

Resourcing EssexWorks

Revenue Budget 2012/13

Capital Programme 2012/13 - 2016/17



RESOURCING ESSEXWORKS

REVENUE BUDGET 2012/13

CAPITAL PROGRAMME 2012/13 TO 2016/17

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Overview of key figures

Revenue Budget

The revenue budget has been created after a thorough review of priorities, spending pressures, efficiency programmes and the availability of Government funding.

In total, the Council is planning to spend £2.144 billion on delivering services in 2012/13. This is funded by a combination of government grant, council tax and fees & charges, as demonstrated on page 2 of the budget book.

To determine our council tax, we have to calculate the net revenue budget requirement, which is then financed by Formula Grant (incorporating a share of Revenue Support Grant and National Non-Domestic Rates) and Council Tax. All other funding, including fees and charges and other income, is shown within service budgets before the calculation of the budget requirement.

The gross expenditure of £2.144 billion translates to a net cost of services of £937.906m and a budget requirement of £855.786m as follows:

	£000
Gross Expenditure	2,144,397
Income	(175,129)
Specific Government Grants (DSG)	(915,013)
Specific Government Grants (other)	(116,348)
Net cost of services	937,906
Contribution from General Balance	(2,356)
General Government Grants	(79,764)
Budget Requirement	855,786

For 2012/13 the budget requirement amounts to £855.786m, which is a reduction of £8.459m from the equivalent figure for 2011/12. This is a net result of:

- £136m net increase relating to pressures and projects, including the effect of previous one-off funding being removed
- £123m reduction as a result of savings and efficiencies
- £2m reduction as a result of withdrawing funds from the general balance
- £19.3m increase in general government grants

2012/13 Grant settlement

The settlement information for 2012/13 was substantially as previously released as draft information during the preparation of the 2011/12 budget, with a few changes, as demonstrated by the table at the end of this section.

The Government has made available a second tranche of grant, equivalent to a 2.5% increase in the Council Tax, payable to those authorities who decide not to implement an increase in their Council Tax for 2012/13. As Essex is not proposing an increase to the Council Tax, it will be accepting this funding.

2012/13 Formula Grant for Essex will total £274.8m, compared with £283.7m for 2011/12. However, the 2012/13 figure includes the first tranche of Council Tax Freeze grant totalling £14.4m, so on a like-for-like basis this constitutes a reduction of £23.3m or 8.2%, as expected following the Comprehensive Spending Review (CSR) 2010.

Estimated Dedicated Schools Grant will be £620.939m, after taking account of reductions relating to schools transferring to academy status. There is no change to the funding level per pupil as compared with 2011/12.

Other Specific grants will be £116.348m, and Essex will receive £79.764m in General Government grants (including the second tranche Council Tax freeze grant).

Council Tax

The Council Tax for a Band D property will be £1,086.75, which is the same as that for 2011/12 and 2010/11. The table in the budget book shows the Council Tax for all property bands. As mentioned above, as the Council has not increased its Council Tax again this year, the government will pay a grant equivalent to a 2.5% increase in the Council Tax.

The tax base for council tax purposes has increased by 0.5% from 532,492 in 2011/12 to 535,184 in 2012/13, indicating a slight increase in the number of households in Essex.

The Council Tax precept will be £581.611m. Essex County Council will also take a share (£0.624m) of the net deficit on the Collection Funds maintained by the district and borough councils as billing authorities. This has previously been a surplus paid to the authority.

Revenue Funding – Comparison of anticipated 2012/13 figures and draft release.

	2012/13	
	Anticipated £000	Draft release £000
Revenue Support Grant	80,668	5,226
NNDR	179,738	269,574
Total formula Grant	260,406	274,800
Council Tax Freeze grant	28,955	14,555
Early Intervention Grant	47,286	48,937
PFI Grant	9,001	11,367
Local Service support grant	1,342	2,805
New Homes bonus	-	2,101
Total General Government Grants	86,584	79,764
Council Tax	581,569	581,569
Collection Fund surplus/ (deficit)	1,774	(624)
Withdrawal from General Balance	-	2,356
Total funding	930,333	937,907

Explanatory notes:

1. This assumes that ECC will opt to accept the second tranche of Council Tax Freeze grant.
2. The settlement announced that the first tranche of Council Tax Freeze Grant will be funded via NNDR, hence the formula grant total has been increased by £14.4m to reflect this
3. The composition of the formula grant elements has otherwise altered, but the total remains as expected.
4. Council Tax Freeze Grant total now represents only the second tranche of funding as the first tranche is included in the NNDR total
5. Early Intervention Grant is £1.651m higher than previously anticipated. Work is underway to verify if this additional funding brings with it further responsibilities.
6. PFI grant is £2.4m more than anticipated. Some of this is due to the effect of re-profiling the payments to local authorities. The re-profiled funding will be fully used in supporting the PFI projects for which it is allocated.
7. Local Services Support Grant is £1.463m higher than anticipated. This is largely due to an increased allocation relating to the extended rights for free travel
8. New Homes bonus was announced for 2012/13 at £2.1m. It is intended that this funding is to be used to support the capital programme, and the Integrated County Strategy in particular.
9. Collection Fund surpluses were anticipated to total £1.774m for 2012/13 but due to a variety of circumstances, a net deficit is now confirmed. The difference is therefore being offset through a withdrawal from the General Balance.

Capital Programme

In addition to the revenue budget which provides for the day-to-day running costs of services, we are also proposing to invest £134.581m in 2012/13 in a capital programme to deliver new and improved facilities such as schools and roads. The proposed programme over the 5 years to 2016/17 is £512m

Capital expenditure is financed from a number of sources:

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

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

The capital programme has been created following a rigorous assessment of schemes against relevant criteria, including those derived from Corporate Plan priorities.

Reserves and Balances

The reserves, set out later in this Budget Book, fall into two broad categories: earmarked and general balances. Both are equally important to the Council's financial wellbeing. The former are amounts set aside for very specific policy purposes, the most important of which is preparation for significant future expenditure, which would otherwise cause very uneven cash flows. In turn, that would have potential negative effects on the Council Tax increases or on service budgets.

The General Balance does not have a specific purpose, but is set aside to allow the Council to deal with unexpected events or costs without impacting services at short notice. A generally accepted guideline is that such balances are 5% of the budget requirement. Essex County Council is proposing general balances of £45.3m at the beginning of 2012/13. It is proposed to withdraw £2.356m from the General Balance in 2012/13, which will leave an estimated balance of £42.9m.

This is slightly less than 5%, but combined with a proposed £8m contingency in the revenue budget, the 5% guideline is achieved.

Having such reserves and balances at a time when the Council has to find significant savings in its operating budgets is essential. This allows the Council to have some measure of safety net should the unexpected occur or should some savings plans not deliver the required figures at the required time.

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

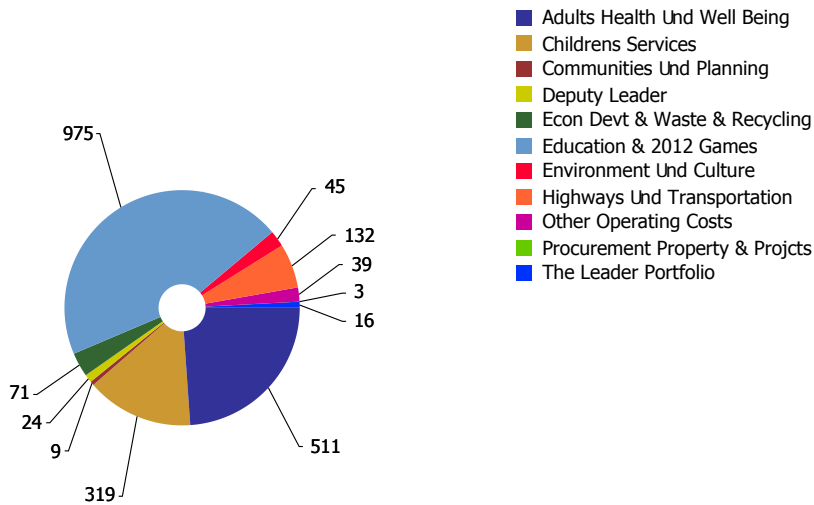
The Prudential Indicators, Treasury Management Strategy and Provision for Repayment of Debt policy is included later in the budget book. This sets out our strategy for borrowing to support the capital programme, for investing surplus cash balances, demonstrating that our capital investment plans are affordable and that borrowing is at a prudent and sustainable level. In addition, it sets out the arrangements for ensuring that the Council makes a prudent provision for the repayment of borrowing for capital financing purposes undertaken in 2011/12 and before.

Revenue Budget 2012-13

Revenue Budget Summary 2012-13

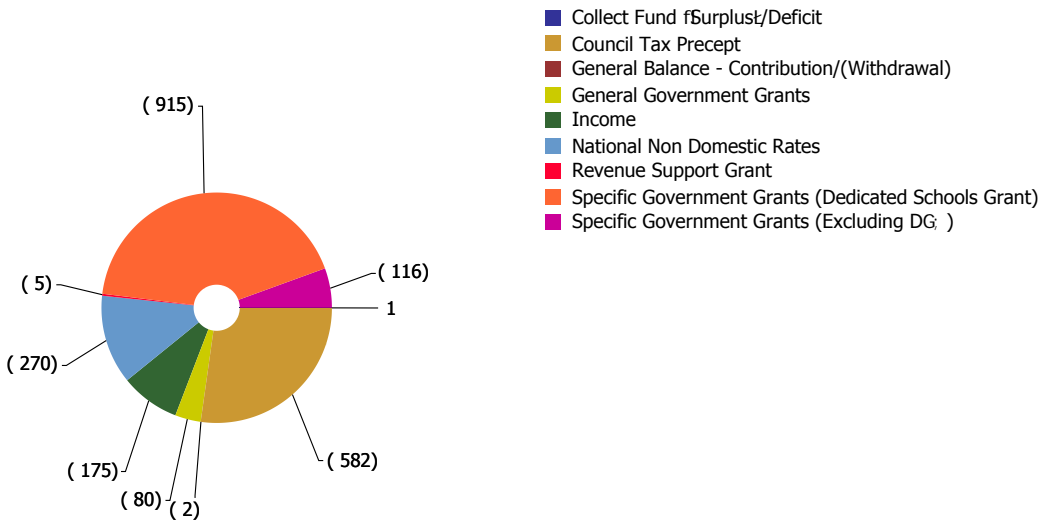
2010 - 11 Actuals £000		2011 - 12 Original Budget £000	2011 - 12 Latest Budget £000	2012 - 13 Budget £000
2,339,406	Gross Expenditure	2,096,199	2,020,698	2,144,397
(351,912)	Income	(179,059)	(215,725)	(175,129)
(288,652)	Specific Government Grants (excluding Dedicated Schools Grant)	(129,535)	(110,726)	(116,348)
1,698,842	Subtotal	1,787,605	1,694,247	1,852,920
(781,287)	Specific Government Grants (Dedicated Schools Grant)	(871,336)	(769,432)	(915,013)
917,555	Subtotal - Net Cost of Services	916,269	924,815	937,906
(1,080)	General Balance - Contribution/(Withdrawal)	8,426	13,292	(2,356)
(94,411)	General Government Grants	(60,448)	(73,861)	(79,764)
822,064	Budget Requirement	864,246	864,246	855,786
	Financed By			
(403)	Collection Fund (Surplus)/Deficit	(1,846)	(1,846)	624
(574,956)	Council Tax Precept	(578,685)	(578,685)	(581,611)
(215,423)	National Non Domestic Rates	(216,724)	(216,724)	(269,574)
(31,281)	Revenue Support Grant	(66,990)	(66,990)	(5,226)
(822,064)	Total Financing	(864,246)	(864,246)	(855,786)

Gross Expenditure on Services £m



Total: £2,144m

Funding for Services £m



Total: £(2,144)m

Council Tax at each property band		2012-13 £
Band A	£0 to £40,000	724.50
Band B	£40,001 to £52,000	845.25
Band C	£52,001 to £68,000	966.00
Band D	£68,001 to £88,000	1,086.75
Band E	£88,001 to £120,000	1,328.25
Band F	£120,001 to £160,000	1,569.75
Band G	£160,001 to £320,000	1,811.25
Band H	more than £320,000	2,173.50

Tax Base	2012-13
Band D equivalent properties	535,184

Revenue Budget Summary

County Fund

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
374,535	353,752	361,020	Adults Health and Well Being	497,025	(114,063)	(44,127)	338,835
143,015	184,287	179,252	Childrens Services	301,168	(12,092)	(116,041)	173,035
5,658	5,114	5,718	Communities and Planning	6,673	(1,100)	-	5,573
2,870	3,243	3,243	Deputy Leader	17,458	(12)	(970)	16,476
61,201	63,771	63,208	Econ Devt & Waste & Recycling	69,325	(3,730)	(1,050)	64,545
67,544	49,015	59,570	Education & 2012 Games	907,718	(7,360)	(858,435)	41,922
24,582	19,304	17,183	Environment and Culture	35,783	(11,398)	(10,363)	14,023
82,959	86,722	98,036	Highways and Transportation	111,880	(20,319)	(245)	91,316
54,558	71,910	33,171	Other Operating Costs	117,465	(3,482)	(130)	113,852
1,722	1,419	1,563	Procurement Property & Projects	2,932	(1,443)	-	1,489
11,907	10,118	9,456	The Leader Portfolio	8,117	(131)	-	7,986
830,551	848,653	831,419		2,075,543	(175,129)	(1,031,361)	869,052

Recharged Support Services

48,144	40,814	51,597	Deputy Leader RSSS	52,754	(16,056)	-	36,698
2,982	2,912	2,776	Econ Devt & Waste & Recy RSSS	3,248	(702)	-	2,546
1,162	996	1,279	Highways and Transport RSSS	5,098	(3,875)	-	1,223
4,351	3,049	7,557	Leader RSSS	4,934	(44)	-	4,890
27,676	15,884	26,228	Proc Prop Major Projs RSSS	27,116	(3,619)	-	23,497
84,315	63,656	89,437		93,151	(24,297)	-	68,854
914,866	912,309	920,856	Net Controllable Cost of Services	2,168,694	(199,426)	(1,031,361)	937,906
2,689	3,960	3,960	Building Maintenance	-	-	-	-
917,555	916,269	924,815	Net Cost of Services	2,168,694	(199,426)	(1,031,361)	937,906

Adults Health and Well Being

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
Access Assessment & Care Mgt							
3,352	3,335	4,199	AACM Countywide Teams	2,265	-	-	2,265
5,738	5,648	5,542	AACM Mid Teams	5,147	(26)	(64)	5,057
6,530	6,225	6,174	AACM North East Teams	5,992	(26)	(343)	5,624
3,298	3,103	3,202	AACM South East Teams	2,979	-	(36)	2,943
4,014	3,883	3,882	AACM South West Teams	3,668	-	(133)	3,535
4,537	4,321	4,376	AACM West Teams	4,177	(60)	(107)	4,010
Care & Support							
110,757	116,006	112,921	Learning Disabilities	164,908	(8,233)	(43,065)	113,611
126,502	101,604	105,136	Older People	194,948	(90,373)	-	104,576
32,855	33,172	32,653	Physical & Sensory Impairment	34,583	(2,687)	-	31,897
Corporate & Democratic Core							
361	361	361	Corporate & Democratic Core	361	-	-	361
Mental Health							
7,307	7,431	7,445	Access Assessment & Care Mgt	7,383	(357)	-	7,026
13,264	11,853	12,068	Care & Support	13,393	(1,426)	-	11,966
Other Social Care							
276	206	205	Carers Strategy	200	-	-	200
(94)	(48)	(27)	Essex Vulnerable Adults	320	(348)	-	(28)
6,229	6,802	6,514	Third Sector Funding	6,846	-	(222)	6,624
235	279	45	User Carer Involvement	272	-	-	272
Registrars Office							
37	19	22	Registrars Office	1,952	(2,177)	-	(224)
Service Management Costs							
18,445	26,882	33,732	Service Management Costs	28,957	(8,351)	(159)	20,447

Adults Health and Well Being

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
(176)	(714)	(714)	Service Management Recharge	(714)	-	-	(714)
			Supporting People				
708	153	562	Administrative Costs	567	-	-	567
(220)	-	-	Grant Income	-	-	-	-
30,567	23,230	22,722	Programme Costs	18,822	-	-	18,822
13	-	-	Supporting People ASC	-	-	-	-
374,535	353,752	361,020	Net Cost of Service	497,025	(114,063)	(44,127)	338,835

Childrens Services

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
Childrens Services DG;							
Dedicated Schools Grant							
(118,351)	(113,334)	(128,681)	Dedicated Schools Grant	-	-	(112,635)	(112,635)
Schools Budget							
31,621	29,372	37,244	Education For Under Fives	29,387	-	-	29,387
32,969	28,046	33,372	ISB Special Schools	28,046	-	-	28,046
173	381	368	Misc Expenditure	371	-	-	371
(2,543)	-	-	School Development Grant	-	-	-	-
43	3,385	1,126	School Specific Contingencies	3,385	-	-	3,385
Special Educational Needs							
6,638	6,814	6,630	Behaviour Support Plans / PRUs	6,814	(55)	-	6,760
8,118	8,402	9,080	Education Out Of School	8,333	(168)	-	8,164
17,623	17,111	20,064	Independent Special School Fee	16,859	-	(1,212)	15,647
-	1	-	Non-Devolved Stds Fund SEN	1	-	-	1
195	500	500	Promoting Good Practice	500	-	-	500
4,040	8,689	4,823	Prov For Pupils With Statement	10,967	-	(814)	10,153
1,218	981	981	Recoup Of Cross Boundary Costs	2,926	(1,945)	-	981
699	699	699	Service Management	699	-	-	699
356	313	313	Special Needs Playgroup Fees	313	-	-	313
6,064	5,891	6,331	Special Needs Support	5,954	(172)	-	5,782
Childrens Services Non DG;							
Childrens Services							
48,527	50,948	55,491	Care Management And Assessment	54,763	(646)	(41)	54,076
70,775	65,495	65,411	Children Looked After	67,937	(5,047)	(86)	62,804
5,845	5,545	7,069	Childrens Service Management	5,495	(59)	-	5,436

Childrens Services

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
244	244	244	Corporate & Democratic Core	244	-	-	244
396	396	717	YPSMPG	564	-	-	564
			Community Placed Budgets				
-	2,500	1,365	Community Placed Budgets	1,587	-	-	1,587
			CYP Strategic Partnerships				
668	770	994	CYP Strategic Partnerships	955	-	-	955
			Other Childrens Services				
1,659	1,664	2,271	DCE - Childrens Directorate	937	-	(19)	919
29	137	(11)	Essex L C S B	386	(298)	-	88
4,331	4,372	4,555	Other Social Care	5,626	(191)	(1,234)	4,201
(137)	-	(1)	Youth Trading Acts	(90)	-	-	(90)
			Schools - LA				
695	873	873	Access Asset Mgt	891	(18)	-	873
(251)	(40)	(251)	Access Excluded Pupils	(251)	-	-	(251)
69	69	69	Corporate & Democratic Core	69	-	-	69
22	33,257	25,642	Early Years & Childcare Grant	25,791	(65)	-	25,726
5,261	5,418	6,115	SEN School Improvement	6,930	(1,294)	-	5,636
(57)	624	771	Service Management	(802)	-	-	(802)
			Special Educ Needs - LA				
-	3	-	Collaboration	-	-	-	-
181	205	205	Education Functions re CLA	205	-	-	205
38	-	-	Education Welfare Service	-	-	-	-
13,820	12,520	12,630	Home To Sch&College Transport	11,390	(6)	-	11,384
			TASCC Teams				
193	115	34	TASCC Teams	(48)	-	-	(48)

Childrens Services

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
Youth Offending Service							
1,842	1,919	2,208	Youth Offending Service	4,033	(2,129)	-	1,904
143,015	184,287	179,252	Net Cost of Service	301,168	(12,092)	(116,041)	173,035

Communities and Planning

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
			Anti-Social & Community Safety				
630	537	1,383	Anti-Soc Behave & Comm Safety	832	-	-	832
			Area & P-Ship Co-Ordination				
317	335	-	Area & P-Ship Co-Ordination	-	-	-	-
			Big Society				
233	196	505	Big Society	501	-	-	501
			Develop Partnerships Districts				
879	361	-	Develop Partnerships Districts	-	-	-	-
			Development Management				
1,504	1,320	1,268	Development Management	1,619	(28)	-	1,591
			Environmental Planning				
840	1,024	904	Environmental Planning	1,525	(370)	-	1,155
			Rural Issues				
273	281	281	Rural Issues	281	-	-	281
			Sustainable Development				
644	661	1,140	Sustainable Development	1,075	(122)	-	953
			Travellers				
(9)	69	59	Travellers	687	(580)	-	107
			Volunteering				
346	329	179	Volunteering	154	-	-	154
5,658	5,114	5,718	Net Cost of Service	6,673	(1,100)	-	5,573

Budget Summary by Portfolio

Deputy Leader

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
Central Services To The Public							
146	227	227	Business Continuity	217	-	-	217
(21)	183	183	Other Services	14,541	(12)	(970)	13,558
1,207	1,082	1,082	Second Homes Discount Scheme	881	-	-	881
Precepts							
1,300	1,365	1,365	Environmental Agency	1,433	-	-	1,433
238	386	386	Kent & Essex Sea Fisheries	386	-	-	386
2,870	3,243	3,243	Net Cost of Service	17,458	(12)	(970)	16,476

Budget Summary by Portfolio

Econ Devt & Waste & Recycling

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
			Economic Regeneration				
3,455	1,417	522	Economic Regeneration	2,208	(863)	(1,050)	295
			International Development				
212	344	344	International Projects	326	-	-	326
(39)	-	-	Other International Develop	-	-	-	-
			International Trade				
169	257	204	International Trade	227	(30)	-	197
			Inward Investment				
473	280	396	Inward Investment	440	(65)	-	375
			Management & Support Services				
-	-	(65)	Management & Support Services	(126)	-	-	(126)
			Place Policy				
-	-	235	Place Policy	428	-	-	428
			Trading Standards				
3,217	2,511	2,501	Trading Standards	2,471	(245)	-	2,226
			Waste Management				
7,856	7,702	7,702	Civic Amenity Service	3,804	(260)	-	3,544
248	1,253	1,253	Courtauld Rd Waste Treatment	1,378	(114)	-	1,264
367	410	410	Exceptional Waste	410	-	-	410
484	339	339	Landfill Aftercare	429	(90)	-	339
17,550	19,987	19,987	Recycling Initiatives	25,342	-	-	25,342
398	1,118	1,118	Tipping Away Payments	1,121	-	-	1,121
(1,292)	(1,563)	(1,563)	Trade Waste Income	-	(2,062)	-	(2,062)
23,859	26,182	26,182	Waste Disposal	27,572	-	-	27,572
2,664	1,610	1,721	Waste Management & Supp Servs	1,671	-	-	1,671

Econ Devt & Waste & Recycling

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
1,579	1,924	1,924	Waste Strategy	1,625	-	-	1,625
61,201	63,771	63,208	Net Cost of Service	69,325	(3,730)	(1,050)	64,545

Education & 2012 Games

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
Education & 2012 Games DSG							
(662,935)	(758,002)	(631,454)	Dedicated Schools Grant	-	-	(792,383)	(792,383)
-	-	1,976	Early Years Contingency	-	-	-	-
-	-	386	Ethnic Min & Bi-Ling Learners	817	-	-	817
-	-	20	Prudential Borrowing	-	-	-	-
-	-	(6,067)	Pupil Premium Mainstream	9,296	-	(9,296)	-
673,401	753,216	640,527	Schools Budget	841,487	(203)	(54,562)	786,722
1,795	1,795	1,765	Service Management	1,795	-	-	1,795
-	2,892	1,073	Special Educational Needs	2,711	-	-	2,711
Education & 2012 Games Non DSG							
19,596	15,611	18,999	Access To Education	18,404	(937)	-	17,467
15,298	13,983	11,403	Children's Services	10,652	(3,537)	-	7,115
14,384	11,075	12,181	School Improvement	11,612	(1,369)	(1,796)	8,447
1,117	566	4,332	Skills	1,198	-	(398)	800
(4,732)	253	(3,271)	Specific Grants	253	-	-	253
6,770	4,859	4,859	Strategic Management	6,124	(1,267)	-	4,857
-	20	20	Support To Students	20	-	-	20
-	-	(87)	YPLA Funding	-	-	-	-
Lee Valley Park & 2012 Games							
2,850	2,746	2,906	Olympics & Sport Development	3,349	(47)	-	3,302
67,544	49,015	59,570	Net Cost of Service	907,718	(7,360)	(858,435)	41,922

Environment and Culture

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
			Adult Community Learning				
32	29	29	Adult Comm Learn - Serv Mgt	29	-	-	29
28	(1,116)	(1,115)	Adult Community Learning	12,836	(3,293)	(10,344)	(801)
819	801	801	Residual Pension Liability	801	-	-	801
			Built Environment				
885	676	692	Built Environment	790	(398)	-	392
			Corporate & Democratic Core				
172	65	75	Corp And Democratic Core	74	-	-	74
			Environmental Strategy				
250	130	131	Environmental Strategy	124	-	-	124
			Heritage And Cultural Service				
2,687	2,180	1,922	Heritage And Cultural Servs	2,138	(398)	-	1,740
			Historic Environment				
597	449	476	Historic Environment	1,297	(885)	-	411
			Leisure				
83	93	93	Contributions To Other Bodies	117	(24)	-	93
726	501	413	Country Parks	1,701	(1,403)	(19)	280
126	108	67	Cressing Temple	326	(267)	-	59
529	(12)	(60)	Marsh Farm	920	(1,008)	-	(88)
			Libraries & Information Service				
28	28	28	Community Information Points	-	-	-	-
29	34	34	Libraries Service Mgt	34	-	-	34
13,768	12,162	10,374	Library Operational Services	11,202	(3,055)	-	8,147
3,082	2,679	2,679	Library Resources	2,319	-	-	2,319
			Natural Environment				

Environment and Culture

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
406	222	172	Natural Environment	511	(370)	-	140
			Tourism				
336	276	375	Tourism	565	(297)	-	268
24,582	19,304	17,183	Net Cost of Service	35,783	(11,398)	(10,363)	14,023

Highways and Transportation

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
Highways And Transportation							
1,884	1,824	1,823	Bridges	1,649	-	-	1,649
6,272	5,759	6,970	Congestion	8,181	(4,255)	-	3,925
558	724	814	Emergency Planning	734	(69)	-	665
1,010	955	1,186	HAT Corp And Democratic Core	209	-	-	209
9,575	908	9,909	Highways A130 PFI	10,704	-	-	10,704
15,326	30,345	30,341	Passenger Transport	40,418	(9,577)	-	30,841
2,935	3,551	3,368	Public Rights Of Way	2,795	-	-	2,795
6,143	5,124	5,501	Road Safety	6,763	(2,561)	(110)	4,093
29,971	27,684	28,262	Roads And Footways	25,971	(184)	-	25,787
8,317	8,777	8,813	Street Lighting	9,042	-	-	9,042
1,455	-	-	Support Services	2,209	(2,209)	-	-
(371)	(652)	(673)	Traffic Management Act	942	(1,240)	-	(299)
(116)	1,722	1,722	Transportation Planning	2,264	(224)	(135)	1,905
82,959	86,722	98,036	Net Cost of Service	111,880	(20,319)	(245)	91,316

Other Operating Costs

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
Approps To/From Reserves							
5,271	1,225	(154)	A130 PFI Reserve	(634)	-	-	(634)
713	-	-	Building Maintenance Reserve	-	-	-	-
98	-	(546)	Capital Receipts Pump Priming	1,000	-	-	1,000
-	-	-	Carbon Reduction Reserve	1,419	-	-	1,419
7,757	(3,260)	(13,801)	Carry Forwards Reserve	-	-	-	-
185	188	(216)	Clacton PFI Reserve	188	-	-	188
(401)	94	154	Debden PFI Reserve	-	(251)	-	(251)
-	(1,500)	(1,500)	Developing Partnerships Rsve	-	-	-	-
-	-	-	Energy Inflation Rsve	1,200	-	-	1,200
(1,286)	-	-	ESF Reserve	-	-	-	-
-	(258)	(258)	Essex Art Fund Reserve	-	-	-	-
7	-	-	Essex On-Line Partnership Rsve	-	-	-	-
(7,526)	-	-	Essex Pledges Reserve	-	-	-	-
(76)	(821)	(821)	Essex Transport Reserve	-	-	-	-
3,081	-	(5,333)	Grant Equalisation Reserves	-	-	-	-
-	-	-	Highways Maintenance Reserve	2,000	-	-	2,000
(1,735)	(212)	(212)	IMT Reserve	-	-	-	-
2,148	-	3,437	Insurance Reserve	-	-	-	-
2,368	-	(1,531)	LAA Performance Rwrdr Reserve	-	-	-	-
-	(728)	(728)	Life Raft Pledges Reserve	-	-	-	-
603	-	(525)	Partnership Reserves	-	-	-	-
1,800	(1,800)	(1,800)	Personal Care Reserve	2,400	-	-	2,400
24	-	-	Procurement Reserve	-	-	-	-
(24)	-	(41)	Quadrennial Elections Rsve	500	-	-	500

Other Operating Costs

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
-	6,500	2,206	Redundancy Reserve	8,500	-	-	8,500
(351)	-	-	Reserve For Future Cap Funding	8,475	-	-	8,475
(781)	-	-	Schools Reserves	-	-	-	-
674	-	-	Section 75 Reserve	-	-	-	-
476	-	-	Street Lighting Reserve	-	-	-	-
(7)	-	-	Tendring PPP Reserve	-	-	-	-
(2,080)	-	23	Trading Activities Reserves	33	(1,119)	-	(1,086)
(4,288)	9,188	4,395	Transformation Reserves	12,997	-	-	12,997
6,913	4,274	(3,812)	Waste Reserve	17,550	-	-	17,550
			Capital Financing				
28,245	33,358	31,162	Repayment Of External Loans	32,714	-	-	32,714
			Contingencies				
-	8,000	8,000	Contingencies	8,002	(182)	-	7,820
			Interest Payable				
(744)	(667)	(667)	Contribs - Transferred Debt	-	(640)	-	(640)
15,455	19,591	17,499	External Interest Payable	20,487	-	-	20,487
(126)	(130)	(130)	Loan Charges Grant	-	-	(130)	(130)
			Interest Receivable				
(2,536)	(2,305)	(2,505)	External Interest Receivable	-	(1,456)	-	(1,456)
699	1,173	873	Interest Reallocated	-	799	-	799
54,558	71,910	33,171	Net Cost of Service	117,465	(3,482)	(130)	113,852

Procurement Property & Projects

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
			Assets				
-	51	-	Other Property Services	-	-	-	-
(85)	73	16	Surplus & Managed Properties	-	-	-	-
			Coroners' Courts				
1,890	1,256	1,861	Coroners' Courts	2,823	(1,034)	-	1,789
			Shared Use Buildings				
(83)	38	(314)	Shared Use Buildings	109	(409)	-	(300)
1,722	1,419	1,563	Net Cost of Service	2,932	(1,443)	-	1,489

Budget Summary by Portfolio

The Leader Portfolio

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
			Democratic Core				
2,973	3,104	4,105	Corp Management & Leadership	3,607	(30)	-	3,577
4,057	3,044	977	Democratic Rep & Management	94	-	-	94
			Members Support				
2,458	2,177	2,108	Members Support	2,082	-	-	2,082
			Other				
372	177	177	Contributions & Subscriptions	177	-	-	177
17	-	1,832	Corporate Policy	1,716	(101)	-	1,615
-	500	257	Essex Initiatives	440	-	-	440
891	-	-	LAA Performance Reward Grant	-	-	-	-
1,139	1,115	-	LAA Pooled Funds	-	-	-	-
11,907	10,118	9,456	Net Cost of Service	8,117	(131)	-	7,986

Budget Summary by Portfolio

Deputy Leader RSSS

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
			Finance				
15,969	13,566	16,815	Finance	19,275	(7,823)	-	11,452
			Human Resources				
8,066	6,427	9,561	Human Resources	9,458	(2,842)	-	6,616
			Information Services				
18,131	11,990	14,717	Information Services	12,259	(547)	-	11,712
			Insurance Cost Recovery A/C				
558	4,685	4,685	Insurance Cost Recovery A/C	9,488	(4,844)	-	4,644
			Transformation Support Unit				
5,420	4,147	5,819	Transformation Support Unit	2,275	-	-	2,275
48,144	40,814	51,597	Net Cost of Service	52,754	(16,056)	-	36,698

Econ Devt & Waste & Recy RSSS

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
			Comms And Customer Relations				
2,107	2,024	2,026	Comms And Customer Relations	2,626	(672)	-	1,954
			Democratic Services				
875	888	750	Democratic Services	622	(30)	-	592
2,982	2,912	2,776	Net Cost of Service	3,248	(702)	-	2,546

Highways and Transport RSSS

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
			Car Provision Scheme				
(247)	(300)	(17)	Car Provision Scheme	3,715	(3,720)	-	(5)
			Transport Coordination Centre				
1,410	1,296	1,296	Transport Coordination Centre	1,383	(155)	-	1,228
1,162	996	1,279	Net Cost of Service	5,098	(3,875)	-	1,223

Budget Summary by Portfolio

Leader RSSS

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
			Customer Services				
4,351	3,049	5,806	Customer Services	3,374	(8)	-	3,366
			Performance				
-	-	1,751	Performance	1,560	(36)	-	1,524
4,351	3,049	7,557	Net Cost of Service	4,934	(44)	-	4,890

Budget Summary by Portfolio

Proc Prop Major Projs RSSS

2010-11 Actuals £000	2011-12 Original Budget £000	2011-12 Latest Budget £000		2012-13 Gross Expenditure £000	2012-13 Income £000	2012-13 Specific Grants £000	2012-13 Total Net Expenditure £000
			Asset Management				
3,710	2,640	4,785	Asset Management	2,283	-	-	2,283
			Essex Legal Services				
3,936	356	813	Essex Legal Services	609	-	-	609
			Facilities Management Services				
14,074	10,797	16,353	Facilities Management Services	22,040	(3,619)	-	18,421
			Procurement And CPS				
5,956	2,092	4,277	Procurement And CPS	2,184	-	-	2,184
27,676	15,884	26,228	Net Cost of Service	27,116	(3,619)	-	23,497

Trading Activity Financial Plans

Trading Activity Financial Plans

	Revenue reserve 1 April 2012	Income	Expenditure	(Surplus) / deficit	Appropriations		Revenue reserve 31 March 2013
	£000	£000	£000	£000	To County Revenue Account	To Trading Activity reserve	£000
Schools, Children and Families							
School Support							
School improvement & advisory service	(737)	(11,655)	10,593	(1,062)	(282)	(780)	(1,517)
Other	-	-	(10)	(10)	-	(10)	(10)
School staffing insurance scheme	(1,444)	(4,527)	4,527	-	-	-	(1,444)
Central Services							
Legal Services	(342)	(6,383)	5,579	(804)	(804)	-	(342)
Smarte East	(82)	(180)	141	(39)	-	(39)	(121)
Total	(2,605)	(22,745)	20,830	(1,915)	(1,086)	(829)	(3,434)

Reserves & Balances

Reserves and Balances

	Balance at 31 March 2011	2011-12	Estimated contributions	Estimated closing balances 2012-13 Estimated withdrawals / usage	Estimated closing balances	2013-14	2014-15
	£000	£000	£000	£000	£000	£000	£000
General Balance	(31,991)	(45,283)	-	2,356	(42,927)	(42,927)	(42,927)
Earmarked for future use							
General reserves							
Transformation Reserve	(877)	(4,209)	(12,997)	7,842	(9,364)	(8,045)	(8,045)
Essex Pledges	(0)	(0)	-	-	(0)	(0)	(0)
Quadrennial Elections reserve	(571)	(530)	(500)	-	(1,030)	(1,530)	(2,030)
Capital receipts pump priming	(964)	(418)	(1,000)	-	(1,418)	(2,418)	(3,418)
IMT development	(212)	-	-	-	-	-	-
Partnerships	(1,570)	(1,045)	-	-	(1,045)	(1,045)	(1,045)
Insurance	(2,616)	(6,053)	-	-	(6,053)	(6,053)	(6,053)
Pensions reserve	-	-	-	-	-	-	-
Debt financing reserve	-	-	-	-	-	-	-
Essex Art Fund	(258)	-	-	-	-	-	-
LAA performance reserve	(4,241)	(2,710)	-	-	(2,710)	(2,710)	(2,710)
Health and Safety reserve	(1,087)	(1,087)	-	-	(1,087)	(1,087)	(1,087)
ESF reserve	(2,934)	(2,934)	-	-	(2,934)	(2,934)	(2,934)
Carbon Reduction reserve	(1,536)	(1,536)	(1,419)	-	(2,955)	(4,374)	(5,793)
Essex on-line partnership	(255)	(255)	-	-	(255)	(255)	(255)
Highways Maintenance reserve	-	-	(2,000)	-	(2,000)	(2,000)	(2,000)
Children's Reserve	-	-	-	-	-	-	-
Essex Transport Reserve	(1,321)	(500)	-	-	(500)	(500)	(500)
Carry Forwards Reserve	(13,801)	-	-	-	-	-	-
Developing Partnerships	(1,500)	-	-	-	-	-	-
Life Raft Pledge reserve	(728)	-	-	-	-	-	-
Newton bequest reserve	(118)	(118)	-	-	(118)	(118)	(118)
Personal Care reserve	(1,800)	-	(2,400)	2,400	-	-	-
Severe weather reserve	(252)	(252)	-	-	(252)	(252)	(252)
Building maintenance	(713)	(713)	-	-	(713)	(713)	(713)
Procurement	(24)	(24)	-	-	(24)	(24)	(24)
Street lighting reserve	(476)	(476)	-	-	(476)	(476)	(476)
Energy Inflation reserve	-	-	(1,200)	-	(1,200)	(1,400)	(1,600)

Reserves and Balances

	Balance at 31 March 2011	2011-12	Estimated contributions	Estimated closing balances 2012-13 Estimated withdrawals / usage	Estimated closing balances	2013-14	2014-15
	£000	£000	£000	£000	£000	£000	£000
Redundancy reserve	(0)	(0)	(8,500)	4,381	(4,119)	(4,071)	(4,071)
AHCW Section 75 reserve	(674)	(674)	-	-	(674)	(674)	(674)
Tendring PPP	(422)	(422)	-	-	(422)	(422)	(422)
Trading activities	(1,736)	(2,605)	(829)	-	(3,434)	(3,467)	(3,500)
Future capital funding							
General	(2,789)	(2,789)	(8,475)	3,400	(7,864)	(7,958)	(8,052)
Bellhouse landfill	(61)	(61)	-	-	(61)	(61)	(61)
Historic Buildings reserve	(120)	(120)	-	-	(120)	(120)	(120)
Equalisation Reserves (committed to current & future schemes)							
PFI reserves							
A130 PFI	(57,337)	(57,183)	-	634	(56,549)	(55,915)	(55,281)
Clacton secondary schools' PFI	(4,887)	(4,671)	(188)	-	(4,859)	(5,047)	(5,235)
Debden PFI	(5,155)	(5,309)	-	251	(5,058)	(4,807)	(4,556)
Waste reserve	(42,491)	(38,626)	(17,550)	-	(56,176)	(83,189)	(110,202)
Grants equalisation reserve	(8,201)	(2,869)	-	-	(2,869)	(2,869)	(2,869)
Schools (not available for ECC use)	(47,380)	(47,380)	-	-	(47,380)	(47,380)	(47,380)

Capital Programme 2012-13 to 2016-17

1. Capital Expenditure Budget Summary

Capital Expenditure

Portfolio	2012-13 Gross Expenditure £000	2013-14 Gross Expenditure £000	2014-15 Gross Expenditure £000	2015-16 Gross Expenditure £000	2016-17 Gross Expenditure £000
Education and 2012 Games	40,773	50,607	49,949	42,824	39,918
Highways and Transportation	52,594	52,511	32,617	25,199	25,167
Major Projects and Commercial Services	1,200	950	750	-	-
Deputy Leader	9,350	4,190	1,800	-	-
Communities and Planning	1,500	-	-	-	-
Environment and Culture	625	550	250	250	250
Adults, Health and Community Wellbeing	5,200	7,200	2,000	2,000	-
Economic Development, Waste and Recycling	23,339	22,118	8,170	4,168	4,000
TOTAL Capital Expenditure	134,581	138,126	95,536	74,441	69,335

2. Capital Budget Summary by Portfolio

Education and 2012 Games

	2012-13 Gross Expenditure £000	2013-14 Gross Expenditure £000	2014-15 Gross Expenditure £000	2015-16 Gross Expenditure £000	2016-17 Gross Expenditure £000
Harlow New Hall Farm (S106)	3,819	1,924	-	-	-
Colchester South New Primary (s106)	2,044	3,693	-	-	-
James Hornsby High	1,851	-	-	-	-
De la Salle	5,602	3,457	-	-	-
Shorefields	1,713	644	-	-	-
Takeley, Priors Green New Primary	1,535	-	-	-	-
Stansted 360 Place New Cps	1,361	-	-	-	-
Broomfield Primary School	420	4,998	2,654	-	-
Colchester Kendall Primary	90	-	-	-	-
Buckhurst Hill, St Johns School	200	-	-	-	-
Essex City Academies	3,607	-	-	-	-
Capitalised Maintenance Programme	3,719	3,000	3,000	8,533	6,461
Canvey Vocational Centre	500	-	-	-	-
Mersea Outdoors Site Facility	101	15	-	-	-
Danbury Outdoors Site Facility	12	-	-	-	-
Colchester St Georges Infant School	331	-	-	-	-
Colchester North Primary Basic Need	897	-	-	-	-
Heathlands CofE Primary Expansion and Basic Need	668	-	-	-	-
Colchester Boxted Primary Basic Need	766	-	-	-	-
Harlow Primary Additional Places	1,171	4,118	-	-	-
Hall Road, Rochford. New School Site	-	524	2,772	2,704	-
Gilden Way Harlow: Relocation and Enlargement of Harlowbury Primary School & New Early Years Centre	400	2,270	3,830	-	-
Beaulieu Park - New Early Years, Primary, Secondary & Sixth Form Provision	-	630	5,000	7,015	4,800
Colchester Secondary Basic Need	27	912	9,343	11,600	8,118
North Chelmsford Secondary Basic Need	-	-	-	1,500	12,500
South Chelmsford Primary Expansion	85	272	-	-	-
Trinity Road: Phase 2	88	-	-	-	-
Chelmsford Primary School	400	-	-	-	-
Special Schools Needs And Modernisation - Edith Borwick	2,500	4,500	900	-	-
Braintree /John Bunyan Basic Need (s106)	362	630	1,260	-	-
Commonside PRU Relocation Harlow	-	1,239	1,261	-	-
Epping primary schools: Basic need	1,937	1,260	1,260	-	-
North Colchester Programme	872	2,600	500	-	-
Loughton Area Basic Need Programme (S106)	-	323	646	517	-
South Colchester Primary: Basic Need(s106)	200	2,990	-	2,775	2,539
Witham Primary Places: Basic Need (s106)	680	221	-	-	-
Special Schools Needs And Modernisation: ASD Enhanced Provisions	200	-	-	-	-

Special Schools Needs And Modernisation: BESD Enhanced Provisions	200	-	-	-	-
Waltham Abbey Basic Need Programme	-	387	904	-	-
Severalls New Primary School, Colchester (s106)	498	2,700	2,792	-	-
Special Schools Needs And Modernisation - ASD Special School / Market Fields	-	-	1,500	3,000	4,000
Special Schools Needs And Modernisation - The Endeavour	1,000	-	-	-	-
Woodlands ICT Element Only (PFI School)	-	1,160	-	-	-
BSF ECC Capital Contribution Wave 4	-	1,548	-	-	-
Temporary Accommodation Block	1,500	1,000	1,147	1,500	1,500
Deanes / Glenwood Co-Location	700	5,140	11,180	3,680	-
Hadleigh Farm Park - 2012 Games	265				
TOTAL Education and 2012 Games	40,773	50,607	49,949	42,824	39,918

Highways and Transportation

	2012-13 Gross Expenditure £000	2013-14 Gross Expenditure £000	2014-15 Gross Expenditure £000	2015-16 Gross Expenditure £000	2016-17 Gross Expenditure £000
Cuckoo Farm P&R	-	1,700	-	-	-
Colchester Northern Approaches Road Phase 3	2,800	-	-	-	-
Street Lighting CMS	3,426	838	-	-	-
A130 Bypass Improvements	100	100	100	100	-
Epping Forest Transport Strategy	368	100	100	-	-
Braintree Freeport Community Link	150	-	-	-	-
S106 Developer Contributions - Highways	6,535	1,254	589	140	208
Casualty Reduction (A127 Average Speed Cameras phase 2)	242	-	-	-	-
S106 Colchester Garrison	4,000	-	-	-	-
County Roads Maintenance	10,392	9,611	8,765	8,954	8,954
Safety Barrier Replacement	500	500	500	500	500
County Bridges Maintenance And Strengthening	3,546	4,525	3,354	3,165	3,165
Maintenance Initiative	5,000	5,000	5,000	5,000	5,000
Footway Maintenance	2,000	2,000	2,000	2,000	2,000
Surface Water Alleviation Scheme	570	466	462	465	465
Passenger Transport Capital Programme	998	2,279	2,229	2,405	2,405
Safer Roads Infrastructure	1,471	1,242	1,218	1,221	1,221
Public Rights of Way Improvements	528	377	423	469	469
Traffic Management Improvements	950	787	777	780	780
Funding to Support HST Contract	850	-	-	-	-
South Essex Rapid Transit	3,168	16,732	7,100	-	-
Highways Maintenance Block	5,000	5,000	-	-	-
TOTAL Highways and Transportation	52,594	52,511	32,617	25,199	25,167

Procurement, Property and Major Projects

	2012-13 Gross Expenditure £000	2013-14 Gross Expenditure £000	2014-15 Gross Expenditure £000	2015-16 Gross Expenditure £000	2016-17 Gross Expenditure £000
Capitalised Building Maintenance	700	450	250	-	-
Building Maintenance Minor Works	500	500	500	-	-
TOTAL Major Projects and Commercial Services	1,200	950	750	-	-

Deputy Leader

	2012-13 Gross Expenditure £000	2013-14 Gross Expenditure £000	2014-15 Gross Expenditure £000	2015-16 Gross Expenditure £000	2016-17 Gross Expenditure £000
ICT Modernisation	5,130	490	-	-	-
Essex Next Generation Access (BDUK)	1,400	1,800	1,800	-	-
Corporate Systems Upgrade	2,500	1,900	-	-	-
Geographical Information Systems (GIS)	320	-	-	-	-
TOTAL Deputy Leader	9,350	4,190	1,800	-	-

Communities and Planning

	2012-13 Gross Expenditure £000	2013-14 Gross Expenditure £000	2014-15 Gross Expenditure £000	2015-16 Gross Expenditure £000	2016-17 Gross Expenditure £000
Big Society Fund	1,500	-	-	-	-
TOTAL Communities and Planning	1,500	-	-	-	-

Environment and Culture

	2012-13 Gross Expenditure £000	2013-14 Gross Expenditure £000	2014-15 Gross Expenditure £000	2015-16 Gross Expenditure £000	2016-17 Gross Expenditure £000
Springfield Library Facility	125	50	-	-	-
RFID Rollout in Libraries	500	500	250	250	250
TOTAL Environment and Culture	625	550	250	250	250

Adults, Health and Community Wellbeing

	2012-13 Gross Expenditure £000	2013-14 Gross Expenditure £000	2014-15 Gross Expenditure £000	2015-16 Gross Expenditure £000	2016-17 Gross Expenditure £000
ASC Strategic IT	5,200	5,200	-	-	-
Accommodation for Vulnerable People	-	2,000	2,000	2,000	-
TOTAL Adults, Health and Community Wellbeing	5,200	7,200	2,000	2,000	-

Economic Development, Waste and Recycling

	2012-13 Gross Expenditure £000	2013-14 Gross Expenditure £000	2014-15 Gross Expenditure £000	2015-16 Gross Expenditure £000	2016-17 Gross Expenditure £000
Integrated County Strategy	2,000	5,000	5,000	4,000	4,000
Landfill Restoration, Remediation and Landscaping	400	750	-	-	-
Transfer Stations	7,644	6,788	-	-	-
Biowaste	2,808	-	-	-	-
Courtauld Road Improvements	50	-	-	-	-
Perimeter Fencing Security	33	-	8	8	-
Waste Strategy Re-profiling	8,144	7,500	1,862	-	-
Waste Strategy (Pre Programmed Element)	2,050	2,050	-	-	-
Landfill Gas Flare Replacement: Shrub End and Shalford.	180	-	-	-	-
Redevelopment of Shrub End Recycling Centre for Household Waste, Colchester	30	30	1,300	160	-
TOTAL Economic Development, Waste and Recycling	23,339	22,118	8,170	4,168	4,000

TOTAL	134,581	138,126	95,536	74,441	69,335
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3. Capital Financing Budget Summary

Financing Source	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
Ringfenced Grants	17,183	25,899	7,434	-	-
Unringfenced Grants	59,707	52,005	47,447	47,197	47,447
Developer Contributions	18,875	11,485	21,634	22,959	29,626
Capital Receipts	-	9,266	-	1,800	-
Unsupported Borrowing	37,657	37,332	18,906	13,227	-
Borrowing Financed by Revenue Contributions	1,255	2,138	116	-	-
TOTAL Financing Available	134,677	138,126	95,536	85,183	77,073
Financing not Applied	96	-	-	10,742	7,738
TOTAL Financing Applied	134,581	138,126	95,536	74,441	69,335

**2012/13 Prudential Indicators,
Treasury Management Strategy
and
Minimum Revenue Provision Policy**

MRP Policy

1. Introduction

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

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

Further detail is provided in the following paragraphs.

2. Prudential indicators

2.1 Context

The CIPFA Prudential Code provides the framework that must be applied when assessing the affordability, prudence and sustainability of the Council's capital investment plans and for ensuring that consequential treasury management decisions will be taken in accordance with good professional practice.

One of the key outputs from this assessment is the production of a series of prudential indicators. These indicators show the level of the Council's capital expenditure plans, the impact of that expenditure upon the revenue budget and upon borrowing and investment levels, and the overall controls in place to ensure that the activity remains affordable, prudent and sustainable.

A summary of the Prudential Indicators for the period 2010/11 through to 2016/17 is provided in **Annex A**. Explanatory comments are provided, where considered necessary to give a greater understanding of the prudential indicators, in the following paragraphs.

2.2 Capital Expenditure Plans

Actual capital expenditure and sources of financing for 2010/11, together with the original and updated plans for 2011/12, proposals for 2012/13 (incorporating new starts and payment slippage from 2011/12) and the indicative guidelines for the subsequent four years, are summarised in **Annex A**. These capital expenditure proposals are presented in detail elsewhere within the Corporate Business Plan.

2.3 Capital Financing Requirement

The actual Capital Financing Requirement (CFR) for 2010/11 provides a measure of the amount of borrowing the Council needs to undertake because it has not yet financed past capital expenditure from cash resources such as from capital receipts, capital grants and contributions from the revenue budget. The annual movements in the CFR from this point forward result from:

- The Council's intention to finance further capital expenditure from borrowing; and
- Revenue budget provision being made for the repayment of debt.

The actual CFR for 2010/11 and the estimated movements for the current and forthcoming five years are set out in **Annex A**. These estimates show that the CFR will plateau over the period 2011/12 to 2013/14, after which incremental reductions are forecast. These estimates are predicated on the basis that the Government will continue to support local authorities' capital investment via the provision of capital grant, as has been the case in both 2011/12 and 2012/13, and on the basis that the Council will not undertake significant levels of unsupported borrowing over a sustained period.

Credit arrangements (*arrangements that enable the Council to acquire the use of assets on deferred payment terms*) are also included in the calculation of the CFR because they have the same practical impact as borrowing.

2.4 External borrowing

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

The proposed limits, which are set out in **Annex A**, are based upon an estimate of the most likely, prudent, but not worst case scenarios. They allow sufficient headroom for fluctuations in the level of cash balances.

The proposed limits are well below the current estimates of the Capital Financing Requirement; this is 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.

MRP Policy

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 ratio for 2010/11 and the estimates for the current and forthcoming five years are provided in **Annex A**, and these show that the Council has been able to maintain a position where the proportion of the revenue budget used to finance borrowing costs has remained largely static. However, the indicators do not make any allowance for potential reductions in net revenue streams in subsequent years (i.e. beyond those already announced in the Chancellor's Autumn Statement).

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 indicators for the incremental impact upon council tax (as shown in **Annex A**) therefore show the additional council tax at band D that would result from commencing new capital projects in 2012/13 and subsequent years.

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

3. Treasury Management Strategy

3.1 Introduction

The Prudential Indicators, as summarised in **Annex A** and explained in the previous section, considered the affordability and impact of the Council's capital expenditure proposals; this section considers funding of these decisions.

The Council's treasury activities are strictly regulated by the CIPFA Treasury Management Code and 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.

MRP Policy

3.2 Borrowing and Investment 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 are available to be invested.

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

3.3 Economic outlook and interest rates

The economic outlook for the forthcoming few years is likely to remain both challenging and uncertain. This has the following implications for the Council's treasury management functions:

- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This means that it will be critical that the Council continues to only use high quality counterparties for investment purposes and that it maintains high liquidity of funds by investing for shorter periods.
- Borrowing interest rates are currently attractive, but may remain low for some time. The timing of any new borrowing will need to be considered carefully though, particularly if borrowing results in a temporary increase in the cash available for investment (i.e. there may be a cost associated with carrying the new loans in the short term, if the interest payable on these loans exceeds the returns achievable from investing the associated cash).

An estimate of the movement in interest rates over the forthcoming three years is provided in **Annex B**. Revenue budget provision for interest payable and receivable in 2012/13 has been determined in accordance with the interest rate forecasts set out within **Annex B**. An estimate of the impact of a 1% variance from these rates is also provided.

3.4 Borrowing Strategy

Borrowing requirement

Estimates of the Council's net additional borrowing requirement for each of the forthcoming three years are provided in **Annex B**. These estimates take account of:

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

MRP Policy

The net additional borrowing requirement for 2012/13 can be accommodated within both the authorised limit and operational boundary for external debt (as set out within **Annex A**).

Borrowing decisions

The Council will not borrow more than it needs; any decision to borrow will be taken in compliance with the borrowing limits and Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

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

Counterparties

The Government intends that the Public Works Loans Board (PWLB) will be able to meet every local authority's legitimate need for long term borrowing. Applications for loans from the PWLB are considered without regard to an authority's ability to raise funds elsewhere. Thus, the Council will be able, if it so wishes, to satisfy the whole of its borrowing requirement from the PWLB. Money market loans from UK financial institutions will however be considered alongside those offered by the PWLB, together with opportunities to borrow from other local authorities.

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

Maturity structure of borrowing

In order to avoid having large concentrations of debt maturing in any one year, upper and lower limits are proposed in **Annex B** for the maturity structure of borrowing. The purpose of these limits is to ensure that the Council does not have to refinance a significant number of 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.

Interest rate exposure

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

MRP Policy

Performance indicators

Borrowing 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 Investment Strategy

Investment objectives

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

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

Investment counterparty selection criteria

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

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

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

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

MRP Policy

Interest rate exposure

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

Liquidity

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

Performance

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

3.6 Treasury management advisors

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

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

3.7 Other matters

The Council currently provides treasury management support to the Essex Probation Board, Essex Cares Ltd and Library Services (Slough) Ltd. As part of the agreement to provide treasury management support to these organisations, the Council may borrow their surplus funds, or lend to them to cover temporary shortfalls of cash. Any amounts borrowed from, or lent to, these organisations are consolidated on a daily basis with the Council's 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.

2012/13 Prudential Indicators, Treasury Management Strategy and MRP Policy

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 fixed assets under deferred payment terms, such as via finance lease or PFI arrangements.

4.2 Revenue Provision for Debt Repayment Policy 2012/13

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

This will be achieved by:

- Applying the **Regulatory Method** to determine revenue provision in relation to borrowing undertaken prior to 1 April 2008, and in relation to government-supported borrowing undertaken since this date. This represents a continuation of the methodology previously prescribed by the Capital Financing Regulations and 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 option spreads capital expenditure financed from unsupported borrowing over the useful life estimated at the start of the relevant assets' lives (or over a shorter period where use of the standard useful life would not be supportable as prudent). The annual revenue provision is determined using an equal instalment or annuity method.

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

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

The revenue budget provision for Revenue Provision charges in 2012/13 has been compiled on a basis consistent with this policy.

Prudential Indicators (Part 1)

Summary of prudential indicators		2010-11 Actual	2011-12		2012-13 Estimate	2013-14 Forecast	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast
			Original Estimate	Updated Estimate					
Capital expenditure & financing									
Capital Expenditure	£m	248	221	213	194	138	96	74	69
Capital Financing									
Supported borrowing	£m	52	-	-	-	-	-	-	-
Unsupported borrowing	£m	66	43	39	61	37	19	2	-
Grants and contributions	£m	122	172	166	131	90	77	70	69
Capital receipts and earmarked reserves	£m	8	6	8	2	11	-	2	-
Total capital financing	£m	248	221	213	194	138	96	74	69
Capital financing requirement									
Capital financing requirement (CFR)									
Opening CFR	£m	778	861	864	1,001	1,029	1,031	1,014	982
Add									
Additional borrowing	£m	118	43	39	61	37	19	2	-
Additional credit liabilities (PFI / Finance leases)	£m	-	100	133	4	4	4	4	4
		896	1,004	1,036	1,066	1,070	1,054	1,020	986
Less									
Revenue provision for debt repayment	£m	(32)	(36)	(35)	(37)	(39)	(40)	(38)	(37)
Capital Financing Requirement	£m	864	968	1,001	1,029	1,031	1,014	982	949
Analysis of the Capital Financing Requirement									
Supported borrowing and pre 2008/09 unsupported borrowing	£m	627	601	601	577	554	531	510	489
Unsupported borrowing (2008/09 and later)	£m	116	152	150	202	227	233	222	210
Sub total - borrowing	£m	743	753	751	779	781	764	732	699
Credit arrangements (PFI / Finance leases)	£m	121	215	250	250	250	250	250	250
Total	£m	864	968	1,001	1,029	1,031	1,014	982	949
Net borrowing and the CFR									
Medium term forecast of CFR	£m	1,029	941	1,031	1,014	982	949	915	884
Forecast external debt (long term) and credit arrangements	£m	483	655	640	688	689	688	687	686
Headroom	£m	546	286	391	326	293	261	228	198

Prudential Indicators (Part 2)

Summary of prudential indicators		2010-11 Actual	2011-12		2012-13 Estimate	2013-14 Forecast	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast
			Original Estimate	Updated Estimate					
External debt									
Authorised limit									
Borrowing	£m	510	630	530	570	570	570	570	560
Other long term liabilities	£m	150	250	250	250	250	250	250	250
Total authorised limit	£m	660	880	780	820	820	820	820	810
Operational boundary									
Borrowing	£m	430	510	440	470	480	470	470	470
Other long term liabilities	£m	130	220	200	200	200	200	200	200
Total operational boundary	£m	560	730	640	670	680	670	670	670
Actual external debt (incl. credit arrangements)	£m	490	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Financing & net revenue streams									
Specific government grant revenue streams	%	5.0%	6.1%	5.2%	6.0%	6.1%	6.2%	6.1%	5.7%
Specific and general grant revenue streams	%	4.6%	5.6%	4.8%	5.5%	5.7%	5.8%	5.7%	5.3%
Incremental impact on Council Tax									
Effect of capital schemes starting in:									
2012/13	£	-	£0.02	-	£0.52	£2.52	£4.53	£6.48	£6.46
2013/14	£	-	-	-	-	£0.30	£1.21	£1.46	£1.46
2014/15	£	-	-	-	-	-	£0.04	£0.13	£0.12
2015/16	£	-	-	-	-	-	-	-	-
2016/17	£	-	-	-	-	-	-	-	-
Total	£	-	£0.02	-	£0.52	£2.82	£5.78	£8.07	£8.04

Treasury Management Summary

Treasury Management Summary		2011-12 Latest Estimate	2012-13 Estimate	2013-14 Forecast	2014-15 Forecast
Estimated debt and investments					
Investments (estimated balance at each 31st March)	£m	70	100	130	170
External debt (operational boundary for borrowing)	£m	440	470	480	470
Expected movement in interest rates					
Bank Rate	%	0.5%	0.5%	0.9%	2.1%
Money rates					
3 month	%	0.7%	0.7%	1.1%	2.2%
1 year	%	1.5%	1.6%	2.1%	3.1%
PWLB (borrowing) rates					
5 year	%	2.6%	2.4%	2.8%	3.4%
10 year	%	3.7%	3.4%	3.8%	4.5%
25 year	%	4.6%	4.3%	4.7%	5.1%
50 year	%	4.7%	4.4%	4.8%	5.2%
Source:	Sector (December 2011)				
Effect of 1% increase in interest rates					
Interest on borrowing	£000		670		
Interest on investments	£000		(1,745)		
Interest attributed to reserves & balances	£000		1,830		
Interest attributed to other bodies	£000		260		
Net total	£000		1,015		
Borrowing requirement	£m	30	49	8	-
Interest rate exposures					
Upper limits for exposure to fixed rates					
Net exposure	£m	780	820	820	820
Debt	%	100%	100%	100%	100%
Investments	%	100%	100%	100%	100%
Upper limits for exposure to variable rates					
Net exposure	£m	230	240	240	240
Debt	%	30%	30%	30%	30%
Investments	%	100%	100%	100%	100%
Maturity structure of borrowing (upper limit)					
Under 12 months	%	40%	40%	40%	40%
12 months and within 24 months	%	40%	40%	40%	40%
24 months and within 5 years	%	60%	60%	60%	60%
5 years and within 10 years	%	60%	60%	60%	60%
10 years and within 25 years	%	60%	60%	60%	60%
25 years and within 40 years	%	50%	50%	50%	50%
40 years and within 50 years	%	50%	50%	50%	50%
50 years and above	%	10%	10%	10%	10%
Maturity structure of borrowing (lower limit)					
All maturity periods	%	0%	0%	0%	0%
Total sums invested for more than 364 days					
Upper limit for sums invested for more than 364 days	£m	50	50	50	50
Actual sums invested for more than 364 days (maximum)	£m	5	N/A	N/A	N/A

Counterparty Criteria for Investments

Lending List

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

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

The above ratings will be used to determine the pool of counterparties with whom the Council can transact for term/call deposits and certificates of deposit. The short and long term ratings will then be used further, to determine the maximum amount that can be invested with each of these counterparties, and for what period – see lending limits section.

In addition, the Council may invest its funds with:

- The UK Government.
- Other local authorities.
- Pooled investment vehicles (i.e. Money Market Funds) that have been awarded an **AAA** credit rating.
- Financial institutions fully or part nationalised by the UK Government whose credit ratings do not meet the above criteria.

Bank subsidiaries and treasury operations which do not have a full set of credit ratings can be included on the list provided the parent bank has the necessary ratings outlined 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.

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

- Wholesale deposits in the bank are covered by a government guarantee;
- The government providing the guarantee is rated **AAA** by Fitch, Standard and Poor and Moody's.

The Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.

Notes:

- There are three main credit rating agencies that assign ratings to financial institutions, namely Fitch, Standard and Poor and Moody's. When these agencies assign ratings, they take account of any country specific circumstances. Ratings are therefore applicable worldwide; hence the risk of investing with two different counterparties that have similar ratings is the same, irrespective of their country of origin.
- Definitions of the credit ratings of the three main credit ratings are not reproduced within this report, but are available upon request.
- The criteria outlined above will ensure that the Council's funds are only invested with high quality counterparties.
- Not all ratings categories are assessed by each of the ratings agencies.
- Counterparties will only be considered for inclusion on the Council's lending list if they have all of the following credit ratings:
 - Short term rating.
 - Long term rating.
 - Viability / financial strength rating.
 - Support rating.
- Where a counterparty is rated by more than one credit rating agency, the lowest ratings will be used to determine whether or not it is included on the counterparty list.
- Credit ratings are continually monitored, with changes in credit ratings being notified by the Council's treasury management advisors. Counterparties will be removed from the Council's lending list in the event that they receive a downgrading to their credit rating status below the minimum criteria outlined above.
- Counterparties that are placed on 'negative ratings watch' will remain on the Council's lending list at the discretion of the Executive Director for Finance, in consultation with the Cabinet Member for Finance and the Transformation Programme.
- For group organisations, the viability rating of the group will be used if an individual entity does not have a viability rating.
- A minimum viability rating of a+ will apply to non UK financial institutions.
- Money Market Funds (MMFs) are short term investment instruments; they are pooled investments that are placed, by a manager, in a wide range of money market instruments. The size of the investment pool of a MMF enables the manager to not only offer the flexibility of overnight and call money, but also the stability and returns of longer dated deposits. Strict rules and criteria are set down by the official rating agencies, covering the types of investment counterparties used, the maturity distribution of the funds and investment concentrations. The MMFs that the Council would use will all be denominated in sterling and be regulated within the EU.
- In the event that the Council's own banker falls below the minimum credit rating criteria outlined above, the bank will be used for transactional purposes only, and not as an active outlet for investments.

Lending Limits

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

- Investment limit of **£60 million** for investments of up to 3 years with UK financial institutions only:

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

- Investment limit of **£50 million** for investments of up to 1 year:

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

- Lending limits for other counterparties will be as follows:
 - No restrictions will be placed on the amounts that can be invested for periods of up to one year with the UK Government (ie. Debt Management Office, UK Treasury bills or Gilts with less than 1 year to maturity).
 - Investments with fully or part nationalised organisations will be restricted to periods of up to 1 year.
 - An investment limit of **£50 million** will be applied for investments with individual Money Market Funds.
 - An investment limit of **£50 million** will be applied for investments with individual top tier local authorities. Top tier local authorities will include county councils, unitary and metropolitan authorities and London Boroughs.
 - An investment limit of **£35 million** will be applied for investments with individual lower tier local authorities. Lower tier local authorities will include district / borough councils and police and fire authorities.
 - In addition to the limits outlined above, a further restriction will be applied in respect of investments with non UK financial institutions; that is, a country limit of **£35 million** will be applied. The country limit will restrict the total amount that can be invested within any one country outside of the UK at any one time.

This information is issued by

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