

Essex County Council

Revenue Budget 2015/16

Capital Programme 2015/16



Essex County Council

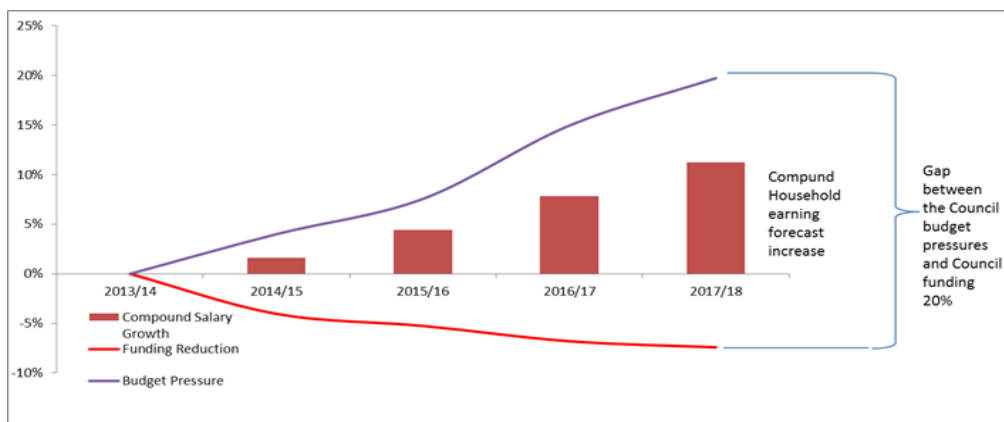
**REVENUE BUDGET 2015/16
CAPITAL PROGRAMME 2015/16
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1 Overview of Key Figures

- 1.1 Essex County Council (the Council) is facing a considerable financial challenge due to austerity driven reductions in public sector funding, compounded by inflation and an increasing demand for its services. 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 its resources are spent wisely and as much as possible is directed to front line delivery of services.
- 1.2 Whilst the Council is subject to reductions in its budget, it still has significant resources to fund 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 **£1,778.8m** in 2015/16, with a net cost of services of **£926.6m**. This represents a **£5.2m** spending reduction on 2014/15.
- 1.3 As a result of Central Government fiscal policy, the amount of support provided to the Council in 2015/16 is **£48m** less than that provided for 2014/15 – this is a **13%** reduction on the amount of central government support given in 2014/15.
- 1.4 The graph below illustrates average household earnings are expected to change over the period. It also considers a similar analysis for the Council, with the budget pressure representing the increased cost pressures the Council faces, compared to a decreasing income stream. Without significant changes to how services are delivered, this would drive a gap for the Council of around 20p for every £1 received (or over **£189m**).

Average household earnings compared Council funding and Council budget pressures (2013/14 – 2017/18)



Council Tax

- 1.5 Within this context, the Council has frozen council tax since 2010/11 whilst delivering savings of over **£450m** and further budgeted savings of **£107m** by the end of the current year. The recommendation to Council is to again freeze the council tax rate for the fifth year running. This also retains the Council position as having the lowest tax charge to its residents of any County in the Eastern Region.
- 1.6 As a result of freezing the council tax rate, the council tax charge recommended for a band D property for 2015/16 remains at **£1,086.75** for the fifth year running against a retail price index (RPI) increase of 17% over the same period. By freezing its share of the council tax, the Council has saved the average household a total of **£335** cash (compared to if it had increased the charge by 2% per year).
- 1.7 The council tax collection rates are assumed at 98.3%. This compares favourably with a national average of 97.9% and it is a measure of the success of collaboration across Essex, with a joint initiative on collection.
- 1.8 The Council is working with the borough, district and city councils and police and fire authorities to tackle council tax fraud across the county. Fraud costs councils millions of pounds a year – directly affecting the services they are able to deliver for every member of the community including the most vulnerable.
- 1.9 The Council has now pledged **£661,000** a year over the next three years to support initiatives ensuring Essex residents receive the benefits they are entitled to while improving the ways of tackling those claiming fraudulently.
- 1.10 Part of this investment will be in new technologies and matching all sources of data to ensure that the information people submit to claim council tax benefit matches other information authorities hold.

2 Revenue Budget 2015/16

- 2.1 Gross expenditure to be incurred in the delivery of Council services in 2015/16 is **£1,778.8m**. After taking income and specific grants into account, the net costs of services amounts to **£926.6m** compared to **£931.8m** in 2014/15. The detailed budget is shown in Appendix A.
- 2.2 Specific government grants comprise the Dedicated Schools Grant (DSG) and other service specific grants. DSG is the major funding source for schools and whilst the Council are the accountable body (the funds flow through the Council) it lies largely outside of the Council's control.

- 2.3 The net cost of services is funded from a number of different external funding sources including **£539.1m** of council tax, **£159.7m** of non-domestic business rates (NDR), **£160.8m** of Revenue Support Grant (RSG), **£52.8m** of other government grants, **£10.7m** Collection fund surplus and **£3.5m** withdrawal from General Balance.

2015/16 Budget Breakdown

	2015/16 £m
Gross Expenditure	1,778.8
<i>Deduct:</i>	
Income	(176.6)
Specific Government Grants (excluding DSG)	(112.5)
Specific Government Grants (DSG)	(563.1)
Subtotal: Net Cost of Services	926.6
<i>Deduct:</i>	
Council Tax Requirement	(539.1)
Revenue Support Grant	(160.8)
Non-Domestic Rates (top up £117.6m and billed £42.1m)*	(159.7)
General Government Grants	(52.8)
Withdrawal from General Balance	(3.5)
Collection Fund Surplus **	(10.7)
Subtotal: Total Funding	(926.6)
Surplus/ (Deficit)/ Balanced budget	0.0

* Further explanation of 'top up' and 'billed' is provided in Section 5

** Estimate of the variation of actual council tax revenue 2014/15 compared to that budgeted (technical adjustment)

- 2.4 Under sections 42A and 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 £

£	2015/16
Net cost of Services	926,601,609
General Government Grants	(52,801,622)
Withdrawal from general balance	(3,462,427)
Budget requirement	870,337,560
Less funding available:	
RSG	160,773,811
NDR	159,676,647
Collection fund surplus	10,749,318
	331,199,776
Council tax requirement	539,137,783
Tax base	496,101
(Band D equivalent properties)	
Band D council tax	1,086.75

2.5 Section 7 sets out the types of services delivered for this budget and what the Council's customers receive from us.

Net cost of services 2015/16

Portfolio	2015/16 £m
Adults Social Care	400.0
Children and Families	115.7
Communities and Healthy Living	1.1
Customer Services, Planning and Environment	22.7
Economic Growth, Infrastructure, Waste and Recycling	81.8
Education and Lifelong Learning	45.5
Highways and Transportation, Highways Maintenance and Small Schemes Delivery	82.3
Leader	6.1
Transformation, Corporate and Traded Services	0.1
Central Services and Levies	19.5
Other Operating Costs *	60.6
Recharged Strategic Support Services (RSSS)**	
Customer Services, Planning and Environment RSSS	1.8
Finance RSSS	18.5
Highways and Transportation, Highways Maintenance and Small Schemes Delivery RSSS	0.0
Leader RSSS	6.4
Transformation, Corporate and Traded Services RSSS	64.5
Net cost of services	926.6

*The Other Operating Costs pay for organisational 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, Audit, Governance, Programme and Project Management and Property amongst other services.

3 Sources of Funding

- 3.1 Total funding in 2015/16 of **£926.6m** is **£5.2m** lower than that of 2014/15 (equivalent to 0.7% reduction), as detailed in the table below. This assumes the Council endorses a further year of freezing council tax.

Movement in funding streams over the period 2014/15 – 2015/16

	2014/15	2015/16	Movement Inc / (Dec)	Movement
	£m	£m	£m	%
Council Tax	528.5	539.1	10.7	2.0%
Revenue Support Grant	202.1	160.8	(41.3)	(20.5%)
Non-Domestic Rates	156.7	159.7	2.9	1.9%
General Government Grant	36.3	52.8	16.5	45.3%
Transfer from General Balance	2.5	3.5	1.0	38.5%
Collection Fund Surplus	5.6	10.7	5.2	92.2%
Total Funding	931.8	926.6	(5.2)	(0.6%)

- 3.2 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. The number of properties for council tax purposes in 2015/16 is 496,101 which is an increase of 9,820 from the 2014/15 position.
- 3.3 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

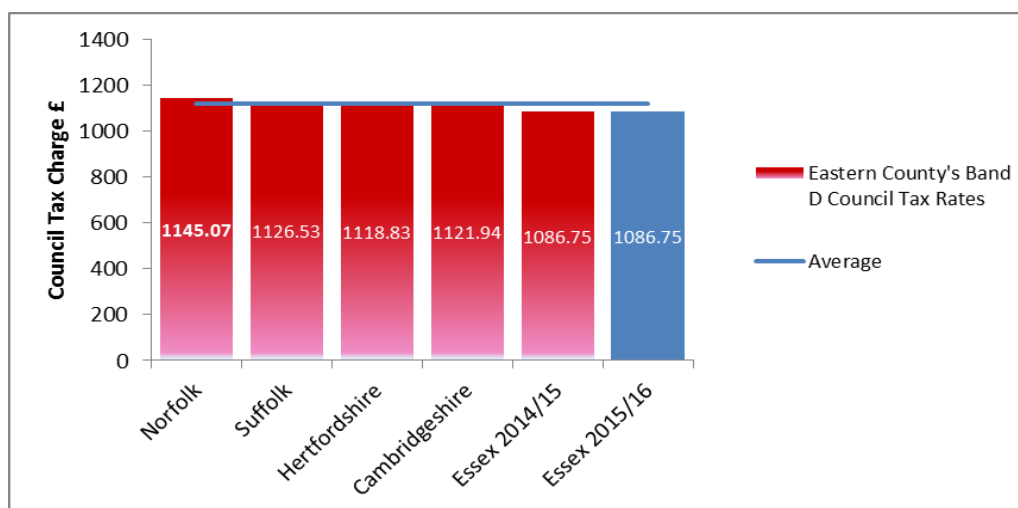
Council Tax Band	2014/15 £	2015/16 £
Band A	724.50	724.50
Band B	845.25	845.25
Band C	966.00	966.00
Band D	1,086.75	1,086.75
Band E	1,328.25	1,328.25
Band F	1,569.75	1,569.75
Band G	1,811.25	1,811.25
Band H	2,173.50	2,173.50

- 3.4 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 (56%) of dwellings are

in bands A to C. In terms of revenue earned, bands A to C contribute 47% of total council tax revenue.

- 3.5 Compared to other Eastern County Councils, Essex County Council's council tax charge for 2014/15 was the lowest in the region (at Band D) and given no increase is proposed for 2015/16, this is likely to remain the position.

Council tax charge by eastern county councils 2014/15 compared to Essex 2014/15 and 2015/16



Council tax increases are currently capped at 2% by central government unless the authority undertakes a public referendum. Councils are offered a freeze grant to encourage them to maintain council tax at current levels. However, the level of this freeze grant is currently set at the same level as would be generated by a 1% increase in council tax - which is substantially below expected inflation and demand pressures.

- 3.6 In setting the budget, the tax base is based on the estimated number of dwellings eligible for council tax, which is translated into equivalent band D dwellings and then adjusted for changes to local council tax support. Collection rates are assumed at 98.3%. This compares favourably with a national average of 97.9% and it is a measure of the success of collaboration across Essex, with a joint initiative on collection. 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. The Council

also has a moderate reserve to manage risk of significant movements on the collection fund.

- 3.7 **Revenue Support Grant (RSG)** is the finance settlement from the Government of **£160.8m**. On 18 December 2014, the Government issued its proposals on funding for English local authorities up to 2015/16 and finalised the RSG. The allocation for Essex County Council represents a **£41.3m** (21%) reduction on the previous year and reflects the continuing downward trend of Local Government funding as the Government seeks to reduce overall public spending. Using the Governments own forecasts the Council expect this trend to continue until 2020. When taken in conjunction with related grants, the total reduction amounts to **£48m**.
- 3.8 **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 the Government. This new scheme represents an opportunity, albeit a limited one for the Council to benefit from economic growth in the county.
- 3.9 NDR increases each year by RPI. However, in his Autumn Statement, the Chancellor announced that NDR increases would continue to be capped at 2%. The Government 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.
- 3.10 The NDR budget for 2015/16 is **£159.7m**, an increase of 1.9% on the previous year. This is made up of **£42.1m** which is the Council's share of the local share of business rates and a fixed 'Top-up' grant of **£117.6m** which the Government determines as part of the funding settlement. This fixed 'Top-up' grant has been increased by the 2% determined by Government.
- 3.11 The local share of business rates of **£42.1m** is based on Billing Authorities estimates of the business rates income for 2015/16.
- 3.12 The Council also receives general government grants of **£52.8m**. The largest element relates to PFI contributions totalling **£23m**. A breakdown of these general government grants is in the following table.

Breakdown of government grants (£m) 2015/16

General Government Grants	2015/16 £m
Localised Services Support Grant	1.1
Council Tax Freeze Grant	6.0
New Homes Bonus	5.9
New Homes Bonus Adjustment Grant	0.5
Small Business Rates Relief Grant	3.5
Schools PFI	15.4
Roads PFI	7.6
ILF Grant	4.4
Care Act Grant	8.4
Total	52.8

- 3.13 **Specific government grants** are offset against service expenditure within the net revenue budget and comprise the Dedicated Schools Grant (DSG) and other service specific grants.
- 3.14 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. The Dedicated Schools Grant (DSG) is **£563.1m**; (2014/15 £576.8m); this has reduced due to conversion of Council lead schools to Academies who receive their funding direct from the Government.
- 3.15 Other service specific grants include:
- A **£69.2m** grant is received for Communities and Healthy Living. The main grant is the Public Health Grant (**£65.0m**), 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 Healthwatch and transfer from health to support mental health services.
 - Total grant funding of **£742,000** is received in respect of adult social care and relates to the Local Community Voices Reform Grant; this compares to **£31.2m** in 2014/15. The decrease relates to funding that was transferred from health partners to support the protection of adult social care and the provision of reablement services. As from 2015/16 all of this funding has been transferred in to the Better Care Fund, as part of the programme of integration of commissioning for health and social care. The Better Care Fund is explained in more detail in Section 6.
 - The 2015/16 grant funding for the Education and Lifelong Learning is **£36.8m** (excluding the Dedicated Schools Grant). The main three grants are Pupil Premium (**£12.0m**) which provides additional funding to schools

for pupils from deprived backgrounds, the Education Services Grant (£11.6m) which funds services such as School Improvement that the Authority provides to schools and the Skills Funding Agency (£8.8m) which funds the delivery of adult education. The grants are expected to be recurrent over the next 3 years. The level of grant funding within this portfolio has increased by £1.8m since 2014/15 primarily due to the Additional Grant for Schools of £2.6m, which is being used to fund additional physical education activities, and the Special Educational Needs and Disability (SEND) Reform Grant of £1.5m, which is to implement the recent SEND reforms most notably the conversion of SEN statements to education and Healthcare plans. The Education Services Grant allocation has reduced by £3.8m due to a 23% reduction in funding and the on-going conversion of schools to academies.

- The 2015/16 grant funding for Children and Families is £6.6m. The main three grants are the Troubled Families Grant from DCLG £2.3m which pump primes the Council's innovative Troubled Families Programme; the Youth Justice Board grant of £1.3m which supports the Council's Youth Offending Services; and the Adoption Reform Grant of £1.3m which is to enable councils to look at innovative ways to improve adoption rates for older children. It is assumed that the Youth Justice Board is a recurrent grant over the next 3 year period.

Breakdown of Income (£m's) 2015/16

	2014/15 Original Budget £m	2015/16 Budget £m	Movement £m
Appropriations Income *	(29.5)	(23.0)	6.5
Capital Grants	(0.1)	(0.1)	0.0
Contributions from Other Bodies	(34.1)	(28.7)	5.3
Dividends from Companies	(1.0)	(1.0)	-
Fees and Charges	(116.4)	(108.5)	8.0
Income Recharge	(3.6)	(2.7)	0.9
Interest Receivable	(2.3)	(0.9)	1.4
Other Recharges	(3.9)	(6.1)	(2.2)
Rents and Lettings	(3.5)	(3.5)	(0.0)
Sales	(2.3)	(2.0)	0.3
TOTAL	(196.7)	(176.6)	20.1

* Appropriations Income is the budgeted drawdown from reserves, such as the PFI and Waste reserve, as well as the budgeted surplus from trading accounts that is attributable to the County Fund.

- 3.16 Income is earned from fees and charges applied to users of some services the Council delivers, and is also derived from internal adjustments such as reserve movements and contributions from other bodies. In 2015/16 £176.6m of income is budgeted, a reduction of 10% on 2014/15 (£196.7m).

- 3.17 Contributions from other bodies comprises funding and income from partners and customers. This income stream includes **£8.6m** (**£8.3m** 2014/15) of income earned from the provision of support services to other bodies and **£3.4m** (**£3.5m** 2014/15) from NHS England and Clinical Commissioning Groups to support social care under s256 agreements.
- 3.18 This funding stream has fallen by 16% on the previous year (**£28.7m** 2015/16; **£34.1m** 2014/15). Whilst there are a number of offsetting movements, there are two significant contributors to the reduction in income: the loss of income previously earned from charging other local authorities for the use of Leverton Secure Unit which has been closed (**£3.6m**) and a reclassification of a **£1.9m** grant for substance misuse services.
- 3.19 Fees and Charges income of **£108.5m** is primarily raised from contributions totalling **£68.2m** arising from a means tested charge for adult social care.
- 3.20 The main drivers of the net reduction in fees and charges income in 2015/16 of **£8.0m** (7%) include:
- A lower demand for the Meals on Wheels service and a lower increase in service user contribution per meal than anticipated as part of 2014/15 budget setting. This has led to a reduction in income earned of **£1.4m** (**£2.6m** 2014/15; **£1.2m** 2015/16). Expenditure on the service has moved in line with the decline in demand.
 - Under national guidelines, clients may be charged for residential and non-residential care services. Income earned from across these services is calculated to fallen by **£5.8m** because of the anticipated demand mitigation resulting from Public Health initiatives, the Older People Reablement and Working Age Adults Increasing Independence programmes.
 - We have also experienced lower adult social care residential services income in 2014/15 of **£1.6m**. This trend is forecast to continue and reflects that service users are less asset-rich and therefore liable for a lower contribution to the costs of their care than previously assumed.
- 3.21 Other major sources of fees and charges income are:
- **£16.1m** from local bus fare, concessionary fares, fines and inspections and speed awareness
 - **£3.4m** from the registrar services
 - **£3.3m** from charging for adult community learning services

- **£2.0m** from trade waste charges
- 3.22 Income recharges are earned from activity done or costs incurred on behalf of other areas of the authority or to partners, such as the provision of payroll support services, contributions to the Waste Programme from Southend Borough Council and contributions to the pension deficit fund. The **£0.9m** reduction in income earned compared to 2014/15 from recharges is driven from the Schools Broadband Connectivity project (**£0.6m**) and the Courtauld road waste facility (**£0.2m**).
- 3.23 Interest receivable is interest earned from investments of our surplus cash balances. The **£1.4m** reduction compared to 2014/15 is a result of the change in the profile of central government funding. In 2013/14 the majority of general government grant funding was received at the start of the financial year, allowing for funding to be invested earlier and for longer. However from 2015/16 this funding profile has changed – with funding now evenly spread across the year. Cash backed reserves are also forecast to be lower than in the current year which has an impact on the estimated funding available to invest.
- 3.24 Other recharges have increased by 57% to **£6.1m** (**£3.9m** 2014/15). Other recharges primarily comprise the car provision scheme (**£2m**) and reclassification for expenditure incurred on highway maintenance that can be capitalised (**£2m**).
- 3.25 Rents and lettings income comprises rental income from our properties, this has remained in line with the prior year (**£3.5m**).
- 3.26 Income of **£2m** was earned from sales during the year, a 15% reduction on that achieved in the prior year (**£2.3m** 2014/15). Income is earned from the sale of meals, beverages and snacks (**£1m**) and advertising (**£0.7m**).

4 Key Cross Cutting Themes

The Better Care Fund

- 4.1 The Better Care Fund (BCF) was announced by Government in June 2013 providing an opportunity to transform local services so that people are provided with better integrated care and support. It encompasses a substantial level of funding to help local areas manage pressures and improve long term sustainability. From 2015/16 the BCF is to be ‘a single pooled budget’ for health and social care services to work closely together in local areas, based on a plan agreed between the NHS and local authorities. It is a pooled budget of NHS and local authority resources ‘already committed to existing core activity’.

- 4.2 The BCF for the Essex Health and Wellbeing Board will be **£102.7m** in 2015/16 across 5 pooled funds (1 per CCG area) and the Council providing a common fund to be spent on pooled functions or agreed NHS or health-related council services. The Council will act as the host of these pools with responsibility for the accounts.
- 4.3 The impact on the Council budget is that funding of **£30.9m** received from various NHS bodies in 2014/15 as specific grants will no longer be received but will be contributed into the pooled funds by the 5 CCGs. The other impact is that Council expenditure on Domiciliary Reablement, Home Support Services for the over 85s, and Carers Direct Payments will also no longer feature in the budget but will be paid for directly from the pooled funds.

The Care Act

- 4.4 The Care Act represents the most significant change to social care since the 1940s, consolidating a number of existing social care laws into a single statute. There are 2 main phases of implementation:

2015/16 – Social Care Reform:

Key changes include:

- Introduction of a National Eligibility Criteria for care and support
- Introduction of a Universal Deferred Payment Agreement scheme
- Specific duties to provide greater levels of information, advice and guidance
- New rights for carers, including the right to an assessment and services for those who meet the eligibility criteria.

- 4.5 The government has calculated that the parts of the Act that will come into force in April 2015 will cost **£470m** nationally. The costs will be met from: **£335m** announced in the June 2013 Spending Round; and **£135m** to be met through local areas' Better Care Fund allocations. The Councils share of these funding allocations in 2015/16 is **£11.8m** compared to estimated costs of **£12.6m**. The cost of the Care Act 2015/16 changes in 2016/17 is estimated to rise to **£20.7m**; in addition there will be further costs relating to Care Act funding reform to be implemented from April 2016, which are estimated to be in the region of **£18m**. Care Act funding for 2016/17 onwards has not yet been confirmed and will be considered through the Government's Spending Review.

2016/17 – Funding Reform:

Key changes include:

- Introduction of a Care Cap which limits the amount an individual has to contribute towards their eligible care costs, and Care Accounts to monitor how people are progressing towards this cap
- Revised financial eligibility thresholds which determine how much an individual is required to contribute towards their care costs.

4.6 Funding for this part of the Act has not been confirmed by government and further work is required during 2015/16 to ascertain the likely cost of implementing these reforms at both a national and local level. It is currently assumed that these changes will have no net impact on the Council's budgets, pending the release of more detailed information, but this does represent a risk to the authority's budget.

5 Service Narrative

Adult Social Care

5.1 The Adult Social Care budget for 2015/16 is **£400.0m** which is a net increase of **£5.1m** on the 2014/15 budget. Adult Social Care has delivered strong outcomes for its customers: significantly reducing waiting lists for assessments and reviews, increasing investment in Reablement Services and reducing the number of older people admissions into long term nursing 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 Increasing Independence strategy.

5.2 84% or **£334.7m** 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 **£34.2m** is spent on the provision of the assessment and care management service. A further **£12.5m** is spent on the Housing Related Support service which supports vulnerable people to live independently rather than entering a residential home.

5.3 The budget means the Council can support over 14,000 vulnerable adults each year. This includes 160,000 hours per week of domiciliary care and 6,300 residential placements.

5.4 Social care services are a statutory duty for the Council and are provided under the Health and Social Care Act. With pressure from an increasing population and inflation in 2015/16 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.

- 5.5 Over the next three years **£56.4m** 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 **£11.0m** through enabling people to move away from life-long dependency on services towards an independent life accessing everyday life activities.
 - The Older People's programme targets **£10.6m** through a joint commissioning approach to the adults intermediate care pathway (such as reablement – which 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 contact and avoid emergency access to social care and health services. Reablement allows people to regain independence and thereby reduce their on-going care needs.
 - Adults Supply Chain Management saving of **£2.6m** will deliver better commercial deals with the Council's providers who deliver Care and Support contracts during 2015/16.
 - Public Health **£6.7m** – investing in public health initiatives such as falls and stroke prevention which will result in a reduced demand for social care services. However, we do not expect overall reduction in spending; these measures will only partly offset increases arising from demand and inflation.
- 5.6 The Mental Health budget of **£20.0m** will provide services for 647 clients including 3,416 hours per week of domiciliary care and 287 residential placements. There are pressures included in the budget from increasing demographics of **£137,000** and inflation pressures of **£616,000** in 2015/16, however the overall number of service users supported is expected to remain constant through to 2017 due to the mitigating impact of the savings plans.
- 5.7 The capital investment for 2015/16 of **£8.0m** focuses on schemes primarily for the provision of facilities, accommodation and adaptations to support vulnerable people to live at home and maintain their independence.

Children and Families

- 5.8 The budget for this portfolio in 2015/16 is **£115.7m**. In 2014/15 the budget was **£121.7m** and predominantly built upon the Looked after Children Strategy which

has continued to successfully reduce the number of children in care from 1,133 at 1st April 2014 to a current position of 1,095 in November 2014. This is a significant achievement which goes against the national trend and the Council now has one of the lowest children in care per 1000 population ratio in England. The focus is on supporting families through relationship based social work, to parent children in ways that keep them safe and to invest in innovative and effective early help solutions has also enabled the service to be recognised as 'GOOD' under the new OFSTED single inspection framework.

- 5.9 The reduction in the 2015/16 budget is due to the positive early interventions with families in particular, reducing the number of children who need care. Approximately 80% or **£93m** of the budget is spent on two main areas. These are:
- **£53.2m** for looking after vulnerable children in a variety of settings such as fostering, adoption and residential units.
 - **£40.2m** 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 **£9.8m** for the provision of Early Years Education through Childrens Centres and **£1.5m** for preventative, multidisciplinary teams working to support Youth Offenders.

- 5.10 Overall, the activity levels which are funded from this budget include supporting approximately 3,600 children and young people in care or with an agreed plan, providing 75 children's centres for eligible children, providing 7 family centres that give specialist intervention and parenting programmes, and approximately 430 social worker posts providing frontline needs based fieldwork support to all children and young people referred to the Council
- 5.11 The Looked After Children Strategy has been successful in reducing Children in Care numbers by 28% from January 2012 to November 2014. The 2015/16 budget has been predicated on this number falling further to 1,000 by April 2015 and that this level of activity is maintained throughout the financial year. The successful delivery of this strategy has enabled cost reduction (as the average annual cost of a child in care is approximately £65,000) but as the number of children in care reaches a plateau, the focus of the strategy is to ensure numbers don't rise and that the right placement is made for the right time period. There is a risk of **£1.8m** if the Children In Care numbers do not fall to the budgeted level by the start of the year, however this is being actively managed through the strategy and will be closely monitored.
- 5.12 Delivering against this strategy has not only supported budget savings in 2015/16, but this has also enabled the service to continue to invest in

innovative, early intervention solutions. These include the Divisional Based Intervention Teams which use highly intensive sessions with children with turbulent circumstances to significantly reduce the number of teenagers coming into care and increasing the scope of the Family Solutions programme that works holistically with disadvantaged families with multiple difficulties.

- 5.13 The Council also invests with partners to support reduction of domestic abuse. The 2015/16 budget has gross expenditure in this area of **£2.2m**, funded both by the Council and through the Public Health Grant. This will deliver programmes which will enable the Council and its partners to develop service offers that provide support and assistance to victims and help them and their families improve their lives.
- 5.14 The total investment for 2015/16 for this portfolio is **£115.7m**. The main movements between the 2014/15 and 2015/16 revenue budgets are pressures of **£1.9m** (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 **£8.1m** of savings. The principal savings relate to the better management of staffing demand, a reduction in the use of legal services and a further continuation of the transformation programme within the services provided to children with disabilities and their carers.
- 5.15 The capital investment for 2015/16 of **£241,000** is primarily for the adaptation of homes to facilitate adoption and short breaks for disabled children.

Communities and Healthy Living

- 5.16 The overall gross expenditure budget across this portfolio for 2015/16 is **£68.5m**. This is an increase from the 2014/15 budget of £12.2m. Predominantly this activity is funded through Public Health Grant giving a net budget of **£1.1m** for 2015/16.
- 5.17 Responsibility for Public Health transferred to Local Authorities in 2013. In 2015/16 the gross expenditure budget for Public Health is **£66.8m** funded by **£65m** Public Health Grant, **£1.5m** from NHS England and **£0.4m** from the Police & Crime Commissioner.
- 5.18 The Public Health Grant is a specific ring-fenced grant received from the Department of Health to support the delivery of public health services in Essex. The grant allocation for 2015/16 has been confirmed at **£48.1m**. In addition to this **£5.8m** of Public Health Grant, brought forward from prior year allocations, will be utilised to meet expected commitments in 2015/16. The grant and expenditure budgets also include **£11m** for the Healthy Child Programme for the early life stages (0 – 5). This service is currently the

responsibility of the NHS and commissioned via NHS England, but responsibility for the future commissioning transfers to ECC from October 2015 under the Health & Social Care Act 2012. The service is a universal preventative service, providing families with a programme of screening, immunisation, health and development reviews, supplemented by advice around health, wellbeing and parenting. The value of funding and commitments to transfer to ECC is based on draft allocations and therefore subject to change.

- 5.19 The budget includes **£10.7m** provision for sexual health services and **£12m** in relation to substance misuse, **£4.6m** for health programme for children aged 5-19, and **£2.8m** for smoking cessation. Targeted public health services are also being funded to support the reduction of demand for Social Care services.
- 5.20 In 2015/16 savings of **£3.2m** are anticipated from re-commissioning and re-design of services including the Specialist Treatment & Recovery Service, which provides pharmacological interventions to reduce dependency, and Sexual Health Services. In 2016/17 further savings of **£1.8m** are expected from additional re-commissioning within Sexual Health Services. These savings provide for re-investment of the Public Health Grant into other Public Health services.

Customer Services, Planning and Environment

- 5.21 The 2015/16 budget of **£24.5m**, a decrease from **£27.3m** in 2014/15, encompasses a multitude of services with Libraries remaining by far the largest service. The total budget contains a wide range of service provision which affects many aspects of life in Essex, including:
- Running 74 libraries and 10 mobile libraries **£9.0m**;
 - Responsibility for managing heritage and cultural services which includes the Records Office; this retains the central repository for resources about the history of the county, its people and buildings **£1.2m**;
 - Managing 8 country parks and visitor centres, nature reserves and heritage sites **£2.1m** gross expenditure;
 - Responding to strategic planning issues that are likely to have an impact across Essex **£900,000**;
 - Managing the County's Coroners service **£2.2m**;
 - Responsibility for maintaining an array of ways in which residents and customers can contact the Council **£4.2m**.

- 5.22 Whilst there has been growth of **£1.1m** built into the 2015/16 budget due to a need for the Customer Services function to increase in size to meet the customer engagement requirements for the Care Act, these pressures have been more than mitigated by savings of **£3.5m**.
- 5.23 There are a variety of savings programmes in place across the range of services but the principal programmes of work are:
- 'In Person' transformation **£1.0m** – a programme that seeks to consolidate and simplify the provision of face to face services, including Libraries and the Registration Service, in order to provide a more efficient and effective service to customers.
 - Digital Channels **£0.7m** - a project that seeks to enable customers to interact with the Council in a more efficient way, including making better use of online technologies.
- 5.24 The capital investment for 2015/16 of **£5.5m** focuses on maintenance projects which avoid future increased costs, enhance asset life and stabilise services and are primarily attributed to flood defences, alleviation and management; and in addition future revenue income streams to the Council which will be generated from investment being made now in Country Parks.

Economic Growth, Infrastructure, Waste and Recycling

- 5.25 The 2015/16 revenue budget is **£81.8m** compared to **£72.1m** in 2014/15. This additional revenue funding is required to fund increasing waste volumes and support the full operation of the Mechanical Biological Treatment (MBT) waste plant and the suite of waste transfer stations. This increase in expenditure was anticipated some years ago and resulted in the establishment of the Waste Reserve to smooth year on year increases in cost and reduce the impact on the Council Tax. There is therefore a withdrawal from the reserve included in the 2015/16 budget.
- 5.26 Economic Growth, Infrastructure, Waste and Recycling covers a range of highly visible services and functions including critical infrastructure and future economic growth.
- 5.27 The Council has statutory responsibilities as the Waste Disposal Authority and provides services that help manage approximately 740,000 tonnes of waste in 2014/15 with 753,000 predicted in 2015/16. The volume of waste is a key pressure for the Council, as economic recovery is driving up waste volumes, which in turn puts a growth pressure of **£1.3m** on the budget.
- 5.28 The Council also aims to deliver transformational growth through increasing access to work, job creation, stimulating export routes and opportunities,

supporting business growth and ensuring Essex is an attractive location for investment.

5.29 The overall 2014/15 budget of **£93.3m** comprising **£72.1m** revenue, **£21.2m** capital and delivered the following key achievements:

- Supported 539 apprenticeships across various sectors including logistics, digital creative, low carbon and offshore industries and Science, Technology, Engineering and Maths;
- 288 businesses assisted to increase productivity through Skills for Economic Growth;
- 1,500 jobs created / retained with Inward Investment assistance;
- Delivered all statutory duties as the Waste Disposal Authority;
- Completion of the build and commenced operation of the new Mechanical Biological Treatment (MBT) facility to treat residual waste;
- Secured planning on the remaining sites in the County for waste transfer stations with 3 of these now operational and 2 of these into the construction phase;
- Subject to approval, the Cabinet will award a contract for long term bio-waste treatment via the construction and management of Anaerobic Digestion facilities that treat the county's separately collected food waste and mixed food and green waste;
- Commenced the roll out of an extensive programme of Superfast Broadband across Essex.

5.30 The budget of **£106.7m** in 2015/16, comprises **£81.8m** of revenue and **£24.9m** of capital. The revenue budget contains pressures of **£11.8m** aligned to increased tonnage (1.8%), haulage and waste treatment costs for the new operating mechanisms for waste to avoid landfill tax. These are partially offset by income generating opportunities primarily attributed to the following:

- Generating income from gas management at the closed landfill site;
- Maximising site efficiency and charge for the use of the additional capacity at the MBT facility;
- Charging for the disposal of waste types that are not classified as household waste and are expensive to dispose of (e.g. DIY waste).

- 5.31 It is the Council's ambition to reach a figure of 60% (currently 50%) of household recycling and composting by 2020 by actively promoting waste minimisation and management processes such as re-use, recycling and aided, in part by the delivery of the MBT plant, as published in the Joint Municipal Waste Strategy (JMWS) on the ECC website.
- 5.32 The Waste Service will continue to work with partners on influencing public behaviour in order to reduce overall volumes of waste by educating and influencing communities on waste reduction.
- 5.33 The capital investment for 2015/16 of **£24.9m** focuses primarily on schemes that will enhance economic wellbeing, housing growth and increase future revenue income streams. It also supports a number of Waste and Recycling projects. The main projects are Super-fast broadband which will support the delivery of 95% coverage across the county, support for a MedTech Innovation Centre in Harlow and the creation of a Creative and Cultural business support centre in Colchester and contributions to projects that will deliver skills centres focussed on the teaching of science, technology, engineering and maths. These projects support our key economic growth sectors and provide a strong platform for sustainable economic growth across the county.

Education and Lifelong Learning

- 5.34 This budget includes the funding for schools which is wholly funded by the Dedicated Schools Grant (DSG) and amounts to some **£563.1m**. A further **£11.6m** is funded by the Education Services Grant, and a DSG contribution of **£2.9m** to central costs (including the Pupil Premium). The remaining balance of **£45.4m** is funded by the Council's own funding sources.
- 5.35 In terms of performance, the 2014/15 funding has delivered a series of improved outcomes in schools where the percentage of primary school pupils achieving level 4 or above in reading, writing and maths has increased by 4 percentage points to 79%, which is above the national average of 78%. The improvement journey within the Council's secondary schools has continued with the percentage of secondary schools being judged by the regulator as good or better increasing, but GCSE results have declined due to changes in the way results are calculated. In addition, the Council has provided over an additional 2,000 school places across Essex through the capital programme.
- 5.36 The main use of the budget funded by Council sources are the costs of providing home to school transport to children at **£22.8m**; overseeing the assessment and monitoring the quality of provision for children and young people with a special educational need **£5.8m**; and **£6.4m** for a variety of school improvement services aimed at ensuring there are sufficient school places and that standards are raised in the 551 schools across the county.

- 5.37 However, these large areas of expenditure mask a series of high profile activities that are also delivered. 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.
- 5.38 The DSG of **£563.1m** in 2015/16 is a ring-fenced grant from the Department for Education, of which the majority is passed through to schools and the remainder kept by the Council to fund education support services to all schools across Essex. The retained budget for 2015/16 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.
- 5.39 The 2015/16 DSG budget will be agreed by the Schools Forum in February 2015, 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.
- 5.40 The Education Services Grant of **£11.6m** in 2015/16 is a grant provided by 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 will fall by a further 23% in 2015/16, partially due to the impact of future schools converting to academy status, but also because of a general reduction in the level of grant awarded - these are the key drivers for transforming the type of educational support services that the Council commissions.
- 5.41 Over the next 3 years **£10.3m** of savings are currently planned to be delivered across Education and Lifelong Learning some of which are outlined below:
- Transforming Education Services is expected to deliver **£3.8m** focussing on the delivery of services to schools which is expected to reduce as more schools convert to academies;
 - Home to School Transport is expected to deliver **£4.5m** of savings through policy changes to post 16 transport and savings from re-tender of contracts;
 - Youth Service **£939,000** through the redesign of the service;
 - Containing inflation and productivity and efficiency savings are expected to deliver savings of **£538,000**.

- 5.42 The capital investment for 2015/16 of **£78.7m** focuses primarily on the provision of additional school places (primary and secondary), education facilities such as special schools and early years provision and capitalised buildings maintenance. Through this investment the Council will not only meet statutory requirements and enhance the life of our asset, it will more importantly improve the educational standards and outcomes for young people.

Highways and Transportation, Highways Maintenance and Small Schemes Delivery

- 5.43 The 2015/16 budget is **£214.1m** comprising **£82.3m** of revenue funding and **£131.9m** of capital funding. This is an overall increase of **£29.1m** when compared to the 2014/15 budget of **£203m** comprising **£99.9m** revenue and **£103.1m** of capital, when a one-off allocation of **£18m**, predominantly for both rural and urban road and footway maintenance as well as flooding and drainage works, in 2014/15 is taken into account.
- 5.44 The investment ensures a safe highways network, probably the Council's most visible universal function. This affects everybody, every day, and is high on the issues that the public are most concerned about. The services include footways, roads, street lighting, bridges and winter maintenance.
- 5.45 The budget also provides funding totalling **£32.0m** on a range of transport services including local bus routes, support to community transport services, and concessionary bus passes for the elderly and disabled.
- 5.46 The 2014/15 budget of **£203m** is delivering the following key achievements:
- Manage, maintain and enhancements of 5,100 miles of road, 1,500 bridges and other structures, 4,000 miles of public rights of way, 120,000 street lights and a gritting route that covers 2,000 miles;
 - 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;
 - Implementation of a New Permit Scheme, which will allow ECC to have better control of the highway network, reducing congestion, and ensuring better traffic flows and provide greater clarity for future enforcement.
- 5.47 The delivery of the following infrastructure improvements is necessary to facilitate growth, reduce congestion and improve journey time:

- Colchester Northern approach road - improving the link road from North Colchester to the town centre;
 - Colchester Park & Ride – facility will open in March 2015;
 - Army & Navy – widening and a dedicated left hand lane.
- 5.48 The combined revenue and capital budget of **£214.1m** for 2015/16, contains pressures aligned to volume and price increases attributed to the Concessionary Travel Scheme and the increase in road traffic on the A130, where a PFI scheme applies. These are offset by efficiencies including the adoption of a more strategic planned approach to Highways improvements / enhancements and significant new capital investment to undertake preventative rather than reactive work, enabling a range of revenue savings to be realised.
- 5.49 The local government finance settlement announced capital funding to increase investment in the highways; and the Council has increased this further to remove road defects within appropriate timescales and to repair 3,265 miles of local roads over the medium term.
- 5.50 The Council will maintain and improve highway and transport infrastructure to support economic growth and work with the South East Local Enterprise Partnership (SELEP) to secure funding to enhance highways and transport infrastructure.
- 5.51 Projects that avoid future increased costs, enhance the life of assets and stabilise services include County Routes and Local Roads, Local Highways Panel, Jaywick Road Investment, LED Street lighting, bridges and other highways infrastructure.
- 5.52 The Council will also commence delivery of the following schemes which are the first tranche of Local Growth Fund (LGF) schemes that will enhance economic wellbeing and facilitate housing growth:
- Harlow A414 (pinch point) schemes;
 - Maldon to Chelmsford Route Based Strategy;
 - Beaulieu Park station;
 - Basildon Integrated Transport Package.

These projects are part of the overall LGF programme which has been accepted by Government and will be allocated to Essex through the SELEP during the remainder of the financial year.

Leader

- 5.53 In 2015/16 the Leader and Leader Recharged Strategic Support Services Portfolios combined budget totals **£12.4m** (**£6.0m** in the main portfolio and a **£6.4m** recharged strategic support services). Most of these support services are overheads supporting all services across the organisation and are allocated out on a recharge basis. The comparable 2014/15 budget was **£13.5m**.
- 5.54 The most significant proportion of this budget (24%) is used to undertake internal and external communications work including:
- Communications support for our employees;
 - Externally-facing campaigns to support the achievement of our commissioning outcomes for example, the recruitment of foster carers;
 - Marketing support for our commercial functions;
 - Media support in response to enquiries from the local and national press.
- 5.55 The second largest area of cost is performance. At **£2.2m**, this covers the cost of performance monitoring across the Council. A total of 11% savings are targeted against this area following the planned implementation of new Corporate Systems technology and a review of staffing.
- 5.56 Corporate policy, place policy, contributions and subscriptions work accounts for **£2.4m** of the budget. This spend includes:
- Strategy support to the management of the organisation, including elected members;
 - The Council's subscriptions to a number of public sector groups and associations, such as the Local Government Association (LGA) and the County Council Network (CCN);
 - The Council's publication budgets for items such as bus timetables.
- 5.57 Also within the budget are the allowances and support arrangements provided to elected Members of the Council amounting to **£1.9m** for the year, and a number of other small budgets to cover Governance and Corporate Law.
- 5.58 The reasons for the reductions in budget from 2014/15 are **£0.9m** one-off funding to support Community Budgets projects, savings of **£0.3m** for the integrated Corporate Systems projects, staffing and reduced reprographics costs.

- 5.59 The capital investment for 2015/16 of **£4.5m** focuses on schemes with a short to medium term pay back; primarily Essex Cares which will improve service quality, generate revenue savings and or cost avoidance. The cost of the borrowing for the Essex Cares Ltd schemes is being funded by the company.

Transformation, Corporate and Traded Services

- 5.60 The budget for 2015/16 totals **£64.6m**. This spend covers the support services functions of the Council excluding Finance, Audit and Governance, Performance and Customer Services (which are part of the Leader, Finance and Libraries, Community and Planning portfolios). Functions included are Business Support, Commercial Services, Commissioning Support, Property Services, Information Services, Human Resources and Programme Management. These support services are overheads attributable to the whole organisation and are allocated out on a recharge basis.
- 5.61 In 2014/15 the budget was **£84.5m**. 2014/15 is the first full year of the new organisational structure which saw many services being brought together from across other portfolios into one team for the first time. The Property Transformation and Business Support projects continue to be implemented, and the Information Services Delivery Programme was endorsed for implementation during this year
- 5.62 A substantial part of the portfolio relates to Property costs of **£19.5m**, 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 underway to rationalise the number of premises that the Council needs to use and retain. The project is aiming to release cost savings of **£3.8m** by 2016/17, and commenced during 2014/15.
- 5.63 The second largest area of cost for this portfolio is Information Services **£16.8m**. 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 Human Resources totalling **£0.6m** by 2016/17. A new contract has recently been initiated to manage print costs in a more efficient manner and this will generate savings of **£0.6m** by 2017/18. It is also planned that the procurement of a new Social Care Case Management system will generate savings totalling **£1.3m** by 2017/18.
- 5.64 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 the three years project will release cost savings from the portfolio of **£4.9m** by reducing the total number of positions required.

- 5.65 Commercial Services has a budget of **£4.9m** and is responsible for both procurement and contract management functions and primarily supports commissioners as they implement new contract arrangements.
- 5.66 A review of support services is being undertaken which will review all aspects of current provision, with the ambition of support services being equal to the best in class and that the future model is lean, agile and flexible. This project is in the early stages, but has a saving ambition of **£3.6m** by 2017/18.
- 5.67 The capital investment for 2015/16 of **£18.5m** focuses on maintenance projects which avoid future increased costs, enhance life of asset and stabilise services. These include investment in the upgrade of core / critical systems, to ensure business continuity and greater efficiencies; and investment in the maintenance of the Council's property estate to ensure the safe and optimum operation of its buildings.

Central Services, Levies and Finance Recharged Support Services

- 5.68 The budget for 2015/16 totals **£38.0m** (**£19.5m** in the main portfolio and a **£18.5m** recharged strategic support services), funding many of the financial management and administration costs of the authority. These support services are overheads attributable to the whole organisation and are allocated out on a recharge basis.
- 5.69 In 2014/15 the latest budget for this portfolio is **£37.2m**. 2014/15 is the first full year of the new organisational structure which saw many services being brought together from across other portfolios into one team for the first time.
- 5.70 A significant proportion of this budget **£12.1m** (32%) is used to deliver the Council's financial responsibilities, many of which are statutory. These include Internal and External Audit, Financial Services, Debt Collection, Invoice Payments, Payroll, Treasury Management, Risk and Health and Safety. Work is continuing on the implementation of a new, fully integrated set of corporate systems. 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 (and wider savings of a further **£1.0m**).
- 5.71 The Insurance Cost Recovery Account costs **£4.7m**, and covers the cost of insurance premiums and the level of payments expected to be made for the areas that the Council self-insures.

- 5.72 **£1.8m** is for 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 County's coastline. These are statutory services and the amounts are calculated based on the Local Authority approved council tax base.
- 5.73 The total portfolio budget for 2015/16 compares with **£37.2m** in 2014/15. Of the movement, **£2.5m** arises from the Council Tax Sharing Scheme, due to the new sharing agreement. This is an increased share back based on increased income from fraud and compliance initiatives; that is to say it supports a net growth in the overall council tax income.
- 5.74 A further **£1.6m** arises from additional budget set aside 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. Additional budget reductions relate to one-off funding being applied in 2014/15 to support all transformation projects and efficiency savings.

Other Operating Costs

- 5.75 The revenue budget in 2015/16 is **£60.6m** an increase from the 2014/15 budget which totalled **£33.1m**. The expenditure includes the net appropriations to reserves as described in the Reserves section, the costs of financing the capital programme and the provision of the Emergency Contingency.
- 5.76 The provision of the Emergency Contingency budget recognises the risk for unforeseen events such as winter pressures and extreme weather conditions.
- 5.77 The movement from 2014/15 is mainly due to changes in the appropriations and withdrawals from the reserves between the years, in line with changes in the specific liabilities, for example changes in PFI payment profiles.

6 Capital Programme 2015/16

- 6.1 Capital expenditure forms a large part of the Council's spending on the provision of services and in line with the revenue budget setting process the capital investment requirements were also reviewed to ensure a combination of projects that represent the key priorities of the Council, maximise the funding resources that are available, and makes the best use of assets.
- 6.2 A detailed capital programme for 2015/16 is proposed which is aligned to the strategic priorities of the Council taking into account affordability and deliverability constraints. An 'initial outlook' for the following four years is also included. This will be updated and amended over the coming 12 months.
- 6.3 The most important stakeholders for the Council are local residents. The investment approach focuses on capital investment plans that make a real difference to people and underpin the delivery of the Council's aspirations for Essex as a place to live, work and do business. The most significant priorities are:
- Investment in provision of additional school places (primary and secondary) and education facilities (such as special schools);
 - Investment in local roads and county routes and associated infrastructure;
 - Investment in maintenance and ensuring the safe operation of buildings;
 - Investment in infrastructure to support the delivery of economic growth;
 - Investment in facilities to support vulnerable and older people to live at home and maintain their independence.
- 6.4 From 2015/16, funding for major transport schemes is going to be allocated through the Local Growth Fund (LGF) Deal managed by the South East Local Enterprise Partnerships (SELEP) covering Essex, Southend, Thurrock, Kent, Medway and East Sussex. Strategic Economic Plans are developed based on programmes that stimulate the local economy and create jobs. Following notification of successful bids to government for LGF, the allocation to Essex will be subject to competitive priorities across the partnership and determined by SELEP. The outcome of Growth Deal Round one for Essex is reflected in the capital programme and proposals are being developed for SELEP submission to government to inform the allocation of the second round of Growth Deals.
- 6.5 The total 'initial outlook' across 5 years is **£909.5m**, of which **£272.0m** is attributed to the 2015/16 programme.
- 6.6 In 2015/16 of particular note are the investment in additional school places, further monies to improve our road network, various models of supported housing for vulnerable people, Jaywick road improvements and ensuring

businesses and homes in Essex will be able to benefit from the roll out of superfast broadband. In future years, the Council will continue sustained investment in Economic Growth and improvements to flood defences.

6.7 Focus will continue over the medium term with commissioning strategies that look to continually develop and manage:

- Earlier intervention and prevention
- Increasing independence
- Community and personal resilience
- Co-design, joint commissioning and joint delivery

2014/15 £'000	Portfolio	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
2,153	Adult Social Care	7,976	6,616				14,592
399	Children and Families	241					241
827	Communities and Healthy Living						
6,115	Customer Services, Planning and the Environment	5,468	3,557	5,000	5,000	5,000	24,025
21,194	Economic Growth, Infrastructure and Waste and Recycling	24,882	18,167	5,000	5,000	5,000	58,049
52,195	Education and Lifelong Learning	78,704	71,571	69,205	43,513	13,330	276,323
103,076	Highways and Transportation	131,850	107,683	77,884	77,640	96,405	491,462
514	Leader	4,466	1,758	193			6,417
23,618	Transformation and Corporate and Traded Services	18,461	6,962	5,500	4,500	3,000	38,423
210,092	Total	272,048	216,314	162,782	135,653	122,735	909,532

6.8 It can be seen from the above that the initial outlook is well in progress, where some portfolios have longer established plans than others.

6.9 The financing envelope is as follows:

2014/15 £'000	Financing	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
97,130	Grants	133,219	99,325	90,094	89,871	104,071	516,581
22,295	Capital receipts	10,409	10,000	10,000			30,409
6,157	Contributions	7,364	3,010	1,153	2,396	5,125	19,048
18,103	Reserves	10,991	11,825	4,377	2,721	4,343	34,257
66,408	Borrowing	110,065	92,153	57,158	40,665	9,196	309,237
210,092	Total	272,048	216,314	162,782	135,653	122,735	909,532

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

7.1 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;
- 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.

7.2 The Treasury Management Strategy contains some changes from 2014/15, primarily related to investments. The main amendments are:

- To reflect the removal by the credit rating agencies of the 'uplift' they currently include within their ratings for the implied level of sovereign support that would be forthcoming in the event of a bank failure. This change by the rating agencies means that there will cease to be any benefit in the Council continuing to use the 'support' and 'viability' ratings to determine the creditworthiness of counterparties. The lending list will therefore now be compiled on the basis of institutions' 'short term' and 'long term' ratings only – this change is not expected to change the composition of the Council's investment list;
- To confirm the intention signalled in the 2014/15 Treasury Management Strategy to use a range of investment products for investment the Council's underlying / core cash balances (including Property Funds, Corporate Bonds, Corporate Bond Funds, UK Government Gilts and Treasury bills). The Executive Director for Corporate and Customer Services will work with the Council's treasury advisor to determine the actual use of these investment products, taking into account the acceptability or otherwise of the risks associated with their use. Proposed limits for maximum use of these products are set out in Appendix F.

The draft Strategy also assumes that it will be necessary to undertake external borrowing in 2015/16. This will be the first time for several years that we expect to need to undertake external borrowing, and largely results from the substantial level of capital investment proposed over the forthcoming five years.

8 Reserves

- 8.1 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.
- 8.2 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. The reserves strategy has included waste disposal cost increases and contract costs for road and school Private Finance Initiatives. This approach effectively smooths what would be significant year on year increases in budget requirement to more manageable levels. As an example, the Council started building the Waste Reserve in 2006/07 and is now reaping the benefits, as 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 per annum, for this service alone.

- 8.3 The Council also uses these specific cash backed reserves to generate income and minimise the cost of debt. The Council earns **£1.3m** 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. The council has low debt levels compared to other authorities. It has used its reserves to reduce or delay the need to take on new debt, avoiding an estimated **£13m** in debt costs each year thereby allowing funds to be used instead for front-line service delivery.
- 8.4 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.
- 8.5 The Council faces considerable risk and it is essential that it provides for risk in times of financial constraint. The Council has an excellent track record on delivering planned savings, with some **£450m** delivered since 2009/10. Experience tells us that it is not always possible to 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, invest in change, and to allow time for thoughtful implementation of change. There may also be unexpected external events which make the availability of reserves essential.
- 8.6 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. There are different drivers for reserve withdrawal:
 - **£17.9m** of earmarked reserves are being withdrawn in 2015/16 to fund planned specific expenditure items, which has been built into the individual portfolio's budget. Examples of which are **£11.9m** of Waste reserve funding (as per the agreed Waste strategy) and **£1.9m** for the A130 PFI;
 - A further **£45.5m** of earmarked reserves are planned to be used in 2015/16 to fund specific expenditure items, such as **£23.8m** for the

transformation programme costs, up to **£5.9m** for consultation (which protects against the unknown outcomes of several key consultations), **£3.8m** from the Community Initiatives Fund, **£1.0m** from the Innovation Fund will be split between Staff and Public, who will present innovative ways to tackle problems faced by the County and **£11.0m** from the Reserve for Future Capital funding which contributes to the cost of the capital programme;

- In addition, there are **£33.1m** of contributions to the earmarked reserves, which have been built into the Other Operating costs area of the budget. Examples of which are **£14.4m** to the Waste reserve, **£1.8m** to the Reserve for Future Capital funding and **£8.3m** to the Transformation reserve.

8.7 The major reserve balances planned at 31 March 2016 are:

- Waste **£57.3m**: set up to smooth the year on year increase in waste disposal costs arising from the waste strategy;
- Long term financial commitments **£62.8m** 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 A130;
- Insurance **£9.7m**: 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 **£30.3m**: 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. In order to achieve its outcomes the Council needs to set aside resources to invest in that change and the Council's budget proposes a **£8.3m** contribution in 2015/16;
- Collection Fund Risk **£11.2m**: this provides a buffer against the risk of non-payment of council tax, business rates and appeals as described in Section 5.

8.8 The report recommends an opening **£57.9m** of general balance in the 2015/16 budget and a closing balance of **£54.4m**. The Council has built up 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 21 days expenditure, which is consistent with 2014/15. The Council's budget process

has made use of reserves to ease the financial pressures but this has to be done in a responsible and sustainable way. The report schedules the risks the Council is facing, not least uncertainty of funding pending the General Election, demographic growth, Care Act, inflation and the inclusion of transformation projects at 100% of financial benefit and according to planned implementation timetables. The Council has been relatively fortunate so far in not experiencing a major crisis in recent years, but it cannot be complacent. If for example, the Council was to experience significant storm and flood surge which other authorities have seen in recent years, the general balance would bear the brunt of this. It is the view of the s151 Officer (Executive Director for Corporate and Customer Services) that the reserves are set at a prudent level, given a significant increase in the organisation's risk profile.

9 Trading Activities

- 9.1 In 2014/15, it is anticipated that the Trading Activities will under achieve their planned surplus by **£404,000**. 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.
- 9.2 Essex Education Services has grown its surplus from **£1.4m** in 2013/14 to **£1.9m** in 2014/15. Investment in sales, marketing and product development led to an increase in customer base of over 1,000 schools. This along with pricing changes and cost controls enabled an additional appropriation to County Funds of **£500,000**.
- 9.3 For 2015/16, the Council has ambitious plans to deliver a growth in the surplus to **£5.3m**. 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 3,500 schools that purchased the system and associated services in 2014/15 to 4,500 in 2015/16;
 - The first year of trading the new School Effectiveness+ service to schools; and
 - The continuation of a Trading incubator, allowing the trading units with potential, to pool resources and commercial knowledge and build a sustainable income stream.

10 Key Risks and Opportunities

10.1 The budget is based on a set of assumptions. However, the nature of the services provided by the Council means that there will always be a level of risk which could impact on the budget and which needs to be monitored and managed, in particular:

- Demand Risk: a large amount of the Council's pressure over the next 3 years arises from growth in adult age service users. Pressures can arise both from increases in the numbers of service users and changes in the average cost due to changes in the mix of severity of cases and of care solutions. The average cost of an older person receiving home care is over **£7,000** per year, an Older People residential care package averages **£24,000**, and someone with complex learning disabilities could require care costing on average **£73,000** per year but over **£200,000** in some cases. As an example, if the number of old people requiring services fluctuates by just 1% that means an extra cost of **£1.2m** per annum. It is also likely that the pressure currently being seen within the NHS will have an impact on the need for social care, and although it is too early to assess this in any detail, it must be recognised as a further risk. We have also experienced lower adult social care residential services income in 2014/15 of **£1.6m**. This trend is forecast to continue and reflects that service users are less asset-rich and therefore liable for a lower contribution to the costs of their care than previously assumed.
- Demand Risk: the Council assumes a continued decrease in the number of 'Looked After Children' down to 1,000 by April 2015. The numbers and type of care package for these children are significant – the cost of a residential care package can be around **£130,000** per year whilst the average cost of fostering a child or young person is **£33,000** (note this is an average for internal and external fostering) per year. Across all placement types the average cost for each child in care is **£65,000** so should the Council's number of looked after children increase by 100 – that would mean an extra cost of **£6.5m** per annum.
- Demand Risk: Waste costs will vary according to the level of waste which needs to be disposed. A 1% increase in waste volume could cost an additional **£0.6m**.
- Savings Risk: As outlined above – there are currently plans to save **£72m** in 2015/16 which amount to 100% of the expected benefits of the relevant projects. The Council has an ambitious programme to ensure delivery of this change – this requires strong project management, benefits tracking and robust financial management. It is still possible that there may be delays and reductions in the level of savings achieved.

- Partner financial risk: the Council's partners in all sectors (Central Government, schools, health, districts, police, fire, voluntary) face their own significant financial pressures given the public sector spending reductions. Given the degree of joint funding, joint working and co-dependency of services – changes to their priorities and financial circumstances may affect the Council's own budget arrangements or joint funding deals. For example the Council's social care services are very dependent on agreements with health and the Council's assumptions around the use of DSG rely on approval with Schools Forum. Such partnership negotiations are by their nature often fragile and subject to change.
- Consultation risk: the Council's budget makes financial plans on the basis of assumptions. Sometimes those assumptions will change as a result of live consultations. This does not jeopardise financial planning for 2015/16, as the Council has specifically made reserve provision to manage the potential change as a result of consultation.

10.2 Whilst the draft Local Government Finance Settlement was released on 18 December 2014, there remains some missing information as described below. The overall funding settlement is in line with the Council's previous projections reported to Cabinet in December 2014. However, there is a number of unknown items or risks within this settlement that could still affect the position:

- Provisional funding allocations for the new burdens arising from implementation of the Care Act are included in the budget. Work is ongoing with regard to implementation and there is a risk that the new costs will outweigh the funding received. There is a set of assumptions underpinning the funding and there is a risk that these assumptions are incorrect in particular there is a risk over the demand assumptions.
- The nature of Council Tax funding brings with it a risk of non-payment because the amount of support available to households in need has been reduced since the introduction of Local Council Tax Support in 2013/14. This risk has been managed through additional investment in collection and debt support, and collection rates have been stabilised at the levels included in the funding assumptions. There is however a future risk that the impacts of wider welfare support reductions will have further negative impact on council tax collection.
- Funding for the transfer of the Independent Living Fund and associated responsibilities is still subject to consultation. There is a risk that the funding allocated will be less than the **£4.4m** assumed which is based on the current known budget pressure.

- A Court ruling in the last year has expanded the requirement for all Local Authorities with Social Care responsibilities to complete Deprivation of Liberty Safeguarding Assessments. An additional **£1m** has been built in to the 2015/16 budget to support the estimated additional costs arising from this pressure but there is a risk of up to **£3m** identified if demand rises significantly beyond that seen to date
 - Funding for provision of local welfare support is still subject to consultation. There is a risk that there will be no on-going funding provided for the provision of these services.
- 10.3 The above list is not exhaustive but serves to demonstrate the breadth of risk facing us. The presence of earmarked reserves to meet specific expenditure demands plus the General Balance helps to alleviate the financial impact of some of these risks should they materialise. Other processes and procedures to manage risk are included within the following Statement of the Executive Director for Corporate and Customer Services.

11 Pay Policy

- 11.1 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.
- 11.2 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.
- 11.3 The pay policy for 2015/16 is attached in Appendix J.

12 Statement of the Executive Director for Corporate and Customer Services (s151 Officer)

- 12.1 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 and Customer Services.
- 12.2 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.
- 12.3 The budget is to be set at a time of unprecedented and on-going change. Due to the inherent uncertainty in the funding availability for the future, and the scale of the transformation programme necessary to meet the financial challenges we face now, it has been necessary to take a prudent yet ambitious approach to planning for the coming years.
- 12.4 All of the main political parties have considered their approach to the economy post May 2015 election and all have determined that an austerity programme will continue for some time in some form. It is widely accepted that we are just 40% - 50% through the austerity measures with local government in particular facing considerable more cuts to its central government funding over the next few years. Given this, and the continuing pressure on the councils resources given demographic and inflationary pressures and public expectation, it is essential that the Council not only continues to examine all its expenditure to ensure it is achieving best value for money, but also it looks to its income streams to determine if further resources could be gained.
- 12.5 For the past 4 years, this Council has chosen to freeze council tax and instead accept the offer of freeze grant from central government. This grant has in some cases been built into base funding, but in other cases has not. In any case, the level of grant is less than could have been achieved by raising council tax and as a consequence, the authority's council tax base is less than it would have been had it increased the level of tax.
- 12.6 Any decision on the level of council tax to be charged has to balance the benefit of additional income to the Council to enable it to provide essential services, with the position of council tax payers some of whom may themselves be experiencing financial difficulty. It has been this latter consideration which has led to the decision for the past 4 years, and the proposal for 2015/16, to not raise the council tax charge.
- 12.7 However, looking ahead, given the savings already made, the demographic and inflationary pressures we face, and the level of central government funding cuts still to be made, a continuation of the council tax freeze approach is becoming untenable without making very significant cuts to essential services. The MTRS

assumes council tax will be increased from 2016/17 onwards by 1.99%, and this has a positive impact of **£12m** in 2016/17 and **£24m** in 2017/18. If a decision is taken to not raise the council tax charge, then the funding gaps indicated in this report for these two years will increase by these amounts, and will have a permanent effect on the base budget going forward, unless government make up this amount through permanent grant funding.

- 12.8 Even with increases in council tax, it will still be very challenging to continue with services as they are currently provided in future years. By way of explanation, the 2015/16 budget includes a **£48m** reduction in central government grant which if council tax were increased at the maximum level, would be offset by **£12m** of additional money from this source. The council must therefore continue to explore different ways of working with its partners, local communities and the voluntary sector to ensure essential services can be provided within significantly reducing funding envelopes.
- 12.9 Reserves play an increasingly important part in the financial strategy of the authority. They provide a cushion against the significant risks we face as outlined earlier, and a source of funding of business cases to change the way we provide our services. The continued provision of adequate reserves is essential. 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.
- 12.10 However, it has to be recognised that these steps will not serve to eliminate risk entirely, especially for those that come from external sources. 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 **£54.4m**.
- 12.11 The Council has also indicated within the budget proposal, an aspiration to invest considerable sums through the capital programme over the next five years. The ability to turn this aspiration into a long term programme will be dependent on achievement of savings, generation of income and trends in government funding. Without this, the implied borrowing costs of the capital programme are unaffordable.
- 12.12 Taking all of the above into account, it is the view of the Executive Director for Corporate and Customer Services that the revenue budget and capital programme for 2015/16, and the arrangements for managing and monitoring the budget are robust.
- 12.13 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.

13 Relevance to the Council's Corporate Plan and Strategic Plans

- 13.1 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.
- 13.2 The Council is progressing well on its transformation journey on the way to becoming a commissioning led, outcomes focussed organisation. The latest

Corporate Outcomes Framework provides the strategic direction and defines the measures with which the Council will gauge its progress against these outcomes.

- 13.3 This 2015/16 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 2016/17 and beyond the financial strategy will become even more aligned to the new outcomes framework.

14 Internal and External Consultation

- 14.1 As part of the preparation for the budget, all Executive Directors and Directors have been consulted.
- 14.2 In addition, budget consultation meetings are held with representatives from the unions and from the business community.
- 14.3 This report will also be reviewed by the Corporate Scrutiny Committee prior to final presentation of the budget to Council on 10 February 2015.

15 Legal Implications (Monitoring Officer)

- 15.1 In each financial year the Council must make its budget calculation in accordance with sections 42A and 42B 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
 - 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.
- 15.2 Those calculations are then used to determine the council tax requirement for the year.

- 15.3 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 and Customer Services.
- 15.4 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.
- 15.5 Under section 25 of the Local Government Act 2003, the Chief Finance 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.
- 15.6 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.
- 15.7 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.
- 15.8 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’ and the Corporate Outcomes Framework.
- 15.9 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.

16 Human Resources Implications

- 16.1 An element of reorganisation and reshaping will be required to support efficiency gains in some operational areas. HR implications which may arise as a result of operational plans flowing from this budget will be addressed under their specific implementation plans.

17 Equality Impact Assessment

- 17.1 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 2015/16 budget.
- 17.2 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 2015/16 budget. These will be subject to specific equality impact assessments in line with the Council's equality impact assessment guidance. Political decisions will only be taken once effective and meaningful engagement has taken place on a need by need basis. It cannot be assumed that decisions will be taken to implement all these changes.
- 17.3 In making this decision the Council must have regard to the Public Sector Equality Duty (PSED) under s149 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.

- 17.4 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation
- 17.5 The PSED is a relevant factor in making this decision but does not impose a duty to achieve the outcomes in s149, is only one factor that needs to be considered, and may be balanced against other relevant factors.

Policy and Governance Changes

- 17.6 The budget will be discharged during a year of significant changes to the provision of health reform. Essex residents are now experiencing some of the impacts of the health reform during 2014/15. There will be further health changes ahead, not least the Care Act coming into force in April 2015. A high-level Equality Impact Assessment of the Care Act has already been completed. This will be followed by a series of further Equality Impact Assessments being undertaken during 2015/16 on specific elements of the Act.
- 17.7 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 2015/16. 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.
- 17.8 Essex County Council is joining forces with the borough, district and city councils and police and fire authorities to tackle council tax fraud across the county. The programme will:
- ensure those entitled to discounts or exemptions on their council tax are receiving the right support
 - introduce extensive regular reviews to ensure the levels of benefits people receive are correct
 - run an advertising campaign to encourage people to notify councils if their circumstances change and the consequences of not doing so enable councils to take swift and appropriate action against people fraudulently claiming council tax support.
- 17.9 From 1 October 2015, the Government intends that local authorities take over responsibility from NHS England for commissioning (i.e. planning and paying for) public health services for children aged 0-5. This includes health visiting and Family Nurse Partnership including targeted services for teenage mothers.

Again, the Council will pay due regard to the Public Sector Equality Duty ensuring that it considers the equality implications of the change.

- 17.10 During 2015/16 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 the 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.
- 17.11 Better Care Fund: The Government is seeking to ensure that over the next five years integrated health and social care services will become the norm. The Better Care Fund (BCF) funded from both local government and health budgets totalling **£3.8bn** nationally and **£94.9m** (minimum) in Essex will come into effect for 2015/16 from April through section 75 pooled budget funding arrangements between local government and partner Clinical Commissioning Groups (CCGs). The Council's BCF draft plans have been submitted to NHSE for approval. The outcome of this is expected by the end of January 2015 and if approved work will progress to finalise and agree section 75 and collaboration agreements between Essex County Council and its 5 partner CCGs in time for implementation in April 2015.

Service Impacts Overview

Adult Social Care

- 17.12 Efficiency savings of **£31.2m** have been identified for the 2015/16 financial year. Over the last five 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, based on the initial analysis, they are not at this stage expected to result in a significant impact on service delivery, although all changes will be the subject of an equality impact assessment. In addition to the projects detailed in the ensuing sections, the Council is proposing to implement projects that will generate additional revenue or provide support to users using alternative mechanisms that improve the independence of adults whilst delivering efficiencies to the service. These include:
- Reviewing clients for health care needs
 - Improving the turnaround in completing financial assessments for users by employing 2 additional Financial Assessments and Benefits Advisers (FABA)

- Reviewing the provision of double handed home care with equipment provision as replacement, where appropriate

The first two items will have minimal impact on users, with the objective being to maximise contribution to service costs. The third item will support people to stay independent for longer, with the use of specialist equipment as an alternative to more expensive packages, whilst supporting users to live independently by continuing to stay in their own home.

- 17.13 Public Health initiatives include: 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.
- 17.14 Equipment services savings are deemed to be a low impact on service with no changes to access to equipment being made.
- 17.15 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. 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.
- 17.16 The Older People's programme which is centred around Reablement services, helps people to regain some of the skills they may have lost, as a consequence of poor health, disability or going into hospital or residential care, and to gain new skills that help them to maintain their independence. It will have a positive impact on service users ensuring that people can remain independent and in their own homes for longer.
- 17.17 The Mental Health programme intends to provide better, joined up support across agencies for the Council's clients and is not considered to have a detrimental impact on Service Users.
- 17.18 The Housing Related Support savings is proposed to be primarily delivered through the transformation of HRS funding for Older People. This is currently spent on support in sheltered schemes and community alarm services. The Council do not believe this reaches the most vulnerable older people and the current pattern of spend on services is inconsistent and not equitable across the county. A project EIA will be drawn up by the project team as part of the Final Business Case due early in the year.

- 17.19 Third Sector – With the various grant programmes intending to become more joined up and focusing on outcomes rather than a minimum level of service delivery, contractual arrangements with the Third Sector will be the subject of Equality Impact Assessments on a case by case basis.
- 17.20 The Care Act was approved by Parliament in May 2014. It is the most significant reform of adult social care law since the current system of social care provision was established in 1948. The majority of the legislation comes into force from April 2015, although there are some further significant changes in April 2016, which will affect how residents pay for care and support services. The Council has committed an additional **£12.6m** of funding in 2015/16 to meet the new duties as defined in the Act. This will rise further in 2016/17 when the Funding Reform duties are implemented. These duties will have a positive impact on all Essex residents who develop care and support needs; however there should be a particular benefit to some groups who fall under a protected characteristic as defined by the Equalities Act 2010.
- Age – Older people will benefit significantly from the Act. In line with the duties under the Act, ECC will increase its focus on prevention and wellbeing to help ensure that residents can maintain good health for longer. Enhanced provision of advice, guidance, advocacy and brokerage services will allow all older people to access high quality support, if and when they develop care and support needs. New rights for unpaid carers will also benefit the large number of older people in Essex who perform informal caring roles, allowing access to the help and support they need from ECC to maintain good health and wellbeing. From a financial perspective the Care Act puts in place provisions to protect older people from facing catastrophic care costs, through the introduction of a cap on eligible care costs from April 2016, and extends the remit of ECC's Deferred Payment scheme which prevents residents from having to sell their home during their lifetime to pay for care. Extended means testing for care and support will also result in a greater number of older residents qualifying for financial assistance with their care and support needs from April 2016.
 - Disability – in addition to the support provided to eligible Older People who may have a disability (as outlined above), there will also be significant benefits to Working Age Adults who have a disability. In particular those who develop eligible care and support needs early in life will not be required to contribute to their care costs during their life time (exact age threshold to be confirmed by government in Autumn 2015). Those residents who fall outside the age threshold to qualify for free care, will be protected from catastrophic care costs through the cap on care costs, and will benefit from extended means testing.

As with Older People, all residents who have a disability should also benefit from enhanced information, advice, guidance, advocacy and brokerage services which will allow access to high quality support. The Council has committed to making savings on its Adult Social Care budgets of £0.5m in 2015/16, rising to £2.5m in 2016/17. These savings will be achieved through an increased focus on providing timely Information, Advice and Guidance services to prevent or delay residents from developing care and support needs. This in turn will reduce the cost of care packages that the Council provides; however there should be no adverse impact on residents, since all eligible care and support needs will continue to be met as they arise. Again, specific Equality Impact Assessments will need to be undertaken to ensure any potential inequalities resulting from the savings are identified so that any appropriate mitigation measures are identified.

Children and Families

- 17.21 Efficiency savings of **£7.5m** have been identified for the 2015/16 financial year. These savings focus on ensuring the portfolio is as efficient as possible as well as generating new income and so are not expected to impact on service delivery. Furthermore, the budget ensures delivery of new legislation, in particular the Children and Families Act.
- 17.22 The foundation of the 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. Delivering against the strategy has led to a reduction in the number of children in care in Essex, whilst nationally there is an upwards trend.
- 17.23 Of the savings for 2015/16, the majority of the areas of activity relate to:
- The implementation of the Essex Family Solutions Service, which is now fully operational. This service offers intensive work with families experiencing a range of complex issues and facing multiple disadvantages. These significant changes and improvements made to family lives have enabled a reduction on reliance of expensive reactive and specialist services.
 - Productivity and efficiency savings will be achieved within the workforce whilst still ensuring caseloads do not increase and continued focus on supporting families through relationship based social work.
 - A redesign of overnight short breaks for disabled children to make better use of existing facilities, develop a more local resource for Mid Essex and expand provision in foster care will deliver efficiency savings without reducing provision overall.

- A reduction of children in care has enabled a corresponding reduction in associated spend, in particular legal and expert assessment costs.
- A fostering sufficiency project is reducing placement costs overall by increasing the percentage of children cared for by locally based Essex County Council registered foster carers.
- Other areas of savings have been achieved through containing inflation and ensuring efficiencies on contracted spend. Mechanisms are in place to monitor contractual outcomes so that the expected quality of services to users should not be impacted by the savings.

17.24 In addition, domestic abuse is an important priority for ECC and its partners. A new county wide service for supporting high risk victims of abuse has been jointly commissioned with partners and will operate from 1 April 2015. Essex partners have been successful in securing external funding for 2015/16 to develop stronger co-operation with health partners which will facilitate earlier identification of families experiencing domestic abuse.

Communities and Healthy Living

- 17.25 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.
- 17.26 Community Resilience has a positive impact as it is about Communities and individuals harnessing local resources and expertise to help themselves in an emergency, in a way that complements the response of the emergency services.

Customer Services, Planning and Environment

- 17.27 Efficiency savings of **£3.5m** (13% of 2014/15 net budget) have been identified for the 2015/16 financial year. The largest efficiencies within the portfolio are predominantly associated with the 3 areas outlined below:
- Libraries and Information services – commencement of the In Person programme in 2015/16 will realise efficiencies mainly through seeking efficiencies from the management structures and retendering of major purchasing contracts. The purchasing contract retenders are intended to create cost reductions whilst having minimal impact on the front line service. Full and comprehensive equalities impact assessments will be undertaken at the point of changes to our approach being made and any potential adverse impact will be mitigated, however, with both these

proposals the anticipated adverse impact on the protected characteristics is as yet to be fully analysed.

- Customer Services – the Digital Channels project aims to achieve cost reductions by improving digital inclusion through better customer contact taking place, making it easier and better to undertake transactions with the council on-line. The transition will be assisted in the short term through an increased emphasis on assisted self-service and it is not proposed that any current communication channel be withdrawn in its entirety. The project will impact on the way in which customers interact with the Council, however changes are being designed with customers directly in order to ensure changes implemented have a positive impact on their experience of the council.
- Leisure – The Green Assets Country Parks project aims to implement a new fairer variable car parking charging model across the Country Parks based on the length of the visit. The banded charge system allows visitors to pay according to their length of stay, and card payments will be available at all sites making it easier for customers to pay. It is anticipated that revenue income will increase as a result. We aim to construct a new 'pay to use' Adventure Ropes course attraction at Great Notley generating additional income and visitors. It is anticipated that in the first year 24,000 visitors will choose to use the attraction. It will provide an activity within Great Notley Country Park that is suitable and appealing for visitors from 3 years old with no maximum age limit. There is a minimum height restriction of 1.2 metres on the adult course. The ropes course and system under which it operates is suitable for a wide range of all abilities, the exception being for those with major/significant spinal problems.

- 17.28 It is not anticipated that the efficiencies measures outlined above will have any adverse impact on the protected characteristics. However these proposals will have an impact on staff, in terms of re-training and staff redundancies. As the Council delivers each of the proposals equalities impact will be reassessed and if any potential adverse impact emerges, mitigating action be taken to ensure any negative impact is minimised

Economic Growth, Infrastructure and Waste and Recycling

- 17.29 Efficiency savings of **£2.5m** (3.4% of 2014/15 net budget) have been identified for the 2015/16 financial year. In addition to these efficiencies the service has absorbed and continues to absorb significant pressures in relation to increase growth in tonnages (primarily residual waste) which reflect current disposal levels (in line with the national average) and the anticipated growth in the number of dwellings within Essex.

17.30 Of the efficiency savings for 2015/16, the major areas of activity relate to:

- Closed Landfill Site Asset Utilisation (**£450,000**). By purchasing generating equipment and let maintenance and operating contract, the Council will benefit by being in greater control of the gas management and revenue at the site. Implementation of this proposal requires the transfer of the existing contract from the current contractor to the Council and no direct impact on public service delivery is anticipated.
- Residual Waste Treatment Plant Capacity maximisation (c. **£715,000**). Utilising headroom capacity within the plant for commercial waste through partnering with the waste collection authorities and other bodies within the County, which will reduce operational running cost with no direct impact on public service delivery.
- Recycling Centres (c. **£600,000**). The Council provides 21 recycling centres for household waste across the county. This proposal seeks to assess the potential to remove latent capacity within the system and adjust operating practises, charging for the disposal of waste types that are not classified as household waste and are expensive to dispose of (e.g. DIY waste). The final shape of these proposals will be subject to consultation during which service users will have the opportunity to shape the changes proposed so as to minimise impact on service need as well as an equality impact assessment.
- Waste Strategy Programme team (c. **£215,000**). A tapered reduction in the resources aligned to the waste strategy team as the strategy is further implemented. The tapered reduction of the Waste Strategy revenue budget aligned to the Waste Strategy Programme will not require a restructuring of the team but will be facilitated by natural staffing exits and no direct impact on public service delivery is anticipated.
- Other changes to services (c. **£400,000**). These will primarily be achieved through efficiencies in process and increased income generation through economic growth activities. It is not considered that these proposals will have a disproportionately adverse impact on persons who share any relevant protected characteristic.

Education and Lifelong Learning

17.31 Devolved Schools Grant (DSG) is a dedicated ring fenced grant that is set by the 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 in Essex schools.

- 17.32 Of the savings for 2015/16, the major areas of activity relate to transforming education services (Information Advice and Guidance, Ethnic Minorities & Traveller Achievement service and Home Education Advisor service), the full year impact of 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. 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. Detailed Equality Impact Assessments have also been undertaken.

Highways and Transportation, Highways Maintenance and Small Schemes Delivery

- 17.33 Efficiency savings of **£6.9m** have been identified for the 2015/16 financial year (circa 9% of 2014/15 net budget, following reduction of one-off funding). The efficiencies within the portfolio should be noted in the context of absorbed pressures in relation to severe weather damage to the network and increased demand through demographics and economic growth.
- 17.34 The efficiencies are categorised into the 3 areas outlined below, which will result in improved innovation in service provision, environmental benefits and cost reduction.
- Partnership and Contract efficiencies and negotiations (c. **£1.9m**). These will predominantly be within the following areas Ringway Jacobs partnerships (highways maintenance), the Concessionary Fares Travel Scheme, combined approach to road safety with Essex Police, Community Transport providers and contracted Local Bus service. Financial benefits will primarily be achieved through seeking continuous improvements, different methodologies to deliver services more efficiently, economies in scale and evidence based application of inflation and volume indices. It is not considered that these proposals will have a disproportionately adverse impact on persons who share any relevant protected characteristic and mechanisms are in place to monitor contractual outcomes so that the expected quality of services to users should not be impacted by the savings.
 - Improved Highways and Transport Asset Management (c. **£3.6m**). The Council will adopt a more strategic approach to planning improvement works. When it can be clearly demonstrated that enhancements have occurred and value quantified, total project costs including feasibility studies and project design, will be categorised appropriately as capital expenditure in the Council's accounts. It is anticipated that this approach

in conjunction with the increased or sustained capital investment and increased activity to where possible increase third party recovery will reduce a range of Highways and Transportation maintenance revenue budgets. Road works do on occasions cause disruption to residents and service users with protected characteristics; however it is recognised that funding the correct type of highway maintenance works improves the condition of the network leading to increased public satisfaction, fewer accidents and insurance claims.

- Street-works and Bus Lane Enforcement (c. **£1.1m**). Failure to enforce could lead to safety and congestion issues. Increased enforcement activity will result initially in higher penalties issued to non-compliant users of the Essex Highway Network providing the ability to reinvest the funds to contribute to the growth anticipated in Highways and Transport front line delivery. It is hoped that performance and behaviour will improve over time and there will be a significant reduction in penalties issued. At this stage there is no evidence of any negative equalities impact or relevance to any of the protected characteristics but disruption to passenger journey time and risk of serious injury or death to the travelling public if works are not appropriately undertaken.
- Other changes to services (c. **£350,000**). These will primarily be achieved through efficiencies in process, planning future design and investigative work. It is not considered that these proposals will have a disproportionately adverse impact on persons who share any relevant protected characteristic

Transformation, Corporate and Traded Services

- 17.35 The successful roll-out of new technology enabling mobile and flexible working has given staff the tools to improve their work/life balance and also through Access to Work, provide better solutions for staff with disabilities to support working at the Council. IT also enables front line staff to work more effectively with our most vulnerable residents.
- 17.36 The community computing scheme has meant the council has been able to provide more than 500 computers to over 300 voluntary organisations across the county, helping to bridge the digital divide with our most disconnected communities.
- 17.37 Digitally enabling many of our channels, combined with the Superfast Essex programme to increase the availability superfast broadband across the county, has improved our reach into communities.

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 a reduction of 196 staff members in 2014/15, resulting in no material adverse impact from the initial reductions in workforce numbers on the diversity groups the Council 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 the Council need will also change. To support existing employees into any new or changed roles, the Council will continue to carry out comprehensive selection, assessment and development processes.
- c. Within the Public Sector in Essex, women are the majority of employees. 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 disabled employees within the workforce.

The headline comparisons are as follows:

Group	2012/13	2013/14	Dec 2014
Council Black and Minority Ethnic employees	9.5%	10.2%	10.0%
Council disabled employees	2.7%	2.7%	3.0%
Council employees under 25	4.8%	5.0%	5.0%
Council employees aged 50+	39.1%	38.4%	39.5%
Council employees by gender			
- Female	74.4%	74.4%	73.6%
- Male	25.6%	25.6%	26.4%

Equality Impact Assessment Conclusions

- 17.38 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 2015/16 budget. All scheme approvals will require individual equality impact assessments prior to decisions being taken.

18 Fees and Charges Policy

- 18.1 The Corporate Fees and charges policy was approved by the Cabinet on 20th November 2014.

- 18.2 In developing the corporate fees and charges policy, best practice was sought through a review of policies applied by other local authorities and relevant guidance published by, for example, the Chartered Institute of Public Finance and Accountancy (Cipfa) and the Local Government Association (LGA).
- 18.3 Key messages that have been adopted into the Essex County Council policy include:
- The Council will seek to charge for services where possible and appropriate –key reasons for not charging for a service would include where there is a business justification for not charging.
 - The Council will seek to charge on the basis of full cost recovery unless there is a justification for a different approach (e.g. commercial trading or full cost recovery would undermine achievement of the Corporate Outcomes).
 - Ensuring corporate priorities and outcomes are considered when determining the levels of fees and charges to be applied.

Appendix A - Revenue Budget 2015/16

Revenue Budget Summary

County Fund

2013/14 Actuals £'000	2014/15 Original Budget £'000	2014/15 Latest Budget £'000		2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Specific Grants £'000	2015/16 Total Net Expenditure £'000
383,220	395,719	394,876	Adults Social Care	472,782	(72,005)	(741)	400,036
117,360	122,757	121,674	Children and Families	125,253	(2,933)	(6,628)	115,691
3,074	1,456	2,236	Communities and Healthy Living	68,520	(210)	(67,177)	1,133
25,900	24,435	25,210	Customer Services, Planning and Environment	33,428	(10,539)	(213)	22,676
69,173	72,696	72,066	Economic Growth, Infrastructure, Waste and Recycling	86,868	(4,759)	(265)	81,843
46,063	41,815	45,966	Education and Lifelong Learning	659,795	(14,276)	(600,009)	45,510
			Highways and Transportation, Highways Maintenance and				
85,338	93,273	99,843	Small Schemes Delivery	107,852	(25,201)	(360)	82,291
9,512	6,785	6,902	Leader	6,637	(579)	-	6,059
20,418	18,559	140	Transformation, Corporate and Traded Services	81	(2)	-	78
16,670	15,319	15,319	Central Services and Levies	20,484	(700)	(256)	19,528
106,827	66,004	33,117	Other Operating Costs	85,695	(25,056)	-	60,639
2,675	2,140	2,095	Customer Services, Planning and Environment RSSS	2,041	(254)	-	1,787
19,235	17,780	21,837	Finance RSSS	27,590	(9,138)	-	18,452
			Highways and Transportation, Highways Maintenance and				
1,108	1,173	54	Small Schemes Delivery RSSS			-	
5,954	6,993	6,567	Leader RSSS	6,670	(302)	-	6,368
58,128	44,852	84,325	Transformation, Corporate and Traded Services RSSS	75,116	(10,605)	(0)	64,511
970,655	931,757	932,228		1,778,811	(176,560)	(675,650)	926,602

Revenue Budget Summary

Adults Social Care

2013/14 Actuals £'000	2014/15 Original Budget £'000	2014/15 Latest Budget £'000		2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Specific Grants £'000	2015/16 Total Net Expenditure £'000
			Access Assessment & Care Management				
(2,104)	(2,838)	(323)	Countywide Teams	817	0	0	817
6,354	6,587	4,895	Mid Teams	6,123	(26)	0	6,097
8,666	7,920	6,809	North East Teams	7,824	(26)	(0)	7,798
8,331	7,867	6,633	South East Teams	8,513	(22)	0	8,491
96	132		South West Teams			(0)	(0)
4,478	4,804	3,676	West Teams	4,800		(0)	4,800
			Care & Support				
163,227	171,719	168,873	Learning Disabilities	182,986	(8,397)	(0)	174,589
106,383	110,498	112,486	Older People	161,108	(56,804)	0	104,304
36,441	39,872	38,997	Physical & Sensory Impairment	45,520	(3,455)	(43)	42,022
			Corporate & Democratic Core				
361	341		Corporate & Democratic Core				
			Housing Related Support				
20,164	19,982	19,367	Programme Costs	12,546			12,546
			Mental Health				
6,251	6,369	6,372	i Access Assessment & Care Management	6,355	(190)		6,165
12,772	12,629	12,515	Care & Support	15,680	(1,947)	(0)	13,733
1,430	1,597	1,527	Third Sector	764	(414)	(229)	121
			Other Social Care				
(23)	0	0	Essex Vulnerable Adults	509	(509)		(0)
1,494	5,015	3,044	Third Sector Funding	3,310		(350)	2,960
			Service Management Costs				
(108)	(176)	(176)	Service Management Recharge	(63)			(63)
10,664	3,401	10,180	Service Management Costs	15,989	(214)	(119)	15,655
			Social Fund				
(1,656)			Social Fund	0		(0)	0
383,220	395,719	394,876	Net Cost of Services	472,782	(72,005)	(741)	400,036

i Social work teams that undertake assessments in the community

Revenue Budget Summary

Children and Families

2013/14 Actuals £'000	2014/15 Original Budget £'000	2014/15 Latest Budget £'000		2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Specific Grants £'000	2015/16 Total Net Expenditure £'000
Childrens Services Non Dsg							
Childrens Services							
53,860	55,756	55,900	Children Looked After	55,382	(636)	(1,507)	53,239
38,948	43,306	42,727	Childrens Fieldwork	43,615	(1,125)	(2,332)	40,159
2,451	2,574	2,889	Childrens Service Management	4,935		(141)	4,794
(3)	0	0	Clacton Joint Service Centres	0			0
244	244	244	Corporate & Democratic Core	230			230
Child And Adolescent Mental Health Services							
2,365	2,618	2,728	Child & Adolescent Mental Health Services	2,664	(190)		2,474
Community Placed Budgets							
720	(0)		Community Placed Budgets				
Cyp Strategic Partnerships							
120			Cyp Strategic Partnerships				
Children Centres							
12,865	10,944	10,008	Children Centres	9,776			9,776
Other Childrens Services							
1,444	2,477	2,095	i Domestic Violence	655			655
100	78	78	Essex Local Childrens Safeguarding Board	422	(229)		192
2,184	2,701	2,905	Other Social Care	4,114	(203)	(1,208)	2,702
Youth Offending Service							
2,061	2,057	2,100	Youth Offending Service	3,460	(551)	(1,440)	1,470
117,360	122,757	121,674	Net Cost of Services	125,253	(2,933)	(6,628)	115,691

i From 15/16 £1.6m of Domestic Violence spend is reported within the Communities and Healthy Living portfolio as it is funded through Public Health grant

Revenue Budget Summary

Communities and Healthy Living

2013/14 Actuals £'000	2014/15 Original Budget £'000	2014/15 Latest Budget £'000		2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Specific Grants £'000	2015/16 Total Net Expenditure £'000
			Community Resilience				
593	450	1,704	Community Resilience	587	0		587
			Health Watch				
452	452	452	Health Watch	780		(328)	452
			Public Health				
1,356	(597)	(121)	Public Health	66,787		(66,849)	(62)
0			Service Management Costs				
			Support to Carers				
673	1,151	200	Carers Strategy	367	(210)		157
3,074	1,456	2,236	Net Cost of Services	68,520	(210)	(67,177)	1,133

Revenue Budget Summary

Customer Services, Planning and Environment

2013/14 Actuals £'000	2014/15 Original Budget £'000	2014/15 Latest Budget £'000		2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Specific Grants £'000	2015/16 Total Net Expenditure £'000
0			Built Environment				
			Built Environment				
2,058	1,947	2,196	Coroners' Courts				
			Coroners' Courts	3,357	(1,186)		2,170
2,266	2,843	2,586	Customer Services & Member Enq				
			Customer Services and Member Enquiries	2,366			2,366
1,612	1,850	1,670	Development Management				
			Development Management	1,697	(65)	(3)	1,629
656	607	607	Emergency Planning				
			Emergency Planning	679	(54)		626
1,051	1,055	811	Environmental Planning				
			Environmental Planning	1,105	(224)		881
133	220	305	Environmental Strategy				
			Environmental Strategy	295			295
1,437	1,390	1,390	Heritage And Cultural Service				
			Heritage And Cultural Services	1,778	(520)	(81)	1,176
403	258	258	Historic Environment				
			Historic Environment	239	0	(0)	239
116	133	76	Leisure				
			i Contributions To Other Bodies	88	(12)		75
384	360	656	Country Parks	1,771	(1,933)	(96)	(257)
40	46	(18)	Cressing Temple	247	(178)		70
45	0		Marsh Farm	8	(7)		0
			Libraries & Information Service				
	34	34	ii Libraries Service Management	34			34
8,399	7,757	7,956	iii Library Operational Services	8,469	(1,410)	(25)	7,034
1,981	1,989	1,989	Library Resources	1,952			1,952
561	220	78	Olympics & Sport Development				
			Hadleigh Castle Country Park	344	(254)	(8)	82
1,564	1,617	1,617	Lee Valley Park - Precept	1,578			1,578
110	(0)		Place Consultancy				
			Place Consultancy				
(531)	(875)	(1,083)	Registrars Office				
			Registrars Office	2,246	(3,423)		(1,177)
187	172	172	Rural Issues				
			Rural Issues	177			177
(0)		776	Service Management				
			Service Management	859			859
1,099	684	888	Sustainable Development				
			Sustainable Development	853	(20)		833
2,207	2,024	2,143	Trading Standards				
			Trading Standards	2,332	(357)		1,975
124	103	103	Travellers				
			Travellers	955	(896)		59
25,900	24,435	25,210		33,428	(10,539)	(213)	22,676
2,675	2,140	2,095	Customer Services				
			Customer Services	2,041	(254)		1,787
28,575	26,575	27,305	Net Cost of Services	35,469	(10,793)	(213)	24,462

i Contributions to external bodies including Woodland Trust

ii Internally recharged services

iii Predominantly staff within libraries

Revenue Budget Summary

Economic Growth, Infrastructure, Waste and Recycling

2013/14 Actuals £'000	2014/15 Original Budget £'000	2014/15 Latest Budget £'000		2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Specific Grants £'000	2015/16 Total Net Expenditure £'000
			Economic Regeneration				
2,173	2,115	1,689	Economic Regeneration	2,613	(727)	(0)	1,886
			International Trade				
248	246	246	International Trade	303	(78)		225
			Inward Investment				
442	487	386	i Inward Investment	387			387
			Management & Support Services				
20	(0)	(366)	Management & Support Services	159	(11)		147
			Skills				
1,424	1,950	2,078	ii Skills	2,374		(265)	2,108
			Tourism				
301	270	270	Tourism	437	(227)	0	211
			Waste Management				
8,076	8,772	8,772	Civic Amenity Service	11,987	(199)		11,788
1,636	1,844	1,844	Courtauld Rd Waste Treatment	4,262	(251)		4,011
244	87	87	Exceptional Waste	110			110
351	350	350	Landfill Aftercare	312	(437)		(125)
23,152	23,171	23,171	Recycling Initiatives	22,974	(19)		22,955
547	772	772	Tipping Away Payments	379			379
(1,620)	(1,624)	(1,624)	Trade Waste Income		(2,013)		(2,013)
29,357	31,369	31,369	Waste Disposal	38,010	(715)		37,295
1,823	2,063	2,197	Waste Management & Support Services	1,749	(41)		1,709
999	826	826	Waste Strategy	812	(42)		770
69,173	72,696	72,066	Net Cost of Services	86,868	(4,759)	(265)	81,843

i Obtaining external investment within Essex

ii Includes promoting and supporting apprenticeships and developing skills within Essex

Revenue Budget Summary

Education and Lifelong Learning

2013/14 Actuals £'000	2014/15 Original Budget £'000	2014/15 Latest Budget £'000		2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Specific Grants £'000	2015/16 Total Net Expenditure £'000
Education & Life Learn Dsg							
(542,718)	(536,818)	(503,660)	Dedicated Schools Grant			(504,070)	(504,070)
856	881	1,111	Early Years Contingency	84			84
47,691	47,440	49,870	Education for Under Fives	52,233			52,233
92	117	250	Ethnic Minorities and Bi-Lingual Learners	251			251
145		2,900	i Prudential Borrowing	2,900			2,900
(22,446)	(88)	(20,983)	ii Pupil Premium Grant	12,364		(11,990)	374
509,007	481,251	477,784	Schools Budget	452,761	(1,955)	(3)	450,804
1,995	1,839	1,770	Service Management	1,770			1,770
45,334	42,379	50,425	Special Educational Needs	51,998	(166)	(29)	51,803
(40,066)	(40,066)	(59,048)	Under Fives Dsg			(59,048)	(59,048)
Education & Life Learn Non Dsg							
29,102	25,743	29,036	iii Access To Education	28,838	(586)	(74)	28,178
153	(299)	(228)	Adult Community Learning	12,111	(3,312)	(8,770)	29
2,670	2,653	3,239	Education for Under Fives	2,993	(130)	(1)	2,863
4,480	1,892	2,932	iv Services to Children	7,968	(6,274)		1,694
5,175	8,662	4,700	Improving School Standards	9,632	(601)	(4,210)	4,820
			Special Educational Needs and Additional				
5,722	5,884	6,125	Educational Needs Service	8,474	(1,163)	0	7,312
10,802	10,735	10,226	Special Educational Needs School Transport	10,252	199		10,450
(16,243)	(15,353)	(15,353)	Education Services Grant Funding			(11,642)	(11,642)
570	644	644	Sports Development	733	16	(102)	646
3,821	4,320	4,320	Strategic Management	4,362	(304)		4,058
5			Support To Students				
(86)	(3)	(93)	Young Person Learner Agency (YPLA) Funding	72		(72)	(0)
46,063	41,815	45,966	Net Cost of Services	659,795	(14,276)	(600,009)	45,510

i DSG budget used in supporting the revenue costs of borrowing money for capital projects in schools

ii Funding for Pupil's from deprived backgrounds

iii Budget for Home to school transport, planning and admissions

iv Includes Youth Services

Revenue Budget Summary

Highways and Transportation, Highways Maintenance and Small Schemes Delivery

2013/14 Actuals £'000	2014/15 Original Budget £'000	2014/15 Latest Budget £'000		2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Specific Grants £'000	2015/16 Total Net Expenditure £'000
Highways And Transportation							
912	1,051	1,123	Asset Management Planning	1,000			1,000
1,729	1,952	2,334	Bridges	1,819	(0)		1,819
3,902	4,714	4,628	Congestion	8,775	(4,936)		3,839
694	727	634	Corporate And Democratic Core	468			468
10,139	10,204	10,204	i Ongoing Operator Payments for A130 PFI	10,697			10,697
1,122	1,590	1,645	Localism	1,122			1,122
29,630	30,637	30,391	Passenger Transport	1,374	(152)		1,222
2,461	2,466	2,379	Public Rights Of Way	2,226	(85)		2,141
2,810	3,450	2,937	Road Safety	5,132	(2,546)	(230)	2,356
22,092	27,346	33,061	Roads And Footways	19,226	(2,050)		17,176
8,021	7,421	7,372	Street Lighting	8,500	(274)		8,225
(1,956)	(2,437)	(1,231)	Support Services	1,860	(1,860)		(0)
(455)	(563)	(551)	Traffic Management Act	674	(2,117)		(1,443)
1,746	2,130	2,346	Transportation Planning	42,388	(11,180)	(130)	31,078
2,491	2,584	2,570	Winter Service	2,593			2,593
85,338	93,273	99,843		107,852	(25,201)	(360)	82,291
1,108	1,173	54	Highways and Transportation Recharged Strategic Support Services	0	0		0
1,108	1,173	54					
86,445	94,447	99,897	Net Cost of Services	107,852	(25,201)	(360)	82,291

i PFI = Private Finance Initiative - a means of funding large scale capital projects

Revenue Budget Summary

Leader

2013/14 Actuals £'000	2014/15 Original Budget £'000	2014/15 Latest Budget £'000		2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Specific Grants £'000	2015/16 Total Net Expenditure £'000
			Democratic Core				
3,545	1,720	818	Corporate Management	830			830
81	59	59	Democratic Representation	55			55
			Members Support				
3,378	1,936	1,933	Members Support	1,876	0		1,876
			Other				
188	262	262	Contributions & Subscriptions	262			262
1,934	1,534	2,614	Corporate Policy	2,473	(579)		1,895
111	500	200	Essex Initiatives	500			500
			Place Policy				
5	229	622	Place Policy	209	0		209
			Support Services				
271	545	394	Communications	432	0		432
9,512	6,785	6,902		6,637	(579)		6,059
			Comms And Customer Relations				
2,292	3,208	2,861	Comms And Customer Relations	2,539	(6)		2,533
			Democratic Services				
1,226	1,409	1,416	Democratic Services	1,739	(212)		1,527
			Equality And Diversity				
135	157	111	Equality And Diversity	145	(1)		144
			Performance				
2,300	2,219	2,179	Performance	2,246	(82)		2,164
5,954	6,993	6,567		6,670	(302)		6,368
15,466	13,778	13,469	Net Cost of Services	13,307	(880)		12,427

Revenue Budget Summary

Transformation, Corporate and Traded Services

2013/14 Actuals £'000	2014/15 Original Budget £'000	2014/15 Latest Budget £'000		2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Specific Grants £'000	2015/16 Total Net Expenditure £'000
			Property Assets				
(4)	(0)	(0)	Shared Use Buildings	0			0
	(31)		Surplus & Managed Properties	(0)			(0)
			Support Services				
12,337	12,384		Business Support				
2,526	1,706		Commercial Services				
4,982	4,232	72	Commissioning Support	12	(2)		10
510	201		Information Services				
			Vehicle Lease Management				
67	68	68	Vehicle Lease Management	69			69
20,418	18,559	140		81	(2)		78
			Business Support				
83		12,320	Business Support	12,436	0		12,436
			Car Provision Scheme				
173	0	0	Car Provision Scheme	3,638	(3,663)		(25)
			Commercial				
2,248	1,632	5,490	Commercial	5,053	(107)		4,946
			Commissioning Support				
910	(354)	3,831	Commissioning Support	3,351	(2)	(0)	3,349
			Property and Facilities Management				
25,082	20,399	26,405	Property and Facilities Management	22,305	(2,841)		19,464
			Human Resources				
5,766	5,255	7,763	Human Resources	7,255	(2,741)		4,514
			Information Services				
16,944	14,718	22,444	Information Services	17,795	(1,041)		16,754
			Transformation Support Unit				
6,922	3,202	6,073	Transformation Support Unit	3,283	(212)		3,072
58,128	44,852	84,325		75,116	(10,605)	(0)	64,511
78,547	63,411	84,465	Net Cost of Services	75,196	(10,607)	(0)	64,589

Revenue Budget Summary

Central Services and Levies and Finance Recharged Support Services

2013/14 Actuals £'000	2014/15 Original Budget £'000	2014/15 Latest Budget £'000		2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Specific Grants £'000	2015/16 Total Net Expenditure £'000
Central Services To The Public							
13,036	11,277	10,623	Other Services	13,210	(700)	(256)	12,254
1,909	2,276	2,930	Council Tax Sharing Scheme	5,450			5,450
Precepts							
1,350	1,365	1,365	Environmental Agency	1,429			1,429
374	400	400	Kent & Essex Sea Fisheries	395			395
16,670	15,319	15,319		20,484	(700)	(256)	19,528
Capital Programme Imp and Delivery							
1,700	1,704	1,506	Capital Programme Implementation & Delivery	1,659	(14)		1,645
Finance							
11,845	10,930	15,185	Finance	18,250	(6,184)		12,066
Insurance Cost Recovery A/C							
5,690	5,146	5,146	Insurance Cost Recovery Account	7,681	(2,940)		4,741
19,235	17,780	21,837		27,590	(9,138)		18,452
35,905	33,099	37,156	Net Cost of Services	48,074	(9,838)	(256)	37,980

Revenue Budget Summary

Other Operating Costs

2013/14 Actuals £'000	2014/15 Original Budget £'000	2014/15 Latest Budget £'000		2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Specific Grants £'000	2015/16 Total Net Expenditure £'000
Approps To/From Reserves							
(949)	(1,449)	(1,449)	A130 Pfi Reserve		(1,949)		(1,949)
(78)			Bsf Pfi Reserve				
(713)			Building Schools for the Future				
129	1,000	400	Capital Receipts Pump Priming	1,000			1,000
6	529	529	Carbon Reduction Reserve	529			529
15,250		(15,169)	Carry Forwards Reserve		(0)		(0)
(349)	188	188	Clacton Pfi Reserve	188			188
4,265	4,800	5,800	Collection Fund Risk Reserve	1,412			1,412
			Community Initiatives Fund	3,750			3,750
1,000		(1,000)	Community Resilience Reserve				
5,896			Consultation Reserve				
(251)	(251)	(251)	Debden Pfi Reserve		(251)		(251)
3,000	(3,000)	(3,000)	Economic Growth Strategy				
(80)	(200)	(200)	Energy Inflation Reserve	200			200
166			Essex On-Line Partnership Reserve				
		3,000	Flood and Water Management Reserve				
3,078		(4,744)	Grant Equalisation Reserves		(0)		(0)
(385)		(222)	Health And Safety Reserves				
			Innovation Reserve	1,000			1,000
(1,011)			Insurance Reserve				
(1,000)			Laa Performance Reward Reserve				
358			Partnership Reserves				
5,000	(574)	(574)	Pension Deficit Reserve		(1,574)		(1,574)
(24)			Procurement Reserve				
(1,006)	500	500	Quadrennial Elections Reserve	500			500
(1,257)		(938)	Redundancy Reserve				
34,863	22,402	22,305	Reserve For Future Cap Funding	1,824			1,824
(1,157)			Schools Reserves				
(252)			Severe Weather Reserve				
(476)			Street Lighting Reserve				
(2,027)	(2,493)	(3,480)	Trading Activities Reserves		(4,526)		(4,526)
4,407	3,000	(8,835)	Transformation Reserves	8,289	(2,200)		6,089
(977)	(6,136)	(6,136)	Waste Reserve	14,397	(11,926)		2,471
65,428	18,316	(13,276)		33,089	(22,426)		10,663

Other Operating Costs (Continued)

2013/14 Actuals £'000	2014/15 Original Budget £'000	2014/15 Latest Budget £'000		2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Specific Grants £'000	2015/16 Total Net Expenditure £'000
			Capital Financing				
29,492	28,473	27,179	Repayment Of External Loans	27,547			27,547
			Contingencies				
	8,000	8,000	Contingencies	8,000			8,000
			Dividends received				
	(1,000)	(1,000)	Dividends received		(1,000)		(1,000)
			Interest Payable				
(637)	(615)	(615)	Contributions - Transferred Debt		(600)		(600)
15,316	15,237	15,237	External Interest Payable	17,059			17,059
(100)	(118)	(118)	Loan Charges Grant		(100)		(100)
			Interest Receivable				
(3,560)	(2,944)	(2,944)	External Interest Receivable		(1,961)		(1,961)
888	655	655	Interest Reallocated		1,031		1,031
41,399	47,688	46,394		52,606	(2,630)		49,976
106,827	66,004	33,117	Net Cost of Services	85,695	(25,056)		60,639

Appendix B - Capital Programme 2015/16 – 2020/21

Capital Programme Summary

2014/15 £'000	Portfolio	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
2,153	Adult Social Care	7,976	6,616				14,592
399	Children and Families	241					241
827	Communities and Healthy Living						
6,115	Customer Services, Planning and the	5,468	3,557	5,000	5,000	5,000	24,025
21,194	Economic Growth, Infrastructure and Waste and Recycling	24,882	18,167	5,000	5,000	5,000	58,049
52,195	Education and Lifelong Learning	78,704	71,571	69,205	43,513	13,330	276,323
103,076	Highways and Transportation	131,850	107,683	77,884	77,640	96,405	491,462
514	Leader	4,466	1,758	193			6,417
23,618	Transformation and Corporate and Traded	18,461	6,962	5,500	4,500	3,000	38,423
210,092	Total	272,048	216,314	162,782	135,653	122,735	909,532

Financing Summary

2014/15 £'000	Financing	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
97,130	Grants	133,219	99,325	90,094	89,871	104,071	516,581
22,295	Capital receipts	10,409	10,000	10,000			30,409
6,157	Contributions	7,364	3,010	1,153	2,396	5,125	19,048
18,103	Reserves	10,991	11,825	4,377	2,721	4,343	34,257
66,408	Borrowing	110,065	92,153	57,158	40,665	9,196	309,237
210,092	Total	272,048	216,314	162,782	135,653	122,735	909,532

Adult Social Care Portfolio

2014/15 £'000	Scheme	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
	Blocks						
790	Accommodation for Vulnerable People	2,240	3,000				5,240
	Adaptations	710					710
863	Extra Care Housing	3,140	491				3,631
	Extra Care Planning	1,875	3,125				5,000
	Increasing Independence	11					11
500	Shared Ownership						
2,153	Total Blocks	7,976	6,616				14,592
2,153	Total Adult Social Care	7,976	6,616				14,592

Children and Families Portfolio

2014/15 £'000	Scheme	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
	Blocks						
68	Adopters Adoptions	92					92
127	Aiming High	69					69
170	Carers Adaptations	80					80
34	Integrated Children's System Rationalisation						
399	Total Blocks	241					241
399	Total Children and Families	241					241

Communities and Healthy Living Portfolio

2014/15 £'000	Scheme	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
	Blocks						
723	Community Initiatives						
30	Greenstead Community Centre						
75	Substance Misuse						
827	Total Blocks						
827	Total Communities and Healthy Living						

Customer Services, Planning and the Environment Portfolio

2014/15 £'000	Scheme	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
	Named schemes						
117	Great Notley Country Park	273					273
3,988	Hadleigh Legacy Asset	1,000					1,000
66	Libraries						
80	Other Hadleigh Projects						
505	Radio Frequency Identification Rollout in Libraries	106					106
65	Replacement Tractor						
1,000	Tendring Coastal Defence	2,000	1,000				3,000
218	Travellers						
	Weald Country Park	370					370
6,039	Total Named Schemes	3,749	1,000				4,749
	Blocks						
	Flood Management	1,500	2,500	5,000	5,000	5,000	19,000
77	Public Realm	219	57				276
77	Total Blocks	1,719	2,557	5,000	5,000	5,000	19,276
6,115	Total Customer Services, Planning & the Environment	5,468	3,557	5,000	5,000	5,000	24,025

Economic Growth, Infrastructure and Waste and Recycling Portfolio

2014/15 £'000	Scheme	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
	Named schemes						
	Basildon Craylands		2,200				2,200
300	Braintree Enterprise Unit						
	Colchester Creative Business Centre	1,320					1,320
1,545	Courtauld Road Improvements						
3,349	Essex Next Generation Access (BDUK)	11,249	9,217				20,466
146	Landfill Gas Flares Replacement						
8	Landfill Restoration, Remediation and Landscaping	1,286					1,286
	Other Waste & Recycling Schemes	333					333
450	Parkside Office Village (GPF)						
100	Redevelopment of Shrub End Recycling Centre	1,418					1,418
	Shalford Landfill Gas Control System	50					50
	Skills Economic Growth	1,250	1,750				3,000
45	Thames Chase Forest Centre						
13,750	Transfer Stations	2,476					2,476
19,694	Total Named Schemes	19,382	13,167				32,549
	Blocks						
1,500	Economic Growth Fund	5,500	5,000	5,000	5,000	5,000	25,500
1,500	Total Blocks	5,500	5,000	5,000	5,000	5,000	25,500
21,194	Total Economic Growth & Infrastructure	24,882	18,167	5,000	5,000	5,000	58,049

Education and Lifelong Learning Portfolio

2014/15 £'000	Scheme	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
	Named schemes						
1,153	Appleton School	769					769
640	Braiswick Early Years	1,018					1,018
107	Danbury Country Park						
863	Glenwood Relocation	8,845	5,897				14,742
3,068	John Ray Infant & Junior School	3,538	550				4,088
1,110	King John School	810					810
3,631	Market Field Special School	6,123					6,123
2,424	St John's Abbeyfield Primary						
747	Woodlands School	1,053					1,053
13,745	Total Named Schemes	22,155	6,447				28,602
	Basic Need						
729	Basildon Primary Basic Need	1,846	7,012	1,831			10,689
1,766	Braintree Primary Basic Need	4,283	3,950	3,890			12,123
	Braintree Secondary Basic Need		49	487	437		973
104	Brentwood Primary Basic Need	1,905	3,637	1,400			6,942
	Castle Point Primary Basic Need	70	1,450	1,380			2,900
580	Chelmsford Primary Basic Need	8,365	2,510				10,875
	Chelmsford Secondary Basic Need	734	2,766	755			4,255
5,560	Colchester Primary Basic Need	12,711	730	459	600	400	14,900
1,254	Colchester Secondary Basic Need	741	3,800	3,620			8,161
1,770	Epping Forest Primary Basic Need	3,730	9,459	7,837			21,026
	Epping Forest Secondary Basic Need		363	3,625	3,263		7,251
3,569	Harlow Primary Basic Need	4,165	5,130	2,186			11,481
	Harlow Secondary Basic Need		1,106	11,062	9,956		22,124
	Rochford Secondary Basic Need		175	1,748	1,573		3,496
	Tendring Primary Basic Need	335	3,350				3,685
	Tendring Secondary Basic Need			370	3,700	3,330	7,400
1,278	Uttlesford Primary Basic Need	4,561	5,060	2,615			12,236
	Uttlesford Secondary Basic Need	50	1,242	3,225	2,034		6,551
16,611	Total Basic Need	43,495	51,789	46,490	21,563	3,730	167,067

Education and Lifelong Learning Portfolio (cont'd)

2014/15 £'000	Scheme	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
	Blocks						
10,035	Capitalised Maintenance Programme	7,250	7,500	7,500	7,500	7,500	37,250
1,100	Early Years	1,400	2,000	1,500			4,900
250	Education Estates Strategy - Scheme Design	250					250
2,292	Infant Free School Meals						
1,282	Other Education Schemes						
	Special Educational Needs (SEN) Invest to Save		1,235	11,115	12,350		24,700
319	Special Schools	700					700
1,116	Temporary Accommodation	1,000	1,000	1,000	500	500	4,000
346	Youth Centre Improvements	654					654
16,741	Total Blocks	11,254	11,735	21,115	20,350	8,000	72,454
	School Balances (outside ECC control)						
4,651	Devolved Formula Capital	1,800	1,600	1,600	1,600	1,600	8,200
447	School Cash Balances						
5,097	Total school balances (outside ECC control)	1,800	1,600	1,600	1,600	1,600	8,200
52,195	Total Education & Lifelong Learning	78,704	71,571	69,205	43,513	13,330	276,323

Highways and Transportation Portfolio

2014/15 £'000	Scheme	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
	Highways & Transportation Named Schemes						
	A120 Route Consultation	2,000	3,000				5,000
40	A130 Bypass Improvements	100					100
	A414 Maldon - Chelmsford Route Based Strategy (LGF)	2,000	2,000				4,000
	A414 Pinchpoint Package (LGF)	8,440	6,000				14,440
2,925	Advanced Scheme Design	5,000	5,000	5,000			15,000
1,561	Army and Navy Improvements	425					425
1,097	Army and Navy Widening						
102	Automatic Vehicle Location	30					30
	Basildon Integrated Transport Package (LGF)	1,670	2,270	2,270	2,270	2,270	10,750
	Beaulieu Park Station (LGF)	785	1,000	1,250	1,250	9,765	14,050
200	Berechurch Road Highways Improvements						
863	Boreham Interchanges Slip Improvements						
585	Chelmer Valley Park & Ride						
	Chelmsford North Eastern Bypass	2,000	3,000				5,000
8,937	Colchester Northern Approaches Road Phase 3						
5,731	Colchester Park and Ride	500					500
839	Depot infrastructure	1,608					1,608
	Economic Growth - Transport	19,800	11,810	3,820	8,620	18,870	62,920
377	Epping Forest Transport Strategy						
602	Harlow A414 Capacity Improvements						
1,119	Harlow Clock Tower	2,236					2,236
1,050	Harlow Enterprise Zones	5,600	1,000				6,600
	Jaywick Road Investment	3,013	1,987				5,000
2,633	Nether Mayne	646					646
15	Roscommon Way	44					44
290	Sadlers Farm						
1,000	Street Lighting LED		5,000				5,000
100	Street Lighting Central Management System						
30,065	Total Named Schemes	55,897	42,067	12,340	12,140	30,905	153,349

Highways and Transportation Portfolio (cont'd)

2014/15 £'000	Scheme	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
	Highways Maintenance and Small Scheme Delivery						
412	Cycling Programme						
155	Fast Chargers						
64,511	Highways Infrastructure	65,000	57,616	57,544	57,500	57,500	295,160
6,769	Local Highways Panels	8,250	8,000	8,000	8,000	8,000	40,250
82	Passenger Transport	42					42
68	Private Street works						
192	Road Safety Asset Management						
823	S106 Developer Contributions - Highways	2,660					2,660
73,011	Total Blocks	75,953	65,616	65,544	65,500	65,500	338,113
103,076	Total Highways & Transportation	131,850	107,683	77,884	77,640	96,405	491,462

* The Highway Infrastructure Programmes include local / principal roads, footway maintenance schemes and other infrastructure, transport and environment improvements including street lighting. The detailed programme of works is subject to approval by the Cabinet Member for Highways & Transportation. This figure is subject to change as we are commencing the due diligence on the maintenance activities required to improve the condition of the other highways infrastructure and developing the business case for **further** investment.

Leader Portfolio

2014/15 £'000	Scheme	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
	Named schemes						
500	Basildon Health Centre						
	Braintree schemes	460					460
14	Essex Cares Ltd Hub and Spoke	2,704	1,758	193			4,655
	Essex Cares Ltd IT	1,302					1,302
514	Total Named Schemes	4,466	1,758	193			6,417
514	Total Leader	4,466	1,758	193			6,417

Transformation and Corporate and Traded Services Portfolio

2014/15 £'000	Scheme	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
	Named schemes						
5,554	Corporate Systems Upgrade	5,285					5,285
57	Geographical Informations Systems						
2,672	IS Delivery Programme	1,761	1,340	1,000			4,101
645	Next Generation Networks	221	122				343
8,153	Property Transformation	2,200	1,500	1,500	1,500		6,700
671	Shire Hall						
1,011	Social Care Case Management	3,265					3,265
	Transforming Education - Reprourement of IS	500					500
263	Waste Data Management System						
47	Works for A & B Block						
19,073	Total Named Schemes	13,232	2,962	2,500	1,500		20,194
	Blocks						
789	Minor Works	81					81
3,756	Capitalised Building Maintenance	5,148	4,000	3,000	3,000	3,000	18,148
4,545	Total Blocks	5,229	4,000	3,000	3,000	3,000	18,229
23,618	Total Transformation & Support Services	18,461	6,962	5,500	4,500	3,000	38,423

Appendix C – Dedicated Schools Grant

Dedicated Schools Grant:

- 1.1 Schools' expenditure, predominantly funded through the Dedicated Schools Grant (DSG), lies largely outside of the Council's control. DSG is split into 3 notional blocks, being the Schools Block, High Needs Block and Early Years Block.
- 1.2 In addition an Early Years Pupil Premium is introduced in 2015/16 and will be included within DSG. Each eligible pupil accessing the full 15 hours per week free entitlement will receive £300. The indicative allocation for 2015/16 is £955,837.
- 1.3 The School Funding Settlement for 2015/16 is shown in the table below. The final DSG allocation for 2015/16 will be determined after the January Pupil Census.
- 1.4 The Pupil Premium for 2015/16 is £2.545 billion nationally, an increase from £2.5 billion in 2014/15. 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.
- 1.5 The per pupil rate for primary school pupils entitled to a free school meal increases from £1,300 in 2014/15 to £1,320 in 2015/16. The per pupil rate for secondary school pupils entitled to a free school meal remains at £935 in 2015/16. The per pupil rate for looked after children remains at £1,900 per pupil in 2015/16. The per pupil rate for children from a military background remains at £300 in 2015/16.

Year	Gross DSG £'000	Academies Deductions £'000	DSG remaining with LA £'000
2014-15 (updated DSG)			
School's Block	794,224	*(395,089)	399,135
High Needs Block	114,874	*(8,964)	105,910
Early years Block	59,773	0	59,773
TOTAL	968,871	(404,053)	564,818
2015-16 (estimate)			
School's Block	804,569	*(404,805)	399,764
High Needs Block	116,545	*(8,964)	107,581
Early years Block	55,773	0	55,773
TOTAL	976,887	(413,769)	563,118

* 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 2015	Income	Expenditure	(Surplus) / deficit	Appropriations		Revenue reserve 31 March 2016
	£000	£000	£000	£000	To County Revenue Account	To Trading Activity reserve	£000
Education & Lifelong Learning							
School Support							
School improvement & advisory service	(2,430)	(13,912)	11,126	(2,787)	(2,215)	(572)	(3,002)
Finance	(376)	(1,147)	1,008	(139)	(106)	(34)	(410)
School staffing insurance scheme	(1,091)	(5,232)	5,232	0	-	-	(1,091)
Libraries Communities & Planning							
Library Services	(515)	(2,201)	2,017	(185)	-	(185)	(700)
Transformation & Support Services Trading							
Information Services infrastructure	(164)	(6,650)	6,650	-	-	-	(164)
Legal Services	(689)	(9,798)	7,718	(2,080)	(2,080)	-	(689)
Place Services	(305)	(1,613)	1,488	(125)	(125)	-	(305)
Smarte East	(217)	(265)	263	(3)	-	(3)	(220)
Total	(5,786)	(40,819)	35,501	(5,319)	(4,526)	(793)	(6,580)

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 01 April 2014	Balance at 01 April 2015	Estimated contributions	Estimated closing balances 2015-16 Estimated withdrawals / usage	Estimated closing balances	2016-17	2017-18
	£000	£000	£000	£000	£000	£000	£000
General Balance	(57,363)	(57,858)	-	3,462	(54,396)	(54,396)	(54,396)
Earmarked for future use							
General reserves							
Capital receipts pump priming	(1,821)	(2,221)	(1,000)	-	(3,221)	(4,221)	(5,221)
Carbon Reduction reserve	(2,961)	(3,490)	(529)	-	(4,019)	(4,548)	(5,077)
Carry Forwards Reserve	(15,250)	-	-	-	-	-	-
Collection Fund Investment Risk reserve	(4,265)	(9,772)	(1,412)	-	(11,184)	(11,684)	(11,684)
Community Resilience reserve	(1,000)	-	-	-	-	-	-
Community Initiatives Fund	-	-	(3,750)	-	(3,750)	(5,250)	(6,750)
Consultation reserve	(5,896)	(5,507)	-	-	(5,507)	(5,507)	(5,507)
Energy Inflation reserve	(1,120)	(920)	(200)	-	(1,120)	(1,320)	(1,520)
Economic Growth Strategy reserve	(3,000)	-	-	-	-	-	-
Essex Crime and Police Panel reserve	(73)	(73)	-	-	(73)	(73)	(73)
Essex Transport Reserve	(372)	(372)	-	-	(372)	(372)	(372)
Flood and Water Management Reserve	-	(3,000)	-	-	(3,000)	(3,000)	(3,000)
Health and Safety Reserve	(263)	(41)	-	-	(41)	(41)	(41)
Insurance	(9,732)	(9,732)	-	-	(9,732)	(9,732)	(9,732)
Innovation Reserve	-	-	(1,000)	-	(1,000)	(1,000)	(1,000)
Newton bequest reserve	(119)	(119)	-	-	(119)	(119)	(119)
Pension Fund Deficit reserve	(5,000)	(3,988)	-	1,574	(2,414)	(1,840)	(1,266)
Quadrennial Elections reserve	-	(500)	(500)	-	(1,000)	(1,500)	(2,000)
Redundancy reserve	(9,344)	(8,247)	-	-	(8,247)	(8,247)	(8,247)
Tendring PPP	(422)	(422)	-	-	(422)	(422)	(422)
Transformation	(30,994)	(24,256)	(8,289)	2,200	(30,345)	(33,845)	(36,845)
Future capital funding							
General	(25,458)	(48,038)	(1,824)	-	(49,862)	(53,936)	(58,010)
Bellhouse landfill	(61)	(61)	-	-	(61)	(61)	(61)
Long Term Contractual commitment funding							
PFI reserves							
A130 PFI	(57,067)	(55,461)	-	1,949	(53,512)	(51,063)	(48,614)
Clacton secondary schools' PFI	(3,632)	(3,820)	(188)	-	(4,008)	(4,196)	(4,384)
Building schools for the future PFI	(1,222)	(1,222)	-	-	(1,222)	(1,222)	(1,222)
Debden PFI	(4,582)	(4,331)	-	251	(4,080)	(3,830)	(3,579)
Waste reserve	(60,984)	(54,848)	(14,397)	11,926	(57,319)	(58,404)	(63,108)
Grants equalisation reserve	(13,817)	(9,073)	-	-	(9,073)	(9,073)	(9,073)
Trading activities (not available for ECC use)	(5,006)	(5,786)	(793)	-	(6,580)	(7,188)	(7,797)
Partnerships (not available for ECC use)	(2,657)	(2,657)	-	-	(2,657)	(2,657)	(2,657)
Schools (not available for ECC use)	(51,690)	(51,690)	-	-	(51,690)	(51,690)	(51,690)

Appendix F: 2015/16 Prudential Indicators, Treasury Management Strategy and MRP Policy

1. Introduction

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

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

Further detail is provided in the following paragraphs.

2. Prudential indicators

2.1 Context

The Council is required by regulation to comply with the **CIPFA Prudential Code for Capital Finance in Local Authorities** (referred to as the '**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 over time 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 2013/14 through to 2019/20 is provided in **Appendix G**. Explanatory comments are provided in the following paragraphs.

2.2 Capital Expenditure Plans

The proposal is for capital investment of **£272m** for the 2015/16 programme, with an indicative programme for the subsequent four years totalling **£636m**. These planning levels represent a continued major investment in the infrastructure and economy of Essex.

There will be a particular focus over the medium term on invest-to-save and grow capital schemes and on projects that will look to continually develop and manage:

- Earlier intervention and prevention;
- Increasing independence;
- Community and personal resilience; and
- Co-design, joint commissioning, joint delivery

Actual capital expenditure and financing sources for 2013/14, together with the original and updated plans for 2014/15, proposals for 2015/16 and the indicative guidelines for the subsequent four years, is summarised in **Appendix G** with detailed plans being presented elsewhere within the Corporate Business Plan.

2.3 Capital Financing Requirement

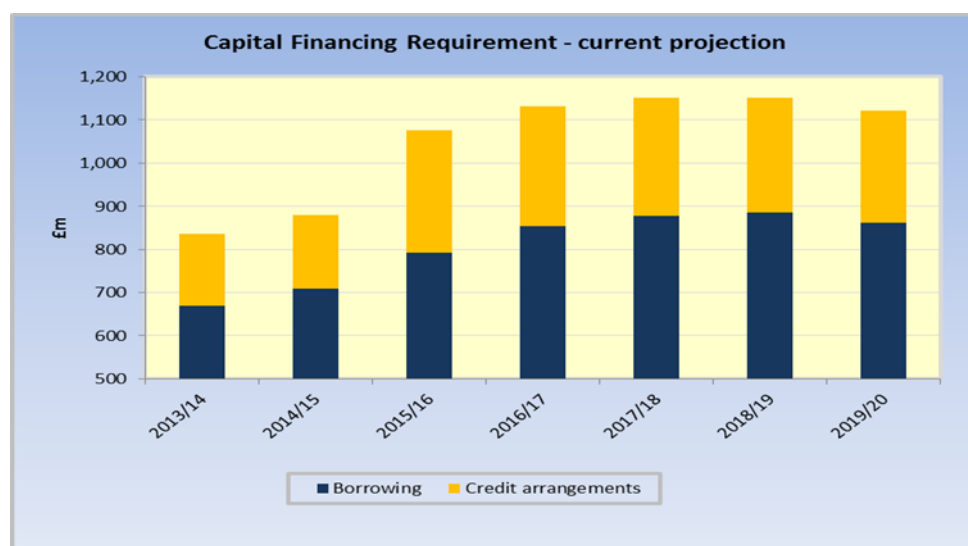
One of the key ways that the Council has of financing capital expenditure is from 'borrowing'.

This ability to finance capital expenditure from borrowing means that the Council is able to incur expenditure that it does not need to fund immediately from cash resources (*i.e. from capital grants and receipts or from contributions from the revenue budget*). Instead, the Council is able to charge the capital expenditure to the revenue budget over a number of years into the future. It does this in accordance with its policy for the repayment of debt, which is explained later within this report.

The **Capital Financing Requirement** (CFR) for 2013/14 provides a measure of the amount of capital expenditure that the Council has already spent that has yet to be funded from cash resources. That is, it provides a measure of the Council's indebtedness, and of its need to borrow for capital financing purposes.

Credit arrangements are also included in the calculation of the CFR because they have the same practical impact as borrowing; 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 2013/14 and forward projections for the current and forthcoming five years are as follows:



The year on year movements in the CFR are the net result of:

- The Council's intention to finance further capital expenditure from borrowing and/or to enter into further credit arrangements over this period (*these both result in **increases** to the CFR*); and

- Revenue budget provision being made for the repayment of debt (*which results in a **reduction** to the CFR*).

The estimates of the CFR therefore show that:

- The amount of capital expenditure that it is intended to finance from borrowing is forecast to exceed the annual provision for the repayment of debt each year up to and including 2018/19, after which new borrowing starts to diminish; and
- The element of the CFR related to credit arrangements will increase significantly in 2015/16, 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 over the medium term via the provision of capital grant rather than by 'supported borrowing'.

2.4 External borrowing limits

The Council is only permitted to borrow externally (*including via credit arrangements*) up to the level implied by its Capital Financing Requirement (CFR). To ensure that external borrowing does not exceed the CFR, other than in the short term, limits are established for external debt, as follows:

- **Authorised limit** – this 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** – this 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 but not worst case scenarios. They allow sufficient headroom for fluctuations in the level of cash balances and in the level of the CFR.

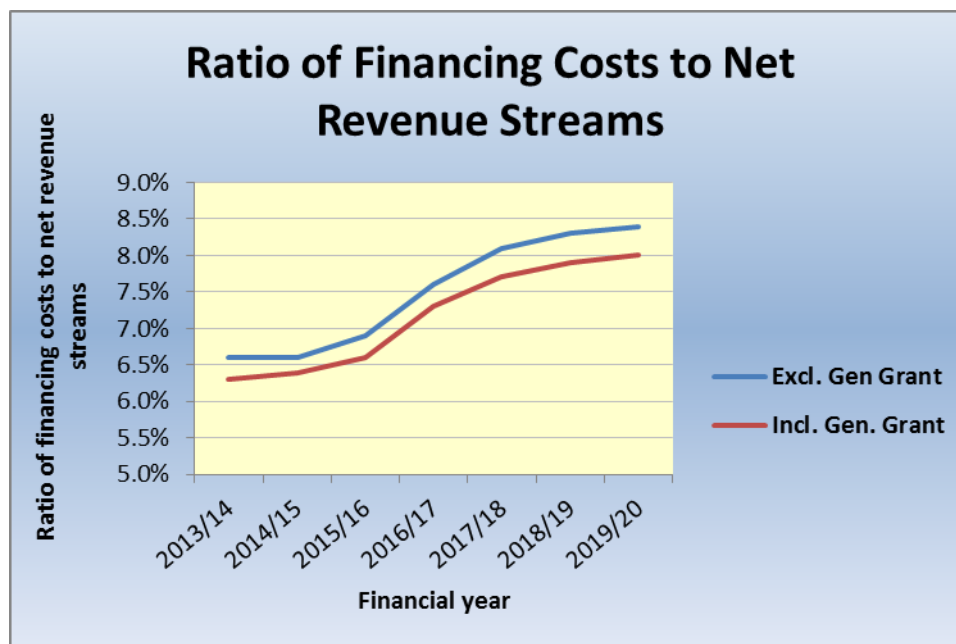
The authorised limit and operational boundary related to external borrowing are below the current estimates of the CFR for borrowing. This position is currently sustainable because the Council is able to temporarily utilise the cash that has been set aside, such as in earmarked revenue reserves, as a short to medium term alternative to external borrowing. This practice, which is referred to as 'internal borrowing', does not reduce the magnitude of funds held in reserves and balances; the funds are merely being borrowed until they are required for their intended purpose.

Further comments on these limits are set out within the Treasury Management Strategy, in paragraph 3.4.

2.5 Ratio of financing costs to net revenue streams

The trend in the ‘cost of capital’ is provided by the ‘**ratio of financing costs to net revenue streams**’. This ratio provides a key indicator of affordability, as it shows the proportion of the annual revenue budget that is being consumed year on year in order to finance the costs of borrowing (*i.e. interest and debt repayments, net of investment income*).

The actual ratios for 2013/14, and the latest estimates for the current and forthcoming five years, are provided in **Appendix G**. The trend in this ratio over this period is illustrated as follows:



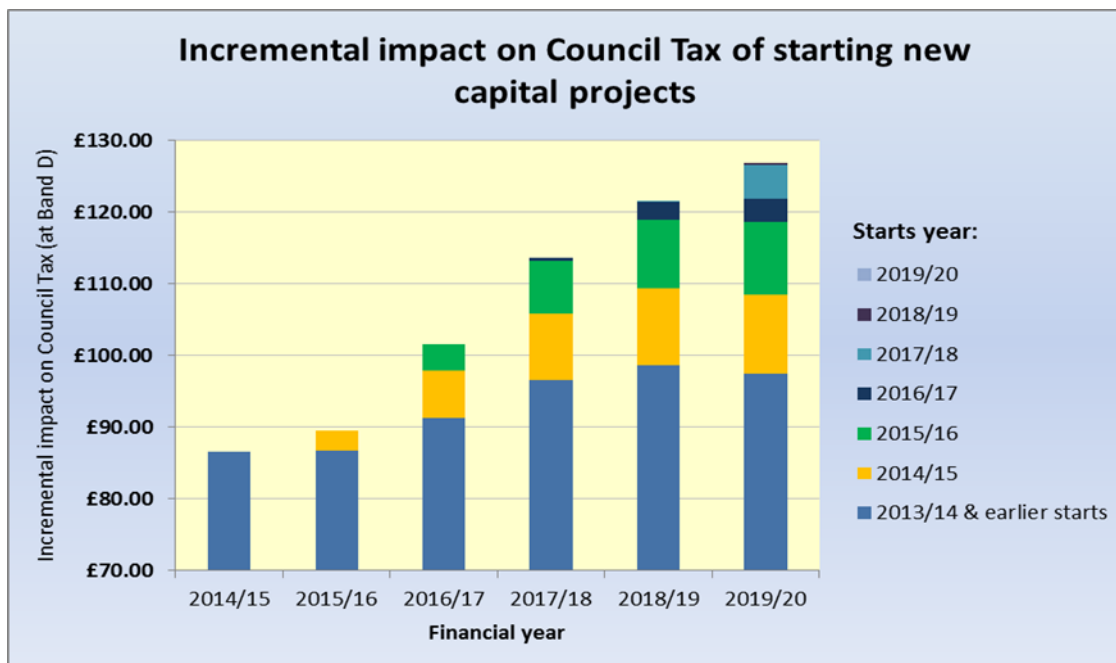
It can be seen that the proportion of the revenue budget that is required to fund borrowing costs is forecast to increase by around **1.8%** over the period 2013/14 to 2019/20. This increase partly reflects the impact of the Council’s capital programme proposals over the forthcoming five years, but also a reduction in our net revenue streams.

2.6 Incremental impact on Council Tax

Another key measure of the affordability of the capital programme proposals is their impact upon council tax.

The prudential indicator for the **incremental impact upon council tax** shows the council tax at band D that results from continuing with capital schemes started in, and prior to, 2013/14 and the additional amounts that result from commencing new capital projects in the current and subsequent five years.

The indicators are set out in Appendix G and are illustrated as follows:



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 consider the affordability and impact of the Council's capital expenditure proposals. The Treasury Management Strategy considers funding of these decisions.

The Council's treasury activities must be undertaken in compliance both with the **CIPFA Treasury Management in the Public Services Code of Practice** (referred to as the Treasury Management Code) and with 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

The following paragraphs set the backdrop to the Council's treasury management activity in 2015/16 and subsequent years, by providing commentary on the economic outlook:

▪ Global economy

Within the Eurozone, 'Debt to Gross Domestic Product' (GDP) ratios of Greece, Italy, Portugal, Ireland and Cyprus remain a cause for concern. Many commentators still view Greece's exit from the Euro as inevitable and there are concerns that austerity measures in Cyprus could force their exit too. It is uncertain how much damage an exit by one country could do, but the longer an exit is delayed, the less likely it is that repercussions will be felt across the remainder of the Eurozone.

The U.S. faces similar debt problems to those of the UK, but the annual government deficit has been halved from its peak without doing too much damage to growth. It is currently anticipated that the Federal Reserve will start increasing rates in mid-2015.

With regard to the Chinese economy, concerns remain around an unbalanced economy, which is heavily dependent on new investment expenditure. Japan's economy is causing concern too, as an increase in sales tax in April 2014 has suppressed consumer expenditure and growth.

The alternating bouts of good and bad news during 2014 have promoted optimism, and then pessimism, in financial markets – this may continue to have a destabilising effect in 2015. The recent plunge in oil prices has reduced inflation, which will improve consumer disposable income and so underpin economic growth during 2015, however the price drop has also led to a flight from the debt and equities of oil producing emerging market countries.

▪ UK economy

The UK is expected to have had the strongest rate of growth of any G7 country in 2014 and this is expected to continue into 2015. However, for the recovery to be sustained, our dependence on consumer expenditure and the housing market needs to reduce, and greater emphasis needs to be placed on exporting manufactured goods.

Previously, the Monetary Policy Committee (MPC) said it would consider increasing the Bank Rate when unemployment fell below **7%**. However, it has subsequently published a broader range of indicators that it will take into account when considering whether or not to change the Bank Rate.

Currently, it is anticipated that the Bank Rate will increase during the fourth quarter of 2015, with markets expecting further incremental increases at a slow pace after that.

Bond yields are likely to remain volatile as investors fluctuate between favouring more risky assets (i.e. equities) and safer bonds. It is expected that gilt yields and Public Works

Loan Board (PWLB) rates will start to rise, due to the high volumes of gilt issuance in the UK and bond issuance in other major western countries.

The threat of deflation and Eurozone weakness has increased the risks to the durability of UK growth and the uncertainty over the outcome of the general election in May 2015 may have an impact on UK gilt yields and PWLB.

3.3 Borrowing, investment and interest projections

The Council primarily undertakes external borrowing in order to manage the cash flow implications of incurring capital expenditure that it does not immediately fund from cash resources, and to manage fluctuations in its cash flows more generally too.

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), and working capital 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 2015/16 has been determined in accordance with these forecasts.

3.4 Borrowing

Borrowing strategy

As explained in paragraph 2.4, the **Capital Financing Requirement** (CFR) provides a measure of the Council's need to borrow in order to manage the cash flow implications of incurring capital expenditure that it does not immediately fund from cash resources. Currently, external borrowing amounts to **£351m**, which equates to around **50%** of the estimated CFR at **31 March 2015**. The remainder of the CFR has temporarily been funded from borrowing the cash the Council has set aside for other purposes (referred to as 'internal borrowing').

The use of internal borrowing has been an extremely effective strategy in recent years as:

- It has enabled the Council to avoid significant external borrowing costs (*i.e. saving around **£11m 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 continue to be possible to partly fund the CFR from internal borrowing, the projected increases in the CFR make it inevitable that some new external borrowing will be required over the period covered by this strategy.

It is currently anticipated that new external 'long term' borrowing will be required in each year as follows:

	Total borrowing at 31st March					
	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m
Existing external loans	351	350	349	347	346	344
Requirement for new borrowing						
2015/16	-	84	84	84	84	84
2016/17	-	-	63	63	63	63
2017/18	-	-	-	27	27	27
2018/19	-	-	-	-	9	9
2019/20	-	-	-	-	-	-
Total new borrowing	-	84	147	174	183	183
Total external borrowing	351	434	496	521	529	527
Internal borrowing	358	358	357	357	357	334
Total borrowing	709	792	853	878	886	861

The annual borrowing requirements referred to above assume that external borrowing will only be undertaken to fund the forecast increases in the CFR over this period. This strategy therefore assumes that the Council will continue to be able to support circa **£350m** of internal borrowing over the period to 2019/20. Should it not be possible to sustain this level of internal borrowing, it may be necessary to undertake further external borrowing than that indicated above.

The external borrowing requirement will be kept under review, and external 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**). It is anticipated that new external loans will be secured from the Public Works Loan Board, although other sources of borrowing will also be considered.

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

Limits are proposed, in **Appendix H**, for the maturity structure of borrowing. The purpose of these limits is to guide decisions about the period over which new borrowing will be secured, to ensure that the Council does not have:

- A large amount of debt maturing in any one year which it may need to refinance in that year alongside any new borrowing that may be required; and
- External loans in excess of its CFR, other than in the short term.

The Council has a number of Money Market (*Lender option, Borrower option*) loans within its existing portfolio of loans. These loans contain a series of option dates upon which the lender can propose a variation to the interest rate on the loans. Should the lender choose to exercise its option to vary the interest rate on any of these loans, the Council can repay the loans in full without penalty. Whilst it is not currently anticipated that the Council will repay any of these loans prematurely, the debt maturity limits proposed within this report assume that these loans will mature at their next option dates.

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

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.

3.5 Investments

Investment strategy

When the Council has surplus cash balances, these are invested until they are next required. Usually, this means that funds are invested on a short term basis (*i.e. up to a maximum period of 364 days*), but up to **£100m** may 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**. Specified investments are sterling deposits made for periods of less than one year and 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**. The inclusion of **non-specified investments** in the investment strategy is solely to allow funds (up to a maximum of £100m) to be invested for periods of in excess of one year.

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 and Customer 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 H** that will establish the ranges within which fixed and variable rate investments will be undertaken.

Liquidity

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

Performance

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

3.6 Treasury management advisors

The Council currently employs **Capita Asset Services** (Treasury Solutions) as its treasury management advisor but, following a recent re-tendering exercise, will be managing the transition to **Arlingclose** in the run up to the 2015/16 financial year.

Both advisors provide a range of services, including technical advice on treasury matters and capital finance issues, economic and interest rate analysis and creditworthiness information. Notwithstanding this, the final decision on all treasury matters remains vested with the Council.

The services received from the Treasury Management Advisors are subject to regular review.

3.7 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

As noted elsewhere within this report, one of the key ways that the Council has of financing capital expenditure is from 'borrowing'. 'Borrowing' means that the Council is able to incur capital expenditure that it does not fund immediately from cash resources. However, implicit in the permission to defer the funding of the capital expenditure is a regulatory requirement to set cash resources aside from the Revenue Budget annually to repay this borrowing on a prudent basis. This practice is referred to as making a prudent level of '**revenue provision for the repayment of debt**'.

The Capital Financing Requirement (CFR) provides a measure of the capital expenditure that has already been spent which has yet to be funded from cash resources.

4.2 Revenue Provision for Debt Repayment Policy 2015/16

In accordance with the requirement to make a prudent 'revenue provision for the repayment of debt', the Council ensures 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 is achieved by:

- Applying the '**Regulatory Method**' to determine the '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 'revenue provision' 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 2015/16 has been compiled on a basis consistent with this policy.

Appendix G: Prudential Indicators (Part 1)

Summary of prudential indicators		2013-14 Actual	2014-15		2015-16 Estimate	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast
			Original Estimate	Updated Estimate					
Capital expenditure & financing									
Capital Expenditure	£m	116	211	210	272	216	163	136	123
Capital Financing									
Borrowing (unsupported)	£m	-	93	66	110	92	57	41	9
Grants and contributions	£m	94	83	103	141	102	91	92	110
Capital receipts and earmarked reserves	£m	22	35	41	21	22	15	3	4
Total capital financing	£m	116	211	210	272	216	163	136	123
Capital financing requirement									
Capital financing requirement (CFR)									
Opening CFR	£m	835	836	835	880	1,076	1,132	1,151	1,152
Add									
Additional borrowing	£m	-	93	66	110	92	57	41	9
Additional credit liabilities (PFI / Finance leases)	£m	34	120	10	120	-	-	-	-
		869	1,049	911	1,110	1,168	1,189	1,192	1,161
Less									
Revenue provision for debt repayment	£m	(34)	(31)	(31)	(34)	(36)	(38)	(40)	(40)
Capital Financing Requirement	£m	835	1,018	880	1,076	1,132	1,151	1,152	1,121
Analysis of the Capital Financing Requirement									
Supported borrowing and pre 2008/09 unsupported borrowing	£m	554	531	531	509	489	469	450	432
Unsupported borrowing (2008/09 and later)	£m	116	207	178	283	365	410	436	430
Sub total - borrowing	£m	670	738	709	792	854	879	886	862
Credit arrangements (PFI / Finance leases)	£m	165	280	171	284	278	272	266	259
Total	£m	835	1,018	880	1,076	1,132	1,151	1,152	1,121
Gross borrowing and the CFR									
Medium term forecast of CFR	£m	1,076	988	1,132	1,150	1,152	1,121	1,081	1,043
Forecast external debt (long term) and credit arrangements	£m	519	562	522	718	775	800	795	788
Headroom	£m	557	426	610	432	377	321	286	255

Appendix G: Prudential Indicators (Part 2)

Summary of prudential indicators		2013-14	2014-15		2015-16	2016-17	2017-18	2018-19	2019-20
		Actual	Original Estimate	Updated Estimate	Estimate	Forecast	Forecast	Forecast	Forecast
External debt									
Authorised limit									
Borrowing	£m	491	600	520	620	720	770	810	830
Other long term liabilities	£m	163	280	171	284	278	272	266	259
Total authorised limit	£m	654	880	691	904	998	1,042	1,076	1,089
Operational boundary									
Borrowing	£m	380	390	390	520	540	550	550	560
Other long term liabilities	£m	159	265	161	265	258	252	246	240
Total operational boundary	£m	539	655	551	785	798	802	796	800
Actual external debt (incl. credit arrangements)	£m	519	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Financing & net revenue streams									
Net revenue streams excl. gen. govnt grants	%	6.6%	4.6%	6.6%	6.9%	7.6%	8.1%	8.3%	8.4%
Net revenue streams incl. gen. govnt grants	%	6.3%	4.4%	6.4%	6.6%	7.3%	7.7%	7.9%	8.0%
Incremental impact on Council Tax									
Effect of capital schemes starting in:									
2013/14 and earlier years	£	£93.56	£90.33	£86.53	£86.65	£91.26	£96.59	£98.64	£97.50
2014/15	£		£0.26	-	£2.92	£6.61	£9.21	£10.74	£11.07
2015/16	£		-	-	-	£3.60	£7.44	£9.59	£10.02
2016/17	£		-	-	-	-	£0.41	£2.47	£3.24
2017/18	£		-	-	-	-	-	£0.04	£4.78
2018/19	£		-	-	-	-	-	-	£0.24
2019/20	£		-	-	-	-	-	-	-
Total	£	£93.56	£90.59	£86.53	£89.57	£101.47	£113.65	£121.48	£126.85

Appendix H: Treasury Management Summary

Treasury Management Summary		2014-15 Latest Estimate	2015-16 Estimate	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast
Estimated debt and investments							
Investments (estimated balance at each 31st March)	£m	310	210	180	160	170	220
External debt (operational boundary for borrowing)	£m	390	520	540	550	550	560
Expected movement in interest rates							
Bank Rate (at each 31st March)	%	0.50%	1.00%	1.50%	2.50%	2.50%	2.50%
PWLB (borrowing) rates							
5 year	%	2.70%	3.00%	3.40%	3.50%	3.50%	3.50%
10 year	%	3.40%	3.80%	4.10%	4.30%	4.30%	4.30%
25 year	%	4.00%	4.50%	4.80%	5.00%	5.00%	5.00%
50 year	%	4.00%	4.50%	4.80%	5.00%	5.00%	5.00%
Source: Capita Asset Services (Treasury Solutions) (December 2014)							
Effect of 1% increase in interest rates							
Interest on borrowing	£000		63				
Interest on investments	£000		(1,998)				
Interest attributed to reserves & balances	£000		2,105				
Interest attributed to other bodies	£000		326				
Net total	£000		496				
Borrowing requirement (external borrowing)	£m	-	84	63	27	9	-
Interest rate exposures							
Upper limits for exposure to fixed rates							
Net exposure	£m	520	620	720	770	810	830
Debt	%	100%	100%	100%	100%	100%	100%
Investments	%	100%	100%	100%	100%	100%	100%
Upper limits for exposure to variable rates							
Net exposure	£m	156	186	216	231	243	249
Debt	%	30%	30%	30%	30%	30%	30%
Investments	%	100%	100%	100%	100%	100%	100%
Maturity structure of borrowing (upper limit)							
Under 12 months	%	40%	40%	40%	40%	40%	40%
12 months and within 24 months	%	40%	40%	40%	40%	40%	40%
24 months and within 5 years	%	60%	60%	60%	60%	60%	60%
5 years and within 10 years	%	60%	60%	60%	60%	60%	60%
10 years and within 25 years	%	60%	67%	60%	60%	60%	60%
25 years and within 40 years	%	50%	51%	50%	50%	50%	50%
40 years and within 50 years	%	50%	50%	50%	50%	50%	50%
50 years and above	%	20%	22%	18%	16%	15%	15%
Maturity structure of borrowing (lower limit)							
All maturity periods	%	0%	0%	0%	0%	0%	0%
Total sums invested for more than 364 days							
Upper limit for sums invested for more than 364 days	£m	50	100	100	100	100	100

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. Where applicable, it does this by reference to the credit ratings, watches and outlooks published by all three ratings agencies (namely Fitch, Standard and Poor and Moody's). Definitions of the credit ratings of the three main credit ratings are not reproduced within this report, but are available upon request.

The matters considered by Fitch, Standard and Poor and Moody's when assigning their respective ratings currently 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. Whilst not all agencies assign ratings in each of these key areas, the Council has previously used all available ratings to determine the pool of counterparties with whom it will invest its funds. However, with effect from 2015/16, it is proposed that the Council focuses solely on the short and long term ratings of financial institutions. Further explanation is provided below.

2. Changes to credit rating methodology

Support ratings

The rating agencies currently provide some institutions with a ratings 'uplift' due to implied levels of sovereign support. However, the rating agencies have recently indicated that they intend to remove these 'uplifts', although the exact timing of this change is still uncertain.

There is a clear expectation, when the current 'uplift' is removed, that support ratings for all institutions will drop to '5', which is defined as *'a bank for which there is a possibility of external support, but it cannot be relied upon'*. There will cease to be any benefit in considering the 'support' rating once all institutions drop to this level.

It is important to emphasise that the removal of the sovereign support 'uplifts' will not result from any changes in the underlying status of institutions or to the credit environment.

Viability ratings

Both Fitch and Moody's provide credit ratings for financial institutions which assess their ability to stand alone without outside support. Due to the future removal of sovereign support from institution assessments, both agencies have indicated that they expect to align their viability ratings with their long term ratings. There will cease to be any benefit in continuing to monitor both ratings at this point.

Short and long term ratings

As a result of the imminent changes to the support and viability ratings, it is intended to focus solely on the minimum Short and Long Term ratings that an institution must have in order to qualify for inclusion on the Council's lending list. That said, rating watch and outlook information, CDS prices and other data will continue to be taken into consideration too.

3. Banks and building societies

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

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

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. Their use will ensure that the Council's funds are invested with high quality counterparties.

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.

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.

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 and Customer 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.

4. 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).

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. Enhanced Money Market Funds

Enhanced Money Market Funds (EMMFs) are designed to produce enhanced returns, and this typically requires the manager to take more risk than the traditional money market funds referred to above. This does not mean there is necessarily a reduction in credit quality though.

The Council will only use EMMF's with an **AAA** credit rating and a minimum credit score of 1.25 that are denominated in sterling and regulated within the UK.

7. 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).

8. 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.

9. Other products

A range of other investment products may be used for investing the Council's underlying / core cash balances, including:

- **Property Funds** - this is a long term, and relatively illiquid investment, which is expected to yield both rental income and capital gains.
- **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.
- **UK Government Gilts / Gilt Funds**
- **UK Government Treasury bills**

The risks associated with the use of any combination of these 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.

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

The Executive Director for Corporate and Customer Services will work with the Council's advisors to determine the use of these alternative investment products, taking into account the acceptability or otherwise of the risks associated with their use.

10. 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.

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
AAA' rated Enhanced Money Market Funds							25	1 year
UK Government							No limit	1 year
Local authorities - upper tier							50	3 years
Local authorities - lower tier							35	3 years
Property Funds							20	Not fixed
'AAA' rated Corporate Bonds							20	3 years
Corporate Bond Funds							20	3 years
UK Government Gilts / Gilt Funds							20	3 years
UK Government Treasury Bills							20	3 years

Notes:

Property Funds – these do not have a defined maturity date and the Property Fund may need to sell its underlying assets in order to repay the funds invested by the Council, so this is an illiquid form of investment

**Appendix J – Pay Policy Statement
For the Year 1 April 2015 to 31 March
2016**

1. 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.

2. Determination of Grade

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.

3. Background

ECC Policy is that remuneration at all levels of Essex County Council (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 currently to apply a combination of National Conditions and local pay and conditions.

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.

In November 2014 employees within Band 4 were invited to offer to opt-in voluntarily to an extension of local pay arrangements. While 93% voluntarily opted in to the new arrangements, the remainder were moved across through a “dismissal and re-engagement” process. The new Band 4 became effective for new employees from November 2014, and for existing employees from 1 April, 2015.

As a result, around 50% 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, with the remainder employed on local pay arrangements.

The values of the incremental points contained within Bands 1-3 (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. A new National salary range has applied since January 2015 (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 2015 ECC will consider the further cascade of local performance pay arrangements. As ECC transforms into a Commissioning based organisation, the introduction of separate pay or allowance 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.

4. 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.

5. 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 2014/15 this ratio was 1:8.6.

6. 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 Directors (who are classified for the purpose of this statement as 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 2014/15 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).

7. 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.

8. 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 other than in a small number of wholly exceptional cases, would include all staff who are appointed on a salary in excess of £100,000.

A Remuneration Panel, comprised of independent persons, advises on executive pay as required.

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

9. 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 operates a five factor performance management scheme (branded as 'Supporting Success') 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 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 are contained within a 'Supporting Success' form and should be stretching, SMART and link to the Corporate Outcomes Framework, Function 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 (Developing) will not attract any reward. Performance outcomes of Levels 3 (Achieving), 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).

In order to address potential salary differential problems, under local pay arrangements only, where a high achieving employee's base pay is below the mid-point of their grade, their bonus payment may be converted (in whole or in part) into base pay until the mid-point of the grade is attained.

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.
- Developing – 10% of eligible employees.
- Achieving – 60% of eligible employees.
- Exceeds – 20% of eligible employees.
- Exceptional – 5% of eligible employees.

During 2015 'Supporting Success' is expected to be enabled by an on-line process.

10. 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 4-10), 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 4-10 (excluding direct reports) – decision to be made by Executive 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 small number of Career Progression Schemes have been developed and implemented within Functions for posts graded within Bands 1-3 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.

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/Outcomes focussed 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.

The Government is scheduled to launch a new scheme in October 2015 designed to assist employees with their childcare costs. ECC will continue to offer the Childcare Voucher scheme to existing users for as long as there is a demand and taxation advantage to offering it.

(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.

(n) Individual & Team Rewards

ECC Policy is that employees or teams may receive recognition for undertaking additional duties that are significantly outside the scope of their normal role for a short period of time or excelling in the performance of their duties

Such recognition can take the form of:

- Reward payments
- Reward vouchers
- Award of additional annual leave
- Thank you letters
- E-recognition cards

11. Chief Officer Salaries 2015/16

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 2013/14 will be published on the Council website within the Statement of Accounts.

12. Appointments to Designated Roles 2015/16

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

13. Early Retirement/Termination of Designated Roles 2015/16

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.

14. Settlement 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.

Appendix A – Salary Ranges Bands 1 - 13

Grade		Point	Annual £
NJC/Band 1		5*	13,500
		6	13,614
	Mid Capped	7	13,715
		8	13,871
		9	14,075
		10	14,338
NJC/Band 2		11	15,207
		12	15,523
		13	15,941
	Mid Capped	14	16,231
		15	16,572
		16	16,969
		17	17,372
NJC/Band 3		18	17,714
		19	18,376
		20	19,048
	Mid Capped	21	19,742
		22	20,253
		23	20,849
		24	21,530
		25	22,212

* Spinal point to be deleted from 1 October 2015

Band	Minimum	Maximum
Band 4	£22,700	£40,750
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