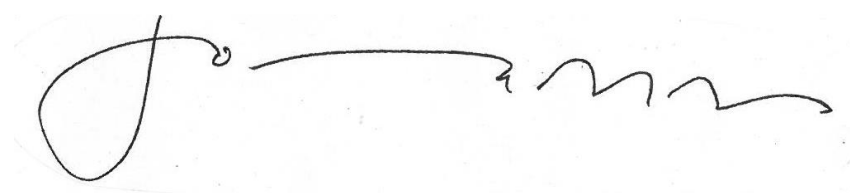


# Summons

To all Members of  
Essex County Council

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

<b>10:00</b>	<b>Tuesday, 10 February 2015</b>	<b>Council Chamber, County Hall, Chelmsford, Essex</b>
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**Joanna Killian**  
Chief Executive

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**Officer Support to the Council:** Andy Gribben, Council and Member Support Officer

**Telephone:** 03330134565

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

This meeting is open to the public and the press.

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

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



**Prayers** The meeting will be preceded by Prayers led by The Reverend Canon Carol Smith, Vicar of Moulsham St Luke's, Chelmsford. Chaplain to the Chairman of the Council and Workplace Chaplain, Essex County Council.

**Public Questions** A period of up to 30 minutes will be allowed for members of the public to ask questions on any business of the Council (Standing Order 16.12.10). No question shall be longer than three minutes and speakers must have registered with the clerk no later than 7 calendar days before the date of the meeting. On arrival, and before the start of the meeting, registered speakers must identify themselves to staff in order to be seated.

	<b>Pages</b>
<b>1 Apologies for Absence</b>	
<b>2 Declarations of Interest</b> To note any declarations of interest to be made by Members in accordance with the Members' Code of Conduct	
<b>3 Confirmation of the minutes of the meeting held on 9 December 2014</b>	<b>5 - 20</b>
<b>4 Chairman's Announcements</b>	
<b>5 Receipt of petitions and deputations</b>	
<b>6 The Budget Report 2015/16</b>	<b>21 - 146</b>
<b>7 Financial Regulations and Scheme of Delegation for Financial Management</b>	<b>147 - 256</b>
<b>8 Authority to Create a Local Pension Board for Essex</b>	<b>257 - 264</b>
<b>9 To receive a report of matters reserved to the Council and to consider any recommendations</b>	<b>265 - 266</b>

**10 Questions (Standing Order 16.12)**

- a) Written questions
- b) Oral questions of the Leader, Cabinet Member or the chairman of a committee upon any matter relevant to the business of the Council
- c) Oral questions of the representative of the Essex Police and Crime Panel on any matter of that Panel
- d) Oral questions of the representative of the Essex Fire Authority on any matter relevant to the business of that Authority.

**11 In relation to 10d) above, the report of the Essex Fire Authority's meeting on 3 December 2014 is attached for information 267 - 280**

# Minutes of a meeting of Essex County Council held at County Hall, Chelmsford on 9 December 2014

## Present

Chairman: Councillor N Hume

Vice-Chairman: Councillor J F Aldridge

## Councillors:

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

**Prayers**

The meeting was preceded by prayers led by Councillor John Spence substituting for The Reverend Alun J Hurd who was held up in traffic.

**1. Apologies for Absence**

Apologies for absence were received on behalf of Councillors W Archibald, A Erskine, P Honeywood and Lady Newton.

**2. Declarations of Interest**

There were no declarations of interest made at this point.

**3. Minutes of the meeting held on 14 October 2014**

Subject to the following corrections to the minutes as set out on page 22 of the Agenda proposed by Councillor Bass:

15.14 the word 'District' being replaced with 'Division',

15.15 the word 'would' being replaced with 'could' and later the word 'could' being replaced with 'would',

16.1 'Mr' being replaced with 'Councillor',

and on page 24 as proposed by Councillor Hedley:

17.4 the abbreviation 'NFU' being replaced with 'FBU' it was

**Resolved:**

That the minutes of the meeting held on 14 October 2014 be approved as a correct record and signed by the Chairman.

**4. Chairman's Announcements****You Make The Difference Awards 2014**

The Chairman congratulated everyone who was nominated and the winners of the You Make The Difference Awards 2014.

**Member Development Charter Plus**

The Chairman congratulated all those involved in the achievement of the award of the Member Development Charter Plus, particularly congratulating Joanna Boaler, Head of Democratic Services, and the Vice-Chairman Councillor J Aldridge as well as all members of the Member Development Steering Group

A formal presentation will be made at the next meeting in February.

**National Children and Young People Now Awards**

The Winter Warmers project, based in Clacton, won gold at the awards in the Youth Volunteering Award category in a gala event held at London's Connaught Rooms. The project, which ran last winter, was a joint initiative between Essex County Council, the Prince's Trust Team and the Citizens Advice Bureau. The Chairman congratulated all those involved. Councillor Gooding, The Cabinet Member for Education and Lifelong Learning also congratulated the young people for their innovative scheme. In addition to the award itself it had been decided that those involved should receive a certificate from the Council.

The Chairman presented certificates to the young people present.

**2014 Social Worker of the Year Awards**

At the Chairman's invitation, Councillor Madden, Cabinet Member for Adults and Children, introduced Zahraa Adam from the Children in Care Team and congratulated her on winning both the Newly Qualified Children's Social Worker of the Year and overall Social Worker of the Year categories in the 2014 Social Worker of the Year Awards.

The Chairman on behalf of the Council added his congratulations to those of Councillor Madden.

**Public Sector/Not-for-Profit Risk Management Award**

The Chairman on behalf of the Council received from Councillor Spence, Cabinet Member for Finance, the Public Sector/Not-for-Profit Risk Management Award presented by the Continuity, Insurance and Risk Management Magazine at the fifth annual Risk Management Awards.

Councillor Spence paid tribute to the work of Ashley Easen, Head of Organisational Risk, and her team.

The Chairman congratulated the officers and the Cabinet Member on the receipt of the award.

**Use of Microphones and Mobile Phones**

The Chairman reminded members of the need to take care when using the microphones in the Chamber. He also reminded all those present to switch off their mobile phones.

**5. Presentation of Petitions**

There were no petitions presented.

## 6. Executive Statement

The Leader of the Council gave a statement concerning the Chancellor's Autumn Statement and Essex's Devolution Bid including:

- the growth in the Essex economy,
- investment in infrastructure,
- improvements in the Council's performance,
- supporting communities,
- utilising the private, public and voluntary sectors and developing strong partnerships,
- devolved powers for Essex,
- reforming business rates, and
- seeking a fair deal for Essex.

## 7. Motions

### 1. Careers Advice for Young People

It was moved by Councillor Danvers and seconded by Councillor Harris

'That this Council:

acknowledges the impact of revised statutory guidance, introduced by the Conservative-led government, on schools having to deliver careers guidance; noting findings by Pearson UK, which revealed that 37% of secondary school pupils surveyed were relying on television programmes for careers guidance, with only 1 in 3 teachers surveyed confident they were providing legally required careers advice;

further notes recent concerns expressed by Ofsted, into youth participation that not enough schools and academies have a clear strategy for providing impartial and independent careers guidance to all their pupils aged 13-18, and too few providers are evaluating the quality of their careers guidance provision effectively; with around 36% of schools using teaching assistants to carry out this work with little training available;

believes that the administration has been short-sighted in cutting the Council's careers advice service whilst our key partner councils on the Essex Employment and Skills Board, Thurrock Council and Southend Borough Council, have retained and refined their careers advice offer to young people;

This Council therefore resolves:

to explore opportunities to secure County Council provision of careers information, advice and guidance to all young people 13-18 in Essex, ensuring that the evidence base for skills developed by the Employment and Skills Board is deployed consistently and impartially through face to



face, trained personal advisers to support young people in making positive and productive post 16 choices that are right for them as individuals, to thrive in the jobs market.'

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

## **2. Devolution**

It was moved by Councillor Finch and seconded by Councillor Bentley

'This Council welcomes the measures the Government has taken to devolve powers to local people through the Localism Act. However, this Council now asks that more devolved powers and funding be made in a number of areas including skills, transportation, greater flexibility on business rates retention and tax raising responsibilities to ensure that a greater proportion of taxes paid by the people of Essex are kept in Essex.

This Council believes that the people of Essex are the ones who should determine the future of these areas and have greater say on investment in their county through their locally elected representatives.

This Council also resolves that County Councils play a critical role in the building of the UK economy and wishes Essex and other counties be treated by the Government as equals to the metropolitan cities of England when it comes to devolution.

This Council further resolves that a written copy of this motion be sent to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Communities and Local Government, all Essex MPs and all Leaders of Essex District, Borough and City Councils.'

It was moved by Councillor Mackrory and seconded by Councillor Higgins that the Motion be amended to read as follows:

'This Council welcomes the measures the Government has taken to devolve powers to local people through the Localism Act. However, this Council now asks that more devolved powers and funding be made in a number of areas including skills, transportation, greater flexibility on business rates retention and tax raising responsibilities to ensure that a greater proportion of taxes paid by the people of Essex are kept in Essex.

This Council believes that the people of Essex are the ones who should determine the future of these areas and have greater say on investment in their county through their locally elected representatives.

This Council also believes that County Councils, Districts, Boroughs and City Councils play a critical role in the building of the UK economy and wishes Essex and other counties be treated by the Government as equals to the metropolitan cities of England when it comes to devolution.

This Council further resolves that a written copy of this motion be sent to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Communities and Local Government, all Essex MPs and all Leaders of Essex District, Borough and City Councils.'

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

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

### **3. Regeneration and Promotion of Small Businesses throughout Essex**

It was moved by Councillor Helm and seconded by Councillor Huntman

'This Council understands much time and resources are spent in promoting or regenerating "key sectors" of business such as technology, manufacturing, financial services, ports and logistics and offshore wind-farms. This however neglects a huge sector of the Essex economy.

Therefore Council calls upon the administration to consider a package of incentives specifically designed to support a sector presently ignored, namely sole traders, self-employed and small business owners. The package should include support and assistance for new start-ups, and retail outlets struggling on High Streets throughout Essex.'

Councillors Kendall and Bentley declared an interest as owners and operators of small businesses.

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

### **4. LED Lighting**

On the recommendation of the Chairman it was agreed that this motion be taken as the next item of business.

It was moved by Councillor Robinson and seconded by Councillor Kendall

'This Council notes that:

- (a) Many councils including nearby unitary authorities, are moving to LED street lights.
- (b) The Green Investment Bank (GIB) has £3.8 billion from the UK Government to help the UK's economy become greener and stronger, and sees energy efficiency measures, including LED street lighting, at the heart of a low carbon economy.
- (c) The GIB says that Local Authorities deciding to make the switch to low energy streetlights will have a short payback period on their

investment, as early as five years. After that, they will be able to enjoy a reduction in their electricity bill of up to 80 percent.

This Council therefore resolves to include in the 2015/16 budget funding to begin switching Essex street lights to LED, either from own Invest to Save reserves or by taking a GIB loan - the 30% of lights that are left on all night and lights on street signs being considered first.'

It was moved by Councillor Young and seconded by Councillor Henderson that the Motion be amended to read as follows:

'This Council notes that:

(a) Many councils including nearby unitary authorities, are moving to LED street lights.

(b) The Green Investment Bank (GIB) has £3.8 billion from the UK Government to help the UK's economy become greener and stronger, and sees energy efficiency measures, including LED street lighting, at the heart of a low carbon economy.

(c) The GIB says that Local Authorities deciding to make the switch to low energy streetlights will have a short payback period on their investment, as early as five years.

After that, they will be able to enjoy a reduction in their electricity bill of up to 80 percent.

This Council therefore resolves to include in the 2015/16 budget funding to begin switching Essex street lights to LED, either from own Invest to Save reserves; taking a GIB loan or under Government backed funding through the Salix Project.'

Prior to the amendment being put to the meeting the mover of the original Motion indicated his willingness to accept the amendment such that the Motion amended accordingly became the substantive Motion.

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

The substantive Motion having been put it was declared to be lost by 26 votes for and 40 against. There were 4 abstentions.

Those voting for the Motion were Councillors:

B Aspinell  
A Bayley  
D Blackwell  
K Bobbin  
M Danvers  
J A Deakin

K Gibbs  
D Harris  
G Helm  
I Henderson  
T M A Higgins  
J Huntman

M Mackrory  
M McGeorge  
P Oxley  
S Robinson  
K Smith  
A Turrell

T Durcan  
M Ellis  
M D Fisher

D J Kendall  
N Le Gresley  
J Lodge

J Whitehouse  
J A Young

Those voting against the Motion were Councillors:

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

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

M Maddocks  
M McEwen  
V Metcalfe  
A Naylor  
M J Page  
J W Pike  
J M Reeves  
J Spence  
K Twitchen  
S Walsh  
R G Walters  
A Wood

Those abstaining were Councillors:

J Abbott  
M Hoy

C Pond  
C Seagers

## 8. Adjournment

With the agreement of Council the Chairman adjourned the meeting for luncheon at 13:30pm.

The meeting reconvened at 14:30pm.

## 9. Motions (continued)

### 5. Infrastructure

It was moved by Councillor Knapman and seconded by Councillor Barker

‘This Council supports fully its District, Borough and City Councils which, when developing their Local Plans, seek to protect Green Belt sites from inappropriate development and ensure that housing development cannot occur where there is insufficient infrastructural provision. Whilst noting collaborative working between local authorities and the public sector over the use of brownfield sites; this Council calls on Central Government to endorse wholeheartedly these approaches to house-building within councils’ borders.’

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

**10. To consider a report of matters reserved to the Council**

The report of Council Issues was received.

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

**Resolved:**

**1. Special Responsibility Allowances**

That the following changes be made:

- (i) reduce the Special Responsibility Allowance paid to the Scrutiny Board Chairman to £16,050 pa
- (ii) delete the Special Responsibility Allowance paid to the Deputy Leader of the Conservative Group.

**11. To consider a report concerning Cabinet Members and Portfolios**

The Leader presented a report concerning changes to Cabinet Members and Portfolios.

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

**Resolved:**

That the Portfolios agreed by the Leader and as set out in the report be reflected in the Constitution.

**12. The Leader's Report of Cabinet Issues**

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

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

The published answers to the 24 written questions submitted in accordance with Standing Order 16.12.1 were noted.

The following supplementary questions were asked as a result of having received a written reply and responses given:

- (2) Councillor Whitehouse received an assurance from the Cabinet Member for Libraries, Communities and Planning that he would consider greater promotion of the cheaper 01245 430430 alternative number for residents to call other than the 0845 numbers currently listed on the Council's website that attract a higher call charge.
- (4) Councillor Pond thanked the Cabinet Member for Highways and Transportation for his reply and highlighted the £6.5 million cost of the Street Lighting Central Management System (CMS) and sought confirmation that it was able to save money on things other than part-night lighting and in particular would be capable of switching off LED lights as individual units or clusters.

The Cabinet Member stated that the CMS, the largest in the world, was pioneered by an Essex-based firm in order to manage individually 127,000 lights. It was controlled through 57 base-stations and, as described in the written question, had other functions than just switching lights off, including being able to make savings by managing the lighting stock.

- (6) Councillor Higgins sought further information from the Cabinet Member for Libraries, Communities and Planning concerning the talks between Mersea Outdoors and local landowners to provide a boating lake.

The Cabinet Member reiterated his written answer concerning the commercial sensitivity of the situation but added that he would speak to Councillor Higgins outside of the Chamber.

- (7) Councillor Deakin thanked the Cabinet Member for Highways Maintenance and Small Scheme Delivery for his written reply but, whilst welcoming the installation of a 'pedestrian refuge' expressed continuing concerns about the entrance to and egress from the new school on Maltese Road and asked that the Cabinet Member might consider a revision to the traffic management in the area.

The Cabinet Member stated that he was reluctant to amend work in progress but he would ask officers to look at the traffic management once the school was open.

- (9) Councillor Kendall asked the Cabinet Member for Highways Maintenance and Small Scheme Delivery if he shared his concerns that it appeared that there needed to be a 70 per-cent deterioration in the road and line-markings near pedestrian crossings before any work could be done and they could be re-painted?

The Cabinet Member replied that the criteria have been revised and upgraded to follow national criteria.

- (10) Councillor Kendall asked the Cabinet Member for Highways and Transportation what action he intended to take to ensure that the public was informed of the crime statistics related to part-night lighting?

The Cabinet Member reiterated his written reply that in principle he could agree but that the matter was not as simple as the Councillor suggested. There were crimes committed between the hours of midnight and 5:00am in all areas of the County and not just where lights were switched off. It was necessary to identify where switching off the street lights had been a contributing factor. These figures need to be compared with crime statistics and trends in areas where part-night lighting was not employed and trends in crime that takes place during the day. But there were further complicating factors such as seasonal trends. He added that it was wrong for some to conclude that individual incidents that have taken place in the early hours of the morning, particularly tragic ones, are related to part-night lighting. He suggested that such conclusions only served to engender a fear of crime. In the interests of transparency the Cabinet Member stated that he would publish the figures as requested but only once they could be properly analysed.

- (11) Councillor Mackrory drew the attention of the Leader to the second paragraph of his written question that he believed had not been addressed in the response.

The Leader replied that the 11 December meeting, referred to in his written answer, was the beginning of the debate. The matter was at an early stage and would include consultations and involvement of District Councils, members of the public and Members of the County Council to arrive at an outline plan. He gave a commitment to keep Members informed.

- (12) Councillor Robinson asked the Cabinet Member for Highways and Transportation if, as he had stated in his written response, buying in staff capacity wasn't the issue, perhaps he could explain what it was?

The Cabinet Member replied that the Member had asked for advice as to how the Local Highways Panels could deliver their agreed projects. The first issue was that the LHPs were delivering a very much larger number of projects than they did the previous year or the year before that. He believed that the LHPs understood they needed to finalise their list of projects for the ensuing financial year before 1 April 2015 in order to have a good chance of having them delivered. But some schemes require a preliminary evaluation and that is the 'two-stage process' to which he had referred in the written answer. The Cabinet Member also drew attention to the difference between capital and revenue budgets and the fact that capital allocations cannot be used for buying in staff. He added that it wasn't a staffing issue but one of managing expectations. He suggested that these were matters well understood by the LHPs.

- (13) Councillor Robinson asked the Cabinet Member for Highways and Transportation if he intended to involve relevant Chelmsford City

Councillors in the discussion on current and future congestion problems. He had been informed that the Cabinet Member intended only to meet with the Leader of the City Council.

The Cabinet Member replied that he was always prepared to meet. He met regularly with members of Chelmsford City Council at what are called 'five-a-side gatherings' to discuss issues in Chelmsford. He is also happy to attend a Locality Board meeting.

- (14) Councillor Le Gresley thanked the Cabinet Member for Libraries, Communities and Planning for his response but asked that he be sent online links to the plans and guidance mentioned in the reply.

The Leader, in the absence of the relevant Cabinet Member replied that such links would be sent.

- (15) Councillor Bayley asked the Cabinet Member for Economic Growth, Infrastructure, Waste and Recycling what support could be given to the High Streets in the face of the challenge posed by the internet?

The Cabinet Member replied that it was not possible for the Council to affect the behaviour of those who preferred to shop online. Shops affected needed to meet the challenge.

- (16) Councillor Smith thanked the Leader for his response and suggested subjects that might be usefully studied by pupils including those instances when the people had resisted an overbearing State.

The Leader affirmed that he would ask officers to explore the possibilities of introducing an 'Essex History Week' to present the rich and diverse heritage of the people of Essex.

- (17) Councillor Danvers asked the Cabinet Member for Highways and Transportation if he would permit District Councils to pay to have their street lights turned back on?

The Cabinet Member replied that, as that was not a supplementary to the written question but the introduction of a different subject he had nothing to say.

- (19) Councillor Henderson asked the Cabinet Member for Highways and Transportation if he could clarify what might be the cost of the extension of LED lighting across Essex as there had been a number of different figures quoted.

The Cabinet Member replied that there had been consideration given to an application for Government funding to pay for LED lighting projects and to applying to Green Investment Banks and the Public Works Loans Board. The Council will fund the pilot scheme itself.



- (20) Councillor Henderson asked the Cabinet Member for Highways and Transportation if it were the case that the CMS could be used to detect faults.

The Cabinet Member replied that, again Councillor Henderson was not asking a supplementary to his written question but raising a new matter and so he had nothing further to add.

- (21) Councillor Bobbin thanked the Leader for his reply but asked if he could guarantee that there would be the introduction of the living wage as the lack of such a guarantee was making local residents open to unfair competition from abroad.

The Leader replied that the position of the Council on this matter had already been made clear and he had no further comment to make beyond his written reply.

- (24) Councillor Smith asked the Leader if he would write the letter that he had requested in his written question.

The Leader replied that he would consider the matter.

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

1. Councillor Pond asked the Cabinet Member for Libraries, Communities and Planning to restate what he actually said in the Member Reference Group last month, that every effort would be made to ensure that libraries are in the very best places to serve their communities and that no library would be closed down.

The Cabinet Member replied that he was happy to confirm that was correct.

2. Councillor Danvers asked the Cabinet Member for Highways and Transportation if a district council wished to pay to switch on street lights would he meet with them to discuss the matter.

The Cabinet Member replied that he had already agreed to meet with Group Leaders from Harlow, which is Councillor Danver's District, to discuss street lighting. He would not pre-judge what might be the outcome of that meeting.

3. Councillor Abbott asked the Cabinet Member for Highways and Transportation when Witham Town Council might receive the road-signs they have been requesting for some time, for the better directing of HGVs.

The Cabinet Member replied that the Council was working on a laudable proposal from Witham Town Council and the Council was doing what it could to help, bearing in mind some complexities that need to be carefully considered.

4. Councillor Abbot enquired of the Cabinet Member for Highways and Transportation concerning recent press reports that the Council had decided the A12 should be upgraded and be reclassified as a motorway when this decision was made, by whom and what consultation took place with those persons who might be affected?

The Cabinet Member replied that he had been calling for the A12 from Brentwood to Ipswich to become a motorway and had been doing so for all his time in office. He was confident that the suggestion is supported by the vast majority of users as it is a major and strategic route.

5. Councillor Buckley asked the Cabinet Member for Highways Maintenance and Small Scheme Delivery if he could update Council on the extended delays on the implementation of the 106 agreements on the Bridge Road, Shotgate, Wickford.

The Cabinet Member replied that the money was passed to the Council and Basildon Council in 2012. The design is commissioned to be completed this year and the planned start date is July 2015.

6. Councillor Kendall asked the Cabinet Member for Highways and Transportation if there could be a breakdown by Local Highways Panel of what money has been taken back for re-allocation to various schemes including the LED pilot scheme?

The Cabinet Member replied that he had already replied to Councillor Kendall by email that, of course he could have the figures for Brentwood as he is the Chairman of the LHP and any local member could have an update on the local position. As Councillor Kendal then informed him that he was unable to obtain those figures he invited him to meet after the meeting to resolve any difficulties he was having. He added that all LHPs should have access to such figures and an estimate on capital schemes, overspends and underspends and he would be very happy to supply details at the end of the year.

7. Councillor Whitehouse asked the Cabinet Member for Highways Maintenance and Small Scheme Delivery if he could update Council on the scope and progress of the review of the Parking Partnerships.

The Cabinet Member replied that there would be a report to Cabinet in March.

8. Councillor Wood asked the Cabinet Member for Education and Lifelong Learning to agree that it was a great announcement by Ofsted that the Clacton Coastal Academy was 'good with outstanding features'.

The Cabinet Member replied that this was a good news story and a tribute to the hard work of all concerned.

9. Councillor Henderson asked the Cabinet Member for Highways and Transportation what is the cost and payback period of introducing LED lighting; is it £15million, £30million or £60 million?

The Cabinet Member replied that the actual figure was hypothetically £68million with a 19-year payback period but the intention is to take a more incremental and affordable approach. After the pilots have taken place a decision will be taken on whether to proceed further on a step-by-step basis and so the question is purely hypothetical.

10. Councillor Smith asked the Cabinet Member for Highways and Transportation if, in the event of a harsh winter, there were plans to supplement the Urban Salt Bag Partnership Scheme.

The Cabinet Member replied that the salt supplies would be supplemented if necessary.

11. Councillor Bobbin asked the Cabinet Member for Highways and Transportation whether following the recent tragic death in Basildon would he be putting the lights back on in business parks and industrial areas before there were any more accidents?

The Cabinet Member replied that the Council will continue to work closely with the Police to examine whether it would be sensible to override the scheme in certain specific instances.

12. Councillor Huntman asked the Cabinet Member for Highways and Transportation if he agreed that although it was heartening to hear Government announcements last week regarding the A12 (and credit where it was due to the Cabinet Member for helping to secure the funding) was it not UKIP that led the agenda on this matter?

The Cabinet Member agreed that he had indeed used words originally quoted by Councillor Huntman in the Chamber.

13. Councillor Robinson asked the Cabinet Member for Education and Lifelong Learning that local members be kept better informed of matters in their Divisions as, for example, he believed that a school in his Division is converting to an Academy and although he had been sent the Ofsted report a year ago he wished he had been more closely informed.

The Cabinet Member believed that he normally kept local members so informed but apologised if on this occasion he had neglected to do so.

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

There were no questions.

**16. Oral questions of the representative of the Essex Fire Authority.**

There were no questions.

The meeting closed at 15:50

Chairman  
10 February 2015

# Revenue Budget 2015/16 and Capital Programme 2015/16

Report by Councillor D Finch, Leader of the Council

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Enquiries to Margaret Lee, Executive Director for Corporate and Customer Services

## 1 Purpose of the Report

- 1.1 The report presents information to enable Full Council to consider and approve the revenue and capital budget for 2015/16 – noting the report presents a balanced budget for 2015/16.
- 1.2 The recommendations in section 2 will be moved by the Leader of the Council.
- 1.3 Section 3 contains the details of the movements from those presented to Cabinet in January.
- 1.4 Section 4 contains recommendations agreed by Cabinet now superseded by those in Section 2.

## 2 Recommendations to the Council

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

- 2.1 The net revenue budget requirement to be set at **£869.0 million** (m) for 2015/16 – section 2
- 2.2 The net cost of services to be set at **£925.3m** for 2015/16 – section 2
- 2.3 The total council tax requirement be set at **£539.1m** for 2015/16 – section 2
- 2.4 That council tax freeze grant be accepted and that therefore council tax rates will not change and the Essex County Council element of the council tax for charge for a Band D property in 2015/16 will remain at **£1,086.75**. A full list of bands is as follows:

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

- 2.5 Full Council approve the council tax for each category of dwelling and the precepts on each of the council tax billing authorities for 2015/16, together with the final tax base, as set out in the table below.

	<b>2015/16 Final Tax Base Band D Equivalent</b>	<b>2015/16 Gross Precept £000's</b>
Basildon	57,381	62,359
Braintree	49,742	54,057
Brentwood	31,156	33,858
Castle Point	29,314	31,857
Chelmsford	62,382	67,793
Colchester	59,547	64,713
Epping Forest	51,196	55,637
Harlow	24,286	26,392
Maldon	23,042	25,041
Rochford	30,226	32,848
Tendring	44,290	48,132
Uttlesford	33,540	36,449
<b>Total For ECC</b>	<b>496,101</b>	<b>539,138</b>

- 2.6 Agree to the proposed total schools budget of **£563.1m** for 2015/16 as set out in Appendix C, which will be funded by the Dedicated Schools Grant.
- 2.7 That the General Balance be set at **£57.9m** as at 1 April 2015 prior to the proposed drawdown of **£3.5m** as prescribed in section 2, and the Executive

Director for Corporate and Customer Services (section 151 officer) statement on the robustness of the estimates and reserves be noted (section 12)

- 2.8 That the capital payments guideline be set at **£272.0m** for 2015/16 and that the Executive Director for Corporate and Customer Services, in consultation with the Cabinet Member for Finance, be authorised to make adjustments to the phasing of payments between years (should that be necessary) as the capital programme is finalised, and to report any impact on the Prudential Indicators at the subsequent quarterly review to Cabinet in July 2015.

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

- 2.9 The 2015/16 - 2017/18 Prudential Indicators and limits, together with updated limits for 2015/16 (see Appendices F and G).
- 2.10 The Treasury Management Strategy for 2015/16 (Appendix H).
- 2.11 The policy for making a prudent level of revenue provision for the repayment of debt (the Minimum Revenue Provision policy as set out in Appendix F).

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

- 2.12 The Pay policy statement for 2015/16 (Appendix J).

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

- 3.1 The billing authorities are required to provide a final estimate of the council tax base, the deficit/surplus from the prior year, the performance of the local discount scheme and the NDR income on the 31<sup>st</sup> January. The recommendations within the Cabinet report were based upon the estimates of these figures, before receipt of the final submissions from the billing authorities.
- 3.2 As was mentioned in the report to Cabinet, we are reliant on some information from our district, borough and city partners which was due by 31 January. This information has now been submitted and as a result, additional NDR income of **£0.3m** is now expected. Given the financial challenges the authority faces, and the transformation programme underway, it is proposed that an additional appropriation to the Transformation Reserve is made.

- 3.3 The table below shows the Cabinet provisional position alongside the position based on final returns from billing authorities:

	Cabinet Jan-15 £m	Council Feb-15 £m	Movement £m
Council Tax Requirement	(539.1)	(539.1)	0.0
Revenue Support Grant	(159.4)	(159.4)	0.0
Non-Domestic Rates	(159.4)	(159.7)	(0.3)
General Government Grants	(52.8)	(52.8)	0.0
Withdrawal from General Balance	(3.5)	(3.5)	0.0
Collection Fund Surplus	(10.7)	(10.7)	0.0
<b>Total Funding</b>	<b>(925.0)</b>	<b>(925.3)</b>	<b>(0.3)</b>
Base Net Cost of Services	925.0	925.3	0.3
<b>Total Expenditure</b>	<b>925.0</b>	<b>925.3</b>	<b>0.3</b>
Surplus/ (Deficit)	0.0	0.0	0.0

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

- 4.1 The net revenue budget requirement to be set at **£868.7 million** (m) for 2015/16.
- 4.2 The net cost of services to be set at **£925.0m** for 2015/16.
- 4.3 The total council tax requirement be set at **£539.1m** for 2015/16.
- 4.4 That council tax freeze grant be accepted and that therefore council tax rates will not change and the Essex County Council element of the council tax for charge for a Band D property in 2015/16 will remain at **£1,086.75**. A full list of bands is as follows:



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	<b>1,086.75</b>	<b>1,086.75</b>
Band E	1,328.25	1,328.25
Band F	1,569.75	1,569.75
Band G	1,811.25	1,811.25
Band H	2,173.50	2,173.50

- 4.5 That a schedule be presented to Full Council setting out the council tax rate for each category of dwelling and the precepts on each of the council tax billing authorities for 2015/16, together with the final tax base.
- 4.6 Agree to the proposed total schools budget of **£563.1m** for 2015/16 as set out in Appendix C, which will be funded by the Dedicated Schools Grant.
- 4.7 That the General Balance be set at **£57.9m** at as at 1 April 2015 prior to the proposed drawdown of **£3.5m** as prescribed in section 4, and the Executive Director for Corporate and Customer Services (section 151 officer) statement on the robustness of the estimates and reserves be noted (section 14).
- 4.8 That the capital payments guideline be set at **£272.0m** for 2015/16 and that the Executive Director for Corporate and Customer Services, in consultation with the Cabinet Member for Finance, be authorised to make adjustments to the phasing of payments between years (should that be necessary) as the capital programme is finalised, and to report any impact on the Prudential Indicators at the subsequent quarterly review to Cabinet in July 2015.
- 4.9 The delegation of authority to the Cabinet Member for Finance, in consultation with the Executive Director for Corporate and Customer Services, to make any necessary adjustments to the figures to be submitted to Full Council upon receipt of the final tax base and forecast business rates receipts for 2015/16 to be notified to the Council by the respective billing authorities (due by 31 January) and the final capital grant in respect of education from the Department for Education (DfE) due in mid-January.

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

- 4.10 *The 2015/16 - 2017/18 Prudential Indicators and limits, together with updated limits for 2015/16 (see Appendices F and G).*
- 4.11 *The Treasury Management Strategy for 2015/16 (Appendix H).*
- 4.12 *The policy for making a prudent level of revenue provision for the repayment of debt (the Minimum Revenue Provision policy as set out in Appendix F).*

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

- 4.13 *The Pay policy statement for 2015/16 (Appendix J).*

# Essex County Council

**Revenue Budget 2015/16**

**Capital Programme 2015/16**



**Essex County Council**

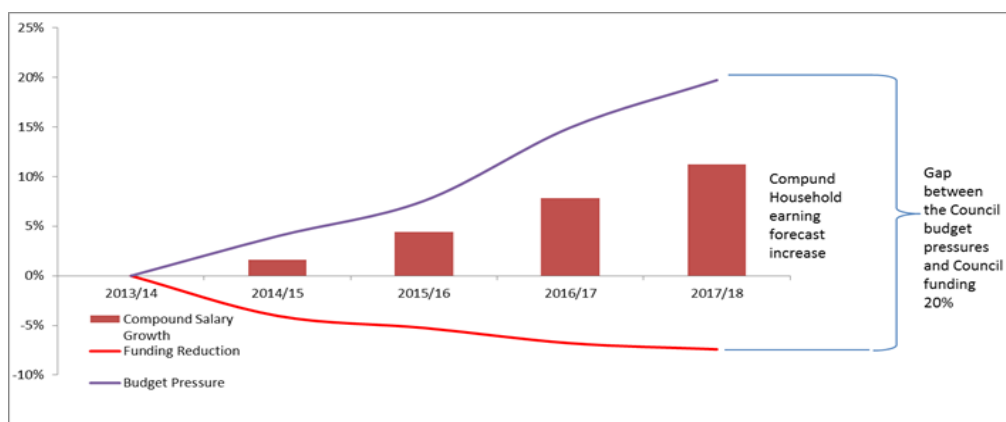
**REVENUE BUDGET 2015/16  
CAPITAL PROGRAMME 2015/16  
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## 1 Overview of Key Figures

- 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 **£1,777.5m** in 2015/16, with a net cost of services of **£925.3m**. This represents a **£6.5m** 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 **£49m** 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 **£1,777.5m**. After taking income and specific grants into account, the net costs of services amounts to **£925.3m** 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), **£159.4m** 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
<b>Gross Expenditure</b>	<b>1,777.5</b>
<i>Deduct:</i>	
Income	(176.6)
Specific Government Grants (excluding DSG)	(112.5)
Specific Government Grants (DSG)	(563.1)
<b>Subtotal: Net Cost of Services</b>	<b>925.3</b>
<i>Deduct:</i>	
Council Tax Requirement	(539.1)
Revenue Support Grant	(159.4)
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)
<b>Subtotal: Total Funding</b>	<b>(925.3)</b>
<b>Surplus/ (Deficit)/ Balanced budget</b>	<b>0.0</b>

\* 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	925,259,241
General Government Grants	(52,800,642)
Withdrawal from general balance	(3,462,427)
<b>Budget requirement</b>	<b>868,996,172</b>
Less funding available:	
RSG	159,432,423
NDR	159,676,647
Collection fund surplus	10,749,318
	<b>329,858,388</b>
<b>Council tax requirement</b>	<b>539,137,783</b>
Tax base	
(Band D equivalent properties)	496,101
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	80.9
Leader	6.1
Transformation, Corporate and Traded Services	0.1
Central Services and Levies	19.5
Other Operating Costs *	60.6
<b>Recharged Strategic Support Services (RSSS)**</b>	
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
<b>Net cost of services</b>	<b>925.3</b>

\*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 **£925.3m** is **£6.5m** 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	159.4	(42.7)	(21.1%)
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%
<b>Total Funding</b>	<b>931.8</b>	<b>925.3</b>	<b>(6.5)</b>	<b>(0.7%)</b>

- 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.

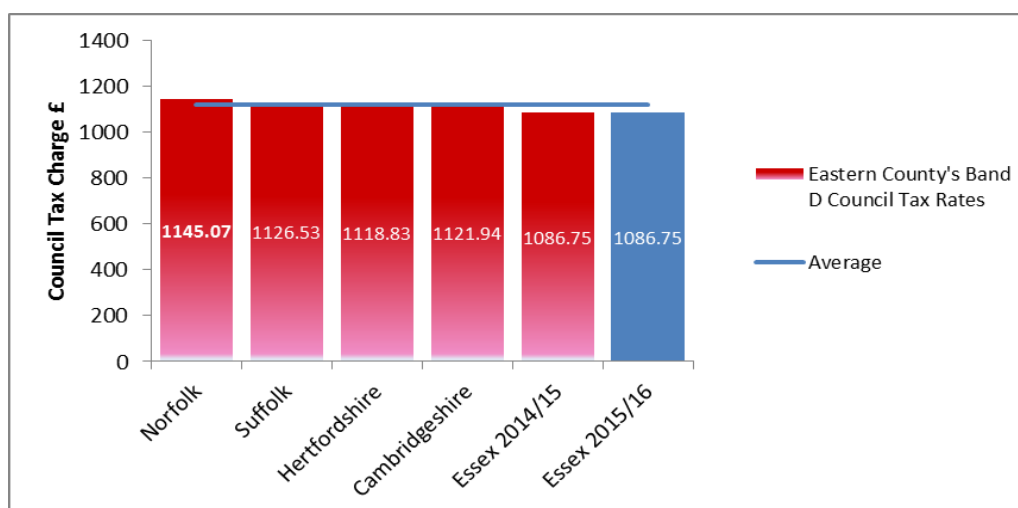
#### Provisional council tax charge by band

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	<b>1,086.75</b>	<b>1,086.75</b>
Band E	1,328.25	1,328.25
Band F	1,569.75	1,569.75
Band G	1,811.25	1,811.25
Band H	2,173.50	2,173.50

- 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 **£159.4m**. 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 **£42.7m** (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 **£49m**.
- 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
<b>Total</b>	<b>52.8</b>

- 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
<b>TOTAL</b>	<b>(196.7)</b>	<b>(176.6)</b>	<b>20.1</b>

\* 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 **£212.8m** comprising **£80.9m** of revenue funding and **£131.9m** of capital funding. This is an overall increase of **£29.3m** 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 **£212.8m** 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
<b>210,092</b>	<b>Total</b>	<b>272,048</b>	<b>216,314</b>	<b>162,782</b>	<b>135,653</b>	<b>122,735</b>	<b>909,532</b>

- 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
<b>210,092</b>	<b>Total</b>	<b>272,048</b>	<b>216,314</b>	<b>162,782</b>	<b>135,653</b>	<b>122,735</b>	<b>909,532</b>

## **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 **£49m** 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**

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## 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	106,510	(25,201)	(360)	80,949
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
<b>970,655</b>	<b>931,757</b>	<b>932,228</b>		<b>1,777,469</b>	<b>(176,560)</b>	<b>(675,650)</b>	<b>925,259</b>

## 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
<b>Access Assessment &amp; Care Management</b>							
(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
<b>Care &amp; Support</b>							
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
<b>Corporate &amp; Democratic Core</b>							
361	341		Corporate & Democratic Core				
<b>Housing Related Support</b>							
20,164	19,982	19,367	Programme Costs	12,546			12,546
<b>Mental Health</b>							
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
<b>Other Social Care</b>							
(23)	0	0	Essex Vulnerable Adults	509	(509)		(0)
1,494	5,015	3,044	Third Sector Funding	3,310		(350)	2,960
<b>Service Management Costs</b>							
(108)	(176)	(176)	Service Management Recharge	(63)			(63)
10,664	3,401	10,180	Service Management Costs	15,989	(214)	(119)	15,655
<b>Social Fund</b>							
(1,656)			Social Fund	0		(0)	0
<b>383,220</b>	<b>395,719</b>	<b>394,876</b>	<b>Net Cost of Services</b>	<b>472,782</b>	<b>(72,005)</b>	<b>(741)</b>	<b>400,036</b>

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
<b>Childrens Services Non Dsg</b>							
<b>Childrens Services</b>							
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
<b>Child And Adolescent Mental Health Services</b>							
2,365	2,618	2,728	Child & Adolescent Mental Health Services	2,664	(190)		2,474
<b>Community Placed Budgets</b>							
720	(0)		Community Placed Budgets				
<b>Cyp Strategic Partnerships</b>							
120			Cyp Strategic Partnerships				
<b>Children Centres</b>							
12,865	10,944	10,008	Children Centres	9,776			9,776
<b>Other Childrens Services</b>							
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
<b>Youth Offending Service</b>							
2,061	2,057	2,100	Youth Offending Service	3,460	(551)	(1,440)	1,470
<b>117,360</b>	<b>122,757</b>	<b>121,674</b>	<b>Net Cost of Services</b>	<b>125,253</b>	<b>(2,933)</b>	<b>(6,628)</b>	<b>115,691</b>

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
			<b>Community Resilience</b>				
593	450	1,704	Community Resilience	587	0		587
			<b>Health Watch</b>				
452	452	452	Health Watch	780		(328)	452
			<b>Public Health</b>				
1,356	(597)	(121)	Public Health	66,787		(66,849)	(62)
0			Service Management Costs				
			<b>Support to Carers</b>				
673	1,151	200	Carers Strategy	367	(210)		157
<b>3,074</b>	<b>1,456</b>	<b>2,236</b>	<b>Net Cost of Services</b>	<b>68,520</b>	<b>(210)</b>	<b>(67,177)</b>	<b>1,133</b>

## 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			<b>Built Environment</b>				
			Built Environment				
2,058	1,947	2,196	<b>Coroners' Courts</b>				
			Coroners' Courts	3,357	(1,186)		2,170
2,266	2,843	2,586	<b>Customer Services &amp; Member Enq</b>				
			Customer Services and Member Enquiries	2,366			2,366
1,612	1,850	1,670	<b>Development Management</b>				
			Development Management	1,697	(65)	(3)	1,629
656	607	607	<b>Emergency Planning</b>				
			Emergency Planning	679	(54)		626
1,051	1,055	811	<b>Environmental Planning</b>				
			Environmental Planning	1,105	(224)		881
133	220	305	<b>Environmental Strategy</b>				
			Environmental Strategy	295			295
1,437	1,390	1,390	<b>Heritage And Cultural Service</b>				
			Heritage And Cultural Services	1,778	(520)	(81)	1,176
403	258	258	<b>Historic Environment</b>				
			Historic Environment	239	0	(0)	239
116	133	76	<b>Leisure</b>				
			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
	34	34	<b>Libraries &amp; Information Service</b>				
			ii Libraries Service Management	34			34
8,399	7,757	7,956	<b>Library Operational Services</b>				
1,981	1,989	1,989	Library Resources	8,469	(1,410)	(25)	7,034
			Library Resources	1,952			1,952
561	220	78	<b>Olympics &amp; Sport Development</b>				
			Hadleigh Castle Country Park	344	(254)	(8)	82
1,564	1,617	1,617	Lee Valley Park - Precept	1,578			1,578
110	(0)		<b>Place Consultancy</b>				
			Place Consultancy				
(531)	(875)	(1,083)	<b>Registrars Office</b>				
			Registrars Office	2,246	(3,423)		(1,177)
187	172	172	<b>Rural Issues</b>				
			Rural Issues	177			177
(0)		776	<b>Service Management</b>				
			Service Management	859			859
1,099	684	888	<b>Sustainable Development</b>				
			Sustainable Development	853	(20)		833
2,207	2,024	2,143	<b>Trading Standards</b>				
			Trading Standards	2,332	(357)		1,975
124	103	103	<b>Travellers</b>				
			Travellers	955	(896)		59
<b>25,900</b>	<b>24,435</b>	<b>25,210</b>		<b>33,428</b>	<b>(10,539)</b>	<b>(213)</b>	<b>22,676</b>
2,675	2,140	2,095	<b>Customer Services</b>				
			Customer Services	2,041	(254)		1,787
<b>28,575</b>	<b>26,575</b>	<b>27,305</b>	<b>Net Cost of Services</b>	<b>35,469</b>	<b>(10,793)</b>	<b>(213)</b>	<b>24,462</b>

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
			<b>Economic Regeneration</b>				
2,173	2,115	1,689	Economic Regeneration	2,613	(727)	(0)	1,886
			<b>International Trade</b>				
248	246	246	International Trade	303	(78)		225
			<b>Inward Investment</b>				
442	487	386	i Inward Investment	387			387
			<b>Management &amp; Support Services</b>				
20	(0)	(366)	Management & Support Services	159	(11)		147
			<b>Skills</b>				
1,424	1,950	2,078	ii Skills	2,374		(265)	2,108
			<b>Tourism</b>				
301	270	270	Tourism	437	(227)	0	211
			<b>Waste Management</b>				
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
<b>69,173</b>	<b>72,696</b>	<b>72,066</b>	<b>Net Cost of Services</b>	<b>86,868</b>	<b>(4,759)</b>	<b>(265)</b>	<b>81,843</b>

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
<b>Education &amp; Life Learn Dsg</b>							
(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)
<b>Education &amp; Life Learn Non Dsg</b>							
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)
<b>46,063</b>	<b>41,815</b>	<b>45,966</b>	<b>Net Cost of Services</b>	<b>659,795</b>	<b>(14,276)</b>	<b>(600,009)</b>	<b>45,510</b>

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 fro 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
<b>Highways And Transportation</b>							
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	41,579	(11,065)		30,514
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	7,157	(274)		6,883
(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	2,183	(267)	(130)	1,786
2,491	2,584	2,570	Winter Service	2,593			2,593
<b>85,338</b>	<b>93,273</b>	<b>99,843</b>		<b>106,510</b>	<b>(25,201)</b>	<b>(360)</b>	<b>80,949</b>
1,108	1,173	54	Highways and Transportation Recharged Strategic Support Services	0	0		0
<b>1,108</b>	<b>1,173</b>	<b>54</b>					
<b>86,445</b>	<b>94,447</b>	<b>99,897</b>	<b>Net Cost of Services</b>	<b>106,510</b>	<b>(25,201)</b>	<b>(360)</b>	<b>80,949</b>

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
			<b>Democratic Core</b>				
3,545	1,720	818	Corporate Management	830			830
81	59	59	Democratic Representation	55			55
			<b>Members Support</b>				
3,378	1,936	1,933	Members Support	1,876	0		1,876
			<b>Other</b>				
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
			<b>Place Policy</b>				
5	229	622	Place Policy	209	0		209
			<b>Support Services</b>				
271	545	394	Communications	432	0		432
<b>9,512</b>	<b>6,785</b>	<b>6,902</b>		<b>6,637</b>	<b>(579)</b>		<b>6,059</b>
			<b>Comms And Customer Relations</b>				
2,292	3,208	2,861	Comms And Customer Relations	2,539	(6)		2,533
			<b>Democratic Services</b>				
1,226	1,409	1,416	Democratic Services	1,739	(212)		1,527
			<b>Equality And Diversity</b>				
135	157	111	Equality And Diversity	145	(1)		144
			<b>Performance</b>				
2,300	2,219	2,179	Performance	2,246	(82)		2,164
<b>5,954</b>	<b>6,993</b>	<b>6,567</b>		<b>6,670</b>	<b>(302)</b>		<b>6,368</b>
<b>15,466</b>	<b>13,778</b>	<b>13,469</b>	<b>Net Cost of Services</b>	<b>13,307</b>	<b>(880)</b>		<b>12,427</b>

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

## 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
			<b>Central Services To The Public</b>				
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
			<b>Precepts</b>				
1,350	1,365	1,365	Environmental Agency	1,429			1,429
374	400	400	Kent & Essex Sea Fisheries	395			395
<b>16,670</b>	<b>15,319</b>	<b>15,319</b>		<b>20,484</b>	<b>(700)</b>	<b>(256)</b>	<b>19,528</b>
			<b>Capital Programme Imp and Delivery</b>				
1,700	1,704	1,506	Capital Programme Implementation & Delivery	1,659	(14)		1,645
			<b>Finance</b>				
11,845	10,930	15,185	Finance	18,250	(6,184)		12,066
			<b>Insurance Cost Recovery A/C</b>				
5,690	5,146	5,146	Insurance Cost Recovery Account	7,681	(2,940)		4,741
<b>19,235</b>	<b>17,780</b>	<b>21,837</b>		<b>27,590</b>	<b>(9,138)</b>		<b>18,452</b>
<b>35,905</b>	<b>33,099</b>	<b>37,156</b>	<b>Net Cost of Services</b>	<b>48,074</b>	<b>(9,838)</b>	<b>(256)</b>	<b>37,980</b>

## 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
<b>Approps To/From Reserves</b>							
(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
			<b>Capital Financing</b>				
29,492	28,473	27,179	Repayment Of External Loans	27,547			27,547
			<b>Contingencies</b>				
	8,000	8,000	Contingencies	8,000			8,000
			<b>Dividends received</b>				
	(1,000)	(1,000)	Dividends received		(1,000)		(1,000)
			<b>Interest Payable</b>				
(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)
			<b>Interest Receivable</b>				
(3,560)	(2,944)	(2,944)	External Interest Receivable		(1,961)		(1,961)
888	655	655	Interest Reallocated		1,031		1,031
<b>41,399</b>	<b>47,688</b>	<b>46,394</b>		<b>52,606</b>	<b>(2,630)</b>		<b>49,976</b>
<b>106,827</b>	<b>66,004</b>	<b>33,117</b>	<b>Net Cost of Services</b>	<b>85,695</b>	<b>(25,056)</b>		<b>60,639</b>

## **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
<b>210,092</b>	<b>Total</b>	<b>272,048</b>	<b>216,314</b>	<b>162,782</b>	<b>135,653</b>	<b>122,735</b>	<b>909,532</b>

### 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
<b>210,092</b>	<b>Total</b>	<b>272,048</b>	<b>216,314</b>	<b>162,782</b>	<b>135,653</b>	<b>122,735</b>	<b>909,532</b>

### 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
	<b>Blocks</b>						
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						
<b>2,153</b>	<b>Total Blocks</b>	<b>7,976</b>	<b>6,616</b>				<b>14,592</b>
<b>2,153</b>	<b>Total Adult Social Care</b>	<b>7,976</b>	<b>6,616</b>				<b>14,592</b>

### 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
	<b>Blocks</b>						
68	Adopters Adaptions	92					92
127	Aiming High	69					69
170	Carers Adaptations	80					80
34	Integrated Children's System Rationalisation						
<b>399</b>	<b>Total Blocks</b>	<b>241</b>					<b>241</b>
<b>399</b>	<b>Total Children and Families</b>	<b>241</b>					<b>241</b>

### 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
	<b>Blocks</b>						
723	Community Initiatives						
30	Greenstead Community Centre						
75	Substance Misuse						
<b>827</b>	<b>Total Blocks</b>						
<b>827</b>	<b>Total Communities and Healthy Living</b>						

### 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
	<b>Named schemes</b>						
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
<b>6,039</b>	<b>Total Named Schemes</b>	<b>3,749</b>	<b>1,000</b>				<b>4,749</b>
	<b>Blocks</b>						
	Flood Management	1,500	2,500	5,000	5,000	5,000	19,000
77	Public Realm	219	57				276
<b>77</b>	<b>Total Blocks</b>	<b>1,719</b>	<b>2,557</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>19,276</b>
<b>6,115</b>	<b>Total Customer Services, Planning &amp; the Environment</b>	<b>5,468</b>	<b>3,557</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>24,025</b>

### 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
	<b>Named schemes</b>						
	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
<b>19,694</b>	<b>Total Named Schemes</b>	<b>19,382</b>	<b>13,167</b>				<b>32,549</b>
	<b>Blocks</b>						
1,500	Economic Growth Fund	5,500	5,000	5,000	5,000	5,000	25,500
<b>1,500</b>	<b>Total Blocks</b>	<b>5,500</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>25,500</b>
<b>21,194</b>	<b>Total Economic Growth &amp; Infrastructure</b>	<b>24,882</b>	<b>18,167</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>58,049</b>

## 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
	<b>Named schemes</b>						
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
<b>13,745</b>	<b>Total Named Schemes</b>	<b>22,155</b>	<b>6,447</b>				<b>28,602</b>
	<b>Basic Need</b>						
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
<b>16,611</b>	<b>Total Basic Need</b>	<b>43,495</b>	<b>51,789</b>	<b>46,490</b>	<b>21,563</b>	<b>3,730</b>	<b>167,067</b>

### 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
	<b>Blocks</b>						
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
<b>16,741</b>	<b>Total Blocks</b>	<b>11,254</b>	<b>11,735</b>	<b>21,115</b>	<b>20,350</b>	<b>8,000</b>	<b>72,454</b>
	<b>School Balances (outside ECC control)</b>						
4,651	Devolved Formula Capital	1,800	1,600	1,600	1,600	1,600	8,200
447	School Cash Balances						
<b>5,097</b>	<b>Total school balances (outside ECC control)</b>	<b>1,800</b>	<b>1,600</b>	<b>1,600</b>	<b>1,600</b>	<b>1,600</b>	<b>8,200</b>
<b>52,195</b>	<b>Total Education &amp; Lifelong Learning</b>	<b>78,704</b>	<b>71,571</b>	<b>69,205</b>	<b>43,513</b>	<b>13,330</b>	<b>276,323</b>

## 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
	<b>Highways &amp; Transportation Named Schemes</b>						
	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						
<b>30,065</b>	<b>Total Named Schemes</b>	<b>55,897</b>	<b>42,067</b>	<b>12,340</b>	<b>12,140</b>	<b>30,905</b>	<b>153,349</b>

### 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
	<b>Highways Maintenance and Small Scheme Delivery</b>						
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
<b>73,011</b>	<b>Total Blocks</b>	<b>75,953</b>	<b>65,616</b>	<b>65,544</b>	<b>65,500</b>	<b>65,500</b>	<b>338,113</b>
<b>103,076</b>	<b>Total Highways &amp; Transportation</b>	<b>131,850</b>	<b>107,683</b>	<b>77,884</b>	<b>77,640</b>	<b>96,405</b>	<b>491,462</b>

\* 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
	<b>Named schemes</b>						
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
<b>514</b>	<b>Total Named Schemes</b>	<b>4,466</b>	<b>1,758</b>	<b>193</b>			<b>6,417</b>
<b>514</b>	<b>Total Leader</b>	<b>4,466</b>	<b>1,758</b>	<b>193</b>			<b>6,417</b>

### 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
	<b>Named schemes</b>						
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						
<b>19,073</b>	<b>Total Named Schemes</b>	<b>13,232</b>	<b>2,962</b>	<b>2,500</b>	<b>1,500</b>		<b>20,194</b>
	<b>Blocks</b>						
789	Minor Works	81					81
3,756	Capitalised Building Maintenance	5,148	4,000	3,000	3,000	3,000	18,148
<b>4,545</b>	<b>Total Blocks</b>	<b>5,229</b>	<b>4,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>18,229</b>
<b>23,618</b>	<b>Total Transformation &amp; Support Services</b>	<b>18,461</b>	<b>6,962</b>	<b>5,500</b>	<b>4,500</b>	<b>3,000</b>	<b>38,423</b>

## **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
<b>2014-15 (updated DSG)</b>			
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
<b>TOTAL</b>	<b>968,871</b>	<b>(404,053)</b>	<b>564,818</b>
<b>2015-16 (estimate)</b>			
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
<b>TOTAL</b>	<b>976,887</b>	<b>(413,769)</b>	<b>563,118</b>

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

## **Appendix D - Trading Activity Financial Plans**

## Trading Activity Financial Plans

	Revenue reserve 1 April 2015	Income	Expenditure	(Surplus) / deficit	Appropriations		Revenue reserve 31 March 2016
	£000	£000	£000	£000	To County Revenue Account	To Trading Activity reserve	£000
<b>Education &amp; Lifelong Learning</b>							
School Support							
School improvement & advisory service	(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)
<b>Libraries Communities &amp; Planning</b>							
Library Services	(515)	(2,201)	2,017	(185)	-	(185)	(700)
<b>Transformation &amp; Support Services Trading</b>							
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)
<b>Total</b>	<b>(5,786)</b>	<b>(40,819)</b>	<b>35,501</b>	<b>(5,319)</b>	<b>(4,526)</b>	<b>(793)</b>	<b>(6,580)</b>

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

## **Appendix E - Reserves and Balances**

## Reserves and Balances (attributable to ECC)

	Balance at 01 April 2014	Balance at 01 April 2015	Estimated contributions	Estimated closing balances		2016-17	2017-18
	£000	£000		2015-16 Estimated withdrawals / usage	Estimated closing balances	£000	£000
<b>General Balance</b>	<b>(57,363)</b>	<b>(57,858)</b>	<b>-</b>	<b>3,462</b>	<b>(54,396)</b>	<b>(54,396)</b>	<b>(54,396)</b>
<b>Earmarked for future use</b>							
<b>General reserves</b>							
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)
<b>Future capital funding</b>							
General	(25,458)	(48,038)	(1,824)	-	(49,862)	(53,936)	(58,010)
Bellhouse landfill	(61)	(61)	-	-	(61)	(61)	(61)
<b>Long Term Contractual commitment funding</b>							
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)
<b>Grants equalisation reserve</b>	<b>(13,817)</b>	<b>(9,073)</b>	<b>-</b>	<b>-</b>	<b>(9,073)</b>	<b>(9,073)</b>	<b>(9,073)</b>
<b>Trading activities (not available for ECC use)</b>	<b>(5,006)</b>	<b>(5,786)</b>	<b>(793)</b>	<b>-</b>	<b>(6,580)</b>	<b>(7,188)</b>	<b>(7,797)</b>
<b>Partnerships (not available for ECC use)</b>	<b>(2,657)</b>	<b>(2,657)</b>	<b>-</b>	<b>-</b>	<b>(2,657)</b>	<b>(2,657)</b>	<b>(2,657)</b>
<b>Schools (not available for ECC use)</b>	<b>(51,690)</b>	<b>(51,690)</b>	<b>-</b>	<b>-</b>	<b>(51,690)</b>	<b>(51,690)</b>	<b>(51,690)</b>

## **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

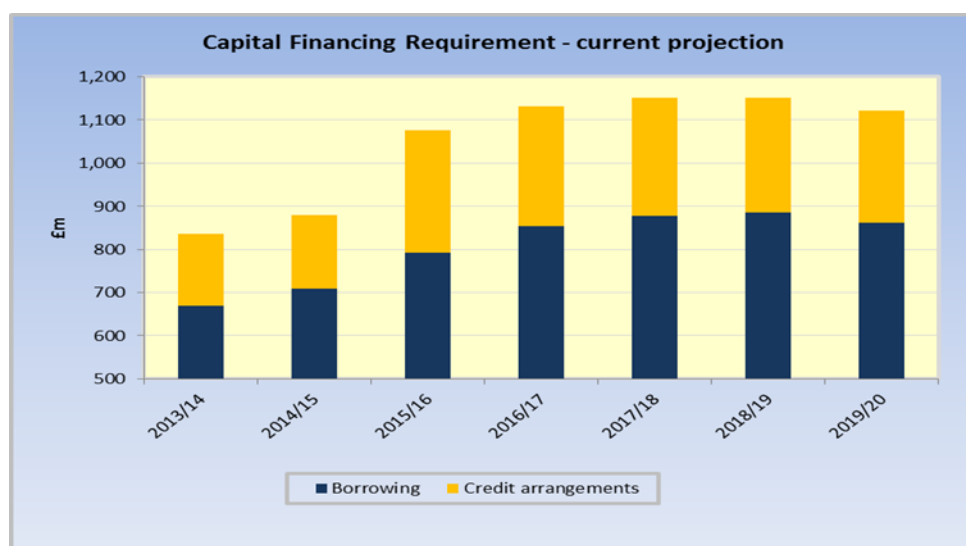
One of the key ways that the Council has of financing capital expenditure is from 'borrowing'.

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.

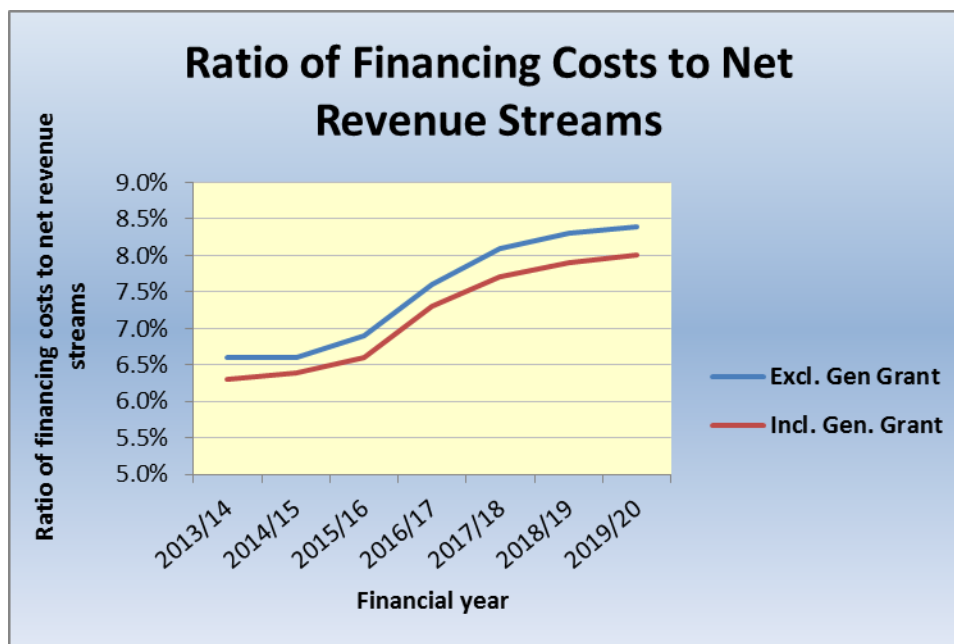
The authorised limit and operational boundary related to external borrowing are below the current estimates of the CFR for borrowing. This position is currently sustainable because the Council is able to temporarily utilise the cash that has been set aside, such as in earmarked revenue reserves, as a 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:



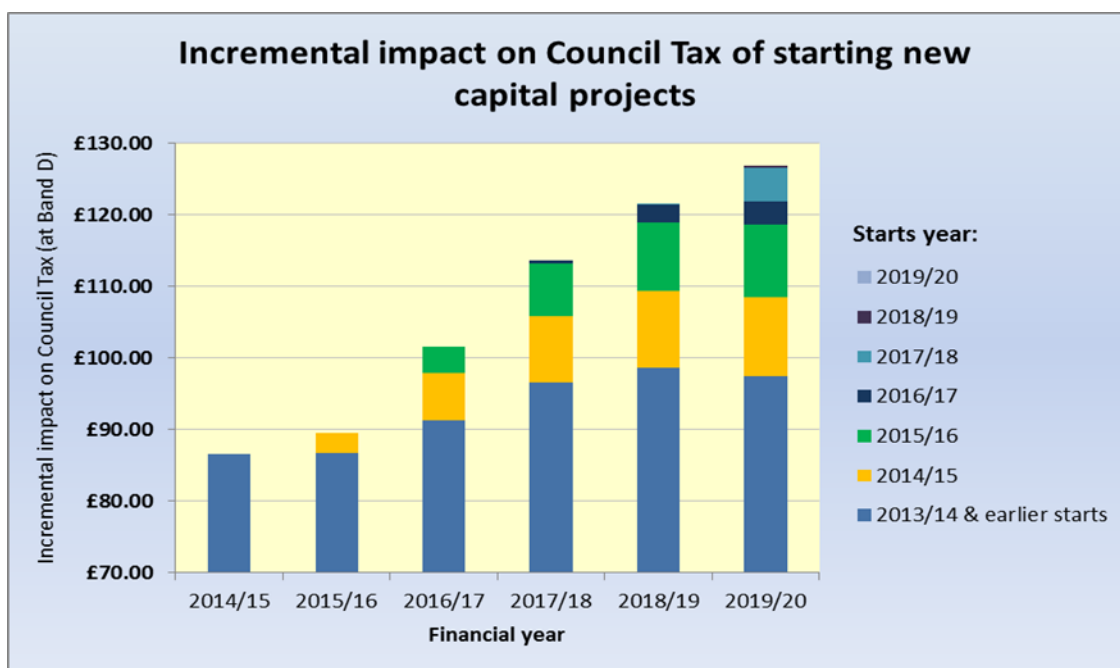
It can be seen that the proportion of the revenue budget that is required to fund borrowing costs is forecast to increase by around **1.8%** over the period 2013/14 to 2019/20. This increase partly reflects the impact of the Council’s capital programme proposals over the forthcoming five years, but also 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					
<b>Capital expenditure &amp; financing</b>									
<b>Capital Expenditure</b>	£m	116	211	210	272	216	163	136	123
<b>Capital Financing</b>									
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
<b>Total capital financing</b>	£m	116	211	210	272	216	163	136	123
<b>Capital financing requirement</b>									
<b>Capital financing requirement (CFR)</b>									
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)
<b>Capital Financing Requirement</b>	£m	835	1,018	880	1,076	1,132	1,151	1,152	1,121
<b>Analysis of the Capital Financing Requirement</b>									
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
<b>Sub total - borrowing</b>	£m	670	738	709	792	854	879	886	862
Credit arrangements (PFI / Finance leases)	£m	165	280	171	284	278	272	266	259
<b>Total</b>	£m	835	1,018	880	1,076	1,132	1,151	1,152	1,121
<b>Gross borrowing and the CFR</b>									
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
<b>Headroom</b>	£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
<b>External debt</b>									
<b>Authorised limit</b>									
Borrowing	£m	491	600	520	620	720	770	810	830
Other long term liabilities	£m	163	280	171	284	278	272	266	259
<b>Total authorised limit</b>	<b>£m</b>	<b>654</b>	<b>880</b>	<b>691</b>	<b>904</b>	<b>998</b>	<b>1,042</b>	<b>1,076</b>	<b>1,089</b>
<b>Operational boundary</b>									
Borrowing	£m	380	390	390	520	540	550	550	560
Other long term liabilities	£m	159	265	161	265	258	252	246	240
<b>Total operational boundary</b>	<b>£m</b>	<b>539</b>	<b>655</b>	<b>551</b>	<b>785</b>	<b>798</b>	<b>802</b>	<b>796</b>	<b>800</b>
<b>Actual external debt (incl. credit arrangements)</b>	<b>£m</b>	<b>519</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Financing &amp; net revenue streams</b>									
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%
<b>Incremental impact on Council Tax</b>									
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	£		-	-	-	-	-	-	-
<b>Total</b>	<b>£</b>	<b>£93.56</b>	<b>£90.59</b>	<b>£86.53</b>	<b>£89.57</b>	<b>£101.47</b>	<b>£113.65</b>	<b>£121.48</b>	<b>£126.85</b>

# **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
<b>Estimated debt and investments</b>							
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
<b>Expected movement in interest rates</b>							
Bank Rate (at each 31st March)	%	0.50%	1.00%	1.50%	2.50%	2.50%	2.50%
<b>PWLB (borrowing) rates</b>							
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)							
<b>Effect of 1% increase in interest rates</b>							
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				
<b>Borrowing requirement (external borrowing)</b>	£m	-	84	63	27	9	-
<b>Interest rate exposures</b>							
<b>Upper limits for exposure to fixed rates</b>							
Net exposure	£m	520	620	720	770	810	830
Debt	%	100%	100%	100%	100%	100%	100%
Investments	%	100%	100%	100%	100%	100%	100%
<b>Upper limits for exposure to variable rates</b>							
Net exposure	£m	156	186	216	231	243	249
Debt	%	30%	30%	30%	30%	30%	30%
Investments	%	100%	100%	100%	100%	100%	100%
<b>Maturity structure of borrowing (upper limit)</b>							
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%
<b>Maturity structure of borrowing (lower limit)</b>							
All maturity periods	%	0%	0%	0%	0%	0%	0%
<b>Total sums invested for more than 364 days</b>							
Upper limit for sums invested for more than 364 days	£m	50	100	100	100	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	<b>F1</b>	<b>A-1</b>	<b>P-1</b>
Long term rating	<b>A</b>	<b>A</b>	<b>A2</b>

The above ratings will be used to determine the pool of counterparties with whom the Council can transact for term/call deposits and certificates of deposit. 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*	13500
		6	13614
	Mid Capped	7	13715
		8	13871
		9	14075
		10	14338
NJC/Band 2		11	15207
		12	15523
		13	15941
	Mid Capped	14	16231
		15	16572
		16	16969
		17	17372
NJC/Band 3		18	17714
		19	18376
		20	19048
	Mid Capped	21	19742
		22	20253
		23	20849
		24	21530
		25	22212

\* Spinal point to be deleted from 1 October 2015

# **Financial Regulations and Scheme of Delegation for Financial Management**

## **1. Financial Regulations and Scheme of Delegation for Financial Management**

**Report by** Cllr John Spence, Cabinet Member for Finance

**Enquiries to** Margaret Lee - Executive Director for Corporate and Customer Services **Tel. No:** 03330 134558

### **Purpose of report**

On the recommendation of the Cabinet, Council is asked to approve the revised Financial Regulations and Scheme of Delegation for Financial Management.

### **Recommended:**

That the revised Financial Regulations and Scheme of Delegation for Financial Management, as set out in Annex "A" to this report be approved.

## **Background and proposals**

As part of a continuous review of process, work has been undertaken to identify opportunities for streamlining and making clearer the Council's Financial Regulations. This has involved officers from across the Council and a review of peer authorities' regulations. The aim has been to ensure that the Council's risks are managed appropriately whilst having a process and procedures framework that is proportionate to those risks.

Having carried out a detailed review, a number of changes are proposed to clarify, simplify and streamline the document, which is now significantly shorter.

The draft revision of the Financial Regulations and Scheme of Delegation for Financial Management is attached at Annex "A". Annex "B" provides an overview and explanation of the proposed changes set out in the order that the changes arise within the document.

The Audit Committee has considered the revised Regulations and Scheme of Delegation and also recommended their adoption by full Council.

## **Policy context and Outcomes Framework**

The Financial Regulations set out the financial policies and the framework for managing the Council's financial affairs, and the Scheme of Delegation for Financial Management explains how the Council's Financial Regulations are implemented and operated in practice. Together, they aim to ensure that the Council conducts its financial affairs in a way that complies with specific statutory provisions and best practice and that an effective internal controls framework is maintained.

This helps the Council to achieve the aims in A Vision for Essex 2013-17 to spend taxpayers' money wisely.

## **Financial Implications**

There are no specific financial implications associated with this report.

## **Legal Implications**

Financial Regulations form part of the standing orders of the Council and therefore form part of the Constitution. It is important that the Regulations are internally consistent and are consistent with other documents – otherwise decisions taken by the Council may be subject to challenge. It is also important that rules are as clear as possible.

## **Staffing and other resource implications**

There are no staffing or other resource implications associated with this report.

## **Equality and Diversity implications**

These Regulations relate to the Council's internal processes. They are designed to make the Council more efficient and thus help ensure that the use of resources is maximised for the benefit of all Essex residents. There are no specific equality and diversity implications associated with this report.



# Financial Regulations & Scheme of Delegation for Financial Management

Draft

Council – 10 February 2015





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# **Part 1 – Financial Regulations**

## 1. Introduction

### 1.1. Context

These Financial Regulations set out the financial policies and the framework for managing the Council's financial affairs.

The Regulations are organised around seven themes, as follows:

- (i) [Financial planning](#) (see Section 3)
- (ii) [Financial management](#) (see Section 4)
- (iii) [Accounting records and financial systems](#) (see Section 5)
- (iv) [Risk management and internal control](#) (see Section 6)
- (v) [Control of resources](#) (see Section 7)
- (vi) [Income and expenditure](#) (see Section 8)
- (vii) [External arrangements](#) (see Section 9)

They seek to ensure that the Council conducts its affairs in a way that complies with specific statutory provisions, generally accepted accounting principles and professional good practice.

Officers and Members are authorised to make decisions in accordance with these Financial Regulations, but they do not authorise any person to make a decision which is contrary to any provision in the [Constitution](#).

### 1.2. Financial responsibilities

An overview of the financial responsibilities of the Council, the Cabinet, various Committees, the Chief Executive, the Executive Director for Corporate and Customer Services, the Director for Corporate Law and Assurance and other Executive Directors is provided in **Section 2** of the Financial Regulations. Specific responsibilities are explained, in context, throughout the Financial Regulations.

The Executive Director for Corporate and Customer Services is the Council's Responsible Finance Officer under Section 151 of the Local Government Act 1972, and is responsible for maintaining a continuous review of the Financial Regulations and for updating them, as necessary, for Council to approve. The Executive Director for Corporate and Customer Services is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Cabinet and/or to the Council.

## 1.3. Advice and guidance to underpin Financial Regulations

The Executive Director for Corporate and Customer Services will, from time to time, issue advice, guidance and accounting instruction notes to underpin the Financial Regulations, ensure compliance with specific statutory provisions and reinforce best professional practice. Members, officers and others acting on behalf of the Council are required to comply with such advice and guidance.

## 1.4. Compliance

All financial and accounting procedures must be carried out in accordance with the Financial Regulations and with any accounting instruction notes and other corporate guidance issued by, or on behalf of, the Executive Director for Corporate and Customer Services.

Executive Directors will ensure that their staff are aware of the existence, and content, of the Council's Financial Regulations, accounting instruction notes and other corporate guidance, and ensure compliance with them.

Non-compliance with these Financial Regulations, and with any accounting instruction notes and other corporate guidance issued by the Executive Director for Corporate and Customer Services, constitutes a disciplinary matter that will be pursued, as appropriate, in accordance with the [Human Resources Policy Framework](#).

## 1.5. Scope of the Regulations

The Financial Regulations, including advice, guidance and accounting instruction notes issued to underpin the Financial Regulations, apply to all services of the Council.

Whilst Schools have their own Financial Regulations, some specific references are made to schools' operations within these Regulations (i.e. where particular responsibilities are placed upon Council officers that are not employed within schools and upon Members of the Council). Advice and guidance given to schools by the Council's officers will not be contrary to the Council's own Financial Regulations.

## 1.6. Scheme of Delegation for Financial Management

The Scheme of Delegation for Financial Management, as set out within Part Two of this document, defines how the responsibilities set out within the Financial Regulations are reserved or delegated to officers. This has to be read in conjunction with the general scheme of delegation to Officers which is set out in the [Constitution](#).

## 2. Financial roles and responsibilities

### 2.1. Introduction

The roles and responsibilities of Members and Officers are set out within the Council's [Constitution](#). The purpose of the Financial Regulations is to provide an overview of the respective financial roles and responsibilities of Members and Officers within the Council. Specific financial responsibilities are set out in more detail throughout the subsequent sections of the Regulations.

### 2.2. Council

The Council is responsible for:

- (i) Adopting and changing the [Constitution](#) (*including the Financial Regulations*), which sets out how the Council works, how decisions are made and the procedures to be followed to ensure efficiency, transparency and accountability to local people.
- (ii) Approving and adopting the policy framework which incorporates the Council's Corporate Plan and [Corporate Outcomes Framework](#) and various other plans and strategies, and is developed in line with the Council's Budget and [Code of Corporate Governance](#).
- (iii) Approving the annual budget, which includes:
  - The allocation of financial resources to different services and to capital projects, and the setting of trading activities' financial targets.
  - The level of contingency funds, reserves and balances to be held.
  - The Council Tax base and setting the Council Tax.
  - The Non-Domestic Rates tax base and setting the precept for Business Rates.
  - Decisions relating to the control of the Council's borrowing requirement, including setting of Prudential Indicators which define the parameters for borrowing activity, and the approval of the Council's Minimum Revenue Provision (MRP) policy for the repayment of debt.
  - The annual Treasury Management Strategy.
  - The annual pay policy statement.
- (iv) Making arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs.
- (v) Making arrangements for approving the statutory annual statement of accounts by dates specified by relevant regulations.

### 2.3. Cabinet

The Cabinet, under the direction and authority of the Leader, is responsible for:

- (i) The preparation of the Council's policies and budget.
- (ii) Taking decisions on resources and priorities to deliver and implement the Council's policies and budget.
- (iii) Determining overall Council priorities within the Budget and the Policy Framework set by full Council, to keep under review those priorities and to approve specific plans and strategies.

### 2.4. Overview and Scrutiny Committees

The Overview and Scrutiny committees exercise the function of call-in of decisions made by Cabinet Members which fall within their remit in order to consider whether:

- (i) To refer the decision back to the person who made it; or
- (ii) To refer the matter to the full Council to decide whether to refer the decision back to the person who made it; or
- (iii) To accept that the decision is implemented.

In this context, the Corporate Scrutiny Committee is responsible for scrutinising the financial arrangements and performance of the Council, including considering the budget and accounting processes. It also contributes to the Council's objectives in relation to the overall strategic direction, policies and priorities of the Cabinet and of the Council, including the overall corporate revenue and capital budget strategy, financial resources, precepts and levies.

### 2.5. Audit Committee

The functions of the Audit Committee are set out in full in the Council's [Constitution](#). However, in summary, the Committee's responsibilities with regard to the financial management of the Council include:

- (i) Approving the Council's Annual Statement of Accounts.
- (ii) Considering the Council's arrangements for corporate governance and risk management.
- (iii) Considering and commenting on the External Auditor's Annual Audit Letter and reports about the effectiveness of the Council's financial and operational arrangements.
- (iv) Ensuring that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit is actively promoted.



- (v) All matters related to the appointment of the Council's external auditor.
- (vi) Approving the annual Internal Audit plan, and receiving reports from the Council's Internal Auditor, including the annual report of the **Head of Internal Audit**.
- (vii) Monitoring the effectiveness of the Council's Financial Regulations, [Procurement Policy and Procedures](#) and other strategies for [anti-fraud and corruption](#), [declarations of interest](#), [gifts and hospitality](#), [whistle blowing](#) and [anti-money laundering](#).

## 2.6. Statutory Officers

### 2.6.1. Head of Paid Service

The **Chief Executive** is the **Head of Paid Service** and is responsible for the corporate and strategic management of the Council as a whole. The functions of the **Head of Paid Service** are explained fully in the Council's [Constitution](#).

### 2.6.2. Responsible Finance Officer

Section 151 of the Local Government Act 1972 specifies that every authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. The Council's **Executive Director for Corporate and Customer Services** is the designated officer for this purpose. The **Director for Financial Services** fulfils the role of **Section 151 Officer** in the absence of the Executive Director for Corporate and Customer Services.

Throughout the remainder of this document, where it is stated that **Section 151 Officer** approval is required, this means the **Executive Director for Corporate and Customer Services**, or the **Director for Financial Services**, when acting in the capacity of Responsible Financial Officer for the Council in the absence of the **Executive Director for Corporate and Customer Services**.

The **Section 151 Officer** has statutory duties in relation to the financial administration and stewardship of the Council that cannot be overridden. These statutory duties arise from:

- (i) Section 151 of the Local Government Act 1972 which makes the **Section 151 Officer** responsible for the proper administration of the Council's financial affairs.
- (ii) Section 114 of the Local Government Finance Act 1988 which places a duty on the **Section 151 Officer** to report to all Members of the Council if it is considered that the Council, Cabinet or an employee has made (or is about to make) a decision involving expenditure or loss which is unlawful.
- (iii) The Local Government and Housing Act 1989 which requires the **Section 151 Officer** to consult with the **Monitoring Officer** and the **Head of Paid Service** before making a Section 114 report to Council.

- (iv) The Local Government Act which requires the **Section 151 Officer** to make a report to the Council, when it is considering its budget and council tax, that addresses the robustness of the estimates and adequacy of reserves.
- (v) The Accounts and Audit Regulations, which require the **Section 151 Officer** to ensure that the accounting control systems are observed, that the accounting records are maintained in accordance with proper practices and that they are kept up to date.

In order to fulfil these statutory duties and legislative requirements the **Section 151 Officer** will:

- (vi) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices, and monitor compliance with them.
- (vii) Determine the accounting records to be kept by the Council.
- (viii) Ensure there is an appropriate framework of budgetary management and control.
- (ix) Monitor performance against the Council's budget and advise upon the corporate financial position.
- (x) Ensure proper professional practices are adhered to and to act as Head of Profession in relation to the standards, performances and development of finance staff throughout the Council; all finance staff will have a direct reporting line to the **Section 151 Officer**.
- (xi) Prepare and publish the Council's Statement of Accounts for each financial year, in accordance with the statutory timetable and arrangements specified by law.
- (xii) Make proper arrangements for the audit of the Council's accounts.
- (xiii) Ensure that claims for funds, including grants, are made by the due date and in compliance with the grant terms and conditions.
- (xiv) Make proper arrangements for the overall management of the Council's [Internal Audit](#) function.
- (xv) Manage the [treasury management](#) activities in accordance with the Council's Treasury Management Policy Statement, Treasury Management Strategy and Prudential Indicators.
- (xvi) Manage the Pension Fund within the scope of the Local Government Pension Scheme Regulations.

### 2.6.3. Monitoring Officer

The functions and responsibilities of the **Monitoring Officer** are carried out by the **Director for Corporate Law and Assurance**.

The functions of the Monitoring are explained fully in the Council's [Constitution](#). However, the functions that are pertinent in the context of the Financial Regulations include:

- (i) Reporting, after consultation with the Head of Paid Service and the Section 151 Officer, any actual or potential breaches of the law or mal-administration to the Council and/or to the Cabinet.
- (ii) Advising whether the decisions of Cabinet are in accordance with the budget and policy framework.
- (iii) Provision of advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors.

One of the Corporate Lawyers fulfils the role of the **Monitoring Officer** in the absence of the **Director for Corporate Law and Assurance**.

Throughout the remainder of this document, where it is stated that **Monitoring Officer** approval is required, this should be interpreted as meaning the **Director for Corporate Law and Assurance** (or the **Corporate Lawyer**) when acting in the capacity of **Monitoring Officer** for the Council in the absence of the **Director for Corporate Law and Assurance**.

### 2.7. Executive Directors

Executive Directors have delegated to them responsibility for the management of the finances of their services.

This responsibility must be exercised within the corporate financial management framework determined by the **Section 151 Officer**, and includes:

- (i) Putting in place appropriate budget management and delegation arrangements to ensure the effective use of resources, the safeguarding of assets and the operation of a system of appropriate internal controls.
- (ii) Promoting appropriate financial management standards within their Services, and monitoring adherence to the standards and practices, liaising as necessary with the **Section 151 Officer**, and ensuring that relevant training is provided to those staff with financial management responsibilities.
- (iii) Promoting sound financial practices in relation to the standards, performance and development of staff in their services.
- (iv) Advising Cabinet Members and the **Section 151 Officer** of the financial implications of all proposals.
- (v) Seeking approval, in conjunction with the **Section 151 Officer**, on any matter liable to affect the Council's finances materially, before any commitments are incurred.
- (vi) Consulting with, and obtaining the approval of, the **Section 151 Officer** before making any changes to accounting records or procedures.

- (vii) Complying with the following principles when allocating accounting duties:
  - Separating the duties of providing information about sums due to or from the Council and calculating, checking (*including reconciling the accounts*) and recording these sums from the duty of collecting or disbursing them.
  - Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- (viii) Ensuring that claims for funds (*including grants and 'match funding'*) are made, in accordance with accounting instructions issued by the **Section 151 Officer** and the conditions defined by the grant awarding body, by the due date and that appropriate records are maintained.
- (ix) Contributing to the development of performance plans in line with statutory requirements.
- (x) Contributing to the development of corporate and service targets and objectives and performance information.

### 2.8. Internal Audit

Internal Audit will review, appraise and report upon:

- (i) The extent of compliance with, and effectiveness of, relevant policies, plans and procedures.
- (ii) The adequacy and application of financial and other related management controls.
- (iii) The suitability of financial and other related management data.
- (iv) The extent to which the Council's assets and interests are accounted for and safeguarded from loss of any kind from:
  - Fraud and other offences.
  - Waste, extravagance and inefficient administration.
  - Inefficient value for money or other causes.
- (v) Executive Directors' self-assessments of the status of the governance framework, including systems of internal controls in place, for each of their service areas.

Further details on the internal audit function are set out in paragraph **6.6.2**.

### 3. Financial Planning

#### 3.1. Policy framework

The Council is responsible for agreeing the Council's policy framework and budget. In terms of financial planning, the key elements of the Budget are the:

- (i) Revenue Budget
- (ii) Capital programme
- (iii) Trading activities' financial plans
- (iv) Treasury Management, Prudential Indicators and Minimum Revenue Provision Policy
- (v) Medium term resources strategy
- (vi) Income and charging policy
- (vii) Pay policy

#### 3.2. Corporate Policy Framework

The Council's ambitions are outlined in corporate policies. At the time of writing, the highest level document is the Council's [Vision for Essex](#). A [Corporate Outcomes Framework](#) translates the Council's ambitions into a set of outcomes and supporting indicators that guide the work of commissioners across the Council. A suite of supporting [Commissioning Strategies](#) describes the activities through which the Council will secure this progress.

The [Vision for Essex](#), [Corporate Outcomes Framework](#) and [Commissioning Strategies](#) are key elements of the Council's Strategic and Resource Planning Framework – through which the Council ensures that its resources are used to secure progress against a consistent and enduring set of aspirations.

#### 3.3. Revenue budget

##### 3.3.1. Revenue income and expenditure

Revenue income and expenditure represents the current or day to day running costs, and associated receipts, of the Council; including salaries, heating and lighting, travelling and office expenses, income raised by charging service users and government grants.

### 3.3.2. Revenue budget

Budgets (spending plans) ensure that the Council can plan, authorise, monitor and control the way money is allocated and spent.

The revenue budget must be constructed so as to ensure that resources are allocated in a way that reflects the service plans and priorities of the Council. The **Section 151 Officer** is responsible for developing and maintaining a resource allocation process that ensures this is achieved.

### 3.3.3. Budget preparation

The **Cabinet Member for Finance** and the **Leader**, in conjunction with the **Section 151 Officer**, will manage the preparation of the budget on an annual basis for consideration by the Council. The annual budget will include allocations to different services and projects, proposed taxation levels and contingencies.

The **Section 151 Officer**, in consultation with the **Cabinet Member for Finance**, will issue detailed guidance and a timetable for production of the budget. Executive Directors must prepare detailed draft revenue and capital budgets, in consultation with the **Section 151 Officer** and the **Cabinet Member for Finance**, and in accordance with the laid-down guidance and timetable, for consideration by the appropriate Cabinet Member.

Detailed budgets, as proposed by Executive Directors, will be subject to challenge and review through a process determined by the **Section 151 Officer**. Any proposed changes to service levels as a result of budget plans will be subject to an **Equalities Impact Assessment** as part of the consideration process before approval and implementation. The Council will engage partners in the budget preparation process where possible and appropriate.

The **Section 151 Officer** has a statutory duty to report upon the budget proposals presented to Council (see paragraph 2.6.2). Executive Directors must provide the **Section 151 Officer** with any information required to enable the robustness of the budget proposals to be assessed.

The budget and the implied level of taxation will be presented for approval by Full Council, following recommendation by the Cabinet. Council Tax and Non-domestic rates must be set by **1st March** in the year prior to the year of taxation.

### 3.3.4. Format of the budget

The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate and sets the level at which funds may be reallocated within budgets (*see paragraph 4.3.3 for further details*).

### 3.3.5. Maintenance of reserves and balances

Reserves are maintained to enable the Council to cope with unpredictable financial pressures, and to plan for future spending commitments. A general reserve (*i.e. the General Balance*) is maintained as a contingency to protect the budget against cost pressures, whilst earmarked reserves are held to protect funds for specific purposes.

The creation of any reserve will be subject to the approval of the **Cabinet Member for Finance**, upon the advice of the **Section 151 Officer**, as will any proposal to increase a reserve. For each reserve established, the purpose, usage (*including the timeframe for usage*) and basis of transactions will be clearly articulated.

The withdrawal of funds from a reserve will require the approval of the **Cabinet Member for Finance**, upon the advice of the **Section 151 Officer**. In the case of balances held by schools, the appropriate Board of Governors are responsible for giving authorisation.

The **Section 151 Officer** will advise upon prudent levels of reserves and balances for the Council, taking into account the degree of risk in the budget for the Council over the medium and longer term.

Under section 114 of the Local Government Finance Act 1988 the **Section 151 Officer** must report to Council if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the Council will not have the resources to meet its expenditure in a particular financial year.

## 3.4. Capital financial planning

### 3.4.1. Capital expenditure

Expenditure is classified as capital expenditure when it results in the acquisition or construction of an asset (e.g. land, buildings, roads and bridges, vehicles, plant and equipment etc.) that:

- (i) Will be held for use in the delivery of services; and
- (ii) Is expected to be used during more than one financial year.

Subsequent expenditure on existing assets is also classified as capital expenditure if these two criteria are met.

There may be instances where expenditure does not meet this definition but would nevertheless be treated as capital expenditure, including:

- (i) Where the Council has no direct future control or benefit from the resulting assets, but would have treated the expenditure as capital if it did control or benefit from the resulting assets.
- (ii) Where the Government has given explicit permission to capitalise expenditure that would not otherwise be so classified (this is rare though).

The Council operates a number de-minimis limits for capital expenditure. This means that items below these limits are charged to revenue rather than capital. The limits are currently as follows:

De-minimis limits	£
General limit ( <i>to be applied where no specific limit is applicable</i> )	10,000
Specific limits:	
▪ Schools' capital projects funded or supported by Formula Capital Grant	2,000
▪ Transport (Highways) infrastructure	Nil
▪ Land	Nil

Where expenditure meets the 'capital expenditure' definition and is in excess of the Council's de-minimis limits, it will be classified as capital expenditure, even if provision exists within the Revenue Budget to fund the work (*and vice versa*).

Similarly, where specific financing (*e.g. government grant*) is provided to facilitate a project, this will not determine the accounting treatment of the expenditure. That is, the accounting treatment is determined according to the type of expenditure, and not by the funding source (*see paragraph 5.1*).

### 3.4.2. Capital programme

The **Cabinet Member for Finance**, in conjunction with the **Section 151 Officer**, will manage the preparation of a capital programme, on behalf of the Council, on an annual basis in accordance with the Council's capital projects' governance arrangements and capitalisation criteria.

Each scheme that is added to the Capital Programme is allocated:

- (i) A '**start date**' for planning purposes;
- (ii) An overall '**scheme approval**' which sets the overall budget for the scheme; and
- (iii) An '**annual payments guideline**' which sets the parameters for expenditure in each of the financial year's over which the scheme is expected to span.



### 3.4.3. Financing of capital expenditure

The **Cabinet Member for Finance**, in conjunction with the **Section 151 Officer**, will determine the financing of the capital programme, taking into consideration the availability of reserves and balances, funding from other bodies and the affordability of borrowing.

## 3.5. Leasing and rental arrangements

Leases of land or buildings and other property agreements will only be authorised for completion, on the Council's behalf, in accordance with the delegations set out in paragraph **7.1.4** (page 46). The relevant Finance support will be consulted as part of this process.

Other leasing arrangements (*including rental agreements and hire purchase arrangements*) will only be entered into with prior approval, as follows:

Type of lease	Approval required
Vehicles, plant and equipment	▪ <b>Section 151 Officer</b>
Cars secured through the Car Provision Scheme	▪ <b>Executive Directors; or</b> ▪ <b>Directors</b>

Prior approval to enter into leases is required to ensure that:

- Leases that constitute credit arrangements are taken into account when the Council determines its borrowing limits;
- Such arrangements represent best value for money and are accounted for appropriately.

## 3.6. Internal Trading Activities

### 3.6.1. Definition and framework

The main types of trading activity permitted by the Council include those who are:

- Providing all, or the majority, of their services in an environment where their customers have the option to use them or an alternative service provider; and
- Charging for the full cost of the goods / services they provide, on the basis of an agreed charge or rate.

Services are only permitted to operate as a trading activity with the prior approval of the Cabinet, following consultation with the **Section 151 Officer**.

Trading activities are each required to maintain a Trading Account into which all expenditure related to the provision their services will be charged (i.e. *including direct costs, the full costs of services provided by the Council's support services, any service management provided by senior managers and asset and other accounting charges*). Trading Accounts will also receive all income due for work done by the trading activity.

Trading activities are required to balance their budget by generating sufficient income to cover the full costs of service provision.

Trading activities must operate within the Council's overall arrangements and rules for personnel and resource management. Cabinet may approve special arrangements in exceptional circumstances, where it can be demonstrated that adherence to these rules and arrangements would lead to the unit becoming uncompetitive and losing work and that the proposed departure does not expose the Council to significant risk.

### 3.6.2. Financial targets

Each trading activity must prepare an annual financial plan for approval by the Council as part of the annual budget setting (*see paragraph 3.1, on page 14*), and which defines the expected levels of income and expenditure for the year.

Trading activities must, as a minimum, aim to break-even (*i.e. only incur expenditure that can be financed from the income the activity expects to generate during the year*). It is only permissible to plan for a deficit in exceptional circumstances, and then only if the deficit can be met from the trading activity's own accumulated revenue reserves or, in exceptional circumstances, from an approved contribution from the General Fund.

### 3.6.3. Trading reserves

Trading activities are permitted to retain the surpluses they generate, provided they can demonstrate that these are necessary for the future business needs of their operations. The **Section 151 Officer** will advise Cabinet, after consultation with the relevant Executive Director(s), if the level of cash balances held by a trading activity are in excess of those deemed necessary to meet the business needs of the operation. The **Cabinet Member for Finance** will then determine whether the excess balances are transferred to the General Fund Balance or another reserve.

The approval of the **Cabinet Member for Finance** is required where it is proposed to transfer part of a trading activity's reserves to finance expenditure by a Service, or to make a contribution from a Service to a trading activity.

### 3.7. Treasury management, prudential and MRP policy

The **Cabinet Member for Finance**, in conjunction with the **Section 151 Officer**, will propose an annual Treasury Management Strategy, Prudential Indicators and a policy for the revenue provision for the repayment of debt (*referred to as the 'Minimum Revenue Provision' policy*) to the Council in advance of the start of the relevant financial year that is consistent with the Council's revenue budget and capital programme proposals.

This Strategy is required to comply with CIPFA's Codes of Practice on Treasury Management and the Prudential Framework for Capital Finance, relevant Regulations and with the Council's own Treasury Management Policy Statement and Treasury Management Practices; it will set the parameters within which investment and borrowing activity will be managed during the forthcoming financial year.

### 3.8. Medium term resources strategy (MTRS)

The MTRS brings together the key assumptions about financing resources (including council tax, non-domestic rates and revenue support grant) and spending pressures over the medium to longer term. This enables the Council to plan for financial risks and thus inform the setting of service financial targets for the annual revenue budget and capital payments guidelines. The setting of financial targets within the available resource envelope is completed with reference to the priorities set within the Policy Framework.

The **Section 151 Officer** will ensure that reports are presented to Council, as part of the annual budget setting, upon the medium term budget prospects and the resource constraints set by the Government.

### 3.9. Income and charging policy

Executive Directors, in consultation with the **Section 151 Officer**, will follow the Council's charging policy for the supply of goods or services where charges may be lawfully applied and the annual forecast of the recoverable amount is **£250,000** or more. Charges will be reviewed annually. All new charges, and amendments to existing charges, will be subject to formal approval in accordance with the Council's Constitution. Further guidance is contained in the Council's Fees and Charges policy.

Further detail on income is provided in Section 8.1, which commences on page 53.

### 3.10. Pay Policy Statement

The pay policy statement will be prepared as required by law. At present it is required to set out the Council's policy on the level and elements of remuneration for each chief officer, the remuneration of its lowest paid employees, and the relationship between the remuneration of its chief and other officers. It is also required to address 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. This policy is produced annually or as required by law and is approved by Council, in alignment with the budget setting timetable.

## 4. Financial Management

### 4.1. Introduction

Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework, revenue budget, trading activities' financial plans, capital programme and treasury management.

### 4.2. Financial management standards

All officers and Members have a duty to abide by the highest standards of probity in dealing with public money. This is facilitated by ensuring everyone is clear about the standards to which they are working and by the controls that are in place to ensure that these standards are met.

### 4.3. Revenue budget monitoring and control

#### 4.3.1. Budget management

The Council operates within an annual cash limit, approved when the annual budget is set. To ensure that the Council does not over spend in total, each service is required to manage its own expenditure and income recovery within the cash limited budget allocated to it. Budget management also ensures that once the Council has approved the budget, the resources are used for their intended purposes and are properly accounted for.

#### 4.3.2. Framework for budgetary control

Once the budget is approved by the Council, Executive Directors are authorised to incur expenditure in accordance with the approved budget, subject to the limits in the Constitution and the scheme of delegation to officers. Executive Directors must however maintain effective budgetary control within their service(s) to ensure that spending is contained within the annual cash limit and to secure value for money (i.e. as measured by cost efficiency and output effectiveness).

Executive Directors must ensure that no commitments are made that would result in an approved budget being exceeded. Prior approval must be obtained to increase the budget either by virement (*see paragraph 4.3.3*) or by a supplementary estimate (*see paragraph 4.3.4*) before additional commitments are made.

In addition, subject to the limits in the Constitution and the scheme of delegation to officers, Executive Directors may exceptionally incur additional expenditure in an emergency (*see paragraph 8.7 for the approval required to make an emergency payment*). In such situations, retrospective approval must be sought, as soon after the event as possible, to offset the additional expenditure by virement or supplementary estimate.

Executive Directors will:

**(i) Ensure that all income and expenditure is properly recorded and accounted for**

Executive Directors will ensure that all officers responsible for committing expenditure comply with all relevant guidance, and follow approved certification processes.

**(ii) Ensure that an appropriate budget holder structure is in place to ensure that responsibility is assigned for each item of income and expenditure under their control**

Budget holders will be accountable for the effective management of the budgets allocated to them to either oversee or directly manage, even where they put delegations in place that enable officers to commit expenditure on their behalf.

**(iii) Ensure that individual policy budgets are not over spent**

It is expected that Portfolio budgets will be managed within the agreed cash limit budget, and Executive Directors, in consultation with the relevant Cabinet Member(s), will use the virement scheme (see paragraph 4.3.3) to achieve this by moving the under spend to the area of over spend. Where more specific management actions are required to save funds, then this needs to be clearly set out in a budget recovery plan which can be monitored to ensure the safe delivery of the budget at both portfolio and policy budget level.

In ensuring compliance with this requirement, the Executive Director, the **Section 151 Officer** and / or Cabinet Members may require a budget holder with a projected over spend to prepare a budget recovery plan which explains the actions being taken to mitigate the position.

**(iv) Ensure that a monitoring process is in place**

A monitoring process is required to review performance and / or service levels in conjunction with the budget and to ensure they are operating effectively.

**(v) Regularly report to the relevant Cabinet member(s)**

Such reports will be prepared, in consultation with the **Section 151 Officer**, upon the service's projected 'controllable net expenditure' compared with its budget. Cabinet Members must be fully briefed, as part of this process, on any budget pressures and any proposal to address these pressures by virement (*see bullet point (vii) below*).

**(vi) Ensure prior approval by the Cabinet (as appropriate) for new proposals**

Prior approval of the Cabinet or Cabinet Members may be required for key decisions or for proposals that create financial commitments in future years or which materially extend or reduce the Council's services, or which initiate new ones.

**(vii) Ensure compliance with the Scheme of Virement**

The scheme of virement is explained within paragraph **4.3.3**.

- (viii) **Agree with the relevant Executive Director(s) where it appears that a budget proposal, including a virement proposal, may impact on their service area**
- (ix) **Ensure that relevant training is delivered to all staff assigned responsibility for budget management**

Officers will undertake approved finance training prior to commencement as an operational budget holder and/or as an authorised signatory, to ensure they have the necessary knowledge and skills to effectively perform their financial responsibilities; refresher training will be undertaken at 24 monthly intervals thereafter.

The **Section 151 Officer** will ensure that each budget holder receives or has access to timely information on income and expenditure for each budget, which is sufficiently detailed to enable them and their managers to fulfil their budgetary responsibilities.

The **Section 151 Officer** will monitor performance against the Council's budget on an on-going basis, and will advise upon the Council's overall financial position. Specifically, the **Section 151 Officer** will prepare financial overview reports for the **Cabinet Member for Finance** to present to Cabinet on a regular basis. These financial overview reports will:

- Provide a comparison of the Council's projected income and expenditure and the latest approved budget;
- Include an assessment of the Council's reserves and balances and overall financial position; and
- Seek approval to changes to the approved budget (*including virements between policy budgets, supplementary estimate requests and changes to the scheme and payment approvals for capital projects*).

### 4.3.3. Scheme of virement

As detailed in paragraph 4.3.2, Executive Directors must ensure that spending remains within the service's overall cash limit, and that spending does not exceed individual policy budget headings. It is however permissible, in certain circumstances, to switch resources between approved budget headings, subject to obtaining the necessary approval. The switching of resources between approved policy budget headings is referred to as a virement.

The virement rules are as follows:

- (i) No expenditure shall be incurred without appropriate budget provision and, if necessary, a virement should be undertaken to put this in place before the expenditure is incurred.

- (ii) No virement relating to a specific financial year should be made at the end of the financial year after the date specified within the **Section 151 Officer**' timetable for closure of the accounts.
- (iii) Virements are not permitted in relation to asset charges or other budget headings that are deemed to be outside the control of the relevant budget holder, or where a proposal would adversely affect long-term revenue commitments.
- (iv) Virements are not permitted between revenue and capital budgets. Changes to the capital programme will be dealt with in accordance with section 4.4 (see page 28).
- (v) A virement that is likely to impact on the level of service activity of another budget holder can be implemented only with the agreement of the relevant budget holder(s).
- (vi) Amounts that require Member approval must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial years.
- (vii) Where a Cabinet Member's approval is required to a virement, this approval will normally be sought via a 'Cabinet Member Action' or a report to Cabinet.
- (viii) When a Cabinet Member is making a decision on an operational matter, any necessary virements must be included as part of that decision.
- (ix) Virements that are being actioned to effect a change in policy or priorities (*either within the same portfolio or between portfolios*) will be subject to the following approval:

Amount	Minimum approval required
Up to £500,000	<b>Executive Director</b> following consultation with the Director and Head of Service / Operational Budget Holder.
In excess of £500,000, but less than £5m	<b>Cabinet Member for Finance</b> , following consultation with all of the above, plus the <b>Section 151 Officer</b> and Service Cabinet Member.
£5m and above	<b>Cabinet</b> , following consultation with all of the above.

Exceptions to the virement rules are as follows:

- (x) The virement rules do not apply to the movement of budget between the individual budget headings of an individual trading activity, because trading activities are controlled to an overall financial target rather than against individual expenditure and income headings (see paragraph 3.6.1). The approval of the **Cabinet Member for Finance** is however required to transfer resources between individual trading activities and to/from the General Fund, see paragraph 3.6.3.



- (xi) Member approval is not required where a budget will continue to be used for the approved purpose but is being moved, for example, to reflect a change in budget holder responsibilities. Such transfers will however require the approval of the relevant Head(s) of Finance or the Chief Accountant.
- (xii) Member approval is not required for budget movements arising in order to comply with the CIPFA Service Expenditure Reporting Code of Practice guidance on accounting for overheads, or budget movements arising in order to comply with proper accounting practice. Approval is required from the relevant Head of Finance and/or the Chief Accountant.

#### 4.3.4. Supplementary estimates

In the event that it is not possible to move resources between budget headings to meet a liability, a request may be made for additional funding from the General Balance, an earmarked revenue reserve or from the Emergency Contingency. Requests for additional funding are referred to as supplementary estimates.

Supplementary estimates can only be requested for one-off purposes, although it may be possible to request funding for a project that spans more than one financial year. Where additional funding is required on an on-going basis, the full year effect must be addressed through the revenue budget setting process (see paragraph 3.3.3).

A request for a supplementary estimate must specify:

- (i) the total amount of funding required, including the profile across financial years of the proposed expenditure;
- (ii) the source(s) of the supplementary funding (*which will be advised by the **Section 151 Officer***); and
- (iii) why the supplementary funding is required and whether there are any on-going cost implications.

Following consultation with the **Section 151 Officer**, supplementary estimates are subject to the approval of the **Cabinet** (*via the Financial Overview Reports*), or the **Cabinet Member for Finance**.

Where supplementary funding is requested for a project that slips into the following financial year, or which progresses ahead of schedule, the supplementary funding can be re-profiled between financial years without the need for further approval up to a threshold of **£500,000** and provided that:

- (i) the funding is still being used for the approved purpose; and
- (ii) the agreed amount is not exceeded.

The approval of the **Cabinet Member for Finance** is required to re-profile supplementary estimates in excess of **£500,000** between financial years.

#### 4.3.5. Treatment of year end balances

##### (i) Carry forward scheme

In certain circumstances, it is permissible to transfer resources between accounting years (*i.e. carry unspent budget forward for use in the following year or fund an over spend in the current year from next year's budget allocation*).

The **Section 151 Officer** is responsible for agreeing with the **Cabinet Member for Finance** the procedures for carrying forward under or over spends. The **Section 151 Officer** administers the agreed scheme in accordance with the guidelines set by the **Cabinet Member for Finance**.

Approval to carry forward under spends will not be given prior to consideration by Cabinet of the final outturn position and overall financial position of the Council upon closure of the accounts, as the Council's ability to support the carry forward requests will need to be assessed in the context of the overall financial position of the authority.

Where supplementary estimates (*see paragraph 4.3.4*) have been provided during the year, for the purpose of funding controllable expenditure, the value of the supplementary estimate shall be deducted from any amounts that the relevant service may be permitted to carry forward into the following financial year. The Cabinet has discretion to waive this restriction.

Over spends will be carried forward and deducted from the relevant service's budget in the following year, unless the Cabinet agrees otherwise.

Where a Service identifies the need to incur expenditure in the current financial year for which budget provision has been made in the following year's budget, a supplementary estimate can be requested when this is done in a planned way, and in advance of the expenditure being incurred. In this instance the following year's budget will be correspondingly reduced and the current year's increased expenditure will not be categorised as an over spend.

##### (ii) Trading activities

Internal trading activities' surpluses are carried forward, unless determined otherwise by the **Section 151 Officer** (and subject to the considerations outlined in paragraph 3.6.3). Any deficits, however they arise, will be financed by a withdrawal from the relevant Trading Activity's accumulated reserves, or from an approved contribution from the General Fund Balance (*see paragraph 3.6.2*).

##### (iii) Partnership schemes

The funding of some partnership schemes is ring-fenced (*including the contribution made by the Council*) and is not therefore available for alternative use by the Council. The unspent balances on approved partnership schemes will be carried into an earmarked Partnerships Reserve, which can be drawn upon to finance expenditure by the partnerships in a subsequent year.

**(iv) Grant funded schemes**

Where revenue grants and contributions are recognised as income in advance of the related expenditure being incurred, the unspent grant will be carried into an earmarked Grants Equalisation reserve, which can be applied, and matched with the related expenditure, in a subsequent year.

**(v) Dividends received**

Dividends received from subsidiaries of the Council will be treated as corporate income and use of such income will be determined by the **Cabinet Member for Finance**.

**(vi) Individual Schools' budgets**

Individual Schools' budgets are ring-fenced in accordance with statutory provisions.

Under spends against individual schools' budgets are appropriated into the Schools' reserve to support expenditure in a later year by the school(s) concerned.

School over spends are financed by a withdrawal from the Schools' reserves accumulated in previous years. Where an unplanned deficit occurs, the governing body must prepare a detailed financial recovery plan, which will be evaluated by the **Executive Director for People Commissioning** and the **Section 151 Officer**. If the deficit exceeds **5%** of the school's budget, the plan will be referred to the Service Cabinet Member. Schools will be expected to agree a plan to recover the deficit within a defined period.

**4.4. Capital monitoring and control****4.4.1. Approval to spend**

Once the capital programme or a scheme is approved, Executive Directors are, subject to the limits in the Constitution and scheme of delegation to officers, authorised to progress with capital projects that have:

- (i)** An approved 'start' date in the current or a prior financial year (*i.e. schemes with a start date in a future financial year are indicative only, and do not constitute approval to spend*); and
- (ii)** Adequate scheme and payments approval in the capital programme to finance these projects.

**4.4.2. Framework for budgetary control**

The principles and framework for managing the revenue budget (*as set out within paragraphs 4.3.1 and 4.3.2*) apply equally with regards to the monitoring and management of individual capital projects (*i.e. named schemes and 'block' approvals*) within their scheme and payment approvals.

#### 4.4.3. Scheme of Virement

In the event that an over spend arises against one scheme or 'block' approval, corrective action must be taken to remedy the position.

Where it is intended to redress an over spend by utilising savings against another approved project (or 'block' approval) the following permission will be required to vary the payment guidelines and scheme approvals for both projects:

Amount	Minimum approval required
Up to £500,000	<b>Executive Director</b> ( <i>following consultation with the <b>Section 151 Officer</b>, to ensure that there are no adverse implications upon capital financing resources, the <b>Cabinet Member for Finance</b>, relevant <b>Director</b> and <b>Head of Service / Operational Budget Holder</b></i> )
In excess of £500,000, but less than £5m	<b>Cabinet Member for Finance</b> ( <i>following consultation with all of the above, plus the <b>Section 151 Officer</b> and the <b>Service Cabinet Member</b></i> )
£5m and above	<b>Cabinet</b> ( <i>following consultation with all of the above</i> )

The scheme of virement, as set out in paragraph 4.3.3, does not otherwise apply to capital expenditure, as approval to capital expenditure is given on a scheme by scheme (or 'block' approval) basis, rather than by portfolio/service.

#### 4.4.4. Re-profiling of payment guidelines between years

Where it is anticipated that a scheme with approval to 'start' will be progressed at a different rate to that scheduled (such that expenditure is expected to vary from the approved payment guideline for the year) approval must be sought to re-profile the payment guidelines for the scheme (or block approval).

For a scheme with approval to 'start', the re-profiling of the capital payment guidelines between financial years is subject to agreement as follows:

Amount	Minimum approval required
Up to £500,000	<b>Executive Director</b> ( <i>following consultation with the <b>Section 151 Officer</b>, to ensure that there are no adverse implications upon capital financing resources, the <b>Cabinet Member for Finance</b>, the relevant <b>Director</b> and <b>Head of Service / Operational Budget Holder</b></i> ).

Amount	Minimum approval required
In excess of £500,000, but less than £5m	<b>Cabinet Member for Finance</b> ( <i>following consultation with all of the above, plus the <b>Section 151 Officer</b> and the <b>Service Cabinet Member</b></i> ).
£5m and above	<b>Cabinet</b> ( <i>following consultation with the <b>Service Cabinet Member</b> and the <b>Section 151 Officer</b></i> ).

The above approval will also be required where it is intended to accelerate a scheme that is within the Capital Programme with an indicative start beyond the current financial year, where it is proposed to change the start date to within the current financial year.

#### 4.4.5. Adding scheme and payment approvals to the Capital Programme

Schemes will usually only be added to, or removed from, the Capital Programme as part of the annual budget setting process referred to in paragraph 3.4.2 (see page 17).

Any request outside of this process to change the capital programme by adding or removing schemes, or by allocating additional scheme and payment approvals to an approved scheme, must be approved as follows:

Amount	Minimum approval required
Up to £5m	<b>Cabinet Member for Finance</b> ( <i>following consultation with all of the above, plus the <b>Section 151 Officer</b> and the <b>Service Cabinet Member</b></i> ).
£5m and above	<b>Cabinet</b> ( <i>following consultation with all of the above</i> ).

#### 4.5. Trading activities

Trading activities must manage their income and expenditure to an overall financial target (*see paragraph 3.6.2*); in doing so, trading activities must operate within the Council's framework for budgetary control (*as outlined within paragraph 4.3.2*).

Cabinet approval is required to alter a trading activity's overall financial target (*via the quarterly Financial Overview Reports*).

Where the proposed target reflects a worsening position that will result in a loss for the year, the request to amend the financial target must explain how the loss is to be financed and the plans for recovery from this position. Where a surplus is now forecast, above that previously reported, the request to amend the target must explain whether and why the additional surplus is to be retained by the trading account.

## 5. Accounting records and financial systems

### 5.1. Accounting records

Maintenance of proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources.

The **Section 151 Officer** is responsible for determining the accounting procedures and records for the Council, and for the compilation of all accounts and accounting records.

The Council's accounting records are maintained within its General Ledger. A standard coding convention is maintained within the General Ledger that enables actual and budgeted income and expenditure to be analysed by:

- (i) Category (*i.e. revenue, capital, balance sheet*);
- (ii) Type (*e.g. employee costs, premises related expenditure, supplies and services etc.*); and
- (iii) Activity (*e.g. passenger transport, country parks etc.*).

This coding convention facilitates the analysis of income and expenditure in a variety of ways (*i.e. according to the political and management structures of the Council, as well as satisfying the Council's statutory reporting requirements*). The integrity of the Council's financial reporting for management and statutory purposes is therefore dependent upon transactions being coded correctly at source.

Executive Directors are responsible for ensuring that their services (*including those delivered through strategic partnerships*) comply with the coding conventions adopted within the General Ledger. This includes adherence to the standard subjective classifications for categories of income and expenditure. The requirement to adhere to this standard classification applies even where expenditure on projects have 'net nil' budgets (*i.e. expenditure is matched with income*).

In the event that application of this standard classification results in under or over spends, appropriate action must be taken to re-align the budgets (*see paragraphs 4.3.3 and 4.3.4*); the guiding principle being that budget provision should follow expenditure and/or income, and not vice versa.

### 5.2. Annual statement of accounts

The Council has a statutory responsibility to prepare its accounts to present a true and fair view of the financial performance and results of its activities during the year, and is responsible for approving and publishing those annual statements in accordance with the timetable specified in the Accounts and Audit Regulations.

The **Section 151 Officer** is responsible for selecting suitable accounting policies, and for applying them consistently, to ensure that the Council's annual statement of accounts is prepared in compliance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and other relevant accounting standards and statutory provisions. In addition, the **Section 151 Officer** will ensure that the Statement of Accounts is compiled, approved and published in accordance with the statutory timetable specified within the Accounts and Audit Regulations.

The **Section 151 Officer** will issue accounting instructions on closure of the accounts, including a timetable, annually. All budget holders must comply with these accounting instructions and supply the information requested by the dates specified.

The **Section 151 Officer** must sign and date the Statement of Accounts, thereby confirming that the accounts give a 'true and fair' view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March.

The **Section 151 Officer** is responsible for making proper arrangements for the audit of the Council's accounts.

### 5.3. Financial Systems

The **Section 151 Officer** has responsibility for ensuring that the Council's financial systems (*including any financial elements of non-financial or integrated systems*) are sound, properly maintained and that they are held securely. The **Section 151 Officer** will therefore determine the accounting systems, form of accounts and supporting financial records.

Executive Directors must ensure that prior approval is obtained from the **Section 151 Officer and Director for Information Services** (Chief Information Officer) to operate any financial system (including any elements of a non-financial or integrated system relied upon for financial reporting purposes) within or on behalf of their area of responsibility. Prior approval must also be obtained from the **Section 151 Officer and Director for Information Services** (CIO) to make changes to any such systems already being operated within a service area. The 'go live' sign-off criteria, as defined by the **Director for Information Services** (CIO), must be complied with in respect of implementation or amendment to any financial systems (*or non-financial or integrated system relied upon for financial reporting purposes*) operated within, or on behalf of, a Service area. A [S151 Officer Change Request Form](#) must be submitted to the **Section 151 Officer** for approval prior to making any changes to such systems.

Systems must be documented and backed up, and disaster recovery and business continuity plans must be maintained to allow information system processing to resume quickly in the event of an interruption. Executive Directors will ensure that an adequate audit trail exists through the computerised system and that audit reviews are being carried out, as necessary.

Where appropriate, the data processed by computer systems will be notified to the Information Commissioner in accordance with [data protection legislation](#).

Relevant policies and guidelines for computer systems and equipment that are issued by the Director for Information Services (CIO) will be observed.



## 6. Risk Management and Internal Control

### 6.1. Introduction

It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

### 6.2. Risk management

Risk management is concerned with evaluating the measures in place, and the actions needed, to identify and control risks effectively. The objectives are to secure the Council's assets and to ensure the Council's continued financial and organisational wellbeing.

The Audit Committee consider the Council's [Risk Management Policy and Strategy](#), and advise on any action necessary to ensure compliance with best practice, and the Cabinet approves it. The Corporate Management Board and Political Leadership team keep under review the strategic risk register and promote a culture of risk management awareness throughout the Council.

The **Head of Organisational Risk** is responsible for preparing the Council's [Risk Management Policy and Strategy](#), and for promoting it throughout the Council where appropriate. The **Head of Organisational Risk** will:

- (i) Ensure that procedures are in place to identify, assess and prevent or contain material risks, and also allow for the identification and management of positive opportunities.
- (ii) Regularly review the effectiveness of risk reduction strategies and controls.
- (iii) Engender a positive attitude towards the control of risk.
- (iv) Provide relevant information on risk management initiatives, and training on risk management.
- (v) Ensure that acceptable levels of risk are determined.

The **Head of Organisational Risk** is also responsible for:

- (vi) Developing risk management controls, including Business Continuity Planning, in conjunction with Executive Directors.
- (vii) Ensuring that the Council has effective business continuity plans for implementation in the event of disaster which results in significant loss or damage to its resources, and threatens its activities.

Executive Directors must have regard to the advice of the **Head of Organisational Risk**, and adhere to the Council's [Risk Management Policy and Strategy](#). Specifically, Executive Directors must:

- (viii) Take full ownership of all risks within their areas of responsibility, including those related to partnerships in which their services participate.
- (ix) Ensure that risk management is implemented in line with the Council's Risk Management Strategy and the minimum standard for business planning process.
- (x) Appoint a Risk Champion and authorise him/her to progress effective risk management that adheres to corporate guidelines.
- (xi) Identify and manage risks and ensure that mitigating actions are regularly reported.
- (xii) Have regard to other specialist officers (*e.g. crime prevention, fire prevention, information governance, health and safety*).
- (xiii) Ensure there are appropriate arrangements within their service area to identify risk issues and take appropriate action to mitigate the effects of them and maximise opportunities. This includes ensuring that the relevant officers are trained to manage risk and where required provide a defence for the Council.
- (xiv) Make sure that consideration is given and appropriate arrangements are made to ensure service delivery by 3<sup>rd</sup> party providers and delivery vehicles.
- (xv) Ensure that service programme, project and partnership risk registers are compiled, and kept up to date.

### 6.3. Insurance

The Cabinet is responsible for ensuring that proper insurance arrangements exist. The **Section 151 Officer** is responsible for advising the Cabinet on proper insurance cover, and will:

- (i) Effect corporate insurance cover, through external insurance and internal funding, and negotiate all claims in consultation with other officers, where necessary.
- (ii) Include all appropriate employees of the Council in suitable fidelity guarantee insurance.
- (iii) Offer insurance cover to schools in accordance with arrangements for financing schools.
- (iv) Ensure that provision is made for losses that might result from identified risks.
- (v) Ensure that procedures are in place to investigate claims within required timescales.
- (vi) Be aware of and manage effectively operational risk to the Council.

The settling of insurance claims against the Council will be subject to approval as follows:

Amount	Minimum approval required
Up to £20,000	Senior Claims Handler
In excess of £20,000 and up to £150,000	Insurance Manager
In excess of £150,000 and up to £500,000	Head of Service with responsibility for insurance arrangements
In excess of £500,000 and up to £1m	Director with responsibility for insurance arrangements (in consultation with the above)
In excess of £1m	Section 151 Officer (in consultation with all of the above Director)

Executive Directors must comply with all relevant Insurance terms and conditions, to include:

- (vii) Notifying the **Section 151 Officer** immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the **Section 151 Officer** or the Council's insurers.
- (viii) Notifying the **Section 151 Officer** promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- (ix) Consulting the **Section 151 Officer** and the **Monitoring Officer** on the terms of any indemnity that the Council is requested to give.
- (x) Ensuring that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

#### 6.4. Internal Control and the governance framework

The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its strategic objectives and statutory obligations. Internal controls are devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.

It is the responsibility of the **Section 151 Officer** to assist the Council to put in place an appropriate control environment and effective internal controls that adhere with proper practices, and provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

The system of internal control is a significant part of the Council's governance framework. The **Section 151 Officer** will compile an Annual Governance Statement each year. The Governance Statement will be compiled with reference to proper practices in relation to governance (*principally the CIPFA/SOLACE guidance 'Delivering Good Governance in Local Government'*).

The governance framework, control environment and internal controls include:

- (i) Identification and communication of the Council's vision of its purpose and intended outcomes for citizens and service users.
- (ii) Reviewing the Council's vision and its implications for the Council's governance arrangements.
- (iii) Measuring the quality of services for users, and ensuring they are delivered in accordance with the Council's objectives and that they represent the best use of resources.
- (iv) Project management.
- (v) Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
- (vi) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.
- (vii) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedural notes/manuals, which clearly define how decisions are taken and the processes and controls required for managing risks.
- (viii) Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.
- (ix) Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.
- (x) Whistle blowing and arrangements for receiving and investigating complaints from the public.
- (xi) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- (xii) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report Governing Partnerships: Bridging the Accountability Gap, and reflecting these in the Council's overall governance arrangements.
- (xiii) Policies, objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action.

- (xiv) Financial and operational control systems and procedures which comprise physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- (xv) An effective internal audit function that is appropriately resourced, and which operates in accordance with the principles contained in the Auditing Practices Board's auditing guideline Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

It is the responsibility of Executive Directors to:

- (xvi) Establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness; and for achieving their financial performance targets.
- (xvii) Manage processes to check that controls are adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- (xviii) Communicate responsibilities, codes of conduct and the importance of good governance arrangements to their staff and ensure that they understand the consequences of lack of control and inadequate governance arrangements.
- (xix) Review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the **Section 151 Officer**. Executive Directors should also be responsible, after consultation with the **Section 151 Officer**, for removing controls that are unnecessary.
- (xx) Undertake self-assessments of the status of the governance framework, including systems of internal control for each of their service areas, as directed by the **Section 151 Officer**.
- (xxi) Support internal audit in any review being undertaken within their area, and respond to issues raised within audit reports within the agreed timescale.

## 6.5. Preventing fraud and corruption

### 6.5.1. Anti-fraud and anti-corruption policy

The Council has an effective [anti-fraud and corruption policy](#) and maintains a culture that will not tolerate fraud or corruption. It is the responsibility of the **Section 151 Officer** to maintain the Council's anti-fraud and anti-corruption policy.

Executive Directors must ensure that this policy is adhered to and that all appropriate action is taken. This will include reporting all suspected irregularities to the **Head of Internal Audit** (see paragraph 6.6.2).

### 6.5.2. Declaration of Interests

To avoid giving rise to suspicion about the honesty and integrity of the Council or its employees, or giving the impression of corruption or improper behaviour, all interests of a personal and/or financial nature with external bodies or persons who have dealings with the Council, or any other interests which could conflict with an officer's duties, must be declared in accordance with the [Officer Declaration of Interests policy](#).

### 6.5.3. Gifts and hospitality

Officers must be cautious regarding offers of gifts and hospitality as acceptance can easily give the impression of improper behaviour or favour.

The Council's [Officer Gift and Hospitality Policy](#) explains how offers of gifts and hospitality are to be dealt with, including what can be accepted, what cannot be accepted and what must be declared. In accordance with the Gift and Hospitality Policy, Executive Directors must ensure that a Gifts and Hospitality register is established and maintained for the services for which they are responsible.

### 6.5.4. Whistle blowing

In accordance with the Council's [whistle blowing policy](#), all suspected irregularities must be reported to the **Head of Internal Audit** (see paragraph 6.6.2). The **Head of Internal Audit** will report significant matters to the Chief Executive, Cabinet and the Audit Committee.

In addition to the whistle blowing policy the Council's '[Speak up!](#)' Campaign provides further guidance on how employees can raise issues or concerns about inappropriate behaviour.

### 6.5.5. Standards of conduct

The full responsibilities with regard to standards of conduct for officers are set out in the [Officers' Code of Conduct](#) and the standards for members are set out in the [Members' Code of Conduct](#).

### 6.5.6. Money laundering

Money laundering is defined as:

- (i) Concealing, disguising, converting, transferring or removing criminal property from the Country.
- (ii) Being concerned in an arrangement which a person knows of, suspects or facilitates the acquisition, retention, use or control of criminal property.

In accordance with the Council's [Anti money laundering policy](#), all suspected attempts to use the Council to launder money must be reported to the **Head of Internal Audit** who is also the Council's Money Laundering Reporting Officer.

Executive Directors must ensure that their staff understand what money laundering is and of their obligations under the money laundering legislation, so that they can recognise situations that might lead to suspicions of money laundering arising.

When a person knows or suspects that money laundering activity is taking place (or has taken place), or becomes concerned that their involvement in a matter may amount to a prohibited act under the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2011, they must disclose this as soon as practicable or risk prosecution.

To mitigate the risks of the Council being used to launder money cash payments in excess of **£10,000** will not be accepted except with the prior approval of the Executive Director of Corporate Services.

### 6.5.7. Anti-Bribery Policy

In accordance with the Council's [Anti-bribery Policy](#), the detection, prevention and reporting of bribery and other forms of corruption are the responsibility of all those working for Essex County Council or under its control. Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. The Bribery Act has been enacted to enable robust action against such activity.

### 6.5.8. Promoting good governance

The Council's website on [How We Get Things Done](#) provides further information and guidance on the policies used in promoting good governance across the Council. Executive

Directors are responsible for ensuring that all members of staff in their services complete mandatory governance training provided via e-learning modules on the Council website. Executive Directors are also responsible for ensuring that new employees undertake the relevant modules of the e-learning training within six weeks of the commencement of their employment, and that all staff refresh their learning every 24 months.

### 6.6. Audit requirements

#### 6.6.1. External audit

The basic duties of the external auditor are governed by Section 15 of the Local Government Finance Act 1982, as amended by Section 5 of the Audit Commission Act 1998 and include reviewing and reporting upon:

- (i) The financial aspects of the Council's corporate governance arrangements.
- (ii) The Council's financial statements; the external auditor must be satisfied that the Statement of Accounts give a 'true and fair view' of the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

The Council may, from time to time, also be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs and the Inland Revenue, who have statutory rights of access.

The External Auditors and other statutory inspectors must be given reasonable access to premises, personnel, documents and assets that it is considered necessary for the purposes of their work. Regard must be given to sensitivity of data though, and if there is any doubt about whether it is appropriate to provide such data to the external auditor or other statutory inspector, advice should be sought from the **Section 151 Officer**.

Services must respond to external audit and inspection reports in writing, within a timescale agreed by the appropriate Executive Directors and the External Auditor, detailing the action intended to address any recommendations.

#### 6.6.2. Internal Audit

The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities 'make arrangements for the proper administration of their financial affairs'.



The Accounts and Audit Regulations more specifically require authorities to maintain an adequate and effective system of internal audit of its accounting records and of its internal controls, and to conduct an annual review of the effectiveness of its systems of internal audit. The findings of these annual reviews are considered by the Audit Committee on behalf of the Council as part of the consideration of the system of internal control referred to in paragraph 6.4.

Internal audit is an independent and objective appraisal function, established by the Council for reviewing the systems of internal control and assists the Council's stakeholders on business objectives and related risks and, thereby, contributes strategically to the organisation.

The internal auditors adhere to proper practices in relation to internal control; specifically, the CIPFA Code of Practice on Internal Audit in local government in the United Kingdom, IIA (Institute of Internal Auditors) and the COSO (Committee of Sponsoring Organisations) risk framework. They examine, evaluate and report upon the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The Internal Auditors have the authority to:

- (i) Access any Council premises, assets, records, documents and correspondence, and control systems.
- (ii) Receive any information and explanation related to any matter under consideration.
- (iii) Require any employee of the Council or school maintained by the Council to account for cash, stores or any other asset under his or her control.
- (iv) Access records belonging to third parties (e.g. Contractors) when required.
- (v) Directly access the Chief Executive, the Cabinet, the Audit Committee and Executive Scrutiny Committee.

The **Section 151 Officer** and the **Audit Committee** are required to approve an Annual Audit Plan, a draft of which will be submitted by the **Head of Internal Audit**. The Annual Audit Plan will take account of the characteristics and relative risks of the Council's activities. The **Section 151 Officer** and the **Audit Committee** will also ensure that effective procedures are in place to investigate promptly any suspected fraud or irregularity.

Services must respond to internal audit reports in writing, within a timescale agreed as part of the internal audit methodology detailing the action intended, responsible officer, timescale for implementation and whether the action will require additional resources, to address all agreed recommendations. The relevant Executive Directors must ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion. This is validated by the quarterly follow-up process undertaken by internal audit.

The **Head of Internal Audit** will maintain a record of all reports and allegations of suspected fraud, corruption or other financial irregularity in respect of funds and assets that are the responsibility of the Council, and will ensure that appropriate action is taken to investigate these.

The **Head of Internal Audit** will be given the opportunity to evaluate the adequacy of new systems, or changes to existing systems, for maintaining financial records or records of assets, in a timely manner before live operation.

## 7. Control of resources

### 7.1. Assets

#### 7.1.1. Security of assets

The Council holds assets in the form of property, land, vehicles, equipment, furniture and other items worth many millions of pounds. These assets must be safeguarded and used efficiently.

All staff have a responsibility for safeguarding the Council's assets and information, including safeguarding the security of the Council's computer systems and paper records, and for ensuring compliance with the Council's computer and Internet security policies.

The **Director** with responsibility for Property Management, on behalf of the Executive Director for Corporate and Customer Services, will undertake the role of 'corporate landlord' and will:

- (i) Ensure the proper security and maintenance of all premises occupied and/or owned by the Council.
- (ii) Hold the title deeds for all Council properties.

Executive Directors will:

- (i) Advise the **Director** with responsibility for Property Management in any case where security of Council premises is thought to be defective or where it is considered that special security arrangements may be needed.
- (ii) Ensure that no Council asset is subject to personal use by an employee without proper authority.
- (iii) Ensure the safe custody of vehicles, equipment, furniture, inventory, stores and other property belonging to the Council.
- (iv) Ensure cash holdings on premises are kept to a minimum.
- (v) Ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the relevant Head of Service and the **Head of Internal Audit**.

#### 7.1.2. Asset registers

The **Section 151 Officer** is responsible for the maintenance of a corporate register of the Council's non-current (i.e. fixed) assets. This register forms the basis of Balance Sheet reporting on all non-current assets held by the Council.

This 'Assets Register' is maintained, in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the UK and the underlying accounting standards, for all items capitalised in accordance the guidelines set out with paragraph **3.4.1** that are expected to be used and controlled by the Council during more than one financial year; items that the Council has acquired for a prolonged period under the terms of a lease or similar arrangement are also recorded. This means that the 'Assets Register' is maintained for:

- (i) All land held by the Council.
- (ii) Buildings held and being used by the Council for operational purposes, including those held under the terms of a finance lease, and those held for investment purposes, for disposal or deemed to be surplus to current requirements.
- (iii) All highways infrastructure (*e.g. roads, structures, traffic management systems etc.*) that, when acquired, was capitalised in accordance with the guidance set out within paragraph **3.4.1**.
- (iv) All vehicles, plant and equipment (*including IT hardware*) and intangible assets (*mainly IT software*) that, when acquired, were capitalised in accordance with the guidance set out within paragraph **3.4.1**.

Executive Directors will provide the **Section 151 Officer** with any information necessary to maintain the Assets Register. This will include confirmation, and the location, of moveable assets, which should be appropriately marked and insured.

Non-current assets that are required to be measured at 'fair value' will be re-valued in accordance with:

- (i) The requirements of the CIPFA Code of Practice on Local Authority Accounting in the UK; and
- (ii) Methodologies and bases for estimation set out in relevant professional standards (*including those of the Royal Institute of Chartered Surveyors (RICS)*).

### 7.1.3. Use of property other than for direct service delivery

The use of property other than for direct service delivery will be subject to prior agreement of, and in accordance with terms and conditions specified by, the **Director** with responsibility for Property Management.

Prospective occupiers of Council land and buildings are not permitted to take possession or enter the land and buildings until a lease or agreement, in a form approved by the **Director** with responsibility for Property Management, has been put in place.

### 7.1.4. Property Transactions

In the course of its day to day business, the Council enters into a variety of property agreements, including (but not limited to):

- (i) Freehold sales;
- (ii) Long leasehold disposals;
- (iii) Short leases as tenant and as landlord;
- (iv) Freehold acquisitions;
- (v) Long leasehold acquisitions;
- (vi) Section 106 agreements as landowner;
- (vii) Release of covenants;
- (viii) Compulsory acquisitions and land compensation claims;
- (ix) Taking and granting easements;
- (x) Option Agreements;
- (xi) Lease surrenders and exit agreements (including dilapidations).

Each of these transactions has a financial consequence for the Council. Approval is therefore required to authorise such property transactions for completion, and to declare properties surplus to requirements, as follows:

Amount	Minimum approval required
Up to £250,000	Head of Property Management.
In excess of £250,000, but less than £500,000	Director with responsibility for Property Management ( <i>following consultation with the <b>Head of Property Management</b>.</i> ).
In excess of £500,000, but less than £1m	Executive Director with responsibility for Property Management ( <i>following consultation with the above</i> ).
In excess of £1m but less than £5m	Cabinet Member with responsibility for Property Management ( <i>following consultation with all of the above</i> ).
£5m and above	Cabinet ( <i>following consultation with all of the above</i> ).

**Note:**

*These financial thresholds apply to the open market value of the interest in the land or property reasonably foreseeable at the date of the approval, and not to the actual money involved.*

Once land and buildings have been declared surplus to requirements, the **Director** with responsibility for Property Management will arrange for the disposal of these assets in accordance with the Council's property strategy and only then when it is in the best interests of the Council and when best value is obtained.

The approval of the **Cabinet Member for Finance** must be obtained (*after consulting the Cabinet Member with responsibility for Property*) if it is proposed to dispose of the freehold (or a leasehold interest with at least seven years unexpired) in the whole of the Council's interest in a property at a value which is below market value and/or the book value in the previous year's Balance Sheet. The approval of the Cabinet Member for Finance must also be obtained (*after consulting the Cabinet Member with responsibility for Property*) if the amount to be realised from the sale of part of an asset will reduce the book value of the remaining asset by more than is being realised.

The proceeds from the sale of all land and buildings (*subject to certain statutory limitations*) will not be earmarked for use by a specific service, but will be pooled and applied to finance future capital investment or for any other purpose permitted by Regulation.

The **Director** with responsibility for Property Management will advise on best practice for disposal of other assets that are deemed surplus to requirements, bearing in mind factors such as environmental issues, security and data protection.

The **Director for Information Services** (CIO) is responsible for ensuring that the standards, policies and guidelines of decommissioning of IT equipment are well defined and communicated to all staff within the Council. The Data Protection Act must be a key consideration in the decommissioning of IT equipment.

### 7.2. Consumable stocks and stores

Executive Directors will make adequate arrangements for the care and custody of consumable stocks and stores held by their services, and will maintain inventory records that document the purchase and usage of these items.

The stock of such items should be maintained at an appropriate level and be subject to a regular independent physical check. Discrepancies must be investigated and pursued to a satisfactory conclusion.

Where stocks and stores are not charged as an expense as purchased, but are held in a 'control account' until consumed, the Head of Service (or operational budget holder) must produce a stock certificate at each financial year end, confirming the number and value (*i.e. value represents the lower of cost and net realisable value*) of items held as at 31st March.

Stocks and stores must be removed from (ie. written off) the Council's financial records when obsolete (*i.e. when they cannot be sold or consumed*) or when no longer held (*i.e. due to theft or other loss*).

The minimum levels of approval required to write off stock balances per annum are as follows:

Amount	Minimum approval required
Up to £10,000	Head of Service / Operational Budget Holder.
In excess of £10,000, but less than £25,000	Director ( <i>following consultation with the Head of Service / Operational Budget Holder</i> ).
In excess of £25,000 but less than £50,000	Executive Director ( <i>following consultation with all of the above</i> ).
In excess of £50,000 but less than £100,000	Section 151 Officer ( <i>following consultation with all of the above</i> ).
In excess of £100,000 but less than £250,000	Service Cabinet Member ( <i>following consultation with the Section 151 Officer</i> ).
£250,000 and above	Cabinet Member for Finance ( <i>following consultation with the Section 151 Officer and the Service Cabinet Member</i> ).

### 7.3. Cash

#### 7.3.1. Introduction

All money in the hands of the Council is controlled by the **Section 151 Officer**. The **Section 151 Officer** is thereby responsible for providing assurances that the Council's money is properly managed in a way that balances risk with return, with the overriding consideration being given to security.

In accordance with the Council's [Anti Money Laundering Policy](#), all suspected attempts to use the Council to launder money must be reported to the **Head of Internal Audit** who is the Council's Money Laundering Reporting Officer (see paragraph 6.5.6).

#### 7.3.2. Treasury management

Treasury management is an important aspect of the overall financial management of the Council. Treasury management activities are those associated with the management of the Council's cash flows and its borrowing and investments. A fundamental aim is to effectively control the risks associated with these activities and to pursue best value, in so far as that is consistent with the effective management of risk.

The Council complies with the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes, and has approved:

- A **Treasury Management Policy Statement**, which sets out the policies and objectives of its treasury management activities; and
- A series of **treasury management practices** (TMP's) which set out the manner in which the Council will seek to achieve its policies and objectives for treasury management.

The **Section 151 Officer** is responsible for maintaining the Treasury Management Policy Statement and TMP's, and for recommending any changes to Council for approval.

As noted in paragraph 3.7 (see page 20), the **Section 151 Officer** will propose an annual Treasury Management Strategy to the Council in advance of the start of the relevant financial year. This Strategy will comply with CIPFA's Code of Practice on Treasury Management, relevant Regulations and with the Council's own Treasury Management Policy Statement and TMP's; it will set the parameters within which investment and borrowing activity will be managed during the forthcoming financial year. The **Section 151 Officer** is responsible for ensuring that all borrowing and investment activity is undertaken in compliance with the approved Treasury Management Strategy.

The **Section 151 Officer** will report to the Cabinet at regular intervals in each financial year, on treasury management activities undertaken within delegated powers.

All investments of money, and borrowings undertaken, on behalf of the Council will be made in the name of the Council. The **Section 151 Officer** will maintain records of such transactions.

### 7.3.3. Loans to third parties

The following table sets out the circumstances in which loans may be provided to third parties, and the approval required to each type of loan:

Type of loan	Minimum approval required
<a href="#">Season ticket</a> and similar loans made to employees	To be made in accordance with the Council's <a href="#">HR Guidance</a> .
Monies invested with banks and other financial institutions.	To be undertaken in accordance with the Council's Annual Treasury Management Strategy ( <i>see paragraph 7.3.2 above</i> ).
Loans to third parties for the purpose of financing expenditure which, if incurred by the Council, would constitute capital expenditure.	Such a loan would constitute capital expenditure by the Council ( <i>and the repayment would constitute a capital receipt</i> ) and so would require Capital Programme approval ( <i>see paragraphs 3.4.2 and 4.4</i> ).



Type of loan	Minimum approval required
	The approval of the <b>Section 151 Officer</b> will be required to make any such loan at a discounted rate of interest.
Loans sought from the Council for other purposes ( <i>e.g. where a service is being outsourced and the potential provider seeks an up-front payment to support cash flows</i> ).	To only be undertaken with the prior approval of the <b>Section 151 Officer</b> .  The <b>Section 151 Officer</b> ' approval will also be required to offer such a loan at a discounted rate of interest.

#### 7.3.4. Bank accounts

The opening or closing of any Council bank account will require the prior approval of the **Section 151 Officer** and must be managed in accordance with directions issued by the **S151 Officer**.

#### 7.3.5. Imprest accounts

Wherever possible, purchase cards will be used for low value transactions and where there are no mandated procurement contracts in place (*the use of purchase cards is covered further in section 8.2, which commences on page 55*). However, in the limited circumstances when purchase cards cannot be used, the **Section 151 Officer** may provide bank imprest (petty cash) accounts to meet minor expenditure on behalf of the Council.

The **Section 151 Officer** will:

- (i) Prescribe rules for operating these account;
- (ii) Determine the amount of each imprest account;
- (iii) Will maintain a record of all transactions and cash advances made; and
- (iv) Periodically review the arrangements for the safe custody and control of these advances.

Employees operating an imprest account will:

- (i) Obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained.
- (ii) Make adequate arrangements for the safe custody of the account.
- (iii) Produce cash and all vouchers to the total value of the imprest amount.
- (iv) Record transactions promptly.

- (v) Reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder.
- (vi) Ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made.
- (vii) Provide the **Section 151 Officer** with a certificate of the value of the account held at 31 March each year.

### 7.3.6. Trust funds and funds held for third parties

All trust funds will, wherever possible, be held in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities relating to the trust with the **Section 151 Officer**, unless the deed provides otherwise.

Trust funds will be operated within any relevant legislation and the specific requirements for each trust.

Where funds are held on behalf of third parties, for their secure administration, written records will be maintained of all transactions.

## 7.4. Staffing

The **Head of Paid Service** is responsible for providing overall management to staff and is also responsible for ensuring that there is proper use of evaluation or other agreed systems for determining the remuneration of a job.

Executive Directors have primary responsibility for their establishment and are accountable for compliance with establishment and financial controls. Executive Directors are responsible for ensuring that positions are only created as new requirements and associated funding emerge, and are deleted or modified as needs and funding change. They will ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.

The **Section 151 Officer** will advise Executive Directors on areas such as National Insurance and pension contributions, as appropriate.

## 7.5. Intellectual property

Intellectual property is a generic term that includes inventions and writing. If an employee creates these during the course of employment then, as a general rule, they belong to the Council, not to the employee.

Executive Directors will ensure that their staff are not carrying out private work in Council time and that their staff are aware of the Council's rights with regard to intellectual property.

Instances where intellectual property has been (or may be) created which has, or may have, commercial value to the Council should be referred to the relevant Executive Director(s).

## 8. Income and Expenditure

### 8.1. Income

#### 8.1.1. Introduction

Effective income collection systems are necessary to ensure that all income due to the Council is identified, collected, receipted and banked properly.

Wherever possible, income should be collected in advance of supplying goods or services. Such an approach will avoid the time and cost of administering debts, and negates the possibility of a bad debt.

It is the responsibility of Executive Directors to ensure that staff authorised to act on their behalf in respect of income collection are clearly identified.

Executive Directors will supply the **Section 151 Officer** with details relating to work done, goods supplied, services rendered or other amounts due, to enable invoices to be raised promptly for sums due to the Council, and to ensure that such amounts are properly recorded as due to the Council.

#### 8.1.2. Income collection

The **Section 151 Officer** will agree the arrangements for the collection of all income due to the Council and approve the procedures, systems and documentation for its collection. In relation to the collection of income, the **Section 151 Officer** and Executive Directors will ensure that:

- (i) All money received by, or on behalf of, the Council is paid fully and promptly into the appropriate Council bank account in the form in which it is received.
- (ii) Income is not used to cash personal cheques or other payments.
- (iii) Appropriate details are recorded onto paying-in slips to provide an audit trail.
- (iv) A record is kept of money received directly by employees of the Council.
- (v) The receiving officer signs for the transfer of funds, and the transferor must retain a copy.
- (vi) Wherever possible, at least two employees are present when post is opened so that money received by post is properly identified and recorded; this requirement must be met where post regularly contains money.
- (vii) Money collected and deposited is reconciled to the appropriate bank account on a regular basis.

- (viii) The responsibility for cash collection is separated from that for identifying the amount due and that responsibility for reconciling the amount due is separated from handling of the amount received.
- (ix) Income is only held on premises up to levels approved by the **Section 151 Officer**. All such income will be locked away to safeguard against loss or theft, and to ensure the security of cash handling.
- (x) All appropriate income documents are retained and stored for the defined period in accordance with the Council's [document retention policy and schedule](#).
- (xi) The **Section 151 Officer** is advised of outstanding income relating to the previous financial year as soon as possible after 31 March, and in line with the timetable for closure of the accounts determined by the **Section 151 Officer**.

### 8.1.3. Debt recovery

Executive Directors will ensure that a clear framework is in place within their areas of responsibility which defines who is empowered to raise a debt on the Council's behalf.

Once debts are raised, Executive Directors have a responsibility to assist the **Section 151 Officer** in collecting the debts that they have originated by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.

### 8.1.4. Writing off debts

Executive Directors will critically review outstanding debts on a regular basis, in conjunction with the **Section 151 Officer**, and take prompt action to write off debts no longer deemed to be recoverable.

No bona fide debt may be cancelled, other than by formal write off. The approval required to write off any debt is as follows:

Amount	Minimum approval required
Up to £10,000	Head of Service / Operational Budget Holder
In excess of £10,000, but less than £25,000	Director ( <i>following consultation with the Head of Service / Operational Budget Holder</i> ).
In excess of £25,000 but less than £50,000	Executive Director ( <i>following consultation with all of the above</i> ).
In excess of £50,000 but less than £100,000	Section 151 Officer ( <i>following consultation with all of the above</i> ).
In excess of £100,000 but less than £250,000	Service Cabinet Member ( <i>following consultation with the Section 151 Officer</i> ).

Amount	Minimum approval required
£250,000 and above	Cabinet Member for Finance <i>(following consultation with the <b>Section 151 Officer</b> and the <b>Service Cabinet Member</b>)</i> .

A record must be maintained for all debts written off. The appropriate accounting adjustments must be made following approval to write-off a debt.

Where debts have been referred to Essex Legal Services, the **Section 151 Officer** will have due regard to their advice when considering action relating to bad debts.

### 8.1.5. Credit notes

A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt, and once it is confirmed that the debt is not payable.

Credit notes will not be issued:

- (i) For irrecoverable debts, as the formal write off procedure should be followed.
- (ii) Where the debtor cannot afford to pay at that time. The debt should remain, and revised payment terms agreed, as appropriate.
- (iii) Where a debt is to be recovered through deductions from payments. In such instances, the deductions made should be offset against the debtor.

Credit notes will be subject to the approval of the Head of Service / operational budget holder.

## 8.2. Purchasing and procurement

### 8.2.1. Introduction

The Council applies a standardised approach to purchasing and procurement, according to the complexity and level of risk involved. Sourcing activity therefore depends on whether the work, goods or services are available via one of the Council's corporate mandated contracts and, if not, on:

- (i) What is being procured;
- (ii) The value of the procurement;
- (iii) The contract terms; and
- (iv) Whether there is likely to be a transfer of staff, safeguarding, clinical governance or information security requirements as a consequence of the procurement.

Compliance with the Council's procedures helps to ensure that value for money is obtained from its purchasing arrangements.

## 8.2.2. Purchasing via corporate contracts

The Council has a number of corporate mandated contracts in place through which standardised supplies and materials must be procured. Details of the corporate mandated contracts are available on the Intranet.

The Council's Purchase-to-Pay system must be used for ordering goods via a corporate mandated contract.

## 8.2.3. Procurement

Where there is no corporate mandated contract in place, it is necessary to follow the procurement approach laid out within the Council's [Procurement Rules](#).

There is no requirement for competition for very low risk procurements (i.e. those up to **£10,000** or such other limit set out in the Procurement Rules). Such procurements can be made using:

- (i) An ECC Purchase Card (*the use of which is set out in the Council's [Purchase Card Policy](#)*);
- (ii) The Council's Purchase to Pay system; or
- (iii) The Council's Electronic Payments Tool.

All other work, goods and services must be procured following a competitive process that reflects the relative risks of the procurement (i.e. as laid out within the Council's [Procurement Rules](#)).

Officers involved with engaging contractors, and/or with purchasing decisions, have a responsibility to declare:

- (i) Any links or personal interests that they may have with purchasers, suppliers and/or contractors; and
- (ii) Any gifts or hospitality offered by, or received from, purchasers, suppliers and/or contractors.

The necessity to make such declarations arises from the requirements outlined in paragraphs 6.5.2 and 6.5.3.

All new contracts must also be recorded and retained in the corporate contracts register in accordance with the [Procurement Rules](#).

Where a third party is procuring goods, work or services on behalf of the Council then the relevant officer(s) must ensure that the third party is aware of and complies with the Council's procurement procedures.

Managers responsible for letting contracts should regularly review contractors' performance and address errors, poor performance and/or mis-representation, and to invoke service credits where applicable.

### 8.3. Ordering and paying for work, goods and services

#### 8.3.1. Orders for work, goods and services

Orders for work, goods and services must:

- (i) Be in a form approved by the **Section 151 Officer**.
- (ii) Be raised via one of the Council's Purchase-to-Pay systems and issued to the supplier prior to receipt of goods or services or commencement of works. The only exceptions are for periodic payments such as rent or rates and petty cash or purchase card purchases.
- (iii) Not be raised for any personal or private purchases.
- (iv) Be authorised in accordance with the Council's Constitution and by someone of at least the seniority set out below:
  - a. Where the order is issued to reflect a procurement decision taken by Members then the order may be authorised by the operational budget holder;
  - b. Where (a) does not apply, and the order will have effect for more than a year and have a value in excess of **£150,000**, then the order must be authorised by an Executive Director;
  - c. In other cases the order must be authorised in accordance with the table below:

Level	Financial limit	Minimum approval required	Allocated cost centres
<b>L3</b>	Up to <b>£1m</b>	<b>Directors</b>	<i>As defined by Executive Director</i>
<b>L4</b>	Up to <b>£500,000</b>	<b>Heads of Service</b> ( <i>i.e. when designated as the operational budget holder</i> )	<i>As defined by Director</i>
<b>L5</b>	Up to <b>£150,000</b>	<b>Officers</b> authorised to act on behalf of the Operational Budget Holder	<i>As defined by the Head of Service</i>

Contracts with a value of under **£1m** may be signed by:

- (i) A person who is authorised to issue an order for that contract; or
- (ii) The **Monitoring Officer** or **Section 151 Officer** or the **Director for Essex Legal Services** (or a person authorised by any of them).



Contracts with a value of more than **£1m** must be in writing and must be signed in accordance with the Constitution (i.e. by an **Executive Director** or the **Chief Executive** or be affixed under the **common seal** of the Council).

Executive Directors must maintain a list of designated staff on the [Authorised Signatory Database](#) identifying in each case the limits of their authority. The Authorised Signatory Database underpins and supports the signatory process, as any officer seeking to commit expenditure will be verified against the database to ensure they have the delegated power to do so.

No one may authorise an order unless they are satisfied that:

- (i) The work, goods and services ordered are appropriate and needed;
- (ii) There is adequate budgetary provision;
- (iii) Where a suitable corporate mandated contract exists, this has been used;
- (iv) Where there is no corporate mandated contract, the Council's [Procurement Rules](#) have been adhered to.

### 8.3.2. Receipt of work, goods and services

Work, goods and services must be checked upon receipt to ensure they are in accordance with the order. Wherever possible, goods should not be received by the person who approved the order.

For work, goods or services obtained using a **Purchase Card** it is the cardholder's responsibility to ensure that this is done in compliance with the Council's [Purchase Card Policy](#).

For work, goods or services ordered via the Council's Purchase-to-Pay system, the receipt of work, goods and services must be recorded against the original purchase order prior to receipt of an invoice, in order to provide approval to pay the invoice.

### 8.3.3. Payment of suppliers

For items ordered via the Council's Purchase-to-Pay system, the **Section 151 Officer** will make payments from the Council's funds upon the receipt of proper original, certified copy or valid electronic VAT invoice provided that:

- (i) A valid **purchase order number** is quoted on the suppliers' invoice; and
- (ii) Confirmation of receipt of the work, goods or services has been provided and the invoice is consistent with the receipted amount.

Invoices received which do not quote an approved purchase order number are not valid and will be returned to the supplier unpaid.

The **Section 151 Officer** will also make payments from the Council's funds upon the receipt of proper original, certified copy or valid electronic VAT invoices that have been checked, coded and certified in accordance with the thresholds set out on page 57, confirming:

- (i) The receipt of goods or services to the correct price, quantity and quality standards;
- (ii) That the invoice has not previously been paid;
- (iii) That expenditure has been properly incurred and is within budget provision;
- (iv) That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
- (v) That discounts have been taken where available; and
- (vi) The correct accounting treatment of tax.

Payments to creditors will be made as soon as possible within agreed payment terms, in order to avoid late payment charges under the **Late Payment of Commercial Debts (Interest) Act 1998**, as amended by the **Late Payment of Commercial Debts Regulations 2013**.

Any invoice in dispute with a supplier must be clearly identified and processed in accordance with guidance issued by the **Section 151 Officer**.

It is not permissible to make a payment in advance of the delivery of works, goods or services, or to vary the Council's standard settlement terms, other than with the prior approval of the **Section 151 Officer**.

Executive Directors will notify the **Section 151 Officer** immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision. In such cases, appropriate budget provision should be sought, either by way of a virement (see paragraph 4.3.3) or by way of a supplementary estimate (see paragraph 4.3.4).

The normal methods of payment by the Council shall be by:

- (i) BACS payments direct into suppliers' bank accounts;
- (ii) Purchase Card (*in accordance with the Council's [Purchase Card Policy](#)*).

In exceptional circumstances, where suppliers are unable to accept payment via BACS, cheques will be issued by the **Section 151 Officer**. The use of direct debits to make payments will require the prior agreement of the **Section 151 Officer**.

All appropriate evidence of the transaction and payment documents will be retained and stored in accordance with the Council's [document retention policy and schedule](#).

Executive Directors must advise the **Section 151 Officer**, at the end of each financial year, of outstanding expenditure relating to the financial year just ended, in line with the timetable for closure of the accounts determined by the **Section 151 Officer**.

### 8.3.4. Contracts for construction and alterations to buildings / civil engineering works

The systems and procedures for dealing with the financial aspects of contracts for construction and alterations to buildings and for civil engineering works must be agreed with the **Section 151 Officer**. This will include the systems and procedures for the certification of interim and final payments, checking, recording and authorising payments, for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.

## 8.4. Authority to make payments

For payments other than those arising from purchasing and procurement, transactions must be authorised in accordance with the table below:

Level	Financial limit	Minimum approval required	Allocated cost centres
L1	Over £2.5m	Chief Executive	All
L2	Over £2.5m	Section 151 Officer	All
L2	Up to £2.5m	Executive Directors	All related to areas of responsibility
L3	Up to £1m	Directors	As defined by Executive Director
L4	Up to £500,000	Heads of Service ( <i>i.e. when designated as the operational budget holder</i> )	As defined by Director
L5	Up to £150,000	Officers with delegated authority to act on Operational Budget Holder's behalf	As defined by the Head of Service

## 8.5. Payments to Employees and Members

### 8.5.1. Salaries

Staff appointments will be made in accordance with the Council's [Recruitment Policy](#), establishments, grades and scales of pay.

The **Section 151 Officer** is responsible for all payments of salaries and overtime to staff (*with the exception of those schools that have the delegated power to procure their payroll function from elsewhere*). The **Section 151 Officer** will therefore:

- (i) Arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with prescribed procedures, on the due date.

- (ii) Record and make arrangements for the accurate and timely payment of tax, pensions and other deductions.

The **Section 151 Officer** is responsible for ensuring there are adequate arrangements for administering pension matters on a day-to-day basis.

Executive Directors must ensure that effective systems and procedures are operated, so that:

- (i) Payments are only made to bona fide employees.
- (ii) Payments are only made where there is a valid entitlement.
- (iii) Conditions and contracts of employment are correctly applied.
- (iv) Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

The **Section 151 Officer** and **Executive Director** with responsibility for Human Resources will advise upon the employment status of individuals employed on a self-employed consultant or sub-contract basis.

### 8.5.2. Expenses and allowances

The **Section 151 Officer** is responsible for the payment of certified expense claims submitted by employees that are made in accordance with the Council's [travel and subsistence policy](#). Certification of travel and subsistence claims is taken to mean that journeys were authorised and expenses properly and necessarily incurred for business purposes, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Further guidance is provided in the [Travel and Subsistence Policy](#).

The **Section 151 Officer** is also responsible for the payment of Members' travel or other allowances. Members expenses must be claimed in accordance with the provisions set out in the [Members Allowance Scheme](#).

The **Section 151 Officer** will ensure that taxable allowances and benefits are accounted for, recorded and returned, where appropriate, to HM Revenue and Customs. Details of any employee benefits in kind must be notified to the **Section 151 Officer** to enable full and complete reporting within the income tax self-assessment system.

Due consideration should be given to tax implications, ensuring that advice is sought and the **Section 151 Officer** is informed where appropriate.

### 8.5.3. Ex-gratia payments

Ex-gratia payments are one-off payments made to an employee or former employee as a gesture of goodwill, and not because there is a legal or contractual obligation to do so. They include compromise and other payments made for loss of office.

Ex-gratia payments can be made to employees or former employees subject to obtaining the following approval:

Amount	Minimum approval required
Up to £5,000	Head of Service / Operational Budget Holder.
In excess of £5,000, but less than £10,000	Director ( <i>following consultation with the Head of Service / Operational Budget Holder</i> ).
In excess of £10,000 but less than £50,000	Executive Director ( <i>following consultation with all of the above</i> ).
£50,000 and above	Section 151 Officer ( <i>following consultation with all of the above</i> ).

The circumstances of the proposed payment must not have the effect of circumventing other Council pay and allowance policies, tax rules or other legislation.

## 8.6. Taxation

The **Section 151 Officer** is responsible for ensuring compliance with all relevant taxation regulations and guidance that affect the Council either directly, as a consequence its own activities, or indirectly, as a consequence of service delivery through external partners.

To enable the **Section 151 Officer** to fulfil the requirements of this role, Executive Directors will:

- (i) Ensure that the **Section 151 Officer** is consulted on all proposals that may alter or affect the Council's tax liability, including proposals to implement alternative service delivery models (as outlined in section 9.1, which commences on page 64).
- (ii) Ensure that the [VAT guidance](#) issued by the **Section 151 Officer** is complied with (*i.e. to ensure that the correct liability is attached to all income due and that all amounts recoverable on purchases can be claimed*).
- (iii) Ensure that, where construction and maintenance works are undertaken, the sub-contractor fulfils the necessary **construction industry tax scheme** requirements (*as advised by the **Section 151 Officer***).
- (iv) Ensure that the Executive Director for Corporate Service's guidance [fee payments](#) to consultants, individuals or partners is complied with.

The **Section 151 Officer** will maintain the Council's tax records, make all tax payments, receive tax credits and submit tax returns by their due date, as appropriate.

## 8.7. Emergency Payments

Emergency payments are those arising from legal cases, civil emergencies or natural disasters such as flooding. They relate to unforeseen circumstances where budget provision has not been made and the payment cannot be covered within the relevant service's existing budget.

Emergency payments can only be made in extenuating circumstances with the following approval (as a minimum):

Amount	Approval required
Up to £250,000	Executive Director
In excess of £250,000, but less than £1m	Chief Executive <u>or</u> the Section 151 Officer;
£1m and above	Cabinet Member for Finance ( <i>following consultation with all of the above</i> ).

Details of emergency payments made within the financial year will be reported retrospectively to the Cabinet.

Executive Directors must notify the **Section 151 Officer** as soon as practicable of any emergency payment made without the **Section 151 Officer'** approval.

## 8.8. Transparency

To provide transparency in its stewardship of public funds the Council makes information available to the public in relation to its spending, regardless of value. Monthly payment transactions made via p-card, employee expenses and accounts payable are available to download via the Council's [ECC Spending Information](#) website.

## 9. External Arrangements

### 9.1. Alternative delivery models

#### 9.1.1. Introduction

Services may be commissioned from retained services within the Council or via an alternative delivery models. There are various types of alternative delivery model, including:

- (i) **Local Authority Trading Company (LATC)** - separate legal entities established and owned by the Council that trade for profit with both public and private bodies.
- (ii) **Joint Ventures** - set up as separate corporate entities joining two or more parties for the purpose of executing a business undertaking. They are able to trade for profit if set up as separate corporate entity.
- (iii) **Charitable Company** - a corporate entity which is regulated by the Charities Commission; surpluses are reinvested into the company.
- (iv) **Co-operative** - trades for the mutual benefit of members and is owned and operated by its members.
- (v) **Outsourcing** - contractual arrangement between the Council and a private provider for the delivery of an agreed service, which involves the transfer of Council staff to the private provider. The outsourced provider can charge its customers and make a profit.
- (vi) **Licensing** - contractual arrangement between the Council and a private provider using the Council's intellectual property or infrastructure. For these arrangements the licensee is able to generate a profit, which can be paid to the Council
- (vii) **Social Enterprises** - businesses trading for social and environmental purposes.
- (viii) **Payment by results** – payments for the provision of services are dependent upon performance outcomes.
- (ix) **Pooling of budgets** – pooling of resources with other public sector bodies as a means of facilitating joint working in the provision of services.

This list is not intended to be exhaustive, but is provided to illustrate the range and diversity of alternative service delivery models. Any intention to commission services through such a model must only be pursued in compliance with the decision making process outlined in paragraph 9.1.2 below.

#### 9.1.2. Business Cases for alternative delivery vehicles

Any proposal to commission services via an alternative delivery vehicle must be developed though the Council's business case governance framework and using the [business case template](#), to ensure that there is a robust planning and decision-making process in place.

In the event that it is proposed to establish a local authority owned company, the Council's [Company Compliance Protocol](#) must also be adhered to.

The Business Case must clearly articulate the options being considered and measure these against the desired outcomes. It should also set out whether there is a statutory basis for the provision of the service or activity under consideration.

Executive Directors are responsible for ensuring that the Council's governance framework is followed through all stages of the business case development and decision making process, and that specialist advice is sought and obtained from the following key stakeholders across the Council, at all each stage in the development of the business case:

**(i) Executive Director for Strategy, Transformation and Commissioning**

- Director for Transformation;
- Director for Commissioning Support;
- Director for Human Resources; and
- Commercial Director.

**(ii) Executive Director for Corporate and Customer Services**

- **Section 151 Officer** (*including financial and tax advice*);
- Director for Essex Pension Fund;
- **Monitoring Officer** (*including legal, internal audit and risk advice*);
- Director for Corporate Operations (*including payroll, payment, income collection and property / facilities management advice*); and
- Head of Business Support.

Executive Directors are also responsible for ensuring that Cabinet approval is obtained before any contract negotiations are entered into, and that all agreements and arrangements are properly documented.

The Cabinet is responsible for approving the Council's participation in all significant partnerships / joint working arrangements with other local public, private, voluntary and community sector organisations.

Executive Directors, following advice from the **Executive Director for Strategy, Transformation and Commissioning Support** and the **Executive Director for Corporate and Customer Services** (*including the Section 151 Officer and Monitoring Officer*), will advise the Cabinet on the key elements of arrangements for commissioning services via an alternative delivery model, including:

- (i)** The financial roles and responsibilities of the Council with respect to monitoring of the alternative delivery model provider.
- (ii)** Appraisal of financial and non-financial risks, together with mitigation plans. The reputational impact of failure to deliver services should be considered, with clear plans on how this would be addressed.



- (iii) A comprehensive list of all the financial commitments the Council will enter into as a result of adopting the alternative service delivery model.
- (iv) The governance arrangements for decision making, and how these will be carried out to ensure that the services provided remain aligned to those of the Council.
- (v) Performance measurement arrangements.
- (vi) Exit arrangements, and what would be done to ensure services continue to be delivered in the event of non-delivery by the service provider.
- (vii) The financial implication (including taxation issues) arising as a consequence of the proposed alternative delivery model.
- (viii) Transfer of Council assets to the proposed delivery vehicle, and arrangements for safeguarding their title and use.
- (ix) Whether equality, sustainability, recruitment and employment practices, data handling and protection, freedom of information principles, standards and behaviour and arrangements for engaging with citizens and service users are aligned to the Council's legal requirements and policies.
- (x) Audit requirements (both internal and external) and arrangements for the Council's auditors, where relevant, to have access to information.
- (xi) Arrangements for providing information required for the Council's Statement of Accounts to the **Section 151 Officer**.
- (xii) In the event that the proposal is for a local authority trading company, a dividend policy should be agreed that sets out the process by which decisions will be taken regarding the retention or distribution of profits.
- (xiii) Pensions advice.

Where it is proposed to establish a local authority trading company, the new company will use the Council's support service functions, and use the Council's property (and its facilities management services) for the delivery of services on behalf of the Council, unless and until otherwise agreed by the **Executive Director for Corporate and Customer Services** and the **Executive Director for Strategy, Transformation and Commissioning** (i.e. as applicable).

## 9.2. Partnerships

### 9.2.1. Context

Partnerships include any arrangements where the Council agrees to undertake, part fund or participate in a project with other bodies; either as a beneficiary of the project, or because the nature or status of the project gives the Council a right or obligation to support it, but it does not include situations where the Council is simply providing funding without assuming any obligation or risk relating to delivery of the project. It is important to understand and distinguish between a partnership in this context and a supplier who the Council may refer to as a 'partner' due to the status that the Council has contractually awarded to it. Irrespective of the title applied to it, this latter type of partnership is a supplier relationship, which will be entered into in accordance with, and governed by, the Council's Procurement Policy and Procedures (*see paragraph 1.1, which commences on page 60*).

### 9.2.2. Forming of partnerships

The approval of both the **Section 151 Officer** and the **Monitoring Officer** must be obtained prior to the Council entering into any formal partnership agreement. The approval of the **Section 151 Officer** must also be obtained where it is proposed that the Council adopts the role of 'Accountable Body' for a partnership. This is to ensure that the:

- (i) Legal status and financial viability of the arrangement are clearly established and that they are acceptable.
- (ii) Council's financial commitment to the partnership is quantified and that this can be accommodated within the existing budget provision.
- (iii) Financial and corporate governance arrangements in place for the partnership are robust, and acceptable from the Council's perspective.
- (iv) The Council is not exposed to undue financial, legal or reputation risk as a consequence of its involvement in the partnership.
- (v) Council's own financial accounting and reporting requirements can be satisfied.

A partnership agreement must be produced that documents each of these matters, and the arrangements for dispute resolution and for exiting the arrangement.

The Cabinet is responsible for approving delegations and frameworks for all partnerships.

Executive Directors will ensure that:

- (i) The approval of the **Section 151 Officer** and the **Monitoring Officer** is obtained prior to entering into a partnership agreement.

- (ii) An appraisal is undertaken which demonstrates that the risks associated with the arrangement are minimal, or that appropriate arrangements are in place to mitigate any such risks.
- (iii) The partnership agreement and arrangements will not impact adversely upon the services provided by the Council or upon its finances.
- (iv) The proposed financial contribution by the Council to the partnership can be met from existing budget provision.
- (v) Cabinet approval is secured for all delegations and frameworks for the proposed partnership.

### 9.2.3. Delegation of budget to a partnership

Approval is required to enter into any arrangement (whether or not the arrangement is binding on the parties) where money is normally spent in accordance with the wishes of a group of individuals or organisations, as follows:

Amount	Minimum approval required
Up to £100,000	Director
In excess of £100,000, but less than £250,000	Executive Director ( <i>following consultation with all of the above</i> ).
In excess of £250,000, but less than £500,000	Section 151 Officer ( <i>following consultation with all of the above</i> ).
In excess of £500,000, but less than £5m	Cabinet Member for Finance ( <i>following consultation with the Section 151 Officer</i> ).
£5m and above	Cabinet ( <i>following consultation with the Section 151 Officer and the Cabinet Member for Finance</i> ).

### 9.2.4. Financial administration

Where the Council is the 'accountable body', these Financial Regulations apply to decisions relating to the expenditure of that money. All expenditure must be authorised by an appropriate ECC officer, or by someone else who has a statutory power to authorise expenditure. Executive Directors are responsible for ensuring that the Council is promoting and applying the same high standards of financial administration to the partnership that apply throughout the Council.

Whenever any such arrangements are made there must be a written document which clearly establishes the responsibilities of the respective partners for managing the arrangement and the resources made available to the partnership. The document must also set out the arrangements in respect of unspent funding at each year end, unless this is to be returned to the Council as unspent money.

Executive Directors must provide information on the partnership arrangements to the **Section 151 Officer**, in order that the appropriate disclosures can be made within the Council's annual Statement of Accounts.

### 9.2.5. Documenting and recording of partnership agreements

Executive Directors must ensure that all partnership agreements and arrangements are properly documented, and that all money for which the Council is accountable is spent via a written contract with the recipient (even if the recipient is a party to the arrangements) and that a register of those contracts must be maintained in accordance with procedures specified by the **Section 151 Officer**.

### 9.2.6. Representing the Council

Executive Directors will ensure that the Council has full oversight of the operation of the arrangements. This will usually be by officer support and by representation on the 'partnership board' by Members of the Council.

Executive Directors will ensure that appropriate officer input is provided to support Members in this role, and that all decisions made by the Council are discharged as permitted within the Scheme of Delegation that forms part of the Council's Constitution.

## 9.3. External Funding

### 9.3.1. Funding conditions

External funding is an important source of income to the Council, but funding conditions need to be carefully considered prior to entering into agreements, to ensure that:

- (i) They are compatible with the aims and objectives of the Council;
- (ii) The necessary procedures are in place to meet funding conditions and reporting requirements; and
- (iii) Appropriate budget provision is available if 'match funding' is required.

All bids for external funding bids must go through the Head of Investments and Funding and in compliance with the Council's [bids process](#).

### 9.3.2. Accounting for external funding

The **Section 151 Officer**, in conjunction with Executive Directors must, as appropriate, ensure that all funding awarded or committed by external bodies is received and properly recorded in the Council's accounts. This will include ensuring that claims for funding are made by the due date, and in accordance with the funding conditions.

### 9.3.3. External funding claims

The **Section 151 Officer** and Executive Directors must, as appropriate, satisfy audit requirements in respect of external funding claims. This includes maintaining appropriate records that accord with the funding conditions, and making these available to the auditors as required.

### 9.3.4. Third party expenditure

Sometimes, grant funding awarded to the Council may be passed to an organisation falling outside of the direct responsibility of the Council. The Council will however remain accountable for the grant funding and, as such, will be responsible for ensuring that all of the terms of the grant are met.

The Executive Director in receipt of the grant must ensure that effective monitoring and reporting procedures are in place to provide assurances over the eligibility of expenditure incurred by the third party and the delivery of outcomes. Upon audit, if the eligibility of third party expenditure cannot be proven by the Council, the Council will itself usually be required to return the grant funding to the awarding body.

## 9.4. Work by the Council for Third Parties

### 9.4.1. Approval to contractual arrangements

Work can only be undertaken for third parties where the Council has the legal powers to undertake the work. Where such legal powers exist, Executive Directors are responsible for:

- (i) Approving the contractual arrangements for any work undertaken by their services for third parties or external bodies.
- (ii) Ensuring that the appropriate expertise exists to fulfil the contract.
- (iii) Ensuring that no contract adversely impacts upon the services provided by the Council.

### 9.4.2. Financial aspects of third party contracts

With regard to the financial aspects of third party contracts, Executive Directors will:

- (iv) comply with any guidance issued by the **Section 151 Officer** and will ensure that the appropriate insurance arrangements are made.
- (v) Ensure that all costs arising from the provision of services to a third party are recovered and hence that there is no subsidy included within the contract.
- (vi) Ensure that the Council is not exposed to the risk of bad debts.

### 9.4.3. Documenting and recording contracts

A written agreement must be put in place between the Council and the third party, which details the services to be provided, over what period and at what price; this will be signed by both parties to the agreement. Executive Directors will provide information on the contractual arrangements to the **Section 151 Officer** as requested, in order that the appropriate disclosures can be made within the Council's annual statement of accounts.

## 10. Financial Limits

### 10.1. General

Throughout these Regulations, there are various financial limits. These limits have been brought together in this section, for ease of reference. The following tables summarise the minimum level of approval required on each matter; in the event that an officer at the specified level is unable to take a decision for any reason then the decision may be taken at a higher level in the organisation. This section is intended to set limits out in one place but it applies subject to any limitations set out elsewhere in Financial Regulations

### 10.2. Revenue budget virements

Paragraph 4.3.3 set out the Scheme of Virement. This explains that virements that are being actioned to effect a change in policy or priorities (*either within the same portfolio or between portfolios*) will be subject to the following approval:

Amount	Minimum approval required
Up to £500,000	<b>Executive Director</b> following consultation with the Director and Head of Service / Operational Budget Holder.
In excess of £500,000, but less than £5m	<b>Cabinet Member for Finance</b> , following consultation with all of the above, plus the <b>Section 151 Officer</b> and Service Cabinet Member.
£5m and above	<b>Cabinet</b> , following consultation with all of the above.

### 10.3. Re-profiling of supplementary funding

As noted in paragraph 4.3.4, where supplementary funding is provided for a project that slips into the following financial year, or which progresses ahead of schedule, the supplementary funding can be re-profiled between financial years without the need for further approval up to a threshold of **£500,000**. The approval of Cabinet is required to re-profile supplementary funding in excess of **£500,000**.

### 10.4. Capital expenditure

As noted in paragraph 3.4.1, the Council applies various de-minimis limits below which items that meet the definition of capital expenditure will be charged to revenue on the grounds of materiality. The limits are as follows:

De-minimis limits	£
<b>General limit</b> ( <i>to be applied where no specific limit is applicable</i> )	<b>10,000</b>

De-minimis limits	£
<b>Specific limits</b>	
▪ Schools' capital projects funded or supported by Formula Capital Grants	<b>2,000</b>
▪ Transport (Highways) infrastructure	<b>Nil</b>
▪ Land	<b>Nil</b>

## 10.5. Capital monitoring and control

Section 4.4 sets out the arrangements for making changes to the capital programme in-year, as follows.

### 10.5.1. Applying under spends to offset over spends

Where it is intended to redress an over spend against one scheme or 'block' approval by achieving savings against another project, the following consent is required to align the payment guidelines and scheme approvals for both projects:

Amount	Minimum approval required
<b>Up to £500,000</b>	<b>Executive Director</b> (following consultation with the <b>Section 151 Officer</b> , to ensure that there are no adverse implications upon capital financing resources, the <b>Cabinet Member for Finance</b> , relevant <b>Director</b> and <b>Head of Service / Operational Budget Holder</b> )
<b>In excess of £500,000, but less than £5m</b>	<b>Cabinet Member for Finance</b> (following consultation with all of the above, plus the <b>Section 151 Officer</b> and the <b>Service Cabinet Member</b> )
<b>£5m and above</b>	<b>Cabinet</b> (following consultation with all of the above)

### 10.5.2. Re-profiling of payment guidelines between years

For schemes with 'starts approval', the re-profiling of capital payment guidelines between financial years is subject to agreement as follows:

Amount	Minimum approval required
<b>Up to £500,000</b>	<b>Executive Director</b> (following consultation with the <b>Section 151 Officer</b> , to ensure that there are no adverse implications upon capital financing resources, the <b>Cabinet Member for Finance</b> , the relevant <b>Director</b> and <b>Head of Service / Operational Budget Holder</b> ).



Amount	Minimum approval required
In excess of £500,000, but less than £5m	<b>Cabinet Member for Finance</b> ( <i>following consultation with all of the above, plus the <b>Section 151 Officer</b> and the <b>Service Cabinet Member</b></i> ).
£5m and above	<b>Cabinet</b> ( <i>following consultation with the <b>Service Cabinet Member</b> and the <b>Section 151 Officer</b></i> ).

### 10.5.3. Adding scheme and payment approvals to the Capital Programme

Any request to change the capital programme outside of the annual budget setting by adding or removing schemes, by allocating additional scheme and payment approvals to an approved scheme or by accelerating a scheme within the programme must be approved as follows:

Amount	Minimum approval required
Up to £5m	<b>Cabinet Member for Finance</b> ( <i>following consultation with all of the above, plus the <b>Section 151 Officer</b> and the <b>Service Cabinet Member</b></i> ).
£5m and above	<b>Cabinet</b> ( <i>following consultation with all of the above</i> ).

## 10.6. Settling insurance claims

As set out in paragraph 6.3, the settling of insurance claims against the Council will be subject to approval as follows:

Amount	Minimum approval required
Up to £20,000	<b>Senior Claims Handler</b>
In excess of £20,000 and up to £150,000	<b>Insurance Manager</b>
In excess of £150,000 and up to £500,000	<b>Head of Service</b> with responsibility for insurance arrangements
In excess of £500,000 and up to £1m	<b>Director</b> with responsibility for insurance arrangements (in consultation with the above)
In excess of £1m	<b>Section 151 Officer</b> (in consultation with all of the above Director)

### 10.7. Property transactions

Paragraph 7.1.4 sets out the approval required for property transactions, as follows:

Amount	Minimum approval required
Up to £250,000	Head of Property Management.
In excess of £250,000, but less than £500,000	Director with responsibility for Property Management ( <i>following consultation with the <b>Head of Property Management</b>.</i> ).
In excess of £500,000, but less than £1m	Executive Director with responsibility for Property Management (following consultation with the above).
In excess of £1m but less than £5m	Cabinet Member with responsibility for Property Management ( <i>following consultation with all of the above</i> ).
£5m and above	Cabinet ( <i>following consultation with all of the above</i> ).

### 10.8. Write off of inventory

The approval required to write off inventory balances per annum is detailed in paragraph 7.2, as follows:

Amount	Minimum approval required
Up to £10,000	Head of Service / Operational Budget Holder.
In excess of £10,000, but less than £25,000	Director ( <i>following consultation with the Head of Service / Operational Budget Holder</i> ).
In excess of £25,000 but less than £50,000	Executive Director ( <i>following consultation with all of the above</i> ).
In excess of £50,000 but less than £100,000	Section 151 Officer (following consultation with all of the above).
In excess of £100,000 but less than £250,000	Service Cabinet Member ( <i>following consultation with the Section 151 Officer</i> ).
£250,000 and above	Cabinet Member for Finance ( <i>following consultation with the Section 151 Officer and the Service Cabinet Member</i> ).

### 10.9. Acceptance of cash payments

As noted in paragraph 6.5.6, the acceptance of cash payments of greater than **£10,000** is prohibited, other than with the prior approval of the **Section 151 Officer**.

### 10.10. Writing off debts

The approval required to write off debts is detailed in paragraph **8.1.4**, as follows:

Amount	Minimum approval required
Up to £10,000	Head of Service / Operational Budget Holder
In excess of £10,000, but less than £25,000	Director ( <i>following consultation with the Head of Service / Operational Budget Holder</i> ).
In excess of £25,000 but less than £50,000	Executive Director ( <i>following consultation with all of the above</i> ).
In excess of £50,000 but less than £100,000	Section 151 Officer ( <i>following consultation with all of the above</i> ).
In excess of £100,000 but less than £250,000	Service Cabinet Member ( <i>following consultation with the Section 151 Officer</i> ).
£250,000 and above	Cabinet Member for Finance ( <i>following consultation with the Section 151 Officer and the Service Cabinet Member</i> ).

All debt write-offs of up to the threshold must be reported to the Service Cabinet Member.

### 10.11. Purchasing

As set out in paragraph 8.3.1, orders for work, goods and services must be authorised by someone of at least the seniority set out below:

- Where the order is issued to reflect a procurement decision taken by Members then the order may be authorised by the operational budget holder;
- Where (a) does not apply, and the order will have effect for more than a year and have a value in excess of **£150,000**, then the order must be authorised by an Executive Director;
- In other cases the order must be authorised in accordance with the table below:

Level	Financial limit	Minimum approval required	Allocated cost centres
L3	Up to £1m	Directors	As defined by Executive Director
L4	Up to £500,000	Heads of Service ( <i>i.e. when designated as the operational budget holder</i> )	As defined by Director

Level	Financial limit	Minimum approval required	Allocated cost centres
L5	Up to <b>£150,000</b>	<b>Officers</b> authorised to act on behalf of the Operational Budget Holder	<i>As defined by the Head of Service</i>

Contracts with a value of under **£1m** may be signed by:

- a) A person who is authorised to issue an order for that contract; or
- b) The **Monitoring Officer** or **Section 151 Officer** or the **Director for Essex Legal Services** (or a person authorised by any of them).

Contracts with a value of more than **£1m** must be in writing and must be signed in accordance with the Constitution (i.e. by an **Executive Director** or the **Chief Executive** or be affixed under the **common seal** of the Council).

## 10.12. Other payments

Payments other than those arising from purchasing and procurement must be authorised in accordance with the limits set out in paragraph 8.4, which are listed below:

Level	Financial limit	Minimum approval required	Allocated cost centres
L1	Over £2.5m	<b>Chief Executive</b>	<i>All</i>
L2	Over £2.5m	<b>Section 151 Officer</b>	<i>All</i>
L2	Up to £2.5m	<b>Executive Directors</b>	<i>All related to areas of responsibility</i>
L3	Up to <b>£1m</b>	<b>Directors</b>	<i>As defined by Executive Director</i>
L4	Up to <b>£500,000</b>	<b>Heads of Service (i.e. when designated as the operational budget holder)</b>	<i>As defined by Director</i>
L5	Up to <b>£150,000</b>	<b>Officers with delegated authority</b> to act on Operational Budget Holder's behalf	<i>As defined by the Head of Service</i>

## 10.13. Ex-gratia payments

The approval required to make ex-gratia payments to staff is set out in paragraph **8.5.3**, as follows:

Amount	Minimum approval required
<b>Up to £5,000</b>	<b>Head of Service / Operational Budget Holder.</b>

Amount	Minimum approval required
In excess of £5,000, but less than £10,000	<b>Director</b> ( <i>following consultation with the Head of Service / Operational Budget Holder</i> ).
In excess of £10,000 but less than £50,000	<b>Executive Director</b> ( <i>following consultation with all of the above</i> ).
£50,000 and above	<b>Section 151 Officer</b> ( <i>following consultation with all of the above</i> ).

#### 10.14. Emergency Payments

As set out in paragraph 8.7, the following approval is required to make emergency payments:

Amount	Minimum approval required
Up to £250,000	<b>Executive Director</b>
In excess of £250,000, but less than £1m	<b>Chief Executive; or Section 151 Officer.</b>
£1m and above	<b>Cabinet Member for Finance</b> ( <i>following consultation with all of the above</i> ).

#### 10.15. Delegation of budget to a partnership

Paragraph 9.2.3 sets out what is meant by the term ‘partnership’, and sets out the approval required to delegate budgets to a partnership as follows:

Amount	Minimum approval required
Up to £100,000	<b>Director</b>
In excess of £100,000, but less than £250,000	<b>Executive Director</b> ( <i>following consultation with all of the above</i> ).
In excess of £250,000, but less than £500,000	<b>Section 151 Officer</b> ( <i>following consultation with all of the above</i> ).
In excess of £500,000, but less than £5m	<b>Cabinet Member for Finance</b> ( <i>following consultation with the Section 151 Officer</i> ).
£5m and above	<b>Cabinet</b> ( <i>following consultation with the Section 151 Officer and the Cabinet Member for Finance</i> ).

### 11. Other key policies and documents

#### 11.1. Introduction

The Financial Regulations should be read and used in conjunction with the Council's other policy documents and guidance. For ease of reference, links to the key documents and guidance are listed below.

#### 11.2. Human Resources

- [HR Guidance - Working Here](#)
- [Officers' Code of Conduct](#)
- [Travel and subsistence policy](#)
- [Recruitment Policy](#)

#### 11.3. Information handling

- [Corporate retention policy and schedule](#)
- [Policy for information management and security](#)
- [Standards on Data Protection](#)
- [Standard for payment card security](#)

#### 11.4. Procurement

- [Marketplace](#)
- [Procurement Policy and Procedures](#)
- [VAT Manual](#)

#### 11.5. Project governance

- [Programme and Project Governance](#)
- [Business case template](#)

### 11.6. Regulatory framework

- [Anti-bribery Policy](#)
- [Anti fraud and corruption policy](#)
- [Anti money laundering policy](#)
- [Business continuity](#)
- [Company Compliance Protocol](#)
- [Constitution](#)
- [Declaration of Interests Policy](#)
- [Fees and Charges Policy](#)
- [Fraud response plan for managers](#)
- [Gifts and hospitality](#)
- [Risk Management Policy and Strategy](#)
- [Whistle blowing policy](#)
- [Property Rules of Engagement](#)

## **Part 2 – Scheme of Delegation for Financial Management**



# Scheme of Delegation for Financial Management

## 1. Introduction

The purpose of the Financial Regulations is to set out the Council's financial policies and framework for managing the Council's financial affairs. The Regulations seek to ensure that the Council conducts its affairs in a way that complies with specific statutory provisions and best professional practice. All financial and accounting procedures and delegations must therefore be carried out in accordance with the Regulations and other corporate guidance.

The purpose of this document is to set out how non-executive decisions are reserved or are delegated to officers within the Council.

## 2. Principles of Delegation

### 2.1 Introduction

The Financial Regulations are organised around seven themes of financial management as follows:

- (i) [Financial planning](#) (Section 3)
- (ii) [Financial management](#) (Section 4)
- (iii) [Accounting records and financial systems](#) (Section 5)
- (iv) [Risk Management and Internal Control](#) (Section 6)
- (v) [Control of resources](#) (Section 7)
- (vi) [Income and expenditure](#) (Section 8)
- (vii) [External arrangements](#) (Section 9)

For each of these themes, delegation arrangements are needed that support the efficient running of the Council, through appropriate allocation of tasks and responsibilities, and that contribute to an effective internal controls framework. This latter point is assessed on an annual basis through the self-assessment process that Executive Directors are asked to undertake and reported in the Annual Governance Statement.

The specific components of the internal controls framework are:

- Preventative controls (*i.e. segregation of duties, authorisation procedures, physical custody, access limitations*);
- Detective controls (*i.e. arithmetical and accounting checks, consistency checks, continuity checks*); and
- Directive controls (*i.e. written policies and procedures, reporting lines, supervision and management and training*).

# Scheme of Delegation for Financial Management

Compliance with Financial Regulations and the Scheme of Delegation for Financial Management not only enhances the Council's control environment but also protects employees against allegations of mismanagement, fraud and unprofessional conduct.

## 2.2 Powers for delegation

The Council operates a system of devolved financial management which is enshrined within its Constitution which states that any exercise of delegated powers shall be subject to:

- any statutory restrictions;
- Council Procedure Rules;
- Financial Procedure Rules;
- Procurement Policy and Procedures.

In exercising delegated powers:

- Cabinet Members and Officers shall not go beyond the provision made in the revenue or capital budgets for their service except to the extent permitted by financial procedure rules and Procurement Policy and Procedures.
- The delegated authority to Officers includes management of the human and material resources made available for the service areas and the functions concerned.
- In each case the delegated authority excludes the determination of policy, exceptions to policy and budgets by the Cabinet Member or Officer concerned.

Decisions which an officer takes under delegated powers must:

- Only implement a policy or decision previously approved or taken by the Cabinet or Cabinet Member;
- Facilitate or be conducive or incidental to the implementation of a policy or decision previously taken by the Cabinet or Cabinet Member; or
- Relate to the management of the human, material and financial resources made available for the functions for which they are responsible.

Officers do not have the power to:

- Make changes to policies relating to fees, charges or concessions;
- Make decisions on the use of permanent savings in a budget;
- Approve the making of an order for the compulsory acquisition of land; or
- Approve the acquisition of land in advance of requirements.

# Scheme of Delegation for Financial Management

This framework reflects the Financial Regulations and allocates responsibilities to Executive Directors as follows:

- Putting in place appropriate budget management and delegation arrangements to ensure the effective use of resources, the safeguarding of assets and the operation of a system of appropriate internal controls.
- Promoting the financial management standards set by the **Section 151 Officer** within their Services, and monitoring adherence to the standards and practices, liaising as necessary with the **Section 151 Officer**, and ensuring that appropriate training is provided to those staff with financial management responsibilities.
- Promoting sound financial practices in relation to the standards, performance and development of staff in their services.
- Advising Cabinet Members of the financial implications of all proposals and ensuring that the financial implications have been agreed by the **Section 151 Officer**.
- Seeking approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.
- Signing contracts on behalf of the Council (in accordance with the Council's Procurement Policy and Procedures).
- Consulting with, and obtaining the approval of, the **Section 151 Officer** before making any changes to accounting records or procedures.
- Complying with the following principles when allocating accounting duties:
  - Separating the duties of (i) providing information about sums due to or from the Council and calculating, checking (including reconciliations) and recording these sums, from (ii) the duty of collecting or disbursing them.
  - Employees with the duty of examining or checking the accounts of financial transactions must not themselves be engaged in these transactions.
- Ensuring that claims for funds, including grants and 'match funding', are made by the due date and that appropriate records are maintained, according to funding conditions.
- Contributing to the development of performance plans in line with statutory requirements.
- Contributing to the development of corporate and service targets, objectives and performance information.

### 3. Financial Delegations

Matter	Threshold	Delegation to	Ref to Fin Regs
<b>3.1 Control of Resources</b>			<b>Section 7</b>
Ensure that borrowing and investment activities are undertaken in accordance with the parameters and limits set by the Council.		<ul style="list-style-type: none"> <li>▪ <b>Section 151 Officer;</b></li> <li>▪ Director for Financial Services; and</li> <li>▪ Chief Accountant.</li> </ul>	7.3.2
Day to day management of the Council's treasury management activities, ensuring that temporarily surplus funds are invested until next needed or that funds are borrowed to cover temporary shortfalls of cash.		<ul style="list-style-type: none"> <li>▪ Chief Accountant; and</li> <li>▪ Authorised dealing officers.</li> </ul>	7.3.2
Operation of a petty cash imprest account.		Nominated Petty Cash Account Holders	7.3.5
Authorisation of petty cash disbursements per item		Heads of Service / Operational Budget Holders	7.3.5
<b>3.2 Income and Expenditure</b>			<b>Section 8</b>
Authorise the payment, to relevant government agencies and other bodies, of amounts either deducted from salaries, or related to officers' remuneration.		<ul style="list-style-type: none"> <li>▪ <b>Section 151 Officer;</b> or</li> <li>▪ Director for Corporate Operations</li> </ul>	8.5.1
Authority to authorise orders from Information Services' online catalogue	Orders for items individually up to £100	<ul style="list-style-type: none"> <li>▪ Self-certification by person raising the order</li> </ul>	N/A
	Orders for items individually in excess of £100	<ul style="list-style-type: none"> <li>▪ Head of Service / Operational Budget Holder</li> </ul>	N/A

Matter	Threshold	Delegation to	Ref to Fin Regs
Authorise expense claims (incl. travel and subsistence)	Claims of up to <b>£100</b> (or 200 miles)	• Self-certification by claimant	8.5.2
	Claims in excess of <b>£100</b> (or 200 miles) and up to <b>£1,000</b> (or 2,000 miles)	• Line manager	8.5.2
	Claims in excess of <b>£1,000</b> (or 1,000 miles)	• Head of Service / Operational Budget Holder	8.5.2
<b>3.3 Pension Fund Arrangements</b>			
To manage the Pension Fund including the power to seek professional advice and to devolve day to day handling of the fund to professional advisors within the scope of the Pension's Regulations.		Director for Essex Pension Fund ( <i>subject to Investment Steering Committee approval of the original appointment</i> )	N/A
Authorisation of: <ul style="list-style-type: none"> <li>• custody agreements and variations</li> <li>• Investment advisor agreements and variations</li> <li>• Partnership agreements and variations</li> <li>• Investment applications and related documentation</li> </ul>		Director for Essex Pension Fund ( <i>subject to Investment Steering Committee approval of the original appointment</i> )	N/A
Authorisation of : <ul style="list-style-type: none"> <li>• Investment management agreements and variations</li> <li>• Payment of capital calls on approved investments</li> <li>• Instructions to the custodian to transfer funds and open/close accounts</li> <li>• Applications to sovereign states and administrative areas</li> <li>• Tax returns, applications and claims</li> </ul>		Director for Essex Pension Fund	N/A

Matter	Threshold	Delegation to	Ref to Fin Regs
<ul style="list-style-type: none"> <li>Appointment of tax consultants, actuaries and other specialist advisers and consultants</li> <li>The payment of invoices for services supplied to the Pension Fund and refunds of contributions</li> <li>Instructions to the fund actuary</li> </ul>			

# Scheme of Delegation for Financial Management

## 4. Guidance on roles and responsibilities

### 4.1 Introduction

The Council operates a system of devolved financial management which, in practice, means certain responsibilities are devolved to services, as follows:

- Ensuring that there is stewardship of public resources;
- Ensuring that statutory and regulatory standards are met;
- Ensuring value for money;
- Identifying, evaluating and managing risk;
- Supporting good decision making through the provision of financial information and advice to decision makers;
- Analysis of service activity costs and trends to feed into performance information;
- Aligning resource allocations with business objectives;
- Maximising income sources without being diverted from business priorities.

It is therefore important that there is clarity over roles and responsibilities within these areas of activity.

### 4.2 Budget Holders

The operation of financial management across the Council is carried out within a framework of budget holders, supported by Corporate Services.

The term 'budget holder' is used to cover a range of responsibilities and accountabilities starting from the Executive Director, who will oversee the overall delivery of a range of services, down to the operational budget holder who will be accountable for the day to running of a service and the management of the associated budget.

The default position is that the Director will be the operational budget holder. However, the Director may designate a Head of Service, or another officer, as the operational budget holder, where that officer has responsibility for a service area with a budget of at least **£1m**. Budgets of less than **£1m** are not permitted to be delegated without the approval of the Executive Director of Corporate Services.

There will usually be a series of delegations operating in support of the operational budget holder, whereby those with delegated authority are able to commit funds on the budget holder's behalf (*i.e. within parameters agreed by the operational budget holder*).

The role of each of these levels of 'budget holder', across the main themes in Financial Regulations, is summarised in the following pages.

Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
<b>Financial Planning</b>	<ul style="list-style-type: none"> <li>Provides the overall strategic direction, and oversees the preparation of the budget, for their set of services.</li> </ul>	<ul style="list-style-type: none"> <li>Ensures that new initiatives and legislative requirements are considered as appropriate.</li> <li>Prepares the detailed revenue and capital budgets, reflecting the strategic direction set by the Executive Director / Director.</li> </ul>	
<b>Financial Management</b>	<ul style="list-style-type: none"> <li>Assigns budget holder responsibility and ensures there are appropriate budgetary control processes in place.</li> <li>Receives regular reports on performance against budget from Directors.</li> <li>Where appropriate, approves virements within the financial limits set out with Financial Regulations, or seeks additional funding if necessary.</li> <li>Ensures budget provision is in place for any new policies.</li> </ul>	<ul style="list-style-type: none"> <li>Places orders and incurs expenditure for services in accordance with appropriate procurement advice and the approved budget.</li> <li>Records income and expenditure properly and maintains appropriate commitment records to aid with budget management.</li> <li>Prepares reports, with finance support on performance against budget.</li> <li>Where appropriate, approves virements within the financial limits set out with Financial Regulations, or refers to the Executive Director for action,</li> <li>Reviews regularly the value for</li> </ul>	<ul style="list-style-type: none"> <li>Places orders and incurs expenditure for services in accordance with appropriate procurement advice and the approved budget.</li> </ul>



Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
		money of the service delivery arrangements.	
<b>Accounting records and Financial Systems</b>	<ul style="list-style-type: none"> <li>Ensure <b>Section 151 Officer'</b> approval is obtained to operate or change a financial system (or any financial element of a non-financial system).</li> <li>Ensure that systems are backed up and disaster recovery and business continuity plans are maintained to allow information system processing to resume quickly in the event of interruption.</li> <li>Ensure adequate audit trail exists through computerised systems.</li> </ul>	<ul style="list-style-type: none"> <li>Ensures compliance with proper accounting guidance and practice by following advice and guidance from finance.</li> </ul>	<ul style="list-style-type: none"> <li>Complies with proper accounting practices and guidance issued from finance.</li> </ul>
<b>Risk Management and Control</b>	<ul style="list-style-type: none"> <li>Takes overall ownership of risk within their service areas, ensuring risk management is implemented in line with the overall risk management strategy.</li> <li>Reviews risks in their service areas and progress on mitigating actions at regular management</li> </ul>	<ul style="list-style-type: none"> <li>Ensures risk management within their area is implemented in line with the strategy.</li> <li>Reviews service risks and progress on mitigating actions at regular management meetings.</li> <li>Notifies the <b>Section 151 Officer</b> immediately of any loss, liability or damage that may lead to a</li> </ul>	

Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
	<p>meetings.</p> <ul style="list-style-type: none"> <li>• Consults the <b>Section 151 Officer</b> and the <b>Monitoring Officer</b> on the terms of any indemnity.</li> <li>• Establishes sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness; and for achieving their financial performance targets.</li> <li>• Undertakes an annual self-assessment of the status of the systems of internal control within their service areas, as directed by the <b>Section 151 Officer</b>.</li> <li>• Supports Internal Audit in any review being undertaken within their area, nominates a sponsor responsible for taking forward audit issues, and responds to issues raised within audit reports</li> </ul>	<p>claim against the Council.</p> <ul style="list-style-type: none"> <li>• Notifies the <b>Section 151 Officer</b> promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.</li> <li>• Responds to internal audit reports in writing, within a timescale agreed detailing the action intended to address any recommendations, and monitors implementation of agreed actions</li> <li>• Maintains a Hospitality Register and a Register of Interests within each service in which the acceptance of any hospitality or gifts is recorded</li> </ul>	

Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
	<p>within the agreed timescale</p> <ul style="list-style-type: none"> <li>Ensures that the anti-fraud and corruption policy is followed and that any appropriate action is taken.</li> </ul>		
<b>Control of resources</b>	<ul style="list-style-type: none"> <li>Ensures there are appropriate control procedures in place with regard to assets, stock and stores</li> </ul>	<ul style="list-style-type: none"> <li>Ensures the proper security of all buildings, vehicles, equipment, furniture, stock, stores and other property belonging to the Council and consults with the Director for Property, Facilities Management and Business Support in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.</li> <li>Ensures that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of such keys must be reported to the <b>Head of Internal Audit</b>.</li> <li>Provides the <b>Section 151 Officer</b> with the information required to maintain the asset register in</li> </ul>	<ul style="list-style-type: none"> <li>Employees operating an imprest account will make adequate arrangements for the safe custody of the account as set out in paragraph 7.3.4 of the Financial Regulations</li> </ul>

Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
		<p>relation to vehicles, plant and equipment (including IT)</p> <ul style="list-style-type: none"> <li>Maintains inventories of all furniture, fittings, equipment, plant and machinery, and carries out an annual check of all items on the inventory.</li> </ul>	
<b>Income and Expenditure</b>	<ul style="list-style-type: none"> <li>Establishes a charging policy for the supply of goods or services, and reviews it regularly, in line with corporate policies and annual budget setting timetables.</li> <li>Ensures there are adequate arrangements and delegations in place for ordering, authorising and receipting of goods and services.</li> <li>Maintains an up to date list of those staff who can order, authorise and receipt goods and services, and identifies in each case, any limits to an individual's authority.</li> <li>Ensures there is an appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Implements the charging policies.</li> <li>Acts in accordance with the delegated limits applied to ordering, authorisation and receipt of goods and services.</li> <li>Has regard to value for money when considering procurement activities.</li> <li>Establishes and initiates appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.</li> <li>Notifies the <b>Section 151 Officer</b> immediately of any expenditure to be incurred as a result of statute/court order where there</li> </ul>	<ul style="list-style-type: none"> <li>Raises invoices according to the agreed charging policies.</li> <li>Places orders for goods and services in accordance with the Council's Procurement Policy and Procedures (<i>and on the Council's e-procurement purchase to pay system</i>).</li> <li>Checks goods and services upon receipt to ensure they are in accordance with the order (<i>wherever possible, goods should not be received by the person who approved the order</i>).</li> <li>Records the receipt of goods on the Council's e-procurement purchase to pay system in order to provide an approval to pay for</li> </ul>

Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
	<p>control arrangement in place relating to cash handling.</p> <ul style="list-style-type: none"> <li>Provides an up-to-date list of the names of officers authorised to sign records to the Head of Human Resources, together with specimen signatures,</li> <li>Ensures that appropriate arrangements are made for meeting the competitive requirements set out in the Financial Regulations.</li> </ul>	<p>is no budgetary provision.</p> <ul style="list-style-type: none"> <li>Ensures that adequate and effective systems and procedures are operated for payments to employees and for goods and services.</li> </ul>	<p>goods and services received by the authority.</p> <ul style="list-style-type: none"> <li>Ensures that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases and expenses complies with HM Revenue and Customs regulations.</li> <li>Follows the guidance on VAT issued by the <b>Section 151 Officer</b>.</li> </ul>
<b>External arrangements</b>	<ul style="list-style-type: none"> <li>Ensures partnership arrangements meet corporate policies and strategies for working with other bodies.</li> <li>Ensures partnerships are governed by formal documented agreements.</li> <li>Undertakes a risk management appraisal of proposed new partnership arrangement.</li> <li>Ensures information on the partnership arrangements is provided to the <b>Section 151</b></li> </ul>	<ul style="list-style-type: none"> <li>Monitors partnership arrangements to ensure they are operating according to agreements.</li> <li>Measures the performance of partnerships to ensure that the overall arrangements represent best value for the people of Essex.</li> <li>Ensures that all funding notified by external bodies is received and properly recorded in the Council's accounts.</li> </ul>	

Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
	<p><b>Officer</b>, so that the appropriate disclosures can be made within the Council's annual statement of accounts.</p> <ul style="list-style-type: none"> <li>Approves the contractual arrangements for any work undertaken for third parties or external bodies.</li> </ul>		

# Scheme of Delegation for Financial Management

## 4.3 Finance support

The Council's system of devolved financial management means that services take decisions on their budgets, supported by Financial Services. The organisational model for finance is one that seeks to minimise transactional resource through the use of technology, allowing for a focus on value-added support to budget holders, backed up by specialist financial analysts and technical accountants where appropriate and when needed.

There is a Head of Finance assigned to each Executive Director, acting as key liaison point between the services covered by the Executive Director and Finance; the Senior Financial Analyst (Capital) undertakes this role in respect of capital projects. The Heads of Finance and the Senior Financial Analyst (Capital) report to the Director for Financial Services, who in turn reports to the **Section 151 Officer**. They are required to report regularly on any issues relating to possible non-compliance with any financial rules or agreed practices and on any financial pressures which may result in a failure to meet the budgets.

## 5. Authorised Signatory Process

In order to facilitate compliance with the Financial Regulations and Scheme of Delegation for Financial Management (SoDFM), the Council has an authorised signatory process. All posts have been assessed by their Executive Director to determine the extent of their delegated authority. Generally this is aligned to the management hierarchy, as follows:

- Chief Executive assigned to level **one**;
- Executive Director assigned to level **two**;
- Directors to level **three**;
- Heads of Service (when designated as the Operational Budget Holder) to level **four**;
- Officers with delegated authority to act on behalf of an operational budget holder to level **five**.
- All other staff to level **six**.

All staff within posts deemed to have delegated authority at levels one to five are required to complete an authorised signatory form. This sets out the extent of the individual's authority, requires them to confirm the cost centres they have authority against and requires them to provide a specimen signature. By signing this form, managers are confirming that they will abide by the rules and regulations set out both within the Financial Regulations and the SoDFM.

Details from this form, along with a scanned copy of the signature, are recorded in the Council's Authorised Signatory Database. This Database is then used to confirm that persons authorising transactions have the appropriate authority to do so. As such, the Database may also be used by Internal and External Audit to support their testing of the Council's internal controls framework.





## **Financial Regulations and Scheme of Delegation for Financial Management**

### **Overview of proposed changes**

#### **Section 1 - Introduction**

##### ***Context***

An additional sentence has been added to paragraph **1.1** to clarify that officers and members are authorised to make decisions in accordance with the Financial Regulations, but are not authorised to make a decision which is contrary to any provision in the Constitution. This clarifies the relationship with the rest of the Constitution. It has also enabled the removal of a large amount of overlap between the Financial Regulations and the Scheme of Delegation and significantly shorten the overall document.

##### ***Scope of the Regulations***

The Financial Regulations previously stated, in paragraph **1.5**, that schools will not override the Council’s own financial regulations. As schools are not expected to have access to, or oversight of, the Council’s Financial Regulations, the wording has been amended to clarify that the Council’s officers will not provide advice or guidance to schools that is contrary to the Council’s own financial regulations.

#### **Section 2 - Financial roles and responsibilities**

Section **2** of the Financial Regulations explains the various financial roles and responsibilities of Members and Officers. There have been no changes to roles and responsibilities: however, as Financial Regulations previously replicated content within the Constitution, some of the narrative has been simplified or removed, and cross references to the Constitution are now included.

Paragraph **2.7** previously stated that Executive Directors have responsibility for signing contracts on behalf of the Council. This sentence has been removed, as the signing of contracts is now addressed in Section **8** of the Financial Regulations related to Income and Expenditure.

#### **Section 3 - Financial Planning**

##### ***Corporate Policy Framework***

Paragraph **3.2** of the Financial Regulations, on the Corporate Policy Framework, has been updated to reflect the introduction of the Corporate Outcomes Framework and Commissioning Strategies which now form key elements of the Council’s strategic and resource planning framework.

### ***Format of the budget***

The Financial Regulations previously stated that the general format of the budget is proposed by Cabinet Members on the advice of the Section 151 Officer, is then approved by Council and is required to comply with all legal requirements. As these requirements are already implied in paragraph **3.3.3** on budget preparation, paragraph **3.3.4** has been simplified to state that the format of the budget determines the level of detail to which financial control and management will be exercised.

### ***Maintenance of Reserves***

Clarification has been provided, in paragraph **3.3.5** of the Financial Regulations, as to why the Council holds reserves.

This paragraph has also been updated to make it explicit that the creation of new reserves, and increases to existing reserves, are subject to approval by the Cabinet Member for Finance (upon the advice of the Section 151 Officer). The Cabinet Member for Finance will continue to be the person able to authorise the release of money from reserves.

### ***Capital expenditure***

The narrative description provided in paragraph **3.4.1** of what constitutes capital expenditure has been updated, but this has little impact in reality.

Paragraph **3.4.2** has been updated to state that the Cabinet Member for Finance will manage the preparation of the Capital Programme on behalf of the Council (previously Financial Regulations stated that Cabinet would do this).

Paragraph **3.4.2** also confirms that each scheme added to the capital programme will be allocated a 'start date' for planning purposes, an overall scheme approval and an annual payments guideline.

### ***Leases***

Paragraph **3.5** explains that cars secured through the Car Provision Scheme are now subject to approval by an Executive Director or a Director (previously, only Executive Directors could approve these).

### ***Trading activities***

Section **3.6** has been updated to provide greater clarity around the definition and framework for trading activities including that:

- services are only able to operate on a trading basis with Cabinet approval;
- trading activities must maintain a trading account into which all costs related to the provision of services are charged and all income due for services provided is credited; and
- trading activities are required to balance their budgets by generating sufficient income to cover the full costs of service provision.

These amendments do not fundamentally change the requirements, but the previous wording caused some confusion regarding intent.

### ***Treasury management, Prudential Indicators and MRP Policy***

Previously, paragraph 3.7 stated that the Executive Director for Corporate and Customer Services would propose an annual Treasury Management Strategy, Prudential Indicators and an MRP policy. The Financial Regulations have now been updated to state that these are responsibilities of the Cabinet Member for Finance, in conjunction with the Section 151 Officer.

### ***Income and charging policy***

Paragraph 3.9 has been updated to ensure consistency with the recently adopted Fees and Charges Policy which stipulates that a charging policy will be put in place for the supply of goods and services where charges may be lawfully applied and the forecast of the recoverable amount is **£250,000** or more per annum.

## **Section 4 - Financial Management**

### ***Revenue budget monitoring and control***

Minor amendments have been made to the narrative in paragraph 4.3.2, including that:

- Executive Directors are authorised to incur expenditure in accordance with the approved budget, subject to the limits in the Constitution and the scheme of delegation to officers (*the previous wording said that they were authorised to incur expenditure in accordance with 'the estimates that make up the budget'*).
- Executive Directors must secure value for money (*as measured by cost efficiency and output effectiveness*). The requirement to secure value for money was not previously stated within the section of the Financial Regulations related to Financial Management, although was previously referenced elsewhere.
- Portfolio budgets will be managed within the agreed cash limit budget, and Executive Directors, in consultation with the relevant Cabinet Member(s), will use the virement scheme to achieve this by moving the under spend to the area of over spend. Where more specific management actions are required to save funds, then this needs to be clearly set out in a budget recovery plan which can be monitored to ensure the safe delivery of the budget at both portfolio and policy budget level.
- Executive Directors, the Section 151 Officer and/or Cabinet Members will determine when budget recovery plans need to be prepared to explain the actions being undertaken to mitigate a projected over spend. Currently a recovery plan must be prepared irrespective of the surrounding circumstances, so the proposed change is intended to allow some discretion about when a recovery plan is required.

### ***Scheme of Virement***

Clarification has been provided, in paragraph 4.3.3, that virements are not permitted between revenue and capital budgets.

Currently, the Financial Regulations enable Executive Directors to approve virements of up to **£1m**, following consultation with the Service Cabinet Member(s). The requirement to consult with Cabinet Members can cause confusion and it is not always considered necessary. It is therefore now proposed to remove the requirement to consult with Cabinet Members for virements of up to **£500,000**, even if those virements are being actioned to effect a change in policy or priorities. Virements in excess of **£500,000** will continue to be subject to Member approval.

Finally, clarification has been provided as to why the scheme of virement does not apply to trading activities.

### ***Supplementary estimates***

Clarification has been provided in paragraph **4.3.4** that supplementary estimates include requests for additional funds from any of the following:

- General Balance;
- an earmarked revenue reserve; or
- Emergency Contingency.

Financial Regulations have been updated to state that supplementary estimates will be subject to approval by the Cabinet Member for Finance, in consultation with the Section 151 Officer.

Financial Regulations now also allow services to re-profile supplementary estimates of up to **£500,000** between financial years without further approval, provided that the originally agreed amount is not exceeded and the funds are still to be applied for the intended purpose. Any proposal to re-profile a supplementary estimate in excess of **£500,000** will require the approval of the Cabinet Member for Finance.

### ***Treatment of year end balances***

Clarification has been provided in paragraph **4.3.5** that the 'carry forward' scheme is subject to agreement by the Cabinet Member for Finance, in consultation with the Section 151 Officer, and that the Section 151 Officer administers the scheme on behalf of the Cabinet Member. The previous wording implied that the Executive Director for Corporate and Customer Services was responsible for agreeing the 'carry forward' scheme in consultation with the Cabinet Member for Finance.

As the 'carry forward' scheme is usually applied at Functional Leadership Team level, the Financial Regulations have been amended to remove reference to the scheme being applied at 'portfolio' level.

### ***Capital monitoring and control***

Section **4.4** has been re-written to provide greater clarity and flexibility to Executive Directors with regard to managing capital projects in-year.

The Financial Regulations clarify that Executive Directors have approval to proceed with projects that have both a 'start date' in the current or previous year

and adequate scheme and payments approval. This is subject to the Constitution which says that key decisions have to be taken by Councillors.

Financial Regulations clarify that under spends against scheme or block approvals can only be applied to offset over spends. Previously, it was only possible to realign payment approvals on this basis with Cabinet's approval.

The approvals required to realign payment approvals have been updated and now cover the re-profiling of payment guidelines for schemes with approval to 'start' in the current or previous year. This was previously something that could only be approved by Cabinet.

The Cabinet Member for Finance was previously only able to add schemes of **£1m** to the Capital programme, but it is proposed to align this limit with the general financial threshold for Cabinet referrals, which is **£5m**.

## **Section 5 - Accounting Records and Financial Systems**

Paragraph **5.3** has been updated to clarify that it is the data processed by computer systems that will be registered in accordance with data protection legislation and not, as currently implied within Financial Regulations, the systems themselves.

## **Section 6 - Risk Management and Internal Control**

### ***Insurance***

The approval required to settle insurance claims has been lifted from Scheme of Delegation for Financial Management and into Financial Regulations. The thresholds for approval have also been amended to reflect a change in the structure and processes relating to the settlement of claims.

## **Section 7 - Control of resource**

### ***Property transactions***

Paragraph **7.1.4** sets out the approval required for various types of property transaction.

Previously, the Director with responsibility for Property Management was only able to approve property transactions up to a threshold of **£250,000**, and the Executive Director was only able to approve transactions up to **£500,000**. All transactions in excess of **£500,000** were subject to Member approval. This has been revised.

Clarification has also been provided that the financial thresholds for approving property transactions apply to the open market value of the interest in the land or property reasonably foreseeable at the date of the approval, and not to the actual money involved.

Previously, all property transactions with a value in excess of **£500,000** were subject to the approval of the Cabinet Member for Finance. It is now proposed that the majority of property decisions will be taken by the Cabinet Member with responsibility for Property Management. However, it is proposed that the

approval of the Cabinet Member for Finance will still be required (*after consulting the Cabinet Member with responsibility for Property*) if:

- it is proposed to dispose of the freehold (or a leasehold interest with at least seven years unexpired) in a property at a value which is below market value and/or the book value in the previous year's Balance Sheet; and
- the amount to be realised from the sale of part of an asset will reduce the book value of the remaining asset by more than is being realised.

### ***Consumable stocks and stores***

Financial Regulations currently permit Executive Directors to approve the write off of consumable stocks and stores up to a threshold of £50,000. It is now proposed (in paragraph 7.2) to introduce some intermediary levels below this.

The approvals required for writing off consumable stocks and stores in excess of **£50,000** remain unchanged.

### ***Staffing***

Explicit reference to 'establishment control' has been removed from paragraph 7.4, but the requirement for Executive Directors to comply with establishment and financial controls remains, as does the requirement for them to ensure that staffing budgets are not exceeded.

### ***Intellectual Property***

Paragraph 7.5 has been updated to clarify that intellectual property which has some commercial value to the Council should be referred to the relevant Executive Director(s).

## **Section 8 - Income and Expenditure**

### ***Charging policies***

A reference was made to charging policies in Section 8.1 of the Financial Regulations. However, as this replicated paragraph 3.9 it has now been removed.

### ***Writing off debts***

Section 8.1 currently permits Executive Directors to approve the write off of debts up to a threshold of **£50,000**. It is now proposed to introduce some intermediary levels below this.

The approvals required for writing off debts in excess of **£50,000** remain unchanged.

It is no longer proposed that write-offs of debt of less than **£50,000** will be reported to the Service Cabinet Member.

### ***Ordering works, goods and services***

Sections **8.2** and **8.3** (previously entitled 'Ordering and paying for work, goods and services' and 'Contracts') have been re-written.

The new section **8.2** (entitled 'Purchasing and Procurement') now explains that sourcing activity depends upon whether the work, goods or services are available via one of the Council's corporate mandated contracts and, if not, the factors that will be taken into account to determine the procurement approach.

This section also references the Council's new Procurement Rules and explains that there is no requirement for competition for very low risk procurements (currently those up to **£10,000**) and that these purchases can be made using an ECC purchase card, the Council's Purchase-to-Pay system or its Electronic Payment Tool. All other work, goods and services must be procured following a competitive process that reflects the relative risks of the procurement (as laid out within the Council's Procurement Rules).

The new section **8.3** (entitled 'Ordering and Paying for work, goods and services') sets out the thresholds for approval of orders and invoices.

Contracts with a value of under **£1m** may be signed by:

- a. A person who is authorised to issue an order for that contract; or
- b. The **Monitoring Officer** or **Section 151 Officer** or the **Director for Essex Legal Services** (or a person authorised by any of them).

Contracts with a value of more than **£1m** must be in writing and must be signed in accordance with the Constitution (i.e. by an Executive Director or the Chief Executive or be affixed under the common seal of the Council).

### ***Other payments***

A new paragraph (paragraph **8.4**) has also been added, to set out the approval required for payments other than those arising from purchasing and procurement.

### ***Payments to Employees and Members***

Paragraph **8.5.1** (previously paragraph **8.4.1**) related to salaries has been simplified, to focus on the arrangements for paying staff, as guidance regarding staff appointments etc. is set out within the HR policy framework.

### **Section 9 - External arrangements**

Paragraph **9.4.3**, related to the documenting and recording of contracts with third parties, has been updated to clarify that a written agreement must be put in place between the Council and the third party that details the services to be provided, over what period and at what price. Further, that this will be signed by both parties.

## **Section 10 - Financial Limits**

Section **10** brings together all of the financial limits contained throughout the rest of the document. This section has therefore been updated to reflect the changes referred to in the previous paragraphs.

### **Overview of changes to the Scheme of Delegation for Financial Management**

Much of the content of the Scheme of Delegation for Financial Management currently duplicates information in the Financial Regulations and some of the items were not delegations. The Scheme of Delegation for Financial Management has therefore been simplified to remove this duplication. This has led to a simplification of the document, which reduces the risk of inconsistency.



## Local Pension Board for Essex

### 1. Authority to Create a Local Pension Board for Essex

#### Background and Purpose

1. Essex County Council is the administering authority for the Essex Pension Fund – the name for the Local Government Pension Scheme (LGPS) in Essex. On 28 January 2015, long anticipated new regulations were laid before Parliament which require the Council to establish a Local Pension Advisory Board by 1 April 2015.
2. A statutory body, the new Local Pension Advisory Board will not have decision making powers. The Board will not replace the existing decision making structure of the Essex Pension Fund. This report asks the Council to make the changes to the Constitution which are needed in consequence of the creation of the new Board (which is to be known as the Essex Pension Fund Advisory Board (PAB)). These changes, summarised at Appendix 1, have been considered and agreed by the existing Essex Pension Fund Board and are recommended to the Council.

#### Current Governance Arrangements

3. Management of the Essex Pension Fund is currently delegated to two bodies:
  - a. the Essex Pension Fund Board, which includes County Councillors, representatives of other employers and of pension scheme members, and
  - b. the Investment Steering Committee, a committee of the Council.
4. The Council currently appoints six members to the Investment Steering Committee who in turn are the County Council's representatives on the Essex Pension Fund Board. The Investment Steering Committee reports quarterly to the Essex Pension Fund Board on investment matters. The Essex Pension Fund Board reports annually to the Council.

#### Origins of the requirement for the new Pension Advisory Board (PAB)

5. A board of this nature with stakeholder representation was one of the recommendations of Lord Hutton's 2011 report of the Independent Public Services Pension Commission. This was followed by the Public Service Pension Act 2013 and the LGPS Regulations laid at the end of January 2015.

## **Terms of Reference of the new Pension Advisory Board (PAB)**

6. The proposed terms of reference and procedural rules are set out at Appendix 2 and reflect the PAB's statutory role to assist the Council in meeting all legal requirements in connection with the management of the Essex Pension Fund and the LGPS. It must also assist the Council to comply with the regulatory requirements imposed by the Pensions Regulator. The terms of reference also include a number of other matters which the existing Essex Pension Fund Board considers will help the Fund get the most benefit from the PAB. These are listed in paragraphs 2(F) and 2(H) of Appendix 2.

## **Composition of the PAB**

7. The Regulations require the PAB to be composed of an equal number of representatives of employers and of members of the pension scheme (ie current or previous employees or pensioners). The PAB can also include other non-voting members.
8. The Regulations prevent an Elected Member from being a member of both the PAB and either the existing Essex Pension Fund Board or the Investment Steering Committee. The existing Essex Pension Fund Board proposes that this restriction should apply to all members of the PAB not just Elected Members.
9. The proposed composition of the PAB is:
  - a. Four members representing employers, one appointed by each of the following:
    - i. Essex County Council
    - ii. Borough, City and District Councils
    - iii. Unitary Councils
    - iv. Other employers
  - b. Four members representing pension scheme members as follows:
    - i. One will be nominated by the Trade Unions
    - ii. Three will be drawn from the three categories of scheme membership:
      1. active members (i.e. employees currently paying into the scheme),
      2. members with deferred benefits (i.e. former employees who have not yet reached pension age); and
      3. pensioners.
  - c. An independent non-voting Chairman.
10. The existing Essex Pension Fund Board considered and supports a proposal from Norfolk County Council in relation to the appointment of an interim PAB Chairman. Under this reciprocal arrangement the Head of the Norfolk Pension Fund would be Chairman of the Essex PAB, and in turn the Director of the Essex Pension Fund would be Chairman of the Norfolk Local Pension Advisory Board.

11. It will be necessary to have an appointment process for other members of the Board. It is proposed that the existing Essex Pension Fund Board should have delegated authority to agree the process and to make appointments in accordance with this process.
12. The existing Essex Pension Fund Board proposes that arrangements for the PAB, including those of interim Chairman, are reviewed within two years.

### **Impact on other parts of Scheme Governance**

13. It is proposed to make the following changes to the current governance arrangements:
  - a. Increase the size of the Investment Steering Committee from 6 to 7 (this will continue to reflect the political balance of the Council)
  - b. Rename the existing 'Essex Pension Fund Board' as the 'Essex Pension Fund Strategy Board' (PSB) to reflect its strategic role.
  - c. In light of the membership arrangements for the new PAB reduce the size of the PSB from 14 to 11, with the new composition of the Board to be as set out in Appendix 1.

### **Recommended:**

1. That the Constitution be amended with effect from the date of the annual meeting of the Council in May 2015
  - a. to replace the existing 'Essex Pension Fund Board' with 'Essex Pension Fund Strategy Board' wherever it appears;
  - b. to change the size of the Essex Pension Fund Strategy Board to 11 members and the size of the Investment Steering Committee to 7 members;
  - c. to insert the following text at the end of paragraph 8.1 of the Constitution:

"The Essex Pension Fund Advisory Board is included as a statutory body created by the full Council."
  - d. to include appendix 2 as paragraph 8.1.8 of the Constitution
  - e. to amend paragraph 8.1.6 of the Constitution (which defines the membership of the Essex Pension Fund Board) to say:

*Membership: 11 members consisting of seven Members of the Council, one member representing Borough, City and District Councils in Essex, one member representing Southend-on-Sea and Thurrock Unitary Councils, one member representing other Employing Bodies nominated by the Employer Forum and one member representing Scheme Members nominated by Unison.*

2. That the Essex Pension Fund Advisory Board (PAB) be created as the Council's Local Pension Advisory Board with the membership, terms of reference and procedural rules as set out at Appendix 2. Furthermore the PAB's interim Chairman will be the Head of the Norfolk Pension Fund in line with the reciprocal arrangement that requires the Director for Essex Pension Fund to be the Chairman of the Norfolk Local Pension Advisory Board.

3. That the existing Essex Pension Fund Board be authorised
  - a. to approve the manner of appointment of Employer and Member representatives members of the PAB
  - b. to agree the appointment of members of the PAB in accordance with the arrangements set out in Appendix 2 or as approved by the Board.
4. That the Monitoring Officer be authorised to make necessary changes to the Constitution in consequence to these changes.

## Appendix 1

<b>Table 1 - Existing Arrangements</b>	<b>Investment Steering Committee (ISC)</b>	<b>Essex Pension Fund Board</b>
Essex County Council	6	6
Borough, City and District Councils		2
Unitary Councils		2
Police & Crime Commissioner		1
Fire Authority		1
Smaller employers		1
Trade Unions		1
<b>Total</b>	<b>6 *</b>	<b>14</b>
<b>Note:</b> * In addition to the six members of the Committee there are two ISC Observers who are permitted to speak at the meeting. One observer represents employers and one represents members of the pension scheme. All Board Members are able to attend to ISC meetings.		

<b>Table 2 - Proposed arrangements</b>	<b>Investment Steering Committee (ISC)</b>	<b>Pension Strategy Board (PSB)</b>	<b>Pension Advisory Board (PAB)</b>
Essex County Council	7	7	1
Borough, City and District Councils		1	1
Unitary Councils		1	1
Smaller Employers (including Police & Fire)		1	1
Trade Unions		1	1
Scheme Members (active members, members with deferred benefits and pensioners)			3
Independent PAB Chairman (non-voting)			1
<b>Total</b>	<b>7 *</b>	<b>11 **</b>	<b>9</b>
<b>Note</b> * In addition to the seven members of the Committee there will be four ISC Observers permitted to speak at ISC meetings. One observer will represent employers, 1 will be appointed by a trade union and 2 will be appointed by the PAB (1 from employer representatives and 1 from scheme member representatives)  ** In addition to the 11 members of the PSB it is proposed that the PAB will appoint two PSB observers permitted to speak at PSB meetings (1 from employer representatives and 1 from scheme member representatives)  All ISC, PSB & PAB Members will be able to attend meetings of the other bodies.			

## **THE ESSEX PENSION FUND ADVISORY BOARD**

### **TERMS OF REFERENCE AND RULES OF PROCEDURE**

#### **1. Introduction**

The Essex Pension Fund Advisory Board is appointed by Essex County Council as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 (PSPA13) and Part 3 of the Local Government Pension Scheme Regulations 2013. It is referred to in this document as 'the Board'

In this document:

"CoP" means any Code of Practice on Governance issued by tPR

"EPF" means the Essex Pensions Fund

"ISC" means the Investment Steering Committee

"LGPS" means the Local Government Pension Scheme

"PSB" means the Essex Pension Fund Strategy Board"

"Scheme Manager" means Essex County Council

"tPR" means the Pensions Regulator

#### **2. Remit of the Pensions Advisory Board**

The Board has the following remit:

(A) To assist Essex County Council (ECC) Administering Authority as Scheme Manager –

- to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator (tPR)

(B) To secure the effective and efficient governance and administration of the LGPS for the EPF

(C) To help ensure that the EPF is managed and administered effectively and efficiently and complies with the CoP.

(D) To assist the Scheme Manager with such matters as the scheme regulations may specify.

(E) To–

- be a 'critical friend' to the PSB and the Investment Steering Committee.
- provide oversight of decisions made by the PSB to ensure that due process has been followed.

(F) The Pensions Advisory Board may review any decision made by or on behalf of the Scheme Manager.

Stage 1: The Board may refer a decision to the original decision maker if at least 3 employer representatives and 3 scheme member representatives believe that one or more of the following applies:

- 1 The decision maker was not authorised to make the decision in question;
- 2 The decision was in breach of legislation and/or regulations;

- 3 The decision maker did not follow professional advice given (or didn't take professional advice) and it is believed that this could result in a materially bad outcome for the EPF;
- 4 The approach to making the decision did not follow one or more of the following principles:
  - (i) The decision-maker did not ask themselves the right question(s);
  - (ii) The decision-maker did not direct themselves correctly in law; in particular did not adopt a correct interpretation of the legislation and regulations relevant to the EPF;
  - (iii) The decision-maker did not take into account all relevant facts;
  - (iv) The decision-maker arrived at a perverse decision (i.e. a decision which no reasonable decision-maker could have reached).
- 5 New material has come to light that which might have resulted in a different outcome provided that the original decision has not yet been irrevocably implemented.

Stage 2: If the Board is dissatisfied with the response of the decision maker, it will seek the advice of the Director of EPF (unless the Director was the original decision maker).

Stage 3: Where the decision-maker in question is the Director of EPF or the Pensions Advisory Board remains dissatisfied with the response or resolution from the Director of EPF it will seek the advice of the National Local Government Pension Scheme Advisory Board (and shall inform Essex County Council's section 151 Officer that it has done so).

(G) The Board will adopt a policy statement on reporting breaches identified under (F).

(H) At the invitation of the PSB, the Board may also undertake other tasks, including (but not limited to) –

- Assisting the PSB by reviewing aspects of the performance of the EPF– for example by example by reviewing the risk management arrangements within EPF (although the PSB will remain accountable for risk management)
- reviewing administration standards or performance or review efficacy of scheme member and employer communications
- reviewing published policies to ensure they remain fit for purpose and are complete
- reviewing EPF annual reports
- consider producing a Board annual report in accordance with requirements, guidance and general accountability to stakeholders
- being part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and scheme members
- discussing strategic matters such as communications where requested by the Pensions Strategy Board.

(I) Appointing Observers to attend meetings of the PSB and the ISC.

### **3. Appointment and membership of the Pensions Advisory Board**

(A) The Board shall consist of 9 members and be constituted as follows:

- (i) Four employer representatives made up of 1 from each of the following groups of employers in the EPF:
  1. Essex County Council (an elected member)
  2. The District, City and Borough Councils of Essex (an elected member)
  3. Southend on Sea and Thurrock Unitary Authorities (an elected member)
  4. All other employers.

- (ii) Four scheme member representatives of which 1 will be nominated by the trade unions and the rest drawn from the total scheme membership (active, deferred and pensioner members);
- (iii) 1 independent Chairman.
- (B) Employer and scheme member representatives will be appointed through a clear and transparent process as determined by the PSB. The Independent Chairman will be appointed by the PSB.
- (C) Where any employer, other than Essex County Council, has a representative on the PSB, that employer will not be permitted to also have a representative on the Board.
- (D) No officer of Essex County Council who is either responsible for discharging any function in relation to the LGPS regulations or has delegated decision making authority in relation to LGPS matters may be a member of the Board.
- (E) No member of the PSB may be appointed to the Board.

#### **4. Meetings of the Board**

- (A) The Board shall have a quorum of 3 including the Chairman, 1 employer representative and 1 scheme member representative.
- (B) Substitutes will not be permitted
- (C) Meetings will normally be held at the offices in County Hall and will be held in public
- (D) All Board Members will be entitled to vote unless otherwise stated in the LGPS Regulations.
- (E) In the event of an equal number of votes being cast for or against a proposal there shall be no casting vote but the proposal shall be considered to have been rejected.
- (F) The PSB may appoint observers who will normally be entitled to speak on any item at a meeting of the Board.

#### **5. Standards and Conflicts of Interest**

- (A) The Board shall adopt a policy for identifying conflicts of interest.
- (B) Members of the Board must provide the Scheme Manager with such information as it requires to ensure that any member of the Pensions Advisory Board or person to be appointed to the Board does not have a conflict of interest.
- (C) The Board will comply with the EPF training policy and training opportunities will as far as possible be shared with the PSB and Investment Steering Committee.
- (D) The Board will, after consulting the Scheme Manager's Monitoring Officer, adopt a code of conduct to which all members will be required to abide.

#### **6. Review**

- (A) The Board will undertake an annual review process to assess its performance with a view to seeking continuous improvement in the Board's performance. The first review will take place no later than 1 October 2016.
- (B) The Board will commence a review of its efficacy after the first 18 months to determine whether it is meeting the needs of EPF's stakeholders and in time for any changes to be made in May 2017.

#### **7. Publication of Board information**

Information will be posted on the EPF website ([www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk)).



## Council Issues

### 1. Changes to the Membership of Committees and Outside Bodies

The following changes to memberships have been made in accordance with the notification given by the Group Leaders:

#### Conservative Group

- Councillor John Aldridge has replaced Councillor Sue Lissimore as a member of the Health Overview and Scrutiny Committee.
- Councillor Sue Lissimore has replaced Councillor John Aldridge as a member of the Corporate Scrutiny Committee.

#### UKIP Group

- Councillor Keith Gibbs has replaced Councillor Gordon Helm as a member of the Corporate Parenting Panel
- Councillor Nigel Le Gresley has replaced Councillor Gordon Helm as a substitute on the Corporate Scrutiny Committee
- Councillor Alan Bayley has replaced Councillor Gordon Helm as substitute on the Health Overview and Scrutiny Committee
- Councillor Mark Ellis has replaced Councillor Gordon Helm as substitute on the Essex Fire Authority.



# Essex Fire Authority

## Report to the Constituent Authorities of the meeting held on 3 December 2014

### 1. Operational Incidents Report and Incidents of Notable Interest

For the period 1 April 2014 to 30 September 2014 Essex County Fire and Rescue Service had attended 7270 incidents compared with 7522 for the same period last year. Primary<sup>1</sup> fires continued to reduce from 1190 to 1125, with a decrease in secondary fires, 1143, attended compared to 1391 for the same period last year.

Special Service incidents also decreased from 1800 to 1751, with the majority being road traffic collisions (RTCs).

False alarms have had a slight increase with the number of those being due to apparatus attended increasing from 1249 the previous year to 1337 from April 2014 to September 2014. The table on page two provides further detail.

Incident Type	2012/13	2013/14
<b>Fires</b>	2607	2292
<b>Special Services</b>	1800	1751
<b>False Alarms</b>	3115	3227
<b>Total</b>	<b>7522</b>	<b>7270</b>

#### Fires

##### **Primary Fires**

Dwelling	444	446
Other building	258	224
Vehicle	365	346
Other	123	109

##### **Secondary Fires**

<b>Chimney Fires</b>	26	24
<b>Total</b>	<b>2607</b>	<b>2292</b>

#### Special Services

	2013	2014
RTC	606	618
Effecting entry	225	189
Lift release	218	177
Flooding	179	209
Removal of objects from people	78	81
Animal	74	48
Spills & leaks (not RTC)	69	82
Other rescue/release persons	58	77

<sup>1</sup> Definitions on page 2 of this report

Assist other agencies	53	41
Making safe (not RTC)	45	46
No action (not false alarm)/Service not required	42	33
Removal of people from objects	30	33
Hazardous materials incident	25	23
Other transport incident	22	16
Standby	20	24
Medical Incident	17	18
Suicide	14	14
Rescue or evacuation from water	8	10
Advice Only/Other advice	6	2
Evacuation	6	4
Advice Only/Fire safety advice	5	4
Water provision	0	2
<b>Total</b>	<b>1800</b>	<b>1751</b>

#### **False Alarms**

False alarm due to apparatus	1249	1337
False alarm good intent	1770	1798
Malicious false alarm	96	92
<b>Total</b>	<b>3115</b>	<b>3227</b>

#### **Definition of “Primary Fire”:**

This group of fires includes those occurring in buildings fit for occupation; caravans; non-derelict vehicles; outdoor storage, plant and machinery; agricultural and forestry premises and property; outdoor structures such as post-boxes, tunnels, bridges etc. If a fire would normally be defined as a secondary fire and also involves casualties, rescues or escapes; spread from one secondary fire location to another; or is attended by five or more appliances where either the fire fighters, appliances or equipment were employed in fighting the fire, the definition changes to a primary fire.

#### **Definition of “Secondary Fire”:**

A fire confined to single derelict buildings, single trees, refuse containers, attended by four or fewer appliances and which did not involve casualties, rescues or escapes.

#### **Definition of “Emergency Special Service”:**

Incidents including RTC's, extrications, lift rescues, lock in's/out's, Hazardous Materials or Chemicals (Hazchem), ladder/ALP rescues, water rescues and any other incident not falling into the previous categories with confirmed fatalities, casualties or rescues or first aid rendered by Service personnel.

#### **Recent incidents of notable interest**

##### **Fire on industrial site, Tiffaynes Farm, Burnt Mills Road, North Benfleet**

**12/08/2014 @ 17:12**

**Incident Number: 14515.**

**In attendance: 2 x Southend, 3 x Rayleigh Weir, 2 x Basildon, 1 x Leigh, 1 x Canvey, 1 x Wickford, 1 x Corringham**

More than 40 firefighters tackled a major fire on an industrial site in Basildon. The blaze, which began outside, quickly spread to a building used as a workshop. Crews wearing breathing

apparatus used two main jets, two hose reel jets and a ground monitor to bring the fire under control.

Firefighting operations were hindered because acetylene cylinders were involved in the blaze. The site was difficult to access, and due to this, and the intensity of the fire a fire appliance was damaged from the heat.

Divisional Officer Neil Fenwick, incident commander, said: "The fire involved a derelict vehicle workshop and developed rapidly because the building was made of wood.

"Firefighters worked swiftly to tackle the blaze from all angles and we had to get additional resources to the scene quickly as there was a shortage of water on site and we needed more manpower for breathing apparatus. There was the complication of cylinders but once we were able to satisfy ourselves they were not a danger, we were able to get on with the job of dealing with the fire itself.

"At the height of the incident eight appliances were on the scene and a hose layer."

The fire was under control in around two-and-half hours.



**Two deliberate fires set over gas mains. London Road, Westcliff  
17/08/2014 @ 22:48 & 18/08/2014 @ 04:15  
Incident Number: 14812  
In Attendance: x2 Southend**

Crews in Southend were called to two fires which had been deliberately set over gas mains near homes and shop in London Road Westcliff on the night of August 17 and 18.

The first incident involved vehicles and the main gas supply to a block of 16 flats; the flats were evacuated as a result of the fire. Using two hose reel jets and one main jet crews had extinguished the fire in under an hour. An ambulance was called for a 70 year old man, a resident of the block, who suffered shock.

The second incident took place at the rear of a Tesco Metro with a block of fifteen flats above it. On arrival crews were confronted by a well-developed fire involving a number of traffic

cones and a propane cylinder which had been set alight on the gas main. Around 30 people were evacuated from their flats as a result of this fire.

Assistant Divisional Officer Martyn Hodder said: "These incidents appear to have been a deliberate attempt to damage gas mains. There seems to have been a very serious attempt to cause havoc and crews did a fantastic job tackling the fires and getting everyone safely out of their flats."



**Fire in an 8,000 ton woodpile. Thoby Lane, Mountnessing**  
**18/08/2014 @ 06:48**  
**Incident Number: 14816**

Crews were continuously on site for nine weeks after a fire broke out in a huge pile of disused wood in Mountnessing.

The wood pile covered an area of 50 metres by 30 metres and was up to 20 metres high at its peak. Initially eight appliances attended to ensure that the fire did not spread to neighbouring scrap yards and businesses.

The decision was taken to allow a controlled burn to take place to reduce the environmental impact of the fire and run-off of water for which hoses were used to contain and control the blaze. Special measures were put in place to pump waste water directly into the sewer so as to not pollute the surrounding area.

The controlled burn continued for nine weeks with the Service maintaining at least one crew on site at all times to monitor the fire and ensure there was no danger of it spreading.

On Friday October 17 mechanical diggers were taken onto the site and used to create a fire break around the burning pile which meant that the majority of the remaining wood was isolated and would not become involved in the fire.

The work was successful and crews were able to safely leave the site in the care of the owner on Monday October 20 after having been on site for 1,524 hours.

The task of warning and informing local residence about the on-going incident was supported by the Safer Communities department utilising Community Safety Liaison Officers' and crews from Ingatestone fire station. Four members of Ingatestone fire station visited homes across the whole of Ingatestone and parts of Fryerning affected by the fire. In all 2200 homes were visited enabling crews to provide advice and answer questions.



Acting Chief Fire Officer Adam Eckley, who visited the site to see crews as they prepared to leave, said: *“This has been a significant incident to deal with, using considerable resources and presenting a number of challenges over the weeks on site.”*

*“Our response has involved a huge effort from our people right across the Service. There is hardly a firefighter or officer in Essex who hasn’t had some involvement in this incident but crews have received a lot of support to enable them to carry out their work at the scene.”*

*“Our Stores team has played a vital role making sure crews had everything they needed including food, water and replacement firefighting equipment. Our Fleet team has had to maintain appliances at the scene, Water section has been heavily involved, particularly in the early days when water supply presented a significant issue. Control operators have done a fantastic job in dealing both with the initial incident and later planning reliefs to make sure ECFRS was able to carry on with our business as usual while we maintained a presence here.”*

*“Throughout this incident we have worked closely with our partners at Brentwood Borough Council and the Environment Agency to make sure that the fire had the minimum impact on the local area and those living nearby and the environment. The decision taken early on not to use large amounts of water on this fire drastically reduced the environmental impact it has had.”*

The cost to the Service was in the region of £460,000.

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**News**

<b>5,000</b> Number of tonnes of wood that were burnt	<b>63</b> The number of days the fire burnt	<b>9</b> The length of time the fire burnt for in weeks	<b>1,514</b> The number of hours spent on site by firefighters	<b>1</b> Dog named Rex helped cheer everybody up
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**Firefighters' morale is lifted by 'fuzz ball' Rex**  
German Shepherd happy to be friends and take biscuits

Josh Nicholls  
joshnicholls@brentwoodgazette.co.uk

A "LOVEABLE fuzz ball" named Rex helped lift firefighters' spirits as they maintained a constant vigil at the Thorby Lane wood blaze for nine long weeks.

The inferno at the 5,000-tonne woodland in Mounting began on August 18 and was finally extinguished on Monday – 1,514 working hours later.

Firefighters used diggers to look for the remaining wood on the heap as it did not catch fire, in a bid to free up crews who had maintained a constant vigil at the site since the blaze started.

But firefighters, who came from across the county, made up their pocket friend throughout their stay in a German Shepherd named Rex.

Adam Hopworth, 22, explained: "Rex is a completely lovable fuzz ball and he has kept us all entertained. We have been feeding him a few biscuits and playing with him. "It was great when he would turn up, we would pet him and play with him it would just provide a nice distraction."

With work controlling the blaze a laborious process for Adam and his team, he said Rex provided them with entertainment not dissimilar to a famous pooch from the big screen.

**Energy**

"I think he was just like one of those dogs you see in films," said Adam.

"He is like Beethoven because he was always full of energy and always up to mischief."

"Every time we got a water bottle out he would be jumping up at us trying to take it out of our hands."

"He is great dog because he just loves human contact and just wants to be loved."

It is believed Rex lives on one of the car scrap yards adjacent to the site of the blaze.

Firefighters left Thorby Lane at 7pm on Monday and Adam described the fire's termination as a "weight being lifted off the shoulders" off him and his co-workers. He said being on site was a thankless task at times, adding that Rex would always be on hand to cheer the firefighters up on even the darkest of days.

"Every time Rex turned up we always used to get excited, we all loved playing with him," he said.

"He just seemed to be able to pick everybody up and lift our spirits no matter what the day had been like."

"It has been a very draining job, it has not just been a physical job, it has been a mental job because you have to be thinking all the time about how to react as things change."

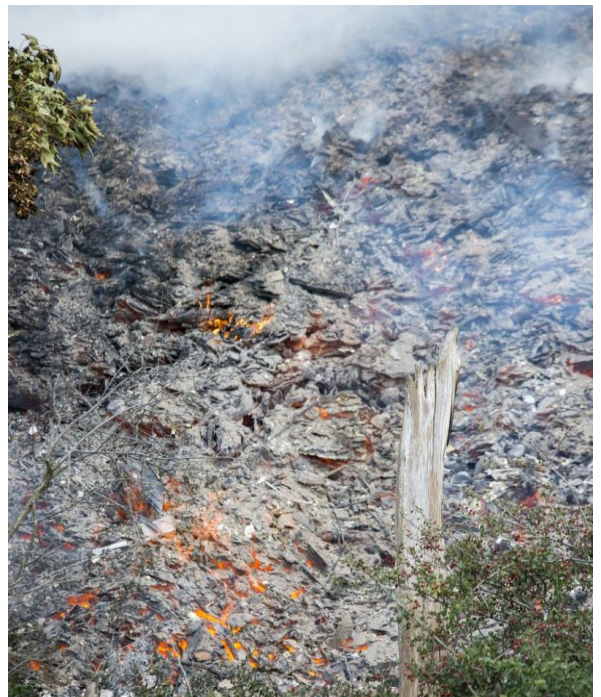
"Having Rex has helped take our mind off the job but not too much. He has definitely kept our spirits up."

**ON SCENE**  
Firefighters water down the last of the woodland blaze

**WE ARE ENTERING THE FINAL STAGES AT THE SITE**

Acting chief fire officer Adam Eckley said: "Our response has involved a huge effort from our people right across the service. "There is hardly a firefighter or officer in Essex who hasn't had some involvement in this incident but crews have received a lot of support to enable them to carry out their work at the scene."

"We are now entering the final stages though our work at the site hasn't finished entirely, but the community can be reassured that we are no longer required to maintain a constant presence here."







**Pub fire – Horse and Groom, Warley Road, Great Warley**

**14/09/2014 @ 12:09**

**Incident Number: 16618**

**In attendance: 2 x Brentwood, 1 x Orsett, 1 x Basildon, 1 x Chelmsford (water bowser) 1 x Grays (aerial ladder platform) 2 x LFB**

Crews tackled a fire which engulfed the roof of the Horse and Groom pub in Warley. The fire spread from the roof to affect 20% of the first floor.

Assistant Divisional Officer Sean Dolton, Incident Commander, said: *"The pub was under conversion and builders had been working on site. The fire had broken out in the roof and spread to the first floor of the building".*

*"The first class work carried out by the crews contained the fire to the pub and prevented it from spreading to the semi-detached house adjoining the pub. The residents of that property can stay in their own home tonight thanks to the crews hard work."*

The fire was started accidentally by building work being carried out at the pub.







## **2. Essex Fire & Rescue Service and Essex County Council flood & Water Management Alliance**

### **BACKGROUND**

During January 2014, CFO Johnson directed that ECFRS should play a much more pro-active part in flood risk management throughout the County. As part of this work ACFO Hill appointed ADO Farrant as Liaison Officer, embedded in the Essex County Council Flood Team based at County Hall. The main objectives were to explore joint working initiatives and to find ways of maximising the information and resources available that would be benefit all stakeholders. ADO Farrant was also to examine the feasibility of a more permanent collaborative arrangement with the Essex County Council Flood Team, notwithstanding the existing responsibilities ECFRS has for the rest of the County, including the Unitary Authorities of Southend and Thurrock.

The Essex County Council Flood Team has been through strategic management change and so the final direction and governance is still somewhat fluid. This has not hindered progression of the alliance in any way, and in fact has highlighted a number of issues with a potential combined service.

- Flood incidents, and the inability for any single agency to resolve immediate problems generates much negativity and anger amongst the affected members of the public. If the Flood Team became part of the Fire Service, the Fire Service would become the focal point for complaints.
- The current location of the Flood Team at County Hall is best placed to work with other agencies such as Essex Highways, Environment Agency, Licenced and Approved Contractors, Elected Members and Local Councils and Authorities.
- Transport links and access to work are established for those who work in the department.
- Incompatible I.T systems hinder remote working and communications.

### **Current achievements and on-going projects include –**

- 3 practical flood alleviation schemes delivered at Maldon, West Horndon and Rayleigh, with more planned.
- Dedicated flood risk management vehicle (to support the above activities).
- Fire Service critical incident team support.

- Operational crew involvement in flood alleviation.
- Surface water drainage information for operational crews.
- Dedicated flood website.
- Mobile device flood reporting 'App'.
- Automated warning signs at known highway flood sites.
- Countywide watercourse mapping exercise.
- Maximise the potential of existing face to face public interactions with flood advice.

Since the formation of the partnership, the following work streams have progressed –

**Flood alleviation schemes** – utilising information from the Essex County Council Flood Team, the local Flood Authority Leads of Southend and Thurrock, supplemented by data generated by the Fire Incident Register, and involvement from local residents, parish and district councillors, areas of open watercourse that have been neglected or overgrown that have caused floods, or have the potential to cause floods, have been identified. These are cleared utilising the services of the Fire Service volunteers and other willing individuals with great success. Our work has not only prevented floods, but has galvanised the relationships between the involved organisations and promoted a 'can do' culture. The main benefits of this work is the reduction of misery and inconvenience to residents at risk from property flooding, a reduction in blue light responses to flood incidents, and time spent pumping out flooded properties and freeing up resources for other emergencies.

We are also working with other Lead Local Flood Authorities, voluntary, community and public sector agencies that will support the delivery of these schemes.

In addition to this the Alliance is embarking upon a project to work with Anglian water and Southend Borough Council to assess and clear a number of flood prone sites in the Southend Area.

**Provision of a purpose designed (non-emergency) Flood Risk Management vehicle** – Essex Fire has invested in a purpose built flood risk management vehicle, which is in the process of being equipped and prepared so it can be used Countywide by volunteers and Fire personnel for the clearance of neglected watercourses and culverts, and will carry everything needed for such initiatives. It will also provide practical support with equipment for fire investigations, and act as a highly visual focal point at gatherings where public education on flooding issues would be beneficial. This is not a new vehicle but a change of use of an existing Safer Communities transit van, maximising the efficient use of resources.

**Critical Incident Team Support** – During busy periods and spate conditions the Fire Service Critical Incident Team (CIT) will be activated, managing the resources of the Service. The reliance on accurate and timely information is critical to the team's operational success; the Flood Alliance is working to identify a supplier of flood prediction software to support this function. Currently Essex County Council and the two Unitary Authorities of Southend and Thurrock work with a computer programme called 'Wateride'. Essex Fire and the Emergency Planning department are looking to follow suit to ensure a County wide cohesive and common approach where information can be shared effectively.

All three Essex Lead Local Flood Authorities will be attending a demonstration and product development day at Fire HQ in November 2014 to ensure there is continuity and opportunities to work as one as and when required.

**Operational crews support** – work is currently underway to provide local flood risk information to operational fire stations, with a view that on receipt of severe weather and

rainfall warnings crews can be pro-active and check the causes of floods in their areas (e.g. Pinch points such as trash screens and piped underways). Once checked, minor works could be undertaken locally to clear the problem, or reported to the relevant Authority for further action. Local 'at risk' properties could also be visited and the occupants informed. This may negate the need for crews to respond in an emergency and free up resources for other emergencies.

**Surface Water Drainage information** – Work is underway with the local Water Authorities for them to provide electronic information on all of their assets and surface water drainage systems countywide, to enable Incident Commanders at flood incidents to make calculated and informed decisions as to where to direct pumped flood water. This information, which will be available on scene via the mobile data terminals on fire appliances, could prevent escalations of the flood further downstream, or supercharging of the drainage system causing further flooding elsewhere.

**Dedicated Website** – ECFRS media department are working closely with the Essex County Council flood team, and the Local Flood Leads of the two Unitary Authorities of Southend and Thurrock to design and deliver a dedicated flood website which will be a 'one stop shop' for all flooding matters. The public will be able to report actual or potential floods: The enquiry will be diverted to the correct authority, whether it be Essex County Council, either of the Unitary Authorities of Southend and Thurrock, or the water companies, alleviating the need to be passed from department to department. Information will be available on what to do and how to protect yourself from floods. We will be able to manage public expectations by making clear what we can and cannot do, for example not providing sandbags etc.

**A Reporting 'App'** – In a similar way to the website, work is started with a specialist 'app' provider for mobile phones and other mobile devices to design a flood 'app'. Members of the public will be able to report actual and potential flood sites from anywhere in the County, and even upload photos and videos via their mobile device. This will help target alleviation activities.

**Automated flood warning signs** – A feasibility study into automated solar/wind powered electronic signs to warn drivers of deep floodwater across roads and fords, with an aim of preventing vehicles from becoming trapped is soon to start. Recovering vehicles and people in these known risk areas places a large burden on Fire Service time and resources.

**Countywide watercourse mapping** – This project has started to recruit volunteers to map all of the watercourses in the county. A joint instructional video has been made by ECFRS and all of the necessary literature has been produced in a joint effort with the Essex County Council Flood Team. By mapping all of the watercourses and assets we will assist all organisations in planning to prevent floods in the future. The initial phase will involve pilot Essex County Council areas, and on successful completion the remaining ECC areas will be done and the two Unitary Authorities of Southend and Thurrock will be invited to participate.

**Maximising face to face interactions** – Planned and targeted interactions with members of the public to check and discuss fire safety in the home is currently taking place. This is delivered by Operational Crews, Community Safety personnel and Volunteers meeting the public during house to house visits, community events and specific campaigns. We plan to maximise the benefits of these interactions and to supply flood information and advice to those properties in areas at risk of flooding.

If we did not work in partnership, or engage with flood prevention and alleviation activities, it would impact upon the Services' Strategy to reduce emergency calls and blue light movements, there would be environmental impacts, appliances would not be available for other incidents, and insurance claims, misery and inconvenience would increase during these more common weather events.

## **RISK MANAGEMENT IMPLICATIONS**

The potential risk to reputation is captured in the body of this report.

There is a risk that there are more floods and flooding events if we do not continue to engage with this work.

## **FINANCIAL IMPLICATIONS**

So far the alliance project has not attracted additional human resource costs, and other incidental needs have been met using existing employed staff and volunteers. It is not anticipated any additional human resource costs will be generated as the members of the alliance are happy to provide any specialist resources and skills in the spirit of partnership working and mutual benefits, notwithstanding operational priorities which take precedence.

With the current arrangements, Essex County Council remains responsible for the Flood & Water Management Team staff costs and any risks associated with these.

To date, other financial investment including the equipping and preparation of the Flood Vehicle, and other one off costs, have been met by the Safer and resilient Communities budget.

## **LEGAL IMPLICATIONS**

The Flood and Water Management Act 2010 gives upper tier Local Authorities in England responsibility for preparing and putting in place strategies for managing flood risks from ground water, surface water and ordinary watercourses in their areas.

Section 6 of this act defines risk management Authorities, and introduces the concept of 'Lead Local Flood Authorities' of whom Essex County Council, and the Unitary Authorities of Southend and Thurrock are identified as adopting this role.

Section 19 of this act requires the Lead Local Flood Authority to carry out formal investigations into certain flood incidents that meet criteria set by the Authority.

The Fire & Rescue Services Act 2004 makes provision in Part 2 (sec 11 & 12) for powers to respond to other eventualities, and as such will work with the Essex County Council, and the Unitary Authorities of Southend and Thurrock to achieve this.

The legal aspects of our involvement with flood alleviation schemes is routinely checked and risk assessed prior to any work being undertaken, utilising the specialist knowledge available from Essex County Council or the ECFRS legal team.

## **EQUALITY IMPLICATIONS**

Although there may be specific areas of the work streams that may not be suitable for everyone, for example physical limitations for watercourse clearance work, there are no equality implications for the formation and development of the alliance or partnership between our two organisations.

## **ENVIRONMENTAL IMPLICATIONS**

The prevention or limitation of floods has a positive impact upon the environment. The work we do in relation to watercourse clearance is always carried out under the guidance and expertise of the relevant Authorities such as the Environment Agency, Wildlife Trust and other appropriate organisations to minimise or eliminate any negative impacts on the environment.

Having access to more accurate and timely information at incidents will assist operational crews to make more calculated and informed decisions about floods and flood waters in order

to minimise or eliminate any 'knock on' effects from pumping and impacting on the environment.

Reducing the time appliances are active and pumping water, or driving from incident to incident, will have a positive effect on the environment.

### **3. Parish Safety Volunteers**

#### **BACKGROUND**

The concept of the Parish Safety Volunteer came from a need identified by ECFRS Community Builders, as part of the Strengthening Communities programme and the drive from the joint Principal Officers (ECFRS and EP) working group.

The scheme will support the Whole Essex Community Budget - Strengthening Communities workstream. It will do this by engaging with and supporting Parish Councils and the delivery of safety messages and advice.

This scheme will significantly increase the number of homes that ECFRS are able to make safer and allow both organisations to engage with a far wider audience utilising a more cost effective delivery model.

#### **The Role**

The Parish Safety Volunteers will be recruited from the local community and trained jointly by ECFRS and EP to deliver Home Safety Visits (HSV) to residents of that parish. Once recruited, screened and trained the volunteers will be provided with uniforms and the required HSV equipment. They will then work with the Parish Council supported by ECFRS' Community Builders and EP's Architectural Liaison Officers.

The visit will include detailed information on all areas of home safety within the remit of ECFRS and EP, including installing smoke detectors, devising an escape plan and advice on property and personal security and safety.

#### **Recruitment**

##### Application & Interview

Volunteers will be recruited on recommendation from the Parish Council where the volunteer will be operational. Applicants will complete an application form which will be returned to ECFRS for processing and will be reviewed by all parties. If successful, the applicant will be invited to attend an interview.

##### Screening

Considering the autonomous nature of this role and recognising that once volunteers are recruited and operating in their Parish neither ECFRS nor EP will be directly involved in the coordination of the volunteers, it is essential that the screening process is rigorous. The following checks will be completed:

- Two References
- Criminal Background Check
- Financial Background Check
- Occupational Health (for suitability to carry out that role)

In addition the potential candidate will need to demonstrate a working knowledge of their local community and an understanding of the key risks they face.

## **Training**

### Parish Safety Volunteers (PSV) Induction

The inductions will be delivered jointly and include organisational/scheme policies, procedures, equality & diversity training, health & safety regulations and safeguarding adults and children training.

### Essex Police Specific

One-day: Personal and home security and safety currently delivered by Crime Prevention Tactical Advisors.

### Essex County Fire & Rescue Service

One day: Delivery of home safety guidance, developing fire escape plans, installing smoke alarms, currently delivered by Home Safety Technicians.

## **Uniform & Equipment**

PSVs will be provided with a collaboratively (ECFRS/EP) branded uniform, which will consist of a polo shirt, fleece, hi-vis jacket, utility trousers and shoes and the equipment required to carry out the practical elements of the visit.

The volunteers' equipment and literature packs will be provided to the Parish Council.

ECFRS and EP will provide the Parish Council with the details of homes that have been identified as being at risk of crime and/or fire. The PSV will be required to make contact with the occupants and will arrange to carry out visits. On completion of the visit, the paperwork will be returned to the Parish Council, who will forward to ECFRS and EP for reporting and assessment purposes.

PSVs will receive continued support from ECFRS Community Builders, who will be on hand to provide guidance when required and will be the point of contact for general enquiries.

## **Pilot Scheme**

The initiative will start with a pilot in two Parishes that are identified as at high risk of crime and/or fire. The scheme will be piloted for a period of three months after which all parties will review the outcomes and effectiveness of the PSVs. If successful the scheme will be expanded to include all Parish Councils throughout Essex, Southend and Thurrock in a controlled, sustainable manner.

It will provide an opportunity for both organisations to work with and support targeted and specific initiatives being coordinated by the Authorities, improve community resilience and help to reduce reliance on public services. The scheme will enhance the service we provide to the public and increase capacity to reach a wider audience.

## **Unitary Authorities**

Following the planned pilot scheme the initiative expansion will include the Unitary Authorities' of Southend and Thurrock. The PSVs will be able to work with existing embedded Local Area Coordinators, Community Builders and partners to identify homes most at risk from fire and crime and increase local engagement opportunities for both ECFRS and EP.

## **RISK MANAGEMENT IMPLICATIONS**

Due to the autonomous nature of this role, ECFRS and EP will maintain regular contact with the Parish Councils to ensure that visits being carried out are in accordance with the policies

and processes set by both organisations and that they are recorded correctly and paperwork returned.

## **FINANCIAL IMPLICATIONS**

ECFRS will provide the budget for the initial pilot areas. Considering the areas in which the volunteers will be operating it is expected that the expenses relating to mileage will be very low. The costs for two Parishes for 12 months will be £2,786.35.

The initial costs are outlined below;-

Volunteers x 2 Training, uniform & mileage	£1,113.60
Equipment	£279.58
<b>Per Parish Cost</b>	<b>£1,393.17</b>

If the pilot is successful we will explore alternative funding opportunities, with a goal to make the scheme 'cost neutral' or as close to that as possible. It is likely however that the scheme will require funding in the immediate future.

## **LEGAL IMPLICATIONS**

It is commonly accepted that volunteers should not enter into any form of legally binding agreement or contract, either in writing or verbally, as this would suggest the presence of an employment relationship.

A contract of employment is created when an individual agrees to undertake a task in return for something, usually of economic value, legally referred to as 'consideration'. If this rule is applied to volunteers, then a contract could be argued to have been created where the volunteer receives anything of economic value, for example training unrelated to their role, 'expenses' that are not related to actual documented expenditure, gift vouchers, membership of sports and social clubs, etc.

Volunteers who receive such consideration may well be regarded as working under a contract of employment. This means they may be entitled to relevant workers' and employees' rights, which could have significant implications for ECFRS.

All volunteers joining the Parish Safety Volunteer initiative will enter into a 'Volunteering Agreement' which expresses the nature of volunteering, with no expectation of employment.

## **EQUALITY IMPLICATIONS**

There are no equality and diversity implications arising from this paper. Parish Safety Volunteers provides an opportunity to increase engagement with, and the participation of, black and minority ethnic groups and the elderly.

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

