



# Uttlesford District Council

Chief Executive: Dawn French

## Cabinet

**Date:** Thursday, 16 February 2017  
**Time:** 09:30  
**Venue:** Committee Room  
**Address:** Council Offices, London Road, Saffron Walden, CB11 4ER

**Members:** Councillors H Rolfe (Leader and Chairman), S Barker, S Howell, J Redfern and L Wells

**Other attendees:** Councillors A Dean (Liberal Democrat Group Leader and Chairman of Scrutiny Committee), J Lodge (Residents for Uttlesford Group Leader) and E Oliver (Chairman of Performance and Audit Committee)

### Public Speaking

At the start of the meeting there will be an opportunity of up to 15 minutes for members of the public to ask questions and make statements subject to having given notice by 12 noon two working days' before the meeting.

## AGENDA PART 1

### Open to Public and Press

- 1 Apologies for absence and declarations of interest**  
To receive any apologies for absence and declarations of interest.
- 2 Minutes of previous meeting** 5 - 10  
To receive the minutes of the meeting held on 12 January 2017

<b>3</b>	<b>Questions or statements from non executive members of the council</b> To receive questions or statements from non-executive members on matters included on the agenda	
<b>4</b>	<b>Matters referred to the Executive (standing item)</b> To consider matters referred to the Executive in accordance with the provisions of the Overview and Scrutiny Procedure Rules or the Budget and Policy Framework Procedure Rules	
<b>5</b>	<b>Reports from Performance and Audit and Scrutiny Committees (standing item)</b> To consider any reports from Performance and Audit and Scrutiny Committee	
<b>6</b>	<b>Refugee Working Group</b> To receive a report from the Refugee Working Group (standing item)	
<b>7</b>	<b>Budget covering report</b> To receive the budget covering report	11 - 20
<b>8</b>	<b>Robustness of Estimates &amp; Adequacy of Reserves 2017.18</b> To consider the report on estimates and adequacy of reserves	21 - 42
<b>9</b>	<b>Medium Term Financial Strategy</b> To receive the MTFs	43 - 62
<b>10</b>	<b>Treasury Management report 2017/18</b> To consider the Treasury Management report	63 - 94
<b>11</b>	<b>Capital programme 2017/18</b> To consider the Capital Programme 2017/18	95 - 106
<b>12</b>	<b>Housing Revenue Account 2017/18</b> To consider the HRA 2017/18	107 - 126
<b>13</b>	<b>General Fund and Council Tax 2017/18</b> To consider the General Fund and Council Tax 2017/18	127 - 170

<b>14</b>	<b>Procurement Strategy</b> To consider the Procurement Strategy	171 - 196
<b>15</b>	<b>Budget monitoring report 2016-17</b> To consider the quarter 3 monitoring report	197 - 220
<b>16</b>	<b>Strategic Market Housing Area - Memoranda of Understanding (MOU)</b> To consider the proposed MOU	221 - 258
<b>17</b>	<b>Newport with Quendon and Rickling Neighbourhood Plan</b> To consider the Neighbourhood Plan area designation	259 - 264
<b>18</b>	<b>Night flights consultation</b> To consider the recommendations of the STAAP meeting on 13 February 2017	265 - 276
<b>19</b>	<b>Any other items which the Chairman considers to be urgent</b> To consider any items which the Chairman considers to be urgent.	

**PART 2**  
**Exclusion of the Public and Press**

Consideration of an item containing exempt information within the meaning of para 3 of schedule 12A of the Local Government Act 1972

**20 Aspire**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

## **MEETINGS AND THE PUBLIC**

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Members of the public and representatives of parish and town councils are permitted to speak or ask questions at any of these meetings. You will need to register with the Democratic Services Officer by midday two working days before the meeting.

The agenda is split into two parts. Most of the business is dealt with in Part I which is open to the public. Part II includes items which may be discussed in the absence of the press or public, as they deal with information which is personal or sensitive for some other reason. You will be asked to leave the meeting before Part II items are discussed.

Agenda and Minutes are available in alternative formats and/or languages. For more information please call 01799 510510.

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Website: [www.uttlesford.gov.uk](http://www.uttlesford.gov.uk)

**CABINET MEETING held at COUNCIL OFFICES LONDON ROAD  
SAFFRON WALDEN on 12 JANUARY 2017 at 7.00pm**

Present: Councillor H Rolfe (Leader)  
Councillor S Howell (Cabinet Member for Finance and Administration)  
Councillor J Redfern (Cabinet Member for Housing and Economic Development)  
Councillor L Wells (Cabinet Member for Communities and Partnerships).

Also present: Councillor J Lodge (Residents for Uttlesford Group Leader).

Officers in attendance: C Cardross-Grant (Housing Renewals and Improvement Officer), R Dobson (Principal Democratic Services Officer), D French (Chief Executive), R Harborough (Director of Public Services), S Pugh (Interim Head of Legal Services) and A Webb (Director of Finance and Corporate Services).

**CA79 APOLOGIES FOR ABSENCE AND DECLARATION OF INTERESTS**

Apologies for absence were received from Councillors S Barker and Dean.

**CA80 MINUTES**

The minutes of the meeting held on 1 December 2016 were received and signed by the Chairman as an accurate record.

**CA81 EQUALITIES SCHEME**

Councillor Wells presented a report on the Equalities Scheme 2017-2021, which included suggested revised objectives following consultation. The Council had an obligation under the Public Sector Equality Duty to prepare and publish equality objectives at four-yearly intervals. Cabinet was invited to consider whether to adopt the draft scheme appended to the report, or whether to amend it in the light of comments received to the consultation which had recently been carried out. Councillor Wells said a slightly revised version of the scheme was now proposed, as tabled, to include clarification of certain details.

**RESOLVED**

- 1 to adopt the Equalities Scheme 2017-2021 as tabled at the meeting (*appended to the Decision List circulated after the meeting*)
- 2 to commit to reaching Achieving status by April 2018

CA82

## **SCRUTINY ENFORCEMENT REVIEW**

Councillor Howell presented a report on recommendations from the Scrutiny Committee. He explained the recommendations were aimed at achieving outcomes in the key areas of better reporting of caseloads, improved customer service, the introduction of policies for each enforcement area, and review of policies where they existed, improved cross-agency working and better use of forums and general education to achieve enforcement objectives for activities other than planning.

Councillor Rolfe said there was public support for enforcement, especially with regard to litter.

### **RESOLVED**

- 1 to agree that the corporate customer charter be updated
- 2 an overarching corporate enforcement strategy be developed supported by enforcement policies for
  - benefits
  - debt recovery
  - development management including building control
  - environmental health
  - licensing
  - litter, fly-tipping, flyposting, abandoned and untaxed vehicles
  - taxis and private hire operators
- 3 regular reports with a schedule of cases be generated and distributed together with management information for performance review purposes as soon as the database had been addressed.

CA83

## **REGULATION OF INVESTIGATORY POWERS ACT**

Councillor Howell said the Council should have a policy for use of powers governed by the Regulation of Investigatory Powers Act 2000. Whilst the Council had not used investigative powers under the Act since at least 2011, the Council did investigate alleged fraud and benefit abuse. As the Portfolio Holder with responsibility for finance, Councillor Howell said he would not wish to see any change in the Council's good record for investigating such matters and ensuring public money was not abused.

Councillor Howell said a change was made to paragraph 6.4 of the proposed policy which accompanied the report. The revised paragraph 6.4 amended the examples given of when directed surveillance might be used and emphasised that the policy was not intended to discourage proportional use of investigatory methods where this was in the public interest, for instance where ensuring public safety or investigating dishonesty.

Councillor Lodge asked about aspects of the policy appended to the report which were yet to be confirmed, such as the identity of the single point of contact. The Interim Head of Legal Services said the recommendations included giving power to the Chief Executive to designate authorised officers for the purposes of the Act, and all aspects of the policy would be finalised by her, if that recommendation was accepted.

#### RESOLVED

- 1 the policy as appended to the report be adopted
- 2 the Chief Executive is given power to designate authorised officers for the purposes of RIPA
- 3 the Interim Head of Legal Services is designated the Senior Responsible Officer with oversight of the use of RIPA powers.

CA84

#### **PLANNING ADVISORY SERVICE (PAS) REPORT AND DRAFT ACTION PLAN FOR THE LOCAL PLAN**

Councillor Rolfe said this item had been brought to Cabinet for information. The action plan was the result of the work of the Planning policy Working Group (PPWG). All members had received the PAS report. He said Councillor Lodge had raised a point regarding whether there should be consideration of garden cities in the action plan, and at PPWG it had been accepted that this issue would be included as a workstream in the action plan.

Councillor Rolfe said the report was very helpful. Discussion had also taken place on consulting on preferred options as part of the Regulation 18 stage in preparing a plan. Officers would now prepare a process for that to take place.

Councillor Redfern asked whether the duty to co-operate referred to in the report meant joint action would need to be taken by Uttlesford and Braintree councils.

Councillor Rolfe said the duty applied to all the district's borders.

The Director of Public Services said Councillor Redfern was correct. Braintree was the only example of a cross-boundary site, but obviously Uttlesford needed to have an agreed understanding with its other neighbouring authorities regarding interactions. Regarding the northern boundary, this involvement extended to not just South Cambridgeshire, but also to Cambridgeshire County Council and Cambridge City Council.

Councillor Rolfe said he would be meeting weekly with the leaders of the political groups, and with Councillor S Barker as the relevant portfolio holder, to ensure involvement and transparency in the local plan process. If any member had concerns they should feed these through to these four members.

Councillor Redfern asked that forward planning of member workshops be arranged, to help members to plan around the dates.

The Chief Executive said once the final project plan was in place, including consideration of further Regulation 18 steps, then the route would be clear. The dates for workshops could then be set in place and communicated to members.

Cabinet noted the action plan.

CA85

### **VOLUNTARY SECTOR GRANTS AWARD 2017-18**

Councillor Wells presented a report for information on the allocation of funding to charities and voluntary organisations working in the district. She said that following a review of the way in which the Council made such allocations, Cabinet had decided to restrict the period for awards to two years, and had set up the Voluntary Sector Grants Committee, which had power to decide upon the allocations. At its inaugural meetings the Committee had awarded grants following presentations. The report appended a table showing the awards that it had approved.

Councillor Howell said the presentations he had attended were very impressive. This council committed a larger proportion of its budget than others did. He was delighted the Council continued to fund the Citizens' Advice Bureau (CAB) and Homestart.

Councillor Lodge asked for clarification on the charitable purpose of the Dunmow Maltings Preservation Trust.

Councillor Rolfe said the work of this body was to support the Dunmow Maltings, but that as the organisation did not fit the profile of the other voluntary sector organisations to which the Committee awarded funding, in future it would receive funding from a different pot.

Councillor Lodge asked how the Council's contribution to the CAB compared with that given by other councils.

Councillor Rolfe said he could not compare the award to any given by a similar sized council. Bigger councils gave the CAB more. This council's voluntary support was the best in Essex. Comparative figures would be useful for future information when making allocations.

Councillor Wells said the committee had not based decisions on any specific comparisons, but had looked at how each organisation benefitted Uttlesford.

Cabinet noted the report.

CA86

### **EXCLUSION OF THE PUBLIC AND PRESS**

RESOLVED that the public be excluded from the following items of business on the grounds that they involved the likely disclosure of

exempt information as defined in paragraph 1 of Part 1 Schedule 12A of the Local Government Act 1972.

CA87

### **COMPULSORY PURCHASE OF A PROPERTY**

Councillor Redfern presented a report on the proposal to authorise a compulsory purchase of land as detailed in the report. This was a long-term empty property. The condition of the property was causing problems for neighbours, and for the Council. The Council had exhausted its powers of persuasion to bring the property back into use, and now considered that the use of compulsory purchase order powers to be the most suitable way that the land and property could be brought back into occupation.

The Housing Renewals and Improvement Officer said since 2012 the Council had been in communication with the owner of the property. According to anecdotal evidence the property had been empty for seven years by that time, and comprised a nuisance to neighbours. Officers had interacted with the owners many times since then, to offer assistance under the PLACE scheme but the owners had given no sign of progressing any proposals to make the property fit for use. The owners had been informed that enforcement action would be considered in the absence of a constructive response. The Housing Renewals and Improvement Officer said that officers would continue their dialogue with the owners once the Compulsory Purchase Order process had started, and that the Order could be withdrawn at any time during the next 12 months. It was therefore hoped that the improvements could be accomplished by voluntary decision.

Councillor Howell said he sympathised with the position of the Council, as in the ward he had previously represented he had experienced similar issues. Since there was an opportunity to withdraw from the Order if circumstances changed, he would support the proposal.

### **RESOLVED**

- 1 That authority be given for the compulsory purchase of the land referred to in the report.
- 2 That authority be given for an appropriate amount of works to be carried out to the property while it is in the Council's possession to deal with issues of safety and security, to abate environmental nuisances and to prepare the property for marketing. The costs incurred in carrying out these works to be recovered from the resale price.
- 3 That authority be given to dispose of the freehold interest in the property, on the open market, by the most suitable method.

CA88

### **RELEASE OF COVENANT**

Councillor Redfern presented a report on the proposal to authorise a release of covenant on land sold at the rear of a property which restricted its use to "garden land" only.

Councillor Redfern said the purchasers of the land had requested the covenant be released following the grant of planning permission for a dwelling. The Council's valuer would assess the worth of the release of the covenant. The Council would be seeking a financial consideration for releasing the covenant, which result in a capital receipt for the Housing Revenue Account.

Councillor Howell asked what percentage of the value of the land with planning permission the Council would take.

The Director of Public Services said when the Council had sold the land, the transaction would have been on the basis that it was garden land with no development value. The Council would now get it valued as development land and garden land the difference would be the financial consideration.

#### RESOLVED

- 1 That Cabinet approves the release of the covenant on land at the rear of 33 New Road, Elsenham, which restricts its use to 'garden land'
- 2 That Cabinet approves the commencement of negotiations in connection with the release of the restrictive covenant and delegates to the Director of Public Services approval of the terms for the removal.

The meeting ended at 7.45pm.

**Committee: Cabinet**

**Agenda Item**

**Date: 16 February 2017**

**7**

**Title: 2017/18 Budget – covering report**

**Portfolio Holder: Councillor Simon Howell**

Item for decision

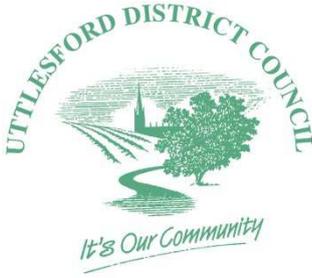
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## Summary

1. The Cabinet is required to determine its budget and council tax and recommend the approval of these as set out in the following reports by Full Council on 23 February.

Report	Purpose	Recommendation(s)
Equalities Impact Assessment (attached to this covering report)	To demonstrate consideration of the impact on minority groups	
Robustness of Estimates and Adequacy of Reserves  Reserves Strategy	A statutory report which sets out the key risks in the General Fund budget, and advice about safe levels of contingency reserves.  This is a new report and sets out a new strategy for the reserves and details the purpose and lifespan of these reserves.	The Cabinet is requested to approve, for recommendation to Full Council:  a) That the Council takes account of the advice in the report when determining the 2017/18 General Fund budget and Council Tax. b) That the Council approves the risk assessment relating to the robustness of estimates as detailed in the report c) That the Council sets the minimum safe contingency level for 2016/17 at £1,280 million.  d) That the attached Reserves Strategy is adopted. e) That the Council agrees that no transfers to or from the Working Balance should be built into the 2017/18 budget.
Medium Term Financial Strategy	Sets out a five year plan for ensuring that the General Fund remains in a stable and sustainable position, including indicative levels of Council Tax.	The Cabinet is requested to approve, for recommendation to Full Council, the Medium Term Financial Strategy as attached.

Report	Purpose	Recommendation(s)
Treasury Management Strategy	Details how cash flow will be managed, and a strategy for prudent borrowing and investment.	<p>The Cabinet is requested to approve, for recommendation to Full Council the following items:</p> <ul style="list-style-type: none"> <li>• Treasury Management Strategy 2017/18.</li> <li>• Prudential Indicators, Appendix A.</li> <li>• Minimum Revenue Provision (MRP) Statement, Appendix B.</li> <li>• Economic Forecast, Appendix C.</li> </ul>
Capital Programme	A five year plan setting out capital expenditure on the Council's assets including buildings, vehicles and ICT and the associated financing of these programmes	The Cabinet is requested to approve, for recommendation to Full Council, the Capital Programme and associated financing of the programme as set out in this report.
Housing Revenue Account Budget	<p>Covers spending plans for council housing in the district from 2017/18 with a 5 year forecast.</p> <p>The report contains proposals for rents and service charges. The proposals have been endorsed by the Tenants Forum and Housing Board.</p> <p>2017/18 is the sixth year of the self-financing arrangements and the 30 year plan approved by the Council in 2012.</p>	The Cabinet is request to approve, for recommendation to Full Council the HRA Revenue Budget and 5 Year Financial Strategy.
General Fund Budget and Council Tax	Detailed budget for all services except Council Housing, and proposals for the district council share of the Council Tax bill	<ol style="list-style-type: none"> <li>1. The Cabinet is requested to recommend that the Full Council approves the General Fund Council Tax requirement of £5,034,621 summarised in paragraphs 16 – 22.</li> <li>2. The Cabinet is recommended to approve the schedule of fees and charges in Appendix F.</li> </ol>



# Uttlesford District Council

## Fast-track equality impact assessment (EqIA) tool

### What is this tool for?

This tool will help you to assess the impact of existing or new strategies, policies, projects, contracts or decisions on residents and staff. It will help you to deliver excellent services, by making sure that they reflect the needs of all members of the community and workforce.

### What should be equality impact assessed?

You only need to equality impact assess strategies, policies, projects, contracts or decisions that are **relevant** to equality. If you are not sure whether your activity is relevant to equality take the 'relevance test' on Page 9.

### How do I use the tool?

This tool is easy to use and you do not need expert knowledge to complete it. It asks you to make judgments based on evidence.

The tool uses a system of red flags  to give you an indication of whether or not your responses are identifying potential issues. Getting a red flag does not necessarily indicate a problem, but it does mean that your assessment is highlighting issues or gaps in data that may require further investigation or action.

*If there is insufficient space to answer a question, please use a separate sheet.*

▪ General information		
1	Name of strategy, policy, project, contract or decision.	2017/18 budget
2	What is the overall purpose of the strategy, policy, project, contract or decision?	To allocate financial resources to UDC services enabling corporate priorities, statutory requirements and policy objectives to be met
3	Who may be affected by the strategy, policy, project, contract or decision?	<input checked="" type="checkbox"/> Residents <input checked="" type="checkbox"/> Staff <input checked="" type="checkbox"/> UDC service users
4	Responsible department and Head of Division.	Angela Knight, Assistant Director - Resources on behalf of CMT
5	Are other departments or partners involved in delivery of the strategy, policy, project, contract or decision?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes – all departments.
Gathering performance data		
6	Do you (or do you intend to) collect this monitoring data in relation to any of the following <u>diverse groups</u> ?	<input type="checkbox"/> Age <input type="checkbox"/> Disability <input type="checkbox"/> Sex <input type="checkbox"/> Race <input type="checkbox"/> Gender Reassignment <input type="checkbox"/> Sexual Orientation <input type="checkbox"/> Religion & Belief <input type="checkbox"/> Pregnancy & Maternity <input type="checkbox"/> Marriage and Civil Partnerships <input type="checkbox"/> Rural Isolation

7	How do you (or how do you intend to) monitor the impact of the strategy, policy, project, contract or decision?	<input checked="" type="checkbox"/> Performance indicators or targets <input type="checkbox"/> User satisfaction <input type="checkbox"/> Uptake <input type="checkbox"/> Consultation or involvement <input type="checkbox"/> Workforce monitoring data <input type="checkbox"/> Complaints <input type="checkbox"/> External verification <input type="checkbox"/> Eligibility criteria <input checked="" type="checkbox"/> Other: Budget monitoring process; internal audit, external audit <input type="checkbox"/> None 
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Analysing performance data	
8	<p>Consider the impact the strategy, policy, project, contract or decision has already achieved, measured by the monitoring data you collect. Is the same impact being achieved for diverse groups as is being achieved across the population or workforce as a whole?</p>
	<p> <input checked="" type="checkbox"/> Yes *  <input type="checkbox"/> No*  <input type="checkbox"/> Insufficient   <input type="checkbox"/> Not applicable  </p> <p><i>*Please state your evidence for this, including full document titles and dates of publication for audit purposes. Where applicable please also state the nature of any issues identified:</i></p> <p>No specific groups are referred to in the documents and none of the information within the documents will have a differential impact on any group. There are no service cuts proposed.</p>
9	<p>Is uptake of any services, benefits or opportunities associated with the strategy, policy, project, contract or decision generally representative of <u>diverse groups</u>?</p>
	<p> <input checked="" type="checkbox"/> Yes *  <input type="checkbox"/> No*  <input type="checkbox"/> Insufficient   <input type="checkbox"/> Not applicable  </p> <p><i>*Please state your evidence for this, including full document titles and dates of publication for audit purposes. Where applicable please also state the nature of any issues identified:</i></p> <p>No specific groups are referred to in the documents and none of the information within the documents will have a differential impact on any group. There are no service cuts proposed.</p>

## Checking delivery arrangements

10

You now need to check the accessibility of your delivery arrangements against the requirements below. Click on the hyperlinks for more detailed guidance about the minimum criteria you should meet.

*If assessing a proposed strategy, policy, project, contract or decision, indicate 'Yes' if you anticipate compliance by launch of implementation.*

Yes    No <sup>✖</sup>    N/A

The [premises](#) for delivery are accessible to all.

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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[Consultation](#) mechanisms are inclusive of all.

<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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[Participation](#) mechanisms are inclusive of all.

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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If you answered 'No' to any of the questions above please explain why giving details of any legal justification.

**Checking information and communication arrangements**

11 You now need to check the accessibility of your information and communication arrangements against the requirements below. Click on the hyperlink for more detailed guidance about the minimum criteria you should meet.

*If assessing a proposed strategy policy, project, contract or decision, indicate 'Yes' if you anticipate compliance by launch of implementation.*

	Yes	No 	N/A
<a href="#">Customer contact</a> mechanisms are accessible to all.	<input type="checkbox"/>	<input type="checkbox"/>	X
Electronic, web-based and paper information is accessible to all.	X	<input type="checkbox"/>	<input type="checkbox"/>
Publicity campaigns are inclusive of all.	<input type="checkbox"/>	<input type="checkbox"/>	X
Images and text in documentation are representative and inclusive of all.	<input type="checkbox"/>	<input type="checkbox"/>	X

If you answered 'No' to any of the questions above please explain why, giving details of any legal justification.

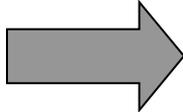
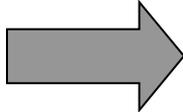
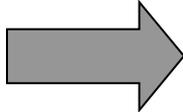
**Future Impact**

12 Think about what your strategy, policy, project, contract or decision is aiming to achieve over the long term and the ways in which it will seek to do this. This is your opportunity to take a step back and consider the practical implementation of your strategy, policy, project, contract or decision in the future. As well as checking that people from diverse groups will not be inadvertently excluded from or disadvantaged by any proposed activities, it is also an opportunity to think about how you can maximize your impact, reach as many people as possible and really make a difference to the lives of everyone in Uttlesford regardless of their background or circumstances.

Is it likely to inadvertently exclude or disadvantage any diverse groups?

- No
- Yes \* 
- Insufficient evidence 

\*Please state any potential issues Identified.

Improvement actions										
13	<p>If your assessment has highlighted any potential issues or red flags, can these be easily addressed?</p> <p> <input type="checkbox"/> Yes  <input type="checkbox"/> No*   <input checked="" type="checkbox"/> Not applicable         </p> <p><i>*If Yes, please describe your proposed action/s, intended impact, monitoring arrangements implementation date and lead officer:</i></p>									
Making a judgement – conclusions and next steps										
14	<p>Following this fast-track assessment, please confirm the following:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; vertical-align: top;"> <input checked="" type="checkbox"/> There are no inequalities identified that cannot be easily addressed or legally justified         </td> <td style="width: 10%; text-align: center; vertical-align: middle;">  </td> <td style="width: 50%; vertical-align: top;">           No further action required. Complete this form and implement any actions you identified in Q13 above         </td> </tr> <tr> <td style="vertical-align: top;"> <input type="checkbox"/> There is insufficient evidence to make a robust judgement.         </td> <td style="text-align: center; vertical-align: middle;">  </td> <td style="vertical-align: top;">           Additional evidence gathering required (go to Q17 on Page 7 below).         </td> </tr> <tr> <td style="vertical-align: top;"> <input type="checkbox"/> Inequalities have been identified which cannot be easily addressed.         </td> <td style="text-align: center; vertical-align: middle;">  </td> <td style="vertical-align: top;">           Action planning required (go to Q18 on Page 8 below).         </td> </tr> </table>	<input checked="" type="checkbox"/> There are no inequalities identified that cannot be easily addressed or legally justified		No further action required. Complete this form and implement any actions you identified in Q13 above	<input type="checkbox"/> There is insufficient evidence to make a robust judgement.		Additional evidence gathering required (go to Q17 on Page 7 below).	<input type="checkbox"/> Inequalities have been identified which cannot be easily addressed.		Action planning required (go to Q18 on Page 8 below).
<input checked="" type="checkbox"/> There are no inequalities identified that cannot be easily addressed or legally justified		No further action required. Complete this form and implement any actions you identified in Q13 above								
<input type="checkbox"/> There is insufficient evidence to make a robust judgement.		Additional evidence gathering required (go to Q17 on Page 7 below).								
<input type="checkbox"/> Inequalities have been identified which cannot be easily addressed.		Action planning required (go to Q18 on Page 8 below).								
15	<p>If you have any additional comments to make, please include here.</p> <p><input type="checkbox"/> None</p>									

Completion											
16	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 45%;">Name and job title (Assessment lead officer)</td> <td>Angela Knight Assistant Director - Resources</td> </tr> <tr> <td>Name/s of any assisting officers and people consulted during assessment:</td> <td>CMT</td> </tr> <tr> <td>Date:</td> <td>25 January 2017</td> </tr> <tr> <td>Date of next review:</td> <td>January 2018</td> </tr> <tr> <td><i>For new strategies, policies, projects, contracts or decisions this should be one year from implementation.</i></td> <td></td> </tr> </table>	Name and job title (Assessment lead officer)	Angela Knight Assistant Director - Resources	Name/s of any assisting officers and people consulted during assessment:	CMT	Date:	25 January 2017	Date of next review:	January 2018	<i>For new strategies, policies, projects, contracts or decisions this should be one year from implementation.</i>	
Name and job title (Assessment lead officer)	Angela Knight Assistant Director - Resources										
Name/s of any assisting officers and people consulted during assessment:	CMT										
Date:	25 January 2017										
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**Committee:** Cabinet

**Agenda Item**

**Date:** 16 February 2017

**8**

**Title:** Robustness of Estimates and Adequacy of Reserves

**Portfolio Holder:** Councillor Simon Howell

Item for decision

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### **Summary**

1. As part of the annual budget setting process, the Section 151 Officer is required to give the Council formal advice on the robustness of estimates and the adequacy of reserves. This is so Members can set a budget in full awareness of the risks and uncertainties, and ensure that adequate contingency reserves exist.
2. The advice, known as the "Section 25 report", is being considered by Cabinet tonight and then by Full Council on 23 February as part of the budget approval process.
3. The Scrutiny Committee reviewed the budget reports on 7 February. Comments from the Committee are in a separate item on the agenda.

### **Recommendations**

4. The Cabinet is requested to approve, for recommendation to Full Council:
  - a) That the Council takes account of the advice in the report when determining the 2017/18 General Fund budget and Council Tax.
  - b) That the Council approves the risk assessment relating to the robustness of estimates as detailed in the report
  - c) That the Council sets the minimum safe contingency level for 2017/18 at £1.280 million.
  - d) That the attached Reserves Strategy is adopted.
  - e) That the Council agrees that no transfers to or from the Working Balance should be built into the 2017/18 budget.

### **Financial Implications**

5. No direct implications arise from the recommendations.

### **Background Papers**

None.

## Impact

Communication/Consultation	A comprehensive budget consultation exercise was undertaken with in excess of 800 responses
Community Safety	No specific implications
Equalities	No specific implications
Health and Safety	No specific implications
Human Rights	No specific implications
Legal implications	The report is prepared in order to comply with Section 25 Local Government Act 2003
Sustainability	No specific implications
Ward-specific impacts	No specific implications
Workforce/Workplace	No specific implications

## Section 25 report

6. Section 25 of the Local Government Act 2003 requires each local authority, when setting its annual General Fund budget and level of Council Tax, to take account of a report from its Section 151 Officer on the robustness of estimates and adequacy of reserves. This document is the report made under Section 25 by the Director of Finance and Corporate Services, as UDC's Section 151 Officer, applicable to the setting of the General Fund budget and Council Tax for 2017/18.
7. The purpose of this requirement is to ensure that when deciding on its budget for a financial year, a local authority is formally made aware of any issues of risk and uncertainty by the Section 151 Officer. The local authority is then expected to ensure that its budget provides for a prudent level of reserves to be maintained.
8. The Director of Finance and Corporate Services has assessed that the minimum safe contingency level for the Working Balance is £1.280 million. This sum is calculated using the following formula  
(Total gross service expenditure + total gross service income + capital financing costs + investment income + recharge to HRA + HRA share of corporate costs) x 2%  
2017/18 working balance reserve equates to;  
$$\begin{aligned} & \text{£}35,423,000 + \text{£}23,973,000 + \text{£}1,861,000 + \text{£}65,000 + \text{£}1,507,000 + \text{£}293,000 \\ & = \text{£}63,122,000 \times 2\% = \text{£}1,262,000 \text{ (this calculation uses rounded figures, the} \\ & \text{actual working balance is } \text{£}1,266,000 \end{aligned}$$
9. Section 26 of the Act empowers the Secretary of State to set a minimum level of reserves for which a local authority must provide in setting its budget. Section 26 would only be invoked as a fallback in circumstances in which a local authority does not act prudently, disregards the advice of its Section 151 Officer, and is heading for financial difficulty.

**Basis of advice for the Section 25 report**

10. In forming the advice for this report, the Director of Finance and Corporate Services has considered the following:

- The requirement established in the Council’s Medium Term Financial Strategy to ensure that a safe level of contingency is maintained.
- The degree to which the Council’s financial plans are aligned to the Council’s statutory obligations, local priorities and policy objectives.
- The adequacy of the information systems underpinning the Council’s financial management processes.
- Risks associated with the Council’s activities, as identified within the risk register.
- The level of earmarked and unearmarked reserves within the General Fund.
- The degree to which uncertainties exist within the draft 2017/18 budget.

**Robustness of Estimates**

11. There has been detailed scrutiny, review and challenge of budgets by managers, finance officers and CMT. The aim has been to ensure that the budget is based upon realistic estimates, for example, ensuring that contractual commitments are provided for, salary budgets reflect the approved establishment and current staff in post, and income budgets are based on an assessment of price and demand.

12. No budget can ever be completely free from risk. Necessarily, assumptions are made which means that the budget will always have an amount of uncertainty. The analysis below sets out the major risks applicable to 2017/18 and an indication of the possible impact.

13. It is not possible to give a precise estimate of the impact of each identified risk. As a general guide, the following broad definitions have been used:

Probability	Low Medium High	Possible, but unlikely Probable Almost certain
Impact	Low Medium High	Possible variance of £5,000 to £20,000 Possible variance of £21,000 to £50,000 Possible variance of over £50,000

Risk item	Probability	Impact	Overall Risk of budget variance
<p><b>Waste &amp; Recycling</b> – This continues to be one of the most complex financially and at greatest risk of volatility. Fuel costs and disposal costs, particularly around cost of dry recycling disposal are variable. Other budget risks have been identified regarding trade waste and green waste, all of which have income budgets that depend upon accuracy of forecasting activity levels. The Council maintains a Waste Management reserve to mitigate the risk. The budget is based on current disposal costs</p>	Medium	High (adverse or favourable)	Medium
<p><b>Local Plan</b> – Additional consultancy spend or resources may be needed in order to take forward the Local Plan process; however the Planning Reserve exists to meet additional costs. Due to recruitment issues the need for agency staff has increased and these are at a higher cost than substantive posts.</p>	Medium	High (adverse)	Medium
<p><b>Planning appeals.</b> A risk of costs of defending appeals and the meeting of costs awarded against the planning authority. The current position of the Local Plan process raises the risk levels in this area.</p>	Medium	Low (adverse)	Medium
<p><b>Business Rates Appeals.</b> The way in which Business Rates is accounted for increases the risk around the forecasts. The key area of risk still remains with appeals; the 2017 reset of business valuation could lead to further appeals.</p>	Medium	Medium (adverse)	Medium
<p><b>100% Business Rates Retention.</b> Due to the uncertainty of the increased responsibilities and the precise funding mechanism, it is still difficult to predict the financial implications of the new scheme.</p>	High	High (adverse or favourable)	High
<p><b>Efficiency Savings.</b> Work continues to find ways of achieving the same or improved outcomes at lower cost. It is probable that some savings opportunities will be realized with unbudgeted savings arising in 2017/18. In addition, the budget includes costs for Service Redesign and Organisational Development; these will be funded from the Transformation Reserve. It is still possible that unbudgeted costs will arise. Where budgets have already been reduced because of identified savings, the revised budget level is untested so there is an inherent risk of adverse variances.</p>	Medium	Medium (adverse or favourable)	Medium
<p><b>Commercialisation.</b> Creation of Council wholly owned subsidiaries and other income generating projects. This is in the early stages and the outcomes are expected to generate increased income to support the council with the funding reductions.</p>	High	High (favourable) Low (adverse)	High

Risk item	Probability	Impact	Overall Risk of budget variance
<p><b>Car Park Income.</b> The budget is based on the existing tariff and charging periods as detailed in the fees and charges section of the budget report. If at some point during the year the Council decides to make changes, this will affect the income. For example if the charging period is shortened, or if the Christmas/New Year free periods are continued, income will reduce.</p>	Medium	Low (adverse or favourable)	Medium
<p><b>Fees &amp; Charges income.</b> If economic conditions deteriorate or demand fluctuates there may be unbudgeted loss of income. Building Control, Planning, Land Charges, Licensing, Lifeline and Food Imports are all income streams where risk of volatility has been noted.</p>	Medium	Low (adverse)	Medium
<p><b>Treasury management.</b> Investment risks are spread between public and private sector counterparties including UK banks systemically important to the UK economy. In the unlikely event of a banking failure, there could be a serious impact on the Council.</p>	Low	High (adverse)	Medium
<p><b>Reforms to Housing &amp; Council Tax Benefit.</b> The Council has approved a Local Council Tax Support Scheme that will require non-vulnerable working age people to pay more Council Tax than previously. The Council has reduced its commitment to subsidise the LCTS scheme for Town and Parish councils. This is based on estimates and subject to variation.</p> <p>Housing benefit reforms and benefit caps have had an adverse impact on amount of claimants benefit awards and this could have an impact on collection rates and increased claims for discretionary housing payments.</p>	Medium	Medium (adverse)	Medium
<p><b>Universal Credit</b> – This was due to commence in early 2015/16 but was delayed and only started in late 2015/16 and further roll out is not expected until late in 2017/18. Implications of delay are primarily around the Working Balance level.</p>	Medium	Low (adverse or favourable)	Medium
<p><b>External funding.</b> Due to inherent uncertainty about local authority budgets, there is a risk that funding for services such as the Highways Ranger could be reviewed or reduced.</p>	Medium	Low	Low
<p><b>Supplies &amp; Services contracts.</b> Where contracts have indexation clauses, estimates have been made of the inflationary increase that will be applied. In addition some contracts are due to be re-tendered during the year which could affect the base price. Accordingly there is an inherent risk of price volatility.</p>	Medium	Low (adverse or favourable)	Low

Risk item	Probability	Impact	Overall Risk of budget variance
<b>Capital Financing costs.</b> These are influenced by variable factors such as cash flow, variations in the Capital Programme and availability of capital receipts. In some circumstances greater revenue financing of capital expenditure may make economical sense over the longer term.	Medium	Low (adverse or favourable)	Low

14. Taking all of the above issues into consideration, the Director of Finance and Corporate Services is unable to provide a full assurance that there will be no unforeseen variances. This is an expected and acceptable situation for any organisation that has to deal with a large number of variables. Provided that the minimum safe level of balances is maintained (as set out in the attached Reserves Strategy), any variations arising as a result of any lack of robustness in the estimates should be manageable.

15. The risks identified will be proactively monitored and mitigating action taken as soon as reliable trends emerge. Budget monitoring reports to Members during the financial year will set out the latest position and action being taken, where applicable.

### Adequacy of reserves

16. Attached is the Reserves Strategy which sets out the purpose, risks and calculation for each reserve held by the council.

17. It is the opinion of the Director of Finance and Corporate Services that the reserves as set out in the Strategy are adequate and appropriate.

### Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Actual events may differ from the assumptions and estimates used to produce the draft budget, which will lead to variances from the budget.	4 (variances will occur requiring action to be taken)	3 (potential impact which could adversely affect the council's financial position if not managed)	Budget monitoring and corrective action taken as necessary.  Maintain sufficient reserves and Working Balance.

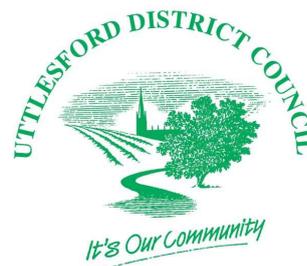


# Uttlesford District Council

## Reserves Strategy



Prepared by:  
Angela Knight  
Uttlesford District Council  
January 2017



## Reserves Strategy

### 1 Background

- 1.1 Reserves are an essential part of good financial management. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. The level, purpose and planned use of reserves are important factors for the Council to consider in developing the Medium Term Financial Strategy (MTFS) and setting the annual budget.
- 1.2 In setting the budget, the Council decides what it will spend and how much income it needs from fees, charges and council tax to supplement government funding. The Council may choose to fund some of its spending from its reserves, or set aside some of its income to increase reserves for future spending.
- 1.3 Having the right level of reserves is important. If reserves are very low, there may be little resilience to financial shocks and sustained financial challenges.
- 1.4 There is no available guidance on the minimum level of un-earmarked reserves that should be maintained. In 2003 CIPFA stated that each authority should determine what a prudent level of reserves is based upon their own circumstances, risks and uncertainties.
- 1.5 Councils are therefore free to determine the level of reserves they hold, although Audit will report/give an opinion on what in their opinion is reasonable. Members are responsible for ensuring that the Council's reserves are part of the MTFS and need to be appropriate for our circumstances. The Section 151 Officer has a duty to provide members with advice on the level of reserves.
- 1.6 Councils face significant financial challenges. The unprecedented reduction in government funding from 2010/11 to 2017/18 and the inevitable continuation of that trend, a decline in other income, rising costs and growing demand for many services are all testing the Councils' financial management and resilience.
- 1.7 The introduction of local business rates retention and new arrangements for providing council tax support in 2013/14 have created additional risks to the Council's finances.
- 1.8 Current and future financial challenges pose significant and increasing risks for the Council. The Council can consider using reserves to balance competing pressures for example:
  - Using reserves to offset funding reductions and protect services – although this can only be a short-term strategy as reserves are a one-off funding resource – or invest in making changes that reduce the cost of providing services in the longer-term.
  - Increasing reserves to strengthen resilience against future, uncertain cost pressures.

## 2 The approach to setting the Reserves Strategy.

2.1 The Reserves Strategy is integral to the MTFS and the annual budget setting process. Therefore the MTFS will include:

- Information showing the current level of reserves.
- Consideration of the forward strategy for reserves needed to support the Council's MTFS.
- A summary of the financial risks facing the Council, how it will mitigate these risks, and the minimum and maximum level of residual risk for which the council may need to hold funds in its reserves.

2.2 Reserves will be monitored throughout the year as part of the routine financial monitoring and the level of reserves reported as part of the year-end accounting processes.

## 3 Why the Council holds reserves

3.1 We use different terms to refer to the reserves depending on why they are held. Terms we use in this report have the following meanings:

- Available earmarked reserves – funds we choose to set aside to meet known or predicted future spending or ring-fenced by previous Council decisions.
- Working balances (unallocated reserves) to manage cash flows, funds to protect annual budgets against multiple, less predictable, costs and uncommitted accumulated surpluses.
- Other reserves the Council holds but which are not available to fund their general spending: some reserves with statutory restrictions on how they can be spent, such as capital receipts or Housing Revenue Account reserves;
- Total reserves – the sum of earmarked and ring-fenced reserves.

3.2 Available earmarked reserves include funds for contingent spending that is hard to predict (risk-based reserves) – for example, Transformation Reserve to cover the cost of implementing changes in working practices including new ways of working and the costs associated with a reduction in staffing levels.

3.3 Reserves are distinct from provisions. Provisions are funds set aside for probable future liabilities where the timing and amounts are uncertain.

### Ring-fenced income

3.4 The Council must spend some of its income on specific purposes, for example, some ring-fenced grants, or property developers' contributions for local environmental improvements. Spending ring-fenced income before the end of a financial year is not always possible or desirable. The Council will carry forward unspent ring-fenced income from one financial year to the next in its reserves.

### Delivering a balanced budget

- 3.5 The Council, in common with other organisations, needs financial reserves to help manage unforeseen circumstances and to smooth the impact of known spending requirements over time. The Council will use reserves for such purposes to enable it to manage variations between its planned and actual budgets that result from unpredictable spending and income. Reserves will also be used by the Council to plan its finances strategically to support activities over the medium and long term.
- 3.6 The Local Government Finance Act 1992 requires the Council to calculate its expected outgoings and income for the year – including any additions to or use of reserves. Where expected outgoings exceed expected income, the difference is the authority's council tax requirement for that year.
- 3.7 If unplanned costs are incurred during the year that are not funded externally – for example, by a grant from government or an insurance policy – or the Council experiences a shortfall in expected income, there will be few options if it is to deliver to budget. Raising extra income or making in-year savings may have an unacceptable impact on service users. Therefore the Council may want to consider using reserves to balance spending and income.
- 3.8 The 2017/18 Budget identifies a surplus of £564,000 which will be allocated to the Strategic Initiatives Fund.

### 4 Reserves and the management of risks

- 4.1 With regard to the Council's financial stability reserves are used to manage risks. There are certain earmarked reserves that have been set aside for specific risks, for example: Business Rates Retention. These reserves and the potential pressures that need to be managed are reviewed as part of the budget setting process.
- 4.2 The Council also manages unforeseen financial shocks by maintaining a Working Balance. For the General Fund the Council's agreed policy is to maintain working balances in line with the following formula;

(Total gross service expenditure + total gross service income + capital financing costs + investment income + recharge to HRA + HRA share of corporate costs) x 2%

For 2017/18 this is calculated as;

$£35,423,000 + £23,973,000 + £1,861,000 + £65,000 + £1,507,000 + £293,000 = £63,122,000 \times 2\% = £1,262,000$  (this calculation uses rounded figures, the actual working balance is £1,266,000)

For the HRA the same principal of 2% of total expenditure and 2% of total income is applied. For 2017/18 this is calculated as;

$£4,246,000 + £15,222,000 + £2,449,000 + £17,000 + £1,507,000 + £293,000 = £23,734,000 \times 2\% = £473,000$ .

## Increasing Financial Risks

4.3 The risk environment for local government funding has significantly increased. This strategy identifies the following issues which have increased risk over recent years:

- The partial retention of locally collected business rates to replace some government funding – this means that future changes in funding will be linked to changes in the local business rates base, rather than to government assessment of need.
- The new system of business rate retention passes the risk of non-collection from Central Government to the Council. The intention is that the Council will take on 100% retention and it is anticipated this is likely to be from 2020. Central Government have stated that this will be fiscally neutral to the council, but this will come with additional responsibilities and the associated financial risks.
- The Council has also taken responsibility for the settlement of any outstanding Business Rates appeals.
- New Homes Bonus reforms, has seen reductions in the allocations for 2017/18 and changes to the scheme, with further reforms expected in 2018/19.
- The loss of Revenue Support Grant with 2017/18 being the final year the council will receive this funding.
- The transfer of responsibility for council tax support to the Council.
- The necessity to pass on a proportion of the reduction in Council Tax Support to working age claimants may increase Council tax non-recovery risk.
- Welfare reforms including the benefits cap and the impact on Housing Benefit as part of the introduction of Universal Credit which could impact on rent collection and potentially increase the level of homeless people seeking accommodation in the district.
- The continued problems that the Government is experiencing managing the deficit and the likelihood of further funding reductions.
- Unexpected changes in grant regimes.

### On-going risks in the current strategy.

4.4 In addition to the risks identified in 4.3 above there are still the risks that are normally managed within the MTFS:

- Service budgetary control.
- Service spending pressures, e.g. unavoidable demand.
- Exceptional inflation beyond that provided for within the annual budget.

4.5 The prospect of further grant reductions beyond 2017/18 means that it is prudent to retain sufficient reserves so that any future spending reductions can be implemented in a planned and efficient fashion.

## 5 Budgeted Reserves

- 5.1 The forecast value of General Fund Useable Reserves as at 31 March 2017 is £9.94 million reducing to £8.89 million by 31 March 2018.
- 5.2 The table below summarises the General Fund Reserves at the end of the last financial year and the forecast end position for the next two years.

£' 000	1.4.2016	2016/17		31.3.2017	2017/18		31.3.2018
	Actual	additions	deductions	Forecast	additions	deductions	Forecast
<b>USABLE RESERVES</b>							
<u>Financial management Reserves</u>							
MTFS Reserve	1,000		0	1,000			1,000
Transformation Reserve	960		-66	894	1,000	-100	1,794
<u>Contingency Reserves</u>							
Emergency Response	40			40			40
<u>Service Reserves</u>							
New waste depot site	1,488		-1,488	0	2,000		2,000
Planning*	982		-385	597		-275	322
Waste Management	130	70		200			200
Homelessness	40			40		-40	0
Economic Development	194			194			194
Elections	25	25		50	25		75
Strategic Initiatives Fund	4,506	2,376	-80	6,802	564	-4,220	3,146
New Homes Bonus Ward Members	39			39			39
Voluntary Sector Grants	41		-41	0			0
Private Finance Initiative	0	85		85			85
<b>TOTAL USABLE RESERVES</b>	<b>9,445</b>	<b>2,556</b>	<b>-2,060</b>	<b>9,941</b>	<b>3,589</b>	<b>-4,635</b>	<b>8,895</b>

- 5.3 It is also important to set out the criteria for the purpose, lifespan and risks associated with each reserve. This is attached as Appendix One.

### General Fund Ring-fenced Reserves

- 5.4 These reserves are held for specific purposes and cannot be used for anything other than the stated purpose.

£' 000	1.4.2016	2016/17	31.3.2017	2017/18	31.3.2018
	Actual	net movement	Forecast	net movement	Forecast
<b>RING-FENCED RESERVES</b>					
Working Balance	1,246	34	1,280	(14)	1,266
Pension Reserve*	0		0	0	0
Business Rates Reserve	500	(20)	480		480
Licensing Reserve	16	(16)	0		0
DWP Reserve	136	50	186		186
<b>TOTAL RING-FENCED RESERVES</b>	<b>1,898</b>	<b>48</b>	<b>1,946</b>	<b>(14)</b>	<b>1,932</b>

\*the pension reserve shows a zero balance as the transfer for the triannual payment goes in and out in the same year

### Housing Revenue Account (HRA)

- 5.5 The table below summarises the HRA Useable Reserves at the start of the 2016/17 financial year and the forecast end position for the next two year.

£000	01.04.2016 Actual	31.03.2017 Forecast	31.03.2018 Forecast
<b>Usable Reserves</b>			
Transformation	180	180	180
Capital Projects	3,538	0	516
Potential Development Projects	2,998	723	723
Revenue Projects	60	60	60
Sheltered Housing Reserve	318	318	0
Major Repairs Reserve	190	269	477
<b>Total Usable Reserves</b>	<b>7,284</b>	<b>1,550</b>	<b>1,956</b>

### HRA Ring-fenced Reserve

- 5.6 This reserve is held for specific purposes and cannot be used for any other.

£000	Purpose	01.04.2016	31.03.2017	31.03.2018
HRA Working Balance	Maintained to protect the Council's budget from unexpected risks (calculation as set out in 4.2)	463	473	473
<b>Total</b>		<b>463</b>	<b>473</b>	<b>473</b>

### Capital Receipts

- 5.7 This reserve identifies capital receipts which are available to finance capital expenditure in future years.

£000	01.04.2016	31.03.2017	31.03.2018
Capital Receipts	2,242	3,680	2,000

- 5.8 Under the Right to Buy 1-4-1 agreement, for each sale of council dwellings the local authority must replenish housing stock using the retained receipt held in the capital receipts reserve; this is to ensure the government's plan to provide further social housing is continued whilst increasing home ownership is fulfilled. The Council can only use a 30% contribution of the capital receipts to fund a housing project. If the Council fails to replenish housing within 13 quarters then the capital receipts have to be repaid to Central Government.

## 6. Total Reserves

6.1 The table below sets out the total of reserves in each element of the council finances.

	01.04.2016	31.03.2017	31.03.2018	31.03.2019	31.03.2020	31.03.2021	31.03.2022
General Fund Earmarked Reserves	9,445	9,941	8,895	8,720	8,645	7,840	7,865
General Fund Ring-Fenced Reserves	1,898	1,946	1,932	1,852	1,752	1,666	1,666
<b>Total General Fund Reserves</b>	<b>11,343</b>	<b>11,887</b>	<b>10,827</b>	<b>10,572</b>	<b>10,397</b>	<b>9,506</b>	<b>9,531</b>
Capital Receipts	2,242	3,680	2,000	0	0	0	0
HRA Usable Reserves	7,284	1,550	1,956	1,498	555	349	240
HRA Ring-Fenced Reserves	463	473	473	473	473	473	473
<b>Total Housing Revenue Reserves</b>	<b>9,989</b>	<b>5,703</b>	<b>4,429</b>	<b>1,971</b>	<b>1,028</b>	<b>822</b>	<b>713</b>
<b>Total Reserves</b>	<b>21,332</b>	<b>17,590</b>	<b>15,256</b>	<b>12,543</b>	<b>11,425</b>	<b>10,328</b>	<b>10,244</b>

## 7. General Fund Reserves 5 year plan

7.1 The table below sets out the 5 year plan for the General Fund

£' 000	1.4.2016	2016/17 net movement	31.3.2017 Forecast	2017/18 net movement	31.3.2018 Forecast	2018/19 net movement	31.3.2019 Forecast	2019/20 net movement	31.3.2020 Forecast	2020/21 net movement	31.3.2021 Forecast	31.3.2022 Forecast
	Actual											
<b>USABLE RESERVES</b>												
<u>Financial management Reserves</u>												
MTFS Reserve	1,000		1,000		1,000		1,000		1,000		1,000	1,000
Transformation Reserve	960	(66)	894	900	1,794		1,794		1,794		1,794	1,794
<u>Contingency Reserves</u>												
Emergency Response	40		40		40		40		40		40	40
<u>Service Reserves</u>					0		0		0		0	0
New waste depot site	1,488	(1,488)	0	2,000	2,000		2,000		2,000		2,000	2,000
Planning	982	(385)	597	(275)	322	(200)	122		122		122	122
Waste Management	130	70	200		200		200		200		200	200
Homelessness	40		40	(40)	0		0		0		0	0
Economic Development	194		194		194		194		194		194	194
Elections	25	25	50	25	75	25	100	(75)	25	25	50	75
Strategic Initiatives Fund *	4,506	2,296	6,802	(3,656)	3,146		3,146		3,146	(830)	2,316	2,316
New Homes Bonus Ward Members	39		39		39		39		39		39	39
Voluntary Sector Grants	41	(41)	0		0		0		0		0	0
Private Finance Initiative	0	85	85		85		85		85		85	85
<b>TOTAL USABLE RESERVES</b>	<b>9,445</b>	<b>496</b>	<b>9,941</b>	<b>(1,046)</b>	<b>8,895</b>	<b>(175)</b>	<b>8,720</b>	<b>(75)</b>	<b>8,645</b>	<b>(805)</b>	<b>7,840</b>	<b>7,865</b>
<b>RING-FENCED RESERVES</b>												
Working Balance	1,246	34	1,280	(14)	1,266	(80)	1,186	(100)	1,086	(86)	1,000	1,000
Pension Reserve**	0		0	0	0		0		0	0	0	0
Business Rates Reserve	500	(20)	480		480		480		480		480	480
Licensing Reserve	16	(16)	0		0		0		0		0	0
DWP Reserve	136	50	186		186		186		186		186	186
<b>TOTAL RING-FENCED RESERVES</b>	<b>1,898</b>	<b>48</b>	<b>1,946</b>	<b>(14)</b>	<b>1,932</b>	<b>(80)</b>	<b>1,852</b>	<b>(100)</b>	<b>1,752</b>	<b>(86)</b>	<b>1,666</b>	<b>1,666</b>
<b>TOTAL RESERVES</b>	<b>11,343</b>	<b>544</b>	<b>11,887</b>	<b>(1,060)</b>	<b>10,827</b>	<b>(255)</b>	<b>10,572</b>	<b>(175)</b>	<b>10,397</b>	<b>(891)</b>	<b>9,506</b>	<b>9,531</b>

\* The surplus of £564,000 for 2017/18 is included in the Strategic Initiatives Reserves; however the identified surplus/deficits for future years are not included in the 5 year reserves plan

\*\* This reserve is for the triannual payment on the pension fund deficit and is drawdown in 2017/18 and 2020/21. This is then credited to the pension reserve and paid out in the same year and thus shows a zero balance.

## 8. HRA Reserves 5 year plan

8.1 The table below sets out the 5 year plan for the HRA. The logic behind the reserves is contained within the HRA Business Plan.

£'000	01.04.2016 Balance	31.03.2017 Forecast	31.03.2018 Forecast	31.03.2019 Forecast	31.03.2020 Forecast	31.03.2021 Forecast	31.03.2022 Forecast
<b><u>RINGFENCED RESERVES</u></b>							
Working Balance	463	473	473	473	473	473	473
	<b>463</b>	<b>473</b>	<b>473</b>	<b>473</b>	<b>473</b>	<b>473</b>	<b>473</b>
<b><u>USABLE RESERVES</u></b>							
<u>Revenue Reserves</u>							
Revenue Projects	60	60	60	60	60	60	60
Transformation Reserve	180	180	180	180	180	180	180
Major Repairs Reserve	190	269	477	644	163	0	0
	<b>430</b>	<b>509</b>	<b>717</b>	<b>884</b>	<b>403</b>	<b>240</b>	<b>240</b>
<u>Capital Reserves</u>							
Capital Projects	3,538	0	516	600	138	95	0
Potential Projects Reserve	2,998	723	723	14	14	14	0
Sheltered Housing Projects Reserve	318	318	0	0	0	0	0
	<b>6,854</b>	<b>1,041</b>	<b>1,239</b>	<b>614</b>	<b>152</b>	<b>109</b>	<b>0</b>
<b>TOTAL USABLE RESERVES</b>	<b>7,284</b>	<b>1,550</b>	<b>1,956</b>	<b>1,498</b>	<b>555</b>	<b>349</b>	<b>240</b>
<b>TOTAL RESERVES</b>	<b>7,747</b>	<b>2,023</b>	<b>2,429</b>	<b>1,971</b>	<b>1,028</b>	<b>822</b>	<b>713</b>

Appendix One

Reserve	Purpose and lifespan	Risks	Mitigation and Calculation
MTFS Reserve	To offset the predicted shortfall in budgets the council is expected to encounter in the life of the plan whilst enabling the council to transform.	<p>1. New Homes Bonus – To minimise the impact of New Homes Bonus reduction whilst adjusting the budget to match the income.</p> <p>2. Universal Credit – The working balance assumes Universal Credit will be implemented on time. This reserve will assist should it not be implemented on time and therefore the working balance has to be reinstated at the current level</p> <p>3. Business Rates – Due to timing issues the BR reserve may be insufficient to meet demand</p>	<p>1. The NHB figures presented as part of the MTFS identified the deficit by the end of the plan to be £1m.</p> <p>2. The Working Balance reduces by £280,000 over the remaining life of the plan.</p> <p>It is reasonable to expect service efficiencies/additional income to play a part in addressing the shortfall during the plan however the quick win easy savings are gone, we will be looking at significant changes in the way in which the council operates and this takes time to achieve.</p>

<p>Transformation Reserve</p>	<p>To enable the council to change the way it operates in order to meet the financial challenges ahead.</p>	<p>1. Universal Credit – The Department for Work and Pensions have announced that TUPE does not apply to those staff working in the Benefits Section. However it is possible that DWP will fund any related redundancy costs</p> <p>2. Resistance to change – it is essential the council adapts to new ways of working such as more automation of outgoing mail and better functionality and use of the council website. Failure to adopt new ways of working will seriously affect the future functioning of the council.</p> <p>3. As the council transforms it is possible that a number of services will need to change in the way they are delivered or cease to be provided. This will inevitably lead to statutory redundancy being paid</p>	<p>This is to support and enable customer service improvements to enhance customer interactions with the council.</p> <p>£100k has been allocated in 2017/18 to support the above programme.</p>
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Reserve	Purpose and lifespan	Risks	Mitigation and Calculation
<p>Emergency Response</p>	<p>To enable the council to undertake an emergency response such as that encountered with the Lebanese evacuation.</p>	<p>1. No such emergency arises</p> <p>2. The reserve is insufficient</p>	<p>1. The likelihood of such an emergency is relatively low however as the council moves forward and budget pressures become significant a small reserve is appropriate.</p> <p>2. The council learnt a lot from the Lebanese emergency and now has a policy to assist any such evacuees on their onward journey not to provide on-going support therefore</p>

Reserves Strategy

			the reserve should be sufficient.
New waste depot site	It is proposed to purchase land and provide the necessary buildings and utilities in the south of the district.	<ol style="list-style-type: none"> <li>1. No such piece of land is identified.</li> <li>2. The reserve is insufficient to meet the total costs</li> </ol>	<ol style="list-style-type: none"> <li>1. The process has advanced and there is now a preferred option and a reserve site.</li> <li>2. The land vacated would have residual value and whilst a proportion should be retained to provide additional income streams, some could be sold to cover additional costs. The reserve has been increased to enable a single depot site to be established. This would replace the existing three depots.</li> </ol>

Reserve	Purpose and lifespan	Risks	Mitigation and Calculation
Planning	<p>For four primary purposes</p> <ol style="list-style-type: none"> <li>1. Stansted Airport studies</li> <li>2. Planning Appeals</li> <li>3. Local Plan</li> <li>4. Neighbourhood Plans</li> </ol>	<ol style="list-style-type: none"> <li>1. The reserve is insufficient to meet the total costs</li> </ol>	<p>The reserve has two elements Planning as per points 1 to 3 in the column Purpose and Lifespan. There is also a second element of specific funding included for Neighbourhood Plans and these are accounted for separately.</p> <p>Current indications are that the amount allocated for Planning will be significantly depleted by the end of the financial year 2018/19; there will be a minor balance of £23,000 remaining at 31.3.2019. The majority of reserve will be used to support consultancy relating to the Local Plan.</p> <p>A balance of £99,000 remains for Neighbourhood Plans.</p>

Reserve	Purpose and lifespan	Risks	Mitigation and Calculation
Waste Management	This is a high profile service and by the nature of the work suffers from budget variances. To enable the council to smooth fluctuations in areas such as cost of disposal and agency staffing. The reserve will be reviewed in 12 months.	1. Disposal costs increase	1. With a significant drop in the sale price of oil the cost of dry recycling disposal has increased. The 2017/18 budget is based on current cost with any increase in disposal costs being met from this reserve.
Homelessness	To assist with the fluctuating demand for homeless support. To be reviewed in March 2017.	1. The reserve remains unused	The reserve has been unused since 2014/15 and the monies held in this reserve will be released back into the General Fund in 2017/18.
Economic Development	To assist with the promotion of economic development.	1. The reserve is inadequate to cover projects identified	<ol style="list-style-type: none"> <li>1. Help for local people to start and stay in business.</li> <li>2. Access to superfast broadband and mobile communications.</li> <li>3. Help for business to expand in or locate in Uttlesford.</li> <li>4. Help for town centres with their viability and vitality.</li> </ol>

Reserve	Purpose and lifespan	Risks	Mitigation and Calculation
Elections	Each year £25,000 is allocated to the reserve to fund future election costs. The reserve is used in UDC election years	1. The costs exceed the reserve amount	The reserve is to offset the impact of the cost of elections not to fully cover it. The amount is felt to be sufficient
Strategic Initiatives Fund	<p>The stated purposes of the Strategic Initiatives Fund are</p> <ul style="list-style-type: none"> <li>a. Support for the local economy</li> <li>b. Partnership working with voluntary sector organisations</li> <li>c. Community initiatives and services in rural locations</li> <li>d. “Spend to save” projects to make the Council more efficient and more resilient to funding changes in future years</li> <li>e. Putting some Council services onto a more commercial footing.</li> </ul>	1. Insufficient projects that meet the criteria are identified	<p>There are four key criteria that each initiative must meet to be considered for funding from the Strategic Initiatives Fund. The four criteria are</p> <ul style="list-style-type: none"> <li>1. The initiative demonstrably supports the Council’s corporate priorities, as set out in the Corporate Plan</li> <li>2. The initiative fulfils at least one of the five suggested uses for the Fund, as set out above</li> <li>3. The initiative results in tangible financial benefit to the Council, either by reducing future cost pressures, efficiency savings, or income generation</li> <li>4. The initiative does not give the Council any additional ongoing revenue budget commitments beyond the 2018/19 financial year</li> </ul>

Reserve	Purpose and lifespan	Risks	Mitigation and Calculation
Access Fund	This reserve was set up to pump prime the provision of cycle paths in the district. The intention is that the initial £200,000 would be replenished by appropriate S106 monies as they become available	1. No suitable S106 monies are available to continue the cycle path rollout	This is an Essex County Council responsibility which this Council contributes to by way of S106 monies. If no such money is available the Council will need to decide whether or not to invest more money from other reserves into this scheme
Working Balance	Maintained to protect the Council's budget from unexpected risks,	Calculation as set out in 4.2	
Business Rates Retention	This is to manage the Collection Fund deficit, which is mainly due to the large appeals both lodged and anticipated.	1. Fund is insufficient to meet demand	This is based on central government calculations which make this unlikely to happen. However should it do so the MTFS reserve would be available to support the timing delay.
Licensing	A ring-fenced reserve that can only be spent on the taxi licensing service.		Due to new legislation relating to Taxi Licensing, where they are renewed every 3 or 5 years there is not a requirement to maintain an annual reserve.
DWP	Amount of benefit subsidy currently being reviewed in light of the External Audit grant claim process.	1. DWP seek to recover more money than in the reserve	This is the amount identified by the auditors



**Committee: Cabinet**

**Agenda Item**

**Date: 16 February 2017**

**9**

**Title: Medium Term Financial Strategy 2017/18**

**Portfolio Holder: Councillor Simon Howell**

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## **Summary**

1. The purpose of the Medium Term Financial Strategy (MTFS) is to ensure the ongoing financial health and stability of the Council. The Strategy looks ahead in order to anticipate issues that may arise in the Council's finances. This enables measures to be taken and plans to be put in place ahead of the issues arising.
2. The provisional settlement assumes that Local Authorities will maximise their council tax income, the current increase is capped at either 2% or £5. The Government has based the councils spending power on the maximum Council Tax increase which is £5, the 2017/18 budget is based on a 2% increase and the MTFS assumes a 2% increase for each year thereafter.
3. The Council is facing ever decreasing funding allocations, the phasing out of Revenue Support Grant by 2018/19, transition grant ending in 2018/19, reduction in Rural Services Delivery Grant in 2018/19 and significant reductions in New Homes Bonus. The Rural Services Network are lobbying the Government to address the shortfall in funding that rural districts are facing and the inequity of this compared to Urban areas.
4. The Council signed up for the Government's offer of a four year funding deal in October 2016, (97% of authorities have accepted the offer) and Government has confirmed its commitment to this ongoing. 2017/18 is the second year of the funding deal. The funding streams currently included that apply to this council are;
  - Revenue Support Grant
  - Business rates tariff and top ups
  - Rural Services Delivery Grant
  - Transition Grant
5. The Government proposed changes to the New Homes Bonus (NHB) scheme in a consultation paper issued in December 2015. The target set in the 2016/17 settlement was to reduce total payments from £1.5bn to £900m by 2019/20. The pressure on social care has meant the reductions have been moved forward with a planned reduction of £250m in 2017/18 to create the new adult social care fund. The outcomes from the consultation were expected in June 2016, these were received as part of the provisional statement in December.

- Legacy payments will reduce from 6 years to 5 years in 2017/18 and then to 4 years in 2018/19.
  - A 'deadweight' factor or national baseline will be introduced in 2017/18; NHB allocations will include a reduction for natural growth of 0.4% (149 properties). This means that payments are made only on the increase in the number of houses which are above the national baseline (average national growth).
6. The original consultation also included proposals for no or reduced payments to authorities for houses built following a successful appeal and where an authority does not have an approved Local Plan. These elements have been deferred pending further consultation in 2017/18.
7. Revaluation of Business Rates (BR) hereditaments has been carried out in 2016. Following a technical consultation issued in September 2016 on proposed changes to the calculation of the revaluation adjustment, the Government are proposing three changes;
- Section 31 grants (funding to reimburse the council for statutory rate relief) to be included in the BR income.
  - Adjustment of the calculation to take into account inflation only after the revaluation adjustment to tariffs and top ups
  - The multiplier to be revised;
    - i. properties with a rateable value over £50,000, multiplier is 47.9 (previously over £18,000 at 49.7)
    - ii. properties with a rateable value below £50,000, multiplier is 46.6 (previously to 48.4)
8. Two changes to business rates reliefs were announced and these have been previously fully funded by Section 31 grants. These new reliefs will continue to be funded by Section 31 grants in 2017/18 but there is no indication this will continue in future years.
- Extension of the Rural Rate Relief from 50% to 100% (in line with Small Business Relief)
  - Reliefs for new fibre broadband businesses
9. The introduction of 100% Business Rates Retention is still expected to be implemented in 2019/20, although this is yet to be confirmed. The MTFS assumes a consistent level of Business Rates income for the 5 years as Government has said that the move to 100% retention will be fiscally neutral. The key questions that need to be confirmed are;
- What extra responsibilities LA's will be required to take on?

- Will the appeals risk continue to be managed locally or will there be a central pot?
- What will be included in the Local and Central list?

## Recommendations

10. The Cabinet is requested to recommend, for approval by Full Council, the Medium Term Financial Strategy as attached.

## Financial Implications

11. Summary in the main body of this report and more detail in the Medium Term Financial Strategy.

## Background Papers

None.

## Impact

Communication/Consultation	None
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	The Council has a legal duty to set a balanced budget.
Sustainability	None
None Ward-specific impacts	None
Workforce/Workplace	None

## Forecasting the Council's Budget Requirement

12. It is relatively straightforward to forecast what the Council's costs and income will be, based on extrapolating the 2017/18 budget into future years, using prudent assumptions about inflation.

13. Where actual increases or reductions are not already known, the following annual inflation assumptions have been used:

Budget item	Annual inflation assumption used
Salaries	1%
Employer's pension	1.1% of salary
Other staff costs	0%
Members allowances	1%
Utilities & fuel	3%

Supplies & services (contractual)	3%
Supplies & services (non-contractual)	0%
Fees & charges income (except car parking)	2%
Car parking income	0%
Benefits case load	-1%
Benefits rent increases	-1%
Demand growth	£50,000 cumulative additional spend per year from 2018/19

14. The model also assumes that during the next few years, the Government will proceed with its policy intention to transfer Housing Benefit to the Universal Credit scheme. The model makes assumptions that benefits expenditure and related DWP subsidy grant income will be progressively removed from the Council's budget during the next few years. This has the effect of reducing gross expenditure and gross income, but the bottom line effect is slight because 98% of expenditure is met by grant.

15. Other assumptions:

- No changes to the Council's priorities; existing levels of service provision to continue.
- Capital financing costs are based on the draft five year capital programme and allied financing strategy.
- Recharge of costs to Housing Revenue Account is based on actual cost apportionment of central and core services.
- Investment income continues to remain low due to the interest rate decline.

### **Efficiency and Income Opportunities**

16. As part of the offer to accept the four year settlement the council was required to prepare an efficiency plan, this was a high level document and the council was not required to put in specific details of how this would be achieved. The original plan was submitted to Cabinet in October for approval and can be found at the following link [Efficiency Plan](#)

17. The Corporate Management Team is currently working on detailed plans to achieve the required efficiencies to ensure a balanced budget over the next 5 years. This includes actively seeking investment opportunities and income generating projects.

## **MTFS: Guiding principles**

18. The Council will continue to exercise prudence and discipline in its financial management. Costs will be controlled and kept under review, and income will be maximised wherever appropriate. Work will continue to identify ways to deliver services at a lower cost.
19. Inevitably, resource allocation decisions will be required based upon changing circumstances and priorities. Some budgets will need to be increased, and some reduced. The Council will seek to safeguard those activities that it considers to be highest priority as stated in the Corporate Plan.
20. During the first two years of the plan the Council will endeavour to make savings in priority areas only if there is no significant adverse impact to quality and level of service provision. For example, the Council may find a more efficient means of delivering the service. Otherwise, the Council will not make savings that result in diminution in service quality in these areas unless there is no alternative e.g. inability to balance the budget.
21. The Council acknowledges the need to provide statutory services, and in many cases these will be consistent with Corporate Plan priorities. Where the link between the need to provide a statutory service and Corporate Plan priorities is not as strong, the Council will provide a level of service consistent with affordability. Efficiency gains and partnership working will be explored as means of providing statutory services to an acceptable level at a lower cost. In some circumstances, the Council will consider reducing the level of service in order to make savings and redirect resources to the Council's highest priorities.
22. Subject to the above, unavoidable and essential growth items will be funded by the making of savings from elsewhere within the Council budget, or the generation of additional income. The Council will not make ongoing revenue commitments from non-recurring funding sources
23. The Council will manage its budget as a corporate whole, if necessary transferring money from one activity to another if this is what is necessary to match limited resources to the highest priorities.
24. In ordinary circumstances the Council will not use reserves to fund any ongoing expenditure. In exceptional circumstances, the Council may use reserves for one-off items or to alleviate budget pressures within the context of an overall plan to achieve a balanced budget but will seek opportunities to replenish reserves consumed in this way.
25. The Council will ensure that all reserves are held for clearly defined purposes and the amounts kept under review as per the Reserves Strategy.
26. Investment in new initiatives and service improvements will be subject to a value for money assessment and a post-implementation review to assess whether the intended benefits were achieved.

**Risk Analysis**

Risk	Likelihood	Impact	Mitigating actions
Actual experience differs from the assumptions in the budget and business plan	4 some variation is inevitable	3 sums involved are potentially significant	Ensure MTFS has element of flexibility Maintain adequate reserves Robust monitoring Half yearly review by Cabinet

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.



# Uttlesford District Council

## Medium Term Financial Strategy



Prepared by:  
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Uttlesford District Council  
January 2017



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## Financial Outlook

Budget planning this year is again characterised by uncertainty about Government funding and local government finance generally. Root and branch reform of the funding system continues apace with this being the fourth year of localisation of business rates and council tax support.

The basis of local government funding has radically altered such that Councils' funding depends directly on growth and prosperity in their local economies. The provisional settlement was announced on the 14<sup>th</sup> December 2016. The Council is facing ever decreasing funding allocations, the phasing out of Revenue Support Grant by 2018/19, transition grant ending in 2018/19, reduction in Rural Services Delivery Grant in 2018/19 and significant reductions in New Homes Bonus.

A consultation on the proposed settlement is in progress and Uttlesford has submitted a response, along with this, The Rural Services Network are lobbying the Government to address the shortfall in funding that rural districts are facing and the inequity of this compared to Urban areas. The consultation closes on 13<sup>th</sup> January 2017.

There continues to be much uncertainty in the five year forecast as the Government consultations for both New Homes Bonus and 100% Business Rates Retention continue. The proposals are varied and the implications potentially significant.

When preparing this document, a number of significant assumptions have been made. For clarity these are set out below along with potential consequences if the assumptions prove to be incorrect.

### Four Year Settlement

In the 2016/17 settlement Government offered all authorities the option to 'sign up' for a four year funding deal. This was to give authorities certainty and clarity over future years funding streams. The Council formally accepted the offer in October 2016, as part of this we were required to produce an efficiency plan.

The efficiency plan was submitted to Cabinet in October 2016 and a link to this is included later in this document.

### New Home Bonus (NHB)

The NHB figure for 2017/18 was £3.772m in the provisional settlement on the 14<sup>th</sup> December. The Government has announced that NHB will continue for the immediate future; a consultation was undertaken on a review of the scheme in 2016, Uttlesford submitted a response. The Government's target set in the 2017/18 settlement was to reduce total payments from £1.5bn to £900m by 2019/20. The pressure on social care has meant the reductions have been moved forward with a planned reduction of £250m in 2017/18 to create the new adult social care fund. The outcomes from the consultation were expected in June 2016, these were received as part of the provisional statement in December. The provisional amendments are detailed below;

1. Legacy payments will reduce from 6 years to 5 years in 2017/18 and then to 4 years in 2018/19.
2. A 'deadweight' factor or national baseline will be introduced in 2017/18; NHB allocations will include a reduction for natural growth of 0.4%. This means that payments are made only on the increase in the number of houses which are above the national baseline (average national growth). This equates to approximately 149 properties per year.

## Medium Term Financial Strategy

3. The consultation also included proposals for no or reduced payments to authorities where houses are built following a successful appeal and where an authority does not have an approved Local Plan. These elements have been deferred pending further consultation in 2017/18.

### Localisation of Business Rates

The way in which the Council prepares estimates for the Localisation of Business Rates is under further review; this is due to the 2017 revaluation which is where the government adjusts the value of business rates to reflect changes in the property market. The last revaluation was carried out in 2010.

At revaluation the multipliers are also revised, which often means that individual businesses do not always see an increase in their business rates. To calculate the 'net collectable income' on business rates the following calculation applies;

Rateable value x multiplier = business rates payable.

The extension of current reliefs and the introduction of new reliefs also raise concerns, these have previously been funded through the section 31 grant, it is confirmed that this will continue for 2017/18 but there have been no indication of whether this will continue in future years. The Rural Rate Relief has been extended from 50% to 100%, to bring it in line with Small Business Relief and the introduction of relief for Fibre Broadband.

In previous years the section 31 grant (funding to reimburse the Council for statutory rate reliefs) was outside of the calculation of the councils 'net collectable income', this grant is now included in our income and levy calculation.

Appeals continue to be a challenge, although the financial risk has now reduced with any new appeals being subject to the new process of 'check, challenge and appeal', must be submitted within 3 months of the billing period and the back dating period being limited to April 2017.

There is still a significant level of historic appeals outstanding with the Valuation Office and these are subject to back dating to April 2010. The highest risk appeal the council faced was Stansted Airport and this was settled in 2016/17.

The introduction of 100% Business Rates Retention is still expected to be implemented in 2019/20, although this is yet to be confirmed. The MTFS assumes a consistent level of Business Rates income for the 5 years as Government have said that the move to 100% retention will be fiscally neutral. The key questions that need to be confirmed are;

- What extra responsibilities LA's will be required to take on?
- Will the appeals risk continue to be managed locally or will there be a central pot?
- What will be included in the Local and Central lists?

### Universal Credit

The full rollout of Universal Credit has been delayed; the transfer of all working age claimants from Housing Benefit to Universal Credit is now expected to be April 2022. If there is any further delay this will have an impact on the Council's budget as the forecasted reduction in the Working Balance Reserve is entirely due to the fact that the Council budget will reduce following the rollout of Universal Credit. There is a high risk that the actual level of claims transferred to Universal Credit will be

## Medium Term Financial Strategy

significantly lower than that expected, due to the large number of pensioner and other types of disregarded claims.

## Budget Model

To inform the financial outlook for UDC, a detailed budget model is used. The following are key assumptions used in the model.

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Gross service expenditure	35,423	33,209	30,569	27,390	24,461
Gross service income	(23,973)	(22,345)	(19,611)	(16,142)	(12,911)
Demand growth	0	0	50	100	150
<b>Net Service expenditure</b>	<b>11,450</b>	<b>10,864</b>	<b>11,008</b>	<b>11,348</b>	<b>11,700</b>

- a) **Gross service expenditure:** Uses the 2016/17 base budget as a starting point and one-off items have been removed. Assumptions about annual inflation for 2017/18 are used: staff pay 1%; pension 1.1%; utilities 3%; contractual indexation 3% (unless specified otherwise); price inflation 2%.
- b) **Gross Service Income:** Again uses the 2016/17 base budget as a starting point. Assumed price inflation of 2% for fees and charges except where special arrangements apply e.g. car park charges and taxi licences.
- c) **Universal Credit** – Assumed that Housing Benefits expenditure and subsidy will continue to phase out of the UDC budget in 2017/18 and Universal Credit to be implemented in full by 2022/23. This is shown by the Gross service expenditure and income reducing year on year.
- d) **Service demand** – Due to growing population and housing numbers, it is prudent to assume greater demand for council services such as refuse and recycling, revenues collection, etc. A cumulative figure of £50,000 pa has been used from 2018/19.
- e) **Specific grants:** Housing Benefits subsidy at 98% of expenditure. Benefits admin subsidy being reduced to reflect rollout of Universal Credit.

## Medium Term Financial Strategy

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Capital financing costs	1,861	1,962	2,120	1,805	1,717
Pension fund - added years	92	92	92	92	92
Pension Fund - Deficit	770	0	0	830	0
Apprenticeship Levy	51	52	53	54	56
Recharge to HRA/Corporate Core	(1,800)	(1,836)	(1,873)	(1,910)	(1,948)
Investment Income	(65)	(66)	(66)	(67)	(68)
Efficiencies and Income Opportunities	(200)	0	0	0	0
<b>Total Corporate expenditure</b>	<b>709</b>	<b>204</b>	<b>326</b>	<b>804</b>	<b>(151)</b>

### f) Corporate items:

- Capital Financing Costs – are in line with the projected capital programme’s financing requirements. The increased financing costs from 2019/20 relate to a new IT capital project and full details can be found in the Capital Programme report.
- Pension Fund deficit payment – tri-annual payment, where a discount is given for a 3 year upfront payment.
- Apprenticeship Levy – all employers with salary costs greater than £3m are required to pay a mandatory levy of 0.5% through the PAYE system.
- Investment income – nominal sum only due to continued low interest rates and prudent investment policy.
- Recharges to HRA – no change in methodology, based on actual costs of central services and corporate core.

- f) **Efficiencies and Income Opportunities:** the savings identified are taken from the efficiency plan the Council was required to submit as part of the four year settlement. The Council is actively exploring options for investment projects to increase the ability to generate new sources of income. The savings identified are based around three core areas, Income Generation, Service Redesign and New Ways of Working. Full details can be found at the following link. [Efficiency Plan](#)

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Business Rates Retention	(2,568)	(2,215)	(2,286)	(2,200)	(2,200)
NNDR Collection Fund Deficit	1,009	0	0	0	0
<b>Net Business Rates Income</b>	<b>(1,559)</b>	<b>(2,215)</b>	<b>(2,286)</b>	<b>(2,200)</b>	<b>(2,200)</b>

## Medium Term Financial Strategy

- g) **Localisation of Business Rates:** The increased income figure for 2017/18 compared to future years is due to the Council membership of the Essex Business Rates Pool. The pool has to be approved by government each year and with expected 100% Business Rates retention commencing in 2020 there is no indication the pooling scheme will continue beyond 2017/18.

The collection fund deficit is the Council's share of the shortfall in the appeal provision for the backdated settlement of the Stansted Appeal. The guidance from our external consultants indicated that the appeal settlement would be approximately £8m whereas the actual backdated settlement figure from the Valuation Office was £11m.

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Formula Grant	(255)	0	0	0	0
Rural Services Delivery Grant	(225)	(172)	(225)	0	0
Transitional Grant	(60)	0	0	0	0
<b>Total Grant Funding</b>	<b>(540)</b>	<b>(172)</b>	<b>(225)</b>	<b>0</b>	<b>0</b>

- h) **Formula Grant:** The Government has announced that Formula Grant (also known as Revenue Support Grant or RSG) will be phased out. For this Council 2017/18 is the final year of this grant. The Rural Services Delivery Grant continues until 2019/20, from 2020/21 the Council's funding is reliant on Business Rates Retention and New Homes Bonus.

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
New Homes Bonus	(3,772)	(2,881)	(2,764)	(2,500)	(2,500)

- i) **New Homes Bonus:** The model shows the announced figure for 2017/18. Future year's allocations for 2018/19 and 2019/20 are based on the latest funding analysis, (using average growth in the area), received from our CIPFA Finance Network consultants. The final two years are purely estimated, as we expect significant changes to the way the council is funded with the introduction of 100% Business Rates.

## Council Tax

The MTFS has been prepared on the assumption that Council Tax will be increased annually by 2%. The Administration shall be looking carefully at the council's finances during the next 2 to 3 years and will take appropriate and responsible decisions depending on the circumstances at the time. Tax base assumptions are in line with housing growth forecasts based on the average growth over the last five years, which equates to approximately 2%. An estimate of LCTS discounts has been made. These assumptions give rise to the forecasts on the table below.

Medium Term Financial Strategy

	2017/18	2018/19	2019/20	2020/21	2021/22
Tax Base	37,234	37,968	38,715	39,478	40,256
LCTS Discounts	(2,010)	(2,010)	(2,010)	(2,010)	(2,010)
<b>Net Tax Base</b>	<b>35,224</b>	<b>35,958</b>	<b>36,705</b>	<b>37,468</b>	<b>38,246</b>
UDC Band D	142.93	145.79	148.70	151.68	154.71
Percentage increase	2%	2%	2%	2%	2%
<b>Council Tax Income</b>	<b>(5,035)</b>	<b>(5,242)</b>	<b>(5,458)</b>	<b>(5,683)</b>	<b>(5,917)</b>

## Outcome of Budget Modelling

	2017/18 £' 000	2018/19 £' 000	2019/20 £' 000	2020/21 £' 000	2021/22 £' 000
Gross service expenditure	35,423	33,209	30,569	27,390	24,461
Gross service income	(23,973)	(22,345)	(19,611)	(16,142)	(12,911)
Demand growth	0	0	50	100	150
<b>Net service expenditure</b>	<b>11,450</b>	<b>10,864</b>	<b>11,008</b>	<b>11,348</b>	<b>11,700</b>
Capital financing costs	1,861	1,962	2,120	1,805	1,717
Pension fund - added years	92	92	92	92	92
Pension Fund - Deficit	770	0	0	830	0
Apprenticeship Levy	51	52	53	54	56
Recharge to HRA/Corporate Core	(1,800)	(1,836)	(1,873)	(1,910)	(1,948)
Investment Income	(65)	(66)	(66)	(67)	(68)
Efficiencies and Income Opportunities *	(200)	0	0	0	0
<b>Total budget</b>	<b>12,159</b>	<b>11,068</b>	<b>11,334</b>	<b>12,152</b>	<b>11,549</b>
<b>Funding</b>					
Business Rates Retention	(2,568)	(2,215)	(2,286)	(2,200)	(2,200)
Collection Fund Balance	816	0	0	0	0
Formula Grant	(255)	0	0	0	0
Rural Services Grant	(285)	(173)	(224)	0	0
New Homes Bonus	(3,772)	(2,881)	(2,764)	(2,500)	(2,500)
<b>Total Funding</b>	<b>(6,064)</b>	<b>(5,269)</b>	<b>(5,274)</b>	<b>(4,700)</b>	<b>(4,700)</b>
<b>Net Operating Expenditure</b>	<b>6,095</b>	<b>5,799</b>	<b>6,060</b>	<b>7,452</b>	<b>6,849</b>
Movement in Reserves	(1,060)	(255)	(175)	(891)	25
<b>COUNCIL TAX REQUIREMENT</b>	<b>5,035</b>	<b>5,544</b>	<b>5,885</b>	<b>6,561</b>	<b>6,874</b>
<b>COUNCIL TAX INCOME</b>	<b>(5,035)</b>	<b>(5,242)</b>	<b>(5,458)</b>	<b>(5,683)</b>	<b>(5,917)</b>
<b>In year surplus (-) / deficit</b>	<b>0</b>	<b>302</b>	<b>427</b>	<b>878</b>	<b>957</b>
Efficiencies and Income Opportunities	0	(696)	(725)	(961)	(1,025)
<b>Adjusted surplus (-) / deficit</b>	<b>0</b>	<b>(394)</b>	<b>(298)</b>	<b>(83)</b>	<b>(68)</b>

## Medium Term Financial Strategy

*The 2017/18 surplus of £564k has been added to the Strategic Initiatives Reserves.*

*\* The efficiencies target for 2017/18 is shown in the body of the table as there is a legal requirement to set a balanced budget.*

Sufficient reserves should be maintained to cover the eventualities that may arise from 2018/19 if the efficiencies identified cannot be realised. The Council should proactively look for service efficiencies and income generating projects.

Due to the degree of estimation involved and the longer term projections referred to in the preceding paragraphs, it will be absolutely essential to maintain strong financial discipline around all aspects of the council's costs and income. The Council must ensure it is in a strong position to anticipate and adapt to funding outcomes that differ from those currently assumed. Therefore any decision to incur additional costs (e.g. service investment) or to reduce income (e.g. fees & charges reductions) must be fully funded by sustainable cost savings and/or additional income elsewhere in the council's budget.

## Reserves

Total General Fund usable reserves during this five year model are estimated to decrease from £12.68m to £10.32m. This includes the surplus for 2017/18 but excludes any in-year surpluses or deficits for future years. A schedule of forecasted reserves balances is set out on the following page.

£' 000	1.4.2016	2016/17 net movement	31.3.2017 Forecast	2017/18 net movement	31.3.2018 Forecast	2018/19 net movement	31.3.2019 Forecast	2019/20 net movement	31.3.2020 Forecast	2020/21 net movement	31.3.2021 Forecast	31.3.2022 Forecast
	Actual											
<b>USABLE RESERVES</b>												
<u>Financial management Reserves</u>												
MTFS Reserve	1,000	(20)	980		980		980		980		980	980
Transformation Reserve	960	(66)	894	900	1,794		1,794		1,794		1,794	1,794
<u>Contingency Reserves</u>												
Emergency Response	40		40		40		40		40		40	40
<u>Service Reserves</u>					0		0		0		0	0
New waste depot site	1,488	(1,488)	0	2,000	2,000		2,000		2,000		2,000	2,000
Planning	982	(385)	597	(275)	322	(200)	122		122		122	122
Waste Management	130	70	200		200		200		200		200	200
Homelessness	40		40	(40)	0		0		0		0	0
Economic Development	194		194		194		194		194		194	194
Elections	25	25	50	25	75	25	100	(75)	25	25	50	75
Strategic Initiatives Fund	4,506	2,296	6,802	(3,656)	3,146		3,146		3,146	(830)	2,316	2,316
New Homes Bonus Ward Members	39		39		39		39		39		39	39
Voluntary Sector Grants	41	(41)	0		0		0		0		0	0
Private Finance Initiative	0	85	85		85		85		85		85	85
<b>TOTAL USABLE RESERVES</b>	<b>9,445</b>	<b>476</b>	<b>9,921</b>	<b>(1,046)</b>	<b>8,875</b>	<b>(175)</b>	<b>8,700</b>	<b>(75)</b>	<b>8,625</b>	<b>(805)</b>	<b>7,820</b>	<b>7,845</b>
<b>RING-FENCED RESERVES</b>												
Working Balance	1,246	34	1,280	(14)	1,266	(80)	1,186	(100)	1,086	(86)	1,000	1,000
Pension Reserve*	0		0	0	0		0		0	0	0	0
Business Rates Reserve	500	798	1,298		1,298		1,298		1,298		1,298	1,298
Licensing Reserve	16	(16)	0		0		0		0		0	0
DWP Reserve	136	50	186		186		186		186		186	186
<b>TOTAL RING-FENCED RESERVES</b>	<b>1,898</b>	<b>866</b>	<b>2,764</b>	<b>(14)</b>	<b>2,750</b>	<b>(80)</b>	<b>2,670</b>	<b>(100)</b>	<b>2,570</b>	<b>(86)</b>	<b>2,484</b>	<b>2,484</b>
<b>TOTAL RESERVES</b>	<b>11,343</b>	<b>1,342</b>	<b>12,685</b>	<b>(1,060)</b>	<b>11,625</b>	<b>(255)</b>	<b>11,370</b>	<b>(175)</b>	<b>11,195</b>	<b>(891)</b>	<b>10,304</b>	<b>10,329</b>

\*The pension reserve shows a zero balance as the transfer from the Strategic Initiatives reserves and subsequent release to the general fund are in the same year and thus gives a net zero balance.

The forecast underspend for 2016/17 is not shown in the 5 year Reserves Strategy above nor however are the identified shortfalls in the years from 2018/19.

## Housing Revenue Account (HRA)

2017/18 will be the sixth year of self-financing and the first year of the principal repayment of the loan. The HRA Business Plan, re-written in January 2016, sets out estimates of revenue headroom and how this will be invested.

A number of financial assumptions, including interest rates, rent setting, void rates, bad debt levels and repair costs have been used in the Business Plan. These and other assumptions will be kept under review to ensure that the plan remains a robust tool in the delivery of the council's priorities.

An HRA investment programme has been developed based on these financial assumptions. Alongside investment in existing stock and new housing, a range of actions are planned to deliver value for money service improvements.

The key issues for the HRA will be:

- ensuring that delivery of the HRA Business Plan is on course
- mitigating the impact of the 1% rent reduction
- preparing for the potential loss of high value voids or government levy on councils as part of the government's policy to fund the Right To Buy (RTB) discounts of Housing Associations
- reducing the risk of repayment of RTB receipts to government
- ensuring that the Housing Service has the capacity to deliver the plan

Under the self-financing reform the Council took out a loan for housing stock of £88.4m. The debt has been structured so that it is repaid in years 6 to 30 i.e. from 2017/18 to 2041/42. However, up to £10m can be paid off early without financial penalty.

A review of the HRA Business Plan and the financing of the loans will be undertaken in early 2017/18 in order to ensure the maximum benefit is being obtained, both in terms of interest rates and also the ability for the HRA to continue to deliver new housing.

The table on the next page shows the predicted 5 year financial position for the HRA. The use of the HRA reserves and the 5 year reserve balances are detailed in the Reserves Strategy.

## Housing Revenue Account – 5 year Summary

	2017/18 Original Budget	2018/19 Original Budget	2019/20 Original Budget	2020/21 Original Budget	2021/22 Original Budget
<b>£ '000</b>					
Dwelling Rents	(14,160)	(14,019)	(14,229)	(14,442)	(14,659)
Garage Rents	(206)	(208)	(210)	(212)	(214)
Other Rents etc	(3)	(3)	(3)	(4)	(4)
Charges for Services & Facilities	(853)	(862)	(870)	(879)	(888)
Contribution towards expenditure	0	0	0	0	0
<b>Total Income</b>	<b>(15,222)</b>	<b>(15,091)</b>	<b>(15,312)</b>	<b>(15,537)</b>	<b>(15,764)</b>
<b>Housing Finance &amp; Business Management</b>					
Business & Performance Management	122	124	125	126	127
Rents, Rates & Other Property Charges	75	75	76	77	78
	197	199	201	203	205
<b>Housing Maintenance &amp; Repairs Service</b>					
Common Service Flats	189	191	193	195	197
Estate Maintenance	147	148	150	151	153
Housing Repairs	2,321	2,344	2,367	2,391	2,415
Housing Sewerage	53	53	54	54	55
Newport Depot	17	17	17	17	17
Property Services	300	303	306	309	312
	3,026	3,057	3,087	3,118	3,149
<b>Housing Management &amp; Homelessness</b>					
Housing Services	399	403	407	411	415
Sheltered Housing Services	623	625	631	637	644
	1,022	1,027	1,038	1,048	1,059
<b>Other Costs</b>					
Bad Debt Provision	178	180	182	183	185
Depreciation -transferred to MRR	3,564	3,599	3,635	3,672	3,708
Impairment - Other Assets	0	0	0	0	0
Interest/Costs re HRA Loan	2,625	2,651	2,678	2,705	2,732
Repayment of HRA Loan	2,000	2,000	2,000	2,000	2,000
Investment Income	(15)	(15)	(15)	(15)	(16)
Pension Costs - Added Years	19	19	19	20	20
Pension Deficit - Triannual payment	158	0	0	170	172
Recharge from General Fund	1,507	1,522	1,537	1,553	1,568
HRA Share of Corporate Core	293	296	299	302	305
<b>Total Non-Service Expenditure</b>	<b>10,329</b>	<b>10,253</b>	<b>10,335</b>	<b>10,589</b>	<b>10,675</b>
<b>Total Expenditure</b>	<b>14,574</b>	<b>14,536</b>	<b>14,661</b>	<b>14,958</b>	<b>15,087</b>
<b>OPERATING (SURPLUS)/DEFICIT</b>	<b>(648)</b>	<b>(556)</b>	<b>(651)</b>	<b>(579)</b>	<b>(677)</b>
Transfer to/(from) Capital receipts	(2,000)	(413)	(200)	(200)	(200)
<b>Revenue balance available for capital financing</b>	<b>(2,648)</b>	<b>(969)</b>	<b>(851)</b>	<b>(779)</b>	<b>(877)</b>
<b>Capital Schemes Funded from Revenue</b>	<b>2,449</b>	<b>1,588</b>	<b>1,905</b>	<b>1,156</b>	<b>1,170</b>
<b>Transfers to/(from) Reserves</b>					
Capital Projects	516	84	(462)	(43)	(109)
Change Management Reserve	0	0	0	0	0
Potential Developments	0	(709)	0	0	0
Sheltered Housing Reserve	(317)	0	0	0	0
Transformation Reserve	0	0	0	0	0
Major Repairs Reserve - Other	0	0	(598)	(340)	(190)
Working Balance	0	0	0	0	0
	199	(625)	(1,060)	(383)	(299)
<b>(SURPLUS)/DEFICIT</b>	<b>(0)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>



**Committee:** Cabinet

**Date:** 16 February 2017

**Title:** Treasury Management Strategy 2017/18

**Portfolio Holder:** Councillor Simon Howell

**Agenda Item**

**10**

**Item for decision**

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## **1.0 Summary**

- 1.1 The Council's cash-flow management, use of banks, investments and borrowing is governed by the Treasury Management Strategy (TM strategy).
- 1.2 The CIPFA Code of Practice for Treasury Management in Public Services (the "TM Code") requires the Council to determine its Treasury Management Policy and Strategy for 2017/18 and the following two years.
- 1.3 The Local Government Act 2003 also requires Local Authorities to adopt Prudential Indicators and Minimum Revenue Provision Statements, see Appendices A and B.
- 1.4 The TM strategy will continue to give priority to security and liquidity of investment capital over return. It will also be prudent and transparent.
- 1.5 The strategy assumes no new external borrowing. Investments will continue to be prudent and diversify Council surplus cash within the parameters permitted.
- 1.6 The Scrutiny Committee reviewed the budget reports on 7 February. Comments from the Committee are in a separate item on the agenda.

## **2.0 Recommendations**

- 2.1 The Cabinet is requested to approve, for recommendation to Full Council, the following items:
  - Treasury Management Strategy 2017/18.
  - Prudential Indicators, Appendix A.
  - Minimum Revenue Provision (MRP) Statement, Appendix B
  - Economic Forecast, Appendix C

### 3.0 Impact

Communication/Consultation	No specific implications
Community Safety	No specific implications
Equalities	No specific implications
Finance	The financial impact and the associated arrangements for managing risk are included in the body of the report.
Health and safety	No specific implications
Human Rights	No specific implications
Legal implications	The strategy fulfils requirements of the LGA 2003
Ward-specific impacts	No specific implications
Workforce /Workplace	No specific implications

### 4.0 Background

- 4.1 The 2017/18 Strategy has incorporated the updates to our current strategy approved at Cabinet on 1 December; these are in line with recommendations by our independent Treasury Management Advisors (Arlingclose). The key changes were:
- Increased counterparty investment levels and time limits for Local Authorities
  - Increased borrowing limit to £250million
- 4.2 The Treasury Management counterparty list is outlined below and is also included within the Strategy; there are no recommended changes for 2017/18.
- 4.3 The Council has adopted the TM Code; in addition the Department for Communities and Local Government (DCLG) issued revised *Guidance on Local Authority Investments* in March 2010 which both require the Council to approve an Investment Strategy before the start of each financial year.
- 4.5 The Treasury Management Strategy fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the TM Code and the DCLG Guidance.
- 4.6 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy and to mitigate these risks.

## 5.0 Background Papers

5.1 None

## 6.0 Risk Analysis

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigating actions</b>
Credit/Liquidity/Refinancing and Market risks	2 – Our advisors will alert us to any future or possible risks	2 – Some action may be necessary to ensure that funds are secure	Council compliance with the legal framework as set out in the local Government Act 2003, associated regulations and professional Codes of Practice/guidance.  Compliance monitored regularly through: <ul style="list-style-type: none"><li>• adoption of TM Policy and Strategy</li><li>• Mid year TM progress report to Cabinet</li><li>• Annual TM outturn Report to Cabinet.</li><li>• TM procedures</li></ul>

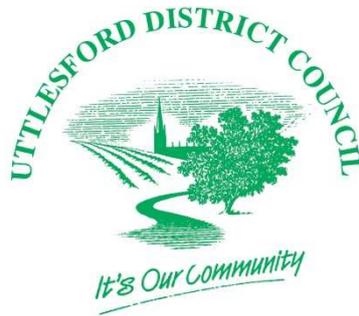
1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.





# Uttlesford District Council Treasury Management Strategy 2017/18

1. Introduction
2. Policies & Objectives
3. Reporting Requirements
4. External Context
5. Borrowing Strategy
6. Debt Rescheduling
7. Investment Strategy
8. Risk Assessment
9. Liquidity Management
10. Governance Arrangements
- 11 Treasury Management Procedures

Appendices;

- A - Prudential Indicators
- B - MRP Statement
- C - Economic Forecast

## 1.0 – Introduction

The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

Treasury Management activities are defined by CIPFA as:

*“The management of the Council's investments, borrowing and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimal performance consistent with those risks.”*

The Authority has invested and borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

The Council regards the successful identification, monitoring and control of risk to be prime criteria by which the effectiveness of its treasury management activities will be measured. Therefore, any reporting of treasury management activities will focus on the risk to the Council and the management of such risks.

The main risks to the Council's treasury activities are:

- Liquidity risk (inadequate cash resources)
- Market or interest rate risk (fluctuations in interest rates)
- Inflation risk (exposure to change in prices)
- Credit and counterparty risk (security of investments)
- Refinancing risks (impact of debt maturing in future years)
- Legal and regulatory risk (i.e. non-compliance with requirements)

The changes from the strategy adopted in 2016/17 are:

The counterparty list for other Local Authorities (to include Fire and Police) was revised in December 2016 and the changes were;

- The investment limit was increased from £5m per authority to unlimited
- The percentage of portfolio invested increased from 70% to 100%
- The maximum number of days of investment increased from 365 to 730 days.

The operational boundary was increased from £101.5m to £250.0m to allow the Council flexibility in its borrowing to support future investment and the Council's wholly owned company.

## **2.0 – Policies and Objectives**

The Council acknowledges that effective Treasury Management will provide support towards the achievement of its business and services objectives. Therefore, it is committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques within the context of effective risk management.

The Council's borrowing will be affordable, ensuring appropriate provision is made within the revenue budget to repay debt. It should also be sustainable and prudent, consideration being given to the management of interest rate risk and risks associated with refinancing. Also, the Council's borrowing activities will be transparent as will its control of its debt.

With regards to the Council's Investment Strategy the key focus and order of priority will be as follows:

- 1) Security
- 2) Liquidity
- 3) Return

## **3.0 – Reporting Requirements**

In line with best practice, Members are required to receive and approve, as a minimum, three main reports each year. The report which should accompany the Council's budget strategy and Medium Term Financial Strategy (MTFS) is to be reviewed by Scrutiny Committee prior to approval by Cabinet and referral to Full Council. The main reports to be reviewed during the year are:

- Mid-Year Treasury Management Report: updating Cabinet with progress on the capital position, amending the prudential indicators or Investment Counterparty list as necessary and in general revising the TM strategy if need be.
- An Annual Treasury Management Outturn Report: providing details of actual prudential and treasury indicators and actual treasury operations compared to the estimates included in the strategy. The report will be presented to the June Cabinet after the financial year end.
- Treasury Management Regular Reports: included within the General Fund, Housing Revenue Account and Capital Programme budget monitoring reports received by the Cabinet as scheduled in the Committee reporting timetable.

## **4.0 – External Context**

### **Economic Background**

The major external influence on the Authority's treasury management strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Financial markets, wrong-footed by the referendum outcome have since been weighed down by uncertainty over whether leaving the Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over future economic prospects will therefore remain throughout 2017/18.

The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.

Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18.

Looking overseas, with the US economy and its labour market showing steady improvement, the market has priced in a high probability of the Federal Reserve increasing interest rates in December 2016. The Eurozone meanwhile has continued to struggle with very low inflation and lack of momentum in growth, and the European Central Bank has left the door open for further quantitative easing.

The impact of political risk on financial markets remains significant over the next year. With challenges such as immigration, the rise of populist, anti-establishment parties and negative interest rates resulting in savers being paid nothing for their frugal efforts or even penalised for them, the outcomes of Italy's referendum on its constitution (December 2016), the French presidential and general elections (April – June 2017) and the German federal elections (August – October 2017) have the potential for upsets.

### **Credit outlook**

Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however continue to fall.

### **Interest rate forecast**

The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2017/18. The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the Bank Rate look less likely. Negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50. Long-term economic

fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a possibility, to keep long-term interest rates low.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix C.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.286%.

## **5.0 – Borrowing Strategy**

The Council maintained an 'under-borrowed' position up until 28<sup>th</sup> March 2012. This means that the Capital Financing Requirement was not funded with new external debt as cash supporting the Council's reserves balances and cash flow have been used. This position changed with the need to borrow to finance the HRA 'Self Financing' payment.

The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

The Medium Term Financial Strategy (MTFS) is based on the following borrowing assumptions for the next five years:

- To finance capital expenditure by continuing to run down cash balances and forego interest income at historically low interest rates.
- The Council has signed up for the Government's new 'certainty rate' for local authorities of 0.2% below the standard PWLB rates but the arrangement will not be required for 2017/18 as the intention is to use internal borrowing which is currently more cost effective.
- If there is a significant risk of a sharper rise in long and short term rates than forecast then the debt portfolio position will be reappraised; with consideration given to fixed rate funding whilst rates are still relatively cheap.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next 2-3 years as official interest rates remain low, it is unlikely to be sustainable in the medium-term.

In addition, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board and any successor body
- UK local authorities
- any institution approved for investments
- any other bank or building society authorised by the Prudential Regulation Council to operate in the UK
- International and European Banks as approved by our independent Consultants, Arlingclose, who will undertake appropriate analysis of financial statements and credit ratings

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Operating and Finance Leases
- Hire Purchase
- Private Finance Initiative
- Sale and Leaseback

The Council has previously raised all of its long term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

The Council has £88.407m of long-term borrowing from the Public Works Loan Board.

The Council's debt portfolio can be restructured through the premature repayment of loans and refinancing to reduce interest rate risk and make savings in the revenue budgets.

The Council currently pays approximately £2.6m each year towards interest cost for the £88.407m loan borrowed from PWLB. 2017/18 is the first year of the principal repayment of the loan, for £2.0m. The following table details the current debt portfolio.

Final Payment Date	Balance Outstanding £'000	Loan Rate	Discount Rate
28/03/2018	2,000	0.65	0.66
28/03/2019	2,000	0.65	0.66
28/03/2020	2,000	0.65	0.66
28/03/2021	2,000	0.65	0.66
28/03/2022	2,000	0.65	0.66
28/03/2023	2,000	2.56	1.30
28/03/2024	3,000	2.70	1.40
28/03/2025	3,000	2.82	1.49
28/03/2026	3,000	2.92	1.57
28/03/2027	3,000	3.01	1.64
28/03/2028	3,000	3.08	1.70
28/03/2029	3,000	3.15	1.76
28/03/2030	4,000	3.21	1.82
28/03/2031	4,000	3.26	1.88
28/03/2032	4,000	3.30	1.93
28/03/2033	4,000	3.34	1.98
28/03/2034	4,000	3.37	2.02
28/03/2035	4,000	3.40	2.06
28/03/2036	4,000	3.42	2.09
28/03/2037	5,000	3.44	2.12
28/03/2038	5,000	3.46	2.15
28/03/2039	5,000	3.47	2.17
28/03/2040	5,000	3.48	2.18
28/03/2041	5,000	3.49	2.20
28/03/2042	5,407	3.50	2.20
<b>88,407</b>			

The Council has the option of paying off some of the loans prior to maturity in order to benefit from discount rates and save on future interest rate payments if cash flow forecast permits. Following discussions with the Council's Treasury Management consultants it is agreed that the Council could benefit from future discount rates offered by Public Works Loan Board (PWLB) and overall reduce cost to the Council. With the assistance of the Council's treasury advisors, the debt portfolio will be kept under review to take advantage of any rescheduling opportunities.

## **6.0 – Investment Strategy**

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's outstanding investment balance has ranged between £26m and £54m, and similar levels are expected to be maintained in the forthcoming year.

Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

If the UK enters into a recession in 2017/18, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

The Council may invest its surplus funds with any of the counterparties listed in the table on page 11 subject to the cash, credit rating and time limits shown.

Given the increasing risk and falling returns from short term unsecured bank investments the Council will investigate options to diversify into more secure and/or higher yield investments during 2017/18.

### **Current Account:**

The Council banks with Barclays plc which meets the Council's minimum credit criteria, BBB+. Even if the banks credit rating fell below the Council's minimum rating the bank would continue to be used to facilitate short term liquidity requirements (overnight and weekend investments) and to provide business continuity arrangements.

In determining the maximum investment with Barclays plc the Council will need to exclude the balance on the Deposit and General account which are all non-fixed cash balances and are callable at any time.

For liquidity reasons and to ensure optimum interest the Council should hold no more than £2m of cash overnight on the Barclay Bank General Bank, i.e. callable account, excluding the deposit account.

The Council will also have the flexibility to open accounts with other banks subject to meeting Council's minimum credit criteria and the parameters listed within the Counterparty list. The Council will be able to hold cash balances of up to £2m, excluding fixed term deposits, per callable account with other Banks. Therefore cash balances in these accounts can be requested on the same day to help with Council's cash flow requirements during the year and earn interest returns at the same time.

This level of diversification will ensure security and liquidity of the investments the Council makes on a daily basis as part of its treasury management arrangements.

Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

#### **Banks Unsecured:**

These are accounts, deposits and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investments with banks rated BBB or BBB- are restricted to overnight deposits at the Authority's General Bank Account with Barclays plc.

#### **Government:**

These are loans, bonds and bills issued or guaranteed by national governments, regional and local authorities. These investments are not subject to bail-in and there is an insignificant risk of insolvency. Investments with the UK central Government may be made in unlimited amounts for up to 50 years.

#### **Money Market Funds:**

These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees between 0.10% and 0.20% per annum are deducted from the interest paid to the Council. Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts. In 2017/18 the Council only invested in the public sector deposit fund, one of the two UK domiciled money market funds.

#### **Use of Financial Instruments:**

Although legislation has opened up the ability of Councils to operate in a similar manner to a corporate body (General Power of Competence – Localism Act 2011) and use financial derivatives to manage its treasury management risks, the Council does not at present intend to use derivative financial instruments to manage treasury management risk.

#### **Treasury-Bills (T-Bills):**

These are short term securities issued by HM Treasury on a discount basis. For example a £100 coupon will be issued below its value to the investor and on maturity the investor will receive £100. The difference will be the interest received. The security can also be cashed before maturity in the active secondary market giving the lending party more freedom to cash in the T-bill before maturity date. The Council has not invested in T-Bills in 2016/17 and has no current plans to use this investment option in 2017/18.

#### **Government Gilts:**

Conventional gilt is a liability of the Government which guarantees to pay the holder of the gilt a fixed cash payment (coupon) every six months until the maturity date, at which point

the holder receives the final coupon payment and the return of the principal. The Council has not invested in Gilts in 2016/17 and has no current plans to use this investment option in 2017/18.

**Specified Investments:**

The CLG Guidance defines specified investments as those denominated in pound sterling and due to be repaid within 12 months of arrangement. Also not defined as capital expenditure by legislation, and invested with the UK Government, a UK local Authority, or a body or investment scheme of “high credit quality”.

**Non-specified Investments:**

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares.

Given the Council’s current risk appetite in the current economic climate the Council is not willing to consider ‘Non Specified’ investments.

**Approved Instruments:**

The Council may lend or invest money using any of the following instruments:

- interest-bearing bank accounts
- fixed term deposits and loans,
- Government Treasury Bills (T-Bills)
- Money Market Funds and other pooled funds.

**Investment Limits:**

The Authority’s revenue reserves available to cover investment losses are forecast to be £9.921million on 31st March 2017. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government and other Local Authorities, including Fire and Police) is detailed in the counterparty list on the next page. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

Investments may be made at either a fixed rate of interest or at a variable rate linked to a market interest rate, such as LIBOR, subject to the limits on interest rate exposures below.

The counterparty list as approved by Cabinet on the 1<sup>st</sup> December 2016 is shown below;

<b>General Counterparty List</b>	<b>Credit Rating</b>	<b>Cash Limit</b>	<b>Time Limit</b>
Banks and other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	£3m	365 days
	AA+	£3m	365 days
	AA	£3m	365 days
	AA-	£3m	365 days
	A+	£3m	365 days
	A	£3m	365 days
	A-	£3m	365 days
	BBB+	£1m	100 days
Council's General Bank Account if it fails to meet the above criteria, excluding fixed term deposits accounts		£2m	Next Day
UK Central Government (irrespective credit rating)	N/A	Unlimited	50 years
UK Local Authorities including Police and Fire (irrespective of credit rating) per authority	N/A	Unlimited	730 days
UK Building Societies without credit ratings	N/A	£1m	365 days
Saffron Building Society	N/A	£0.5m	100 days
Money Market Funds, per fund	AAA	£3m	Next day

This list is the maximum risk appetite the council is willing to take and is within the limits set by Arlingclose Counterparty list.

For practicality UDC cash limit is set prior to the start of the year. The time limit set by Arlingclose in their regularly updated counterparty report will not be exceeded even if it is shorter than the limit shown above.

## **7.0 - Risk Assessment**

Where applicable, the Council uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur.

Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

**Credit rating:**

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security.

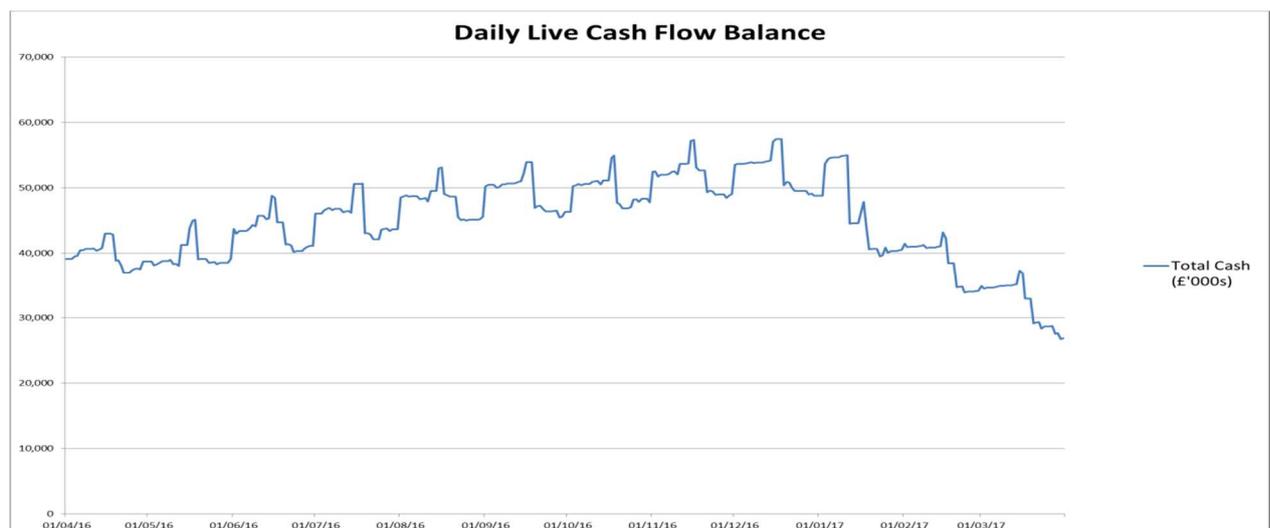
The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

**8.0 - Liquidity Management**

The Council uses cash flow forecasting spreadsheets to determine the maximum period for which funds may prudently be committed.

The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium term financial plan and cash flow forecast.

The graph below shows the levels of cash held in the financial year 2016/17. The fall in income during the last two months of the financial year is due to the fact that the Council receives most of its Council Tax and Business Rates income in the first 10 months of the year.



## Existing Investment & Debt Portfolio Position

<b>31 December 2016</b>		
	<b>Actual Portfolio</b>	<b>Average Rate</b>
	<b>£m</b>	<b>%</b>
<b>External Borrowing:</b>		
Public Works Loan Board	88.407	1.64
<b>Total External Borrowing</b>	<b>88.407</b>	
<b>Other Long Term Liabilities:</b>		
PFI	4.956	8.29
<b>Total Gross External Debt</b>	<b>93.363</b>	
<b>Investments:</b>		
Banks & building societies (unsecured)	6.500	0.47
Government (incl. local authorities)	48.500	0.33
Money Market Funds	1.000	0.68
<b>Total Investments</b>	<b>56.000</b>	
<b>Net Debt</b>	<b>37.363</b>	

### Investment Training:

The needs of the Authority's treasury management staff for training in investment management are assessed regularly as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend workshops, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

### Investment Advisers:

Arlingclose Limited is the Councils appointed treasury management advisers and they provide specific advice on investment, debt and capital finance issues.

### Budget Implications:

The budget for investment income in 2017/18 is £65,000 for the General Fund and £15,000 for the HRA, based on an average investment portfolio of £27 million at an average interest rate of 0.286%. The budget for debt interest on the Housing Stock paid in 2017/18 is £2.6 million, based on an average debt portfolio of £88.4 million at an average interest rate of 2.71% and £0.402m for the Private Finance Initiative at an interest rate of 8.29%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

## 9.0 - Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance and Corporate Services (s151 Officer), having consulted the Portfolio Holder for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## **10.0 - Governance Arrangements**

The following lists the main treasury management responsibilities in relation to the relevant individual/Committee:

### **Full Council:**

Approval of the Treasury Management Strategy, Prudential Indicators and Minimum Revenue Provision.

### **Cabinet:**

Reviews the Treasury Management Strategy and recommends the Strategy for approval by Full Council. Receives reports on Treasury Management activities.

### **Performance and Audit Committee:**

Monitors compliance with the Council's Financial Regulations.



**Treasury Management – Prudential Indicators**

This report covers the requirements of the 2011 CIPFA Prudential Code (as amended in 2012) to set prudential indicators. This item should be approved by the full Council before the start of the new financial year which is a legislative requirement.

**Prudential Indicators 2017/18:**

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow.

The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.

To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

The Council's planned capital expenditure and financing may be summarised as follows:

### General Fund

<b>Capital Expenditure - General Fund</b> <b>£000s</b>	<b>2016/17</b> <b>Current</b> <b>Budget</b>	<b>2016/17</b> <b>Forecast</b> <b>Spend</b>	<b>2017/18</b> <b>Budget</b>	<b>2018/19</b> <b>Budget</b>	<b>2019/20</b> <b>Budget</b>	<b>2020/21</b> <b>Budget</b>	<b>2021/22</b> <b>Budget</b>	<b>Total</b>
<b>Total Capital Expenditure</b>	<b>4,601</b>	<b>4,257</b>	<b>2,985</b>	<b>1,786</b>	<b>1,908</b>	<b>2,035</b>	<b>1,209</b>	<b>14,180</b>
<b>Financing - General Fund</b>								
Grants & Contributions	(466)	(466)	(466)	(466)	(466)	(466)	(466)	<b>(2,796)</b>
Revenue Contributions	(2,702)	(2,329)	(981)	(552)	(626)	(589)	(589)	<b>(5,666)</b>
General Fund Capital Receipts	0	0	0	0	0	0	0	<b>0</b>
Internal Borrowing	(1,433)	(1,462)	(1,538)	(768)	(816)	(980)	(154)	<b>(5,718)</b>
<b>Total Capital Financing</b>	<b>(4,601)</b>	<b>(4,257)</b>	<b>(2,985)</b>	<b>(1,786)</b>	<b>(1,908)</b>	<b>(2,035)</b>	<b>(1,209)</b>	<b>(14,180)</b>
<b>Net Financing Need (External Borrowing)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Housing Revenue Account (HRA)

<b>Capital Schemes - HRA</b> <b>£000s</b>	<b>2016/17</b> <b>Current</b> <b>Budget</b>	<b>2016/17</b> <b>Forecast</b> <b>Spend</b>	<b>2017/18</b> <b>Budget</b>	<b>2018/19</b> <b>Budget</b>	<b>2019/20</b> <b>Budget</b>	<b>2020/21</b> <b>Budget</b>	<b>2021/22</b> <b>Budget</b>	<b>Total</b>
<b>Total Capital Expenditure</b>	<b>14,037</b>	<b>8,128</b>	<b>12,127</b>	<b>5,651</b>	<b>6,095</b>	<b>5,165</b>	<b>5,185</b>	<b>42,351</b>
<b>Financing - Housing Revenue Account</b>								
Major Repairs Reserve Contribution	(3,431)	(3,470)	(3,406)	(3,445)	(3,445)	(3,593)	(3,679)	<b>(21,038)</b>
HRA Financial Headroom - Specific Schemes	(3,378)	0	(5,744)	(948)	(831)	(758)	(856)	<b>(9,137)</b>
HRA Revenue Contributions	(50)	(51)	(187)	0	0	0	0	<b>(238)</b>
HRA Headroom - Funded from reserves	(5,743)	(3,373)	(2,229)	(640)	(1,024)	(340)	(170)	<b>(7,776)</b>
Grants & Contributions	(1,103)	(1,103)	0					<b>(1,103)</b>
S106 - Housing Partnership Funding - HRA	0	0	0	0	0	0	0	<b>0</b>
Capital Receipts - RTB	(332)	(131)	(561)	(618)	(795)	(474)	(480)	<b>(3,059)</b>
Internal Borrowing	0	0	0	0	0	0	0	<b>0</b>
<b>Total Financing</b>	<b>(14,037)</b>	<b>(8,128)</b>	<b>(12,127)</b>	<b>(5,651)</b>	<b>(6,095)</b>	<b>(5,165)</b>	<b>(5,185)</b>	<b>(42,351)</b>
<b>Net Financing Need (External Borrowing)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Estimates of Capital Financing Requirement:

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

<b>CAPITAL FINANCING REQUIREMENT</b>	<b>Forecast 2016/17</b>	<b>Estimate 2017/18</b>	<b>Estimate 2018/19</b>	<b>Estimate 2019/20</b>	<b>Estimate 2021/21</b>	<b>Estimate 2021/22</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Fund	9,042	9,805	9,560	9,316	9,453	8,840
Housing Revenue Account (HRA)	88,407	86,407	84,407	82,407	80,407	78,407
<b>TOTAL</b>	<b>97,449</b>	<b>96,212</b>	<b>93,967</b>	<b>91,723</b>	<b>89,860</b>	<b>87,247</b>

The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

<b>Prudential Indicator</b>	<b>Estimate 2016/17</b>	<b>Estimate 2017/18</b>	<b>Estimate 2018/19</b>	<b>Estimate 2019/20</b>	<b>Estimate 2020/21</b>	<b>Estimate 2021/22</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operational Boundary	93,260	91,147	89,026	86,895	84,753	82,598
Authorised Limit	250,000	250,000	250,000	250,000	250,000	250,000

### Ratio of Financing Costs to Net Revenue Stream:

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

	Estimate 2016/17	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22
General Fund	10.41%	13.37%	17.82%	18.02%	15.20%	13.66%
Housing Revenue Account	17.60%	18.64%	18.79%	18.41%	17.97%	17.46%

### Incremental Impact of Capital Investment Decisions:

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed earlier in this report.

	Estimate 2016/17	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2020/21
	£	£	£	£	£	£
General Fund, Council Tax Impact	116.53	73.12	36.57	38.14	39.60	17.90
Housing Revenue Account (AWR)	62.65	23.39	55.75	10.85	12.67	7.50

### Interest Rate Exposures:

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable interest rate exposures, expressed as the amount of net interest payable.

	Forecast 2016/17	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22
Interest Rate Exposure	£'000	£'000	£'000	£'000	£'000	£'000
Limit and Fixed Interest Rate paid on Net Debt	2,570	2,570	2,570	2,570	2,570	2,570
	3.28%	3.28%	3.28%	3.28%	3.28%	3.28%
Limit and Variable Interest Rate paid based on Net Debt	75	80	75	60	35	0
	0.75%	1.00%	1.25%	1.50%	1.75%	0.00%

### Maturity Structure of Borrowing:

This indicator is set to control the Council's exposure to refinancing risk. This is the upper limit on the maturity structure of fixed rate borrowing.

The limits are set for each category to ensure that the Council avoids fixed rate loans being matured in one time and spreads this across several periods.

Liquidity/Refinancing	2017/18 £000's
Maturity Structure - Upper Limit	
Under 5 Years	8,000
5 years to 10 years	16,000
11 years to 20 years	39,000
21 years and above	25,407
<b>Total</b>	<b>88,407</b>



### Minimum Revenue Provision Statement – 2017/18

This report covers the requirements of the latest Guidance on Minimum Revenue Provision for an annual MRP statement. The Statement should be approved by the full Council before the start of the new financial year which is a legislative requirement.

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum charge since 2008. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's / Department of Environment's *Guidance on Minimum Revenue Provision* (the DCLG/DOE Guidance) most recently issued in 2011/2012.

The broad aim of the DCLG/DOE Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

For unsupported capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by either charging the expenditure over the useful economic life of the relevant assets in equal instalments or as the principal repayment on an annuity with a specifically determined annual interest rate, starting in the year after the asset becomes operational. If additional financing capacity permits, the authority reserves the right to charge MRP over shorter periods to help with minimising the level of the capital financing requirement burden in subsequent years.

Where MRP is charged over the useful economic life of the asset it will be consistent with the write down period adopted for the same assets in the Council's accounting policy for depreciation.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

MRP in respect of the £88.407m payment made in 2012 to exit the Housing Revenue Account subsidy system will be determined as being equal to the principal amount repaid on the loans borrowed to finance that payment.

Also need to include paragraph relating to the increased borrowing for company investment and not charging MRP.

Expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged to revenue in the year the expenditure is incurred. Examples of this expenditure include Community Grants, Disabled Facilities Grants and Private Sector Renewal Grants.

Expenditure related to capital contracts which is classified as work in progress at year-end, will be fully financed in the year the expenditure is incurred.

	<b>31.03.2017 Estimated</b>	<b>2017/18 Estimated</b>
	<b>CFR</b>	<b>MRP</b>
	<b>£m</b>	<b>£m</b>
Capital expenditure before 01.04.2008	-	-
Supported capital expenditure after 31.03.2008	-	-
Unsupported capital expenditure after 31.03.2008	4.189	0.663
Finance leases and Private Finance Initiative	4.853	0.112
Transferred debt	-	-
Loans to other bodies	-	-
<b>Total General Fund</b>	<b>9.042</b>	<b>0.775</b>
Assets in the Housing Revenue Account	0.000	-
HRA subsidy reform payment	88.407	2.000
<b>Total Housing Revenue Account</b>	<b>88.407</b>	<b>2.000</b>
<b>Total</b>	<b>97.449</b>	<b>2.775</b>

**Arlingclose Economic & Interest Rate Forecast November 2015**

**Underlying assumptions:**

- The medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.
- The global environment is also riddled with uncertainty, with repercussions for financial market volatility and long-term interest rates. Donald Trump's victory in the US general election and Brexit are symptomatic of the popular disaffection with globalisation trends. The potential rise in protectionism could dampen global growth prospects and therefore inflation. Financial market volatility will remain the norm for some time.
- However, following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than earlier in the year. US fiscal stimulus is also a possibility following Trump's victory.
- Recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.
- Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.
- The currency-led rise in CPI inflation (currently 1.0% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.

- The depreciation in sterling will, however, assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand. Export volumes will increase marginally.
- Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.
- Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely..

**Forecast:**

- Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.
- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.
- Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	<b>0.12</b>
Arlingclose Central Case	<b>0.25</b>													
Downside risk	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	<b>0.40</b>
<b>3-month LIBID rate</b>														
Upside risk	0.05	0.05	0.10	0.10	0.10	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	<b>0.18</b>
Arlingclose Central Case	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.30</b>	<b>0.29</b>									
Downside risk	0.20	0.25	0.25	0.25	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	<b>0.34</b>
<b>1-yr LIBID rate</b>														
Upside risk	0.10	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	<b>0.23</b>
Arlingclose Central Case	<b>0.60</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.60</b>	<b>0.70</b>	<b>0.85</b>	<b>0.90</b>	<b>0.90</b>	<b>0.90</b>	<b>0.65</b>
Downside risk	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	<b>0.24</b>
<b>5-yr gilt yield</b>														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	<b>0.39</b>
Arlingclose Central Case	<b>0.50</b>	<b>0.40</b>	<b>0.35</b>	<b>0.35</b>	<b>0.35</b>	<b>0.40</b>	<b>0.40</b>	<b>0.40</b>	<b>0.45</b>	<b>0.50</b>	<b>0.55</b>	<b>0.60</b>	<b>0.65</b>	<b>0.45</b>
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	<b>0.47</b>
<b>10-yr gilt yield</b>														
Upside risk	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	<b>0.39</b>
Arlingclose Central Case	<b>1.15</b>	<b>0.95</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.90</b>	<b>0.95</b>	<b>1.00</b>	<b>1.05</b>	<b>1.10</b>	<b>1.15</b>	<b>0.96</b>
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	<b>0.47</b>
<b>20-yr gilt yield</b>														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	<b>0.39</b>
Arlingclose Central Case	<b>1.70</b>	<b>1.50</b>	<b>1.40</b>	<b>1.40</b>	<b>1.40</b>	<b>1.40</b>	<b>1.40</b>	<b>1.45</b>	<b>1.50</b>	<b>1.55</b>	<b>1.60</b>	<b>1.65</b>	<b>1.70</b>	<b>1.75</b>
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	<b>0.57</b>
<b>50-yr gilt yield</b>														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	<b>0.39</b>
Arlingclose Central Case	<b>1.60</b>	<b>1.40</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.35</b>	<b>1.40</b>	<b>1.45</b>	<b>1.50</b>	<b>1.55</b>	<b>1.60</b>	<b>1.41</b>
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	<b>0.57</b>



**Committee:** Cabinet

**Agenda Item**

**Date:** 16 February 2017

**11**

**Title:** Capital Programme 2017/18 – 2021/22

**Portfolio Holder:** Councillor Simon Howell

Item for decision

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### **Summary**

1. The Capital programme is for the next 5 years, 2017/18 to 2021/22.
2. Capital Expenditure relates to spending on schemes and assets that have a long term value and exceeds cost of £10,000.
3. The programme details planned Capital Expenditure on the Council's buildings, vehicles and ICT assets.
4. The programme includes Capital Grants to other organisations and individuals.
5. The programme is for both General Fund and Housing Revenue Account assets and schemes.
6. The Scrutiny Committee reviewed the budget reports on 7 February. Comments from the Committee are in a separate item on the agenda.

### **Recommendation**

7. The Cabinet is requested to approve, for recommendation to Full Council, the Capital Programme and associated financing of the programme as set out in this report.

### **Financial Implications**

8. The revenue costs of financing the Capital Programme have been built into the HRA and General Fund budgets detailed elsewhere on the agenda.

### **Background Papers**

9. None

**Impact**

Communication/Consultation	None
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

**Capital Programme 2017/18 – 2021/22**

- 10. Appendix A shows a summary table of all the capital projects and their costs for each year.
- 11. Appendix B details all the capital programmes by Portfolio and gives details of the type of expenditure and the scheduled programme of works for each year.
- 12. The Capital Programme is an evolving and rolling programme year on year.
- 13. Appendix C details the financing of the Capital Programme.
- 14. The schemes of works detailed in the programme are proposed to be funded by the following means:
  - Grants
  - Revenue contributions
  - Capital receipts and internal borrowing
- 15. No external borrowing is required to finance the 5 year Capital Programme detailed in this report.
- 16. The HRA capital financing includes a contribution from the Major Repairs Reserve which is the equivalent to the annual depreciation charge on council dwellings and other HRA assets. This funding is used to support the annual capital repairs budget.

17. A regular update on the capital programme and associated financing is included in the Budget Monitoring reports presented to Cabinet throughout the year.
18. The robustness of the capital programme and a review of each scheme have been undertaken by the officers of the Capital Programme Working Group at regular intervals.
19. The total predicted cost of the capital programme for the 5 year programme plus the predicted outturn for 2016/17 is £58.532m. The breakdown of the total cost is;
- General Fund - £14.181m
  - Housing Revenue - £42.351m

### Capital Programme – Key points

20. The General Fund capital programme is consistent with routine annual replacement and maintenance projects. There are no new projects identified.
21. HRA
- It is anticipated that the main HRA development projects will complete in 2017/18, Reynolds Court, Hatherley Court and Walden Place.
  - From 2018/19 there are no major projects planned due to the lack of resources available in the HRA. This is discussed in the Medium Term Financial Strategy in more detail.

### Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Failure to identify capital budget pressures and/or funding not realised	2- Unlikely as all projects fully funded	2 – would require a drawdown on reserves	Ongoing review of the spend via budget monitoring and capital officers working group

- 1 = Little or no risk or impact  
 2 = Some risk or impact – action may be necessary.  
 3 = Significant risk or impact – action required  
 4 = Near certainty of risk occurring, catastrophic effect or failure of project

**APPENDIX A – 5 YEAR CAPITAL PROGRAMME SUMMARY**

<b>Portfolio Schemes</b>	<b>2016-17 Current Budget £</b>	<b>2016-17 Forecast Spend P6 £</b>	<b>2017-18 Forecast £</b>	<b>2018-19 Forecast £</b>	<b>2019-20 Forecast £</b>	<b>2020-21 Forecast £</b>	<b>2021-22 Forecast £</b>	<b>Total £</b>
Community Partnerships and Engagement	362,000	362,000	110,000	110,000	110,000	110,000	110,000	912,000
Environmental Services	1,395,000	1,308,600	1,676,500	713,180	826,315	990,094	164,895	5,679,585
Finance Administration	2,038,000	1,989,170	388,000	283,000	292,000	255,000	255,000	3,462,170
Housing and Economic Development	805,500	597,500	810,000	680,000	680,000	680,000	680,000	4,127,500
<b>General Fund Total</b>	<b>4,600,500</b>	<b>4,257,270</b>	<b>2,984,500</b>	<b>1,786,180</b>	<b>1,908,315</b>	<b>2,035,094</b>	<b>1,209,895</b>	<b>14,181,255</b>
Housing Revenue Account	14,037,000	8,128,400	12,127,080	5,651,000	6,095,000	5,165,000	5,185,000	42,351,480
<b>Total Capital Programme</b>	<b>18,637,500</b>	<b>12,385,670</b>	<b>15,111,580</b>	<b>7,437,180</b>	<b>8,003,315</b>	<b>7,200,094</b>	<b>6,394,895</b>	<b>56,532,735</b>

*The 2017/18 forecast includes the predicted slippage as at period 6 (September) from 2016/17*

**APPENDIX B – 5 YEAR CAPITAL PROGRAMME BY PORTFOLIO**

<b>COMMUNITY AND PARTNERSHIPS</b>								
	<b>2016-17 Current Budget £</b>	<b>2016-17 Forecast Spend P6 £</b>	<b>2017-18 Forecast £</b>	<b>2018-19 Forecast £</b>	<b>2019-20 Forecast £</b>	<b>2020-21 Forecast £</b>	<b>2021-22 Forecast £</b>	<b>Total £</b>
S/W Castle -Motte & Bailey	200,000	200,000	0	0	0	0	0	200,000
Community Projects Grants	127,000	127,000	110,000	110,000	110,000	110,000	110,000	677,000
CCTV Thaxted	35,000	35,000	0	0	0	0	0	35,000
<b>Community Partnerships and Engagement</b>	<b>362,000</b>	<b>362,000</b>	<b>110,000</b>	<b>110,000</b>	<b>110,000</b>	<b>110,000</b>	<b>110,000</b>	<b>912,000</b>

**APPENDIX B – 5 YEAR CAPITAL PROGRAMME BY PORTFOLIO**

<b>ENVIRONMENTAL SERVICES</b>								
	<b>2016-17 Current Budget £</b>	<b>2016-17 Forecast Spend P6 £</b>	<b>2017-18 Forecast £</b>	<b>2018-19 Forecast £</b>	<b>2019-20 Forecast £</b>	<b>2020-21 Forecast £</b>	<b>2021-22 Forecast £</b>	<b>Total £</b>
Vehicle Replacement Programme	1,147,000	1,147,000	1,372,500	603,180	716,315	880,094	54,895	4,773,985
Mower - Vehicles growth bid	0	15,600	0	0	0	0	0	15,600
Household Bins	70,000	70,000	70,000	70,000	70,000	70,000	70,000	420,000
Kitchen Caddies	10,000	10,000	10,000	10,000	10,000	10,000	10,000	60,000
Garden Waste Bins	20,000	20,000	20,000	20,000	20,000	20,000	20,000	120,000
Trade Waste Bins	10,000	10,000	10,000	10,000	10,000	10,000	10,000	60,000
Lower St Car Park Extension	102,000	0	102,000	0	0	0	0	102,000
On-Board Vehicle Weighing Equipment	36,000	36,000	0	0	0	0	0	36,000
Car Parking machine replacement schemes NEW	0	0	92,000	0	0	0	0	92,000
<b>Environmental Services</b>	<b>1,395,000</b>	<b>1,308,600</b>	<b>1,676,500</b>	<b>713,180</b>	<b>826,315</b>	<b>990,094</b>	<b>164,895</b>	<b>5,679,585</b>

**APPENDIX B – 5 YEAR CAPITAL PROGRAMME BY PORTFOLIO**

FINANCE AND ADMINISTRATION								
	2016-17 Current Budget £	2016-17 Forecast Spend P6 £	2017-18 Forecast £	2018-19 Forecast £	2019-20 Forecast £	2020-21 Forecast £	2021-22 Forecast £	Total £
<b>ICT Schemes</b>								
Members - New IT Equipment	0	4,270	0	0	18,000	0	0	22,270
Minor Items IT	20,000	28,000	20,000	20,000	20,000	20,000	20,000	128,000
PSN CoCo	35,000	35,000	30,000	30,000	30,000	30,000	30,000	185,000
Mobile working ICT set up - Housing	30,000	30,000	0	0	0	0	0	30,000
Mobile working ICT set up - Planning and Environmental Health	69,000	69,000	0	0	0	0	0	69,000
PCI Compliance - cash receipting	32,000	32,000	0	0	0	0	0	32,000
PCI Compliance - Direct debit	20,000	20,000	0	0	0	0	0	20,000
UPS Server	0	900	0	0	0	0	0	900
Committee Management System	20,000	20,000	0	0	0	0	0	20,000
Laptops and Tablets	20,000	20,000	0	0	0	0	0	20,000
CCTV - London Rd	30,000	30,000	0	0	0	0	0	30,000
Scanning Stations	10,000	10,000	0	0	0	0	0	10,000
<b>New Schemes</b>								
Unidentified IT projects	0	0	0	0	32,000	50,000	50,000	132,000
Core switches - replacement	0	0	40,000	40,000	0	0	0	80,000
Replacement Electoral System	0	0	30,000	30,000	0	0	0	60,000
Hot desking/Mobile working	0	0	45,000	45,000	0	0	0	90,000
<b>UDC Asset work</b>								
<b>Council Offices Improvements</b>								
- London Road Building works	119,000	119,000	58,000	57,000	94,000	80,000	80,000	488,000
-London Rd Electrical	0	0	54,000	0	37,000	30,000	30,000	151,000
- London Rd Heating	36,000	0	36,000	16,000	0	0	0	52,000
Stansted Conveniences - Grant	30,000	0	30,000	0	0	0	0	30,000
Museum Storage Facility	0	4,000	0	0	0	0	0	4,000
Dunmow Depot	1,488,000	1,488,000	0	0	0	0	0	1,488,000
Solar Panels - Shire Hill	2,000	2,000	0	0	0	0	0	2,000
Museum Buildings work	52,000	52,000	20,000	20,000	36,000	20,000	20,000	168,000
Day Centres Cyclical Improvements	25,000	25,000	25,000	25,000	25,000	25,000	25,000	150,000
<b>Finance Administration</b>	<b>2,038,000</b>	<b>1,989,170</b>	<b>388,000</b>	<b>283,000</b>	<b>292,000</b>	<b>255,000</b>	<b>255,000</b>	<b>3,462,170</b>

**APPENDIX B – 5 YEAR CAPITAL PROGRAMME BY PORTFOLIO**

HOUSING AND ECONOMIC DEVELOPMENT								
	<b>2016-17 Current Budget £</b>	<b>2016-17 Forecast Spend P6 £</b>	<b>2017-18 Forecast £</b>	<b>2018-19 Forecast £</b>	<b>2019-20 Forecast £</b>	<b>2020-21 Forecast £</b>	<b>2021-22 Forecast £</b>	<b>Total £</b>
Disabled Facilities Grants	292,500	262,500	290,000	260,000	260,000	260,000	260,000	1,592,500
Empty Dwellings	64,000	15,000	50,000	50,000	50,000	50,000	50,000	265,000
Private Sector Renewal Grants	49,000	20,000	70,000	70,000	70,000	70,000	70,000	370,000
Compulsory purchase order	300,000	300,000	300,000	300,000	300,000	300,000	300,000	1,800,000
Superfast broadband	100,000	0	100,000	0	0	0	0	100,000
<b>Housing and Economic Development</b>	<b>805,500</b>	<b>597,500</b>	<b>810,000</b>	<b>680,000</b>	<b>680,000</b>	<b>680,000</b>	<b>680,000</b>	<b>4,127,500</b>

**APPENDIX B – 5 YEAR CAPITAL PROGRAMME BY PORTFOLIO**

**HOUSING REVENUE ACCOUNT**

	<b>2016-17 Current Budget £</b>	<b>2016-17 Forecast Spend P6 £</b>	<b>2017-18 Forecast £</b>	<b>2018-19 Forecast £</b>	<b>2019-20 Forecast £</b>	<b>2020-21 Forecast £</b>	<b>2021-22 Forecast £</b>	<b>Total £</b>
<b><u>HRA Fund</u></b>								
HRA Capital Repairs	3,180,000	3,180,000	3,255,000	3,345,000	3,295,000	3,435,000	3,435,000	19,945,000
UPVC Fascia's and Guttering	251,000	200,000	151,000	100,000	100,000	100,000	100,000	751,000
Cash Incentive Scheme Grants	50,000	50,000	50,000	50,000	50,000	50,000	50,000	300,000
			0					
Light Vans Replacement programme	0	0	87,000	96,000	0	0	0	183,000
<b><u>HRA Business Plan Schemes</u></b>								
<b><u>New builds</u></b>								
Unidentified Sites	198,000	0	1,398,000	2,060,000	2,650,000	1,580,000	1,600,000	9,288,000
Catons Lane	310,000	288,000	22,000	0	0	0	0	310,000
Sheds Lane	600,000	150,000	450,000	0	0	0	0	600,000
			0					
<b><u>Redevelopments</u></b>								
Mead Court - Phase 2	642,000	642,000	0	0	0	0	0	642,000
Newton Grove	0	3,000	0	0	0	0	0	3,000
			0					
<b><u>Sheltered Redevelopments</u></b>								
Reynolds Court	6,174,000	2,844,000	4,452,080	0	0	0	0	7,296,080
Hatherley Court	1,707,000	300,000	1,407,000	0	0	0	0	1,707,000
Walden Place	410,000	0	810,000	0	0	0	0	810,000
<b><u>Other Schemes</u></b>								
Energy Efficiency improvement schemes	252,000	252,000	0	0	0	0	0	252,000
Internet cafes in sheltered schemes	2,000	3,400	0	0	0	0	0	3,400
Resurfacing access roads	150,000	150,000	0	0	0	0	0	150,000
<b><u>ICT</u></b>								
Housing Mobile devices IT	65,000	20,000	45,000	0	0	0	0	65,000
Housing contractors portal & SAM - (Now just SAM)	46,000	46,000	0	0	0	0	0	46,000
<b>HRA Housing</b>	<b>14,037,000</b>	<b>8,128,400</b>	<b>12,127,080</b>	<b>5,651,000</b>	<b>6,095,000</b>	<b>5,165,000</b>	<b>5,185,000</b>	<b>42,351,480</b>

**APPENDIX C – GENERAL FUND 5 YEAR CAPITAL FINANCING**

<b>Financing - General Fund</b>	<b>2016-17</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-2021</b>	<b>2021-22</b>
	<b>Current</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>Budget</b>	<b>Spend</b>	<b>Budget +</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>£</b>	<b>£</b>	<b>Slippage</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	<b>£</b>						
Disabled Facilities Grant	(166,000)	(166,000)	(166,000)	(166,000)	(166,000)	(166,000)	(166,000)
PLACE scheme funding	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
General Fund Capital Receipts	0	0	0	0	0	0	0
Internal Borrowing	(1,433,000)	(1,461,770)	(1,537,500)	(768,180)	(816,315)	(980,094)	(154,895)
<u>Direct Revenue Contributions (including reserves)</u>							
Revenue Contributions to Capital - Community and Partnerships	(362,000)	(362,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)
Revenue Contributions to Capital - Environmental	(248,000)	(146,000)	(304,000)	(110,000)	(110,000)	(110,000)	(110,000)
Revenue Contributions to Capital - Finance & Admin	(1,752,000)	(1,690,000)	(223,000)	(118,000)	(192,000)	(155,000)	(155,000)
Revenue Contribution - Housing and Economic Development	(339,500)	(131,500)	(344,000)	(214,000)	(214,000)	(214,000)	(214,000)
<b>Total Financing</b>	<b>(4,600,500)</b>	<b>(4,257,270)</b>	<b>(2,984,500)</b>	<b>(1,786,180)</b>	<b>(1,908,315)</b>	<b>(2,035,094)</b>	<b>(1,209,895)</b>
<b>Funding deficit</b>	<b>0</b>						

**APPENDIX C – HOUSING REVENUE ACCOUNT 5 YEAR CAPITAL FINANCING**

	2016-17	2016-17	2017-18	2018-19	2019-20	2020-2021	2021-22
<b>Financing - Housing Revenue Account</b>	<b>Current Budget</b>	<b>Forecast Spend</b>	<b>Forecast Budget + Slippage</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Business Plan Schemes</b>							
Funded from reserves	(5,743,000)	(3,373,500)	(2,229,000)	(640,000)	(1,024,000)	(340,000)	(170,000)
HRA Revenue Funding - RCCO	(3,377,600)	0	(5,744,080)	(948,000)	(831,000)	(758,000)	(856,000)
HCA grant funding	(1,103,000)	(1,103,000)	0	0	0	0	0
Capital Receipts - RTB	(332,400)	(131,400)	(561,000)	(618,000)	(795,000)	(474,000)	(480,000)
Other MRR reserve cont	0	0	0	(13,000)	(50,000)	(58,000)	(144,000)
	<b>(10,556,000)</b>	<b>(4,607,900)</b>	<b>(8,534,080)</b>	<b>(2,219,000)</b>	<b>(2,700,000)</b>	<b>(1,630,000)</b>	<b>(1,650,000)</b>
<b>Other Schemes</b>							
Major Repairs Reserve Contribution	(3,280,000)	(3,280,000)	(3,255,000)	(3,432,000)	(3,395,000)	(3,535,000)	(3,535,000)
Other MRR reserve cont	(151,000)	(190,000)	(151,000)		0	0	0
HRA Revenue Funding	(50,000)	(50,500)	(187,000)				
Sub total	<b>(3,481,000)</b>	<b>(3,520,500)</b>	<b>(3,593,000)</b>	<b>(3,432,000)</b>	<b>(3,395,000)</b>	<b>(3,535,000)</b>	<b>(3,535,000)</b>
<b>TOTAL FINANCING</b>	<b>(14,037,000)</b>	<b>(8,128,400)</b>	<b>(12,127,080)</b>	<b>(5,651,000)</b>	<b>(6,095,000)</b>	<b>(5,165,000)</b>	<b>(5,185,000)</b>
<b>Funding deficit (Borrowing outside of HRA required internal from cash or external)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



**Committee: Cabinet**

**Agenda Item**

**Date: 16 February 2017**

**12**

**Title: Housing Revenue Account 2017/18 Budget  
and 5 year Business Plan Strategy**

**Portfolio Holders: Councillor Simon Howell**

Item for decision

**Councillor Julie Redfern**

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## Summary

1. This report sets out the following:
  - A proposed Housing Revenue Account (HRA) budget and reserves position for 2017/18.
  - A proposed 5 year financial forecast for the period from 2017/18 to 2021/22.
2. The Welfare Reform and Work Act 2016 requires registered providers of social housing in England to reduce social housing rents by 1% a year for 4 years from a frozen 2015 to 2016 baseline and to comply with maximum rent requirements for new tenancies. This is the second year of rent decrease to general needs properties and the first year for supported accommodation.
  - a. HRA rents for general needs properties are decreased by 1% in line with new government guidance.
  - b. HRA rents for supported accommodation are decreased by 1% in line with government guidance.
  - c. All dwelling rents to be revised to the formula rent level when the property is re-let.
3. Other income and service charges for 2017/18 are as follows;
  - a. Garage rents are increased by 2% in line with RPI as at September 2016.
  - b. Heating, Service and Sewerage charges are increased in line with actual costs.
  - c. Lifeline charges are increased by 2% in line with RPI as at September 2016.
  - d. Housing related support and Intensive Housing Management charges are increased by 2% in line with RPI as at September 2016.
  - e. Protection for Tenants at 31<sup>st</sup> March 2003 who are eligible for supporting people grant assistance to cease as no tenants will be receiving supporting people (HRS) grant funding from April 2017.
  - f. Service charges for common services in sheltered schemes continue to be subsidised for tenants at 31<sup>st</sup> March 2012 who are not in receipt of housing benefit. Subsidy reducing by 25% annually.
4. The Housing Board and the Tenants Page 107 have reviewed the housing rent and service charge proposals and recommended these for approval by Cabinet and Full Council.

5. The Housing Board has reviewed the Housing Revenue Budget and 5 year financial strategy and recommended the reports for approval by Cabinet and Full Council.
6. The Scrutiny Committee reviewed the budget reports on 7 February. Comments from the Committee are in a separate item on the agenda.

### Recommendations

7. The Cabinet is requested to approve, for recommendation to Full Council the HRA Revenue Budget and 5 Year Financial Strategy.

### Financial Implications

8. Financial implications are included in the body of this report.

### Background Papers

9. None

### Impact

Communication/Consultation	Tenants Forum reviewed the rent and heating, service and sewerage charges
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	Affordable rent levels and appropriate housing supply are an important factor in the sustainability of local communities and in particular rural communities
Ward-specific impacts	None
Workforce/Workplace	None

### Background

10. The HRA budget for 2017/18 reflects the service arrangements and investments in relation to the council's housing services for the sixth year under 'Self Financing'.
11. The new financial arrangements enable the service to stand alone financially and take 'local' decisions for housing services.
12. Decisions about the level of expenditure in the Housing Revenue Account continue to be made in the context of a 30 year HRA Business Plan.
13. The fully updated Business Plan, approved at Cabinet in January 2016, sets the financial strategy and the budget proposals are reflected in this report.

14. The Business Plan has been framed in the light of:

- Estimated rental income is in line with the Government's guidance
- Appropriate capital investment in maintaining the quality of the housing stock through planned maintenance and replacement works
- The new build programme
- One for one replacement of Right to Buy sales
- Servicing and repaying debt so that new borrowing is available for future maintenance works or investment in further new build schemes
- Remodelling and modernising sheltered housing schemes
- Service improvements

15. Following government policy changes the authority no longer has discretion to set rents at a local level, but instead are required to comply with a national approach where rents will be reduced by 1% per year, for four years, from April 2016,

16. This change, alongside other national changes in housing policy, significantly reduces the council's flexibility over longer-term decision making.

17. Income and expenditure is budgeted on an incremental and inflationary basis to reflect the financial and operational needs of the housing service.

#### **Housing Revenue Account Budget 2017/18**

18. The budget identifies a net operating surplus of £648,000 made up of total income of £15,222,000 and total expenditure of £14,574,000. The surplus has been allocated to fund agreed projects as detailed in the Business Plan.

19. The net operating surplus has reduced by £2.767m in 2017/18 compared to 2016/17; this is due in the main to this being the first year of the principal repayment of the Self Financing loan, a sum of £2m. This is being funded from the Capitals receipts reserve so there is a net nil bottom line effect.

20. The remaining difference is the reduction in rental income, due to the 1% decrease as per the government policy. There is an increase in the central service and corporate core recharge which includes the HRA share of the pension deficit triannual payment. Full details of the budget movements can be seen in point 33

21. The table below summarises the HRA budget for 2016/17, a more detailed breakdown is shown in Appendix A.

<b>HRA SUMMARY - 2017/18</b>	<b>2016/17 Original Budget £'000</b>	<b>2016/17 Restated Budget £'000</b>	<b>2017/18 Original Budget £'000</b>	<b>Increase / (Decrease) £'000</b>
Dwelling Rents	(14,335)	(14,335)	(14,160)	175
Rents and Charges (other)	(1,120)	(1,120)	(1,062)	58
<b>Service Income</b>	<b>(15,455)</b>	<b>(15,455)</b>	<b>(15,222)</b>	<b>233</b>
Housing Finance & Business Management	179	179	197	18
Housing Maintenance and Repairs Service	3,032	3,032	3,026	(6)
Housing Management and Homelessness	1,029	1,029	1,022	(7)
<b>Service Expenditure</b>	<b>4,240</b>	<b>4,240</b>	<b>4,245</b>	<b>5</b>
Recharge from General Fund	1,666	1,666	1,958	292
Depreciation and Impairment	3,427	3,492	3,564	72
Interest/Costs re HRA Loan	2,625	2,625	4,625	2,000
Other (net)	17	17	182	165
<b>Non-Service Expenditure</b>	<b>7,735</b>	<b>7,800</b>	<b>10,329</b>	<b>2,529</b>
<b>Operating Surplus</b>	<b>(3,480)</b>	<b>(3,415)</b>	<b>(648)</b>	<b>2,767</b>
Capital Receipts Reserve (for HRA Loan)	0	0	(2,000)	(2,000)
Funding of Capital Programme from HRA	7,503	9,228	2,449	(6,779)
Transfers to/from(-) Reserves	(4,023)	(5,813)	199	6,012
<b>HRA (Surplus)/Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

22. The average weekly rent in 2016/17 was £99.81 and in 2017/18 has decreased to £98.80, a decrease of £1.01 per week.

23. The council manages a total of 453 garages; current weekly rental is £9.70 and will increase to £9.89 (excluding VAT).

24. Last year the council reviewed all support charges in preparation for further cuts to HRS funding made by Essex County Council.

25. The review resulted in the introduction of an Intensive Housing Management (IHM) charge to recover a proportion of the reduction of funding from ECC. The IHM charge is covered by Housing Benefit and its introduction therefore lessened the impact of the cuts to HRS for those tenants on benefits who previously have not contributed to support costs.

26. Tenants on housing benefit were also expected to pay the remaining proportion of the reduction of funding from ECC that could not be recovered through IHM. Last year this charge was minimal to those on housing benefit.

27. Essex County Council (ECC) has confirmed that all HRS funding will now cease from April 2017. This will result in the full cost of the support charge having to be recovered from all sheltered tenants. The rationale that ECC makes for these cuts is that people who require this type of support can claim appropriate benefits to pay for it themselves.
28. It is proposed to increase by RPI of 2% the charges for the council's sheltered housing scheme management service (made up from a support charge and an IHM charge) and lifeline services. The charges to be set at one level of service:
- i. Sheltered plus: £18.15 per week
  - ii. Protection for tenants at 31st March 2003 who are ineligible for supporting people grant assistance to cease as no tenants will be receiving grant funding from April 2017
  - iii. Lifeline service: 4.30 per week
29. The Council manages leasehold and freehold properties where service and sewerage charges are payable and these will continue to be calculated and charged in line with actual costs.
30. General needs and sheltered housing service charges are calculated on the same basis as Leasehold/freehold properties.
31. Heating charges will be calculated and charged in line with actual costs.
32. Service charges for tenants as at 31<sup>st</sup> March 2012 in sheltered accommodation and not in receipt of Housing Benefit will continue to be partially subsidised from the HRA. The subsidy for these charges is reduced by 25% annually.

## **Budget Movements**

33. The table below details budget movements for 2017/18.

<b>Service Movement</b>	<b>Description of Movement</b>	<b>£' 000</b>
Housing Rents	Continuation and extension of 1% reduction in housing rents set by Centyral Government	175
Housing Repairs	Legionella management better value for money contract	(36)
	Reduction in need for agency	(3)
	Asbestos Management surveys reduced due to capacity to deliver planned programme	(30)
	Less materials purchase due to outsourcing of jobs	(22)
	Travel costs for fully recruited team	8
Housing Services	Service contract cost reduction	(5)
	Publication of survey not taking place in year	(8)
	Removal of unused budget for subscriptions	(6)
	Training Course fees	5
Sheltered Housing	Supporting People funding ceased in 17-18	100
	Reduction in lifeline users	8
	Increase in support cost income	(51)
	Reduction in transitional relief of service charges	(25)
Various Services	Natural reduction in transitional relief of support charges	(7)
	Inflationary increase in staffing costs	72
	Net saving on utility costs	(37)
	Salary increases	69
	Other immaterial changes	29
		<b>238</b>
<b>Other Movements</b>		
Bad Debt Provision	Increase due to cessation in support people grant, possible risk of arrears	128
Depreciation	Increase in asset values	72
Pension	Pension deficit 3 year payment	158
Investment Income	Reduced due to low rates of return on investments	37
GF Recharge	Increase to match the increased cost of Central Services and Corporate core	135
		<b>530</b>
<b>Total Movements</b>		<b>768</b>

## 5 Year Budget Summary

34. The 5 year financial forecast identifies the HRA's ability to make revenue contributions to the housing development programme are significantly reduced now that the principal loan repayment becomes due as from 2017/18. The detailed 5 year forecast is shown in Appendix B.
35. In 2017/18 the loan repayment has been matched by drawing down on the capital receipts reserve, but due to the specific criteria surrounding the capital receipts this source of funding is also reduced in future years.
36. The capital receipts are the monies that the council are allowed to keep from the sale of council houses as part of the right to buy scheme.
37. The capital receipts are ringfenced to the replenishing of the housing stock on the basis of a one for one replacement of sold properties.
38. The Council can only use up to the maximum of 30% of these receipts on any one project, so the Council is required to fund 70% out of its own resources.

39. There is a risk that the council may have to repay to government any Capital Receipts monies that are not spend with 13 quarters of receiving this income.
40. Due to the reducing resources within the HRA it is unlikely that there will be enough funds to support further developments. This can be seen in the capital programme where there are no projects identified from 2018/19. Full details of the capital programme are shown in Appendix C.
41. The Council is carrying out a review with their independent financial consultants, Arclingclose to refinance the current loan over a longer period and release funds to enable the continuation of its programme of housing development.
42. A further risk to the HRA financial planning relates to the Sale of high value properties once they become vacant. This is not planned for 2017/18 but there is a risk that this will be implemented in April 2018.
43. The HRA is facing the potential loss of high value voids or a government levy as part of the government's policy to fund the Right To Buy (RTB) discounts of Housing Associations.

## Movement in Reserves

44. The table below details the movement in reserves and this includes the Major Repairs Reserve.

Reserve	Balance 01-Apr-16	Forecast transfer from HRA	Forecast transfer to HRA	Transfers between Reserves	Estimated Balance 31-Mar-17	Forecast transfer from HRA	Forecast transfer to HRA	Transfers between Reserves	Estimated Balance 31-Mar-18
<b>£'000</b>									
<b><u>RINGFENCED RESERVES</u></b>									
Working Balance	463	10			473				473
	<b>463</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>473</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>473</b>
<b><u>USABLE RESERVES</u></b>									
<u>Revenue Reserves</u>									
Major Repairs Reserve	190	146	(67)		269	208			477
Revenue Projects	60				60				60
Transformation Reserve	180				180				180
	430	146	(67)	0	509	208	0	0	717
<u>Capital Reserves</u>									
Capital Projects	3,538		(5,037)	1,499	0	516			516
Potential Projects Reserve	2,998		(776)	(1,499)	723				723
Sheltered Housing Projects Reserve	318		0		318		(318)		0
	6,854	0	(5,813)	0	1,041	516	(318)	0	1,239
<b>TOTAL USABLE RESERVES</b>	<b>7,284</b>	<b>146</b>	<b>(5,880)</b>	<b>0</b>	<b>1,550</b>	<b>724</b>	<b>(318)</b>	<b>0</b>	<b>1,956</b>
<b>TOTAL RESERVES</b>	<b>7,747</b>	<b>156</b>	<b>(5,880)</b>	<b>0</b>	<b>2,023</b>	<b>724</b>	<b>(318)</b>	<b>0</b>	<b>2,429</b>

## HRA Business Plan and 5 Year Strategy

45. The Housing Service prepared a 30 year HRA Business Plan in line with the Self-Financing Agreement; from this business plan a 5 year working plan has been extracted detailing specific priorities/projects up until 2020/21. This is a rolling programme and is continuously updated, a detailed action plan is attached in Appendix D.

### Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Changes in legislation may alter the assumptions contained in the proposed 2015/16 Budget and HRA Business Plan	2	2	Prudent budget management and assumptions are built into the budget predictions. This is supported by the minimum operational balance and earmarked reserves to provide a short term contingency
Rent arrears increase	2 – due to the withdrawal of the supporting people grant and the benefit cap	2 – increased arrears and resources needed to support tenants to manage their payments	Housing officers provide Tenant support for those in financial difficulty.
Vulnerable people at risk due to loss of supporting people grant and discontinued support from ECC for Lifeline alarms	3 – residents may struggle financially to self-fund	3 – extra support from officers and possible increased claims for benefits and/or hardship grants	Increased officer support for those tenants affected - will need help with their finances. Residents on HB can claim for supported services within their claim.
Failure to deliver major housing and development projects	2 – the council has an ambitious development programme	3 – schemes do not progress	Robust project planning and resources aligned to deliver projects
Increase in interest rates	1 – not anticipated that rates will increase in the next year	3 – increase in loan repayment	Prudent budget management. To closely manage the situation with the support of our Financial Consultants, Arlingclose and consider fixed rate alternatives
HCA Funding for	1 – it is	3 – shortfall in	Close monitoring of the

Reynolds Court development may have to be repaid	expected that the project will complete on time	funding will have to be found within current resources	project
Increases in Right to Buy discounts present a risk as the Council may be unable to replace stock at the same rate as sales	2 – Sales are already higher than estimated in the business plan	2 – Repayment of capital receipt to government	Continuous review of the Business Plan and possible options for new build housing

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

## Appendices

Appendix A – 2017/18 Summary Budget

Appendix B – 5 year Budget Summary (2017/18 – 2021/22)

Appendix C – HRA 5 year Capital Programme and Financing

Appendix D – Business Plan – Action Plan 2016 - 2021

## APPENDIX A

### HRA Budget Summary 2017/18

£'000	2016/17 Original Budget	2016/17 Restated Budget	2017/18 Original Budget	Increase / (Decrease)
<b>Housing Revenue Income</b>				
Dwelling Rents	(14,335)	(14,335)	(14,160)	175
Garage Rents	(208)	(208)	(206)	2
Other Rents etc	(3)	(3)	(3)	0
Charges for Services & Facilities	(908)	(908)	(853)	55
Contributions towards Expenditure	0	0	0	0
<b>TOTAL INCOME</b>	<b>(15,455)</b>	<b>(15,455)</b>	<b>(15,222)</b>	<b>232</b>
<b>Housing Finance &amp; Business Management</b>				
Business & Performance Management	103	103	122	20
Rents, Rates & Other Property Charges	76	76	75	(1)
	179	179	197	18
<b>Housing Maintenance &amp; Repairs Service</b>				
Common Service Flats	226	226	189	(37)
Estate Maintenance	145	145	147	2
Housing Repairs	2,324	2,324	2,321	(4)
Housing Sewerage	53	53	53	(1)
Newport Depot	11	11	17	6
Property Services	273	273	300	28
	3,032	3,032	3,026	(5)
<b>Housing Management &amp; Homelessness</b>				
Housing Services	394	394	399	5
Sheltered Housing Services	635	635	623	(12)
	1,029	1,029	1,022	(7)
<b>Total Service Expenditure</b>	<b>4,240</b>	<b>4,240</b>	<b>4,245</b>	<b>6</b>
<b>Other Costs</b>				
Bad Debt Provision	50	50	178	128
Depreciation -transferred to MRR	3,427	3,492	3,564	72
Impairment - Other Assets	0	0	0	0
Interest/Costs re HRA Loan	2,625	2,625	2,625	0
Repayment of HRA Loan	0	0	2,000	2,000
Investment Income	(52)	(52)	(15)	37
Pension Costs - Added Years	19	19	19	0
Pension Deficit - Triannual payment	0	0	158	158
Recharge from General Fund	1,330	1,330	1,507	177
HRA Share of Corporate Core	335	335	293	(42)
<b>Total Non-Service Expenditure</b>	<b>7,735</b>	<b>7,800</b>	<b>10,329</b>	<b>2,529</b>
<b>TOTAL EXPENDITURE</b>	<b>11,975</b>	<b>12,039</b>	<b>14,574</b>	<b>2,535</b>
<b>OPERATING (SURPLUS)/DEFICIT</b>	<b>(3,480)</b>	<b>(3,415)</b>	<b>(648)</b>	<b>2,767</b>
Funding from Capital Receipts Reserve for HRA Loan	0	0	(2,000)	(2,000)
<b>Funding of Capital Programme from HRA</b>				
Capital Schemes Funded from Revenue	7,503	9,228	2,449	(6,779)
	7,503	9,228	2,449	(6,779)
<b>Transfers to/(from) Reserves</b>				
Capital Projects	(3,613)	(5,037)	516	5,553
Change Management Reserve	0	0	0	0
Potential Developments	(92)	(776)	0	776
Sheltered Housing Reserve	(318)	0	(317)	(317)
Transformation Reserve	0	0	0	(0)
Working Balance	0	0	0	0
	(4,023)	(5,813)	199	6,012
<b>(SURPLUS)/DEFICIT</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>

**APPENDIX B**

**HRA Summary – 5 Year Forecast 2017/18 – 2021/22**

	<b>2017/18 Original Budget</b>	<b>2018/19 Original Budget</b>	<b>2019/20 Original Budget</b>	<b>2020/21 Original Budget</b>	<b>2021/22 Original Budget</b>
<b>£ '000</b>					
Dwelling Rents	(14,160)	(14,019)	(14,229)	(14,442)	(14,659)
Garage Rents	(206)	(208)	(210)	(212)	(214)
Other Rents etc	(3)	(3)	(3)	(4)	(4)
Charges for Services & Facilities	(853)	(862)	(870)	(879)	(888)
Contribution towards expenditure	0	0	0	0	0
<b>Total Income</b>	<b>(15,222)</b>	<b>(15,091)</b>	<b>(15,312)</b>	<b>(15,537)</b>	<b>(15,764)</b>
<b>Housing Finance &amp; Business Management</b>					
Business & Performance Management	122	124	125	126	127
Rents, Rates & Other Property Charges	75	75	76	77	78
	197	199	201	203	205
<b>Housing Maintenance &amp; Repairs Service</b>					
Common Service Flats	189	191	193	195	197
Estate Maintenance	147	148	150	151	153
Housing Repairs	2,321	2,344	2,367	2,391	2,415
Housing Sewerage	53	53	54	54	55
Newport Depot	17	17	17	17	17
Property Services	300	303	306	309	312
	3,026	3,057	3,087	3,118	3,149
<b>Housing Management &amp; Homelessness</b>					
Housing Services	399	403	407	411	415
Sheltered Housing Services	623	625	631	637	644
	1,022	1,027	1,038	1,048	1,059
<b>Other Costs</b>					
Bad Debt Provision	178	180	182	183	185
Depreciation -transferred to MRR	3,564	3,599	3,635	3,672	3,708
Impairment - Other Assets	0	0	0	0	0
Interest/Costs re HRA Loan	2,625	2,651	2,678	2,705	2,732
Repayment of HRA Loan	2,000	2,000	2,000	2,000	2,000
Investment Income	(15)	(15)	(15)	(15)	(16)
Pension Costs - Added Years	19	19	19	20	20
Pension Deficit - Triannual payment	158	0	0	170	172
Recharge from General Fund	1,507	1,522	1,537	1,553	1,568
HRA Share of Corporate Core	293	296	299	302	305
<b>Total Non-Service Expenditure</b>	<b>10,329</b>	<b>10,253</b>	<b>10,335</b>	<b>10,589</b>	<b>10,675</b>
<b>Total Expenditure</b>	<b>14,574</b>	<b>14,536</b>	<b>14,661</b>	<b>14,958</b>	<b>15,087</b>
<b>OPERATING (SURPLUS)/DEFICIT</b>	<b>(648)</b>	<b>(556)</b>	<b>(651)</b>	<b>(579)</b>	<b>(677)</b>
Transfer to/(from) Capital receipts	(2,000)	(413)	(200)	(200)	(200)
<b>Revenue balance available for capital financing</b>	<b>(2,648)</b>	<b>(969)</b>	<b>(851)</b>	<b>(779)</b>	<b>(877)</b>
<b>Capital Schemes Funded from Revenue</b>	<b>2,449</b>	<b>1,588</b>	<b>1,905</b>	<b>1,156</b>	<b>1,170</b>
<b>Transfers to/(from) Reserves</b>					
Capital Projects	516	84	(462)	(43)	(109)
Change Management Reserve	0	0	0	0	0
Potential Developments	0	(709)	0	0	0
Sheltered Housing Reserve	(317)	0	0	0	0
Transformation Reserve	0	0	0	0	0
Major Repairs Reserve - Other	0	0	(598)	(340)	(190)
Working Balance	0	0	0	0	0
	199	(625)	(1,060)	(383)	(299)
<b>(SURPLUS)/DEFICIT</b>	<b>(0)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>

## HRA – Capital Programme 2017/18 – 2021/22

## HOUSING REVENUE ACCOUNT

	2016-17 Current Budget £	2016-17 Forecast Spend P6 £	2017-18 Forecast £	2018-19 Forecast £	2019-20 Forecast £	2020-21 Forecast £	2021-22 Forecast £	Total £
<b><u>HRA Fund</u></b>								
HRA Capital Repairs	3,180,000	3,180,000	3,255,000	3,345,000	3,295,000	3,435,000	3,435,000	19,945,000
UPVC Fascia's and Guttering	251,000	200,000	151,000	100,000	100,000	100,000	100,000	751,000
Cash Incentive Scheme Grants	50,000	50,000	50,000	50,000	50,000	50,000	50,000	300,000
			0					
Light Vans Replacement programme	0	0	87,000	96,000	0	0	0	183,000
<b><u>HRA Business Plan Schemes</u></b>								
<b><u>New builds</u></b>								
Unidentified Sites	198,000	0	1,398,000	2,060,000	2,650,000	1,580,000	1,600,000	9,288,000
Catons Lane	310,000	288,000	22,000	0	0	0	0	310,000
Sheds Lane	600,000	150,000	450,000	0	0	0	0	600,000
			0					
<b><u>Redevelopments</u></b>								
Mead Court - Phase 2	642,000	642,000	0	0	0	0	0	642,000
Newton Grove	0	3,000	0	0	0	0	0	3,000
			0					
<b><u>Sheltered Redevelopments</u></b>								
Reynolds Court	6,174,000	2,844,000	4,452,080	0	0	0	0	7,296,080
Hatherley Court	1,707,000	300,000	1,407,000	0	0	0	0	1,707,000
Walden Place	410,000	0	810,000	0	0	0	0	810,000
<b><u>Other Schemes</u></b>								
Energy Efficiency improvement schemes	252,000	252,000	0	0	0	0	0	252,000
Internet cafes in sheltered schemes	2,000	3,400	0	0	0	0	0	3,400
Resurfacing access roads	150,000	150,000	0	0	0	0	0	150,000
<b><u>ICT</u></b>								
Housing Mobile devices IT	65,000	20,000	45,000	0	0	0	0	65,000
Housing contractors portal & SAM - (Now just SAM)	46,000	46,000	0	0	0	0	0	46,000
<b>HRA Housing</b>	<b>14,037,000</b>	<b>8,128,400</b>	<b>12,127,080</b>	<b>5,651,000</b>	<b>6,095,000</b>	<b>5,165,000</b>	<b>5,185,000</b>	<b>42,351,480</b>

## HRA Capital Financing 2017/18 – 2021/22

	2016-17	2016-17	2017-18	2018-19	2019-20	2020-2021	2021-22
<u>Financing - Housing Revenue Account</u>	Current	Forecast	Forecast				
	Budget	Spend	Budget +	Budget	Budget	Budget	Budget
	£	£	Slippage	£	£	£	£
			£				
<u>Business Plan Schemes</u>							
Funded from reserves	(5,743,000)	(3,373,500)	(2,229,000)	(640,000)	(1,024,000)	(340,000)	(170,000)
HRA Revenue Funding - RCCO	(3,377,600)	0	(5,744,080)	(948,000)	(831,000)	(758,000)	(856,000)
HCA grant funding	(1,103,000)	(1,103,000)	0	0	0	0	0
Capital Receipts - RTB	(332,400)	(131,400)	(561,000)	(618,000)	(795,000)	(474,000)	(480,000)
Other MRR reserve cont	0	0	0	(13,000)	(50,000)	(58,000)	(144,000)
	(10,556,000)	(4,607,900)	(8,534,080)	(2,219,000)	(2,700,000)	(1,630,000)	(1,650,000)
<u>Other Schemes</u>							
Major Repairs Reserve Contribution	(3,280,000)	(3,280,000)	(3,255,000)	(3,432,000)	(3,395,000)	(3,535,000)	(3,535,000)
Other MRR reserve cont	(151,000)	(190,000)	(151,000)		0	0	0
HRA Revenue Funding	(50,000)	(50,500)	(187,000)				
Sub total	(3,481,000)	(3,520,500)	(3,593,000)	(3,432,000)	(3,395,000)	(3,535,000)	(3,535,000)
<b>TOTAL FINANCING</b>	<b>(14,037,000)</b>	<b>(8,128,400)</b>	<b>(12,127,080)</b>	<b>(5,651,000)</b>	<b>(6,095,000)</b>	<b>(5,165,000)</b>	<b>(5,185,000)</b>
<b>Funding deficit (Borrowing outside of HRA required internal from cash or external)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Housing Revenue Business Plan Action List – 2016 – 2021

Action	Timescale	Resources	Outcome	Update January 2017
<b>1. Operate a sound and viable housing business in a professional and cost effective manner</b>				
Continue to develop business plan financial model to inform investment and service planning	Ongoing	Within existing resources	HRA that continues to be managed on sound business principles	Business plan financial model has been updated and shows that the HRA business plan remains viable
Prepare for supporting people funding reductions	Mar-17	Within existing resources	Options identified to enable key services to continue to be delivered	Introduced 2 new levels of service – sheltered and sheltered plus Introduced new Intensive Housing Management (IHM) charge – this can be included in Housing Benefit claim to reduce impact on residents receiving this service
Improve performance management systems in housing services	Mar-17	Within existing resources	PI targets based on a combination of performance of peer LA's in HouseMark benchmarking group and historic UDC performance data	All PIs and targets reviewed. PI's continually monitored through new Housing Performance Management process
Maximise income to the HRA by achieving high collection rates for rents, service charges, sewage charges, garage rents and miscellaneous invoices	Ongoing	Within existing resources	Rent arrears action taken at an earlier stage to prevent arrears from escalating. Providing debt support and signposting to tenants/leaseholders who are struggling. Corporate approach to rent collection to ensure join-up with individual cases	Income collection has been separated from the debt support work resulting in a significant reduction in rent arrears
Implement re-chargeable repairs	Apr-16	Within existing resources	Improve recovery of costs of repairs which are tenants' responsibility	New re-charge policy in place and working well

Action	Timescale	Resources	Outcome	Update January 2017
policy				
Evaluate the alternative options available for the delivery of housing services through strategic and /or operational partnerships	Apr-17	Within existing resources	Options identified for step change improvement in value for money	No progress to date
Review the arrangements for the management of non-housing assets	Oct-16	Within existing resources	Rationalisation of management responsibilities and clarification of development potential	Complete - new structure in place
Ensure the void turnaround figures do not exceed targets to minimise rent losses	Ongoing	Within existing resources	Rent loss through voids minimalised	Further review of the void processes carried out in October 2016 following recommendations from the Housing Regulatory Panel (HRP). Review shows that new processes that have been implemented are working well
<b>2. Ensure that all the council's tenants live in a decent home in settled communities for as long as needed, consistent with the council's Tenant Strategy</b>				
Review tenant strategy to ensure that local housing need is met and assets are used effectively, utilising all available flexibilities	Apr-17	Within existing resources	Updated strategy	Complete - strategy has been reviewed. No change to policy recommended at this time
Create a tenancy sustainment team	Aug-16	Within existing resources	Increased support for vulnerable tenants. A page 122 A full tenancy costs the Council several thousands of pounds	Complete - team in place. Successful Tenancy Sustainment Programme implemented. We have been able to

Action	Timescale	Resources	Outcome	Update January 2017
			so the success of this team will ultimately save money for re-investment in the housing stock	prevent evictions, organise sustainable repayment programmes and tenancies, and help individuals who have been previously unable to engage with us and many other support organisations
Improve the information on the housing stock	Apr-17	Within existing resources	Accessible up to date stock data	New stock data management system (SAM) has been implemented – estimated to go live in April 2017. Work is progressing on collecting stock data - it is anticipated that a 100% stock condition survey will be achieved on a rolling 5 year basis
Continue to manage and maintain the housing stock effectively and efficiently ensuring that properties meet, as a minimum, the decent homes standard	Ongoing	Within identified resources - approximately £5.3m pa	Well maintained homes and assets to minimum decent homes standard	Ongoing - planned works programmes are progressing well and to budget - the authority is continuing to deliver a significant programme of investment in the stock
Deliver an improved repairs and maintenance service through: 1. Enhancement of mobile technology for repairs and voids teams; 2. Electronic van stocking of operatives' vehicles 3. Online reporting of repairs	Aug-16	£120k	Homes well maintained Improved tenant satisfaction More efficient and responsive deployment of personnel	Project plan in place to deliver IT improvements. 1. Handhelds have been selected and are currently being trialled - will be rolled out to all operatives by April 2017 2. Decision made not to implement new electronic stock system following unsuccessful trials 3. Schedule Board to enable on-line scheduling of repairs jobs currently being tested by users – to go live by April 2017

Action	Timescale	Resources	Outcome	Update January 2017
Improve average energy efficiency for council properties	Apr-17	£530k	Reduced fuel costs for residents	All works identified in Phase I, II and III now complete and included: air source heat pumps/external wall cladding/solar panels. Further properties identified for improvement works and budgets being prepared for works to be carried out in 2017/18
Continue to fund disabled adaptations for tenants and improve the delivery process	Ongoing	£260k pa	Reduction in the time people have to wait for adaptations	Disabled adaptations continue at a high demand – currently able to meet all requests within a reasonable timescale
Undertake fundamental review of policies and procedures to ensure service is 'Fit for Purpose'	Ongoing	Within existing resources	Policies in place that reflect best practice/current legislation	All policies and procedures regularly reviewed. Changes identified are brought to the tenant forum and housing board for approval
<b>3. Help tenants and leaseholders get involved with decisions about their housing</b>				
Continue to develop Housing Regulatory Panel to scrutinise the performance of the Housing Service and to undertake service reviews	Ongoing	5k pa - training for members	A Housing Regulatory Panel that deliver in-depth challenging inspections - achieving improvements that really matter to tenants	The HRP have carried out a review of the sheltered housing service following their successful review of the Void process. Report has been presented to officers and progress with implementing the recommendations will be reported to the HRP and Housing Board
Review the approach to gathering tenant feedback and satisfaction	Mar-17	Within existing resources	Refreshed approach to assessing tenant satisfaction to inform service improvement planning	Online satisfaction survey has been designed so that tenants can feed back immediately after repair is carried out. New STAR tenant satisfaction/feedback survey to be sent to all tenants in

Action	Timescale	Resources	Outcome	Update January 2017
				January 2017
Link tenant participation with opportunities for skill development	Ongoing	Within existing resources	Skilled Tenant Forum and Tenant Regulatory Panel members	Training programme in place
Publish annual tenants report	Ongoing	£3k pa	Annual report published	Annual report published in November 2016
Benchmark service with other landlords through HouseMark	Ongoing	Within existing resources	Core benchmarking data uploaded to HouseMark for full organisational review	Core benchmarking data has been submitted – performance data and comparison with other authorities reviewed by officers at section heads meeting
<b>4. Regenerate the stock/estates and build new affordable rented council housing in an efficient and effective manner</b>				
Deliver the new homes programme	Mar-21	£6.898m	New homes to replace those lost through RTB sales - approximately 6 -10 per year	Development programme on track: Holloway Crescent Phase I & II - 13 properties Mead Court Phase I & II – 29 properties Catons Lane – 6 properties <b>48 properties completed</b>  Planning permission obtained for development of garage sites in Sheds Lane – 3 properties (due to complete December 2017) <b>3 properties</b>
Deliver Sheltered scheme re-development programme	Mar-18	£11.5m	Fit for purpose accommodation for the elderly	Development programme on track: Reynolds Court Phase I – 14 properties (due to complete June 2017) Reynolds Court Phase II – 27 properties (due to complete August 2018) <b>41 properties</b>

Action	Timescale	Resources	Outcome	Update January 2017
				Hatherley Court – remodelling (26 properties) and new build (1 property) – tenders being evaluated
Review housing asset management strategy	Apr-18	Within existing resources	Established a clear policy on the use of HRA assets, regeneration and development	No progress
Develop and implement initiatives for improving estates	Ongoing	Within existing resources	Delivery of new estate improvement/ regeneration initiatives as part of the housing asset management strategy. Delivery of resident led improvements	Regular trailer events being held / estate inspection; projects identified for estate regeneration
Carry out development appraisals of identified sites and review business plan capacity to develop	Apr-17	Revenue cost of £50k pa for surveyor to co-ordinate works	Established housing development programme	Proposals/plans being drawn up for sites at The Moors, Little Dunmow (16 properties); Newton Grove, Great Dunmow (4 properties); Frambury Lane, Newport (5 properties) <b>25 properties</b>  A number of garage and infill sites and excess garden land are being assessed for development viability, or for the opportunity to sell in order to cross-subsidise the development programme <b>20 properties</b>

**Committee: Cabinet**

**Agenda Item**

**Date: 16 February 2017**

**13**

**Title: General Fund and Council Tax 2017/18**

**Portfolio Holder: Councillor Simon Howell**

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### **Summary**

1. This report presents the 2017/18 General Fund budget for consideration by the Cabinet on 16 February ahead of final determination by Full Council on 23 February.
2. This budget must be considered alongside the report made by the Director of Finance and Corporate Services under Section 25 of the Local Government Act 2003, to be received by the Cabinet earlier in the agenda. The budget is consistent with the Medium Term Financial Strategy also to be considered earlier on the agenda.
3. The Scrutiny Committee reviewed the budget reports on 7 February. Comments from the Committee are in a separate item on the agenda.

### **Recommendations**

4. The Cabinet is requested to recommend that the Full Council approves the General Fund Council Tax requirement of £5,034,621 summarised in paragraphs 16 - 22.
5. The Cabinet is recommended to approve the schedule of fees and charges in Appendix F.

### **Background Papers**

6. None.

### **Financial Implications**

7. The financial implications are included in the main body of this report.

### **Impact**

Communication/Consultation	Consultation carried out is summarised below.
Community Safety	No specific implications
Equalities	An EQIA is included with the agenda papers
Finance	Detailed in the report
Health and Safety	No specific implications
Human Rights	No specific implications
Legal implications	The recommendations fulfil the legal requirement to set a balanced budget.
Sustainability	No specific implications

Ward-specific impacts	No specific implications
Workforce/Workplace	No specific implications

## Introduction

8. This report provides detailed revenue estimates for the General Fund and Council Tax for 2017/18.
9. The estimates, as summarised in Appendix A, show a Council Tax Requirement of £5,034,621 which balances to the level of Council Tax yield, assuming an increase of 2% in Council Tax.
10. The Cabinet is required to determine a recommended budget for consideration by the Council on 23 February.
11. The estimates in this report are based on the recommended Capital Programme, Treasury Management Strategy and Housing Revenue Account budget for 2017/18 that were considered earlier in today's agenda. Any changes may have a marginal effect on the revenue estimates and these will be reflected in the final reports prepared for Full Council.

## 2017/18 Budget Strategy

12. On 1 December 2016, the Cabinet determined its strategy for the 2017/18 budget and this was formed based on the residents and the local businesses consultation responses. The table in point 14 summarises the responses and priorities from the Residents and Local Businesses Consultations, the draft 2017/18 budget has been prepared where possible in line with the consultations.

## Residents and Local Business Consultations

13. During the summer 2016, a consultation on the Council's budget priorities was completed using multiple methods in order to obtain a wider body of opinion, this was consistent with the approach taken in 2016/17. The residents consultation comprised of;
  - a) a telephone survey of over 500 residents
  - b) online and paper questionnaires and face-to-face surveys carried out in the district's main towns and villages
  - c) a copy of the survey was included in the summer Citizens Panel questionnaire
14. This is the first year that a dedicated consultation has been run asking businesses directly for their views on council spending, in previous years the consultation has been limited to Business Networking Groups. A multi directional approach was taken which comprised of an online consultation to enterprises registered on the Uttlesford Business Directory, local business support groups and the two town teams.

<b>Survey respondents' priority</b>		
	Residents	Local Businesses
<b>Statutory Services</b>		
1 <sup>st</sup>	Emptying Bins, including litter and dog bins	Planning how the district will develop in the coming decades, including where new housing and businesses will be located
2 <sup>nd</sup>	Providing council and sheltered housing for the elderly	Emptying bins, including public litter and dog bins
3 <sup>rd</sup>	Planning how the district will develop in the coming decades, including where new housing and businesses will be located	Sweeping the streets, litter picking, clearing up fly tipping and keeping the district council owned land tidy
Lowest Priority	Giving advice on work to listed buildings and work to protect trees	Giving advice on work to listed buildings and work to protect trees
<b>Other Services</b>		
1 <sup>st</sup>	Working with the police and other organisations to keep Uttlesford Safe	Working with the police and other organisations to keep Uttlesford Safe
2 <sup>nd</sup>	Enforcement work including prosecuting people for not paying council tax or council house rent, benefit fraud and fly tipping	Promoting and Supporting businesses in the area
3 <sup>rd</sup>	Educating young people about the dangers of drugs and alcohol	Enforcement work including prosecuting people for not paying council tax or council house rent, benefit fraud and fly tipping
Lowest Priority	Collecting stray animals, microchipping dogs and cats and dealing with complaints from the public about pet and animal related issues	Collecting stray animals, microchipping dogs and cats and dealing with complaints from the public about pet and animal related issues

15. When setting the budget for 2017/18 consideration was given to both the residents and businesses responses on service priorities. The table below details the priorities with the budget.

<b>Respondents Priorities</b>	<b>Consistency with Budget</b>
Emptying Bins, including litter and dog bins	Additional resources and capital investment in Street Services
Planning how the district will develop in the coming decades, including where new housing and businesses will be located	Local Plan continuing with investment from reserves
Providing council and sheltered housing for the elderly	Refurbishment of Sheltered Housing complexes continue and completion of redeveloped complex
Sweeping the streets, litter picking, clearing up fly tipping and keeping the district council owned land tidy	Additional resources and capital investment in Street Services
Working with the police and other organisations to keep Uttlesford Safe	Enhancing the Community Safety Hub Police located on the council site at Saffron Walden
Enforcement work including prosecuting people for not paying council tax or council house rent, benefit fraud and fly tipping	Joint working with other Essex Local Authorities on fraud prevention.
Promoting and Supporting businesses in the area	Additional investment of a new post to support the Economic Development Strategy
Educating young people about the dangers of drugs and alcohol	Integral element of the Health and Wellbeing agenda

### **2017/18 resources available**

16. By law the budget (Council Tax Requirement) has to balance to the expected Council Tax income receivable.
17. The Director of Finance and Corporate Services (s151 Officer), under delegated authority, has approved the Council Taxbase to be used when setting the 2017/18 draft Council Tax. The Taxbase, expressed in Band D equivalents, is 37,234.37, an increase of 2.11% on the 2016/17 figure of 36,463.81. Deducted from the 37,234.37 figure is an adjustment to reflect the level of Local Council Tax Support Discounts. The estimate of these discounts in Band D equivalent terms is 2,010.63. This produces a Taxbase for budget setting purposes of **35,223.74**.
18. The 2016/17 UDC Band D Council Tax was £140.13. In accordance with the Cabinet's guidance, an increase of 2% has been assumed for the purpose of preparing this

report, this give a Band D figure for 2017/18 of **£142.93**. Multiplied by the taxbase, this would produce a Council Tax yield of **£5,034,621**.

19. The Council is therefore required to balance its net budget to a **Council Tax Requirement of £5,034,621**.

	2016/17	2017/18	% Change
Taxbase (gross)	36,463.81	37,234.37	2.11%
LCTS Discounts	(2,013.06)	(2,010.63)	-0.12%
Taxbase (net)	34,450.75	35,223.74	2.24%
Band D	£140.13	£142.93	2.00%
<b>Council Tax Yield</b>	<b>£4,827,584</b>	<b>£5,034,621</b>	<b>4.24%</b>

20. The Council Tax Yield is higher than the equivalent sum for 2016/17, this is explained below:

<b>2016/17 Council Tax Requirement</b>	<b>4,827,584</b>
Additional income arising from Taxbase increases	108,319
Additional income arising from UDC 2% increase	98,718
<b>2017/18 Council Tax Requirement</b>	<b>5,034,621</b>

21. The £5,034,621 figure represents estimated Council Tax income, but for budget purposes it is treated as a UDC levy on the Collection Fund and is therefore a reliable figure. Inevitably the actual amount of Council Tax income will differ from the assumed amount. This will give rise to a surplus or deficit on the Collection Fund which will be taken into account as part of next year's budget setting.

#### Indicative District Council Tax for 2017/18

22. Assuming an increase of 2% in Council Tax, the amount of Uttlesford DC Council Tax, by each Council Tax band, is shown below.

Band	Chargeable Dwellings		Proportion of Band D	2016/17 UDC	2017/18 UDC	Increase 2% £/year
	No.	%		Council Tax £	Council Tax £	
A	1,052	3.02%	6/9ths	93.42	95.29	1.87
B	3,587	10.31%	7/9ths	108.99	111.17	2.18
C	7,984	22.96%	8/9ths	124.56	127.05	2.49
D	6,891	19.81%	9/9ths	140.13	142.93	2.80
E	6,306	18.13%	11/9ths	171.27	174.69	3.42
F	4,392	12.63%	13/9ths	202.41	206.45	4.04
G	4,162	11.97%	15/9ths	233.55	238.22	4.67
H	407	1.17%	18/9ths	280.26	285.86	5.60
<b>Total</b>	<b>34,781</b>	<b>100%</b>				

## General Fund Budget

23. The 2017/18 budget has a surplus of £564,000 which has been allocated to the Strategic Initiatives Fund Reserve subject to the approval of the reserves strategy earlier in the agenda.
24. Included in the corporate items other net cost there is a £200,000 efficiency saving identified, which reduces the bottom line net expenditure requirement. The Council was required to produce an Efficiency Plan when accepting the four year settlement offered by government. The Council is currently working on a detailed action plan to deliver these efficiencies.
25. Details of the settlement deal and the efficiency plan are discussed in the Medium Term Financial Strategy earlier in the agenda.
26. A summary of the 2017/18 General Fund budget is shown in the table below. Further details are set out in the budget summary in Appendix A and Appendix B provides details on each portfolio.

	<b>2016/17 Original Budget £ '000</b>	<b>2016/17 Restated Budget £ '000</b>	<b>2017/18 Original Budget £ '000</b>	<b>Increase / (Decrease) £ '000</b>
<u>Portfolio budgets</u>				
Net Service Expenditure	9,895	9,841	11,448	1,607
<u>Corporate items</u>				
Capital Financing Costs	2,497	3,716	1,861	(1,855)
Recharge to HRA	(1,666)	(1,666)	(1,800)	(134)
Corporate Items other (net)	(26)	(26)	649	675
<b>Net Expenditure</b>	<b>10,700</b>	<b>11,865</b>	<b>12,158</b>	<b>293</b>
<u>Funding</u>				
New Homes Bonus - Grant	(4,280)	(4,280)	(3,772)	508
Business Rates Retention	(2,689)	(2,689)	(1,559)	1,130
Revenue Support Grant	(684)	(684)	(255)	429
Rural Services Delivery & Transitional Grant	0	(338)	(285)	53
Council Tax - Collection Fund Balance	(152)	(152)	(193)	(41)
	<b>(7,805)</b>	<b>(8,143)</b>	<b>(6,064)</b>	<b>2,079</b>
<b>Net Operating Expenditure</b>	<b>2,895</b>	<b>3,722</b>	<b>6,094</b>	<b>2,372</b>
Strategic Initiatives Reserve	2,369	2,431	114	(2,317)
Net Transfers to/(from) other earmarked reserves	(437)	(1,325)	(1,174)	151
	<b>1,932</b>	<b>1,106</b>	<b>(1,060)</b>	<b>(2,166)</b>
<b>Council Tax Requirement</b>	<b>4,828</b>	<b>4,828</b>	<b>5,035</b>	<b>207</b>
Council Tax (precept levied on Collection Fund)	(4,828)	(4,828)	(5,035)	(207)
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

27. A subjective analysis of net service expenditure is detailed below.

	<b>2016/17 Original Budget £ '000</b>	<b>2016/17 Restated Budget £ '000</b>	<b>2017/18 Original Budget £ '000</b>	<b>Increase / (Decrease) £ '000</b>
Employees	9,735	9,681	10,855	1,174
Premises	704	704	713	9
Transport	632	632	605	(27)
Supplies & Services	5,303	5,303	6,084	781
Third Party Payments	249	249	231	(18)
Transfer Payments	17,072	17,072	17,033	(39)
<b>Expenditure</b>	<b>33,695</b>	<b>33,641</b>	<b>35,521</b>	<b>1,880</b>
				<b>(Increase) / Decrease £ '000</b>
External Funding	(1,541)	(1,541)	(1,619)	(78)
Fees & Charges	(4,364)	(4,364)	(4,526)	(162)
Specific Govmt Grants	(17,239)	(17,239)	(17,250)	(11)
Other Income	(656)	(656)	(678)	(22)
<b>Income</b>	<b>(23,800)</b>	<b>(23,800)</b>	<b>(24,073)</b>	<b>(273)</b>
<b>Net portfolio expenditure</b>	<b>9,895</b>	<b>9,841</b>	<b>11,448</b>	<b>1,607</b>

28. The following table is a reconciliation of the movement from the 2016/17 budget to the 2017/18 estimates. Details of all budget changes and adjustments are given in Appendix C.

	£' 000	£' 000
<b>Council Tax Requirement - 2016/17</b>		<b>4,828</b>
<u>Portfolio budget changes (£5k Minimum)</u>		
Inescapable growth	497	
Service Growth	1,448	
Efficiency Savings	(160)	
Changes to Income	(91)	
Other Adjustments	(55)	
Minor Variances < £5k	(33)	
<u>Corporate Items</u>		
Capital financing cost decrease	(636)	
Increase in HRA share of costs	(135)	
Triannual pension payment	770	
Efficiencies & Income Opportunities	(200)	
Other various	105	
<u>Funding Items</u>		
Reduction in settlement funding	429	
Reduction in New Homes Bonus	507	
Net impact of Collection Fund related transaction	785	
Net change in draw on reserves	(2,941)	
Other net adjustments	(83)	
Total net changes to base budget		207
<b>Council Tax Requirement - 2017/18</b>		<b><u>5,035</u></b>

## Key budget items

29. The key movements in the 2017/18 budget changes are detailed in the following table:

<b>Key Budget Movements</b>	<b>£' 000</b>
<b>Services</b>	
One off cost of consultancy for due diligence review relating to potential income opportunities for the councils new commercial company (Aspire), funded from the Strategic Initiatives Reserves	450
Pay increases, realignment of the pay grades to aid retention and recruitment of staff	429
Salary increase relating to inflationary and incremental increases. This is the increased cost to salaries had the salary uplift proposal not been included in the budget	366
To facilitate the development and implementation of the strategic transformation plan for the council, in order to improve customer service, efficiency and effectiveness.	100
First of a two year budget for agency and consultants to support work on the Local Plan, funded from the Planning Reserve	275
50% reduction in Town and Parish grants for Local Council Tax Support	(95)
	<hr/> <b>1,525</b>
<b>Corporate Costs and Funding</b>	
Capital Financing has reduced due to the anticipated completion of capital projects and the subsequent financing of these	(1,855)
Collection fund for Business Rates is in deficit due to the Stansted Airport settlement. The element to be backdated to 2010 was expected to be approximately £8m, as advised by our independent consultants, Analyse Local. The actual award was for £11m, this is the Councils share of the shortfall in the provision	1,009
New Homes Bonus was reduced following the governments review of the scheme, reducing in 2017/18 to a 5 year scheme and the introduction of a deadweight factor of 0.4% (no grant for natural growth)	508
Revenue Support Grant planned government reduction. This is the final year of this grant	429
	<hr/> <b>91</b>
<b>Total key movements</b>	<hr/> <b>1,616</b> <hr/>

## Risks and Assumptions

30. The key areas of risk both adverse and favourable are shown below, a full analysis of all risks and assumptions have been included in Appendix D.
- **Local Plan** – that the consultancy costs exceed the level budgeted for and the reserve is insufficient to cover the extra work required.
  - **Efficiency Savings** – that new sources of income and/or efficiencies are not identified.
  - **Business Rates Appeals** – Although the biggest risk appeal (Stansted Airport) has now been settled, there are still large numbers of historic appeals outstanding with the Valuation Office. These outstanding appeals could still have a moderate adverse impact on our budget.

## Local Government Finance Settlement

31. On the 15 December the Council received the provisional notification of the settlement for 2017/18. Final figures are expected to be confirmed sometime early February.
32. The Settlement comprises of the following:
- Revenue Support Grant (RSG)
  - Localised Business Rates Retention (BRR)
  - New Homes Bonus (NHB)
  - Rural Services Delivery Grant (RSDG)
  - Transition Funding
33. There is uncertainty about the level of funding in future years and this is discussed in more detail in the Medium Term Financial Strategy (MTFS) earlier in the agenda.
34. The New Homes Bonus scheme has been subject to consultation following the government's announcement in last year's settlement, to reduce funding from £1.5 billion to £900m. The changes made to the scheme for 2017/18 are;
- Changing to a 5 year scheme in 2017/18 and moving to a 4 year scheme in 2018/19.
  - Introduction of a deadweight factor of 0.4%. This means grant is only received on the number of houses which are above the national baseline, for Uttlesford this equates to the loss of 149 properties.
35. Further consultation is planned for 2017/18 on the removal of NHB grant for houses approved on appeal and no grant where the Local Authority has not submitted a Local Plan.
36. Business Rates has not seen any significant changes in 2017/18, as the government continues with its plan for 100% retention in 2020.
37. A full revaluation of all business premises was carried out in 2016 to reflect changes in the property markets; this included a revision of the multipliers. The multipliers are the

mechanism to calculate the net collectable income (rateable value x multiplier = amount payable) due on business premises; these have been revised as follows.

- properties with a rateable value over £50,000, multiplier is 47.9 (previously over £18,000 set at 49.7)
- properties with a rateable value below £50,000, multiplier is 46.6 (previously set at 48.4)

38. Other amendments to the current Business Rates are;

- Increase Rural Rate Relief to 100% to bring it in line with Small Business Relief; this is funded through the Section 31 grant.
- Inclusion of the section 31 grant (to fund mandatory rate reliefs) within the income calculation, this increases our levy payment.

### General Fund Reserves

39. The forecast on the Working Balance as at 31 March 2017 is set to ensure that we meet the minimum contingency requirement.

40. The report made by the Director of Finance and Corporate Services (s151 Officer) under Section 25 of the Local Government Act 2003, received earlier in today's agenda, recommended that the Working Balance be maintained at £1.280m, this is included in the 2017/18 Budget.

41. Appendix E shows a summary of the current reserves, a detailed breakdown of the reserves transfers and the working balance calculation is shown within the MTFs in The Reserves Strategy.

42. The table below shows how the reserves have been used in the 2017/18 budget.

<b>Use of Reserves - to/(from)</b>	<b>£' 000</b>
Commercialisation - Due diligence (Aspire)	(450)
Pension - 3 year deficit payment	(770)
Transformation - Service Enhancement	(100)
Homelessness	(40)
Planning Reserve	(275)
Elections	25
Working Balance	(14)
2017/18 Surplus	564
	<u><b>(1,060)</b></u>

### **Fees and Charges review**

43. Officers have reviewed fees & charges in line with the Council's Pricing and Concessions policy and Cabinet decisions where relevant. A schedule of proposed charges is included at Appendix F.
44. Where services are operating in competition with other commercial providers, for example trade waste, the service manager needs to have authority to negotiate as required where it is the Council's best interests to do so.

### **Outstanding Issues**

45. At the time of writing this report, the following issues were outstanding; the updated position will be reported verbally.
  - Confirmation of the Funding settlement for 2017/18
  - Final notifications of the formal precept figures from Essex County Council, Essex Police and Essex Fire.

### **Risk Analysis**

46. The formal risk analysis of the budget is set out in the report earlier on today's agenda, "Robustness of Estimates and Adequacy of Reserves".

Risk	Likelihood	Impact	Mitigating actions
Actual events may differ from the assumptions and estimates used to produce the draft budget, which will lead to variances from the budget.	3 (some risk that variances will occur requiring action to be taken)	2 (potential impact which could adversely affect the council's financial position if not managed)	Budget monitoring and corrective action taken as necessary.

### **List of Appendices**

- Appendix A – General Fund Budget Summary
- Appendix B – Portfolio Budgets
- Appendix C – Schedule of Budget Adjustments
- Appendix D – Risks and Assumptions
- Appendix E – General Fund Reserves Summary
- Appendix F – Fees and Charges

## APPENDIX A – GENERAL FUND SUMMARY 2017/18

£000	2016-17 Original Budget	2016/17 Restated Budget	2017/18 Original Budget	Increase / (Decrease)
<b>Portfolio Budgets</b>				
Communities & Partnerships	902	982	1,012	29
Environmental Services	2,380	2,505	3,111	606
Finance & Administration	5,216	4,947	5,720	773
Housing & Economic Development	1,398	1,407	1,606	199
<b>Subtotal - Portfolio Budgets</b>	<b>9,895</b>	<b>9,841</b>	<b>11,448</b>	<b>1,607</b>
<b>Corporate Items</b>				
Capital Financing Costs	2,497	3,716	1,861	(1,855)
Investment Income	(119)	(119)	(65)	54
Apprenticeship Levy	0	0	51	51
Efficiencies & Income Opportunities	0	0	(200)	(200)
Pension Fund - Added Years	92	92	92	0
Pension Triannual Payment	0	0	770	770
Recharge to HRA	(1,330)	(1,330)	(1,507)	(177)
HRA Share of Corporate Core	(335)	(335)	(293)	42
<b>Subtotal - Corporate Items</b>	<b>805</b>	<b>2,024</b>	<b>709</b>	<b>(1,315)</b>
<b>Subtotal - Budget</b>	<b>10,700</b>	<b>11,865</b>	<b>12,158</b>	<b>293</b>
<b>Funding</b>				
Council Tax - Collection Fund Balance	(152)	(152)	(193)	(41)
New Homes Bonus - Grant	(4,280)	(4,280)	(3,772)	507
NNDR - UDC share (net of tariff)	(2,407)	(2,407)	(2,238)	169
NNDR - Levy Payment/(Safety Net Reimbursement)	505	505	529	24
NNDR - Section 31 Funding	(536)	(536)	(722)	(186)
NNDR - Collection Fund Balance	(231)	(231)	1,009	1,240
NNDR - Renewable Energy Schemes	0	0	(136)	(136)
NNDR - Transfer to/(from) Ring-fenced Reserve	(20)	(20)	0	20
Rural Services Grant	0	(338)	(285)	53
Settlement Funding	(684)	(684)	(255)	429
<b>Subtotal - Funding</b>	<b>(7,805)</b>	<b>(8,143)</b>	<b>(6,064)</b>	<b>2,079</b>
<b>Subtotal - Net Operating Expenditure</b>	<b>2,895</b>	<b>3,722</b>	<b>6,094</b>	<b>2,372</b>
<b>Transfers to/(from) Reserves</b>				
DWP Reserve	50	50	0	(50)
Economic Development Reserve	0	0	0	0
Elections Reserve	25	25	25	0
Licensing Reserve	(16)	(16)	0	16
Homelessness Reserve	0	0	(40)	(40)
MTFS Reserve	0	0	0	0
Planning Development Reserve	0	0	(275)	(275)
Strategic Initiatives Reserve	2,369	2,431	114	(2,317)
Transformation Reserve	0	0	(100)	(100)
Pension Reserve	0	0	(770)	(770)
Waste Development Relocation Reserve	(600)	(1,488)	0	1,488
Waste Management Reserve	70	70	0	(70)
Working Balance	34	34	(13)	(47)
<b>Subtotal - Movement in Earmarked reserves</b>	<b>1,932</b>	<b>1,106</b>	<b>(1,059)</b>	<b>(2,165)</b>
Section 106 Funding - Transfers to/(from) S106 Reserves				0
<b>Subtotal - Movement in Other reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>COUNCIL TAX REQUIREMENT (BOTTOM LINE)</b>	<b>4,828</b>	<b>4,828</b>	<b>5,035</b>	<b>207</b>
<b>COUNCIL TAX (precept levied on Collection Fund)</b>	<b>(4,828)</b>	<b>(4,828)</b>	<b>(5,035)</b>	<b>(207)</b>
<b>OVERALL NET POSITION</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>

**APPENDIX B**

**COMMUNITY PARTNERSHIPS AND ENGAGEMENT PORTFOLIO**

	<b>2015/16 Outturn</b>	<b>2016/17 Original Budget</b>	<b>2016/17 Restated Budget</b>	<b>2017/18 Original Budget</b>	<b>Increase / (Decrease)</b>
	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>
Assisted Travel	0	0	0	0	0
Community Information Centres	48	47	47	49	2
Community & Leisure Management	60	0	0	0	0
Day Centres	39	35	35	46	11
Emergency Planning	42	44	44	47	3
Grants & Contributions	318	373	373	377	4
Leisure & Performance	69	76	157	163	6
Leisure PFI	(86)	30	28	50	22
Museum Saffron Walden	169	180	181	202	21
New Homes Bonus	75	117	117	78	(39)
Renovation Grants	0	0	0	0	0
Sports Development	43	0	0	0	0
<b>Portfolio Total</b>	<b>777</b>	<b>902</b>	<b>982</b>	<b>1,012</b>	<b>29</b>

**APPENDIX B continued..**

**ENVIRONMENTAL SERVICES**

	<b>2015/16 Outturn</b>	<b>2016/17 Original Budget</b>	<b>2016/17 Restated Budget</b>	<b>2017/18 Original Budget</b>	<b>Increase / (Decrease)</b>
	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>
Animal Warden	33	32	32	32	0
Car Parking	(607)	(612)	(613)	(592)	21
Community Safety	55	149	149	154	5
Depots	54	60	60	58	(2)
Development Management	(385)	(364)	(288)	(230)	58
Environmental Management & Admin	107	112	0	0	0
Grounds Maintenance	211	223	223	289	66
Highways	(12)	(13)	(13)	(3)	10
Housing Strategy	94	114	115	112	(3)
Licensing	(236)	(126)	(126)	(55)	71
Local Amenities	28	8	8	8	0
Pest Control	0	0	0	0	0
Planning Management & Admin	403	388	382	421	39
Planning Policy	353	278	286	571	285
Planning Specialists	207	182	182	198	16
Public Health	377	521	680	682	2
Street Cleansing	297	294	294	302	8
Street Services Management & Admin	248	277	277	297	20
Vehicle Management	345	378	378	380	2
Waste Management	271	479	479	487	8
<b>Portfolio Total</b>	<b>1,843</b>	<b>2,380</b>	<b>2,505</b>	<b>3,111</b>	<b>606</b>

**APPENDIX B continued..**

**FINANCE AND ADMINISTRATION**

	<b>2015/16 Outturn</b>	<b>2016/17 Original Budget</b>	<b>2016/17 Restated Budget</b>	<b>2017/18 Original Budget</b>	<b>Increase / (Decrease)</b>
	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>
Benefit Administration	92	201	201	234	33
Business Improvement & Performance Team	64	80	0	0	0
Central Services	361	382	382	396	14
Conducting Elections	86	1	1	1	0
Conveniences	23	21	21	20	(1)
Corporate Management	632	667	667	761	94
Corporate Team	99	102	106	615	509
Electoral Registration	52	60	60	59	(1)
Enforcement	142	174	0	0	0
Financial Services	920	1,050	1,041	1,135	94
Housing Benefits	421	153	153	247	94
Human Resources	207	228	228	246	18
Information Technology	1,142	1,180	1,180	1,235	55
Internal Audit	110	114	114	129	15
Land Charges	(131)	(76)	(76)	(73)	3
Legal Services	23	99	99	97	(2)
Local Council Tax Support	7	(22)	(22)	(117)	(95)
Local Tax Collection	(100)	(90)	(90)	(110)	(20)
Non Domestic Rates	(137)	(145)	(145)	(145)	0
Offices	384	354	344	282	(62)
Office Cleaning	157	179	179	181	2
Revenues Administration	387	504	504	527	23
<b>Portfolio Total</b>	<b>4,941</b>	<b>5,216</b>	<b>4,947</b>	<b>5,720</b>	<b>773</b>

APPENDIX B continued..

HOUSING AND ECONOMIC DEVELOPMENT – GENERAL FUND

	2015/16 Outturn £ '000	2016/17 Original Budget £ '000	2016/17 Restated Budget £ '000	2017/18 Original Budget £ '000	Increase / (Decrease) £ '000
Building Surveying	(107)	(95)	(95)	(107)	(12)
Committee Administration	178	208	206	238	32
Communications	255	266	266	304	38
Customer Services Centre	332	384	384	420	36
Democratic Representation	313	326	326	324	(2)
Economic Development	133	130	141	181	40
Energy Efficiency	39	47	47	44	(3)
Health Improvement	24	112	112	126	14
Homelessness	190	175	175	212	37
Housing Grants	10	10	10	3	(7)
Lifeline	(140)	(165)	(165)	(139)	26
<b>Portfolio Total</b>	<b>1,227</b>	<b>1,398</b>	<b>1,407</b>	<b>1,606</b>	<b>199</b>

## APPENDIX C – BUDGET ADJUSTMENTS

<b>INESCAPABLE GROWTH (£5k MINIMUM)</b>			
<b>Portfolio</b>	<b>Service</b>	<b>Description</b>	<b>£' 000</b>
All portfolios	Various services	Net inflationary increase in salaries	366 Ongoing
Finance & Administration	Information Technology	Support charges	27 Ongoing
Environmental Services	Waste Management	Processing and disposal fee increase	32 Ongoing
Environmental Services	Car Parks	Updated valuations on Business Rates	15 Ongoing
Finance & Administration	Financial Services	Insurance premiums due to inflation and prior year claims	23 Ongoing
Communities & Partnerships	Private Finance Initiative	Aligning with increases within the PFI model	23 Ongoing
Housing & Economic Development	Communications	Gov Delivery subscription	8 Ongoing
Environmental Services	Grounds Maintenance	Changes to residual waste treatment increasing disposal charge	5 Ongoing
			<b><u>499</u></b>

## APPENDIX C – BUDGET ADJUSTMENTS

<b>SERVICE INVESTMENT (£5K MINIMUM)</b>			
<b>Portfolio</b>	<b>Service</b>	<b>Description</b>	<b>£' 000</b>
All Portfolios	Various Services	Salary increases	429 Ongoing reducing each year
Finance & Administration	Corporate Team	Consultants for Aspire	450 One off
Finance & Administration	Corporate Management	Enabling of customer service enhancements	100 One off
Environmental	Planning	Agency and Consultants	275 1st of 2 years
Environmental	Grounds Maintenance	4 x additional permanent posts	44 Ongoing
Finance & Administration	Corporate Team	1 x Post increase and additional hours for existing post	41 Ongoing
Environmental	Waste Management	Net increase for relief crew	38 Ongoing
Housing & Economic Development	Economic Development	1 year fixed term contract for Car Park Officer	29 One off
Environmental	Public Health - Commercial	Increase in staffing for commercial team	20 Ongoing
Finance & Administration	Legal Services	Increase in officer hours	11 Ongoing
Community & Partnerships	Day Centres	1 year extension to Day Centre Liaison Officer	10 One off
			<u><u>1,447</u></u>

## APPENDIX C – BUDGET ADJUSTMENTS

<b>EFFICIENCY SAVINGS (£5K MINIMUM)</b>			
<b>Portfolio</b>	<b>Service</b>	<b>Description</b>	<b>£' 000</b>
Finance & Administration	Council tax Discounts	Annual reduction grants to parishes	(95) Ongoing
Communities & Partnerships	New Homes Bonus	50% reduction in members ward grants	(39) Ongoing
Environmental	Public Health - Commercial	Vacant post removed	(11) Ongoing
Environmental	Public Health	Decrease in grade of vacant officer post	(8) Ongoing
Housing & Economic Development	Housing Grants	Service being brought in house	(8) Ongoing
			<b><u>(161)</u></b>

## APPENDIX C – BUDGET ADJUSTMENTS

<b>CHANGES TO INCOME (£5K MINIMUM)</b>			
<b>Portfolio</b>	<b>Service</b>	<b>Description</b>	<b>£' 000</b>
<b>Increases</b>			
Finance & Administration	S/W Offices	Net rental income increase for ground floor and lodge	(53) Ongoing
Housing & Economic Development	Building Control	Increase in collection of charges	(35) Ongoing
Environmental	Green Waste	Reflects current trend in income collection	(32) Ongoing
Finance & Administration	S/W Offices	Wedding Services	(23) Ongoing
Finance & Administration	Legal Services	Increase in cost recovery	(20) Ongoing
Environmental	Waste Management	Increase in charge per tonne	(18) Ongoing
Environmental	Trade Waste	Increase in cost recovery	(9) Ongoing
			<u>(190)</u>
<b>Decreases</b>			
Environmental	Licensing	Reflects profiling of various taxi license renewals	75 Ongoing
Housing & Economic Development	Lifeline	Reduction in Lifeline users	24 Ongoing
			<u>99</u>
			<u><u>(91)</u></u>

## APPENDIX C – BUDGET ADJUSTMENTS

<b>OTHER ADJUSTMENTS MATERIAL ITEMS (£5K MINIMUM)</b>			
<b>Portfolio</b>	<b>Service</b>	<b>Description</b>	<b>£000</b>
<b>Increases</b>			
Finance & Administration	Housing Benefits	Net change to allowance and rebate expenditure	94 Ongoing
Environmental	Development Control	Net change in fees	19 Ongoing
Housing & Economic Development	Committee Administration	Adjustment of officer posts	12 Ongoing
Environmental	Planning	Training costs	7 One off
Finance & Administration	Financial Services	Net increase in staffing changes	7 Ongoing
			<b>139</b>
<b>Decreases</b>			
Environmental	Kitchen Waste	Kitchen waste income increase	(63) Ongoing
Environmental	Waste Management	Fuel costs	(35) Ongoing
Finance & Administration	Corporate Management	External Audit Fees	(22) Ongoing
Finance & Administration	Local Taxation	Adjustment of court cost recovery	(20) Ongoing
Environmental	Public Health	Food inspection confirmed to continue part year	(20) One off
Environmental	Vehicle Maintenance	Better quality purchases - spend to save	(16) Ongoing
Finance & Administration	Cleaning	Less expenditure of cleaning materials	(11) Ongoing
Housing & Economic Development	Homelessness	Reduction in service costs	(7) Ongoing
			<b>(194)</b>
		Net of other immaterial variances	<b>(33)</b>
			<b>(88)</b>

## APPENDIX D

### RISKS AND ASSUMPTIONS – ADVERSE AND FAVOURABLE

Budget item	Description of key assumptions and/or what variable outcomes may arise	Probability of variance arising (L, M, H)	Favourable Impact (L, M, H)	Adverse Impact (L, M, H)
<b>DWP Grant</b>	It is assumed that the Housing Benefit Subsidy Grant will be paid at similar or slightly reduced levels to 2016/17. The notification of grant amounts will not be made available however until the end of November 2016. There is therefore a risk that the amount budgeted may change with a more likely adverse rather than favourable impact.	<i>M</i>	<i>L</i>	<i>L</i>
<b>Grants</b>	Revised process for grants introduced in 2016/17 however there still may be a possibility that budgeted amounts are not realised through lack of applications.	<i>L</i>	<i>M</i>	<i>L</i>
<b>DCLG LCTS Admin Grant</b>	It is assumed that the LCTS Admin Grant will be paid at similar or slightly reduced levels to 2016/17. The notification of grant amounts are unlikely to be made available until early 2017. There is therefore a risk that the amount budgeted may change with a more likely adverse rather than favourable impact.	<i>M</i>	<i>L</i>	<i>L</i>
<b>Rent Rebates Expenditure</b>	It is assumed that Rent Rebate Expenditure will remain stable. There are no current plans to significantly increase the level of HRA stock and the implementation of Universal Credit is anticipated to continue to affect minimal numbers of claimants during the majority of the 2017/18 financial year. There is an adverse risk however that a large employer in the district may cease trading which could increase the amount of Housing Benefit claims made. Due to means testing calculations, there is also an adverse risk that the changes in Welfare Reform, such as changes in Tax Credits, could increase claimants housing benefit entitlements to compensate. With the implementation of Universal Credit, there is however a favourable risk that Rent Rebate expenditure may decrease if cases are migrated across quicker than currently projected.	<i>M</i>	<i>L</i>	<i>H</i>
<b>Rent Allowance Expenditure</b>	As above with the exception of HRA stock assumption and an additional risk of cost of rents significantly increasing in the Uttlesford area.	<i>M</i>	<i>L</i>	<i>H</i>
<b>Rent Rebate and Allowance Subsidy</b>	It is assumed that Rent Rebate Subsidy can continue to be claimed in line with levels reflected in previous years. There is a risk however that an increase in new burdens and requirements to increase the identification of fraud and error, could incur subsidy implications due to limited percentages of overpayment amounts being able to be claimed. There is also a risk that, if local authority error overpayment exceed the DWP stated upper threshold, no subsidy could be claimed for these amounts	<i>M</i>	<i>L</i>	<i>H</i>

APPENDIX D continued...

RISKS AND ASSUMPTIONS – ADVERSE AND FAVOURABLE

Budget item	Description of key assumptions and/or what variable outcomes may arise	Probability of variance arising (L, M, H)	Favourable Impact (L, M, H)	Adverse Impact (L, M, H)
<b>Mobiles</b>	The mobile phone contract is due for renewal in June 2017 prices could go up or down	<i>M</i>	<i>L</i>	<i>L</i>
<b>Licensing</b>	While at this stage there is no proposal to amend the current fees the Licensing service is undergoing a full review. This will include studies into the feasibility of introducing a knowledge test which if adopted will likely incur a charge. The management of the service is also under review together with the current staffing levels and remuneration which may also have an impact. Additional work is being done looking at moving to an electronic document management system and there are likely to be changes to administrative procedures to cover new statutory requirements dealing with immigration.	<i>M</i>	<i>L</i>	<i>L</i>
<b>Turpins Bowls</b>	The lease of the building determines that there will be a rent review in September 2017. This may impact on the amount of rental being received from the asset.	<i>M</i>	<i>L</i>	<i>L</i>
<b>Office Rental</b>	Three offices in the main building are being advertised for rent at circa £100k pa. There has been no interest since the rooms went on the market at the beginning of September. The budget assumption is income per annum of £75k to allow for voids/bad debt. Risk is rooms are not let	<i>M</i>	<i>L</i>	<i>H</i>
<b>Weddings</b>	This is a new service and promotion is on-going	<i>M</i>	<i>L</i>	<i>L</i>
<b>PFI Leisure Contract</b>	Budget follows PFI Model, however past few years outturn has been less than budgeted, a review of the model is therefore required to ascertain reasons for variances. Work with Management Company, Pario, to ensure budgetary risks minimalised.	<i>M</i>	<i>L</i>	<i>L</i>
<b>Fuel supplies</b>	Based on contractual indexation clauses an average increase of 3% has been assumed. However this is subject to petrol & diesel price volatility and the actual costs could go up or down.	<i>H</i>	<i>L</i>	<i>L</i>
<b>Waste and Recycling</b>	Change in tipping points as directed by WCA, which could potentially increase fuel costs not wholly mitigated by movement in bulking costs.	<i>M</i>	<i>L</i>	<i>L</i>
<b>Waste and Recycling</b>	Viridor charge review in May and Nov 2017 these will be dependent on market prices	<i>H</i>	<i>M</i>	<i>M</i>
<b>Green Waste Income</b>	Expect the same level of demand as in 2016/17, but may change.	<i>M</i>	<i>L</i>	<i>L</i>
<b>Sickness absence</b>	Amount of agency staff cover is dependant on levels of sickness	<i>M</i>	<i>L</i>	<i>M</i>

APPENDIX D continued...

RISKS AND ASSUMPTIONS – ADVERSE

Budget item	Description of key assumptions and/or what variable outcomes may arise	Probability of variance arising (L, M, H)	Favourable Impact (L, M, H)	Adverse Impact (L, M, H)
Agency Staff (Benefits)	It is assumed that benefits team staffing will remain relatively stable during 2017/18. There is a risk however that additional agency staff or overtime of current staff may be required to cover any vacant posts or additional work demands due to new or increased burdens being imposed.	L		L
Building Control Income	There is a risk that the service will receive fewer applications than expected and would therefore see a reduction in income. This will be monitored throughout the year and any necessary adjustments made.	L		L
White Street Car Park	Remedial work needed to an underground Tar Pit that is leaking. No cost estimate at the moment, but cost is definite - was due in 16/17 but still has not been carried out. It will be a capital expenditure, the financing of capital expenditure is charged to the General Fund.	H		M
Mailroom Equipment	Re-tender for mailroom equipment cost unknown	M		L
Post/Print Room - MFD Printers	Re-tender for MFD printers at all sites; costs unknown	M		L
Planning fees	It is assumed that planning applications will continue to come in at the current rate. There is a risk that activity will slow down if there are changes to the economy.	M		M
DWP Discretionary Funding	It is assumed the the governments Discretionary Housing Payment Funding will remain stable, if not slightly increase for the 2017/18 financial year. There is a risk however that the amount granted will not meet local requirements following the implementation of welfare reform changes and therefore the authority may need to 'top the fund up' out if it's own finances (up to a maximum of 2.5 times DWP amount) if required.	L		M
Disposal Costs	Braintree and EWD charges may increase	L		M
Highway Ranger Funding	Funding from ECC will be withdrawn	L		H
Local land charges income	The Land Registry is looking to take over responsibility for local land charges and is currently running pilot schemes. If this comes about the fee for local searches will be lost. It is unlikely that this will come about in the next 12 months but could be a significant risk for the future.	L		H

APPENDIX D continued...

RISKS AND ASSUMPTIONS – ADVERSE

Budget item	Description of key assumptions and/or what variable outcomes may arise	Probability of variance arising (L, M, H)	Favourable Impact (L, M, H)	Adverse Impact (L, M, H)
<b>Local plan</b>	If the Local Plan is delayed, agency staff employed for longer. Further studies might also need to be carried out which haven't been budgeted for.	H H		H H
<b>Business Rates</b>	Main income stream for UDC in future Government funding arrangements. Its important that resources are in place to ensure new businesses are identified and any changes in RV monitored on a weekly basis to ensure any unusual changes are identified referred to professional rating surveyor with the view of challenging the VO decision	M		M
<b>Software costs</b>	The current Rev/Ben systems contract is being renewed currently. Potential risk of new software being purchased and additional training budget required and staff for data cleansing	M		L
<b>Legal costs</b>	Litigation has resulted in an extra strain on the legal costs budget. With Business rates revaluation coming in from April 2017 further litigation is possible	L		L
<b>Revenues - Consultant</b>	Potential need for a Rating Surveyor consultant following Business rates revaluation but this should result in a higher income for the collection fund	M		L
<b>Green Waste</b>	Parishes contribution to green waste weekend skip scheme 2017/18 will not be accepted by Parishes	M		M
<b>Trade Waste Income</b>	Budget includes 3% inflation and an increase in charges to cover ECC increased cost of disposal. There is a risk that demand may reduce.	L		M
<b>Waste and Recycling Vehicles</b>	Breakdown of fleet vehicles may require hire vehicles	M		M



## APPENDIX E

### GENERAL FUND RESERVES 2017/18

Reserve £000	Actual balance 1st April 2016	Forecast Transfer from GF	Forecast Transfers Between Reserves	Forecast Transfer to GF	Estimated balance 1st April 2017	Forecast Transfer from GF	Forecast Transfers Between Reserves	Forecast Transfer to GF	Estimated Balance 31st March 2018
<b><u>RINGFENCED RESERVES</u></b>									
Business Rates Reserve	500			(20)	480			0	480
DWP Reserve	136	50			186				186
Licensing Reserve	16			(16)	(0)				(0)
Working balance	1,246	34			1,280			(13)	1,266
<b>TOTAL RINGFENCED RESERVES</b>	<b>1,898</b>	<b>84</b>	<b>0</b>	<b>(36)</b>	<b>1,946</b>	<b>0</b>	<b>0</b>	<b>(13)</b>	<b>1,933</b>
<b><u>USABLE RESERVES</u></b>									
<b><u>Financial Management Reserves</u></b>									
MTFS Reserve	1,000				1,000				1,000
Transformation Reserve	960			(66)	894		1,000	(100)	1,794
	<b>1,960</b>	<b>0</b>	<b>0</b>	<b>(66)</b>	<b>1,894</b>	<b>0</b>	<b>1,000</b>	<b>(100)</b>	<b>2,794</b>
<b><u>Contingency Reserve</u></b>									
Emergency Response Reserve	40				40				40
	<b>40</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40</b>
<b><u>Service Reserves</u></b>									
Economic Development	194				194				194
Elections	25	25			50	25			75
Homelessness	40				40			(40)	0
Planning	982			(385)	597			(275)	322
Strategic Initiatives	4,504	2,376		(80)	6,800	564	(3,770)	(450)	3,144
Pension Reserve	0				0		770	(770)	0
Waste Depot Relocation Project	1,488			(1,488)	0		2,000		2,000
Waste Management	131	70			201				201
NHB Ward Members	39				39				39
Voluntary Sector Grants	41			(41)	0				0
Private Finance Initiative	0	85			85				85
	<b>7,444</b>	<b>2,556</b>	<b>0</b>	<b>(1,994)</b>	<b>8,006</b>	<b>589</b>	<b>(1,000)</b>	<b>(1,535)</b>	<b>6,060</b>
<b>TOTAL USABLE RESERVES</b>	<b>9,444</b>	<b>2,556</b>	<b>0</b>	<b>(2,060)</b>	<b>9,940</b>	<b>589</b>	<b>0</b>	<b>(1,635)</b>	<b>8,894</b>
<b>TOTAL RESERVES</b>	<b>11,342</b>	<b>2,640</b>	<b>0</b>	<b>(2,096)</b>	<b>11,886</b>	<b>589</b>	<b>0</b>	<b>(1,648)</b>	<b>10,827</b>

# **Uttlesford District Council**

## **2017/18 Fees & Charges**

**With effect from 1 April 2011, the Council's general policy is to allow a 25% discount for customers in receipt of UDC-administered Housing Benefit and LC-Tax Support. Certain exemptions to the policy and additional discounts apply in some cases. Building Regulations Charges and Car Parking charges are not covered by the policy.**

**APPENDIX F continued...**

**FEES AND CHARGES**

<b>Building surveying other charges</b>	<b>2016/17 charge £</b>	<b>2017/18 charge £</b>	<b>Does the charge include VAT?</b>	<b>Note</b>
Provision of Energy Performance Certificates	250.00	250.00	Yes	Standard Charge
Copying charges	10p a sheet + £25 per hour officer time if job exceeds 1 hour	10p a sheet + £25 per hour officer time if job exceeds 1 hour	Yes	Statutory limitations

<b>Street Naming and Numbering</b>	<b>2016/17 charge £</b>	<b>2017/18 charge £</b>	<b>Does the charge include VAT?</b>
<u>Charge per dwelling/unit</u>			
Name change/renumber	75.00	75.00	No
New dwelling/unit	110.00	110.00	No
2-5 dwellings/units	75.00	75.00	No
6 - 25 dwellings/units	55.00	55.00	No
26 - 75 dwellings/units	45.00	45.00	No
76 plus dwellings/units	35.00	35.00	No
New Street Name	200.00	200.00	No
Name of block or block of flats of industrial estate	175.00	175.00	No
Confirmation of plot or postal address for utility company (charged to utility companies only)	35.00	35.00	No

## APPENDIX F continued...

### FEES AND CHARGES

STANDARD CHARGES SCHEDULE 1- NEW DWELLINGS Dwelling houses and Flats						
Code	<u>New Build Houses or Bungalows Not Exceeding 250m<sup>2</sup></u>		Plan Charge	Inspection Charge*	Building Notice*	Regularisation Charge*
HO1	1 Plot	Fee	£260.00	£385.00	£695.00	<b>£868.75</b>
		VAT	£52.00	£77.00	£139.00	
		<b>Total</b>	<b>£312.00</b>	<b>£462.00</b>	<b>£834.00</b>	
HO2	2 Plots	Fee	£330.00	£590.00	£970.00	<b>£1,212.50</b>
		VAT	£66.00	£118.00	£194.00	
		<b>Total</b>	<b>£396.00</b>	<b>£708.00</b>	<b>£1,164.00</b>	
HO3	3 Plots	Fee	£395.00	£785.00	£1,260.00	<b>£1,575.00</b>
		VAT	£79.00	£157.00	£252.00	
		<b>Total</b>	<b>£474.00</b>	<b>£942.00</b>	<b>£1,512.00</b>	
HO4	4 Plots	Fee	£465.00	£960.00	£1,525.00	<b>£1,906.25</b>
		VAT	£93.00	£192.00	£305.00	
		<b>Total</b>	<b>£558.00</b>	<b>£1,152.00</b>	<b>£1,830.00</b>	
HO5	5 Plots	Fee	£520.00	£1,085.00	£1,700.00	<b>£2,125.00</b>
		VAT	£104.00	£217.00	£340.00	
		<b>Total</b>	<b>£624.00</b>	<b>£1,302.00</b>	<b>£2,040.00</b>	
<u>New Build Flats Not Exceeding 250m<sup>2</sup> and Not More Than 3 Storeys</u>						
FL1	1 Plot	Fee	£260.00	£385.00	£695.00	<b>£868.75</b>
		VAT	£52.00	£77.00	£139.00	
		<b>Total</b>	<b>£312.00</b>	<b>£462.00</b>	<b>£834.00</b>	
FL2	2 Plots	Fee	£330.00	£590.00	£970.00	<b>£1,212.50</b>
		VAT	£66.00	£118.00	£194.00	
		<b>Total</b>	<b>£396.00</b>	<b>£708.00</b>	<b>£1,164.00</b>	
FL3	3 Plots	Fee	£395.00	£785.00	£1,260.00	<b>£1,575.00</b>
		VAT	£79.00	£157.00	£252.00	
		<b>Total</b>	<b>£474.00</b>	<b>£942.00</b>	<b>£1,512.00</b>	
FL4	4 Plots	Fee	£465.00	£960.00	£1,525.00	<b>£1,906.25</b>
		VAT	£93.00	£192.00	£305.00	
		<b>Total</b>	<b>£558.00</b>	<b>£1,152.00</b>	<b>£1,830.00</b>	
FL5	5 Plots	Fee	£520.00	£1,085.00	£1,700.00	<b>£2,125.00</b>
		VAT	£104.00	£217.00	£340.00	
		<b>Total</b>	<b>£624.00</b>	<b>£1,302.00</b>	<b>£2,040.00</b>	
<u>Conversion to</u>						
COH	Single dwelling house (Where total floor area does not exceed 150m <sup>2</sup> )	Fee	£220.00	£320.00	£590.00	<b>£737.50</b>
		VAT	£44.00	£64.00	£118.00	
		<b>Total</b>	<b>£264.00</b>	<b>£384.00</b>	<b>£708.00</b>	
COF	Single Flat (Where total floor area does not exceed 150m <sup>2</sup> )	Fee	£220.00	£320.00	£590.00	<b>£737.50</b>
		VAT	£44.00	£64.00	£118.00	
		<b>Total</b>	<b>£264.00</b>	<b>£384.00</b>	<b>£708.00</b>	
<b>Notifiable Electrical work (in addition to the above, where applicable.)</b>						
DNE	(Where a satisfactory certificate will not be issued by a Part P registered electrician)	Fee	£220.00	This charge relates to a first fix pre-plaster inspection of the wiring and final testing on completion. Re- visits/testing will be subject to further charges. For regularisation applications a full appraisal and testing will be carried out		
		VAT	£44.00			
		<b>Total</b>	<b>£264.00</b>			

Where Standard Charges are not applicable please contact Building Control on 01799 510539

Please note that the charges marked with an \* have been reduced to reflect where controlled electrical installations are being carried out, tested and certified by a registered Part P electrician. If these reductions are claimed and a self certifying electrician is not subsequently employed, the applicant will be invoiced for supplementary charges equal to the discount (see DNE below)

## APPENDIX F continued...

### FEES AND CHARGES

STANDARD CHARGES						
SCHEDULE 2 WORK TO A SINGLE DWELLING						
Limited to work not more than 3 storeys above ground level						
Code	Extension and New Build		Full Plans			Regularisation Charge*
			Plan Charge	Inspection Charge*	Building Notice Charge*	
DX1	Separate single storey extension with floor area not exceeding 40m <sup>2</sup>	Fee	£140.00	£295.00	£455.00	<b>£568.75</b>
		VAT	£28.00	£59.00	£91.00	
		<b>Total</b>	<b>£168.00</b>	<b>£354.00</b>	<b>£546.00</b>	
DX2	Separate single storey extension with floor area exceeding 40m <sup>2</sup> but not exceeding 100m <sup>2</sup>	Fee	£155.00	£365.00	£545.00	<b>£681.25</b>
		VAT	£31.00	£73.00	£109.00	
		<b>Total</b>	<b>£186.00</b>	<b>£438.00</b>	<b>£654.00</b>	
DX3	Separate extension with some part 2 or 3 storeys in height and a total floor area not exceeding 40m <sup>2</sup>	Fee	£145.00	£325.00	£495.00	<b>£618.75</b>
		VAT	£29.00	£65.00	£99.00	
		<b>Total</b>	<b>£174.00</b>	<b>£390.00</b>	<b>£594.00</b>	
DX4	Separate extension with some part 2 or 3 storeys in height and a total floor area exceeding 40m <sup>2</sup> but not exceeding 100m <sup>2</sup>	Fee	£200.00	£380.00	£615.00	<b>£768.75</b>
		VAT	£40.00	£76.00	£123.00	
		<b>Total</b>	<b>£240.00</b>	<b>£456.00</b>	<b>£738.00</b>	
DG0	A building or extension comprising solely of a garage, carport or store not exceeding 100m <sup>2</sup>	Fee	£100.00	£220.00	£315.00	<b>£393.75</b>
		VAT	£20.00	£44.00	£63.00	
		<b>Total</b>	<b>£120.00</b>	<b>£264.00</b>	<b>£378.00</b>	
DNH	Detached non-habitable domestic building with total floor area not exceeding 50m <sup>2</sup>	Fee	£100.00	£220.00	£315.00	<b>£393.75</b>
		VAT	£20.00	£44.00	£63.00	
		<b>Total</b>	<b>£120.00</b>	<b>£264.00</b>	<b>£378.00</b>	
<b>Conversions</b>						
DLC	First and second floor loft conversions	Fee	£155.00	£350.00	£560.00	<b>£700.00</b>
		VAT	£31.00	£70.00	£112.00	
		<b>Total</b>	<b>£186.00</b>	<b>£420.00</b>	<b>£672.00</b>	
DOC	Other work (e.g. garage conversions)	Fee	£60.00	£130.00	£190.00	<b>£237.50</b>
		VAT	£12.00	£26.00	£38.00	
		<b>Total</b>	<b>£72.00</b>	<b>£156.00</b>	<b>£228.00</b>	
<b>Alterations (inc underpinning)</b>						
DTH	Renovation of a thermal element	Fee	£40.00	£80.00	£115.00	<b>£143.75</b>
		VAT	£8.00	£16.00	£23.00	
		<b>Total</b>	<b>£48.00</b>	<b>£96.00</b>	<b>£138.00</b>	
DRW	Replacement windows, rooflights, roof windows or external glazed doors	Fee	£40.00	£80.00	£115.00	<b>£143.75</b>
		VAT	£8.00	£16.00	£23.00	
		<b>Total</b>	<b>£48.00</b>	<b>£96.00</b>	<b>£138.00</b>	
DA1	Cost of work not exceeding £5000 (inc Renewable Energy Systems)	Fee	£60.00	£110.00	£165.00	<b>£206.25</b>
		VAT	£12.00	£22.00	£33.00	
		<b>Total</b>	<b>£72.00</b>	<b>£132.00</b>	<b>£198.00</b>	
DA2	Cost of work exceeding £5000 but not exceeding £25000	Fee	£115.00	£220.00	£330.00	<b>£412.50</b>
		VAT	£23.00	£44.00	£66.00	
		<b>Total</b>	<b>£138.00</b>	<b>£264.00</b>	<b>£396.00</b>	
DA3	Cost of work exceeding £25000 but not exceeding £100000	Fee	£165.00	£375.00	£590.00	<b>£737.50</b>
		VAT	£33.00	£75.00	£118.00	
		<b>Total</b>	<b>£198.00</b>	<b>£450.00</b>	<b>£708.00</b>	
DA4	Cost of work exceeding £100000 but not exceeding £250000	Fee	£230.00	£530.00	£785.00	<b>£981.25</b>
		VAT	£46.00	£106.00	£157.00	
		<b>Total</b>	<b>£276.00</b>	<b>£636.00</b>	<b>£942.00</b>	
<b>Notifiable Electrical work in addition to the above, where applicable.</b>						
DNE	(Where a satisfactory certificate will not be issued by a Part P registered electrician)	Fee	£220.00			This charge relates to a first fix pre-plaster inspection of the wiring and final testing on completion. Re-visits/testing will be subject to further charges. For regularisation applications a full appraisal and testing will be carried out
		VAT	£44.00			
		<b>Total</b>	<b>£264.00</b>			

Where Standard Charges are not applicable please contact Building Control on 01799 510539

Please note that the charges marked with an \* have been reduced to reflect where controlled electrical installations are being carried out, tested and certified by a registered Part P electrician. If these reductions are claimed and a self certifying electrician is not subsequently employed, the applicant will be invoiced for supplementary charges equal to the discount (see DNE below)

## APPENDIX F continued...

### FEES AND CHARGES

STANDARD CHARGES					
SCHEDULE 3- ALL OTHER NON-DOMESTIC WORK					
Limited to work not more than 3 storeys above ground level					
Code	<u>Extensions and New Build</u>		Plan Charge £	Inspection Charge £	Regularisation Charge £
NX1	Single storey with floor area not exceeding 40m <sup>2</sup>	Fee	£135.00	£320.00	£568.75
		VAT	£27.00	£64.00	
		<b>Total</b>	<b>£162.00</b>	<b>£384.00</b>	
NX2	Single storey with floor area exceeding 40m <sup>2</sup> but not exceeding 100m <sup>2</sup>	Fee	£155.00	£385.00	£675.00
		VAT	£31.00	£77.00	
		<b>Total</b>	<b>£186.00</b>	<b>£462.00</b>	
NX3	With some part 2 or 3 storey in height and a total floor area not exceeding 40m <sup>2</sup>	Fee	£220.00	£445.00	£831.25
		VAT	£44.00	£89.00	
		<b>Total</b>	<b>£264.00</b>	<b>£534.00</b>	
NX4	With some part 2 or 3 storey in height and a total floor area exceeding 40m <sup>2</sup> but not exceeding 100m <sup>2</sup>	Fee	£260.00	£580.00	£1,050.00
		VAT	£52.00	£116.00	
		<b>Total</b>	<b>£312.00</b>	<b>£696.00</b>	
<b><u>Alterations</u></b>					
NO1	Cost of work not exceeding £5000	Fee	£60.00	£130.00	£237.50
		VAT	£12.00	£26.00	
		<b>Total</b>	<b>£72.00</b>	<b>£156.00</b>	
NO2	Replacement windows, rooflights, roof windows or external glazed doors (not exceeding 20 units)	Fee	£60.00	£130.00	£237.50
		VAT	£12.00	£26.00	
		<b>Total</b>	<b>£72.00</b>	<b>£156.00</b>	
NO3	Renewable energy systems (not covered by an appropriate Competent Persons scheme)	Fee	£60.00	£130.00	£237.50
		VAT	£12.00	£26.00	
		<b>Total</b>	<b>£72.00</b>	<b>£156.00</b>	
NO4	Installation of new shop front	Fee	£60.00	£130.00	£237.50
		VAT	£12.00	£26.00	
		<b>Total</b>	<b>£72.00</b>	<b>£156.00</b>	
NO5	Cost of work exceeding £5000 but not exceeding £25000	Fee	£125.00	£245.00	£462.50
		VAT	£25.00	£49.00	
		<b>Total</b>	<b>£150.00</b>	<b>£294.00</b>	
NO6	Replacement windows, rooflights, roof windows or external glazed doors (exceeding 20 units)	Fee	£125.00	£245.00	£462.50
		VAT	£25.00	£49.00	
		<b>Total</b>	<b>£150.00</b>	<b>£294.00</b>	
NO7	Renovation of thermal elements	Fee	£125.00	£245.00	£462.50
		VAT	£25.00	£49.00	
		<b>Total</b>	<b>£150.00</b>	<b>£294.00</b>	
NO8	Installation of Raised Storage Platform within an existing building	Fee	£125.00	£245.00	£462.50
		VAT	£25.00	£49.00	
		<b>Total</b>	<b>£150.00</b>	<b>£294.00</b>	
NO9	Cost of works exceeding £25000 but not exceeding £100000	Fee	£165.00	£400.00	£706.25
		VAT	£33.00	£80.00	
		<b>Total</b>	<b>£198.00</b>	<b>£480.00</b>	
N10	Fit out of building up to 100m <sup>2</sup>	Fee	£155.00	£385.00	£675.00
		VAT	£31.00	£77.00	
		<b>Total</b>	<b>£186.00</b>	<b>£462.00</b>	
N11	Cost of works exceeding £100000 but not exceeding £250000	Fee	£230.00	£555.00	£981.25
		VAT	£46.00	£111.00	
		<b>Total</b>	<b>£276.00</b>	<b>£666.00</b>	

Where Standard Charges are not applicable please contact Building Control on 01799 510539

**APPENDIX F continued...**

**FEES AND CHARGES**

<b>Car Parking</b>	<b>2016/17 charge £</b>	<b>2017/18 charge £</b>	<b>Does the charge include VAT?</b>
<b><u>Saffron Walden</u></b>			
<b><i>Fairycroft</i></b>			
30 Minutes	0.50	0.50	Yes
1 Hour	0.70	0.70	Yes
2 Hours	1.20	1.20	Yes
3 Hours	2.00	2.00	Yes
<b><i>Common</i></b>			
30 Minutes	0.50	0.50	Yes
1 Hour	0.70	0.70	Yes
2 Hours	1.20	1.20	Yes
3 Hours	N/A	2.00	Yes
4 Hours	N/A	N/A	Yes
<b><i>Rose &amp; Crown</i></b>			
30 Minutes	0.50	0.50	Yes
1 Hour	0.70	0.70	Yes
2 Hours	1.20	1.20	Yes
<b><i>Swan Meadow</i></b>			
1 Hour	0.70	0.70	Yes
2 Hours	1.20	1.20	Yes
4 Hours	2.00	2.00	Yes
6 Hours	2.50	2.50	Yes
10 Hours	3.50	3.50	Yes
Season Tickets (6 months)	175.00	175.00	Yes
Season Tickets (per annum)	300.00	300.00	Yes
<b><u>Coaches</u></b>			
5 Hours	3.00	3.00	Yes
10 Hours	6.00	6.00	Yes

**APPENDIX F continued...**

**FEES AND CHARGES**

<b>Car Parking</b>	<b>2016/17 charge £</b>	<b>2017/18 charge £</b>	<b>Does the charge include VAT?</b>
<b><u>Great Dunmow</u></b>			
<b><i>WhiteStreet</i></b>			
30 Minutes	0.40	0.40	Yes
1 Hour	0.60	0.60	Yes
3 Hours	1.20	1.20	Yes
4 Hours	2.00	2.00	Yes
5 Hours	2.40	2.40	Yes
10 Hours	3.50	3.50	Yes
Season Ticket (6 months)	175.00	175.00	Yes
Season Ticket (per annum)	300.00	300.00	Yes
<b><i>New Street/Chequers &amp; Angel Lane</i></b>			
30 Minutes	0.40	0.40	Yes
1 Hour	0.60	0.60	Yes
3 Hours	1.20	1.20	Yes
<b><u>Stansted Mountfitchet</u></b>			
<b><i>Lower Street</i></b>			
30 Minutes	0.40	0.40	Yes
1 Hour	0.60	0.60	Yes
2 Hour	1.00	1.00	Yes
3 Hours	1.20	1.20	Yes
4 Hours	2.00	2.00	Yes
6 Hours	2.40	2.40	Yes
10 Hours	4.70	4.70	Yes
Coaches	6.00	6.00	Yes
Season Ticket - Local Business & employee (6 months)	130.00	130.00	Yes
Season Ticket - Local Business & employee (per annum)	250.00	250.00	Yes
Season Ticket - Non business (6 months)	220.00	320.00	Yes
Season Ticket - Non business (per annum)	420.00	620.00	Yes
<b><i>Crafton Street</i></b>			
30 Minutes	0.40	0.40	Yes
1 Hour	0.60	0.60	Yes
3 Hours	1.20	1.20	Yes
10 Hours	3.00	3.00	Yes
Season Ticket - Local Business & employee (6 months)	130.00	130.00	Yes
Season Ticket - Local Business & employee (per annum)	250.00	250.00	Yes
Season Ticket - Non business (6 months)	220.00	220.00	Yes
Season Ticket - Non business (per annum)	420.00	420.00	Yes

## APPENDIX F continued...

### FEES AND CHARGES

Environmental Health	2016/17 charge £	2017/18 charge £	Does the charge include VAT?
<b><u>Food and Water Safety</u></b>			
Food Safety course - level 2 certificate	80.00	80.00	No
Health Certificate for Export	85.00	85.00	No
Voluntary Surrender Certificate	75.00	75.00	No
Water Samples (Airport)	25.00	25.00	Yes
Private water supply sample collection fee (plus laboratory charges)	25.00	25.00	Yes
Private water supply carrying out of Risk Assessment - per hour	54.00	54.00	No
Investigation (each visit)	54.00	54.00	No
Analysis under reg 10	25.00	25.00	No
EIR information	108.00	108.00	No
Contaminated land	108.00	108.00	No
Officer charges for works in default - per hour	54.00	54.00	No
Chemical Water Samples on request	Charged at Cost	Charged at Cost	Yes
<b><u>Imported Food Inspection Charges</u></b>			
Organic Produce Certificate - office hours (per certificate)	70.00	70.00	No
Organic Produce Certificate - outside office hours	250.00	250.00	No
POAO per CVED (Products of animal origin) (per consignment)	175.00	175.00	No
POAO per CVED Out of Hours additional fee (Products of animal origin)	75.00	75.00	No
High Risk NAO per CED (Non animal origin)	55.00	55.00	No
High Risk NAO sampling fee + laboratory charges	60.00	60.00	No
High Risk NAO per CED Out of Hours	65.00	65.00	No
High Risk NAO Out of Hours sampling fee + laboratory charges	95.00	95.00	No
High Risk destruction charge + disposal costs	60.00	60.00	No
IUU Catch Certificate EEA	25.00	25.00	No
IUU Catch Certificate non EEA	50.00	50.00	No
<b><u>Animals</u></b>			
Micro chipping - Pets - Microchip event	16.50	16.50	Yes
Stray dog - administrative costs	25.00	25.00	No
Stray dog - statutory fee + kennel charge + vets fees	25.00	25.00	No

## APPENDIX F continued...

### FEES AND CHARGES

Environmental Health	2016/17 charge £	2017/18 charge £	Does the charge include VAT?
<b>Other charges</b>			
Licensing of Houses of Multiple Occupancy (HMO) std fee for up to 5 bedrooms	355.00	697.00	No
5 letting rooms or more - charge per additional room	41.00	26.50	No
Housing Immigration Inspection	153.00	160.00	No
Copy of Food Register - Whole - (hourly charge or part thereof)	70.00	70.00	No
Copy of Food Register - Single premises	25.00	25.00	No
<b>* New Charging Structure</b>			
Housing improvement notice - per hour	54.00	N/A*	No
Suspended improvement notice - per hour	54.00	N/A*	No
Prohibition order - per hour	54.00	N/A*	No
Suspended prohibition order - per hour	54.00	N/A*	No
Emergency prohibition order - per hour	54.00	N/A*	No
Emergency remedial action notice - per hour	54.00	N/A*	No
Housing improvement notice - fixed price	N/A*	233.75	No
Suspended improvement notice - fixed price	N/A*	233.75	No
Prohibition order - fixed price	N/A*	233.75	No
Suspended prohibition order - fixed price	N/A*	233.75	No
Emergency prohibition order - fixed price	N/A*	233.75	No
Emergency remedial action notice - fixed price	N/A*	233.75	No

#### Land Charges

For the current schedule of land charges, please visit the Uttlesford District Council website:

<http://www.uttlesford.gov.uk/article/1910/Local-Land-Charges-and-Searches>

Lifeline (Council Tenants and Private Residents)	2016/17 charge £	2017/18 charge £	Does the charge include VAT?
Lifeline units - Level 1 - Weekly charge - including evening and weekend emergency response visits	5.04	5.14	Yes*
Lifeline units - Level 2 - Extra Sensors (up to a maximum of 4, customers requiring more than 4 extra sensors will be charged at the rate of 50p per extra sensor)	6.24	6.36	Yes*

*\*a zero rating for VAT will apply if the customer can provide evidence that they have a disability*

## APPENDIX F continued...

### FEES AND CHARGES

Museum	2016/17 charge £	2017/18 charge £	Does the charge include VAT?
Admission Charge adult	2.50	2.50	Yes
Admission Charge discount	1.25	1.25	Yes
Admission Charge children	0.00	0.00	n/a
Season Ticket adult	8.00	8.00	Yes
Season Ticket discount	4.00	4.00	Yes
School visits per pupil	3.00	3.00	Yes
School visits minimum charge	48.00	48.00	Yes
<b><u>Reproduction Charges</u></b>			
<b><u>Fee for providing images of collections for commercial publications</u></b>			
One country / language	108.00	108.00	Yes
Two or more countries	134.40	134.40	Yes
Regional publication	54.00	54.00	Yes
Local publication	14.40	14.40	Yes
Still image for regional TV	134.40	134.40	Yes
Still image for national TV	270.00	270.00	Yes
Film and video, regional TV	96.00	96.00	Yes
Film and video, national TV	192.00	192.00	Yes
Facility fee for use as "set"	162.00	162.00	Yes
<b><u>Hire of premises (corporate and private)</u></b>			
Museum - Hire for first hour	75.00	75.00	No
Museum - Hire per hour after first hour	50.00	50.00	No
School Room - Hire for first hour	20.00	20.00	No
School Room - Hire per hour after first hour	10.00	10.00	No
<b><u>Other Charges</u></b>			
School Loan and Reminiscence Boxes	12.00	12.00	Yes
Talks for local groups - within district	50.00	50.00	No
Talks for local groups - outside district	60.00	60.00	No
<b><u>Museum Store visits</u></b>			
Group bookings per hour (special tours/study sessions/workshops)	12.00	12.00	Yes
Individual visit per hour (weekdays) plus 30mins set-up and clear-up	12.00	12.00	Yes
Individual visit per hour (evenings and weekends)	24.00	24.00	Yes
Individual visit (evenings and weekends) half-day/3hr session	90.00	90.00	Yes
Individual visit (Saturday) whole day	174.00	174.00	Yes

**APPENDIX F continued...**

**FEES AND CHARGES**

<b>Licensing</b>	<b>2016/17 charge</b>	<b>2017/18 charge</b>	<b>Does the charge include VAT?</b>
	£	£	
Drivers (licence valid for 3 years)			
- New Application	140.00	140.00	No
- Renewal	129.00	129.00	No
Operators (licence valid for 5 years)			
- New Application	350.00	350.00	No
- Renewal	346.00	346.00	No
Vehicles (licence valid for 1 year)			
- New Application	50.00	50.00	No
- Renewal	42.00	42.00	No
Vehicle Licence Transfer Fee	23.00	23.00	No
CRB checks	Charged at cost	Charged at cost	No
<b><u>Caravan Site Licence Fees</u></b>			
<b><u>New Applications</u></b>			
1-5 pitches	405.00	405.00	No
6-10 pitches	405.00	405.00	No
11-20 pitches	486.00	486.00	No
21-50 pitches	569.00	569.00	No
51-100 pitches	747.00	747.00	No
>100 pitches	810.00	810.00	No
<b><u>Annual Fee/Admin and Monitoring of site licenses</u></b>			
1-5 pitches	-		No
6-10 pitches	220.00	220.00	No
11-20 pitches	220.00	220.00	No
21-50 pitches	301.00	301.00	No
51-100 pitches	382.00	382.00	No
>100 pitches	544.00	544.00	No
Variation/Transfer	100.00	100.00	No
Laying of site rules	25.00	25.00	No

**APPENDIX F continued...**

**FEES AND CHARGES**

Licensing	2016/17 charge £	2017/18 charge £	Does the charge include VAT?
<b><u>Licences</u></b>			
Animal boarding establishment	169.00	169.00	No
Home boarding	137.00	137.00	No
Dog breeding establishment	137.00	137.00	No
Riding establishment	238.00	238.00	No
Pet shop	137.00	137.00	No
Dangerous wild animals	268.00	268.00	No
Zoo licence (5 years)	690.00	690.00	No
Skin piercing premises & 1 person	180.00	180.00	No
Skin piercing additional person	10.00	10.00	No
Additional operator added at a later date	40.00	40.00	No
Additional treatment added at a later date	70.00	70.00	No
<b><u>Scrap Metal</u></b>			
Grant of a site or collectors licence	365.00	367.00	No
- each additional site after first site	79.00	192.00	No
Renewal of a site or collectors licence	276.00	322.00	No
- each additional site after first site	79.00	192.00	No
Variation of a site or collectors licence	157.00	130.00	No
- each additional site being added to the licence	79.00	322.00	No
<b><u>Alcohol Licensing Act 2003</u></b>			
For the current schedule of statutory fees, please visit the Uttlesford District Council website:			
<a href="http://www.uttlesford.gov.uk/article/2295/Licensing-Act-2003--Personal">http://www.uttlesford.gov.uk/article/2295/Licensing-Act-2003--Personal</a>			
<a href="http://www.uttlesford.gov.uk/article/2023/Licensing-Act-2003--Premises">http://www.uttlesford.gov.uk/article/2023/Licensing-Act-2003--Premises</a>			
<b><u>Gambling Act 2005</u></b>			
For the current schedule of fees, please visit the Uttlesford District Council website:			
<a href="http://www.uttlesford.gov.uk/article/2292/Gambling-Act-2005">http://www.uttlesford.gov.uk/article/2292/Gambling-Act-2005</a>			

## APPENDIX F continued...

### FEES AND CHARGES

#### Planning Applications

For the current schedule of planning application fees, please visit the Uttlesford District Council website:

<http://www.uttlesford.gov.uk/article/2160/Planning-Application-Fees>

Planning Pre-application advice	2016/17 charge £	2017/18 charge £	Does the charge include VAT?
<b><u>Householder</u></b>			
Written Advice	60.00	60.00	Yes
Meeting 1/2 hr and written advice	150.00	150.00	Yes
Listed Building written advice	175.00	175.00	Yes
Listed Building meeting 1 hr and written advice	300.00	300.00	Yes
<b><u>Non-Residential inc. change of use</u></b>			
less than 1000 sq. m. written	150.00	150.00	Yes
less than 1000 sq. m. meeting	300.00	300.00	Yes
1000-1999 sq.m. written	300.00	300.00	Yes
1000-1999 sq.m. meeting	750.00	750.00	Yes
2000 - 4999 sq. m. meeting	1250.00	1250.00	Yes
Over 5000 sq. m.	POA	POA	Yes
<b><u>Residential</u></b>			
1 dwelling	250.00	250.00	Yes
1 Listed dwelling	400.00	400.00	Yes
2-9 dwellings	500.00	500.00	Yes
10-30 dwellings	1000.00	1000.00	Yes
31-100 dwellings	1650.00	1650.00	Yes
101-300 dwellings	2400.00	2400.00	Yes

**APPENDIX F continued...**

**FEES AND CHARGES**

Other Planning fees and charges	2016/17 charge £	2017/18 charge £	Does the charge include VAT?
Documents provided under Local Government Access to Information Act 1985	10p a sheet plus £25 per	10p a sheet plus £25 per	Yes
Documents - TPO, BPN, LB	hour if job	hour if job	
Planning & Building Regulation Decision Notices	exceeds 1 hour	exceeds 1 hour	
Uttlesford Local Plan Adopted 2005	25.00	25.00	Yes
Weekly list of Planning Application Submissions	N/A	N/A	

Print Room	2016/17 charge £	2017/18 charge £	Does the charge include VAT?
Printing services for town & parish councils, voluntary organisations, clubs & societies. Hourly charge. Materials charged on top. * Addition of VAT varies depending on what is being printed.	38.00	40.00	No*

## APPENDIX F continued...

### FEES AND CHARGES

Saffron Walden Offices	2016/17 charge £	2017/18 charge £	Does the charge include VAT?
<b><u>Room charges - non wedding - minimum 2 hour charge applies</u></b>			
Room hire - Flitch (Chairman's room) (per hour)	N/A	30.00	Yes
Room hire - Flitch (Chairman's room) (per hour) Charity Rate	24.00	24.00	Yes
Room hire - Cutlers (Committee room) (per hour)	57.00	60.00	Yes
Room hire - Cutlers (Committee room) (per hour) Charity Rate	24.00	24.00	Yes
Room hire - Gibson (Council Chamber) (per hour)	75.60	78.00	Yes
Room hire - Gibson (Council Chamber) (per hour) Charity Rate	24.00	48.00	Yes
Refreshments - per 10 people	12.60	13.20	Yes
<b><u>Room charges - wedding</u></b>			
Chairman's Room Mon-Thur	74.00	74.00	Yes
Chairman's Room Friday	114.00	114.00	Yes
Chairman's Room Saturday a.m.	149.00	149.00	Yes
Chairman's Room Saturday p.m.	175.00	175.00	Yes
Chairman's Room Sunday/B.Holiday	250.00	250.00	Yes
Committee Room Mon-Thur	100.00	100.00	Yes
Committee Room Friday	140.00	140.00	Yes
Committee Room Saturday a.m.	175.00	175.00	Yes
Committee Room Saturday p.m.	200.00	200.00	Yes
Committee Room Sunday/B.Holiday	275.00	275.00	Yes
Council Chamber Mon-Thur	150.00	150.00	Yes
Council Chamber Friday	190.00	190.00	Yes
Council Chamber Saturday a.m.	225.00	225.00	Yes
Council Chamber Saturday p.m.	250.00	250.00	Yes
Council Chamber Sunday/B.Holiday	300.00	300.00	Yes
Chamber + Chairman's Mon-Thur	175.00	175.00	Yes
Chamber + Chairman's Friday	265.00	265.00	Yes
Chamber + Chairman's Saturday a.m.	325.00	325.00	Yes
Chamber + Chairman's Saturday p.m.	375.00	375.00	Yes
Chamber + Chairman's Sunday/B.Holiday	500.00	500.00	Yes
Chamber + Committee Mon-Thur	200.00	200.00	Yes
Chamber + Committee Friday	280.00	280.00	Yes
Chamber + Committee Saturday a.m.	350.00	350.00	Yes
Chamber + Committee Saturday p.m.	400.00	400.00	Yes
Chamber + Committee Sunday/B.Holiday	550.00	550.00	Yes

**APPENDIX F continued...**

**FEES AND CHARGES**

Health Improvement	2016/17 charge £	2017/18 charge £	Does the charge include VAT?
Nordic Walking Evening	3.00	N/A	No
Nordic Walking drop in weekly	4.00	N/A	No
Nordic Walking 4 week courses	39.00	N/A	No
Nordic Walking Card 5 walks	20.00	N/A	No
Nordic Walking Card 3 months	40.00	N/A	No

Refuse Collection & Recycling	2016/17 charge £	2017/18 charge £	Does the charge include VAT?
Bulky waste	16.50	17.00	No
Kerbside Garden Collection	40.00	40.00	No
Town/Parish Council Garden Waste weekend collection (per hour)	66.00	66.00	No
<b><u>Trade Waste</u></b>			
Trade sacks (3 cubic feet)	1.92	1.96	No
Bins 240 litres	5.29	5.38	No
Bins 660 litres	12.28	12.47	No
Eurobins 1100 litres	18.96	19.23	No
6 cu yd	115.27	117.51	No
8 cu yd	135.94	138.40	No
Light Containers - 12 cubic yard	135.94	138.40	No
Heavy Containers - 12 cubic yard	212.93	216.88	No

**Committee: Cabinet**

**Agenda Item**

**Date: 16 February 2017**

**14**

**Title: Procurement Strategy 2017/18**

**Author: Councillor Simon Howell**

Item for decision

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## **Summary**

1. The Council's Procurement Strategy is refreshed every year and the proposed strategy for 2016/17 is presented with this report.
2. The Strategy shows how the Council's procurement activity contributes to the Corporate Plan priorities relating to sound financial management, high quality and low tax. A work plan is set out and is dominated by major housing contracts.
3. One of the key reasons for updating the Procurement Strategy is to provide ongoing assurance to the external auditor that the Council has a sound approach to procurement. This is taken into account as part of the external auditor's statutory 'value for money' opinion.
4. The Strategy includes looking back on 2016/17 and noting the progress made and variations on the previous years Strategy as presented to Members on 26 May 2016.
5. Members who undertook the recent Audit Committee Self-Assessment exercise identified a need to understand more about the council's procurement arrangements and this information is also included in the current Strategy.
6. A procurement progress update is presented to the Performance and Audit Committee half yearly.

## **Recommendations**

7. The Cabinet is recommended to approve the Procurement Strategy as attached to this report.

## **Financial Implications**

8. There are no direct financial implications arising from the recommendation. The Strategy is designed to minimise the risk of challenge by unsuccessful tenderers. The Strategy acknowledges the role of Procurement in reducing the organisation's running costs. No specific savings targets have been built into the Medium Term Financial Strategy in order to avoid being seen to prejudice "best value" outcomes and to preserve the objectivity of the procurement process.

## Background Papers

None

## Impact

Communication/Consultation	None
Community Safety	No specific implications
Equalities	An EQIA is included with the main report
Health and Safety	No specific implications
Human Rights/Legal Implications	No specific implications
Sustainability	No specific implications
Ward-specific impacts	No specific implications
Workforce/Workplace	No specific implications

## Achievements in 2016/17

The Procurement Team has achieved a high value of savings in the retendering of contracts, the main contract savings are listed below;

- Servicing and Repair of Housing Stock Heating and Hot Water Systems - £1.523m over a 5 year contract.
- Water Monitoring and Treatment for the control of Legionella – £0.272m over a 4 year contract.

The continued work programme on the purchase ordering system (E-Buy) has seen a 32% increase in orders being raised on the system in 2016/17, this now gives a total of 68% of all orders raised electronically.

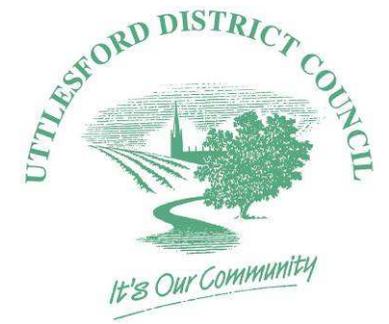
The purchase ordering system is a more efficient and streamlined process of ordering and paying suppliers, reducing the administration time and resources required.

**Risk Analysis**

Risk	Likelihood	Impact	Mitigating actions
Actions in the Procurement Strategy are not implemented  Urgent and/or unplanned contracts not in the work plans	2 (the Procurement Manager has the capacity to take these issues forward)	3 (the Council will be unable to demonstrate progress)	The actions have been built into work plans and there is flexibility to manage non planned work within reason. This will be monitored through the Council’s performance management framework.

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.





# Procurement Strategy

2017/18

# Introduction

The Procurement Strategy is reviewed annually and provides an update on work completed during the previous financial year as well as setting out the programme of work for the new financial year,

The corporate plan for 2017/18, adopted by Council on 23 February sets out a vision for

*Working together for the well-being of our community and to protect and enhance the unique character of the District.*

The new priorities, building upon those in previous corporate plans, are to

- *Promote thriving, safe and healthy communities*
- *Protect and enhance heritage and character*
- *Support sustainable business growth*
- *Maintain a financially sound and effective Council*

The work being undertaken within the team will help Officers across the Council meet these priorities within their own service plans – for example the requirement to seek prices from local businesses when obtaining quotations.

General guidelines in relation to procurement are set out in the Council's Contract Procedure Rules. There are specific requirements that quotations or tenders be obtained where the value of the contract falls into the following bands:

Up to £10,000	Deputy Chief Officers have discretion regarding the obtaining of quotations (including the number of quotes obtained and how they are obtained). It is advisable to obtain at least two comparable prices. Officers shall obtain at least one quotation from a local <sup>1</sup> company wherever possible	From 1 April 2016 to date (24/01/17), 2,933 orders have been raised in this category <sup>2</sup> , accounting for 96% of all orders.  The value of orders raised is £2,460,499.90 accounting for 30.15% of the total value of orders
Up to £50,000	A minimum of three written quotations shall be obtained. Officers shall obtain at least one quotation from a local <sup>1</sup>	From 1 April 2016 to date (24/01/17) 103 orders have been raised in this category <sup>3</sup> , accounting for 3.4% of all orders.

<sup>1</sup> "local" shall mean within 20 miles radius of either Great Dunmow or Saffron Walden

<sup>2</sup> Purchase orders are not used in all instances and therefore the exact number is difficult to determine with accuracy. It has been identified as an action for 2017/18 to increase use of the ordering system across the authority although there has been significant improvement as a result of the training and education in 2016/17

	company wherever possible	The value of orders raised is £2,193,900 accounting for 26.88% of the total value of orders
Over £50,000	<p>Offers will be invited by tender as follows</p> <p><b>Contracts for the supply of Goods or Services</b></p> <p>Up to £164,176 – UK Only Over £164,176 – European Tender</p> <p><b>Contracts for Works or Concessions<sup>4</sup></b></p> <p>Up to £4.1m – UK Only Over £4.1m – European Tender</p>	<p>From 1 April 2016 to date (24/01/17), 19 orders have been raised in this category<sup>5</sup>, accounting for 0.6% of all orders.</p> <p>The value of orders raised is £3,507,452.20 accounting for 42.97% of the total value of orders</p>

The Council's preferred option when developing the approach to the procurement of contracts is to use national frameworks where possible and this is taken into account when preparing acquisition plans prior to tendering. Frameworks allow us to benefit from economies of scale and to award contracts above threshold values without further need to tender in Europe, although there is still a need to carry out further competition in the form of a "mini-tender" in some instances. The acquisition stage also considers the relative importance of cost v quality when evaluating tenders.

<sup>3</sup> Purchase orders are not used in all instances and therefore the exact number is difficult to determine with accuracy. It has been identified as an action for 2017/18 to increase use of the ordering system across the authority although there has been significant improvement as a result of the training and education in 2016/17

<sup>4</sup> New legislation introduced April 2016 that applies where the authority awards a concession (ie where the contractor stands to gain financially from the award. Examples include the operation of leisure centres, running of café's, toll roads, solar pv installations)

<sup>5</sup> Purchase orders are not used in all instances and therefore the exact number is difficult to determine with accuracy. It has been identified as an action for 2017/18 to increase use of the ordering system across the authority although there has been significant improvement as a result of the training and education in 2016/17

## 2016/17 – how did we do?

In addition to the work programme, an update on which is included at Appendix A, there were three major initiatives included in the strategy last year.

The first was to address the requirements of The Modern Slavery Act introduced in 2015. The Procurement Manager has worked with the Assistant Directors of Finance & Resources to publish the statement, required by the legislation, on the Uttlesford District Council web site.

Reviews are being carried out on the top 50 suppliers to ensure their statements are being published, and those suppliers working in a high risk areas (such as clothing) are also under review.

The second was to establish how best to trade electronically by 2018, as required by the Public Contracts Regulations 2015. Scoping work has commenced with colleagues across the County and will continue to be a priority in 2017/18.

The third was a programme of improvement to further progress the use of the purchase order system, with a view to reducing the number of invoices processed manually outside of the ordering system – giving greater accountability and monitoring and will aid in streamlining working practices. The percentage of invoices paid without purchase orders being raised has dropped to 32% of all invoices paid<sup>6</sup>

The Procurement Officer has commenced a distance learning programme for membership of the Chartered Institute of Purchasing & Supply and examination results are awaited.

The Procurement Manager continues to represent the authority at Procurement Alliance for Essex meetings, being an opportunity to network, learn from and challenge procurement colleagues and identify opportunities to work together. Members are also represented by the Procurement Manager on the East of England Local Government Association Contracts Database User Group – one of the ways in which we meet our transparency obligations.

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<sup>6</sup> At 23 January 2017, 67.72% of a total of 7,531 invoices paid from the start of the 16/17 financial year were supported by a purchase order – a total of £10,592.56. Invoices paid without a purchase order accounted for 32.28% but with a total value of £7,784,720.72. This is a significant improvement, where earlier statistics were showing that over 60% of invoices were not supported by purchase orders.

Procurement of contracts during the year are included in detail in Appendix A. In summary -

<b>Planned works on programme</b>	22
Completed	10
In progress	7
Pending commencement or no action required	5
<b>Unplanned works</b>	10
Completed	7
In progress	4

It is becoming increasingly common for colleagues to seek expert advice when setting up contracts even if they fall within their delegated limits. This is a welcome trend, enabling us to avoid risk at an early stage, but clearly has an impact on the major work programme being generally unplanned elements of work for which a quick response is usually expected.

Working with colleagues across the authority gives us a unique insight to working practices and opportunities to identify better working practices. Colleagues are generally receptive to this and in August this led to the facilitation of a meeting with a contract manager, the team of officers that were affected by a change in the contract for heating repairs and servicing, and staff from the Contractor. There had been performance issues with the new provider and it transpired that some of the issues were due to poor communication – both a lack of information being provided by the Council to the Contractor and lack of information to front line staff by the Contract Manager. This resolved many issues and the introduction of formal briefing meetings to the extended staff affected by new contractual arrangements is seen as a huge benefit. It is intended these be one of our new initiatives for 2017/18

The Procurement Manager was asked to provide a report to the Performance and Audit Committee in May and November 2016 to provide assurance that the Council is meeting its duty to obtain best value<sup>7</sup>. The scope of the report included the following areas as requested

- An outline of the council's approach to procurement, including what the different financial thresholds are for quotes/tender/European tender etc

<sup>7</sup> This request came from a discussion around how well the committee addresses the core areas identified in CIPFA's Position Statement for good governance of audit committees.

- A list of tenders from the last 12 months – how many contracts were let at each level
- Details of those tenders which fall into the higher category/categories
- How many instances there have been where “normal” procurement rules have been waived and examples of these

This annual strategy addresses most of these points, but to date has not included exception requests. During the year a small number of exception requests were considered and approved by the S151 Officer. These are included at Appendix B

for CMT Consideration

## 2017/18 – What is planned?

The attached work plan lists contracts identified that are likely to require successor contracts and those for which a business case for capital funding has been approved.

<b>Planned works on programme</b>	<b>33</b>
Carried forward - already in progress	11
Carried forward – pending commencement	5
Successor contracts identified	15
New capital projects	2

It is likely that unplanned works are requested. This is increasing as the procurement of contracts becomes more high profile and Officers become aware of legal challenges in the national press. This trend gives rise to three initiatives recommended for inclusion in the programme for 2017/18

- A complete review of Contracts Procedure Rules to include clearer procedures and processes.
- Training for those officers holding delegated authority for expenditure to understand and make use of these Rules and processes
- Formal contract inception meetings to include all relevant officers – not just the Contract Managers
- Continuing support to improve contract management skills

Changes in markets and legislation will continue to be monitored, and where relevant Chief Officers will be made aware – for example the Water market de-regulation of the water market may bring opportunities and the insurance market is claiming that Britain leaving the EU will have an impact on premium prices.

The recent report from the Home Office on pilot projects to understand the threat that Serious and Organised Crime poses to publicly procured services will be reviewed and any mitigating actions recommended. The work started in 2016/17 to monitor suppliers under The Modern Slavery Act 2015 will continue, becoming “business as usual”

Performance & Audit Committee have requested updates on the work of procurement during 2016/17 to understand how, and ensure the Council is obtaining best value. It is proposed that reports on the progress of work in this strategy document are presented to that Committee in future and the focus of Cabinet be forward looking.

## Appendix A - Work plan

Requirements	Budget	Details	Status
Water Monitoring & Treatment (Legionella Control)	£55,000/yr.	Contract awarded 19 <sup>th</sup> May 2016 to Northumbrian Water Group (four years + two year extension option).  Value over the life of the contract is £58,287.84, a potential saving of £271,712.16.	2016/17  Procurement complete
Lifts & Stair lifts	£32,000/yr.	During the Procurement exercise, concerns arose regarding the accuracy of asset lists and compliance of the passenger lift stock to meet European Standard 81-80 which sets out requirements for bringing safety in existing lifts up to modern day standards. Insurers were instructed to undertake a thorough assessment programme to identify and prioritise a programme of remedial works. It is expected, due to the age of the assets, that significant investment may be needed before any provider takes on the risk of maintenance.  The asset list has been completely updated and is now monitored more frequently.  It will be more commercially attractive to let this contract in two separate lots, opening up competition by not restricting the contract to the few providers who can work on both types of lifts.  The agreement with the incumbent provider has been extended until the end of 2016/17 financial year to maintain continuity. It is envisaged this may need further extension with a target to run the new contracts with effect from September 2017 once tendered.	2016/17  Procurement in progress

<p>Servicing &amp; Repair of Heating and Hot Water Systems</p> <p>Including</p> <ul style="list-style-type: none"> <li>All Landlord Gas Safety Checks &amp; Certificates</li> <li>Servicing, Maintenance &amp; Repairs to Domestic Systems</li> <li>Servicing, Maintenance &amp; Repairs to Commercial Plant &amp; Equipment</li> </ul>	<p>£330,000</p> <p>£44,500</p>	<p>Contract awarded 7<sup>th</sup> June 2016 to Aaron Services Limited (five years + five year extension option).</p> <p>Value over the life of the contract is £2,221,631.50, a potential saving of £1,523,368.50.</p>	<p>2016/17</p> <p>Procurement complete</p>
<p>Small Engineering Works (Civil Engineering)</p>	<p>£120,000</p>	<p>Contract awarded to J Breheny commencing 1<sup>st</sup> August 2016 (four years + two year extension option).</p> <p>Value over the life of the contract is difficult to predict given the responsive nature of the works, however it is likely to be in the region of £150,000 per annum.</p>	<p>2016/17</p> <p>Procurement complete</p>
<p>Photocopiers in Reprographics</p>	<p>£68,000/yr</p>	<p>Work is on-going. Originally intended to be one contract, single providers are limited and will have a detrimental effect on the amount of competition we can engage. Negotiations are taking place with providers of copiers and MFD's and tenders are being prepared for mailing/franking machines.</p>	<p>2016/17</p> <p>Procurement in progress</p>
<p>MFD's</p>		<p>With new technology, the service provision will not replicate the existing, but instead</p>	

Mailing / Franking Machine	£34,000/yr	aims to introduce innovation and new ways of working Intended to be let through a CCS framework, the documents are complex and proving to be time consuming.	
Culvert Trash Screen	£40,000		2016/17 Pending
Asbestos Surveys	£80,000	During the commissioning phase a number of issues have been identified and addressed with the client team. Notably, procedures for the use of the asbestos register are being improved in order that external contractors can update information directly. It is also hoped that access to the information in the register can be improved, with an audit trail to ensure contractors have read the information before carrying out works. The client team have also requested that more than one contractor be appointed to improve resilience. This is being addressed and the tender documents are awaiting final approval by the provider of the framework. It is hoped that the new contract will commence by May 2017.	2016/17 Procurement in progress
Asbestos Removal	Not known		
Housing Sheltered Scheme Appointment of Main Contractor for demolition and re-development of Reynolds Court	£6.5m	In July 2016, stage 2 of the tender process was completed and a contract cost agreed albeit over budget at almost £7.2m	2016/17 Procurement complete
Housing Sheltered Scheme Appointment of Main Contractor for re-development of Hatherley Court	£1.6m	A domestic tender for the appointment of a main contractor. Following the recommendations of the Employers Agent (Oxbury), the Council have conducted a two stage tender for the appointment of the main contractor.  The main contractor – Thomas Sinden – has been appointed and is currently working on stage two, working with the project team to complete detailed designs and inviting tenders from sub-contractors in order to arrive at the final, fixed contract price.	2016/17 Procurement in progress

		After an extended period of time, Thomas Sinden were not able to bring the cost of this contract in within the budget figure. The project has since been re-tendered and a preferred bidder has been identified. The Council is currently in dispute the contractor on another contract and the contract will not be awarded unless the dispute is resolved to our satisfaction	
Vehicle Replacement Programme	£847,000	<p>Two contracts were awarded on 15<sup>th</sup> July 2016 ;</p> <p>Abel Schmidt (2 x sweepers were purchased @ £69,983.50 + £170 (tax) + £60 (registration) EA) &amp; Dennis Eagle (1 x 26 tonne RCV @ £171,313.00 + £650 (tax) + £55 (registration) and 1 x 32 tonne RCV @ £223,268.00 + £1200 (tax) + £60 (registration).</p> <p>Other vehicles were not awarded as a result of the tender (being non-compliant with the specification) and quotations were obtained outside of this requirement.</p> <p>Two collection vehicles for the collection of garden waste were put on hold pending a review of the service.</p>	<p>2016/17</p> <p>Procurement complete</p>
New Depot at Great Dunmow	£1.5m	A consultant has been appointed to locate a suitable site for the new depot and negotiations are continuing.	<p>2016/17</p> <p>Procurement complete</p>
		Once the land has been purchased and needs identified, procurement of buildings and/or equipment may commence.	Pending Instructions
London Road Building Works	£190,000	Works were carried out under existing contractual arrangements (e.g. our term contract for painting works), let under framework agreements (e.g. window replacements) or were the subject of quotations	<p>2016/17</p> <p>Procurement Completed</p>

Energy Bureau	£11,000/yr	Contract successfully procured providing an overall saving of £11,637.60 over the three year contract duration against the previous provider. Contract awarded but due to mobilisation and year end requirements, the new contract will start from 1st May 2017	2016/17 Procurement in progress
External Painting & Repairs	£200,000/yr	This contract expires in March 2017 and succession planning commenced in September 2016.  The contract allows for two, 12 month extensions subject to satisfactory performance which has been exercised as one, 24 month extension, in return for fixing the price for the extension period. This provides an equivalent saving of £7,000 based on a budget of £350,000 per annum (which includes ad-hoc pre-paint repairs and replacement soffits and fascias) assuming CPI to be 2% per annum.	2016/17 Procurement complete
Payroll Services	£25,600/yr	Contract awarded 21 <sup>st</sup> September to Insight Direct UK Ltd (five years)  The contract is different to the previous one, including Hosted HR software as well as a payroll bureau service.  Whilst there are initial set up fees and implementation costs etc totalling £71,571.00, the annual charge will be £17,914 per annum, a saving of £7,686 per year or £30,744 over the life of the contract against the budget.  The software will bring better ways of working for the Council, bring more responsibility to line managers and reduce the burden of Officers involved in the calculation of payroll experienced under the previous contract.	2016/17 Procurement complete
Insurance	£438,660/yr	These contracts expired in September 2016, and the option to extend by a further two years was exercised.	2016/17 Procurement complete

ICT Software for Housing and Revenues & Benefits	£29,440/yr	This contract expired in December 2016 and is currently under negotiation	2016/17 Procurement in progress
Telecare – Upgrades & Servicing	£6,000/yr	The contract with the incumbent expires March 31st 2017 and it is anticipated that the option for a 12 month extension will be exercised but will be dependent on a remedial plan from the provider setting out how they intend to address performance issues.  Further planning will begin in September 2017 for the successor contract.	2016/17 Procurement in progress
Domestic Boiler Installations	£570,000/yr	This contract expires in March 2017. An option to extend for two years has been exercised with the incumbent contractor - Advance Heating – given there have been no performance issues.  The price remains fixed for this period of extension which is the equivalent saving of £23,028 on a budget of £570,000 assuming CPI to be 2% per annum.	2016/17 Procurement Completed
Household Wheelie Bins	£70,000	A number of small call-off contracts using a national framework provided that did not require support from Procurement	No action
London Road & Museum Buildings	£119,000 & £52,000	A number of small call-off orders using contractors already appointed to carry out works under larger value contracts and which did not require support from Procurement	No action
Housing Sheltered Scheme  Appointment of Main Contractor for re-development of Walden Place	£800,000	A new capital project for redevelopment of Walden Place for which we are awaiting instructions from the client department.	2016/17  Pending Instructions

<p>Saffron Walden Castle</p> <p>Repairs to South &amp; East Curtain Wall</p>	<p>£188,428</p>	<p>A contract awarded to Bakers of Danbury Ltd.</p> <p>Following the success of the contract awarded for work to the North and West Curtain Wall, Historic England requested support to complete additional works for which they were able to part fund.</p> <p>An exception to Contracts Procedure Rules was submitted for consideration and approved giving permission to waive the requirement to tender the works and appoint Bakers of Danbury (who were still on site) to complete a second phase</p> <p>Work to commence on 31<sup>st</sup> October 2016 for 24 weeks.</p>	<p>2016/17</p> <p>Unplanned Procurement Completed</p>
<p>SPD (Single Person Discount) Review</p>		<p>A new contract awarded 13/9/16 based on “no-win, no-fee” to which the procurement team provided support and advice. The value is yet to be determined.</p>	<p>2016/17</p> <p>Unplanned Procurement Complete</p>
<p>Drug &amp; Alcohol Testing Services</p>	<p>£4,000</p>	<p>Intended to be a low value, successor contract, procurement were involved in the resolution of some issues with the incumbent provider. As a result, the existing provision was extended for a further four years.</p> <p>A low value contract of £1,000 per annum (plus additional call out and random testing services as detailed in the agreement) professional advice was provided to ensure the contract was correctly set up and recorded</p>	<p>2016/17</p> <p>Unplanned Procurement complete</p>
<p>Fraud &amp; Error Review</p>		<p>A new contract awarded in September 2016 to ensure benefit claimants are claiming legitimately, this was originally “sold” on the basis of “no win, no fee”. When the client department sought our advice it transpired not to be the case. Professional advice was provided and the contract negotiated on a fair basis.</p>	<p>2016/17</p> <p>Unplanned Procurement complete</p>

IT Software – eBulletin Services	£7,656/yr	A two year contract signed in December with GovDelivery started 30 <sup>th</sup> September 2016 at £7,656 per annum. Although a low value contract, within delegated authority limits (subject to the attainment of three quotations) professional advice was provided to ensure contract terms were fair and contract documents were signed and recorded.	2016/17 Unplanned Procurement complete
IT Software – Committee Management System	£14,173/yr	A three year contract signed in December 2016 with Modern.Gov starting 1 <sup>st</sup> March 2017. Total value £42,520. Although within delegated authority limits (subject to the attainment of three quotations) professional advice was provided to ensure contract terms were fair and contract documents were signed and recorded	2016/17 Unplanned Procurement complete
Pan Essex Compliance and Counter Fraud IT system		A five year contract signed with Vigilant Applications Limited, along with all other authorities in Essex, Essex & Kent Police and Essex Fire & Rescue Service.  Although tendered by the Essex Procurement Hub, with support from EELGA, the Procurement Manager was involved at an early stage to provide advice in-house and then at contract execution aiming to provide an audit trail, contract documents and transparency obligations are met.  Contribution unclear, but contract value is £429,500 over five years.	2016/17 Unplanned Procurement complete
Network Services Data Agreement		Additional 'bolt on' agreement to the Managed Telecom Services Contract was awarded in July 2016 at an overall cost of £34,239.48	2016/17 Unplanned Procurement complete
Housing New Build  Appointment of Main Contractor for design and build of three properties on	£550,000	The procurement manager has been involved with the consultant development manager working with the Council, who has appointed a consultant to tender and manage these works.  Professional advice regarding public sector procurement requirements has been	2016/17 Unplanned Procurement in progress

former garage sites at Sheds Lane		provided and the tender documents are with the client awaiting final approval for the advertisement to be released.  A 34 week works programme is expected to commence by June 2017	
Cash Collection Services	£4,580 p/a	A low value contract that has been with the current provider for a number of years. The current contract is pending transfer onto a financially beneficial and more contractually robust framework agreement identified by the procurement team. Although the transfer of services was completed last month, Procurement now awaiting signed agreement.	2016/17  Unplanned Procurement in progress
IT – Finance System	£55,000 p/a	Currently in negotiation for service provision after the initial term expires on 28th February 2017.	2016/17  Unplanned Procurement in progress
Lone Worker Protection	Approx. £2,000 p/a	The three year agreement with the incumbent provider expired in October 2016 but is continuing on month to month basis with three months' termination period. The Client is consulting key users regarding the suitability of the current method and is also trialling new devices. Although within delegated powers, the client department have sought additional expertise from the procurement team which will be provided	2017/18  Procurement planned
Fire Safety Systems	Approx. £24,000 p/a	A three year contract being negotiated with the current provider under a national framework agreement. The contract is being varied to include monthly testing of emergency light testing which has a significant impact on the contract cost.	2017/18  Procurement in progress
Enforcement Services	£14,000 p/a	A low value contract within delegated authority, the client has sought guidance from procurement to formalise the agreement particularly in the light of a legal challenge by a provider to the agreements put in place by Southend. This is a concession contract with work allocated over three service providers.	2016/17  Unplanned Procurement in progress

		Despite a budget allocated, it is impossible to predict expenditure due to the nature of the work. Acquisition planning is in progress to agree the best way forward	
External Wall Insulation	TBC	Any contract will be dependent on third party funding and efforts continue to monitor the markets for opportunities	2017/18 Procurement pending
Telephone Answering Service	£8,330 p/a	Requirement is currently satisfied with the incumbent provider on an automatic annual renewal basis subject to a six month notice period. Procurement are planning to investigate the option of utilising the in-house telephony system with assistance from the IT department during 2017.	2017/18 Procurement Pending
Clinical Waste Collection & Disposal	TBC	The current agreement with the incumbent is renewed automatically on an annual basis. Procurement will be investigating alternate options during 2017.	2017/18 Procurement pending
Mobile Phones & Devices	TBC	Procurement options are to be investigated with the main Client (IT) during 2017 in view to collate and reduce unnecessary costs.	2017/18 Procurement pending
Utilities for Void Properties	Approx. £9,000 p/a	Succession planning to begin in January to investigate alternative options to current 'rolling' agreement with British Gas which expires March 2017.	2017/18 Procurement pending

Air Quality Monitoring Equipment ; Servicing & Maintenance	£8,268 p/a	Current agreement expires 31st March 2017. Succession planning scheduled to either continue annually or enter into longer contract with a reputable provider.	2017/18 Procurement pending
Customer Payment Card Services	Approx. £14,440 p/a	This contract will terminate 31st August 2017. Discussions with the Client suggest that no successor contract is required as the facility is to be withdrawn. Confirmation is awaited. If no successor is required the records will just be updated and the current contract archived for retention in accordance with policy.	2017/18 Procurement pending
Pest Control	Approx. £3,000 p/a	Service is currently provided on a concession arrangement. Procurement to arrange meeting with Client after year end to discuss requirements and options.	2017/18 Procurement pending
Waste Oil Parts Cleaner	Approx. £5,000 p/a	Contract with incumbent automatically renews annually on 1st May 2017. Procurement will contact the Client to determine appropriate action or to facilitate renewal.	2017/18 Procurement pending
Electoral Literature & Printing	Approx. £15,000 p/a	Current agreement with incumbent expires at the end of September 2017. Succession planning is scheduled for June to discuss the procurement options with the Democratic Services.	2017/18 Procurement pending
Vehicle Replacement Programme	£1,372,500	Programme of work to replace a number of vehicles.	2017/18 Procurement Pending

Insurance Services	TBC	Succession planning scheduled to commence with Client by September 2017. Current contract(s) expire in October 2018.	2017/18 Procurement pending
Fraud & Error Review	Approx. £17,500 p/a	Option of a further 12 month extension available at the end of September 2017 to exercise if the Client is satisfied with the current service provider.	2017/18 Procurement pending
Telecare, Monitoring & Response Services	Approx. £195,000 p/a	Contract expires 30th September 2017 however an option to extend for a further three years exists which Procurement shall discuss with the Client prior to the end of this financial year. Otherwise succession planning will begin as soon as possible	2017/18 Procurement pending
Door & Windows ; Repairs & Replacements	£105,000 p/a	Current contract expires 31st March 2018. Dialogue with the Client concerning succession planning will begin in the summer of 2017.	2017/18 Procurement pending
Replacement Kitchens & Occasional Bathrooms	£300,000 p/a	Current contract expires 31st March 2018. Dialogue with the Client concerning succession planning will begin in the summer of 2017.	2017/18 Procurement pending

Note - where status is shown as "Procurement complete", all procurement activity to award the contract has been completed and responsibility for the contract has been passed to the relevant contract manager. Procurement will maintain the contracts database and transparency reporting, be involved in regular meetings for those contracts deemed high risk or high value, and assist with Contract Management issues if required.

## Appendix B – Exception Requests 2016/17

Details	Estimated Value of Contract		Client Department	Contract Awarded to	Reason for Exception Request	Expiry Date
	£10,000 to £50,000 (Quotations)	£50,000 to EU Threshold (Tenders)				
Heating & Hot Water Systems, Servicing, Maintenance & Repair		£70,609.00	Housing Repairs	Oakray	Delay in the re Procurement process. Cover required for approximately three months with the incumbent provider	1st July 2016
Saffron Walden Castle, Phase 2 Repairs to the East & South Curtain Walls		£210,579	Corporate Team	Bakers of Danbury	Request to waive the requirement to tender the contract on the basis that Bakers of Danbury have carried out Phase 1 and are still on site. This will also give continuity in the finish of the soft capping works which is to be carried out during Oct/Nov. As the contract is subject to grant provision from Historic England who have been extremely complimentary about the works already completed, this approach is also likely to increase the support of the grant application..	April 2017
IT Software – Committee (Decision) Management System	£31,010.00		ICT	Modern.Gov	Request to waive requirement for three quotations. Only two providers on the market. This provider offers better functionality	01 August 2019

Redevelopment of Hatherley Court  (Re-Tender)		£1,737,076.00	Housing	TBC	In anticipation of the original tender being over budget. To avoid un-necessary delays in administrating a new tender process, the previous unsuccessful bidders are invited to re-tender rather than advertise in accordance with Contract Procedure Rules.	N/A
Redevelopment of Reynolds Court - Performance Bond		£7.2m	Housing	Lovell Partnerships	Upon the recommendation provided by the appointed consultants, Helen Riley, a LABC Building Warranty and a LABC Contractor Insolvency Cover have been arranged in lieu of a Performance Bond.	01 July 2028
Waste Transfer Station		£112,812.50	Waste Services	Essex County Council	This exemption would improve the timescale for achieving the improved efficiency anticipated from the introduction of the split-bodied collection vehicles due to the use of a single tipping point for all material collected by UDC's refuse and recycling collection rounds. This will save time and also reduce fuel usage in transporting the two materials (dry recyclables and food waste) to different tipping points making the service more cost effective and efficient.	31 May 2018
Utilities Management for Void Properties	estimated £9,000/annum - but could be worth £330,00 to British Gas		Housing Repairs	British Gas	improve turnaround time for re-letting properties (for a number of reasons) and save the Council money (Standing charges will be waived) during void properties	14 March 2019

Saffron Walden Castle, Phase 1 Repairs to the West & North Curtain Wall (Retender)		£205,278.00	Planning	Bakers of Danbury	Request to waive the requirement to advertise the contract on the basis this was a re-tender and the contract was advertised on the first occasion. Request to waive the requirement for a Performance Bond. These approvals would allow us to shorten the tender period and contract award, in order to get on site within the timescales required by Historic England to secure the grant funding.	26 August 2016
Consultant - Retail Impact Assessment	£33,000.00		Planning	Savills	Request for reasons of urgency. A delay in commissioning the study would result in a delay for the Local Plan process. Savills completed the last report and also more recent work and are very familiar with the District and the issues relating to retail	31 May 2016

**Committee:** Cabinet

**Agenda Item**

**Date:** 16 February 2017

**15**

**Title:** 2016/17 Budget Monitoring – Quarter 3

**Portfolio Holder:** Cllr Simon Howell

Key Decision: No

## Summary

1. This report details financial performance relating to the General Fund, Housing Revenue Account, Capital Programme and Treasury Management. It is based upon actual expenditure and income from April to December 2016 and predicts a forecast for the end of the 2016/17 financial year.
2. The General Fund is forecasting a Net Operating Underspend of £88,000 and a bottom line underspend of £721,000.
3. The Housing Revenue Account is forecasting a minor overspend on the Net Operating Expenditure of £62,000.
4. The Capital Programme is forecasting an underspend of £6,750,000; this includes £6,673,000 of slippage relating to 2017/18 projects, giving a net underspend of £77,000.
5. Treasury management activity has been routine.

## Recommendations

6. The Cabinet is recommended to:
  - Note and approve this report.

## Financial Implications

7. Any financial implications are included in the body of the report.

## Background Papers

None

## Impact

Communication/Consultation	Budget holders and CMT are being consulted and a verbal update will be given.
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None

Sustainability	None
None Ward-specific impacts	None
Workforce/Workplace	None

## General Fund

8. Total Net Budget shows a movement of £1,219,000 from Original Budget to Current Budget and a forecast Net Operating Surplus of £88,000 compared to the Current Budget
9. On the bottom line, a £721,000 underspend is forecasted. A summary of the budget by portfolio is shown below and this is set out in more detail in Appendix A.

£ '000	2015/16 Outturn	2016/17			
		Original Budget	Current Budget	Final Outturn	Variance
Communities & Partnerships	775	902	902	842	(60)
Environmental Services	1,844	2,380	2,456	2,867	411
Finance & Administration	4,939	5,216	5,139	5,057	(82)
Housing & Economic Development	1,227	1,398	1,398	1,397	(1)
Portfolio (Service) Budgets	8,785	9,895	9,895	10,164	269
Corporate Items	442	805	2,024	1,668	(356)
<b>Total Net Budget</b>	<b>9,227</b>	<b>10,700</b>	<b>11,919</b>	<b>11,832</b>	<b>(88)</b>
Funding	(7,607)	(7,805)	(8,143)	(8,143)	0
<b>Net Operating Expenditure</b>	<b>1,620</b>	<b>2,895</b>	<b>3,776</b>	<b>3,688</b>	<b>(88)</b>
Transfers to/from (-) Reserves	1,150	1,932	1,051	418	(633)
<b>OVERALL NET POSITION</b>	<b>2,770</b>	<b>4,828</b>	<b>4,827</b>	<b>4,106</b>	<b>(721)</b>

## Original to Current Budget

10. The current budget has been updated to reflect the capital programme slippage for 2015/16. The slippage was approved by Cabinet as part of the final outturn report presented in June. The current budget has increased by £1.219m. The majority of the slippage relates to the Waste Depot at Gt Dunmow and this is offset by the increased drawdown on the Waste Depot Reserve of £888,000 (£1.488m – £0.6m) giving a bottom line impact of £331,000.

11. The current funding budget shows an increase of £338,000 compared to the original budget, this relates to extra funding we were not aware of at the time of budget setting. The £338,000 is made up of £277,000 rural services grant and a transition grant of £61,000.
12. The net effect of the above budget movements has resulted in an additional transfer to the Strategic Initiatives Reserves of £7,000 in the current budget.
13. The overall movement on the reserves from original budget to current budget is a net £881,000, the increased drawdown from the Waste Depot Reserve of £888,000 and the transfer of the £7,000 to the Strategic Initiatives Reserve.

### Outturn Position

14. The forecast outturn position for quarter 3 is £721,000 underspent compared to the previous quarter of £640,000 underspend, a positive movement of £81,000. The main factors that attribute to the net underspend are detailed below;
  - Services - £269,000 overspend, of which an unbudgeted net reserves contribution of £633,000 has been allocated to specific services and/or projects. This gives an adjusted outturn on Services of £364,000 underspend. A breakdown of the variances is detailed in point 15.
  - Corporate Items - £410,000 underspend on Capital Financing relating to slippage in the Capital Programme (full details of the current slippage is shown in the Capital Report 2016/17 – 2020/21, appendix D).
15. The table below shows the outturn position for each quarter in 2016/17 as reported to Cabinet;

	<b>Quarter 1 outturn £'000</b>	<b>Quarter 2 outturn £'000</b>	<b>Quarter 3 Outturn £' 000</b>
Direct Service Budgets	95	229	269
Corporate Costs	1,219	(254)	(357)
Funding	(169)	(169)	0
Use of Reserves	(803)	(446)	(633)
<b>Total</b>	<b>342</b>	<b>(640)</b>	<b>(721)</b>

16. The previous outturn movement between quarter 1 and 2 related mainly to the capital financing position and the contra reserve drawdown as detailed in points 9 to 12.

## Variations within the councils control and influence

17. The net movement in the outturn on direct service costs for quarter 3 is £40,000.
18. The key variances greater than £20,000 are detailed below (where there are significant changes to previous forecasts, the previous quarter figures are shown in brackets);

### Services

#### Overspends

- Planning Policy - £558,000 (£405,000) is the cost of the use of consultancy and contractors for the local plan. Also includes costs for the Neighbourhood plans, reduced effect on the budget due to staff vacancies; see note in underspends below. The balance of the overspend is drawn down from the Planning Reserve.
- Legal Services - £158,000 (£137,000) is the agency cover for vacant posts, this is offset by savings detailed in the underspends section for Corporate Management and Legal.
- Grants and Contributions - £80,000 relates to the additional community grant to assist in the purchase of Fairycroft House, this has a net nil bottom line impact as it will be funded from the Strategic Initiatives Reserves.
- Human Resources – £78,900 is the project costs of set up and implementation for the new corporate HR and Payroll System plus corporate training requirements as identified by CMT. The element relating to HR and Payroll System of £66,000 is funded from the Transformation Reserve and reduces the bottom line impact.
- Waste and Recycling - £65,000 (23,000) is the net effect of staff vacancies, sickness absence and associated agency cover.
- Economic Development – **NEW ITEM** - £60,000 allocated to Town Centre Initiatives in line with the Strategy, minimal bottom line effect as offset by drawdown on the reserve.
- Corporate Management - £58,000 is the effect of the historic balance identified as part of the 2015/16 audit. This was one of the 2 errors identified by our external auditors and presented to the Performance and Audit Committee, where it was agreed that this sum will be written off to the revenue account in the current year.

- Corporate Team - £57,500 relates to set-up costs of the council's commercialisation and income generating projects.
- Public Health – **NEW ITEM** - £52,000 additional costs relating to consultancy and other professional fees for the importation of foods (green beans and peas) legislative changes. Increased income detailed in the Changes to Income section offsets these costs.
- Planning Management - £34,000 (£57,900) relates to the cost of the interim Assistant Director, agency cover for maternity leave and back scanning.
- Car Parking – £30,000 is the repayment of car parking income reimbursement to Waitrose. Negotiations are continuing and there is a high risk that the amount repayable will be increased.
- Development Control - £34,500 net effect of the cost of agency to cover vacant posts and transfer of Enforcement roles into the service.
- Licensing – **NEW ITEM** - £21,000 of increased administrative costs for the processing of additional Licences due to the new renewal scheme from annually to 3 or 5 years. This is absorbed into the additional income detailed in the Changes to Income and Fees section below.

#### Underspends

- Corporate Management - £93,500 relates to the vacant post of the Assistant Chief Executive (Legal) plus amended external audit fees.
- Housing Benefit - £88,000 (£26,000) is due to a reduction in claimants and the net effect this has on the subsidy claim.
- Waste and Recycling - £68,000 is related to efficiencies gained on the quantity/cost of diesel.
- Planning Policy - £61,800 (£35,900) due to continued vacancies in the substantive staffing budget.
- Grants and Contributions – **NEW ITEM** - £48,000 of the contingency grant unallocated as no applications received to date.
- Health Improvement – £41,000 (£23,000) is the saving from a vacant post and it is expected that this will be recruited by the end of the year.
- Business Improvement - £33,000 due to natural staff turnover and a review of the service requirements one post has been frozen.
- Legal Services - £25,000 is due to the Solicitor vacancy.

- Enforcement - £25,000 service disbanded and posts moved into Planning and Public Health.
- Museum - £23,000 is due to the change in staffing structure.
- Vehicle Management - £20,000 is due to efficiencies achieved on the purchases of vehicle tyres.

### Changes to Income and Fees

#### Increases in Income

- Council Tax Discounts – £230,000 (£149,000) relates to the increased income from the Essex Sharing Agreement which is generated from our increased taxbase and positive outcomes on the fraud and compliance work. The increase since quarter 2 is the adjusted income position for the final quarter of 2015/16.
- Waste and Recycling - £133,000 increased recycling credits from ECC and increased uptake on the green waste kerbside collections.
- Licensing - £110,000 (£31,000) relates to increased taxi licence applications, which is directly attributable to the new licensing structure of renewals moved from annually to 3 or 5 years.
- Public Health – **NEW ITEM** - £87,000 increased income for imported foods (green beans and peas).
- PFI - £85,000 is the effect of a reduced payment which is calculated using a specific model, following the 15/16 audit it was identified that the model should be reviewed to ensure that the calculations are accurate. The review is currently in process and the surplus income has been added to reserves. There is a risk that we will need to increase payments and this may include back dating any shortfalls in previous year's payments. This is a net nil bottom line effect.
- Land Charges - £30,000 increased fee income.
- Health Improvement - £27,000 is the new Health and Wellbeing Grant for Public Health Improvement Projects.
- Building Surveying – **NEW ITEM** - £26,000 due to increased workload and subsequent increase in fees received.
- Legal Services – **NEW ITEM** - £20,000 increased cost income due to legal work relating to S106 agreements.

## Decreases in Income

- Development Control – **NEW ITEM** - £50,000 loss of fee income in year due to delay in receipt of planning application submissions.
- Local Taxation – **NEW ITEM** - £40,000 reduced court cost income due to housekeeping and writing off historical uncollectable debts over 5 years old.

## Corporate Items

- Capital Financing – £410,000 underspend relates to the financing of capital projects, due to slippage in the Capital Programme the amount of financing required is reduced. The Capital Programme is discussed further in point 34 and can be seen in detail at appendix D

## Variations outside of the councils control and influence

19. The key variances greater than £20,000 that are outside of officers control and influence is the funding element of the budget. The variance in our funding relates to the Business Rates Retention Scheme.
20. The variance has arisen due to the award decision of the Valuation Office on the Stansted Airport Appeal. The appeal is backdated to 2010, the total amount repayable for prior years rates paid was £10.94m and a reduction in the current year rates of £1.85m, a total cost of £12.79m.
21. The Council has held a provision for the settlement of appeals since the introduction of the Business Rates Retention Scheme 2012. The amount of provision held was based on our external consultants (Analyse Local and previously Wilks, Head and Eve) expert advice, the sum held in the provision was £10.48m and thus the Airport prior year repayment depleted the provision.
22. There are further outstanding appeals awaiting the Valuation Office decision and we are required to 'top up' the provision from the collection fund to allow for the potential awards.
23. All the above factors have reduced the net collectable income and means that the Council's levy payment to Central Government has reduced by £410,000.
24. The remaining variances in the Business Rates funding are;
  - Business Rates Reserve - A release of previous year's surplus' of £536,000 held in the collection fund has been allocated to the Business Rates Reserve; this is netted off against an original drawdown on the reserve of £20,000, giving a net allocation into the reserve of £516,000.

- Renewable Energy - The Council is allowed to retain 100% of its Business Rates which relate to renewable energy businesses, income of £148,000 has been identified which was not included in the original budget.
- Section 31 Grant – This grant is funding received from Central Government for mandatory Business Rates Reliefs (rural rate relief and small business relief), a small reduction in the original budget of £22,000 due to fewer reliefs being paid.

## **Reserves Position**

25. The net addition to reserves is predicted at £418,000 compared to the current budget of £1,051,000.
26. A summary of the updated forecast movements in the reserves are shown below and the full reserves position is set out in Appendix B.
  - £494,000 from the Planning Reserve for Local Plan costs and £33,000 for Neighbourhood Plan expenditure.
  - £66,000 from the Transformation Reserve for the HR and Payroll project.
  - £80,000 from the Strategic Initiatives Reserve for Faircroft House
27. The final reserves position will be reported in the year-end outturn report for Cabinet approval.

## **Risks and Assumptions**

28. The outturn forecast is the most informed prediction we have at this point in time and there is an element of risk to the outturn predictions in the year to some areas. These risks could impact on the final outturn position.
29. Detailed below are the areas which are the highest risk and would have the potential to affect our year-end financial position.
  - Business Rates Retention - the total business rate income recognised in the Council's account is subject to change, due to the difficulty in estimating the year end business rate levy, bad debts position and the realisation of appeals. The total business rate levy is linked to the net collectable income. The actual position is not known until the year end closedown process.
  - Housing Benefit Subsidy Income Claims – due to the complexity of the subsidy claim, a change in number of claimants throughout the year and the high financial value of the subsidy income, even a small % change can have a significant impact on the budget. For example a 1% change to caseload can increase or decrease the bottom line by approximately £68,000.

- Council Tax Sharing Agreement – Uttlesford is part of an Essex Wide Agreement to improve collection performance, reduce fraud and increase the taxbase. This income source could fluctuate throughout the year.

### Housing Revenue Account

30. The HRA is forecasting a minor overspend of £62,000 on the net operating costs. A summary is shown below and full details can be seen in Appendix C.

£ '000	2015/16	2016/17			
	Outturn	Original Budget	Current Budget	Final Outturn	Variance
Total Service Income	(15,455)	(15,455)	(15,455)	(15,342)	113
Total Service Expenditure	4,338	4,240	4,240	4,200	(40)
Total Corporate Items	7,457	7,725	7,725	7,714	(11)
<b>OPERATING (SURPLUS)/DEFICIT</b>	<b>(3,660)</b>	<b>(3,490)</b>	<b>(3,490)</b>	<b>(3,428)</b>	<b>62</b>
Funding of Capital Programme from HRA	2,161	7,503	7,503	3,607	(3,896)
Use of Reserves	1,498	(4,013)	(4,013)	(179)	3,834
Total Use of Reserves/Funding	<b>3,659</b>	<b>3,490</b>	<b>3,490</b>	<b>3,428</b>	<b>(62)</b>
<b>(SURPLUS)/DEFICIT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>0</b>

31. The key variances are detailed below

#### Income

- Services and Facilities - £113,000 net reduction in income. £130,000 loss of income due to the alignment of the budget with the new funding arrangements (loss of supporting people grant). This is netted off by an increase in service charges of £33,000 plus other minor variances.

#### Expenditure

- Sheltered Housing - £43,000 underspend due to a reduction in the requirement for transitional funding and a saving on the contract for Housing Support.

32. Funding of Capital items has a decreased requirement in the current year of £3,896,000 due to the capital projects slippage and this has been reallocated to reserves. Full details of the capital programme can be seen in appendix D.

33. The HRA reserves are summarised below.

Reserve	Actual Balance 1 April 2016	Forecast transfer from HRA	Forecast transfer to HRA	Transfers between Reserves	Estimated Balance 31 March 2017
<b>£'000</b>					
<b><u>RINGFENCED RESERVES</u></b>					
Working Balance	463	59			522
	<b>463</b>	<b>59</b>	<b>0</b>	<b>0</b>	<b>522</b>
<b><u>USABLE RESERVES</u></b>					
<b>Revenue Reserves</b>					
Transformation/Change Management	180				180
Revenue Projects	60				60
	<b>240</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>240</b>
<b>Capital Reserves</b>					
Capital Projects	3,538		(238)		3,300
Potential Development Projects	2,298		0		2,298
Sheltered Housing Projects	318		0		318
	6,154	0	(238)	0	5,916
<b>TOTAL USABLE RESERVES</b>	<b>6,394</b>	<b>0</b>	<b>(238)</b>	<b>0</b>	<b>6,156</b>
<b>TOTAL RESERVES</b>	<b>6,857</b>	<b>59</b>	<b>(238)</b>	<b>0</b>	<b>6,678</b>

## Capital Programme

34. Forecasted capital expenditure is £11,887,000 against a current budget of £18,637. The forecast variance of £6,750,000 relates to £6,673,000 of requested slippage and a net underspend of £77,000.

35. The major project slippage items are detailed below;

### General Fund

- £0.43m – Vehicle Replacement Programme rolling programme has been re-profiled.
- £0.1m - Lower Street Car Park Extension delayed and discussions are ongoing with the landowner.
- £0.1m - Superfast Broadband held in view of the Essex Wide project.

### Housing Revenue Account

- £3.33m - Reynolds Court – delay in project start date on site.
- £1.40m - Hatherley Court – Unsuccessful first tender process; re-tendered and in negotiations with preferred supplier.
- £0.45m – Sheds Lane – Delay due to inclusion of development of special needs property for local family.
- £0.41m – Walden Place – Delayed due to funding and staff resources.

36. The capital programme is set out in more detail in Appendix D which includes a separate table detailing the current level of S106 balances held.

## Treasury Management

37. Activity during the period 1 April to 31 December 2016 has been set out in Appendix E.
38. All deposits placed complied with the Council's Treasury Management Strategy.
39. In quarter 2 interest rates fell and these low rates have continued in quarter 3.
40. At the start of the year due to changes in the strategy allowing investments of up to 1 year with specified counterparties, we were able to secure some better 'deals' than in previous years, ranging from 0.65% to 0.97%. We are currently monitoring the ongoing effect of the reduced interest rates.
41. The Treasury Management Strategy was amended in December following Cabinet approval to allow investments with other Local Authorities (including Fire and Police) for up to 2 years. This was to enable the Council to take advantage of higher interest rates offered for longer term investments. To date no investments have been made for more than 1 year.
42. The DMO in the first quarter was consistent at 0.25%; the rate has now dropped to 0.15%. This reduction in interest rates has been consistent with other counterparties.
43. The average interest rate for quarter 3 was 0.18% and the average interest rate from 1 April to 31 December is 0.28%.
44. The total balance invested at the 31 December 2016 was £49.0m.

## Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Actual income and expenditure will vary from forecast, requiring adjustments to budget and/or service delivery. Detailed risks are detailed in point 21/22 in the main body of the report.	2 – some variability is inevitable	2 – budgets will be closely monitored and prompt action taken to deal with variances	Budgetary control framework

## GENERAL FUND SUMMARY – Period 9

£000	2015/16	2016/17						
	Outturn	April to Dec			Full Year			
		Current Budget	Actual to Date	Variance to Date	Original Budget	Current Budget	Forecast Outturn	Forecast Variance
<b>Portfolio budgets</b>								
Communities & Partnerships	775	707	582	(125)	902	902	842	(60)
Environmental Services	1,844	1,698	1,572	(127)	2,380	2,456	2,867	411
Finance & Administration	4,939	4,345	2,993	(1,353)	5,216	5,139	5,057	(82)
Housing & Economic Development	1,227	1,043	953	(90)	1,398	1,398	1,397	(1)
<b>Sub-total – Portfolio Budgets</b>	<b>8,785</b>	<b>7,793</b>	<b>6,100</b>	<b>(1,693)</b>	<b>9,895</b>	<b>9,895</b>	<b>10,164</b>	<b>269</b>
<b>Corporate Items</b>								
Capital Financing Costs	1,866	0	0	0	2,497	3,716	3,306	(410)
Investment Income	(97)	(0)	(0)	0	(119)	(119)	(65)	54
Pension Fund - Added Years	110	0	0	(0)	92	92	92	0
Recharge to HRA	(1,132)	0	0	0	(1,330)	(1,330)	(1,330)	0
HRA Share of Corporate Core	(305)	0	0	0	(335)	(335)	(335)	0
<b>Sub total - Corporate Items</b>	<b>442</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>805</b>	<b>2,024</b>	<b>1,668</b>	<b>(356)</b>
<b>Sub total - Budget</b>	<b>9,227</b>	<b>7,793</b>	<b>6,100</b>	<b>(1,693)</b>	<b>10,700</b>	<b>11,919</b>	<b>11,832</b>	<b>(88)</b>
<b>Funding</b>								
Council Tax - Collection Fund Balance	(90)	0	0	0	(152)	(152)	(152)	0
Council Tax - Freeze Grant 15/16	(51)	0	0	0	0	0	0	0
DCLG - Other Funding	(8)	0	0	0	0	0	0	0
New Homes Bonus Grant	(3,603)	(900)	(1,073)	(174)	(4,280)	(4,280)	(4,280)	0
NNDR - UDC share (net of Tariff)	(1,793)	0	0	0	(2,407)	(2,407)	(2,407)	0
NNDR - Levy Payment/(Safety Net Reimbursement)	673	0	0	0	505	505	95	(410)
NNDR - Section 31 Funding	(669)	(136)	(113)	23	(536)	(536)	(514)	22
NNDR - Collection Fund Balance	2,338	0	0	0	(231)	(231)	(231)	(0)
NNDR - Renewable Energy Schemes	0	0	0	0	0	0	(148)	(148)
NNDR - Transfer to/(from) Ringfenced Reserve	(3,170)	0	0	0	(20)	(20)	516	536
Rural Services Grant	0	0	(139)	(139)	0	(338)	(338)	0
Settlement Funding	(1,234)	(466)	(200)	266	(684)	(684)	(684)	0
<b>Sub-total – Funding</b>	<b>(7,607)</b>	<b>(1,501)</b>	<b>(1,525)</b>	<b>(24)</b>	<b>(7,805)</b>	<b>(8,143)</b>	<b>(8,143)</b>	<b>0</b>
<b>Sub-total – Net Operating Expenditure</b>	<b>1,620</b>	<b>6,292</b>	<b>4,575</b>	<b>(1,717)</b>	<b>2,895</b>	<b>3,776</b>	<b>3,688</b>	<b>(88)</b>
<b>Transfers to/from (-) Reserves</b>								
Access Reserve	(200)	0	0	0	0	0	0	0
DWP Reserve	(123)	0	0	0	50	50	50	0
Economic Development Reserve	(50)	0	0	0	0	0	(45)	(45)
Elections Reserve	(70)	0	0	0	25	25	25	0
Licensing Reserve	(15)	0	0	0	(16)	(16)	(16)	0
Planning Development Reserve	(159)	0	0	0	0	0	(527)	(527)
Strategic Initiatives Reserve	2,024	0	0	0	2,369	2,376	2,296	(80)
Transformation Reserve	(40)	0	0	0	0	0	(66)	(66)
Waste Depot Relocation Project	(12)	0	0	0	(600)	(1,488)	(1,488)	0
Waste Reserve	(249)	0	0	0	70	70	70	0
NHB Ward Members	39	0	0	0	0	0	0	0
Voluntary sector Grants	41	0	0	0	0	0	0	0
Private Finance Initiative (PFI)	0	0	0	0	0	0	85	85
Working Balance	(36)	0	0	0	34	34	34	0
<b>Sub-total - Movement in Earmarked Reserves</b>	<b>1,150</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,932</b>	<b>1,051</b>	<b>418</b>	<b>(633)</b>
<b>COUNCIL TAX REQUIREMENT (BOTTOM LINE)</b>	<b>2,770</b>	<b>6,292</b>	<b>4,575</b>	<b>(1,717)</b>	<b>4,828</b>	<b>4,827</b>	<b>4,106</b>	<b>(721)</b>
<b>Council Tax (precept levied on Collection Fund)</b>	<b>(4,653)</b>				<b>(4,828)</b>	<b>(4,828)</b>	<b>(4,828)</b>	<b>0</b>
<b>OVERALL NET POSITION</b>					<b>0</b>	<b>(0)</b>	<b>(721)</b>	<b>(721)</b>

## COMMUNITY PARTNERSHIPS &amp; ENGAGEMENT PORTFOLIO

Description	2015/16 Actual	April - Sept			Full Year			
		Current Budget	Actual to Date	Variance to Date	Original Budget	Current Budget	Forecast Outturn	Forecast Variance
Community Information	48	46	34	(12)	47	47	46	(1)
Day Centres	39	27	33	6	35	35	47	13
Emergency Planning	42	32	31	(0)	44	44	44	(0)
Grants & Contributions	318	357	365	8	373	373	404	31
Leisure Management	60	0	0	0	0	0	0	0
Leisure & Performance	69	60	52	(8)	77	77	75	(1)
Saffron Walden Museum	169	145	115	(30)	180	180	163	(17)
New Homes Bonus	75	69	37	(32)	117	117	117	0
Private Finance Initiative	(86)	(28)	(85)	(57)	30	30	(55)	(85)
Renovation Grants	(1)	0	0	0	0	0	0	0
Sports Development	43	0	0	0	0	0	0	0
	<b>775</b>	<b>707</b>	<b>582</b>	<b>(125)</b>	<b>902</b>	<b>902</b>	<b>842</b>	<b>(60)</b>

APPENDIX A (continued)

ENVIRONMENT PORTFOLIO

Description	2015/16 Actual	April - Sept			Full Year			
		Current Budget	Actual to Date	Variance to Date	Original Budget	Current Budget	Forecast Outturn	Forecast Variance
Animal Warden	33	24	21	(2)	32	32	31	(1)
Grounds Maintenance	211	168	178	10	223	223	241	19
Conservation	0	0	0	0	(0)	(0)	0	0
Car Park	(607)	(493)	(583)	(89)	(613)	(613)	(588)	24
Development Control	(385)	(265)	(455)	(190)	(364)	(325)	(266)	59
Depots	54	51	37	(14)	60	60	54	(7)
Env Management & Admin	107	48	44	(4)	112	64	44	(20)
Street Cleansing	297	213	229	16	294	294	292	(2)
Housing Strategy	94	94	66	(27)	114	115	100	(15)
Highways	(12)	(9)	(11)	(2)	(13)	(13)	(8)	4
Local Amenities	28	8	37	29	8	8	18	10
Licensing	(236)	(136)	(197)	(62)	(126)	(126)	(212)	(86)
Vehicle Management	345	273	244	(29)	378	378	365	(13)
Pest Control	(1)	0	0	0	0	0	0	0
On Street Parking	(1)	0	0	0	0	0	0	0
Public Health	377	452	410	(42)	521	610	595	(14)
Planning Management	403	288	327	39	388	382	431	49
Planning Policy	353	209	505	295	278	279	807	528
Planning Specialists	207	137	124	(13)	182	182	165	(17)
Waste Management	271	316	283	(33)	479	479	353	(126)
Community Safety	55	113	112	(1)	149	149	169	20
Street Services	248	207	199	(8)	277	277	277	(0)
	<b>1,844</b>	<b>1,698</b>	<b>1,572</b>	<b>(127)</b>	<b>2,380</b>	<b>2,456</b>	<b>2,867</b>	<b>411</b>

APPENDIX A (continued)

FINANCE & ADMINISTRATION PORTFOLIO

Description	2015/16 Actual	April - Sept			Full Year			
		Current Budget	Actual to Date	Variance to Date	Original Budget	Current Budget	Forecast Outturn	Forecast Variance
Enforcement	142	93	72	(21)	174	97	73	(25)
Benefits Admin	92	126	94	(32)	201	201	191	(10)
Business Improvement	64	60	32	(28)	80	80	47	(33)
Corporate Management	632	468	513	45	667	667	651	(16)
Conveniences	23	20	20	0	21	21	21	0
Central Services	361	287	271	(16)	382	382	381	(1)
Corporate Team	99	77	131	54	102	102	163	61
Conducting Elections	86	1	58	57	1	1	0	(0)
Electoral Registration	52	47	25	(22)	60	60	50	(10)
Financial Services	920	1,121	700	(421)	1,050	1,050	1,064	14
Housing Benefits	421	(97)	(846)	(749)	153	153	65	(88)
Human Resources	207	186	180	(6)	228	228	316	88
Internal Audit	110	86	84	(2)	114	114	114	(0)
Information Technology	1,142	1,042	985	(57)	1,181	1,181	1,195	14
Land Charges	(131)	(59)	(74)	(15)	(76)	(76)	(105)	(30)
Legal Services	23	78	129	51	99	99	224	125
Local Taxation	(100)	0	0	0	(90)	(90)	(50)	40
Non Domestic Rates	(137)	0	0	0	(145)	(145)	(145)	0
Office Cleaning	157	134	118	(16)	179	179	159	(20)
Offices	384	303	337	34	354	354	403	49
Revenues Admin	387	359	353	(6)	504	504	511	6
Council Tax Discounts	7	13	(189)	(203)	(22)	(22)	(268)	(246)
	<b>4,939</b>	<b>4,345</b>	<b>2,993</b>	<b>(1,353)</b>	<b>5,216</b>	<b>5,139</b>	<b>5,057</b>	<b>(82)</b>

## HOUSING &amp; ECONOMIC DEVELOPMENT PORTFOLIO

Description	2015/16 Actual	April - Sept			Full Year			
		Current Budget	Actual to Date	Variance to Date	Original Budget	Current Budget	Forecast Outturn	Forecast Variance
Building Surveying	(107)	(96)	(79)	17	(95)	(95)	(105)	(11)
Committee Admin	178	155	155	(0)	208	208	212	4
Customer Services Centre	332	288	277	(11)	384	384	377	(7)
Democratic Represent	313	250	242	(9)	326	326	324	(2)
Economic Development	133	105	121	16	130	130	183	53
Energy Efficiency	39	35	25	(10)	47	47	40	(6)
Housing Grants	10	0	0	0	10	10	10	0
Health Improvement	24	87	47	(40)	112	112	52	(60)
Homelessness	190	136	118	(18)	175	175	200	26
Lifeline	(140)	(124)	(163)	(39)	(165)	(165)	(166)	(1)
Communications	255	205	210	5	266	266	269	3
	<b>1,227</b>	<b>1,043</b>	<b>953</b>	<b>(90)</b>	<b>1,398</b>	<b>1,398</b>	<b>1,397</b>	<b>(1)</b>

## APPENDIX B

## GENERAL FUND RESERVES

Reserve	Actual Balance 1st April 2016	Forecast transfer from GF	Transfers to / from Reserves	Forecast transfer to GF	Estimated Balance 31st March 2017
<b>£'000</b>					
<b><u>RINGFENCED RESERVES</u></b>					
Business Rates	500	516			1,016
DWP Reserve	136	50			186
Licensing Reserve	16			(16)	0
Working Balance	1,246	34			1,280
	<u>1,898</u>	<u>600</u>	<u>0</u>	<u>(16)</u>	<u>2,482</u>
<b><u>USABLE RESERVES</u></b>					
<b><u>Financial Management Reserves</u></b>					
MTFS Reserve	1,000				1,000
Transformation Reserve	960			(66)	894
	<u>1,960</u>	<u>0</u>	<u>0</u>	<u>(66)</u>	<u>1,894</u>
<b><u>Contingency Reserves</u></b>					
Emergency Response	40				40
	<u>40</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>40</u>
<b><u>Service Reserves</u></b>					
Access Reserve	0				0
Economic Development	194	0		(45)	149
Elections	25	25			50
Homelessness	40				40
Neighbourhood Front Runners	139			(33)	106
Planning	843			(494)	349
Strategic Initiatives	4,506	2,376		(80)	6,802
Waste Depot Relocation Project	1,488			(1,488)	0
Waste Management	130	70			200
NHB Ward Members	39				39
Voluntary Sector Grants	41				41
Private Finance Initiative	0	85			85
	<u>7,445</u>	<u>2,556</u>	<u>0</u>	<u>(2,140)</u>	<u>7,861</u>
<b>TOTAL USABLE RESERVES</b>	<b><u>9,445</u></b>	<b><u>2,556</u></b>	<b><u>0</u></b>	<b><u>(2,206)</u></b>	<b><u>9,795</u></b>
<b>TOTAL RESERVES</b>	<b><u>11,343</u></b>	<b><u>3,156</u></b>	<b><u>0</u></b>	<b><u>(2,222)</u></b>	<b><u>12,277</u></b>

APPENDIX C

HOUSING REVENUE ACCOUNT 2016/17 – Period 9

£000	2015/16 Outturn	2016/17						
		April to Dec			Full Year			
		Current Budget	Actual to Date	Variance to Date	Original Budget	Current Budget	Forecast Outturn	Forecast Variance
<b>Housing Revenue Account Income</b>								
Dwelling Rents	(14,452)	(10,751)	(8,240)	2,512	(14,335)	(14,335)	(14,335)	0
Garage Rents	(210)	(156)	(114)	42	(208)	(208)	(192)	16
Land Rents	(5)	(3)	(3)	(1)	(3)	(3)	(3)	0
Charges for Services & Facilities	(768)	(703)	(437)	266	(908)	(908)	(811)	97
Contributions towards Expenditure	(20)	0	(0)	(0)	0	0	0	0
<b>Total Service Income</b>	<b>(15,455)</b>	<b>(11,613)</b>	<b>(8,794)</b>	<b>2,818</b>	<b>(15,455)</b>	<b>(15,455)</b>	<b>(15,342)</b>	<b>113</b>
<b>Housing Finance &amp; Business Management</b>								
Business & Performance Management	234	77	71	(6)	103	103	96	(7)
Rents, Rates & Other Property Charges	83	73	46	(27)	76	76	76	0
	317	150	118	(32)	179	179	172	(7)
<b>Housing Maintenance &amp; Repairs Service</b>								
Common Service Flats	210	169	103	(67)	226	226	226	0
Estate Maintenance	147	109	45	(63)	145	145	145	0
Housing Repairs	2,462	1,740	1,643	(97)	2,324	2,324	2,317	(7)
Housing Sewerage	54	41	47	6	53	53	59	5
Newport Depot	17	10	25	15	11	11	33	22
Property Services	282	204	245	41	273	273	279	7
	3,171	2,273	2,107	(166)	3,032	3,032	3,059	27
<b>Housing Management &amp; Homelessness</b>								
Housing Services	267	299	267	(32)	394	394	375	(19)
Sheltered Housing Services	566	477	406	(70)	635	635	594	(42)
Supporting People	16	0	(8)	(8)	0	0	0	0
	849	776	665	(110)	1,029	1,029	969	(60)
<b>Total Service Expenditure</b>	<b>4,338</b>	<b>3,199</b>	<b>2,890</b>	<b>(309)</b>	<b>4,240</b>	<b>4,240</b>	<b>4,200</b>	<b>(40)</b>
<b>Corporate Items</b>								
Bad Debt Provision	17	0	0	0	50	50	50	0
Depreciation - Dwellings (transfer to MRR)	3,294	0	0	0	3,281	3,281	3,280	(1)
Depreciation - Non-Dwellings (transfer to MRR)	89	0	0	0	146	146	146	0
Impairment - Non-Dwellings	61	0	0	0	0	0	0	0
Interest/Costs re HRA Loan	2,611	1,313	1,319	6	2,625	2,625	2,625	0
Investment Income	(42)	0	0	0	(52)	(52)	(52)	0
Recharge from General Fund	1,132	0	0	0	1,330	1,330	1,330	0
HRA Share of Corporate Core	305	0	0	0	335	335	335	0
Pension Fund - Added Years	0	0	0	0	19	19	19	0
Pension Fund - Deficit	0	0	0	0	0	0	0	0
Right to Buy Admin Costs Allowance	(10)	0	0	0	(10)	(10)	(20)	(10)
<b>Total Corporate Items</b>	<b>7,457</b>	<b>1,313</b>	<b>1,319</b>	<b>6</b>	<b>7,725</b>	<b>7,725</b>	<b>7,714</b>	<b>(11)</b>
<b>TOTAL EXPENDITURE</b>	<b>11,795</b>	<b>4,511</b>	<b>4,209</b>	<b>(302)</b>	<b>11,965</b>	<b>11,965</b>	<b>11,914</b>	<b>(51)</b>
<b>OPERATING (SURPLUS)/DEFICIT</b>	<b>(3,659)</b>	<b>(7,102)</b>	<b>(4,586)</b>	<b>2,516</b>	<b>(3,490)</b>	<b>(3,490)</b>	<b>(3,428)</b>	<b>62</b>
<b>Funding of Capital Programme from HRA</b>								
Funding of Action Plan Capital Items	1,891	0	0	0	7,503	7,503	3,435	(4,068)
Funding of Capital from Revenue	270	0	0	0	0	0	172	172
	2,161	0	0	0	7,503	7,503	3,607	(3,896)
<b>Transfers to/from (-) Reserves</b>								
Capital Projects Reserve	0	0	0	0	(3,613)	(3,613)	(238)	3,375
Potential Developments (new builds)	1,498	0	0	0	(92)	(92)	0	92
Sheltered Housing Reserve	0	0	0	0	(318)	(318)	0	318
Transformation Reserve	0	0	0	0	0	0	0	0
Working Balance	0	0	0	0	10	10	59	49
	1,498	0	0	0	(4,013)	(4,013)	(179)	3,834
<b>Total Use of Reserves/Funding (SURPLUS)/DEFICIT</b>	<b>3,659</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,490</b>	<b>3,490</b>	<b>3,428</b>	<b>(62)</b>
<b>(SURPLUS)/DEFICIT</b>	<b>0</b>	<b>(7,102)</b>	<b>(4,586)</b>	<b>2,516</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>

APPENDIX D

CAPITAL PROGRAMME

£'000	Cost Code	Actuals Apr - Dec	Original Budget 2016-17	Slippage from 2015-16	Budget adjustment as agreed by Cabinet/Other budget virements	Current Budget 2016-17	Forecast Outturn	Forecast to Budget Variance	Requested Slippage
<b>Community and Partnerships</b>									
S/W Motte & Bailey Castle	CGF119/6801	178	0	200		200	200	0	
Community Project Grants	CGF502/6842	34	110	17		127	127	0	
CCTV Thaxted	CGF506/6842	5	0	35		35	35	0	
<b>Community and Partnerships</b>		<b>217</b>	<b>110</b>	<b>252</b>	<b>0</b>	<b>362</b>	<b>362</b>	<b>0</b>	<b>0</b>
<b>Environmental Services</b>									
Vehicle Replacement Programme	CGF601/2/6823	531	301	846		1,147	696	(451)	432
Household Bins	CGF300/6822	55	70			70	80	10	
Kitchen Caddies	CGF304/6822	3	10			10	10	0	
Garden Waste Bins	CGF308/6822	21	20			20	21	1	
Trade Waste Bins	CGF301/6822	8	10			10	10	0	
Lower Street Car Park Extension	CGF126/6801	0	102			102	0	(102)	102
On-Board Vehicle Weighing Equipment	CGF319/6822	0	36			36	0	(36)	
Cycleways Grant	CGF530/6841	1	0			0	0	0	
<b>Total Environmental Services</b>		<b>619</b>	<b>549</b>	<b>846</b>	<b>0</b>	<b>1,395</b>	<b>817</b>	<b>(578)</b>	<b>534</b>

APPENDIX D

CAPITAL PROGRAMME

£'000	Cost Code	Actuals Apr - Dec	Original Budget 2016-17	Slippage from 2015-16	Budget adjustment as agreed by Cabinet/Other budget virements	Current Budget 2016-17	Forecast Outturn	Forecast to Budget Variance	Requested Slippage
<b>Finance &amp; Administration</b>									
<u>IT Schemes</u>									
New members IT Equip	CGF416/6824	7				0	7	7	
Minor Items IT	CGF401/6834	25	20			20	25	5	
PSN CoCo Works	CGF425/6824	15	30	5		35	35	0	
Mobile working - Housing	CGF422/6824	23	0	30		30	30	0	
Mobile working - Planning & Env Health	CGF423/6824	30	0	69		69	69	0	
PCI Compliance - Cash Receipting	CGF428/6824	3	0	32		32	32	0	
PCI Compliance - Direct Debits	CGF429/6824	0	0	20		20	20	0	
PCI Compliance - Cap Chg IT	CGF413/6834	4	0			0	0	0	
UPS Server	CGF430/6824	1	0			0	1	1	
Committee management system	CGF431/6824	0	20			20	20	0	
Laptops and Tablets	CGF432/6824	0	20			20	20	0	
CCTV London Road Offices	CGF320/6822	0	30			30	30	0	
Scanning stations	CGF312/6822	5	10			10	10	0	
<u>UDC Asset work</u>									
<b>Council Offices Improvements</b>									
- Building works	CGF112/6801	75	119			119	119	0	
- Heating System	CGF315/6822	0	36			36	0	(36)	36
Stansted Conveniences - Grant	CGF527/6841	0	0	30		30	0	(30)	30
Museum Storage Facility	CGF110/6801	4	0			0	4	4	
Dunmow Depot	CGF103/6801	0	0	1,488		1,488	1,488	0	
Solar Panels - Shire Hill	CGF318/6822	2	0	2		2	2	0	
Museum Buildings work	CGF123/6801	0	52			52	52	0	
Day Centres Cyclical Improvements	CGF115/6801	0	25			25	25	0	
<b>Total Finance &amp; Administration</b>		<b>194</b>	<b>362</b>	<b>1,676</b>	<b>0</b>	<b>2,038</b>	<b>1,989</b>	<b>(49)</b>	<b>66</b>
<b>Housing and Economic Development</b>									
Disabled Facilities Grants	CGF503/6841	188	260	33		292.50	263	(30)	30
Empty Dwellings	CGF505/6841	9	50	14		64	15	(49)	
Private Sector Renewal Grants	CGF500/6841	9	30	19		49	20	(29)	
Compulsory Purchase Order	CGF125/6821	6	300			300	300	0	
Superfast Broadband	CGF528/6841	0		100		100	0	(100)	100
<b>Total Housing and Economic Development</b>		<b>212</b>	<b>640</b>	<b>166</b>	<b>0</b>	<b>806</b>	<b>598</b>	<b>(208)</b>	<b>130</b>

APPENDIX D

CAPITAL PROGRAMME

£'000	Cost Code	Actuals Apr - Dec	Original Budget 2016-17	Slippage from 2015-16	Budget adjustment as agreed by Cabinet/Other budget virements	Current Budget 2016-17	Forecast Outturn	Forecast to Budget Variance	Requested Slippage
<b><u>Housing Revenue Account</u></b>									
HRA Repairs	HRA TAB	1,832	3,180			3,180	3,202	22	
UPVC Fascia's and Guttering	CHR223/6812	(20)	100	151		251	200	(51)	51
Cash Incentive Scheme Grants	CHR500/6841	33	50			50	50	0	
<b><u>Business Plan Items</u></b>									
Service Chg Planned Rep System - ICT Schemes	CHR401/6824	0	0	65		65	20	(45)	45
Housing Contractors Portal & SAM	CHR402/6824	17	0	46		46	46	0	
Energy Efficiency Schemes	CHR301/6822	195	150	102		252	252	0	
Internet Cafés in Sheltered Hsg	CHR221/6801	3	0	2		2	3	1	
Resurfacing access roads	CHR111/6801	0	150			150	120	(30)	30
<b><u>New Builds</u></b>									
Unidentified	CHR105/6801	0	586	212	(600)	198	0	(198)	198
Catons Lane	CHR106/6801	206	0	310		310	288	(22)	22
Sheds Lane	CHR112/6801	23	0		600	600	150	(450)	450
<b><u>Redevelopment Scheme</u></b>									
Mead court Phase 2	CHR110/6801	613	0	642		642	642	0	
Newton Grove	CHR113/6801	5	0			0	5	5	
<b><u>Sheltered Schemes</u></b>									
Reynolds Court	CHR107/6801	1,280	4,200	1,974		6,174	2,844	(3,330)	3,330
Hatherley Court	CHR108/6801	34	898	809		1,707	300	(1,407)	1,407
Walden Place	CHR109/6801	0	400	10		410	0	(410)	410
<b>Total HRA</b>		<b>4,221</b>	<b>9,714</b>	<b>4,323</b>	<b>0</b>	<b>14,037</b>	<b>8,121</b>	<b>(5,915)</b>	<b>5,943</b>
<b>Total General Fund ex S106</b>		<b>1,242</b>	<b>1,661</b>	<b>2,940</b>	<b>0</b>	<b>4,601</b>	<b>3,766</b>	<b>(835)</b>	<b>730</b>
<b>CAPITAL PROGRAMME TOTAL Excluding S106</b>		<b>5,463</b>	<b>11,375</b>	<b>7,262</b>	<b>0</b>	<b>18,637</b>	<b>11,887</b>	<b>(6,750)</b>	<b>6,673</b>

## Appendix D

## Section 106 Balances

	31 March 2016	Income	Drawn Down -	Balance at 31
	£'000	£'000	Capital	December 2016
	£'000	£'000	£'000	£'000
<b>S106 Receipts in Advance</b>				
Priors Green, Takeley	146	-	-	146
Land north of Ingrams, Felsted	10	-	-	10
Oakwood Park Community Hall, Takeley	10	-	-	10
Rochford Nurseries/Foresthall Park, Elsenham	662	-	(130)	532
The Orchard, Elsenham	42	-	-	42
Wedow Road, Thaxted	54	-	-	54
Sector 4 Woodlands Park, Gt Dunmow	10	-	-	10
Keers Green Nurseries, Aythorpe Roding	120	-	-	120
Land adjacent to S/W Hospital	-	31	-	31
Land at Blossom Hill Farm, Henham	-	33	-	33
Land at Webb & Hallett Road, Flitch Green,	-	33	-	33
<b>Total</b>	<b>1,054</b>	<b>97</b>	<b>(130)</b>	<b>1,021</b>

	31 March 2016	Income	Transferred to	Balance at 31
	£'000	£'000	other bodies	December 2016
	£'000	£'000	£'000	£'000
<b>S106 Receipts in Advance</b>				
Sector 4 Woodlands Park (Helena Romanes)	165	-	-	165
Rochford Nurseries/Foresthall Park, Elsenham	289	-	-	289
Chadhurst, Dunmow Road Takeley	-	85	(85)	-
Brewers End, Takeley	31	-	-	31
Land north side of Hempstead Road, Radwinter	-	261	(261)	-
Land at 1 Pit Cottages & Gravelpit Cottages,	-	273	(273)	-
Land adj Hailes Wood, Elsenham	10	14	(14)	10
Land at Hertford End Brewery, Mill Lane, Hartford	70	-	(70)	-
Land at Flitch Green, Felsted	67	-	-	67
Land adjacent to S/W Hospital	-	157	(141)	16
Land at Webb & Hallett Road, Flitch Green,	-	135	(135)	-
Land at Meadow House Nursery, High Roding	-	85	(85)	-
Ashdon Road Commercial Centre	-	129	-	129
<b>Grants and Contributions to Other Bodies</b>	<b>632</b>	<b>1,139</b>	<b>(1,064)</b>	<b>707</b>

	31 March 2016	Income	Drawn Down -	Balance at 31
	£'000	£'000	Capital	December 2016
	£'000	£'000	£'000	£'000
<b>S106 Unapplied</b>				
Dunmow Eastern Sector	18	-	-	18
Woodlands Park, Gt Dunmow	83	-	-	83
Friends School, Saffron Walden	28	-	-	28
Bell College, Saffron Walden	15	-	-	15
Priors Green, Takeley	8	-	-	8
Foresthall Park, Elsenham	30	-	-	30
Lt Walden Road/Ashdon Road, Saffron Walden	98	-	-	98
Oakwood Park, Takeley	5	-	-	5
Debden Road, Saffron Walden	100	-	(56)	44
Radwinter Mushroom Farm, Wimbish	76	-	-	76
High Bank and Hill View, Saffron Walden	15	-	-	15
Land at former Lodge Farm, Radwinter Road, Saffr	395	-	-	395
Land adjacent to Tower House, St Edmunds Lane, Gt Dunmow	-	128	-	128
<b>Total</b>	<b>871</b>	<b>128</b>	<b>(56)</b>	<b>943</b>

## APPENDIX E

## TREASURY MANAGEMENT

## DEPOSITS MADE 1 APRIL TO 31 DECEMBER 2016

Date of Outflow	Amount £ 'm	Counterparty	Rate of Interest	Maturity Date
01-Apr-16	3,000,000	Nationwide BS	0.71%	30-Sep-16
01-Apr-16	1,500,000	Bank of Scotland	0.80%	28-Sep-16
07-Apr-16	5,000,000	Herefordshire Council	0.63%	31-Mar-17
07-Apr-16	1,500,000	Bank of Scotland	0.97%	28-Mar-17
29-Apr-16	5,000,000	Lancashire County Council	0.65%	20-Mar-17
07-Apr-16	18,000,000	DMO	0.25%	29-Apr-16
29-Apr-16	5,000,000	Birmingham City Council	0.59%	17-Mar-17
15-Apr-16	2,000,000	DMO	0.25%	18-May-16
29-Apr-16	5,000,000	West Dunbartonshire	0.55%	17-Feb-17
19-Apr-16	2,000,000	DMO	0.25%	18-May-16
29-Apr-16	3,000,000	Telford & Wrekin Council	0.50%	17-Nov-16
10-May-16	1,000,000	DMO	0.25%	17-May-16
16-May-16	2,500,000	DMO	0.25%	31-May-16
23-May-16	2,500,000	DMO	0.25%	31-May-16
01-Jun-16	5,000,000	Thames Valley PCC	0.42%	07-Jun-16
06-Jun-16	5,000,000	Dundee City Council	0.50%	06-Dec-16
03-Jun-16	5,000,000	DMO	0.25%	06-Jun-16
05-Aug-16	3,500,000	Leeds City Council	0.48%	05-Jan-17
08-Jun-16	5,000,000	DMO	0.25%	20-Jun-16
10-Jun-16	2,000,000	DMO	0.25%	13-Jun-16
13-Jun-16	1,500,000	DMO	0.25%	16-Jun-16
21-Jun-16	2,000,000	DMO	0.25%	30-Jun-16
30-Jun-16	2,500,000	DMO	0.25%	22-Aug-16
01-Jul-16	4,500,000	DMO	0.25%	18-Jul-16
06-Jul-16	1,000,000	DMO	0.25%	01-Aug-16
15-Jul-16	4,000,000	DMO	0.25%	18-Jul-16
18-Jul-16	8,500,000	DMO	0.25%	19-Jul-16
19-Jul-16	1,000,000	DMO	0.25%	22-Jul-16
25-Jul-16	1,000,000	DMO	0.25%	31-Aug-16
01-Aug-16	5,000,000	DMO	0.25%	05-Aug-16
02-Aug-16	1,000,000	DMO	0.25%	11-Aug-16
05-Aug-16	1,500,000	DMO	0.15%	11-Aug-16
11-Aug-16	2,500,000	DMO	0.15%	24-Aug-16
12-Aug-16	1,500,000	DMO	0.15%	17-Aug-16
15-Aug-16	3,500,000	DMO	0.15%	17-Aug-16
24-Aug-16	2,000,000	DMO	0.15%	31-Oct-16
01-Sep-16	6,000,000	DMO	0.15%	19-Sep-16
13-Sep-16	1,000,000	DMO	0.15%	30-Nov-16
15-Sep-16	1,000,000	DMO	0.15%	30-Nov-16
16-Sep-16	2,000,000	DMO	0.15%	19-Sep-16
29-Sep-16	1,000,000	DMO	0.15%	30-Nov-16
30-Sep-16	3,000,000	Nationwide BS	0.46%	31-Mar-17
15-Nov-16	3,000,000	Salford City Council	0.28%	15-Mar-17
17-Nov-16	3,000,000	Lincolnshire CC	0.25%	17-Mar-17
03-Oct-16	4,500,000	DMO	0.1500%	19-Oct-16
14-Oct-16	3,000,000	DMO	0.1500%	21-Nov-16
17-Oct-16	3,500,000	DMO	0.1500%	19-Oct-16
25-Oct-16	1,000,000	DMO	0.1500%	30-Dec-16
31-Oct-16	2,000,000	North Lanarkshire Council	0.2800%	31-Mar-17
01-Nov-16	4,000,000	DMO	0.1500%	09-Nov-16
10-Nov-16	4,500,000	DMO	0.1500%	17-Nov-16
11-Nov-16	1,500,000	DMO	0.1500%	17-Nov-16
15-Nov-16	3,000,000	Salford City Council	0.2800%	15-Mar-17
17-Nov-16	3,000,000	Lincolnshire County Council	0.2500%	17-Mar-17
17-Nov-16	2,000,000	Plymouth County Council	0.2700%	31-Mar-17
30-Nov-16	3,000,000	DMO	0.1500%	05-Jan-17
01-Dec-16	2,000,000	Salford City Council	0.2200%	19-Jan-17
01-Dec-16	2,000,000	DMO	0.1500%	19-Jan-17
06-Dec-16	5,000,000	DMO	0.1500%	19-Dec-16
15-Dec-16	3,500,000	DMO	0.1500%	19-Dec-16
20-Dec-16	2,000,000	DMO	0.1500%	22-Dec-16
22-Dec-16	1,000,000	DMO	0.1500%	28-Dec-16
30-Dec-16	1,000,000	DMO	0.1000%	25-Jan-17
<b>Total</b>	<b>197,000,000</b>	<b>Average</b>	<b>0.28%</b>	

APPENDIX E

**BALANCES WITH ON CALL DEPOSIT & CURRENT ACCOUNTS  
AS AT 31 December 2016**

<b>Balances with On Call Deposit &amp; Current Accounts as at 31st December, 2016</b>		
<b>Counterparty/Institution</b>	<b>Amount £M</b>	<b>Interest %</b>
Barclays Bank FIBCA	1	0.450
Bank of Scotland CA	1	0.400
Money Market Fund - CCLA	1	0.257
Barclays Consolidated Account	0.8	-
<b>Total</b>	<b>3.8</b>	

**Committee: Cabinet**

**Agenda Item**

**Date: 16 February 2017**

**16**

**Title: Strategic Housing Market Area Memoranda of Understanding**

**Portfolio Holder: Councillor Susan Barker**

**Key decision. no:**

---

## Summary

1. Two Memoranda of Understanding (MoU's) relating to highways and transportation and the Epping Forest Area of Special Conservation have been drawn up by the Strategic Housing Market Area (SHMA) authorities and related organisations. The MoU's have been endorsed by the Co-op Member Board and are ready for signature.

## Recommendations

2. That Cabinet approve the Memoranda of Understanding.

## Financial Implications

N/A

## Background Papers

None

## Impact

Communication/Consultation	The MoU's have been subject of detailed debate at the Co-op Member Board and within the partner authorities.
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	Much of Epping Forest is a Site of Special Scientific Interest and Special Area of Conservation.
Sustainability	The MoU's endeavour to manage the impacts of growth in a sustainable way.
Ward-specific impacts	All
Workforce/Workplace	N/A

## Situation

3. The Co-op Member Board was set up to meet the Duty to Co-operate which was established under the Localism Act 2011. It places a legal duty on local planning authorities, county councils in England and public bodies to engage constructively, actively and on an ongoing basis to maximise the effectiveness of Local Plan preparation in the context of strategic cross boundary matters.
4. The area covered by the Board relates to the West Essex/East Hertfordshire Strategic Housing Market Area (SHMA) and comprises East Herts, Epping Forest, Harlow and Uttlesford District Councils. Board Meetings are also attended by representatives of Essex and Hertfordshire County Councils. The agendas and minutes of the meetings are reported to the Planning Policy Working Group (PPWG)
5. During the examination of their local plans the four district councils will need to demonstrate to Government Inspectors that the Duty to Co-operate has been complied with. To assist this process three related MoU's have been drafted; firstly, relating to the distribution of Objectively Assessed Housing Need (OAN); secondly, on highways and transportation and; thirdly, managing the impacts of growth across the HMA on the Epping Forest Special Area of Conservation (SAC). The Co-op Board has ratified the latter two MoU's towards the end of last year and agreed that they can be signed by the representative bodies.
6. The MoU on Highways and Transportation Infrastructure for the SHMA is between Essex and Hertfordshire County Councils, Highways England, East Herts, Epping Forest, Harlow, Epping Forest and Uttlesford District Councils. The MoU agrees the need for improvement works to Junctions 7,7A and 8 of the M11 Motorway and future actions relating to the County Highway and Transportation network. The MoU is attached at Appendix A.
7. The MoU on Managing the Impacts of Growth within the SHMA on the Epping Forest SAC is between East Herts, Epping Forest, Harlow and Uttlesford District Councils, Essex and Hertfordshire County Councils, the City of London Corporation (Conservators of Epping Forest) and Natural England. The purpose of this MoU is to analyse evidence and to prepare a strategy that will address any adverse impacts on the SAC from plan-led development. This MoU is attached at Appendix B.

## Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
That the Duty to Co-operate is not complied with leading to plans being found unsound.	Unlikely if the MoU's are signed.	Catastrophic if the Duty to Co-operate is not met.	Continue to work collaboratively on the MoU's and ensure that they are signed.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

# Memorandum of Understanding on Highways & Transportation Infrastructure for the West Essex/East Hertfordshire Housing Market Area

between

Essex County Council  
Hertfordshire County Council  
Highways England

East Hertfordshire District Council  
Epping Forest District Council  
Harlow District Council  
Uttlesford District Council

**November 2016**



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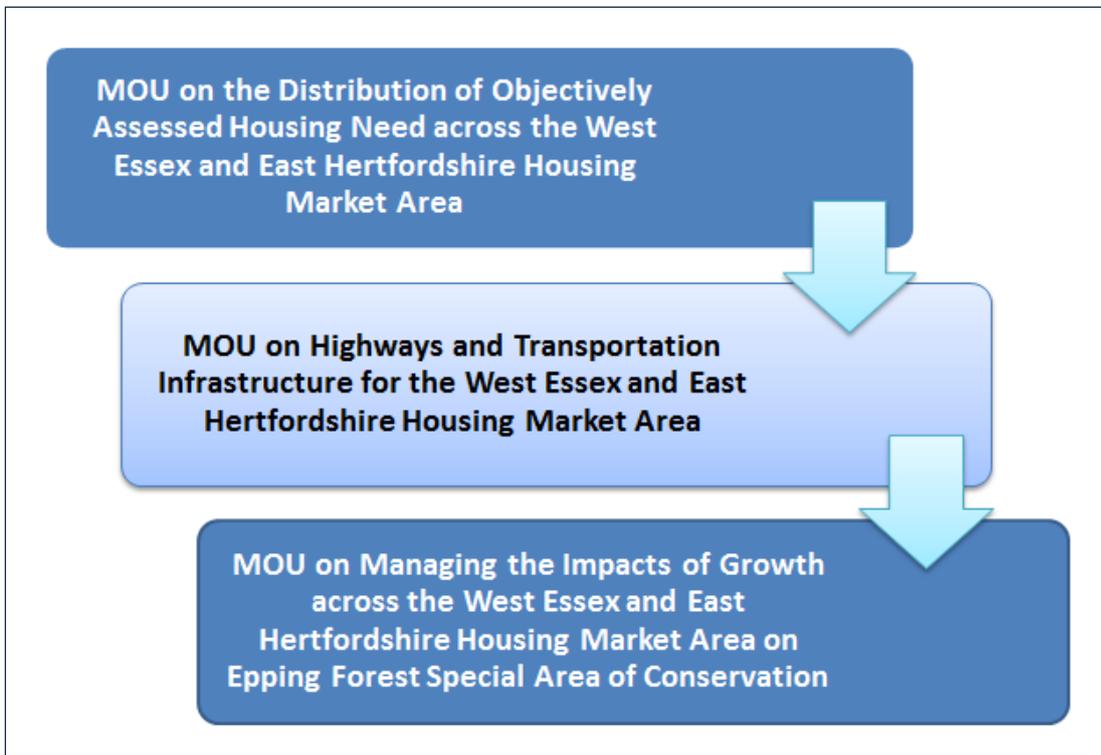
# 1 Background

- 1.1 Local Plans set out policies to guide development in a locality, including policies and proposals for specific sites to meet the housing, employment, environmental and social needs of the area. The suitability of sites for any of these uses depends on several factors, including transport matters such as local traffic flow, road and transport connections, and options for sustainable travel.
- 1.2 The preparation of Local Plans provides an opportunity to support a pattern of development that minimises the need for travel, minimises journey lengths, encourages sustainable travel, and promotes accessibility for all. This can contribute to the achievement of environmental objectives and reduce the cost to the economy arising from the environmental, business and social impacts associated with traffic generation and congestion.
- 1.3 East Hertfordshire DC, Epping Forest DC, Harlow DC and Uttlesford DC (also referred to as the 'West Essex/East Hertfordshire authorities' in this Memorandum of Understanding (MoU)) have a substantial history of co-ordinated working on strategic planning issues such as assessing housing need and planning for future growth. Essex County Council and Hertfordshire County Council have also been involved in cross-border working with the authorities for many years on many different topics including transport matters related to Local Plans.

## The three inter-related Memoranda of Understanding

- 1.4 This MoU is one of a group of three related memoranda of understanding. The other two deal with the distribution of Objectively Assessed Housing Need (OAHN) across the West Essex/East Hertfordshire Housing Market Area (HMA), and managing the impacts of growth across the HMA on the Epping Forest Special Area of Conservation, as shown in Figure 1.

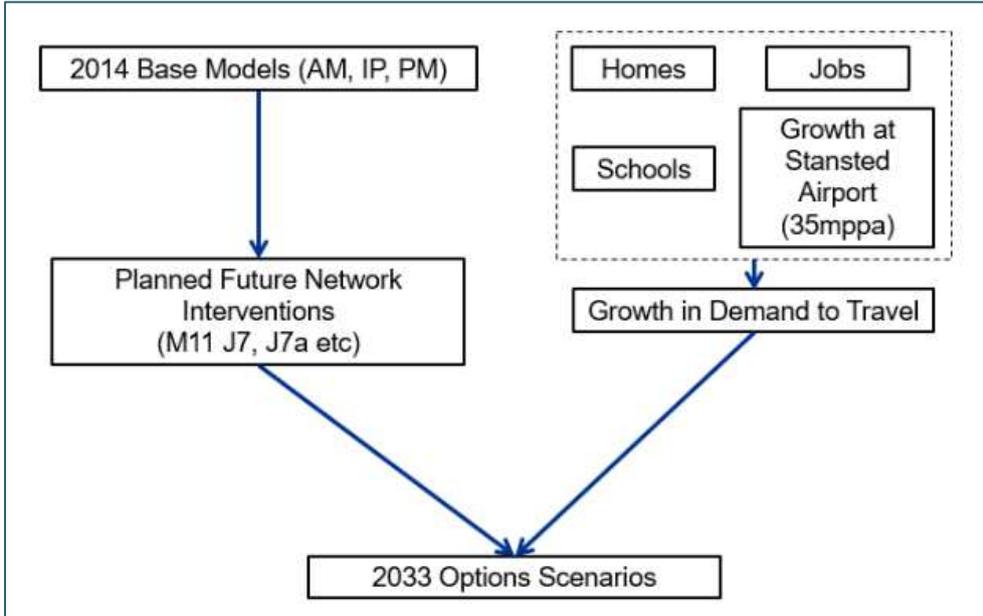
**Figure 1 – Inter-related Memoranda of Understanding**



## Transport modelling relating to Strategic OAHN Spatial Options study

- 1.5 In conjunction with the West Essex/East Hertfordshire authorities, Essex County Council, Hertfordshire County Council and Highways England been involved in the Strategic OAHN Spatial Options study, which sets out the options for how the housing need identified in the West Essex/East Hertfordshire SHMA (2015 – and also emerging data indicating how the OAHN might change) could be distributed across the housing market area, based on an analysis of the existing/emerging policy context and evidence base.
- 1.6 One of the key ways in which the range of potential OAHN spatial distribution options were analysed was through strategic transport modelling carried out by Essex County Council, which was designed to assess the varying impacts to traffic and transportation. (This transport modelling is high-level in nature, and will be supplemented by district-wide modelling for the four West Essex/East Hertfordshire Local Plans when considering local-level issues).
- 1.7 This strategic highway modelling was carried out using Essex County Council’s Visum model, which was agreed by Highways England in 2016.
- 1.8 The assumptions within the strategic highway modelling, as the baseline, are that the following will take place -
  - planned improvements to M11 junction 7;
  - planned short-term improvements at M11 junction 8;
  - implementation of a new J7A on the M11;
  - A120 Little Hadham Bypass;
  - Public Health England moves to Harlow town (as announced by government);
  - London Stansted Airport growth reaches 35 million passengers per annum; and
  - TEMPRO<sup>1</sup> growth outside the West Essex/East Hertfordshire Housing Market Area.
- 1.9 The overall process for the highway modelling is shown in figure 2.

**Figure 2 – Overview of Forecasting Process for the Highway Modelling:**



<sup>1</sup> TEMPRO (Trip End Model Presentation Program) is the industry standard transport planning software tool for estimating traffic growth, which is required when assessing the traffic impact of a development on the local highway network.

- 1.10 The strategic highway modelling assessed five OAHN spatial distribution options A to E, for the Housing Market Area, which were as detailed in Appendix 1. Please also refer to the overarching 'Distribution of Objectively Assessed Housing Need across the West Essex and East Hertfordshire Housing Market Area' MoU for more details of the five options A to E. Option A1 was a variation to Option A, having a different spatial distribution around Harlow.
- 1.11 Following discussions with managers at Princess Alexandra Hospital (Harlow), and between the West Essex/East Hertfordshire officers, population data was explored to consider the effects on catchment area of a new hospital site either at Gilston (in East Hertfordshire District) or near a new junction 7A on the M11 (in Epping Forest District), as Princess Alexandra Hospital wishes to relocate.
- 1.12 The strategic highway modelling identified percentage traffic flow changes resulting from the Options A to E, and A1. Whilst all of the Options A to C including A1 are predicted to cause broadly similar increases in congestion and commensurate reductions in average vehicle speeds, with the higher growth (in and around Harlow) options D & E these approach 20% greater reductions in average vehicle speeds. In addition the higher growth options D & E both showed significant stress in specific areas of the network and are not recommended to be taken forward in transport terms, unless further major interventions were to be delivered during the Plan period (2011-2033). However more detailed assessment work is ongoing.
- 1.13 It should be noted that these model results are early indications based on initial forecast modelling, and there will of course be further modelling and sensitivity testing as work progresses on the four West Essex/East Hertfordshire Local Plans.
- 1.14 Since undertaking this analysis two additional spatial options have been identified. The first of these, 'Option F', aims to meet the maximum growth across the HMA. The second is the 'Spatial Option' which reflects the latest figures for completions, permissions and windfalls, and is based on spring 2016 household and population projections. It takes into account feedback from the initial highway modelling processes. It is the view of the Co-operation for Sustainable Development Officer Group that this is the most appropriate spatial option.
- 1.15 The strategic highway modelling thus played a key role in the recommendation and selection of the 'Spatial Option' to deliver the OAHN, which is as follows.

**Figure 3 – The 'Spatial Option' of OAHN 2011-2033**

Local authority	Net new dwellings 2011-2033
East Hertfordshire District Council	~ 18,000
Epping Forest District Council	~ 11,400
Harlow District Council	~ 9,200
Uttlesford District Council	~ 12,500
<b>Total across the HMA</b>	<b>~ 51,100</b>
...of which the area in and around Harlow* will provide	~ 16,100

*\*in and around Harlow' refers to Harlow town as well as around Harlow in adjoining districts*

## 2 Purpose of this Memorandum of Understanding

2.1 This Highways and Transportation Infrastructure MoU confirms the collaborative working arrangements that exist between the three highway authorities of Highways England, Essex County Council and Hertfordshire County Council.

2.2 The purpose of this MoU is to ensure that Essex County Council, Hertfordshire County Council and Highways England (supported by the West Essex/East Hertfordshire authorities), together fulfil the following requirements:

1. to contribute to the delivery of the vision set out in section 3 of this MoU;
2. to seek/support/work towards addressing the strategic highway issues identified through modelling, and some of the emerging transport issues are outlined in section 4 of this MoU;
3. to work collaboratively to identify, develop and secure/deliver enabling highway infrastructure schemes supporting the 'Spatial Option' of the Objectively Assessed Housing Need within the West Essex/East Hertfordshire Housing Market Area, as set out above and within the overarching 'Distribution of Objectively Assessed Housing Need across the West Essex and East Hertfordshire Housing Market Area' MoU;
4. to continue to engage with the West Essex/East Hertfordshire Councils (primarily through the Co-operation for Sustainable Development Officer Group and the Co-operation for Sustainable Development Member Board) at an early stage, in detail, and on a continuing basis, with the intention of avoiding possible objections being made at consultation stages and/or at Independent Examination of the individual Local Plans;
5. to continue to co-operate during the implementation and monitoring of the individual West Essex/East Hertfordshire Councils Local Plans;
6. to liaise with each other on any future joint evidence work which may be required to address the strategic highway issues;
7. to help demonstrate compliance with the Duty to Co-operate during the Independent Examination of the West Essex/East Hertfordshire authorities' Local Plans
8. to inform and support the 'Managing the Impacts of Growth across the West Essex and East Hertfordshire Housing Market Area on Epping Forest Special Area of Conservation' MoU (see Figure 1).

2.3 This MoU specifically covers the area directly affected/impacted by the growth in and around Harlow and is NOT intended to cover the whole of the HMA, with specific district level interventions being identified by each district individually.

2.4 The schemes identified within this MoU are those major strategic schemes which would be required to meet the level of growth being proposed within and around the Harlow area. It does not include specific site level interventions, many of which may still be significant in themselves.

### **3 Vision**

- 3.1 The three highway authorities are committed to co-operating with the planning authorities for the West Essex/East Hertfordshire HMA to enable sustainable communities by providing a better understanding of key highways infrastructure, including public transport and sustainable modes, that will be required to support those developments.
- 3.2 We recognise that we have a responsibility to support and develop a more coordinated approach to planning on the strategic and local highway networks to provide sustainable communities.
- 3.3 All parties are fully committed to jointly working together to resolve key highway and transportation issues, primarily those outlined in section 4 of this MoU, but also any further issues which come to light in future.

## 4 Emerging key highway issues

- 4.1 While the following primarily focus on highways related infrastructure, the overall impact of the infrastructure also seeks to address rail and aviation issues indirectly through provision of improved access

### Highways England Network Improvements (M11)

#### *M11 Junction 7/7A*

- 4.2 M11 Junction 7 serves as the main point of access to the strategic road network for the town of Harlow and the surrounding areas. The interchange is nearing capacity, which is constraining access to and from the M11. This in turn is constraining Harlow's growth opportunities. Highways England and Essex County Council are investigating solutions and are working together to develop improvements to Junction 7 and proposals for a new Junction 7A. For further details of the particular issues regarding Junction 7 and 7A, please see Appendix 2.
- 4.3 The following actions relating to these junctions are already complete:

#### **Figure 4 – Completed actions relating to M11 Junction 7/7A**

Completed Actions
Funding for improvements to Junction 7 has been obtained under Road Investment Strategy 1 (RIS1)
Essex County Council has completed four years of work on investigating options to improve Harlow's road network. A strategic options appraisal showed that the new junction 7A on the M11 is optimum solution to overcome the problems.
Essex County Council ran public consultation on the location and design of the new Junction 7A (together with widening of Gilden Way) in summer 2016

- 4.4 The signatories to this MoU recognise that the following actions will be necessary with regard to Junction 7/7A:

#### **Figure 5 – Future actions relating to M11 Junction 7/7A**

Action	Responsible authority
Essex County Council will announce the preferred route for J7A, by Autumn 2016	Essex County Council
Essex County Council will aim to submit a planning application for Junction 7A by Winter 2016/17	Essex County Council
West Essex/East Hertfordshire District Councils will provide support for J7A within their Local Plans, as appropriate to their area and support will be written into Local Plans which will go out to consultation in Autumn/Winter 2016	West Essex/East Hertfordshire District Councils
Highways England will continue to develop the RIS1 proposals for improvements to Junction 7	Highways England

Action	Responsible authority
RIS1 to support delivery of M11 7A before M11 J7 but will revert back to 7 if 7A isn't confirmed	Essex County Council/Highways England
Highways England will continue to provide on-going support and advice through the Co-op. Officer Group and Member Board on how best to achieve funding for J7A	Highways England / Essex County Council
Funding towards the delivery of M11 J7 and/or J7A will be sought from developers	Harlow/Epping Forest/Uttlesford and East Hertfordshire District Councils

### **M11 Junction 8**

- 4.5 M11 Junction 8 serves as the main point of access to the strategic road network for the town of Bishop's Stortford and its surrounding area, as well as London Stansted Airport. It also provides access to the A120 and the B1256, which provides an alternative access to the strategic road network for Uttlesford District.
- 4.6 Short to medium term proposals to increase capacity through the interchange have been identified and are expected to commence in 2018. Longer term significant improvements will be needed at Junction 8 to support local growth and the expansion of London Stansted Airport. For further details of the particular issues regarding Junction 8 please see Appendix 3.
- 4.7 The following actions relating to Junction 8 are already complete:

#### **Figure 6 – Completed actions relating to M11 Junction 8**

Completed Actions
Essex County Council has identified short to medium term improvements at Junction 8. £1,000,000 has been secured from the Greater Cambridge Greater Peterborough Local Enterprise Partnership to help fund the short to medium term improvements at Junction 8.
Essex County Council has submitted feedback to Highways England's Route Strategies, which will be the foundation of Highways England's first 'Strategic Road Network Initial Report' to be submitted to Government in 2017 and will inform the need for a strategic intervention at Junction 8 to Road Investment Strategy 2 (RIS2).
Essex County Council has submitted a bid to Highways England's Growth and Housing Fund (GHF) for the short to medium term improvements at Junction 8 (this bid is successfully through the first assessment stage)
Essex County Council has submitted a bid for Local Growth Fund round 3 funding to the South East Local Enterprise Partnership (SELEP) for the short to medium term scheme (this bid is successfully through the first assessment stage)

- 4.8 The signatories to this MoU recognise that the following actions will be necessary with regard to Junction 8:

#### **Figure 7 – Future actions relating to M11 Junction 8**

Action	Responsible authority
Essex County Council to continue to work with all relevant funding bodies to secure the funding of the short to medium term improvements at Junction 8 during 2016/17	Essex County Council

Action	Responsible authority
The delivery of identified short to medium term improvements at Junction 8 will be constructed in approximately 2018/19 subject to funding and programme	Highways England / Essex County Council
Funding for a strategic intervention for Junction 8 with enhanced junction design will be pursued via RIS2, and through contributions from developers	Highways England / Essex County Council/Hertfordshire County Council/East Hertfordshire and Uttlesford District Councils
Strategic intervention to Junction 8 will be delivered within the Local Plan period	Highways England / Essex County Council

## County Highway and Transportation Network Improvements

4.9 As well as the strategic improvements outlined above, the modelling work identified some key routes on which improvements would be required across all tested scenarios. These include the following:

- A414 corridor through Harlow (sections not currently either being upgraded or programmed for upgrading);
- A414 The provision of a second River Stort crossing to relieve the Harlow network and also help provide capacity for the provision of a north/south Sustainable Transport Corridor;
- A414 west of Harlow - Amwell Junction with the A10;
- Harlow A1025 Second Avenue Corridor (A414 to Velizy Avenue);
- Relocation of Princess Alexandra Hospital (site to be confirmed);
- A120 around Bishop's Stortford – With any long term intervention at M11 junction 8 consideration will need to be given to the impact on the A120 around Bishop's Stortford as to whether intervention(s) over and above that already agreed to facilitate development are required; and
- There will be a need to assess the impact that strategic interventions on the M11 junctions 7, and 8, and the implementation of the new junction 7A, will have on the Bishop's Stortford and Sawbridgeworth local highway network.

4.10 The A414 through Harlow to the A10 should be considered moving forward as part of an overall approach to the A414 corridor between the M11 and A1 with the Highway Authorities of Essex and Hertfordshire working together to provide the optimum outcome for both authorities.

**Figure 8 – Future actions relating to County Highway & Transportation Network**

Key Issue	Likelihood of identifying solution	Deliverability Issues	Phasing (years)*	Responsibility
A414 Corridor	High	Funded by developers	6 -10	East Hertfordshire DC Essex CC Harlow DC Hertfordshire CC
A1025 Second Avenue, Harlow	High	Funded by developers	6 -10	Essex CC Epping Forest DC Harlow DC

Key Issue	Likelihood of identifying solution	Deliverability Issues	Phasing (years)*	Responsibility
Second River Stort Crossing	High	Funded by developers	6 -10	Hertfordshire CC East Hertfordshire DC Essex CC Harlow DC
Multi-modal sustainable corridor, north-south through Harlow town	High	Funded by developers	6 -10	East Hertfordshire DC Epping Forest DC Essex CC Harlow DC Hertfordshire CC
Multi-modal sustainable corridor, east-west through Harlow town	High	Funded by developers	6 -10	Epping Forest DC Essex CC Harlow DC
Abercrombie Way/Third Avenue	High	Funded by developers	6 -10	Epping Forest DC Essex CC Harlow DC
A414 Amwell Junction with the A10	High	Funded by developers	6 -10	East Hertfordshire DC Hertfordshire CC
A120 Bishop's Stortford – B1383 Stansted Road Roundabout	High	Funding already in place	0 - 5	Hertfordshire CC Essex CC

*\*indicative timescale dependent on how developments come forward during the plan period*

## Future Co-operation and Planning

- 4.11 Whilst the above schemes and projects have emerged as the conceptual solutions to the growth, before they can be progressed they will all require further transport modelling, business cases to be developed and assessment against policies and strategies of the respective highway authorities.
- 4.12 It will be necessary to monitor the impacts of both the Highways England and County Network Schemes as these are delivered. This is crucial for planning for future interventions beyond the plan period. Due to the long timescales associated with major scheme delivery it is important that this work continues throughout the plan period to 2033, so that future growth in the next plan period can be coordinated and accommodated without delays while the planning and delivery of infrastructure is secured.

## **5 Securing funding**

- 5.1 There are a number of different funding sources available to deliver the various key pieces of infrastructure identified within the MoU, which include Section 106 agreements or Community Infrastructure Levy (CIL - but with S106 being the key contributor to major schemes), Section 278 agreements, government funding streams administered through South East LEP, Hertfordshire LEP, RIS2 and subsequent funding periods, together with other funding opportunities as these arise.
- 5.2 There is a clear distinction between the national infrastructure requirements and the local and county infrastructure requirements which have been identified. Significant funding would be expected through national funding streams for the major pieces of infrastructure, such as the long term solution at M11 J8. However, this would not, and should not, preclude contributions, sometimes major contributions, from developers through S106 towards these schemes. Delivery of the county schemes identified as being required to deliver the levels of growth in the OAHN would be expected to be primarily, or totally, funded by developers through Section 106 or similar contributions, although other funding sources as identified above could provide for the delivery of these schemes in part or in total as necessary.
- 5.3 Further work will be required to firm up costings of the proposed mitigations to establish affordability. The intention is to put in place a single infrastructure delivery plan (IDP) covering all of the interventions, setting out when they are required and what developments will be expected to contribute towards the scheme. The individual IDP's supporting each of the Local Plans will need to reflect these arrangements.
- 5.4 Subject to para 4.11, collective agreement will need to be reached with respect to phasing of the interventions and pooling of contributions to fund delivery in the agreed order. Decisions to proceed with an identified mitigation should be taken by the Co-operation for Sustainable Development Member Board

## **6 Timing**

- 6.1 This Memorandum of Understanding has immediate effect and will remain in place until adoption of the last of the West Essex/East Hertfordshire authorities' Local Plans and all identified schemes have been delivered as required, unless this MOU is reviewed and replaced before this. This document will be kept under review. It is based on the most up to date evidence available at the time of writing.

## 7 Key contact details

7.1 The primary contacts for this Memorandum of Understanding are as follows.

**Figure 9 – Key officer contacts**

Organisation	Contact name and email address
Essex County Council:	David Sprunt <a href="mailto:david.sprunt@essex.gov.uk">david.sprunt@essex.gov.uk</a>
Hertfordshire County Council:	Roger Flowerday <a href="mailto:roger.flowerday@hertfordshire.gov.uk">roger.flowerday@hertfordshire.gov.uk</a>
Highways England:	Andy Jobling <a href="mailto:andy.jobling@highwaysengland.co.uk">andy.jobling@highwaysengland.co.uk</a>
East Hertfordshire District Council	Claire Sime <a href="mailto:Claire.sime@eastherts.gov.uk">Claire.sime@eastherts.gov.uk</a>
Epping Forest District Council	Amanda Thorn <a href="mailto:AThorn@eppingforestdc.gov.uk">AThorn@eppingforestdc.gov.uk</a>
Harlow District Council	Paul MacBride <a href="mailto:Paul.Macbride@harlow.gov.uk">Paul.Macbride@harlow.gov.uk</a>
Uttlesford District Council	Richard Fox <a href="mailto:RFox@uttlesford.gov.uk">RFox@uttlesford.gov.uk</a>

## 8 Signatures and seals

8.1 This Memorandum of Understanding is signed by and duly authorised for and on behalf of:

### **Essex County Council**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

### **Hertfordshire County Council**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

### **Highways England**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

### **East Hertfordshire District Council**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

**Epping Forest District Council**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

**Harlow District Council**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

**Uttlesford District Council**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

## **9 Appendices**

## Appendix 1 - Options tested within the Strategic Highway Modelling

A1.1 The strategic highway modelling assessed the six OAHN spatial distribution options for the Housing Market Area, which were as follows.

**Figure 10 – ‘Reasonable Alternatives’ in the Strategic OAHN Spatial Options study**

Option	Details of this option	<u>Rough total dwelling number for option</u> (source of number)	<u>Total dwellings to be delivered across the HMA 2011-2033</u>
<b>A</b>	Each authority meets its OAHN within its own boundaries	<b>46,100</b> (2015 SHMA)	<b>48,298</b> of which <b>14,150</b> in wider Harlow area
<b>B</b>	Less development at Harlow and accelerated development on the A120	<b>46,100</b> (2015 SHMA)	<b>48,148</b> of which <b>10,500</b> in wider Harlow area
<b>C</b>	Less development at Harlow and two new settlements in East Hertfordshire	<b>46,100</b> (2015 SHMA)	<b>47,648</b> of which <b>10,500</b> in wider Harlow area
<b>D</b>	Maximum growth at Harlow, with reduced allocations in constrained areas of the HMA	<b>46,100</b> (2015 SHMA)	<b>46,743</b> of which <b>17,650</b> in wider Harlow area
<b>E</b>	Higher growth across the HMA, with allocations in constrained areas	<b>49,638</b> (2012-based household projections)	<b>51,798</b> of which <b>17,650</b> in wider Harlow area
<b>A1</b>	Variation to option A removing Katherines, reducing Harlow East and adding more to Harlow South	<b>46,100</b> (2015 SHMA)	<b>48,298</b> of which <b>14,150</b> in and around Harlow

**Figure 11 – Additional Spatial Options, not yet fully tested**

Option	Details of this option	<b>Rough total dwelling number for option</b> (source of number)	<b>Total dwellings to be delivered across the HMA 2011-2033</b>
<b>F</b>	Maximum growth across the HMA	<b>roughly 54,600<sup>^</sup></b>  (emerging OAHN according to 2012-based household projections and 2014-based Sub-National Population Projections (SNPP))	<b>57,141</b>  of which <b>20,895</b> in wider Harlow area
<b>The 'Spatial Option'</b> **	Reflects latest figure for completions, permissions and windfall assumptions and is considered to be the most appropriate spatial option;	n/a	<b>roughly 51,100</b>  of which roughly <b>16,100</b> in and around Harlow

\* See the 'Distribution of Objectively Assessed Housing Need across the West Essex/East Hertfordshire Housing Market Area MoU' for more details of 'the 'Spatial Option'.

## **Appendix 2 - M11 Junction 7 improvements and the new junction 7A**

- A2.1 M11 Junction 7 serves as the main point of access to the strategic road network for the town of Harlow and the surrounding areas. It also provides access to the A414 (a county principal road), which connects Chelmsford (to the east) and Hertford (to the west); and the B1393 which forms a local link between the settlements of Epping and Harlow and provides access to the strategic road network for much of Epping Forest District.
- A2.2 The M11 Junction 7 interchange is nearing capacity, which is constraining access to and from the M11. This in turn is constraining Harlow town's growth opportunities. Highways England and Essex County Council are investigating solutions and are working together to develop improvements to Junction 7, and a proposal for a new Junction 7A. These solutions will deliver the best benefits within project constraints for Harlow district, and the surrounding districts, by enhancing access to the M11 and acting as an enabler for the housing and economic growth as set out in the 'Distribution of Objectively Assessed Housing Need across the West Essex/East Hertfordshire Housing Market Area MoU', and in the emerging Local Plans of Harlow DC, Epping Forest DC, East Hertfordshire DC, and Uttlesford DC.
- A2.3 Highways England is developing the Road Investment Strategy Period 1 scheme: 'M11 Junction 7 junction upgrade – extra capacity on junction 7 near Harlow', which aims to reduce the current congestion around the junction. Highways England is at the very early stages of developing these proposals and once they have been refined, the scheme will go out to public consultation. Works are expected to start by 2020.
- A2.4 Essex County Council are leading on proposals to create a new junction on the M11 (7A) to the east of Harlow that will enable housing and commercial development within and around Harlow and relieve some of the pressure on the existing Junction 7 to the south. Proposals went out to public consultation in 2016. Funding is yet to be identified and all authorities have committed to promoting this scheme for funding by the future Road Investment Strategy programme.
- A2.5 Essex County Council and Highways England have formed the Essex Strategic Highway Programme Group that meets monthly and will provide guidance in helping the project teams to work collaboratively.

### **Appendix 3 - M11 Junction 8 Improvements**

- A3.1 M11 Junction 8 serves as the main point of access to the strategic road network for the town of Bishop's Stortford and its surrounding area, as well as London Stansted Airport. It also provides access to the A120, an east-west route connecting Standon at the most westerly point with Harwich on the east coast; and the B1256, which provides an alternative access to the strategic road network for Uttlesford District.
- A3.2 Growth is planned both in and around Bishop's Stortford (within East Hertfordshire District) and within Uttlesford District, in addition to potential expansion of London Stansted Airport, both of which are likely to increase traffic demands at Junction 8.
- A3.3 Short to medium term proposals to increase capacity through the interchange have been identified. The Greater Cambridge Greater Peterborough Local Enterprise Partnership has secured £1,000,000 to undertake these improvements. Proposals include widening on the A120 link from Bishop's Stortford, a dedicated free flow left turn from the M11 southbound exit slip to the A120 eastbound, and widening on the M11 northbound exit slip. These proposals are estimated to cost upwards of £5,000,000; therefore, there will also need to be developer contributions. Timescales for the delivery of these proposals are still to be confirmed but are expected in 2018.
- A3.4 Longer term significant improvements will be needed at Junction 8 to support expansion of London Stansted Airport and growth identified by the West Essex/East Hertfordshire Housing Market Area. Highways England is developing the next round of Route Strategies, which will be a key building block in the Government's next Road Investment Strategy. Route Strategies bring together information from motorists, local communities, construction partners, environmental groups and across the business sector to help better understand the performance of the strategic road network, to shape investment priorities, to improve the service for road users and to support a growing economy. The evidence collected and the indicative solutions identified - along with the outcomes of the strategic studies - will be the foundation of Highways England's first 'Strategic Road Network Initial Report' to be submitted to Government in 2017.
- A3.5 Through the Route Strategies we are committed to highlighting the need for investment in Junction 8.



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## Memorandum of Understanding

# Managing the impacts of growth within the West Essex/East Hertfordshire Housing Market Area on Epping Forest Special Area of Conservation

**between**

East Hertfordshire District Council  
Epping Forest District Council  
Harlow District Council  
Uttlesford District Council

Essex County Council  
Hertfordshire County Council

City of London Corporation (Conservators of Epping Forest)  
Natural England

September 2016



Uttlesford  
District Council



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## 1. Introduction

- 1.1 The *Conservation of Habitats and Species Regulations 2010*<sup>1</sup> (“the Habitat Regulations”) set out that where a land use plan, either alone or in combination, is likely to have a significant effect on a European site, the plan-making authority must make an appropriate assessment of the implications for the site taking into account the site’s conservation objectives. The local authorities party to this Memorandum of Understanding (MoU) are working together under the Duty-to-Cooperate as defined by the Localism Act 2011. The areas of proposed Local Plan development covered by this MoU are within the bounds of the four district local authorities which make up a Housing Market Assessment (HMA) area, agreed under a separate Memorandum of Understanding<sup>2</sup>. A map of the area covered by this MoU is shown at **Appendix 1**.
- 1.2 There are a number of significant areas for nature conservation within the HMA. Epping Forest is highlighted as a habitat that requires more detailed attention. It is the largest public open space within and adjoining London, covering around 2,450 hectares. It stretches from Manor Park to just north of Epping, with the main body of the Forest being located to the west of Loughton. Two thirds of the Forest has been designated a Site of Special Scientific Interest (SSSI) and a Special Area of Conservation (SAC). The SAC status was confirmed in April 2005, with the primary reasons for designation being the presence of beech forest habitat and stag beetles. Dry and wet heath habitats are also cited as key features. Detailed information about the designation is available from the Joint Nature Conservation Committee website<sup>3</sup>.
- 1.3 There are known current challenges to the integrity of the part of the SAC which falls within the boundary of Epping Forest District Council. These include in particular, threats posed by air pollution and recreational pressures. The main threats and challenges are set out in Natural England’s (NE’s) Site Improvement Plan (SIP) for Epping Forest SAC (NE 2015)<sup>4</sup>.

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<sup>1</sup> 2010 Conservation of Habitats and Species Regulations

<http://www.legislation.gov.uk/ukxi/2010/490/contents/made>

<sup>2</sup> 2016 Memorandum of Understanding: Distribution of Objectively Assessed Need across the West Essex/East Hertfordshire Housing Market Area

<sup>3</sup> 2005 JNCC *Epping Forest Site Details*

<http://jncc.defra.gov.uk/ProtectedSites/SACselection/sac.asp?EUCode=UK0012720>

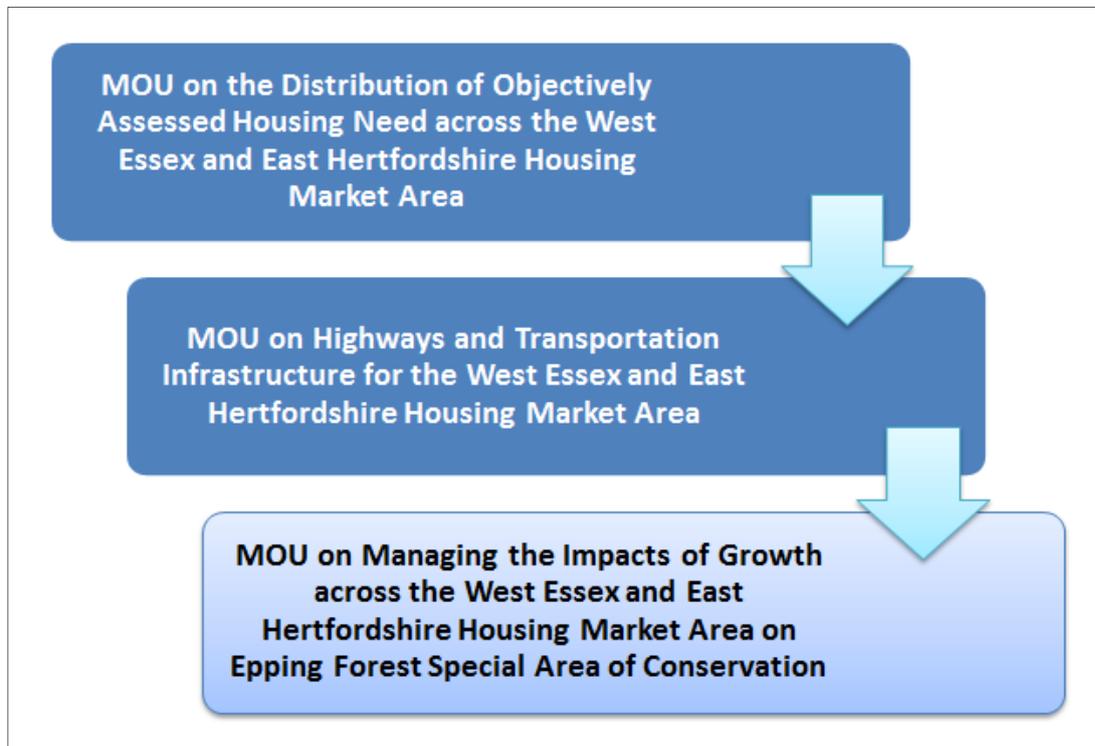
<sup>4</sup>2015 Natural England *Site Improvement Plan: Epping Forest*

<http://publications.naturalengland.org.uk/publication/6663446854631424>

## 2. Purpose of this Memorandum of Understanding

- 2.1 This MoU is one of a group of three related memoranda. The other two deal with the Distribution of Objectively Assessed Need across the West Essex /East Hertfordshire Housing Market Area, and Highways and Transportation Infrastructure, as shown in Figure 1.

***Figure 1 - Inter-related Memoranda of Understanding***



- 2.2 Currently air pollution is adversely affecting the Forest with Critical Loads of Nitrogen exceeded across the whole Forest and Critical Levels exceeded across a significant proportion of Forest Land. These exceedances affect the health and resilience of trees and impact on the balance of vegetation and fungal communities. The emerging spatial options for the distribution of growth across the HMA have been subject to an assessment of air quality to determine whether any of those options are likely to have an unacceptable impact on the Epping Forest SAC. The detailed findings of this assessment are subject to a separate report **[insert reference]** as part of the Habitats Regulations Assessment (HRA) process.
- 2.3 The assessment of air quality has been derived from transport modelling data, which are forecasts based on the best available data. It is therefore necessary to continue to monitor the position, and ensure that where any adverse impacts begin to emerge, that the partners are aware of these, and in a position to respond to the changing evidence. It is therefore necessary to establish an appropriate evidence base and monitoring framework.
- 2.4 The purpose of this MoU is to ensure that the parties named, work in partnership to fulfil the following requirements:
- i. to collect and analyse data and evidence related to the impacts of proposed development and growth under the Local Plans to provide sufficient and robust evidence on which to base a strategy for the protection of Epping Forest SAC;

- ii. to commit to prepare a joint strategy, based on relevant available data and evidence and to an agreed timetable; and
- iii. that the joint strategy will address both the requirement to avoid, or effectively mitigate, adverse impacts on the integrity of the SAC from Local Plan-led development and the requirement to prevent deterioration of the SAC features.

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### 3. Evidence Gathering to inform a Joint Strategy

- 3.1 Natural England (NE), with the Environment Agency, published a Site Improvement Plan (SIP) for Epping Forest in 2015. This identified seven main pressures on the integrity of the SAC and provides the reference point for the scope of the data and evidence-gathering required under this MoU. Evidence will be collected and analysed to determine whether any of these pressures are worsening over time, and whether the growth planned across the HMA is a causal factor. NE will provide detailed and timely advice on the data required, to ensure it is collected within an appropriate and realistic timescale
- 3.2 Unless modified by further NE advice as a result of any future SIP revisions (including newly-identified pressures), all parties to this MoU agree that the data to be collected will include:
- allocated housing and commercial development sites, including delivery timeframes;
  - highways infrastructure changes;
  - public transport developments;
  - visitor numbers and behaviour, purposes of visits and distances travelled;
  - forecast change in traffic flows, and subsequent impacts on air quality including continued monitoring of the Bell Common Air Quality Management Area; and
  - forecast change to visitor pressures, and any significant positive or negative impacts.
- 3.3 Based on these data, assessments will be made of the ecological impacts that would be the consequence of predicted/likely changes in air pollution and recreational pressures to allow avoidance and mitigation plans to be put in place.
- 3.4 At this stage it is not clear how far visitors to Epping Forest travel, and therefore to what extent the growth in housing across the Housing Market Area may increase visitor and recreational pressures. The costs of gathering the appropriate data to provide a robust evidence base would be borne by the local authorities and prospective developers, as appropriate and proportionate to the development proposals across the HMA in relation to impacts on Epping Forest SAC.
- 3.5 Each party to this MoU agrees to ensure that its approval of the data is provided in a timely manner and is not unreasonably withheld. Any withholding of such approval would require a full written justification setting out clear remedial action that it would be reasonable for the data-gathering parties to take forward to meet their competent authority responsibilities under the Habitat Regulations 2010.

## 4. Developing a Joint Strategy

- 4.1 The organisations party to this Memorandum (MoU) agree to work together to facilitate the collection of data and evidence as outlined in section 3, in order to develop a Joint Strategy to address potential adverse impacts on the integrity of Epping Forest Special Area of Conservation (SAC), as required under the Habitats Regulations 2010. Epping Forest District Council (EFDC) will act as the coordinating competent authority in relation to Epping Forest SAC as defined by the Habitat Regulations 2010 and as described in the Defra Guidance 2012<sup>5</sup>.
- 4.2 The Joint Strategy will be prepared in accordance with a timetable to be agreed by the partners to this MoU in due course. It is intended this Joint Strategy will be in agreed and published prior to the determination of any of the planning applications on sites around Harlow that are part of The Spatial Option detailed in the “Distribution of OAN across West Essex and East Hertfordshire” MoU. If the Joint Strategy is not in place when planning applications are submitted, applicants will be required to submit the necessary information to ascertain whether any adverse impacts will be caused in Epping Forest, and if necessary any mitigation measures that may be necessary.
- 4.3 The Joint Strategy will incorporate early warning monitoring to ensure that adverse impacts do not occur or are mitigated effectively for the SAC. Should this monitoring identify a deteriorating position, sustainable mitigation strategies for air quality, traffic controls, highways and recreation will be set out in the joint strategy so they can be enacted in a realistic timescale if necessary. Local Plans will include appropriate monitoring policies.
- 4.4 Detailed monitoring frameworks will be prepared to support each of the adopted Local Plans, and some of the required data will be made available on a regular basis through this mechanism. Where additional data is required, the scope of this will be agreed by the parties to this MoU as part of the proposed joint strategy.
- 4.5 Based on the agreed spatial distribution and the associated infrastructure requirements, data would need to be generated by traffic modelling to continue to monitor the likely impacts of vehicle transport on Epping Forest SAC. The traffic models would need to meet the level of resolution required to make robust predictions, to cover all the roads within the Forest boundaries, as identified in the map in **Appendix 2**.
- 4.6 From these traffic data, robust monitoring of air quality and predicted levels and rates of change would be made using the standard assessment methods for the area bounded by Epping Forest SAC (see **Appendix 3**).
- 4.7 The overall health of the Epping Forest SAC is affected by activities outside of the HMA, and therefore the remit of the Joint Strategy may need to be broadened in due course. The overall purpose is to manage Epping Forest such that further deterioration is limited, and positive enhancements are introduced as necessary.
- 4.8 Under the joint strategy further development would be linked to any necessary mitigation such that the identified and required actions would be in place and effective prior to any development being undertaken.
- 4.9 Sources and levels of funding for the different levels of mitigation, if and/or when required, will be agreed and will be put in place under the joint strategy.

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<sup>5</sup> 2012 DEFRA Guidance on competent authority coordination under the Habitats Regulations  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/69580/pb13809-habitats-guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69580/pb13809-habitats-guidance.pdf)

- 4.10 The joint strategy would be reviewed at the time of the review of this MoU or earlier should circumstances require it and be agreed by all parties.

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## 5. Signatures

5.1 This Memorandum of Understanding is signed by and duly authorised for and on behalf of:

### **East Hertfordshire District Council**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

### **Epping Forest District Council**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

### **Harlow District Council**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

### **Uttlesford District Council**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

**Essex County Council**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

**Hertfordshire County Council**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

**Natural England**

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

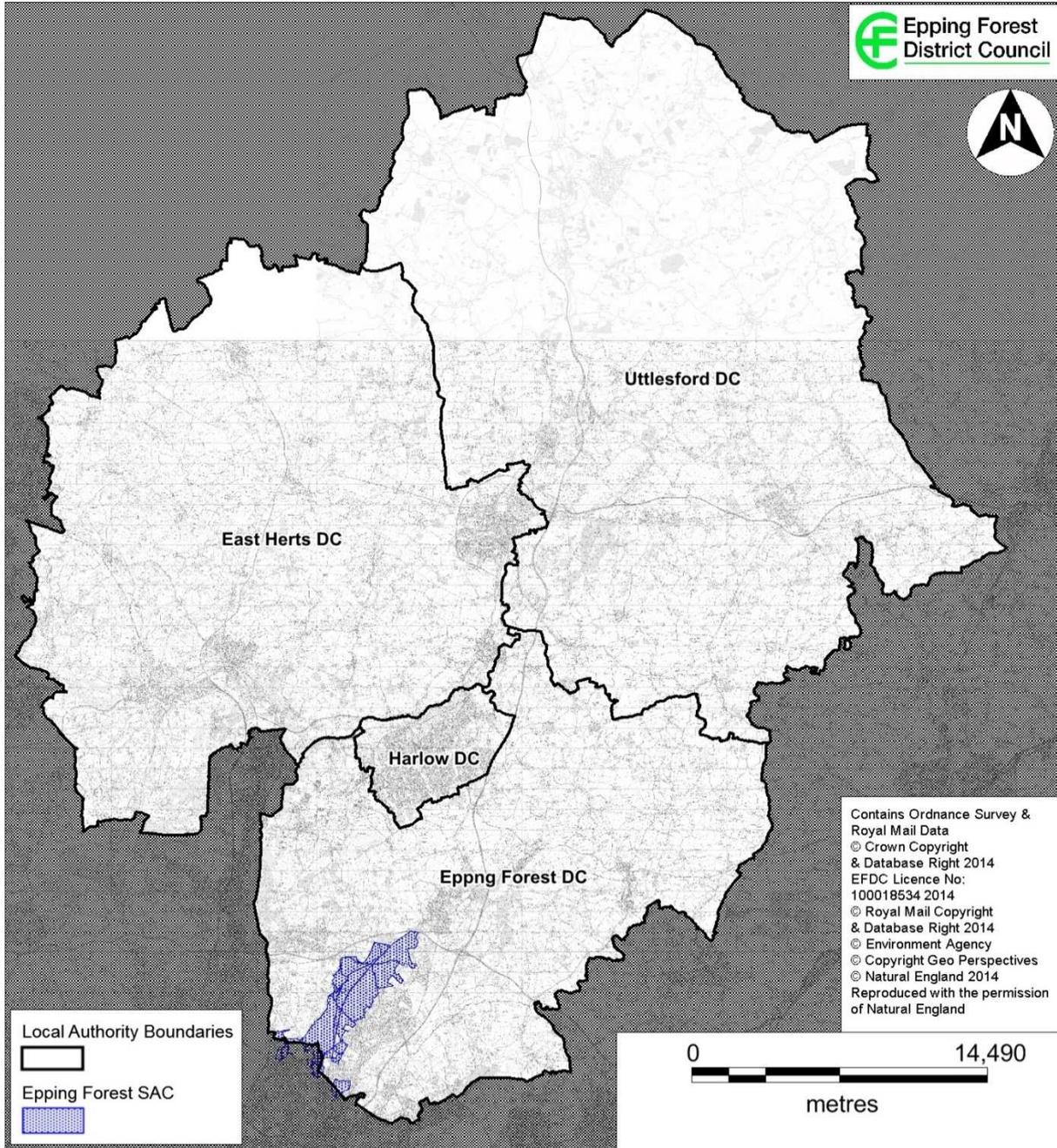
**City of London Corporation**

Name (printed): \_\_\_\_\_

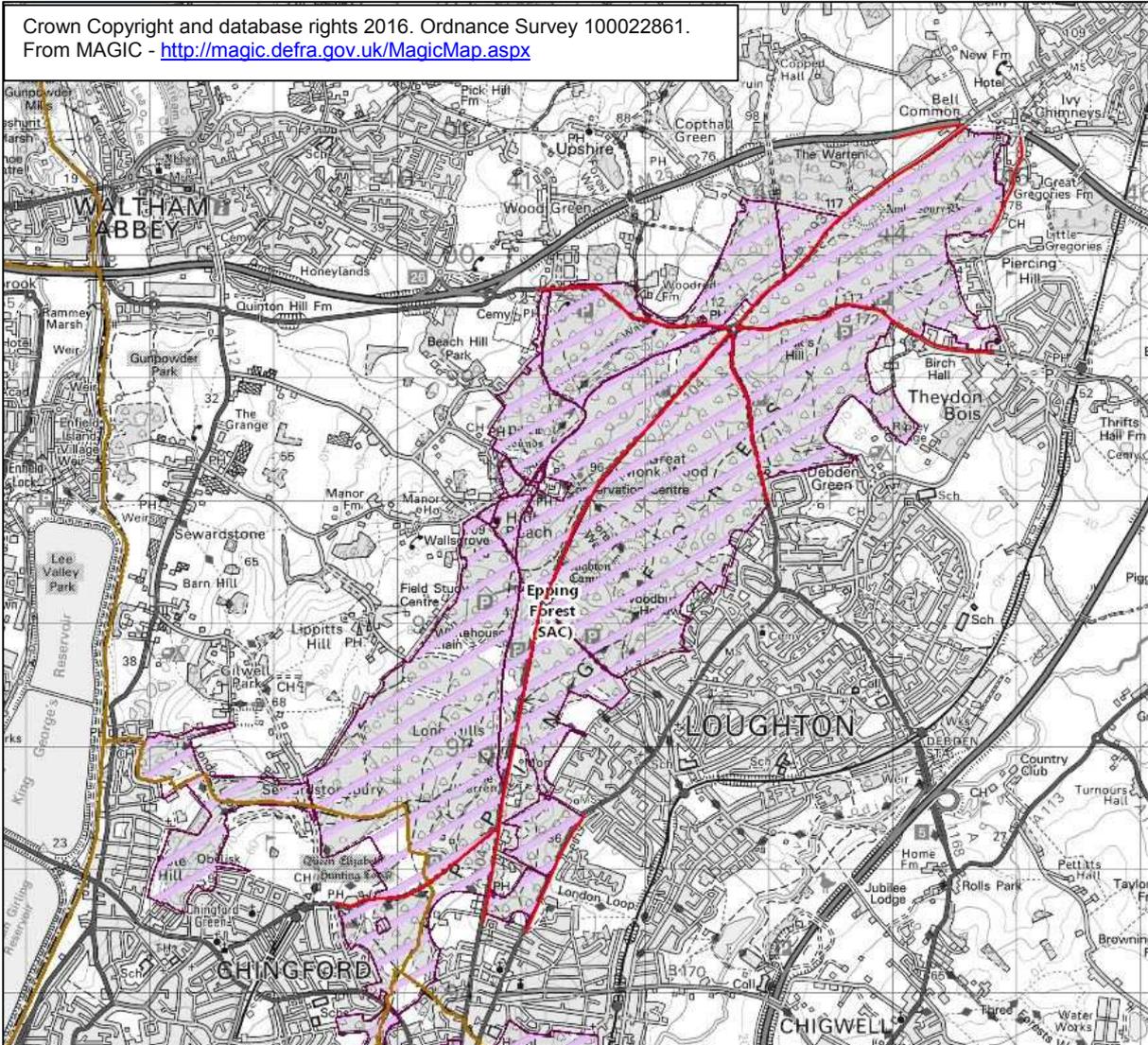
Signature: \_\_\_\_\_

Designation: \_\_\_\_\_

## Appendix 1 - The West Essex/East Herts area



## Appendix 2 – Road links to be investigated around Epping Forest



## Appendix 3 – Air quality predictive modelling method

- A3.1 The predictions of nitrogen deposition and annual mean NO<sub>x</sub> concentrations for the proposed works will be based on the assessment methodology presented in Annex F of the Design Manual for Roads and Bridges (DMRB), Volume 11, Section 3, Part 1 (HA207/07)<sup>6</sup> for the assessment of impacts on sensitive designated ecosystems due to highways works. Background data for the predictions for 2033 will be sourced from the Department of Environment, Food and Rural Affairs (Defra) background maps for 2011 projected forward to 2030 (2030 being the most advanced date in the future for which projections are currently available)<sup>7</sup>. Background data for 2030 would be used for the future assessment, with contributions from A-roads within the grid square removed from the background as this contribution was calculated using ADMS-Roads software. Background nitrogen deposition rates will be sourced from the Air Pollution Information System (APIS) website<sup>8</sup>. These rates will be reduced by 2% per year, as set out in HA207/07, to allow for the predicted improvements in background air quality over time as a result of ongoing national initiatives to improve emissions and the expected improvement in vehicle emissions over that period.
- A3.2 Annual mean concentrations of NO<sub>x</sub> were calculated at 50m distances back from each road, with the closest distance being the closest point of the designated site to the road. Predictions were made using the latest version of ADMS-Roads using emission rates derived from the Defra Emission Factor Toolkit (version 6.0.2) which utilises traffic data in the form of 24-hour Annual Average Daily Traffic (AADT), detailed vehicle fleet composition and average speed. The end of the Local Plan period has been selected for the various future scenarios as this is the point at which the total emissions due to Local Plan traffic will be at their greatest.

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<sup>6</sup> Design Manual for Roads and Bridges, HA207/07, Highways Agency

<sup>7</sup> Air Quality Archive Background Maps. Defra, 2013. Available from: <http://laqm.defra.gov.uk/review-and-assessment/tools/background-maps.html>

<sup>8</sup> Air Pollution Information System (APIS) [www.apis.ac.uk](http://www.apis.ac.uk)

**Committee:** Cabinet

**Agenda Item**

**Date:** 16 February 2016

**17**

**Title:** Designation of Newport with Quendon and Rickling Neighbourhood Development Plan Area

**Portfolio Holder:** Cllr Barker

Key decision: no

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## Summary

1. The Council received an application from Newport Parish Council and Quendon and Rickling Parish Council for the designation of joint Neighbourhood Plan Area on 27 November 2016.
2. The application has been advertised in accordance with the Regulations for a period of 6 weeks ending 23 January 2017.

## Recommendations

3. To designate the area outlined on the map at appendix 1 as the Newport with Quendon and Rickling Neighbourhood Development Plan Area.

## Financial Implications

4. The District Council will be able to claim a grant of £5,000 once the designation has been confirmed to cover the costs of assessing and dealing with the submission.

## Background Papers

5. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

Application from Newport Parish Council, and Quendon and Rickling Parish Council for the designation of a joint Neighbourhood Development Plan Area.

Representation on designation of area.

## Impact

- 6.

Communication/Consultation	Consultation has taken place in accordance with the Regulations.  The decision to Designate a Neighbourhood Plan Area will be advertised in accordance with the
----------------------------	---

	Regulations.
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	Newport
Workforce/Workplace	

### **Situation**

7. The Council received an application from Newport Parish Council and Quendon and Rickling Parish Council for the designation of a combined Neighbourhood Development Plan Area on 27 November 2016. This request was made under Section 5 of the Neighbourhood Planning (General) Regulations 2012.
8. The application has been advertised in accordance with the Regulations for a period of 6 weeks ending 23 January 2017. The application was advertised through the Council's website and via a press release.
9. The Parish Councils have proposed the Neighbourhood Development Plan Area to follow the existing parish boundary for the two parishes together. The Parish Councils consider that this is the appropriate area to be designated as it is the area administered by the Parish Councils.
10. Only one comment was received. This came from Gladman Homes who wish to participate in the Neighbourhood Plan's preparation and to be notified of further developments and consultations in this regard. They raise no objection to the Plan area.

### **Considerations**

11. The proposal is that the Neighbourhood Plan Area is contiguous with the Parish boundary of Newport, Quendon and Rickling. Officers consider that this is a logical and sensible approach and demonstrates that the Parish Councils wish to plan for the whole of their area.

### **Considerations**

12. The area should be supported and adopted as the Newport with Quendon and Rickling Neighbourhood Development Plan Area.

## Risk Analysis

13.

Risk	Likelihood	Impact	Mitigating actions
Objections raised to about the area designated	1. low – the boundaries are contiguous with those of the joint Parish Councils which is a logical boundary	Neighbourhood plan based on an inappropriate area.	Full consideration in accordance with the Regulations has taken place.

1 = Little or no risk or impact

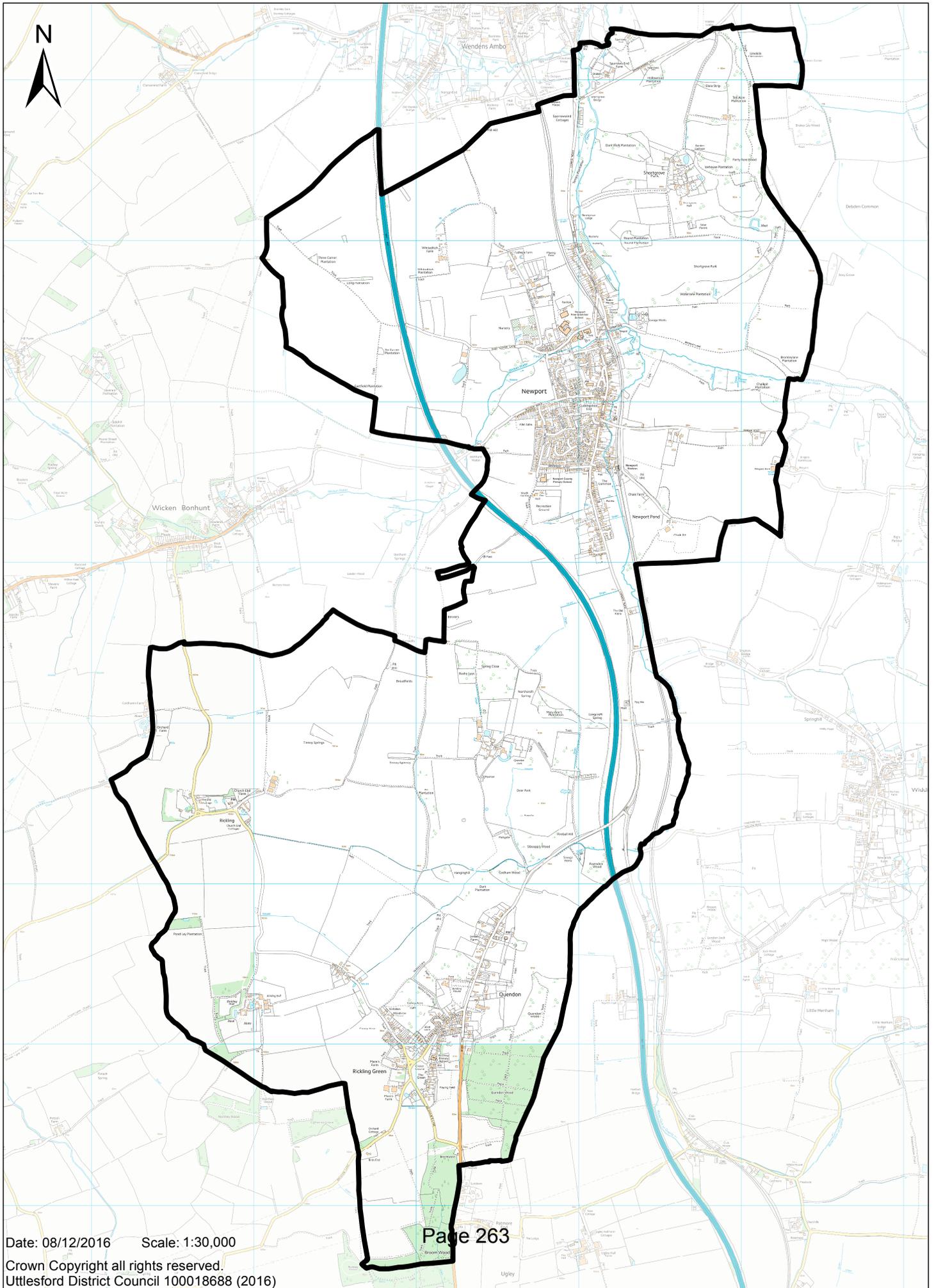
2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.



# Newport, Quendon & Rickling Neighbourhood Plan Area



Date: 08/12/2016 Scale: 1:30,000

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Uttlesford District Council 100018688 (2016)



▪ **Item 18 – Report from STAAP on the night flights consultation**

▪

Committee: Stansted Airport Advisory Panel Agenda Item

Date: 13<sup>th</sup> February 2017

Title: Department for Transport (DfT) consultation on proposed night flight restrictions at Heathrow, Gatwick and Stansted

Author: Jeremy Pine, Planning Policy / Development Management Liaison Officer (01799 510460)

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## Summary

1. This consultation was launched on 12<sup>th</sup> January 2017, with the new restrictions due to cover a 5-year period until October 2022. The Government says that its intention is to continue to balance the economic benefits of night flights with the effect they have on communities.
2. The Government wants the new restrictions to maintain the status quo in terms of the number of flights, but also to give the industry incentives to continue the improvements in noise performance that are already taking place. The consultation sets out what the Government's new environmental objective is, and how it intends to achieve it through proposed new limits on the number of night flights and noise quotas. The consultation also explains the adjustments to the structure of the regulations that are required in order to ensure that changes in aircraft technology are taken into account.
3. The consultation seeks views and evidence relating to these proposals and is accompanied by an impact assessment looking at the costs and benefits of night flights.

## Recommendations

4. That the Panel considers this report and the suggested response to the consultation questions, and advises officers of any changes or additions that it considers ought to be made.
5. That the Panel recommends to Cabinet that it endorses the response, which must be sent to the Government by the deadline date of 28<sup>th</sup> February.

## Financial Implications

6. None.

## Background Papers

7. None.

**Impact**

8.

Communication/Consultation	<p>The consultation runs from 12<sup>th</sup> January to 28<sup>th</sup> February 2017. The Council's response will be ratified by Cabinet on 16<sup>th</sup> February.</p> <p>The consultation document includes a list of the consultation questions, which are appended to this report along with the Council's suggested reply to each. Not all the questions are relevant to Stansted Airport.</p> <p>An impact assessment has also been published, which contains detailed information on the evidence base that the Government has used.</p>
Community Safety	To be taken into account by the Government.
Equalities	To be taken into account by the Government.
Health and Safety	To be taken into account by the Government.
Human Rights/Legal Implications	To be taken into account by the Government.
Sustainability	To be taken into account by the Government.
Ward-specific impacts	Noise from night flights affects those wards which are overflown by departing and / or arriving aircraft at Stansted Airport.
Workforce/Workplace	Officer and Member time in drawing up the Council's response to the consultation.

## Situation

9. Night flight restrictions have existed in some form at Stansted Airport since 1978. Since 1993, there has been a limit on the number of flights and the amount of noise energy that can be emitted via a movement limit and a noise quota limit. These limits apply in the night quota period (23:30 – 06:00). In relation to the noise quota limit, each aircraft is assigned a quota count (QC) depending upon its noise performance, some aircraft having a different QC rating for arrival or departure. Many aircraft are less noisy on arrival than on departure. Currently, aircraft are rated in one of seven bands between QC/16 – QC/0.25, although aircraft classified as lower than 84EPNdB are QC–exempt. The very noisiest aircraft (QC/16 and QC/8) are banned from operating at night (23:00 – 07:00) and no QC/4 aircraft can be scheduled in the night quota period. There are procedures within the restrictions for an unused shortfall of the limits to be carried over into the next season; also for an overrun to be carried over but with consequential deductions in the next season’s allocation.
  
10. A dispensations system is also in operation whereby certain types of movements can be disregarded from the restrictions. These include some flights involving VIPs and relief flights which are given dispensation by a notice from the Secretary of State. Others involve operational matters where the decision is made by the airport manager under powers granted by the Secretary of State.

### Current Night Operations

11. The current restrictions run from October 2014 – October 2017. This is deliberately shorter than the usual 5-year period because the Government wanted to wait for and consider the outcome of the Airports Commission’s work on airport capacity before considering any substantial changes. The limits are set seasonally. Stansted’s current limits, which have not changed since 2006, are as follows:  
  

<b>Summer season night movement limit</b>	<b>– 7,000</b>
<b>Summer season noise quota limit</b>	<b>- 4,650</b>
<b>Winter season night movement limit</b>	<b>- 5,000</b>
<b>Winter season noise quota limit</b>	<b>- 3,310</b>
  
12. This inertia since 2006 has meant that local residents have not experienced any real benefit from the restrictions other than through reduced levels of activity due to the economic downturn: a situation which is now being reversed.
  
13. The consultation document explains how the night flight restrictions work, and sets out the current position at the 3 designated airports which the Government regulates (Heathrow, Gatwick and Stansted). In relation to

operations at Stansted, the main points to note are:

1) *The entire movement limit was used in summer 2016, and carryover was used. Winter 2015/16 usage was about 62%. In relation to the quota count, summer usage was just under 100% and winter about 67%.*

2) *Low cost carriers constitute about 45% of night movements, largely concentrated at the beginning and end of the night quota period. Freight services are about 35% of night movements.*

3) *There were over 1,000 exempt movements in summer 2016, which is about 5 per night compared to a summer night average of 34 movements that do count under the restrictions. Most of these are small turboprop freighters and business jets, although some of the new larger commercial passenger aircraft could fall into the exempt category under the current restrictions.*

4) *Compared to Heathrow and Gatwick, Stansted uses a far higher proportion of its noise quota limit – approximately 100% in summer 2016 compared to 45% and 79% respectively for the other two airports.*

14. The consultation document details usage of movement limits and quota points since Winter 2006/7. Broadly, summer usage reflects the economic downturn that took place in 2008; winter usage less so, but at lower levels of take-up.

#### Setting New Restrictions – the Proposed Broad Aims

15. The Government is proposing to set a 5-year regime until October 2022 but, if there are appropriate opportunities to do so before then, to allow more bespoke arrangements to be made that reflect specific local circumstances. Paragraph 2.20 of the consultation document states as follows, referring to Manchester Airports Group's intention to seek planning permission to increase its 35mppa passenger cap:

*“Stansted’s intention to seek planning permission in the coming months will give them the opportunity to seek to reach a local agreement on night flight restrictions that is acceptable to both the airport and local communities. Maintaining the existing benefits of night flights while encouraging quieter aircraft and, at the same time, ensuring the airport is not allowed to make more noise than is currently allowed, would avoid making changes that pre-empted these future considerations”.*

16. The environmental objective that the Government is proposing for the new restrictions is to:

*“Encourage the use of quieter aircraft to limit or reduce the number of people significantly affected by aircraft noise at night, while maintaining the existing benefits of night flights”*

Delivery of this objective would be measured by:

- The area of and number of people in the 48dB LAeq 6.5hr night contour
- The average QC per movement, and
- Number of movements in the night quota period

17. Using the 48dB contour reflects increased evidence about the impacts of lower noise levels on sleep disturbance and health. This is welcome, but the Government is not proposing to adopt the World Health Organisation's standard definition of the night noise period, which is 8 hours.

#### Options and the Balanced Approach

18. To achieve its environmental objective, the Government is proposing 5 policy options. These are (in summary):
1. *Do Nothing – i.e. continue the existing restrictions*
  2. *Implementation of QC/0.125 category, and incorporate QC/0 aircraft into movement limits for all three airports*
  3. *As 2, plus uplift movement limits at Stansted by the current number of QC/0 movements*
  - 4a. *As 3, plus reduce noise quota limits at Heathrow and Gatwick*
  - 4b. *As 4a, plus reduce quota limits gradually over the 5 year regime at all three airports by 20%, for example*

The Government's preferred option is either 4a or 4b, although at Stansted Option 4a has no additional effect over and above Option 3.

19. The consultation document sets out how it could achieve its environmental objective using the "Balanced Approach", which is defined as:

*"guidance developed by the International Civil Aviation Organisation to address aircraft noise problems at individual airports in an environmentally responsive and economically responsible way".*

20. The sequential options looked at are i) reduction of noise at source, ii) land-use planning and iii) operational procedures before considering the need for operating restrictions. The Government's conclusion on these options is that the first three will offer some benefits, but that the failure to impose any operating restrictions would mean communities would not be adequately protected from the harmful impacts of aircraft noise. As a result, the Government would fail to meet the environmental objective.

#### Setting New Restrictions – the Proposed Details

21. The proposed changes to the restrictions as they affect operations at Stansted are set out below in bold.

#### ***A new QC/0.125 category***

22. The justification for setting a new QC/0.125 category is that many airlines are ordering new aircraft that would be QC/0 under the current restrictions, such as the Boeing 737-MAX (Ryanair). This would enable airlines to operate a potentially unlimited number of these aircraft during the night quota period, exposing communities to harmful impacts. A large number of exempt operations would not be in the interests of transparency as communities would not have any idea of the total number of night flights they could be exposed to. The carry over and overrun procedures already add to uncertainty for local residents during each quota season.

***All operations by aircraft that remain as QC/0 count towards the movement limit***

23. The Government says this would add to transparency and certainty for local communities whilst maintaining incentives for producing and purchasing quieter aircraft. This would have an impact on the total number of flights in the night quota period as only movements granted a dispensation would remain outside the regulations. Few dispensations are granted at Stansted.

***Stansted's winter season movements limit increases from 5,000 to 5,600  
Stansted's summer season movements limit increases from 7,000 to 8,100***

24. The Government's reasoning behind this is that the proposal to introduce a QC/0.125 category would have a disproportionate impact at Stansted, as even if the airport operator had used its full carryover and overrun allowances under the existing restrictions it would not have been able to accommodate all of the extra movements if they had counted towards the movement limit. During the recent summer season, 13% of the total night movements were by aircraft that would have been classified QC/0.125.

25. Effectively, the proposed increase in the movements limit authorises a continuation of the status quo at Stansted so that, in the words of the consultation:

*"it does not prejudice any local considerations at this stage by making radical changes to the number of flights that are permitted" (Paragraph 3.19)*

This again is a clear reference to agreeing a local scheme as part of any future grant of planning permission to raise the passenger cap. The proposal to increase the summer and winter movement limits, albeit to accommodate less noisy aircraft to maintain the status quo, would seem to have the effect of locking in any benefits of extra night flights into the regulatory system without taking into account the effect on local residents.

***The current noise quota limits serve as the starting point for considering reductions for the next regime. These are: 3,310 in the winter, 4,650 in the summer***

26. By referring to a “starting point” this does not seem to be entirely clear as to its intentions. At Heathrow and Gatwick, the Government is proposing to cut the quota limit by a total of about 20% over the 5-year period because of the greater headway between the quota limit and usage that exists at Heathrow and Gatwick compared to Stansted. Option 4b, however, clearly refers to reducing the quota limit gradually over the 5 year period at Heathrow, Gatwick and Stansted.
27. The Government has published some forecasts of the total estimated movements and noise quota usage under the policy options it has set out from winter 2017/18 to summer 2022. These forecasts are based on a number of assumptions which are set out in the impact assessment. At Stansted, the assumptions are that the airport operator will seek to maximise the number of summer night flights by using up to 10% carry over and overrun, but not the full 20% due to the higher penalties involved.
28. Under Option 4b, significant headway would continue to exist at Stansted between winter movements and quota usage and the relevant caps. In the summer, total movements and quota usage would exceed the caps in all instances except movements in summer 2022. This would require action by the airport operator, most likely using the carry over and overrun procedures as assumed by the Government. A 20% reduction in the noise quota limit over 5 years would result in about 5,500 fewer flights in the night quota period compared to Option 1, resulting in 350 fewer people (around 9%) in the 48dB LAeq 6.5hr night contour

#### A Locally Negotiated Scheme

29. At this point in time, the Council is not in a position to form a view on whether a local scheme would be desirable and/or achievable. However, the principles of a local scheme are set out by the Government in the 2013 Aviation Policy Framework (Paragraph 3.3);

*“We want to strike a fair balance between the negative impacts of noise (on health, amenity (quality of life) and productivity) and the positive economic impacts of flights. As a general principle, the Government therefore expects that future growth in aviation should ensure that benefits are shared between the aviation industry and local communities. This means that the industry must continue to reduce and mitigate noise as airport capacity grows. As noise levels fall with technology improvements the aviation industry should be expected to share the benefits from these improvements”.*

#### **Risk Analysis**

- 30.

Risk	Likelihood	Impact	Mitigating actions
That there will be increased noise and disturbance for local residents from night flights at Stansted Airport.	2. This is a possibility because the consultation makes it clear that DfT needs to balance the economic benefits of night flights and their environmental effects.	3. More relaxed night flights restrictions could have an adverse effect on the quality of life of local residents.	Reply to the consultation setting out the Council's case for tightening the existing restrictions.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

## Night flight restrictions consultation

### Q1a. How strongly do you agree or disagree with our proposed environmental objective for the next regime?

The Council agrees with the proposed environmental objective, insofar as there needs to be pressure and drivers on the industry to continually reduce the negative impacts that night flights impose on local communities. The environmental objective also recognises the need to balance the economic benefits of night flights with community impact. However, in addition to encouraging the use of less noisy aircraft, it should also ensure that a significant reduction in night time noise occurs. The phrase “limit or reduce” in the environmental objective does not give certainty to local residents that reductions will occur.

### Q1b. Do you have any additional comments on our proposed environmental objective for the next regime?

The Council notes the Government's comments on reaching a locally agreed scheme in relation to further development at Stansted Airport. Whilst the Council welcomes the Government's approach in encouraging the use of less noisy aircraft, a firm commitment to reducing night time noise impact over time (such as Option 4b) would be a positive step forward in protecting local communities, and would set a marker for any negotiations between the Council as the local planning authority and the airport operator.

**Q2a. How strongly do you agree or disagree with our proposal for the length of the next regime?**

The 5-year timescale of the regime should not necessarily be rigidly applied. Whilst there may be a case for controls to be agreed locally, the Council looks to the Government to take a balanced approach and set a regime considering all available evidence. There may be merit in aligning the regime with the consultations on airspace policy and any significant evidential studies on impact.

**Q2b. Do you have any additional comments on our proposal for the length of the regime?**

Given that there are evidence gaps concerning the long term impact of night noise on health, it is incumbent on the Government to take a precautionary approach when setting the length of the regime. As further evidence becomes available, such as new WHO guidelines, the timetable for reviewing the new regulations should be looked at.

**Q3a. How strongly do you agree or disagree with our proposal to introduce a new QC/0.125 category for aircraft between 81 and 83.9 EPNdB?**

The Council strongly agrees. Without the introduction of the proposed category, there is the potential for unlimited night time flights to occur, that would have an adverse impact on the local community. The proposal is will assist with transparency over the number of movements and noise quota.

**Q3b. How strongly do you agree or disagree with our proposal for all aircraft quieter than this to remain QC/0 but count towards the airports movement limit?**

The Council disagrees that all aircraft quieter than 81 EPNdB should remain QC/0. Unless evidence is presented that aircraft under this noise descriptor will not cause adverse impact, it is appropriate that the aircraft should count towards the overall QC and be included within QC/0.125.

**Q3c. Do you have any additional comments on proposals for the Quota Count System?**

The existing QC system is logical and provides the airports with good levels of flexibility, incentivising the use of quieter aircraft. However, to ensure progress is made, the quota should be reduced over the period of the proposed regime as is implied in Option 4b.

**Q4a. How strongly do you agree or disagree with the proposal for movement limits to remain unchanged at Heathrow?**

No comment

**Q4b. Do you have any additional comments on our proposal for Heathrow's movement limit?**

No comment

**Q5a. How strongly do you agree or disagree with the proposal for movement limits to remain unchanged at Gatwick?**

No Comment

**Q5b. Do you have any additional comments on our proposal for Gatwick's movement limit?**

No Comment

**Q6a. How strongly do you agree or disagree with the proposal to raise Stansted's movement limits to reflect the current number of exempt aircraft in operation?**

The Council agrees very strongly that there is a valid and reasonable case for including currently exempt aircraft within the movements limit. Raising the movement limits initially indicates that there is no net benefit to communities, other than for reasons of transparency etc. The Council seeks assurances that this change will not lead to adverse impacts on the community, particularly when considering the potential implications of increased use of carry over and overrun provision.

The Council is concerned that the motive for raising the movements limit appears to be to retain the status quo pending a local agreement, which may or may not prove possible in the future. The impact assessment sets out the general costs and benefits of night flights, but the Council sees no evidence of a specific analysis having been carried out on the costs and benefits of including the 1,700 currently exempt flights a year within the movements limit. Do all these flights have benefits that exceed their costs, or is it just operationally convenient to include them in the movements limit? The 1,700 currently exempt flights would add 16% to the total number of night movements.

**Q6b. Do you have any additional comments on our proposal for Stansted's movement limit?**

No

**Q7a. How strongly do you agree or disagree with our proposals to encourage the use of quieter aircraft at Heathrow**

No Comment

**Q7b. Do you have any additional comments on how you feel noise quotas can best be set in order to encourage the use of quieter aircraft at Heathrow?**

No Comment

**Q8a. How strongly do you agree or disagree with our proposals to encourage the use of quieter aircraft at Gatwick?**

No Comment

**Q8b. Do you have any additional comments on how you feel noise quotas can best be set in order to encourage the use of quieter aircraft at Gatwick?**

No Comment

**Q9a. How strongly do you agree or disagree with our proposals to encourage the use of quieter aircraft at Stansted?**

The Council agrees that the proposals should encourage the use of less noisy aircraft. However, even less noisy aircraft can cause an adverse impact if the quota limit allows more movements to take place and communities perceive that there is more overflying as a result. Therefore, the Government's approach should not only encourage less noisy aircraft but also reduce the overall noise impact on communities.

**Q9b. Do you have any additional comments on how you feel noise quotas can best be set in order to encourage the use of quieter aircraft at Stansted?**

The Council strongly suggests that the noise quota limit should be reduced year on year to provide on-going pressure in the industry to adopt technological improvements that will reduce the existing impact. It is also now time for there to be additional restrictions on the QC system to prohibit particular aircraft with a high QC from operating at night. It is evident from Figure 11 of the consultation document that QC/4 aircraft now form only a small fraction of one percent of movements at Stansted, and these should now be subject to the same night ban as QC/8 and QC/16 aircraft. Over the last three years, QC/2 aircraft have formed between 8.5% - 4% of total night time movements according to Figure 11. The Government should consider whether the new restrictions should contain a requirement that QC/2 night movements are gradually phased out over the period.

**Q10. Do you have any further views on our proposals, or their potential impact on the Government's ability to fulfil the requirements of the Public Sector Equality Duty?**

The Council wishes to see the phasing out of the carry over and overrun arrangements. Prolonged use of these at Stansted would disguise and perpetuate higher summer limits which are not transparent and which are not evident from the movement and quota limits set under the restrictions. Certainty and transparency for

local residents can only be achieved by absolute limits, which airport operators will be able to plan for in setting their schedules.