make any suggestions for mitigating the proposals.

7. Councillor G Butland asked the Cabinet Member for Highways and Transportation if he was aware that following the announcement of the introduction of part-night lighting on the A13 and A127 the Member for Basildon Westley Heights, Councillor K Smith, had said in a radio interview that there would be Heavy Goods Vehicles driving in the dark and that if this was the case, this was an extremely dangerous practice and what efforts would he make to encourage drivers of HGVs to use their headlights?

Councillor Bass replied that the A13 and A127 do not carry the same quantities of traffic as do, for example, the M6 north of Manchester which is also part-lit. He also noted that parts of the M25 and A12 are also part-lit. He was certain that when required HGVs used their lights and needed no encouragement to do so.

8. Councillor J Knapman asked the Cabinet Member for Families and Children for an assurance that in the recently-reported case of the 'caesarean baby' all that was done by Social Services and the Council had been in the best interests of the child, the mother and the family.

The Chairman stated that as there had been wide reporting of this case she would permit the question to be answered by way of a statement from Councillor Madden but she would not permit supplementary questions on the matter.

Councillor Madden made the following statement:

'Undoubtedly this is a very sad and difficult case for the mother, baby and her family. Essex County Council's social services have been working for over a year with other partner agencies on this extremely complex and emotive case.

As you will appreciate, social services across the country deal responsibly and professionally every day with thousands of extremely sensitive and difficult issues. Decisions are not taken lightly and are done so within legal frameworks that in this case has included High Court decisions. In circumstances such as these, great care is taken not to reveal details which could in part or in whole lead to the identity of vulnerable people being revealed.

On Wednesday 4 December the High Court issued a reporting restriction in order to protect the identity of the child and the adoptive parents.

It is not appropriate for me to provide you with any further detail on the case than that which is already in the public domain which is that:

- There have been lengthy legal proceedings in this case over the past 15 months since the mother was detained under Section 3 of the Mental Health Act in June 2012.
- Five weeks later it was the Health Trust's clinical decision to apply to the High Court for permission to deliver her unborn baby by caesarean section because of serious concerns about risks to mother and child.
- Essex Social Services obtained an Interim Care Order from the County Court because the mother was too unwell to care for her child. The mother took part in the care proceedings which ended on 1st February 2013.
- Social workers liaised extensively with the extended family before and after the birth of the baby to establish if anyone in the family could care for the child.
- Following those proceedings she applied to the Italian Courts for an order to return the child to Italy in May 2013. Those Courts ruled that child should remain in England.
- Historically the mother has two other children which she is unable to care for because of ill health and subject to orders made by the Italian authorities.

When a decision is taken about the future welfare of a child the birth family wishes are taken into account, however, considerations about the security and welfare of the child are absolutely paramount.

The long term safety and wellbeing of vulnerable people is always Essex County Council's priority. Adoption is never considered until we have exhausted all other options and it is felt that this is the right future for the child.'

9. Councillor A Bayley asked the Cabinet Member for Highways and Transportation if he understood the difficulties that might be faced by cyclists using the roads during periods when the part-night lighting was in force as they, unlike HGVs, do not have powerful headlights? There would be particular difficulties if, for example, they failed to see a water-filled pothole.

Councillor Bass replied that he did understand these potential difficulties but also expected that there would be few cyclists on the roads at those hours.

10. Councillor B Aspinell asked the Cabinet Member for Transformation and Corporate Services if The Hermit in Brentwood was to remain open following the sale of the nearby Hermitage – and what was the sum realised by the sale?

Councillor Louis replied that if it was acceptable to reveal the price and it wasn't a matter of financial confidentiality he would inform Councillor Aspinell directly. The decision on the future of The Hermit was not his to make.



Councillor Gooding clarified that there is a consultation in progress on the future of the Youth Service and it would be conclusions from this consultation that would inform the decision as to whether any premises, including The Hermit were to be sold. Councillor Louis further clarified that the sale of any premises or assets would only take place if they had been declared surplus to the service's requirements.

11. Councillor M Danvers asked the Cabinet Member for Families and Children if he had visited the ABC children's centre in Harlow recently.

Councillor Maddon replied that he had visited that centre as well as nine others recently. He could not say at this stage what his decision might be about their future.

12. Councillor T Higgins asked the Cabinet Member for Adults Social Care if he agreed that all consultations should be produced in 'Plain English' and not, as recently, in three different formats.

Councillor Aldridge agreed.

13. Councillor M Buckley asked the Cabinet Member for Highways and Transportation about the reasons for the deferment of the decision on introducing part-night lighting in Basildon.

Councillor Bass explained that this was largely at the request of the Borough Council due to questions over the ownership of a number of the lights in the locality. It was anticipated that the matter would be resolved in the New Year.

14. Councillor K Smith asked the Cabinet Member for Highways and Transportation if he was aware that the income derived from the speed camera located by the 'Fortune of War' was in the top-ten earners in the country and would he seek to claim some of that money for the Council?

Councillor Bass replied that he was aware of this statistic and he entirely agreed with the view that income from speed cameras ought to go to local authorities and the police and not to Central Government.

15. Councillor K Smith asked the Cabinet Member for Highways and Transportation if he would meet with Basildon Council to discuss options for traffic improvements on the A176 in the vicinity of Basildon Hospital.

Councillor Bass replied that he would wait to hear the recommendations of the Local Highways Panel.

16. Councillor A Wood asked the Cabinet Member for Libraries, Communities and Planning if he would thank those involved in the Essex Communities Fund for the awarding of 141 grants.

Councillor Jowers replied that he would be glad to do so. He advised Members that they would all be receiving details of the awards made from this Fund.

17. Councillor S Barker asked the Cabinet Member for Highways and Transportation if he would give consideration to the temporary, seasonal closure of some rights of way, footpaths and bridleways that were being damaged by the passage of off-road vehicles.

Councillor Bass replied that this is a difficult matter as public rights of way, footpaths and bridleways all had legal status and were not easily closed, even temporarily. However, he was aware of the problem to which Councillor Barker alluded and would look into it.

18. Councillor J Whitehouse asked the Cabinet Member for Public Health and Wellbeing if there was any information available about arrangements for the Tour de France as it passed through Essex.

Councillor Naylor advised that a meeting was arranged for the following week and information would be available soon.

#### **17. Oral questions of the representative of the Essex Police and Crime Panel**

1. Councillor S Robinson asked the representative of the Essex Police and Crime Panel if all incidents reported to the Police were recorded.

Councillor Jowers replied that he had received an assurance recently from the Police and Crime Commissioner that this was the case. However, he will raise it at the Police and Crime Panel due to meet on 12 December 2013.

2. Councillor R Bass asked if the Panel would scrutinise the reported intention to disband the marine unit or the dog unit.

Councillor Jowers responded that he would make sure that the questions are asked by the Panel.

3. Councillor K Smith asked if he agreed that there was an urgent need to deal with illegal traveller sites in Essex.

Councillor Jowers replied that it was an operational matter and therefore outside the scope of the Panel.

#### **18. Oral questions of the representative of the Essex Fire Authority**

1. Councillor B Aspinell asked the representative of the Essex Fire Authority if he could confirm that there had been an investment in multi-purpose vehicles to assist with snow-clearance and flood protection.

Councillor Hedley replied that three vehicles had been acquired. They were currently undergoing trials and if successful there would be further deployment but at present their capabilities were confined to gritting and snow clearance.

2. Councillor J Lodge asked if he shared his concerns about fire-crews accessing the fire-stations in Uttlesford through traffic.

Councillor Hedley replied that there are no targets for response times but Essex generally performs well. The on-call or retained fire-fighters response times do, of course, vary although all these staff are required to work or reside within five minutes of the station they serve.

## **19. Concluding remarks**

The Chairman concluded the meeting by wishing everyone present a Merry Christmas and a Happy New Year.

The meeting closed at 15:08

Chairman  
11 February 2014



# Revenue Budget 2014/15 and Capital Programme 2014/15

Report by Councillor D Finch, Leader of the Council

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Enquiries to Margaret Lee, Executive Director for Corporate Services,  
Telephone: 01245 431010

## 1 Purpose of the Report

- 1.1 The report presents information to enable Full Council to consider and approve the revenue and capital budget for 2014/15 – noting the report presents a balanced budget for 2014/15.
- 1.2 The recommendations in section 2 will be moved by the Leader of the Council.
- 1.3 Section 3 contains the details of the movements from those presented to Cabinet in January.
- 1.4 Section 4 contains recommendations agreed by Cabinet now superseded by those in Section 2.

## 2 Recommendations to the Council

**Revenue and Capital Budget: the following are recommended to Full Council for approval:**

- 2.1 The net revenue budget requirement to be set at **£892.9 million** (m) for 2014/15
- 2.2 The net cost of services to be set at **£931.8m** for 2014/15
- 2.3 The total council tax requirement be set at **£528.5m** for 2014/15
- 2.4 Council tax will remain the same as the amounts for 2013/14, the council tax freeze grant be accepted for 2014/15 and therefore the charge for a band D property will remain at **£1,086.75** (for the fourth year running), council tax for other bands are as follows:

<b>Council tax Band</b>	<b>2013/14 £</b>	<b>2014/15 £</b>
<b>Band A</b>	724.50	724.50
<b>Band B</b>	845.25	845.25
<b>Band C</b>	966.00	966.00
<b>Band D</b>	1,086.75	1,086.75
<b>Band E</b>	1,328.25	1,328.25
<b>Band F</b>	1,569.75	1,569.75
<b>Band G</b>	1,811.25	1,811.25
<b>Band H</b>	2,173.50	2,173.50

- 2.5 Full Council approve the council tax for each category of dwelling and the precepts on each of the council tax billing authorities for 2014/15, together with the final tax base, as set out in the table below.

2.6 Agree	<b>2014/15</b>		to the
	<b>Final Tax Base Band D Equivalent</b>	<b>Gross precept £000's</b>	
	Basildon	56,070	60,934
	Braintree	48,971	53,219
	Brentwood	30,893	33,573
	Castle Point	28,734	31,227
	Chelmsford	60,416	65,657
	Colchester	57,338	62,312
	Epping Forest	50,679	55,076
	Harlow	24,769	26,918
	Maldon	22,797	24,775
	Rochford	29,313	31,856
	Tending	43,475	47,246
	Uttlesford	32,826	35,673
	<b>Total for ECC</b>	<b>486,281</b>	<b>528,466</b>

proposed total schools budget of **£576.9m** for 2014/15 as set out in Appendix C, which will be funded by the Dedicated Schools Grant.

- 2.7 That the General Balance be set at **£57.2m** at as at 1 April 2014 and the Executive Director for Corporate Services (section 151 officer) statement on the robustness of the estimates and reserves be noted
- 2.8 That the capital payments guideline be set at **£211.4m** for 2014/15.

**Prudential Indicators, Treasury Management Strategy and Minimum Revenue Provision for Debt Repayment Policy - the following are recommended for to be submitted to Full Council for approval:**

- 2.9 The 2014/15 - 2016/17 Prudential Indicators and limits, together with updated limits for 2014/15 (see Appendix F).
- 2.10 The Treasury Management Strategy for 2014/15 (Appendix H).
- 2.11 The policy for making a prudent level of revenue provision for the repayment of debt (the Minimum Revenue Provision policy as set out in Appendix F).

**Pay policy – is submitted to Full Council for approval:**

- 2.12 The Pay Policy Statement for 2014/15 (Appendix K).

**3 Background to the changes to the Cabinet recommendations to Council proposed by the Leader of Council.**

- 3.1 The billing authorities are required to provide a final estimate of the council tax base, the deficit/surplus from the prior year, the performance of the local discount scheme and the NDR income on the 31<sup>st</sup> January. The recommendations within the Cabinet report were based upon the estimates of these figures, before receipt of the final submissions from the billing authorities. Further noting **“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.”**
- 3.2 The final submissions from the billing authorities have shown an increase in the amount of income the Council will receive through higher council tax and NDR income, as shown in the table below. The movements in grants are primarily as a result of the recommendation to accept council tax freeze grant.
- 3.3 The table below shows the Cabinet provisional position alongside the position based on final returns from billing authorities:

	Cabinet Jan-14 £m's	Council Feb-14 £m's	Movement £m's
Council Tax Requirement	(528.4)	(528.5)	(0.1)
Revenue Support Grant	(202.1)	(202.1)	-
Non-Domestic Rates	(156.6)	(156.7)	(0.1)
General Government Grants	(29.4)	(36.3)	(6.9)
Withdrawal from General Balance	(2.5)	(2.5)	-
Collection Fund Surplus	(2.8)	(5.6)	(2.8)
<b>Total Funding</b>	<b>(921.8)</b>	<b>(931.8)</b>	<b>(9.9)</b>
Base Net cost of services	921.8	924.0	2.2
New investment	-	7.8	7.8
<b>Total Expenditure</b>	<b>921.8</b>	<b>931.8</b>	<b>9.9</b>
Surplus / Deficit	-	-	-

3.4 This increase in income means that the Council has more money than forecast at January Cabinet and is recommending a council tax freeze for the fourth year in a row.

3.5 This also means the Council has the opportunity to invest more in front line services than proposed at Cabinet, 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.

#### **4 Original recommendations approved by Cabinet (for reference only), now replaced by recommendations included at Section 2:**

4.1 The net revenue budget requirement to be set at **£889.9 million (m)** for 2014/15.

4.2 The net cost of services to be set at **£921.8m** for 2014/15.

4.3 The total council tax requirement be set at **£528.4m** for 2014/15 Council tax will increase by 1.49% and therefore the charge for a band D property will increase to **£1,102.94**. Council tax for other bands are as follows:

Council tax Band	2013/14	2014/15
------------------	---------	---------



	£	£
<b>Band A</b>	724.50	735.29
<b>Band B</b>	845.25	857.84
<b>Band C</b>	966.00	980.39
<b>Band D</b>	1,086.75	1,102.94
<b>Band E</b>	1,328.25	1,348.04
<b>Band F</b>	1,569.75	1,593.14
<b>Band G</b>	1,811.25	1,838.23
<b>Band H</b>	2,173.50	2,205.88

- 4.4 That a schedule be presented to the Full Council setting out the council tax for each category of dwelling and the precepts on each of the council tax billing authorities for 2014/15, together with the final tax base.
- 4.5 Agree to the proposed total schools budget of **£576.9m** for 2014/15 which will be funded by the Dedicated Schools Grant.
- 4.6 That the General Balance be set at **£57.2m** at as at 1 April 2014 and the Executive Director for Corporate Services' (section 151 officer) statement on the robustness of the estimates and reserves be noted.
- 4.7 That the capital payments guideline be set at **£212.4m** for 2014/15 and that the Executive Director for Corporate Services, in consultation with the Cabinet Member for Finance, be authorised to make adjustments to the phasing of payments between years (should that be necessary) as the capital programme is finalised, and to report any impact on the Prudential Indicators at the next quarterly review to Cabinet.
- 4.8 The delegation of authority to the Leader of the Council and Cabinet Member for Finance, in consultation with the Executive Director for Corporate Services, to make any necessary adjustments to the figures to be submitted to Full Council upon receipt of the final tax base and forecast business rates receipts for 2014/15 to be notified to Essex County Council (the Council) by the respective billing authorities (due by 31 January) and the final capital grant in respect of education from the Department for Education (DfE) due in mid-January.

**Prudential Indicators, Treasury Management Strategy and Minimum Revenue Provision for Debt Repayment Policy - the following are recommended for to be submitted to Full Council for approval:**

- 4.9 The 2014/15 - 2016/17 Prudential Indicators and limits, together with updated limits for 2014/15.
- 4.10 The Treasury Management Strategy for 2014/15.

4.11 *The policy for making a prudent level of revenue provision for the repayment of debt.*

***Pay policy - the following is recommended for to be submitted to Full Council for approval:***

4.12 *The Pay Policy Statement for 2014/15.*

# Essex County Council

**Revenue Budget 2014/15**

**Capital Programme 2014/15**



**Essex County Council**

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

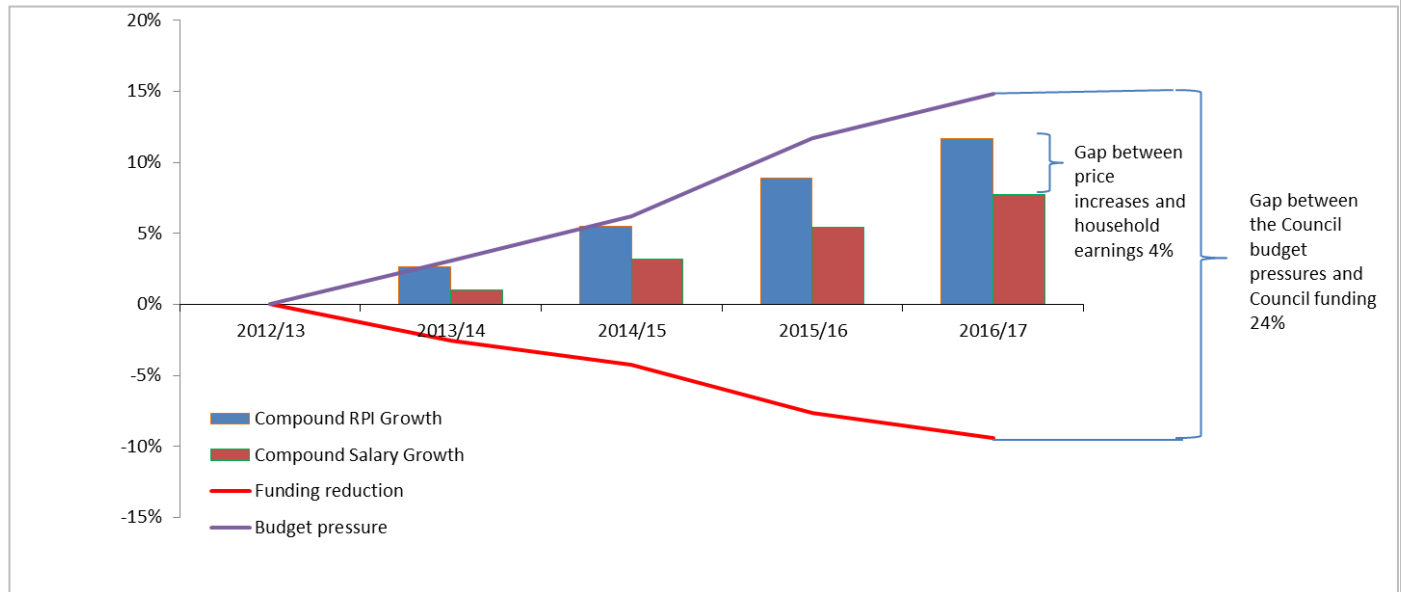
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## 1. Overview of key figures

### 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.

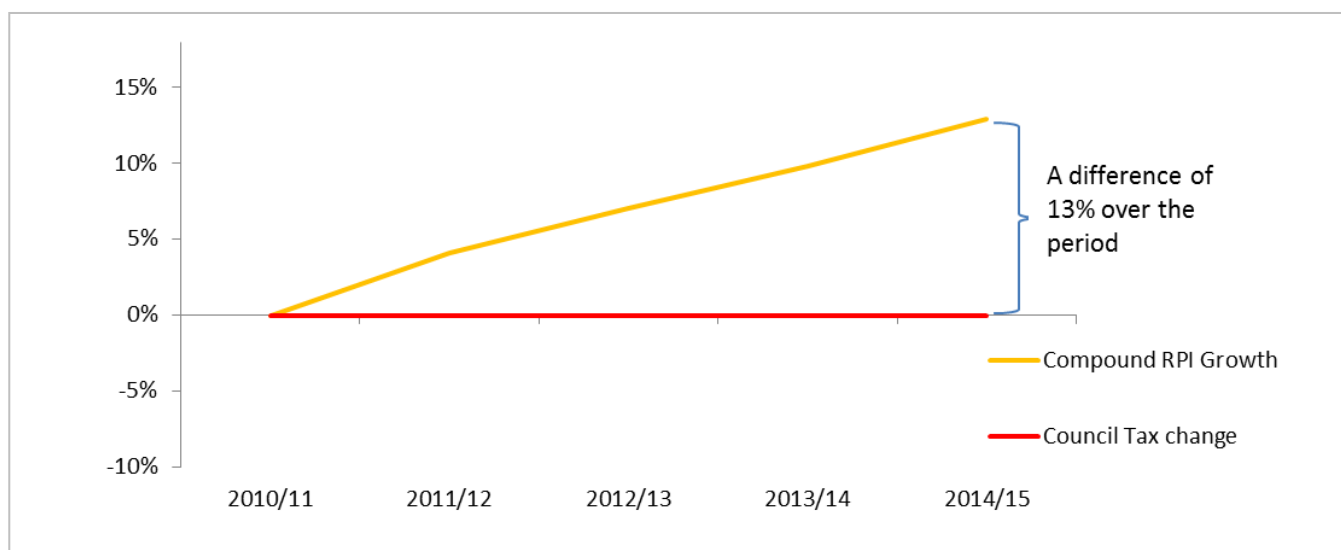
## 1.2 Council tax

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
<b>Gross Expenditure</b>	<b>1,855.9</b>
<i>Deduct:</i>	
Income	(196.7)
Specific Government Grants (excluding DSG)	(150.6)
Specific Government Grants (DSG)	(576.8)
<b>Subtotal: Net Cost of Services</b>	<b>931.8</b>
<i>Deduct:</i>	
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)
<b>Subtotal: Total Funding</b>	<b>(931.8)</b>
<b>Surplus/ (Deficit)/ Balanced budget</b>	<b>-</b>

\* 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
<b>Budget requirement</b>	<b>892,908,816</b>
Less funding available:	
RSG	202,109,239
NDR	156,741,179
Collection fund surplus	5,592,879
	<b>364,443,298</b>
<b>Council tax requirement</b>	<b>528,465,518</b>
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
<b>Recharged Strategic Support Services (RSSS)**</b>	
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
<b>Net cost of services</b>	<b>931.8</b>

\*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	2014/15	Movement Inc / (Dec)	Movement
	£m	£m	£m	%
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%
<b>Total Funding</b>	<b>971.7</b>	<b>931.8</b>	<b>(40.0)</b>	<b>(4%)</b>

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 the following table.

### Provisional council tax charge by band

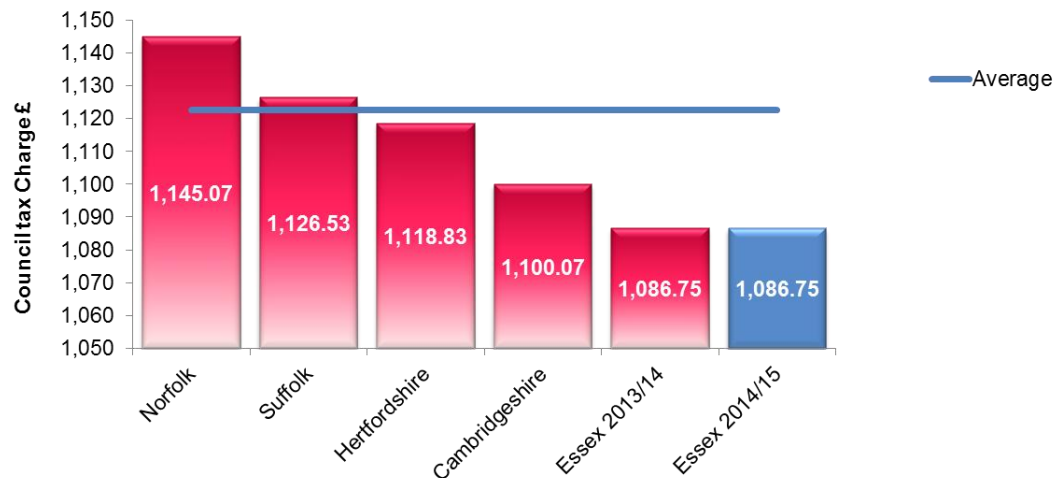
Council Tax Band	2013/14 £	2014/15 £
Band A	724.50	724.50
Band B	845.25	845.25
Band C	966.00	966.00
Band D	<b>1,086.75</b>	<b>1,086.75</b>
Band E	1,328.25	1,328.25
Band F	1,569.75	1,569.75
Band G	1,811.25	1,811.25
Band H	2,173.50	2,173.50

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

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



- 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

<b>Breakdown of government grants (£m) 2014/15</b>	
<b>General Government Grants</b>	<b>2014/15 £m</b>
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
<b>Total</b>	<b>36.3</b>

- 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.

<b>Portfolio</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>Total £m</b>
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
<b>Total</b>	<b>211.5</b>	<b>115.2</b>	<b>69.8</b>	<b>396.3</b>

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:

<b>Financing</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>Total £m</b>
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
<b>Total</b>	<b>211.5</b>	<b>115.1</b>	<b>69.7</b>	<b>396.3</b>

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 s.149, 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.

#### Public Health and Wellbeing

- 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.

#### Waste and Recycling

- 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 variations and in year changes may be made in accordance with the Council’s Financial regulations which have been adopted by the Council. Similarly, any decision made by the Cabinet or by an officer exercising executive functions must be made in accordance with the policies, plans and strategies agreed by Full Council, including the Council’s Corporate Plan, ‘A Vision for Essex’.
- 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 its 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)
<b>1,563,787</b>	<b>Subtotal</b>	<b>1,923,730</b>	<b>1,557,790</b>	<b>1,508,643</b>
(640,966)	Specific Government Grants (Dedicated Schools Grant)	(954,739)	(586,081)	(576,887)
<b>922,820</b>	<b>Subtotal - Net Cost of Services</b>	<b>968,991</b>	<b>971,707</b>	<b>931,754</b>
22,535	General Balance - Contribution/(Withdrawal)	(25,470)	(28,187)	(2,500)
(89,078)	General Government Grants	(36,339)	(36,339)	(36,348)
<b>856,279</b>	<b>Budget Requirement</b>	<b>907,182</b>	<b>907,182</b>	<b>892,909</b>
<b>Financed By</b>				
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)
<b>(856,279)</b>	<b>Total Financing</b>	<b>(907,182)</b>	<b>(907,182)</b>	<b>(892,909)</b>

## 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
<b>922,819</b>	<b>968,991</b>	<b>971,707</b>		<b>1,855,912</b>	<b>(196,688)</b>	<b>(727,474)</b>	<b>931,754</b>

## Revenue Budget Summary

### 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
			<b>Corporate &amp; Democratic Core</b>				
361	361	361	Corporate & Democratic Core	341			341
			<b>Access Assessment &amp; Care Management</b>				
(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
			<b>Care &amp; Support</b>				
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
			<b>Other Social Care</b>				
(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
			<b>Service Management Costs</b>				
(113)	(366)	(366)	Service Management Recharge	(176)			(176)
8,470	15,543	13,452	Service Management Costs	14,484	(376)	(10,474)	3,634
			<b>Housing Related Support</b>				
22,054	18,737	18,944	Programme Costs	21,427			21,427
<b>307,903</b>	<b>370,701</b>	<b>371,645</b>	<b>Net Cost of Services</b>	<b>487,901</b>	<b>(78,768)</b>	<b>(31,181)</b>	<b>377,953</b>

## 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
			<b>Economic Regeneration</b>				
1,061	252	2,284	Economic Regeneration	3,657	(805)	(737)	2,115
			<b>Inward Investment</b>				
398	1,907	439	i Inward Investment	487			487
			<b>International Development</b>				
287	283		ii International Projects				
			<b>International Trade</b>				
259	248	247	International Trade	304	(58)		246
			<b>Skills</b>				
2,089	949	1,407	iii Skills	2,129	(94)	(84)	1,951
			<b>Tourism</b>				
281	272	270	Tourism	563	(186)	(107)	270
<b>4,375</b>	<b>3,911</b>	<b>4,647</b>	<b>Net Cost of Services</b>	<b>7,140</b>	<b>(1,143)</b>	<b>(928)</b>	<b>5,069</b>

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

## Revenue Budget Summary

### 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
<b>Education &amp; Life Learn Dsg</b>							
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
<b>Education &amp; Life Learn Non Dsg</b>							
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)
<b>58,906</b>	<b>39,575</b>	<b>39,775</b>	<b>Net Cost of Services</b>	<b>687,012</b>	<b>(14,235)</b>	<b>(634,218)</b>	<b>38,558</b>

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
			<b>Childrens Services Non Dsg</b>				
			<b>Childrens Services</b>				
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
			<b>Community Placed Budgets</b>				
1,028	720	749	Community Placed Budgets	30			30
			<b>Cyp Strategic Partnerships</b>				
414	619	596	Cyp Strategic Partnerships				
			<b>Early Years And Childcare</b>				
19,457	16,117	16,740	Early Years & Childcare Grant	13,790	(192)		13,598
			<b>Other Childrens Services</b>				
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
			<b>Tascc Teams</b>				
(5)			i Team Around School Child & Community				
			<b>Youth Offending Service</b>				
1,741	2,428	2,279	Youth Offending Service	3,965	(481)	(1,427)	2,057
127,526	128,818	129,102	<b>Net Cost of Services</b>	134,046	(5,332)	(7,762)	120,954

i A multi disciplinary child focused team that have been 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
<b>Highways And Transportation</b>							
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)
<b>87,278</b>	<b>87,125</b>	<b>91,018</b>	<b>Net Cost of Services</b>	<b>119,782</b>	<b>(23,904)</b>	<b>(170)</b>	<b>95,708</b>
Highways and Transportation Recharged							
1,072	1,214	1,149	ii Strategic Support Services	1,236	(62)	-	1,173
<b>88,349</b>	<b>88,339</b>	<b>92,168</b>	<b>Total Cost of Services</b>	<b>121,018</b>	<b>(23,966)</b>	<b>(170)</b>	<b>96,881</b>

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
			<b>Central Services To The Public</b>				
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
			<b>Democratic Core</b>				
1,687	1,803	1,609	Corporate Management	1,721			1,721
200	61	139	Democratic representation	59			59
			<b>Other</b>				
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
			<b>Support Services</b>				
822	708	485	Communications	648	(102)		545
64	74	74	Finance	68			68
			<b>Members Support</b>				
1,939	1,990	3,298	Members Support	1,936			1,936
			<b>Place Policy</b>				
145	171	196	Place Policy	229			229
			<b>Precepts</b>				
1,297	1,327	1,327	Environmental Agency	1,365			1,365
380	389	389	Kent & Essex Sea Fisheries	400			400
<b>22,542</b>	<b>24,458</b>	<b>26,400</b>		<b>23,244</b>	<b>(816)</b>	<b>(256)</b>	<b>22,172</b>
			<b>Comms And Customer Relations</b>				
2,983	3,266	3,284	Comms And Customer Relations	3,416	-	39	3,377
			<b>Democratic Services</b>				
581	664	859	Democratic Services	862	-	56	805
			<b>Equality And Diversity</b>				
147	194	194	Equality And Diversity	158	-	1	157
			<b>Finance</b>				
12,197	10,771	15,159	Finance	16,986	-	6,056	10,930
			<b>Insurance Cost Recovery A/C</b>				
687	4,818	4,818	Insurance Cost Recovery account	7,985	-	2,839	5,146
			<b>Essex Legal Services</b>				
630	563	575	Essex Legal Services	604			604
<b>17,225</b>	<b>20,276</b>	<b>24,889</b>		<b>30,011</b>	<b>(8,991)</b>		<b>21,019</b>
<b>39,767</b>	<b>44,734</b>	<b>51,289</b>	<b>Net Cost of Services</b>	<b>53,255</b>	<b>(9,807)</b>	<b>(256)</b>	<b>43,191</b>

## 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
	100	100	<b>Anti - Social &amp; Community Safety</b>				
			Anti Social Behaviour & Community Safety				
			<b>Big Society</b>				
723	517	457	Big Society	450			450
			<b>Built Environment</b>				
	42		Built Environment				
			<b>Development Management</b>				
1,574	1,857	1,963	Development Management	1,895	(45)		1,850
			<b>Corporate &amp; Democratic Core</b>				
74	73		Corporate & Democratic Core				
			<b>Environmental Planning</b>				
906	711	1,113	Environmental Planning	1,343	(288)		1,055
			<b>Environmental Strategy</b>				
177	172	163	Environmental Strategy	220			220
			<b>Travellers</b>				
235	118	151	Travellers	623	(520)		103
			<b>Heritage And Cultural Service</b>				
1,811	1,531	1,559	Heritage And Cultural Servs	1,995	(573)	(31)	1,390
			<b>Historic Environment</b>				
85	288	225	Historic Environment	283	(20)	(6)	258
			<b>Olympics &amp; Sport Development</b>				
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
			<b>Leisure</b>				
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)		
			<b>Libraries &amp; Information Service</b>				
	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
			<b>Natural Environment</b>				
3			Natural Environment				
			<b>Place Consultancy</b>				
735	650	95	Place Consultancy	(43)	43		
			<b>Rural Issues</b>				
274	213	172	Rural Issues	172			172
			<b>Sustainable Development</b>				
865	1,034	1,138	Sustainable Development	684			684
<b>21,864</b>	<b>19,928</b>	<b>20,534</b>	<b>Net Cost of Services</b>	<b>24,465</b>	<b>(5,353)</b>	<b>(130)</b>	<b>18,982</b>

i Contributions to external 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
			<b>Child And Adolescent Mh Servs</b>				
2,355	2,770	2,585	Child & Adolescent Mental Health Servs	2,998	(380)		2,618
			<b>Coroners' Courts</b>				
2,033	1,895	1,945	Coroners' Courts	3,083	(1,136)		1,947
			<b>Health Watch</b>				
710	452	452	Health Watch	780		(328)	452
			<b>Mental Health</b>				
6,473	5,945	6,122	i Access Assessment & 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
			<b>Public Health</b>				
240	768	1,356	Public Health	52,007	(2,673)	(49,334)	
			<b>Registrars Office</b>				
(585)	(266)	(266)	Registrars Office	2,437	(3,311)		(875)
			<b>Public Health</b>				
874	1,021	221	Service Management Costs				
			<b>Social Fund</b>				
			Social Fund	2,938		(2,938)	
<b>27,161</b>	<b>26,990</b>	<b>26,416</b>	<b>Net Cost of Services</b>	<b>88,167</b>	<b>(10,602)</b>	<b>(52,829)</b>	<b>24,737</b>

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
			<b>Property Assets</b>				
(230)	(141)	(141)	Shared Use Buildings	60	(60)		
		(30)	Surplus & Managed Properties		(31)		(31)
			<b>Support Services</b>				
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
			<b>Emergency Planning</b>				
667	678	676	Emergency Planning	609	(2)		607
<b>26,033</b>	<b>27,687</b>	<b>22,977</b>		<b>19,177</b>	<b>(152)</b>		<b>19,025</b>
			Facilities Management Services				
21,161	20,392	24,611	Facilities Management Services	23,660	(3,421)		20,239
			<b>Asset Management</b>				
1,594	1,784	2,627	Asset Management	1,909	(44)		1,864
			<b>Car Provision Scheme</b>				
61			Car Provision Scheme	4,009	(4,009)		
			<b>Customer Services</b>				
5,197	2,909	3,311	Customer Services	2,544	(403)		2,140
			<b>Human Resources</b>				
5,048	4,871	7,109	Human Resources	7,772	(2,687)		5,085
			<b>Information Services</b>				
16,335	11,440	16,922	Information Services	15,700	(983)		14,718
			<b>Performance</b>				
2,020	2,177	2,483	Performance	2,290	(72)		2,219
			<b>Procurement And Car Provision Scheme</b>				
2,171	2,315	2,568	Procurement And Car Provision Scheme	1,730	(98)		1,632
			<b>Transformation Support Unit</b>				
5,692	2,228	6,834	Transformation Support Unit	3,010	(162)		2,849
<b>59,279</b>	<b>48,116</b>	<b>66,465</b>		<b>62,624</b>	<b>(11,879)</b>	<b>-</b>	<b>50,746</b>
<b>85,312</b>	<b>75,803</b>	<b>89,442</b>	<b>Net Cost of Services</b>	<b>81,801</b>	<b>(12,031)</b>		<b>69,771</b>

## 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
			<b>Management &amp; Support Services</b>				
130		(50)	Management & Support Services				
			<b>Trading Standards</b>				
2,147	2,265	2,219	Trading Standards	2,336	(313)		2,024
			<b>Waste Management</b>				
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)
<b>62,733</b>	<b>66,512</b>	<b>66,315</b>	<b>Net Cost of Services</b>	<b>72,204</b>	<b>(2,552)</b>		<b>69,654</b>

## 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
<b>Approps To/From Reserves</b>							
265 (896)	(949)	(949)	A130 Pfi Reserve		(1,449)		(1,449)
			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 Rwrds 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)
<b>56,563</b>	<b>50,928</b>	<b>27,592</b>	<b>Page 88 of 184</b>		<b>47,193</b>	<b>(28,877)</b>	<b>-</b>
							<b>18,316</b>



## 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
			<b>Capital Financing</b>				
30,546	31,614	31,614	Repayment Of External Loans	28,473			28,473
	8,000	7,909	<b>Contingencies</b>	8,000			8,000
			<b>Dividends received</b>				
			Dividends received		(1,000)		(1,000)
			<b>Interest Payable</b>				
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)
			<b>Interest Receivable</b>				
(3,670)	(2,453)	(2,580)	External Interest Receivable		(2,944)		(2,944)
872	1,002	1,002	Interest Reallocated		655		655
<b>42,361</b>	<b>52,751</b>	<b>52,783</b>		<b>51,710</b>	<b>(4,022)</b>		<b>47,688</b>
<b>98,924</b>	<b>103,679</b>	<b>80,375</b>	<b>Net Cost of Services</b>	<b>98,903</b>	<b>(32,899)</b>	<b>-</b>	<b>66,004</b>

# **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

Portfolio	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
<b>Total</b>	<b>211,425</b>	<b>115,129</b>	<b>69,729</b>	<b>396,283</b>

## 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
<b>Total</b>	<b>211,425</b>	<b>115,129</b>	<b>69,729</b>	<b>396,283</b>

## Adult Social Care Portfolio

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

## Economic Growth & Infrastructure Portfolio

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

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

<b>Scheme</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>Total £'000</b>
<b>Named schemes</b>				
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
<b>Total Named Schemes</b>	<b>8,357</b>	<b>5,062</b>	<b>7,750</b>	<b>21,169</b>
<b>Basic Need</b>				
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
<b>Total Basic Need</b>	<b>24,011</b>	<b>34,632</b>	<b>14,422</b>	<b>73,065</b>

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)

<b>Scheme</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>Total £'000</b>
<b>Special Schools</b>				
Market Field Special School	2,788	6,998	-	9,786
Special School Estate: Viability and Design Development	200	-	-	200
<b>Total Special Schools</b>	<b>2,988</b>	<b>6,998</b>	<b>-</b>	<b>9,986</b>
<b>Blocks</b>				
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
<b>Total Blocks</b>	<b>13,583</b>	<b>8,500</b>	<b>8,431</b>	<b>30,514</b>
<b>School Balances (outside ECC control)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Devolved Formula Capital	2,000	1,800	1,600	5,400
<b>Total school balances (outside ECC control)</b>	<b>2,000</b>	<b>1,800</b>	<b>1,600</b>	<b>5,400</b>
<b>Total Education &amp; Lifelong Learning</b>	<b>50,940</b>	<b>56,992</b>	<b>32,203</b>	<b>140,135</b>

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

<b>Scheme</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>Total £'000</b>
<b>Blocks</b>				
Integrated Children's System Rationalisation	25	-	-	25
<b>Total Blocks</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>25</b>
<b>Total Families &amp; Children</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>25</b>

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
<b>Named schemes</b>				
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
<b>Total Named Schemes</b>	<b>24,060</b>	<b>350</b>	<b>-</b>	<b>24,410</b>
<b>Blocks</b>				
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
<b>Total Blocks</b>	<b>67,024</b>	<b>28,084</b>	<b>27,847</b>	<b>122,955</b>
<b>Total Highways &amp; Transportation</b>	<b>91,084</b>	<b>28,434</b>	<b>27,847</b>	<b>147,365</b>

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
<b>Named schemes</b>				
Braintree schemes	250	250	250	750
Contribution to Health Centre (Basildon)	500	-	-	500
<b>Total Named Schemes</b>	<b>750</b>	<b>250</b>	<b>250</b>	<b>1,250</b>
<b>Total Leader</b>	<b>750</b>	<b>250</b>	<b>250</b>	<b>1,250</b>

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
<b>Named schemes</b>				
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
<b>Total Named Schemes</b>	<b>6,788</b>	<b>4,500</b>	<b>2,500</b>	<b>13,788</b>
<b>Blocks</b>				
Radio Frequency Identification Rollout in Libraries	750	-	-	750
Public Realm	85	181	57	323
<b>Total Blocks</b>	<b>835</b>	<b>181</b>	<b>57</b>	<b>1,073</b>
<b>Total Libraries, Communities &amp; Planning</b>	<b>7,623</b>	<b>4,681</b>	<b>2,557</b>	<b>14,861</b>

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
<b>Named schemes</b>				
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
<b>Total Named Schemes</b>	<b>24,535</b>	<b>15,862</b>	<b>122</b>	<b>40,519</b>
<b>Blocks</b>				
Capitalised Building Maintenance	5,360	250	250	5,860
Building Maintenance Minor Works	500	500	500	1,500
<b>Total Blocks</b>	<b>5,860</b>	<b>750</b>	<b>750</b>	<b>7,360</b>
<b>Total Transformation &amp; Support Services</b>	<b>30,395</b>	<b>16,612</b>	<b>872</b>	<b>47,879</b>

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
<b>Named schemes</b>				
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
<b>Total Named Schemes</b>	<b>16,883</b>	<b>160</b>	<b>-</b>	<b>17,043</b>
<b>Blocks</b>				
Landfill Restoration, Remediation and Landscaping	1,292	-	-	1,292
<b>Total Blocks</b>	<b>1,292</b>	<b>-</b>	<b>-</b>	<b>1,292</b>
<b>Total Waste and Recycling</b>	<b>18,175</b>	<b>160</b>	<b>-</b>	<b>18,335</b>

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
<b>2013-14 (updated DSG)</b>			
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
<b>TOTAL</b>	<b>958,279</b>	<b>(369,135)</b>	<b>589,144</b>
<b>2014-15 (estimate)</b>			
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
<b>TOTAL</b>	<b>964,355</b>	<b>(387,471)</b>	<b>576,887</b>

\* 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		Revenue reserve 31 March 2015
	£000	£000	£000	£000	To County Revenue Account	To Trading Activity reserve	£000
<b>Education &amp; Lifelong Learning</b>							
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
<b>Libraries Communities &amp; Planning</b>							
Library Services	42	(2,202)	1,956	(246)	0	(246)	288
<b>Transformation &amp; Support Services Trading</b>							
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
<b>Total</b>	<b>4,245</b>	<b>(39,042)</b>	<b>34,704</b>	<b>(4,338)</b>	<b>(2,496)</b>	<b>(1,842)</b>	<b>6,087</b>

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 contributions	Estimated closing balances		2015-16	2016-17
	£000	£000		2014-15 Estimated withdrawals / usage	Estimated closing balances	£000	£000
<b>General Balance</b>	<b>(85,551)</b>	<b>(57,209)</b>	<b>-</b>	<b>2,500</b>	<b>(54,709)</b>	<b>(54,709)</b>	<b>(54,709)</b>
<b>Earmarked for future use</b>							
<b>General reserves</b>							
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)
<b>Future capital funding</b>							
General	(12,344)	(13,777)	(22,402)	22,000	(14,179)	(19,753)	(25,327)
Bellhouse landfill	(61)	(61)	-	-	(61)	(61)	(61)
<b>Long Term Contractual commitment funding</b>							
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)
<b>Trading activities</b>	<b>(3,158)</b>	<b>(4,245)</b>	<b>(1,842)</b>	<b>-</b>	<b>(6,087)</b>	<b>(6,944)</b>	<b>(7,800)</b>



## Reserves and Balances (Not attributable to ECC)

	Balance at	Balance at	Estimated closing balances			2015-16	2016-17
	31 March 2013	01 April 2014	Estimated	2014-15	Estimated closing		
	£000	£000	contributions	Estimated withdrawals / usage	balances	£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*

### Global economy

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	2013-14		2014-15	2015-16	2016-17	2017-18
		Actual	Original Estimate	Updated Estimate	Estimate	Forecast	Forecast	Forecast
<b>Capital expenditure &amp; financing</b>								
<b>Capital Expenditure</b>	£m	127	186	135	211	115	70	59
<b>Capital Financing</b>								
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	-	-
<b>Total capital financing</b>	£m	127	186	135	211	115	70	59
<b>Capital financing requirement</b>								
<b>Capital financing requirement (CFR)</b>								
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)
<b>Capital Financing Requirement</b>	£m	835	960	836	1,018	1,015	982	948
<b>Analysis of the Capital Financing Requirement</b>								
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
<b>Sub total - borrowing</b>	£m	699	761	672	738	740	713	684
Credit arrangements (PFI / Finance leases)	£m	136	199	164	280	275	269	264
<b>Total</b>	£m	835	960	836	1,018	1,015	982	948
<b>Gross borrowing and the CFR</b>								
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
<b>Headroom</b>	£m	543	510	551	420	359	328	313

## Appendix G: Prudential Indicators (Part 2)

Summary of prudential indicators		2012-13	2013-14		2014-15	2015-16	2016-17	2017-18
		Actual	Original Estimate	Updated Estimate	Estimate	Forecast	Forecast	Forecast
<b>External debt</b>								
<b>Authorised limit</b>								
Borrowing	£m		550	491	600	630	660	690
Other long term liabilities	£m		230	163	280	275	269	264
<b>Total authorised limit</b>	£m	-	780	654	880	905	929	954
<b>Operational boundary</b>								
Borrowing	£m		380	380	390	390	380	380
Other long term liabilities	£m		200	159	265	260	254	249
<b>Total operational boundary</b>	£m	-	580	539	655	650	634	629
<b>Actual external debt (incl. credit arrangements)</b>	£m		N/A	N/A	N/A	N/A	N/A	N/A
<b>Financing &amp; net revenue streams</b>								
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%
<b>Incremental impact on Council Tax</b>								
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	£		-	-	-	-	-	-
<b>Total</b>	£	-	£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
<b>Estimated debt and investments</b>					
Investments (estimated balance at each 31st March)	£m	220	120	120	140
External debt (operational boundary for borrowing)	£m	380	390	390	380
<b>Expected movement in interest rates</b>					
Bank Rate (at each 31st March)	%	0.50%	0.50%	0.50%	1.00%
<b>PWLB (borrowing) rates</b>					
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)					
<b>Effect of 1% increase in interest rates</b>					
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		
<b>Borrowing requirement (external borrowing)</b>	£m	-	11	5	-
<b>Interest rate exposures</b>					
<b>Upper limits for exposure to fixed rates</b>					
Net exposure	£m	491	600	630	660
Debt	%	100%	100%	100%	100%
Investments	%	100%	100%	100%	100%
<b>Upper limits for exposure to variable rates</b>					
Net exposure	£m	147	180	189	198
Debt	%	30%	30%	30%	30%
Investments	%	100%	100%	100%	100%
<b>Maturity structure of borrowing (upper limit)</b>					
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%
<b>Maturity structure of borrowing (lower limit)</b>					
All maturity periods	%	0%	0%	0%	0%
<b>Total sums invested for more than 364 days</b>					
Upper limit for sums invested for more than 364 days	£m	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	<b>F1</b>	<b>A-1</b>	<b>P-1</b>
Long term rating	<b>A</b>	<b>A</b>	<b>A2</b>
Viability / financial strength rating	<b>a</b>	<b>-</b>	<b>C</b>
Support rating	<b>3</b>	<b>-</b>	<b>-</b>

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

*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

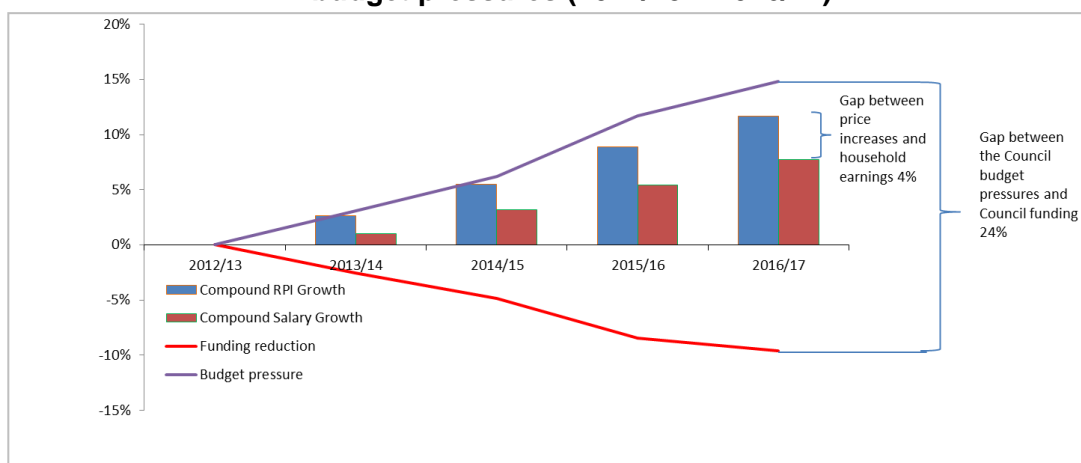
Essex County Council (the Council) is facing considerable financial challenge due to national reductions in public sector spending, compounded by expected inflation and an increasing demand for its services. In his 2014 New Year's speech, the Chancellor has made clear that austerity will continue with 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)



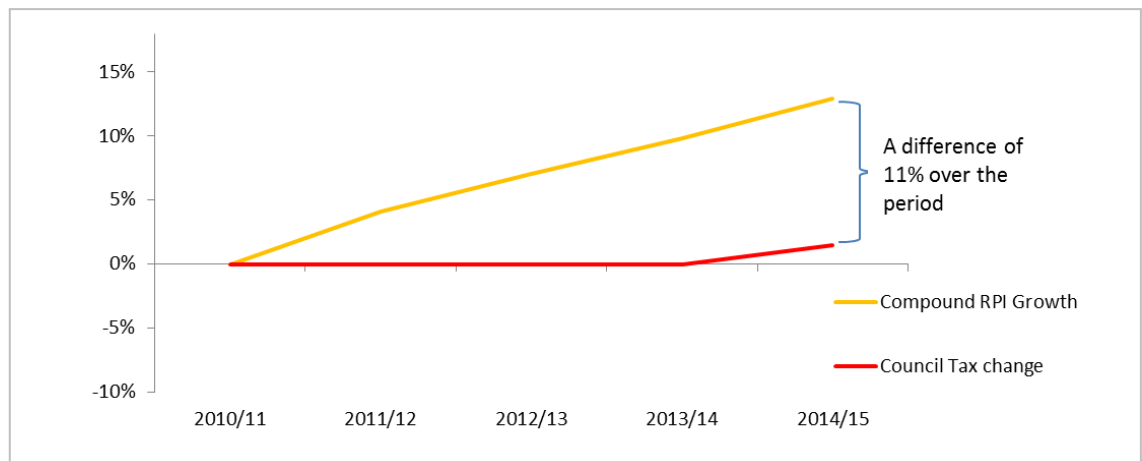
The graph also considers the same type of analysis for the Council, with the budget pressure representing the increased prices the Council has to pay and the increased numbers of service users, particularly from an ageing population. Without significant changes to how services are delivered, this would 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**

	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>
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
<b>Total Pressure</b>	<b>107.2</b>	<b>196.2</b>	<b>237.6</b>

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**

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

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 financial 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
<b>Gross Expenditure</b>	<b>1,845.9</b>
<i>Deduct:</i>	
Income	(196.0)
Specific Government Grants (excluding DSG)	(151.3)
Specific Government Grants (DSG)	(576.8)
<b>Subtotal: Net Cost of Services</b>	<b>921.8</b>
<i>Deduct:</i>	
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)
<b>Subtotal: Total Funding</b>	<b>(921.8)</b>
<b>Surplus/ (Deficit)/ Balanced budget</b>	<b>-</b>

\*\* 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

<b>Budget requirement</b>	<b>889,931,194</b>
Less funding available:	
RSG	202,109,239
NDR	156,605,517
Collection fund surplus	2,783,137
	<b>361,497,894</b>
<b>Council tax requirement</b>	<b>528,433,300</b>
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

<b>Portfolio</b>	<b>2014/15 £m</b>
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
<b>Recharged Strategic Support Services (RSSS)**</b>	
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
<b>Net Cost of Services</b>	<b>921.8</b>

\*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	2014/15	Movement Inc / (Dec)	Movement
	£m	£m	£m	%
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%)
<b>Total Funding</b>	<b>971.7</b>	<b>921.8</b>	<b>(49.9)</b>	<b>(5.1%)</b>

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 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	<b>1,086.75</b>	<b>1,102.94</b>
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

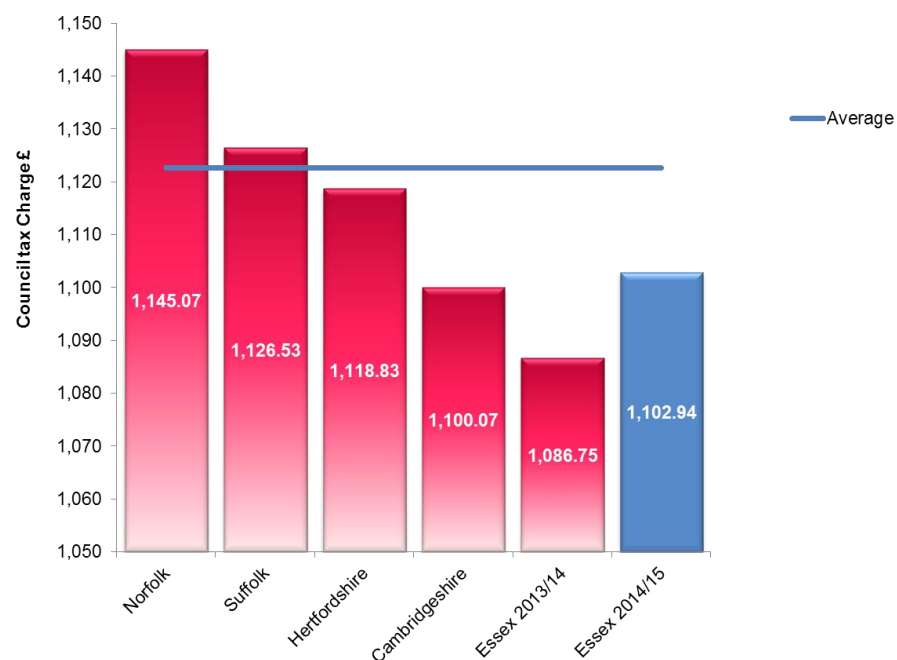
2,173.50

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**

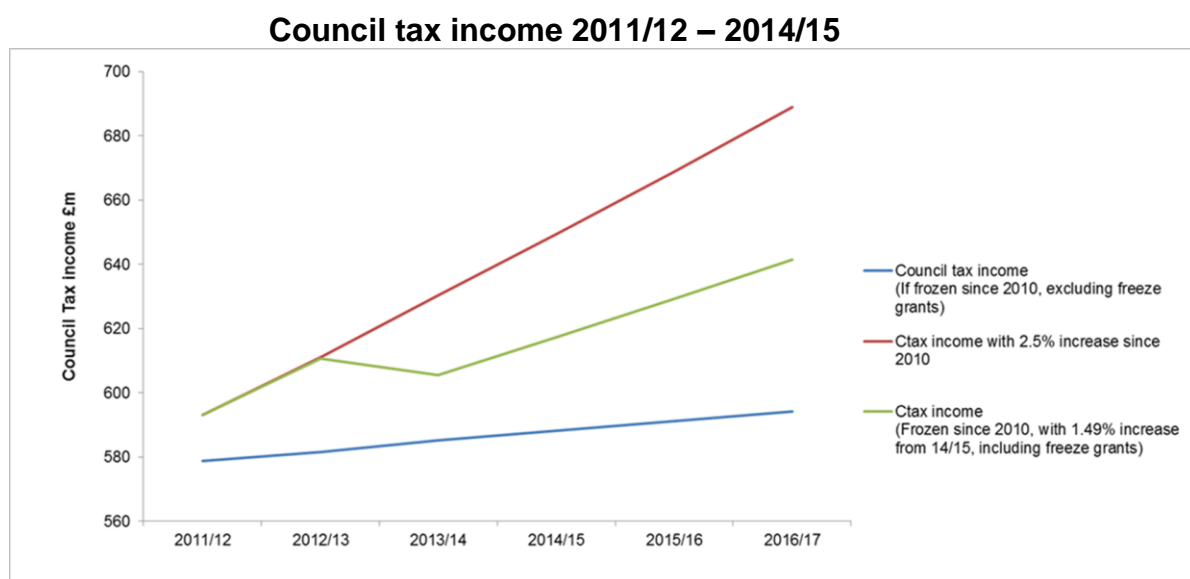


Future council tax increases are currently capped at 2% by Central Government which means that any proposed increase above this amount requires the Council to undertake a public referendum. Central Government has not yet announced the level of the cap for 2014/15 but has given strong messages that it 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:



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

	2014/15
<b>General Government Grants</b>	<b>£m</b>
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
<b>Total</b>	<b>29.4</b>

**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**).

# The Corporate Outcomes Framework 2014-18

Report by Councillor D Finch, Leader of the Council

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Enquiries to Alastair Gordon, Head of Policy and Strategy (Place) Telephone 0333 0136 125

## Purpose of report

To seek Council's agreement to a new Corporate Outcomes Framework for the period 2014-2018.

## Recommended:

That Council adopt the Corporate Outcomes Framework 2014-18, set out as the Annex to this report.

## Background and proposal

In July 2013 the Council adopted a new Vision for Essex – a vision of a county where innovation brings prosperity. In support of this Vision, a new Corporate Outcomes Framework has been developed to guide the work of teams across the Council and is relevant to all County Divisions. This is a part-strategic, part -technical document that translates the Council's Vision into:

- a single set of **outcomes** that the Council seeks to secure. There are seven outcomes in total, and each is a positive statement of wellbeing for residents and/or communities, made in plain English. These statements have been designed to reflect the Council's aspirations for Essex residents and communities, and to guide activity in the short, medium and long term; and
- the **indicators** through which progress will be tracked towards the achievement of the outcomes. These indicators do not seek to measure the effectiveness of particular services, programmes or agencies. Rather, they seek to quantify the key changes the Council should expect to see as the outcomes are achieved. All indicators have been selected based on the extent to which they a) say something of central importance about the outcome, b) are common sense and communicate with a broad range of audiences, and c) are based on data that is accurate, reliable, consistent and available on a regular and timely basis.

The Corporate Outcomes Framework plays a key role in the Council's new strategic planning framework and has been prepared to guide the work of teams across ECC and is relevant to all County Divisions. This Framework replaces a multitude of separate outcomes and objectives used previously by teams across directorates as a basis for strategic planning. The consolidation of outcomes into a single, authoritative, framework is designed to provide:

- a clear focus on the outcomes that will improve the lives of Essex residents,
- a clear foundation for a new strategic planning framework and for the development of commissioning strategies and a commissioning work plan in particular;
- a clear framework for managing performance – allowing the Council to assess its impact on residents and communities in Essex; and
- a foundation for analysing resources, assets, contracts etc, against a consistent set of outcomes.

The Framework sets out the Council's ambitions for Essex – the actions the Council will undertake to secure progress will be set out in a suite of commissioning strategies to be published in summer 2014. It has been developed through a three-stage process with engagement from Cabinet Members, the Corporate Management Board and Council Commissioners:

- **Stage 1:** having secured a mandate from the political leadership and the Corporate Management Board, officers undertook analysis of the various commitments the Council had made across its existing strategies, plans and partnership agreements, identifying common themes;
- **Stage 2:** these themes provided the basis for a series of workshops with Cabinet Members, senior officers and commissioners through which outcomes and indicators were identified, developed and refined; and
- **Stage 3:** having identified a series of potential outcomes and indicators, technical definitions were developed for each. Once defined, these indicators were subjected to an assessment of data quality and coverage. This assessment ensures that progress can be tracked using robust data and a programme of activity can be implemented to improve data quality where necessary.

Work on Stage 3 is on-going. It will continue throughout the life of the Corporate Outcomes Framework as the Council seeks to tighten the definition of its indicators and improve the quality of the underlying data. It is expected that over 90% of indicator definitions and data quality assessments will be completed by April 2014.

Work is also underway to establish arrangements for quarterly reporting against outcome indicators. The quarterly monitoring process will also provide data on sets of Council-wide organisational performance measures that assess the effectiveness of the Council as a whole. The monitoring approach will also provide an opportunity to involve Scrutiny.

As the Council's single, authoritative outcomes framework the Corporate Outcomes Framework will shape the development of all other strategies and plans. It will also guide and shape:

- a suite of Commissioning Strategies to be published in summer 2014;
- a more detailed commissioning work plan through which progress towards the outcomes will be delivered; and
- Specifications issued by commissioners to third-party service providers and in-house operational teams (Operational functions will need to form separate plans to deliver on commissioners' specifications).

## **Financial Implications**

Whilst the Corporate Outcomes Framework sets out the Council's ambitions for Essex – the actions that the Council will undertake to secure progress will be set out in a suite of commissioning strategies to be published in summer 2014. Therefore, while there are no specific financial implications arising directly from the Framework, it will be used to direct the allocation of reducing financial resources to secure the outcomes identified.

## **Legal Implications**

The Council is required to set the Council's overall vision and corporate strategy and the Executive will then implement this in accordance with the approved budget and policy framework. The Council is required to take account of its various duties and powers when setting its corporate vision and strategy. Individual decisions will be taken along the way in order to implement the vision and at various points careful consideration will be given to the financial, legal, equalities and other implications arising from different aspects of implementation. Consultation will need to take place where appropriate and feedback to consultation carefully considered.

## **Equality and Diversity implications**

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:

- (a) to eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- (b) to advance equality of opportunity between persons who share a protected characteristic and those who do not;
- (c) to foster good relations between people who share a protected characteristic and those who do not; including having due regard to the need to tackle prejudice and promote understanding.

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

The PSED is a relevant factor in making this decision but does not impose a duty to achieve the outcomes in s.149, it is only one factor that needs to be considered, and may be balanced against other relevant factors.

The Corporate Outcomes Framework Vision has County-wide application, and will have County-wide impacts. At this stage there are no specific proposals and therefore it is considered premature to carry out an Equalities Impact Assessment. However, as proposals (e.g. commissioning strategies) are developed within the context of the Corporate Outcomes Framework, changes will have the potential to have a disproportionate impact on individuals within the population who have a protected characteristic.

The Corporate Outcomes Framework expresses the outcomes the Council will seek for the whole population: however, as particular programmes of activity are developed, there may be opportunities to promote equality objectives.

It will be essential to investigate all emerging proposals both for any potentially disproportionate impacts and for opportunities to promote equalities objectives. In practical terms this means that in relation to each decision it will be necessary to take the PSED into account in and to carry out an EIA in relation to the decision where it is likely to have a disproportionate impact on members of the community who have a protected characteristic.

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

There are no staffing and other resource implications arising directly from this paper.

# **Corporate Outcomes Framework 2014-2018**

**Essex County Council  
January 2014**



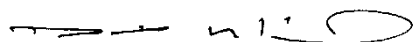
## Foreword

Essex County Council has set out a clear Vision for Essex – we want to be a county where innovation brings prosperity. To achieve this vision we need to work in new ways with partners in the public and private sectors, the voluntary and community sector, and with individuals, families and communities. We must approach the challenges we face with creativity and innovation if we are to secure the outcomes we desire.

Our focus is on what works best, rather than who delivers particular services. We will also undertake consistent evaluation to ensure the decisions we take have meaningful impact on improving lives across Essex communities.

Our Corporate Outcomes Framework has been developed to support this way of working. The Framework sets out the seven high level outcomes that we want to achieve to ensure prosperity and wellbeing for our residents. These outcomes range from ensuring our children get the best start in life to our residents enjoying good health and wellbeing, Essex residents living in safe communities to Essex businesses and communities benefitting from sustainable economic growth. These outcomes are supported by a series of indicators by which we intend to measure our progress.

The Framework provides a consistent set of aspirations that we will use to inform our future decisions, and a benchmark by which we can clearly see the difference that we are making in people's lives.



Cllr David Finch  
Leader, Essex County Council

## Purpose

1. In July 2013 Essex County Council's (ECC's) new Cabinet outlined their Vision for Essex – a vision of a county where innovation brings prosperity.
2. In support of this vision, this document sets out the specific 'outcomes' that ECC will work towards. Securing these outcomes will make Essex a more prosperous county – one where people can flourish, live well and achieve their ambitions. The document also sets out the 'indicators' that we will use to assess our progress towards securing these outcomes. The actions we will take to secure progress will be set out in a suite of commissioning strategies to be published in summer 2014.
3. Taken together, these outcomes and indicators make up ECC's Corporate Outcomes Framework for 2014-2018. A full outline of this Framework can be found on page 3. The seven outcomes are listed below:
  - Children in Essex get the best start in life
  - People in Essex enjoy good health and wellbeing
  - People have aspirations and achieve their ambitions through education, training and lifelong-learning
  - People in Essex live in safe communities and are protected from harm
  - Sustainable economic growth for Essex communities and businesses
  - People in Essex experience a high quality and sustainable environment
  - People in Essex can live independently and exercise control over their lives



Essex: a	Children in Essex get the best start in life	People in Essex enjoy good health and wellbeing	People have aspiration and achieve their ambitions through education, training and lifelong-learning
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**Figure 1: ECC's Corporate Outcomes Framework 2014-2018 – 'Whole Essex' outcomes**

	<ul style="list-style-type: none"> <li>▪ Percentage of children ready for school</li> <li>▪ Percentage of children achieving a good level of development by the age of five</li> <li>▪ Percentage of families living in temporary accommodation</li> <li>▪ Percentage of children living in non-working households</li> </ul>	<ul style="list-style-type: none"> <li>▪ People in Essex have a healthy life expectancy</li> <li>▪ Reduced differential in life expectancy across different areas of Essex</li> <li>▪ Percentage of children achieving at school [measured at foundation stage, KS2 and KS4]</li> <li>▪ Percentage of working age people in employment</li> <li>▪ Prevalence of healthy lifestyles</li> <li>▪ Prevalence of mental health disorders among children and adults</li> <li>▪ Percentage of Essex residents who consider themselves to be in good health</li> <li>▪ Percentage of families living in safe and suitable housing</li> <li>▪ Percentage of households living in fuel poverty</li> <li>▪ Teenage pregnancy rates</li> <li>▪ Life satisfaction rates (ONS condition of wellbeing)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rates of literacy and numeracy at all ages</li> <li>▪ Percentage of children achieving at school</li> <li>▪ Percentage of adults participating in lifelong learning</li> <li>▪ Percentage of working age people in employment</li> <li>▪ Percentage of people participating in further education/higher education/vocational learning</li> <li>▪ Percentage of young people aged 16-19 not in education, employment &amp; training</li> <li>▪ Rates of volunteering</li> <li>▪ Percentage of children attending a good school</li> </ul>
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People in Essex live in safe communities and are protected from harm	Sustainable economic growth for Essex communities and businesses	People in Essex experience a high quality and sustainable environment	People in Essex can live independently and exercise control over their lives
<ul style="list-style-type: none"> <li>▪ Level of crime in Essex</li> <li>▪ Number of children subject to protection plans</li> <li>▪ Number of children in care</li> <li>▪ Rate of anti-social behaviour in Essex</li> <li>▪ Number of people killed or seriously injured on Essex roads</li> <li>▪ Percentage of residents who feel that Essex roads are safe</li> <li>▪ Hospital admissions caused by injuries to children and young people</li> <li>▪ Hospital admissions caused by injuries to adults</li> <li>▪ Incidents of domestic abuse</li> <li>▪ Percentage of residents who feel safe</li> <li>▪ Rates of re-offending</li> </ul>	<ul style="list-style-type: none"> <li>▪ Job growth in key locations and key sectors</li> <li>▪ Housing growth in key locations</li> <li>▪ Supply of fit for purpose business premises</li> <li>▪ Increased connectivity and journey time reliability on priority route network (PR1)</li> <li>▪ Number of bus and/or community transport journeys</li> <li>▪ Median earnings</li> <li>▪ Coverage of superfast broadband services</li> <li>▪ Sustainable business start-up rates</li> <li>▪ Percentage of Essex businesses who think they can recruit suitable people</li> <li>▪ Percentage of working age people in employment</li> <li>▪ Business rates growth</li> </ul>	<ul style="list-style-type: none"> <li>▪ Residual waste volumes</li> <li>▪ Cost of energy to households</li> <li>▪ Preventable flooding incidents</li> <li>▪ Level of pollution</li> <li>▪ Condition of roads and footways</li> <li>▪ Access to valuable open spaces</li> <li>▪ Perception of the quality of the environment in Essex's cities, towns and villages</li> </ul>	<ul style="list-style-type: none"> <li>▪ Proportion of people who live independently</li> <li>▪ Percentage of people who regain or increase their level of independence following hospital admissions</li> <li>▪ Access to end of life care in their preferred placement of choice</li> <li>▪ Number of children and adults who receive social care support</li> <li>▪ Number of people with personal budgets</li> </ul>

## Our Corporate Outcomes Framework – form and function

4. Our Corporate Outcomes Framework translates our Cabinet's political ambitions – outlined in their Vision for Essex – into a set of outcomes and supporting indicators that can guide the work of commissioners across ECC. The consolidation of outcomes into a single, authoritative, framework for ECC is designed to:
  - provide a clear foundation for the development of our commissioning strategy and plans;
  - provide a clear framework for assessing progress – allowing ECC to understand its impact on residents and communities in Essex; and
  - and allow for the analysis of ECC resources, assets, contracts etc, against a consistent set of outcomes.
5. The Corporate Outcomes Framework embeds the principles of Outcomes Based Accountability (OBA) within ECC. OBA is an established and effective approach for expressing, operationalising and ensuring accountability for outcomes. It provides a simple, common sense, low bureaucracy planning model supported by clear terminology.
6. The Corporate Outcomes Framework itself consists of two elements:
  - the 'whole Essex' **outcomes** we will work to secure. Each of our seven outcomes is a positive statement of wellbeing for residents and/or communities, made in plain English. Our outcomes reflect our aspirations for Essex residents and communities, and guide our action in the short, medium and long term; and
  - the **indicators** through which we will track progress towards the achievement of our outcomes. These indicators do not seek to measure the effectiveness of particular services,

programmes or agencies. Rather, they seek to quantify the key changes we would expect to see as our outcomes are achieved.

7. Our indicators have been selected based on the extent to which they a) say something of central importance about the outcome, b) are common sense and communicate with a broad range of audiences, and c) are based on data that is accurate, reliable, consistent and available on a regular and timely basis.

## Our Corporate Outcomes Framework and operational performance

8. Our 'whole Essex' outcomes set out what we want to achieve for Essex as a whole and how we will understand progress. It will be for ECC's elected Members and commissioners to determine how best to secure this progress. This will include making decisions on the particular services and interventions we make, and the extent to which we work with partners on each of these.
9. In general terms, commissioners will look to secure progress by commissioning a portfolio of services, interventions, pathways and activities within the resource limits identified by our medium term Resource Strategy (MTRS). This will involve developing a series of contracts and specifications with third party providers and with ECC's own operational teams.
10. These specifications will contain performance measures. These measures are distinct from indicators and perform a wholly different function. While indicators track progress towards the achievement of 'whole Essex' outcomes, performance measures reflect the effectiveness of specific commissioned programmes, agencies, providers, operational teams, services or systems.

They track operational performance and measure the impact that services have on particular customers.

11. ECC's approach to operational performance measurement will answer three questions about the services commissioned to support specific clients summarised in figure 1 below. These are:
  - How much did we do? (the quantity of service provided);
  - How well did we do it? (the quality of the service provided); and
  - Is anyone better off? (the effect of the service provided).
12. This third question is crucial. It assesses whether outcomes have been improved for particular client groups. The role of ECC's commissioners is to ensure that the right services are in place, that they deliver outcomes for their clients, and that the service mix is designed and delivered in a way that secures progress against ECC's 'whole Essex' outcomes.
13. To supplement our Corporate Outcomes Framework, and measures of operational performance, a small number of performance measures have been identified to help ECC track and manage its performance as a corporate body. These performance measures directly reflect the views of Essex communities are focused on the quality and effectiveness of ECC's leadership. These 'whole ECC' performance measures are presented in Figure 2 below.

**Figure 2: Whole ECC Performance Measures 2014-2018**

**Percentage of residents who agree that ECC:**

- provides good value for money
- is efficient and well run
- provides good customer service
- treats all people with respect;
- treats all types of people fairly
- is trust worthy
- is making the local area a better place to live
- listens to the concerns of local residents
- acts on the concerns of local residents

**Percentage of residents who agree they can access the services they need**

**Percentage of residents who agree that they can influence decisions affecting their local area.**

**Percentage of residents who, taking everything into account, are satisfied with the way Essex County Council runs things.**

## Accountability and Partnership

14. The difference between outcomes and indicators at the 'whole Essex' level, and performance measures at the 'client group' level highlights the importance of working in partnership. Only by working with public, private and voluntary sectors, and by encouraging contributions from individuals, families and communities can we secure progress against our outcomes. We cannot succeed by focussing exclusively on the services that ECC itself provides.
15. ECC has already made a clear its longstanding commitment to partnership working, and to commissioning services together whenever appropriate. Whether integrating social care commissioning with our NHS partners or developing programmes to tackle issues of domestic violence with the Police and others, working with partners who seek similar outcomes allows us to maximise the impact of local public services within challenging resource limits. There is a clear role for ECC commissioners to ensure that joint-commissioning and integration results in effective services for our key client groups, and that these services make clear a contribution to ECC's own 'whole Essex' outcomes.
16. The distinction between our 'whole Essex' outcomes and focused work with specific client groups reflects two different forms of accountability. At the 'whole Essex' level ECC, its partners and wider civil society must all be considered accountable for the progress made towards outcomes. Individual commissioners may be responsible for driving forward ECC's work to secure progress against these outcomes, but they cannot be held solely accountable for progress. At the client group level operational

teams and providers will be held to account for their performance and for the impact they make on the wellbeing of their client groups. ECC's commissioners will be held to account for the effectiveness of the services they commission and for ensuring that the services they commission make a meaningful contribution to 'whole Essex' outcomes.

## Our wider approach to Strategic Planning

17. The Corporate Outcomes Framework provides the foundation for ECC's wider approach to strategic planning. Building on the Corporate Outcomes Framework, ECC will develop a Commissioning Strategy which will identify, for each outcome and set of supporting indicators:
  - Essex's **current position** with regard to the outcome: examining historic trends and what we expect to happen in the future and if trends continue;
  - the **story** behind Essex's current position: an analysis of the forces and factors that have driven historical trends and likely forecast trends;
  - the **partners ECC will need to work with**: the role that different partners have to play in securing progress towards the outcomes and how ECC will look to work with these partners;
  - the **issues to address**: outlining where ECC and its partners need to affect change, and the issues they need to tackle if they are to secure progress; and
  - a **high-level action plan**: providing a positive articulation of what ECC proposes to do to secure progress towards the outcome.

18. These high-level strategies will be translated into a detailed Commissioning Work Plan, setting out the critical activity required to deliver the commissioning strategy. We will report our progress towards securing outcomes on a quarterly basis.

### **Aligning Strategic Planning with Resources**

19. ECC's Medium Term Resource Strategy (MTRS) sets out ECC's overall financial envelope and forecast spending for three years beyond the current financial year. Commissioning Strategies will be prepared to reflect this future resource envelope.
20. ECC must decide how this overall financial resource is distributed, across its various functions, to best meet the aspirations expressed through the Corporate Outcomes Framework. This has to take into account those services that are provided under statutory responsibilities, and must also account for commitments already in place for contracts.
21. At present, targets for resourcing are heavily influenced by ECC's Transformation Phase 2 programme, which has generated a number of commitments regarding savings and efficiencies to be delivered in the coming three year period. The distribution of budgetary resources across functions therefore reflects the commitments made via this process. The high-level actions set out in commissioning strategies must therefore reflect the overall budgetary resource aligned to each function.
22. Within ECC's commissioning functions, the Executive Directors of Commissioning have the further task of managing resources across commissioning activity (in some case this will be done with Executive Directors of Operations). In all cases these distributions will reflect existing commitments and contracts. This distribution will reflect commissioning intentions – the plans that are brought

together through the Commissioning Work Plan. The annual expression of this resource allocation will be the annual ECC budget.

This document has been prepared by  
Essex County Council's Strategy and Communications team

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Agenda item 8

# Appointments

## Changes to Committee Memberships

At the Annual Meeting in May Council was informed of the details of Group Membership and of the Groups' appointments to Committees.

The Conservative Group has given notice that it has made the following changes:

- Councillor Knapman has replaced Councillor Hirst as a member of the Corporate Scrutiny Committee
- Councillor Guglielmi has replaced Councillor Spence as a member of the Place Services and Economic Growth Scrutiny Committee
- Councillor Spence has replaced Councillor Guglielmi as a substitute on the Place Services and Economic Growth Scrutiny Committee.

The Labour Group has given notice that it has made the following change:

Councillor Danvers has replaced Councillor McGeorge as a member of the People and Families Scrutiny Committee.

The UKIP Group has given notice that it has made the following changes:

- Councillor Lord has replaced Councillor Bayley as a member of the People and Families Scrutiny Committee
- Councillor Gibbs has replaced Councillor Huntman as a substitute on the People and Families Scrutiny Committee.



# The Leader's Report of Cabinet Issues

## 1. Recommendations to Council

The Cabinet agreed to recommend the following two issues to Council for consideration. The matters concerned are the subject of separate reports on the agenda for this meeting:

- Revenue and Capital Budgets 2014/15 and Medium Term Resource Strategy
- Corporate Outcomes Framework

## 2. Financial Strategy 2014/15 and Beyond

As a precursor to its consideration of the 2014/15 budget, the Cabinet was updated on the Council's financial planning process and on the Financial Strategy for 2014/15 to 2016/17. The Cabinet noted the funding landscape and the impact of funding changes on projected resources, together with the anticipated impact of the Transformation Phase 2 programme. The updated planning totals and the approach to setting the capital programme for the coming years and the approach to the maintenance of reserves were also noted.

## 3. Strategy for Children and Young People with Special Educational Needs and Disability (SEND) 2014-19

The need for the development of a SEND Strategy, replacing the existing 2008 policy (updated in 2011), was identified as part of the Lifelong Learning Strategy agreed by Cabinet in March 2013.

A key driver for the Strategy's development has been the significant Government reforms to education, health and social care when working with and for children and young people with SEND (0-25) and their families and/or carers. This includes the ongoing development of the Children and Families Bill, scheduled to receive royal assent in spring 2014, and the accompanying SEND Code of Practice.

The strategy and associated implementation plan are to become key drivers for increasing confidence in the system, but the underpinning driver is to address the poor outcomes being achieved by many children and young people with a SEND category.

The Essex strategy has been informed by significant consultation activity, engaging as many key stakeholders as possible.

The Cabinet approved the SEND Strategy 2014-19 for launch on 6 January 2014. It also approved the associated implementation plan for 2014-15 and agreed the

approach for monitoring progress against the plan, together with its annual review and refresh arrangements.

#### **4. Transforming Corporate Systems: Future Process**

The Council is procuring replacement IT systems in a project entitled 'Transforming Corporate Systems'. The programme will implement fully integrated and modernised finance, procurement, HR and business intelligence systems, realising significant benefits from the fourth quarter of 2014/15.

In order to avoid delays in project implementation (which could ultimately result in lost savings), the Cabinet delegated authority to the Leader of the Council to appoint the preferred bidder and authorise signature of the contract. It also agreed that the contract must either be within the Council's affordability envelope, or may exceed the affordability envelope by an amount equivalent to additional savings which the bidder can guarantee over and above the Council's previously specified benefits.

#### **5. 2013/14 Financial Review as at the Third Quarter**

The Cabinet considered the forecast financial position of the Council for 2013/14, based upon the position at the third quarter, noting that the current revenue outturn forecast is for an unadjusted underspend of £15.1m, as compared to £7m at the half year stage. A number of technical adjustments to reserves were agreed, resulting in an adjusted position of an under spend of £2.0m for the year. A number of other adjustments were agreed in respect of over spends within the Economic Growth and Infrastructure portfolio, the Transformation and Corporate Services portfolio and the Leader and Finance Recharged Strategic Support Service portfolio.

A projected underspend of £37.9m against the approved capital payments guideline was also noted, and the Cabinet was informed of ongoing work to improve the capital programme process, with a view to reducing the level of slippage.

In order to allow the use of 2013/14 underspends to fund certain distinct 2014/15 risks and commitments, the Cabinet approved the establishment of three earmarked Reserves in respect of Community Resilience, Consultation and Economic Growth Strategy.

#### **6. Corporate Plan Progress Report as at the Third Quarter**

The Corporate Plan sets out the outcomes which the Council committed to deliver against its five priorities, together with the measures of success identified to assist in the management of performance.

The Cabinet noted the performance achieved against these indicators for 2012/13 (where year-end data or comparative data has been recently released) and noted progress so far for 2013/14 (where data is available). It also noted that the progress report is to be considered by the Corporate Scrutiny Committee.

## 7. Early Years and Childcare: Essex Children's Centres

The Cabinet has approved a restructure of the model for the delivery of Children's Centres across the County. It has also agreed to extend the four existing contracts for provision of Children's Centres across the County (Barnardo's – North East and South Essex, 4 Children - Mid Essex and Surgeons - West Essex) for two years from 1 April 2014 – 31 March 2016.

Children's Centres are part of the Council's effective early support system for children, young people and their families. The system aims to ensure that there is sufficient high quality provision to prevent the needs of children, young people and families escalating into more costly intervention and to support a step down from more costly service where appropriate. As part of the Council's next stage of transformation, and consistent with the Vision for Essex adopted in July 2013, there is a need to improve the way services are delivered in this area and to make savings.

Currently, Children's Centres in Essex are organised on a quadrant-based model (North East, South Essex, Mid Essex and West Essex) and contracts with the existing providers are due to expire on 31 March 2014. This imminent expiry, together with changes to the inspection framework, has provided an opportunity to review the delivery model.

Discussions with existing providers about the current contracts identified that savings could be made by continuing to provide the services but reducing the numbers of Children's Centres. In future, Children's Centres will be delivered via a 'main site' and 'designated delivery site' model, with each main site having linked delivery sites as part of their network of provision.

**Main sites** are buildings which are proposed to be open to the public for drop in visits and service delivery. Services will be available to families for 50 hours a week, maybe as a combination of centre open hours and telephone service operating times. Website information will be available 24 hours.

**Designated delivery sites** will be open for a set number of hours each week, varying between 5 and 35. Website information will be available 24 hours.

**Outreach services** will continue to be provided based on need within the community and will adapt to meet changing family needs. They will be held in community venues such as church halls, village halls, libraries or health centres. They also include targeted one to one support in the home.

In reaching its decision, the Cabinet noted the following:

- a Children's Centre service will continue to be provided for all children in Essex;
- although the proposals would result in a reduction in the numbers of registered Children's Centres, there will be no change to the current service specification;

- the benefits of the proposed changes include reduction in rental and utility costs for existing registered sites directly let by providers and efficiency gains through leaner management, leaner processes and administration of the services through the main sites;
- there will also be benefits to service users as staff will be released from staffing under-utilised buildings. This will allow for a flexible staffing model, with the opportunity to redirect staff toward more front-line work, supporting vulnerable families and children; and
- Children's Centre services will continue to be provided at 82 of the current 85 sites.

#### **Note**

This decision was called in following the Cabinet meeting and referred to the People and Families Scrutiny Committee for consideration.

### **8. Home to School Transport Policy**

The Council's current expenditure on home to school transport is in the region of £25 million, of which over £10 million is spent on facilitating access to schools for pupils with a statement of Special Educational Needs (SEN). The cost is increasing as a result of rising demand and the general cost of transporting children to and from school.

In the light of this, and the fact that the current home to school transport policy allows some pupils to receive free transport in circumstances where the Council is not required by law to provide it, a decision was taken to review the service. A number of potential options for change were developed, with a consultation exercise undertaken in autumn 2013.

The consultation document included the following proposals:

- Removal of the use of priority admission area to determine entitlement – use nearest school.
- Review of unavailable walking routes to take account of current circumstances
- Withdrawal of provision of transport to low income families with a child attending a selective school
- Addition of a means tested assessment as part of the process to assess cases where there may be exceptional circumstances
- Changes to the 'application window' for applications made under the discretionary post 16 and exceptional transport policies
- Reduction in transport assistance for Post 16 learners, such that support will only be provided in certain circumstances.

Having considered the proposed changes in detail, including the benefits and risks of each, and having taken account of the consultation responses, the Cabinet has authorised the Director for Commissioning: Education and Lifelong Learning to update the Council's home to school transport policy to reflect the following changes:

- 1) With effect from September 2015 the Council will only provide transport to a pupil's nearest non-faith school unless there is a statutory duty to provide transport, but that as a transitional measure, this is not applied to pupils who are, in July 2015, receiving transport until they complete their current phase of education or leave that school. For the purpose of this decision 'faith school' includes Voluntary Aided Schools and Becket Keys School.
- 2) Certain routes to Bromfords School and Grange Primary School, Wickford and Forest Hall (formerly Mountfitchet) School, Stansted will be designated as safe walking routes and the Cabinet Member for Education and Lifelong Learning will review other routes which have previously been considered not to be safe walking routes in the light of advice from the Member Routes Panel.
- 3) Where a pupil ceases to be entitled to free transport as a result of the re-classification of a route as available to be used as a walking route, the Council will give at least one full term's notice to those affected.
- 4) Transport will continue to be provided for those students from low income families attending selective (grammar) schools in accordance with the existing policy.
- 5) With effect from 1 September 2014 the Council will take account of family income when deciding whether transport should be provided in exceptional circumstances, applying a means test in normal circumstances.
- 6) With effect from 1 September 2014 the Council will not normally consider requests to provide transport in exceptional circumstances other than between 1 March and 30 September and between 1 and 31 January.
- 7) With effect from 1 September 2014 post 16 learners from low income families are asked to make a contribution of £450 per year for transport to post 16 education which can be paid in instalments.
- 8) With effect from 1 September 2014, transport for Post 16 learners who have a statement of SEN will continue to be provided, as long as the school named within that statement is the nearest to their home that meets their needs. There will continue to be a charge for this provision.
- 9) With effect from 1 September 2014, transport assistance will be provided to those new Post 16 learners with SEN or additional needs, who no longer have a statement, but attend FE Courses. Assistance will be in the form of either a pass to travel on existing or public transport contracts or a Personal Transport Budget, based on assessed need.
- 10) The provision of subsidised transport to all other Post 16 learners not covered in paragraphs 7 – 9 above be ceased from 1 September 2014, with the purchase of tickets on existing public services on a full cost recovery basis to be allowed instead.
- 11) The Council will work with transport operators to encourage them to provide commercial school transport services to meet community demands and they will in principle be permitted to sell spare seats on County Council commissioned

routes on a commercial basis with a view to reducing the cost to the Council of those services.

#### **Note**

This decision was called in following the Cabinet meeting and referred to the People and Families Scrutiny Committee for consideration.

### **9. West Essex Pupil Referral Unit**

West Essex Pupil Referral Unit (PRU) has capacity for 125 children. It was placed in special measures by Ofsted in March 2012 and was assessed in May 2013 as making satisfactory progress (compared with the position in January 2013 when progress was not satisfactory).

In a recent consultation with all Essex secondary schools concerning the future delivery and funding of alternative provision for children unable to attend a school setting for a variety of reasons, schools in West Essex stated that they did not wish to continue to commission the West Essex PRU. This was due to concerns about the quality of provision and access and transport challenges for pupils in some areas.

Cabinet has therefore agreed to seek the consent of the Secretary of State for Education to discontinue the West Essex PRU with effect from 3 August 2014. The Council will, however, retain responsibility for providing services for children unable to attend school for medical reasons which are currently provided by West Essex PRU.

All funding currently associated with provision for pupils with challenging behaviour at West Essex PRU will be delegated to a lead school in each of the three West Essex districts (Harlow, Epping Forest and Uttlesford) to enable them to develop or commission provision for these pupils. Harlow schools have agreed to commission provision for pupils with challenging behaviour through the new Aspire Academy (free school) and Headteachers from Epping Forest and Uttlesford are currently also in discussion with the academy about commissioning places for pupils in their districts.

### **10. Building Work at John Ray Infant and Junior Schools, Braintree**

John Ray Infant and Junior Schools are co-located infant and junior schools in Braintree. John Ray Infant School is currently occupying temporary accommodation following the destruction of its building by fire in August 2013.

The Council is currently in negotiation with its insurers regarding the replacement of the infant school building. At the same time, the demography of the area means that there is a shortage of school places, and the Council is currently consulting on expanding both the infant and the junior schools from three forms to four forms of entry. Although insurance will clearly not fund the building of the infant school to a larger size, combining the rebuild of this school with its expansion and that of the junior school will minimise disturbance for the children as well as achieving procurement savings.



The Cabinet has agreed to proceed with the proposed rebuild and expansion by procuring a Design and Build contractor using the Smarte East framework. The total project cost is anticipated to be £7.1m, with the new infant school building to be provided by September 2015 and the expanded junior school by September 2016.

## **11. Essex Equipment Service Commissioning Intentions**

Equipment is provided by the Council and NHS bodies to allow the frail, elderly and physically disabled to live independently and to facilitate discharge from hospital. In Essex, this service is commissioned by the Council for itself and on behalf of a number of partners, with the current model for delivery being that of a service provided by a Local Authority Trading Company (LATC – in this case Essex Cares).

As the joint working agreement with the Council's partners is due to expire on 31 March 2014 and the contract with the LATC (Essex Cares) will expire on 30 June 2014, an options appraisal was undertaken to establish the preferred model for commissioning services in future. Having considered various possibilities, and with the current partners confirming their wish to continue with a jointly commissioned solution, it was proposed to continue with the current model (albeit with equipment now being supplied to commissioners via the Department of Health Integrated Procurement Hub (IPH) where this is the most effective way), together with the development of a retail element to the service.

The Cabinet has agreed that the service should be delivered in this way and delegated authority to the Cabinet Member for Adults Social Care to award the contract to the appropriate trading company upon advice from the Executive Director for Corporate Services and the Director for People Commissioning. It has also agreed that the Council should join the Department of Health sponsored Integrated Procurement Hub and enter into appropriate legal arrangements to deliver the joint service. Finally, the Cabinet has approved the development of a retail element to the service to provide choice and personalisation to service users and opportunities for people who are not eligible for social care services to obtain their own equipment, with the aim of ensuring that this provision operates on a full cost recovery basis.

## **12. Procurement of Refuse Derived Fuel Disposal Contract**

Following a decision taken in May 2012, a Mechanical Biological Treatment (MBT) facility for the processing of residual waste collected by the Waste Collection Authorities in the areas of Essex County Council and Southend-on-Sea Borough Council is currently under construction in Basildon. It is expected to start accepting and processing waste in July 2014.

Following treatment at an MBT facility, approximately 50% of the waste, by weight, remains for disposal as an 'MBT output'. Removal and disposal of outputs is contractually the responsibility of the County Council. The Council could continue to landfill this material or send it to energy recovery (or similar) facilities as a Refuse

Derived Fuel (RDF). Once RDF is transferred to an energy facility it may be processed to produce electrical energy to be resold to the National Grid.

The Cabinet has approved the strategy for the procurement and risk/commercial profile for the short-term disposal of RDF, and has agreed to commence a procurement exercise for award of a contract intended to secure short term disposal of RDF by energy generation routes. This will improve on the previously forecast landfilling position and pursue an energy disposal route earlier than originally anticipated, while at the same time securing savings on landfill disposal costs and offering a more environmentally sound solution. The Cabinet has also delegated authority to approve the award and execution of the contract to the Director for Commissioning, Waste and Environment in consultation with the Cabinet Member for Waste and Recycling and the Waste Member Board.

David Finch  
Leader of the Council

# Essex Fire Authority

## Report to the Constituent Authorities of the meeting on 4 December 2013

### 1. ESSEX FIRE AUTHORITY – DCLG AND FBU PENSIONS UPDATE.

In May 2013 the FBU raised a trade dispute with Ministers and with all the employing Fire and Rescue Authorities around proposed changes to Pensions in the Fire and Rescue Service.

This includes changes to employee contribution rates and the ratio of employee to employer contributions, changes to commutation rates (the process of converting an amount of pension into a lump sum) and an increase in the Normal Pension Age (NPA) from 55 to 60 years of age.

Mr Matt Wrack, General Secretary of the FBU, wrote to the Ministers and employing authorities on 16<sup>th</sup> May setting out seven provisions which the FBU are asking for and which, if not met, would result in a ballot for industrial action

Initial negotiations proved unsuccessful and a FBU ballot supported strike action (with the exception of Scotland who took the decision not to strike). Whilst negotiations continued, no agreement was reached, culminating in strike action on 25<sup>th</sup> September 2013. A further date for strike action was set for 19<sup>th</sup> October 2013 but was called off at short notice after the National Employers put forward some draft principles relating to fitness and capability.

This discussion focussed on one element of the dispute; that of the increase to the retirement age to 60, and what would happen to a firefighter who on reaching the age of 55 was not able to meet required fitness standards but was not eligible for early retirement on ill health grounds. The FBU assert that such employees face the prospect of being dismissed and having 'no job, no pension'.

The National Employers called a consultation meeting with Local Employers on 24<sup>th</sup> October 2013 to discuss the 11 draft principles and seek Fire Authorities' agreement to move forward to agree those principles to support the resolution of the dispute (Appendix 1).

The Authority was represented at that meeting by the Chairman of Essex Fire Authority and the Director of HR & OD.

At that meeting concerns were raised by Fire Authorities including Essex Fire Authority, that the principles, as worded, could result in the Authority being obliged to commence an Authority initiated early retirement process for firefighters not able to meet the fitness standards. In short this would mean that a firefighter of the age of 55 or over who could not maintain their fitness but was not eligible for ill-health early retirement would be retired early by the Fire Authority and receive a full (non-actuarially reduced) pension.

In such circumstances the Authority would be required to pick up the costs of the actuarial reduction which could be tens to hundreds of thousands of pounds for each eligible employee, dependent on individual circumstances.

For clarity, it should be noted that an individual in this circumstance, who was potentially facing capability dismissal could already retire and take an actuarially reduced pension, therefore the

FBU suggestion that an employee would face 'no job, no pension' is not accurate and would only arise if the employee chose it.

The Fire Authorities were clear that any proposal that this actuarial reduction can be made up to a full pension could only be supported if Government undertake to fully fund the cost, and that the mechanism for Government funding any actuarial reduction be underpinned within a statutory framework or other appropriate mechanism (as is proposed in Scotland).

In addition the Fire Authorities expressed some concerns with the suggestion that redeployment of firefighters who fail to maintain their fitness should be 'within role' as this essentially limits the redeployment opportunities available. The suggested creation of 'new' roles to accommodate these employees is likely to limit flexibility within the workforce and increase costs, at a time when most Fire Authorities are seeking to widen rather than narrow roles and multi-skill staff to deliver greater flexibility. All of which is delivered against a backdrop of decreasing funding and a need to manage human resources more efficiently.

Other concerns were raised in relation to the terminology of the 11 principles and the potential consequences of agreeing them but these were secondary to the two concerns listed above.

It was agreed that the National Employers would go back to the FBU with a proposal to seek to amend the 11 principles and whilst these talks have continued, the FBU announced further Strike action for 1<sup>st</sup> and 4<sup>th</sup> November 2013.

In the absence of an agreement, Fire Minister Brandon Lewis, wrote to Fire and Rescue Authorities on 1<sup>st</sup> November to announce that he was to consult on the same set of draft principles with the intention that they become national guidance, to be adopted and elaborated upon by individual fire and rescue authorities. He confirmed in this letter his intention to commission an independent review of the adopted principles three years after they have been issued to assess whether they are fit for purpose and being properly implemented and to reference agreed principles in the Fire and Rescue Service National Framework.

The Chief Fire and Rescue Adviser (CFRA) will administer the consultation which closed on the 6<sup>th</sup> December 2013.

Members were reminded that fitness and capability is only one area of the current pensions dispute. There appears to have been little or no movement on the other demands made by the FBU and therefore even if the fitness and capability issue was resolved, the dispute in its entirety would still not be resolved unless an agreement can be reached between the Government and the FBU on these other demands.

#### INDUSTRIAL ACTION – PARTIAL PERFORMANCE

Since the announcement of the DCLG consultation exercise and despite on-going talks between the FBU and National Employers, the FBU have announced further strike action on 13<sup>th</sup> November 2013 and initiated a further ballot of their members for industrial action short of strike action. This ballot closed on 4<sup>th</sup> December 2013 has been extended to FBU members within the Control room and can only be seen as an escalation of industrial action with the potential aim of disrupting what have proven effective resilience arrangements in many Fire and Rescue Services. FBU Members voted in favour of industrial action short of strike action and this will take place between 6pm and 10pm on 12<sup>th</sup> and 13<sup>th</sup> December.

Action short of strike action can take many forms, in the 2012 local dispute in Essex this included a ban on overtime and 'acting up' and moved on to periods within which the FBU instructed their members to respond to 999 Emergency calls only and not to undertake other duties.

Strike action is technically a breach of contract and therefore the Authority can withhold pay from the employee for the period of strike action.

In addition the Authority is entitled to demand full performance of an employee's contract of employment and is not obliged to accept partial performance of that contract. This includes action short of a strike or the failure to attend a full shift as per contract. For example, the FBU may decide to take an approach to strike action to cause maximum disruption to the Service with minimal cost implications for the individual taking action. This could be achieved by calling strike action for one hour at the beginning and end of a shift.

In this example the Authority can choose to accept partial performance and make a deduction from pay for only the element of the shift for which the employee withdrew their labour (e.g. two hours). Alternatively the Authority could refuse to accept partial performance and deduct pay for the entirety of the shift. The Authority can in this scenario also choose to 'lock out' the employees from the workplace for the rest of the shift.

Likewise should employees take action short of strike action and refuse to undertake some of their duties, then this is not full performance of contract and as such the Fire Authority could choose to withhold pay proportionate to that element of the contract which was not performed.

In any circumstance where the Authority decides not to accept partial performance it is essential to give notice to employees that it will not accept partial performance and state clearly what the consequences will be.

The Fire Authority recognises the right of employees to take part in lawful industrial action and in this instance it is relevant that the dispute is between the FBU and the Government, not the local employers. Because of this, the decision was made to accept partial performance for the short periods of strike action undertaken to date.

However, Service managers also have an obligation at a local level to mitigate the impact of any industrial action. This does not only mean that we must put in place robust professional fire cover resilience arrangements but we must also ensure that the cost of those arrangements, where possible, does not fall on the public purse and that the Fire Brigades Union cover the cost of industrial action they have called, rather than the tax payers of Essex.

Whilst Service managers have no desire to place an unfair financial burden on staff who choose to take industrial action we do feel it appropriate to consider whether to accept the full cost burden of that action as each occurrence arises. This decision needs to reflect the net cost of the planned action to the Authority.

Employee relations matters are delegated to the Chief Fire Officer, however, in light of the increasing potential for what is a national dispute to take a more local emphasis, this report asks for the Fire Authority to confirm the delegation to the Strategic Management Board to make decisions on partial performance, on a case by case basis, as deemed appropriate for the duration of this dispute. Because periods of strike action can be called with just 7 days' notice it is impractical for the Authority to take these decisions for each and every period of strike action.

Members of Essex Fire Authority agreed the consultation response and approved its issue to DCLG, and confirmed the delegation of authority to make decisions on partial performance to the Strategic Management Board.

## **2. OPERATIONAL INCIDENTS AND INCIDENTS OF NOTABLE INTEREST.**

For the period 1 April to 30 September 2013 Essex County Fire and Rescue Service has attended 7,523 incidents compared with 7,655 for the same period last year. Despite primary fires continuing to reduce from 1222 to 1191, the total number of incidents of fire has increased from 2,491 to 2,608. This is due to a slight increase in secondary fires with 1391 attended compared to 1234 for the same period last year.

Special Service incidents have reduced from 1912 to 1800. The majority of special service incidents continue to be road traffic collisions (RTCs).

False alarms continue to reduce with the number of false alarms due to apparatus attended declining from 1377 from the previous year to 1250 from April to September 2013 and hoax calls attended by the Service has also continued its downward trend from 133 to 96.

#### **Summary of Incidents Attended by ECFRS – 2012/13 compared to 2013/14**

<b>Incident Type</b>	<b>2012/13</b>	<b>2013/14</b>
<b>Fires</b>	<b>2491</b>	<b>2608</b>
<b>Special Services</b>	<b>1912</b>	<b>1800</b>
<b>False Alarms</b>	<b>3252</b>	<b>3115</b>
<b>Total</b>	<b>7655</b>	<b>7523</b>
<b><u>Fires</u></b>		
<b>Primary Fires</b>		
Dwelling	471	445
Other building	218	254
Vehicle	385	375
Other	148	117
Secondary Fires	1234	1391
Chimney Fires	35	26
<b>Total</b>	<b>2491</b>	<b>2608</b>
<b><u>Special Services</u></b>		
RTC	604	606
Effecting Entry	197	225
Lift Release	179	218
Flooding	237	179
Removal of objects from people	95	78
Animal assistance incidents	70	74
Spills and Leaks (not RTC)	87	69
Other rescue/release of persons	88	58
Assist other agencies	75	53
Making Safe (not RTC)	54	45
No action (not false alarm)	31	42
Removal of people from objects	33	30
Hazardous Materials incident	32	25
Other Transport incident	21	22
Stand By	13	20
Suicide	15	14
Medical Incident - First responder	26	13
Advice Only	8	11
Rescue or evacuation from water	30	8

Evacuation (no fire)	10	6
Medical Incident - Co-responder	6	4
Water provision	1	0
<b>Total</b>	<b>1912</b>	<b>1800</b>
<b><u>False Alarms</u></b>		
False alarm due to apparatus	1377	1250
False alarm good intent	1742	1769
Malicious false alarm	133	96
<b>Total</b>	<b>3252</b>	<b>3115</b>

The table set out below highlights the number and incident types at which the Service has encountered fatalities, injuries or has affected rescues for the period 1 April to 30 September 2013.

<b>February 2012 – January 2013</b>				
<b>Incident Type</b>	<b>Fatalities</b>	<b>Injuries</b>	<b>Rescues</b>	<b>Persons Involved (Total)</b>
<b>False Alarm</b>	0	0	0	0
<b>Fire</b>	4	114	14	132
<b>*Special Service</b>	18	523	434	975

### **3. KELVEDON PARK PROGRESS REPORT**

Having initiated construction of Phase 2A in October 2012 with a proposed completion date of January 2014, the contractual completion date was changed by negotiation in December 2012 to the end of March 2014.

The building is to be prepared in two sections, the first being the completion of the construction of the extension and the second involves internal changes to the existing building that can be facilitated by the space created. The second section includes the centralisation of some departments within the building to be located together and the extension of the canteen seating area to accommodate more staff from Hutton and other sites and visitors on site.

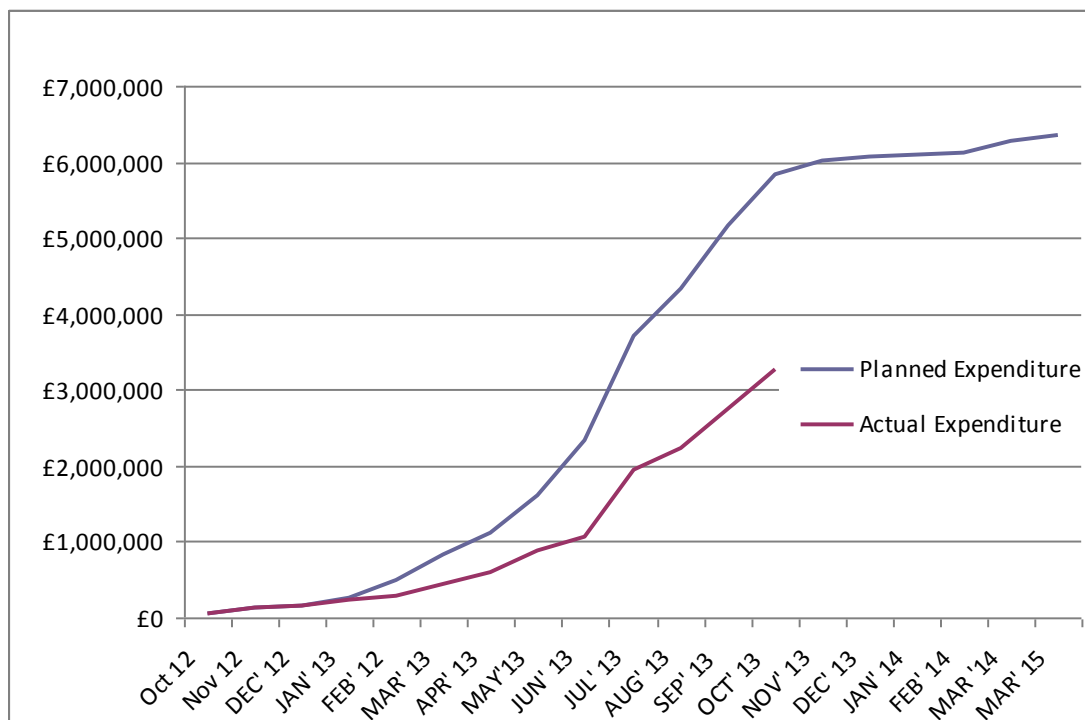
There have been a number of challenges presented by the build for the Property Services team. Initially some issues with the start date led to a delay which had several knock on effects to the construction. Timescales and quality of the construction suffered through the beginning of the year and the summer although a concerted effort from the contractor and the design team on behalf of the Authority has led to substantial improvements in construction processes and finishes.

Part of these improvements has also involved the examination of the proposed timetable. The contractor Farrans were aiming to complete the first section of development for handover by the 31<sup>st</sup> January, 2014. However, at this time the contractor is around £2.4m behind their original cash flow forecast which makes the current forecast completion date unlikely.

Issues are starting to arise with the services to the site. Although power is readily attainable through adjacent land, water supply is being hampered by negotiations. Every effort is being made to bring these services to site as soon as possible to reduce the impact on the

construction although the possible timetable is still vague. Confirmation of completion dates will be available once the situation regarding services is clearer.

The main construction can continue through to and possibly after Christmas unaffected by the services issues. Currently works continue at a reasonable pace and are being closely monitored for quality and performance. A majority of the original design issues have been understood and cleared with good progress being made. The current cash flow analysis highlights construction progress.



#### PROGRESS TO THE END OF JANUARY 2014

Over the next few weeks there will be completion of the external elements of the building such as the windows and roofing. Internally, works will continue with the completion of electrical and mechanical elements. If statutory services can be completed then work will progress to cover these and complete carpeting and decorations. External civil works such as car parking and landscaping will start in the next few weeks and continue through to the end of the project.

**Councillor Anthony Hedley**  
**Chairman**