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## MEDIUM TERM FINANCIAL STRATEGY 2015/16 – 2019/20

### 1 SUMMARY

- 1.1 To consider and approve the integrated 5 year Medium Term Financial Strategy (MTFS) starting in 2015/16.

### 2 INTRODUCTION

- 2.1 In preparing the Budget for 2015/16 and the Medium Term Financial Strategy covering the period to 2019/20, the Council needs to consider a range of factors, which are brought together with its priorities for consideration to determine the MTFS and the key priorities for 2015/16 and beyond.

- 2.2 This report considers in detail the issues, assumptions and considerations made in preparing the MTFS, under the following headings:-

- Section 4&5 - Background to the MTFS & Summary
- Section 6 - Government Funding
- Section 7 - Council Tax
- Section 8 – External Funding
- Section 9 - Resource Requirements
- Section 10 - Fees and Charges
- Section 11 - Management of Reserves and General Fund Balances
- Section 12 – Identification of Priorities
- Section 13 – Mind the Gap
- Section 14 - Capital Programme
- Section 15 - Medium Term Financial Plan
- Section 16 – Risk Implications
- Section 17 – Equalities and Diversity Implications

### 3 QUESTIONS

- 3.1 Members are reminded that the normal practice of the Council is that questions of detail relating to the enclosed information, including the Appendices, should be raised in advance of the meeting. Questions should be addressed to Yvonne Woodward, Head of Finance, on 01702 318029 (email: [yvonne.woodward@rochford.gov.uk](mailto:yvonne.woodward@rochford.gov.uk)) by Friday, 6 February 2015.
- 3.2 This report has been scrutinised by the Review Committee on 3 February 2015.

#### **4 BACKGROUND**

- 4.1 In line with the requirements of Section 25 of the Local Government Act 2003, the Head of Finance, as Chief Finance Officer for the Authority, can affirm the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves discussed later in this report.
- 4.2 The Council regularly reviews financial management arrangements including the budget process to ensure that they remain 'fit for purpose', and keeps the financial services function under review to consider capacity, resourcing and training needs.
- 4.3 The MTFS models income and expenditure over a 5 year period and is formally reviewed twice a year, once when the final accounts for the prior financial year have been completed and as part of the budget setting process for the forthcoming financial year.
- 4.4 The current MTFS has been produced following a continuing period of uncertainty around the global and national economic picture, and dramatic falls in some of the Council's income streams. The significant reductions in Government funding are considered in more detail later in this report together with the major changes to the way that local government is funded with the localisation of business rates.
- 4.5 The Chancellor's Autumn Statement on 3 December 2014 made clear that austerity will continue and it is against this background that the MTFS has been prepared.

#### **5 SUMMARY**

- 5.1 Against a backdrop of continuing reductions in the main Government funding, the overriding financial strategy for the Council is to reduce dependency on Revenue Support Grant, by growing New Homes Bonus and Retained Business Rates and reducing the cost base. It will do this by:
- Implementing an Economic Growth Strategy that is focused on retaining and increasing the rateable values in the District;
  - Supporting the delivery of housing through the planning framework, working with developers and social landlords;
  - Reducing costs through continued efficiencies and exploring ways of delivering services differently including partnership working;
  - Increasing income by maximising special grants, reviewing the level of fees and exploring additional income generating services.
- 5.2 The Financial Strategy for General Fund balances is to have them at a level that:

- Prepares for reductions in Government funding that are greater than forecast.
- Provides a safety net against unexpected changes in the way that the New Homes Bonus is calculated and awarded.
- Builds up funds for investment in future service delivery or to generate a revenue return for a sustainable General Fund in the future.

## 6 GOVERNMENT FUNDING

- 6.1 The Government's Autumn Statement on 3 December set the context for the future of Government funding of local government.
- 6.2 When the Coalition took office in 2010, total government debt was £811bn. It is now around £1,451bn, an increase of nearly 80%. While there has been an increase in consumer and industrial confidence in the economy, the weakness in UK government income tax receipt has been fuelled by the growth in jobs that are low paid and/or part time employment. There has also been an increase in self employment over the last 12 months which makes predicting and receiving tax receipts much more difficult. The Coalition raised the personal tax allowance in April 2014 which reduced tax revenues and rising house prices have contributed to the fall in mortgage approvals and consequent drop in stamp duty receipts.
- 6.3 In November 2010, the Government stated that the structural budget deficit would be eliminated in 2015/16, in March 2012 this deficit would be eliminated by 2016/17 and by the March 2014 Budget, it was to be eliminated by 2018/19.
- 6.4 To meet the target, further cuts to public sector expenditure are required. It is estimated that approximately 30% of the necessary cuts have been made in the current parliament and 70% would come in the next parliament. The speed at which these cuts are made depend on the outcome of the General Election. If the ring fencing of services such as health, schools and international development continue, then severe cuts will have to be made outside the ring fence. The Office for Budget Responsibility have stated that if the existing ring fences stay in place then spending in other departments will fall from 11.3% of GDP to 4.2% in 2019/20.
- 6.5 **Revenue Support Grant (RSG)**
- 6.6 Without legislative changes to the Retained Rates Scheme, Revenue Support grant is the main way that Government can reduce the amount of funding to local authorities.
- 6.7 The Government have indicated the austerity measures will continue and this will include looking at reductions in the funding to local authorities. As we do not deliver any of the "protected" services such as health and education, we might expect to bear the bigger brunt of cuts.

6.8 Historically, our funding from Government has changed as follows:

Year	Formula Grant £m
2006/07	(4.410)
2007/08	(4.758)
2008/09	(4.906)
2009/10	(5.035)
2010/11	(5.151)
2011/12	(3.653) <sup>Note 1</sup>
2012/13	(3.249) <sup>Note 2</sup>
2013/14	(2.282)
2014/15	(1.742)
2015/16	(1.202)

Note 1: £735k reduction due to transfer of Concessionary fares to County and £157k Council Tax freeze grant included.

Note 2: £317k Council tax freeze grant included.

6.9 In 2013/14 Formula Grant was replaced by the Revenue Support Grant and Retained Rates Scheme. Total funding for 2014/15 was £3.683m of which £1.743m was RSG. The Government have given provisional figures for 2015/16 with RSG reducing by 31% to £1.202m. Confirmation of the 2015/16 figures is expected around 5 February and a verbal update will be given to the meeting.

6.10 The current forecasts for future RSG are:-

	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Revenue Support Grant	(1.193)	(0.900)	(0.634)	(0.388)	(0.177)
Annual Reduction	-31%	-25%	-30%	-39%	-54%

6.11 The forecasts for 2016/17 onwards are based on Government announcements regarding future levels of public sector funding and benchmarking with other Essex authorities on their assumptions. The estimates are considered by the Head of Finance to err on the side of prudence.

**6.12 Retained Rates Scheme (RRS)**

6.13 The Government introduced major changes to the way that local government is funded from 2013/14 with the implementation of a Rates Retention Scheme.

6.14 The main principles of the Rates Retention Scheme (RRS) are:-

- a) A Baseline Funding Level and Business Rates Baseline are set by Government.
- b) The Business Rates baseline is not our income; it is the baseline against which the tariff, levy and safety net are assessed. Our income will be based on our forecast as reported in the NNDR1 return.
- c) The difference between the Business Rates Baseline and the Baseline Funding Level determines the level of tariff.
- d) The Government will take a central share of 50%, which means that there will remain a requirement for Revenue Support Grant (RSG). The remaining 50% is split with county/fire (80% to RDC, 18% to ECC and 2% to Fire).
- e) Future growth in business rates income will be split with 50% going to the Government as the central share, and 50% retained by local authorities, under the same split with the County and Fire as above. The growth is then subject to a levy of 50p in the £.
- f) The levy will fund a safety net for authorities who see unexpected reductions in their rates income, e.g. major employer closes. The safety net has been set at 92.5% of the Business Rates baseline.
- g) There will be a reset of the Retained Rates scheme in 2020 to redistribute growth.
- h) Local authorities can choose to pool their business rates. Under the Rates Retention scheme, authorities are either tariff authorities (receive more business rates than their baseline funding figure) or top up authorities (receive less business rates). Rochford are a tariff authority and Essex County Council are a top up authority. Tariff authorities pay a levy of 50p in the £ on any growth above their baseline. Top ups don't pay a levy. In a pool, the tariffs/top ups are combined with the aim of cancelling each other out to reduce the levy. Pooling only works with top up authorities included. For Essex, with County involved, we would end up not paying a levy. Some of the Essex authorities, including County and Fire Authority have applied to pool for 2015/16. Rochford District Council will also be included in the Pool. The details of the impact of pooling on individual authority's retained rates depend on all the member authorities completing their 2015/16 estimates, which do not have to be done until 31 January. The risk associated with pooling is related to the safety

net. Currently, if an authority goes below 92.5% of its baseline, it will receive grant up to that 92.5% level. In a pool, the safety net payment has to be met from the pool. For our pool, this risk is reduced no Essex authority in danger of falling below the safety net are included in the pool.

6.15 For Rochford District Council, the baseline figures are:-

		2014/15 £m	2015/16 £m
	Lower Tier Funding	1.463	1.491
PLUS	2011/12 Council Tax Freeze grant	0.064	0.065
PLUS	Homelessness Prevention	0.020	0.021
EQUALS	Baseline Funding	1.548	1.577

6.16 In the Government's Autumn Statement on 3 December, there were a number of announcements that affect the Retained Rates Scheme:-

- doubling Small Business Rate Relief for a further year (2015-16);
- a 2% cap on the inflation increase for 2015-16 (September's RPI, by which bills were due to increase, was 2.3%);
- increasing the temporary £1,000 discount for shops, pubs and restaurants with rateable values below £50,000 to £1,500 for 2015-16;
- to extend in effect the existing transitional relief scheme for two years for properties with a rateable value up to and including £50,000. As a result of this measure, small properties (with a rateable value of less than £18,000) that would otherwise face bill increases above 15% and medium sized properties (with a rateable value of £50,000 or less) that would otherwise face bill increases above 25% will benefit. This will be delivered using Localism Act discounts on which the Department will publish guidance shortly. This measure will not affect those ratepayers in transition to lower bills whose scheme will end on 31 March 2015.

6.17 As the above announcements impact on the amount of retained rates, the Government will refund the loss through S31 grants. The impact of the cap on the multiplier on the Retained Rates is being funded by S31 grant. However, because of the way this is interlinked with the reliefs, the estimate for the impact of the cap identified is different to the amount of grant.

6.18 While the Government sets out baseline figures for the Retained Rates Scheme, the actual amount retained by the Council depends on our forecasts for actual rates income. The forecast is done as part of the NNDR1 return to Government with the estimate set in the January before the start of the financial year. This estimate includes the forecast.

6.19 The following table shows the calculation of the income for RDC based on the NNDR1 forecasts:-

		<b>2014-15</b> £m	<b>2015-16</b> £m
	Net NDR Yield	(17.014)	(16.268)
<i>Less</i>	50% to Government	8.507	8.134
<i>Less</i>	9% Essex County Council	1.531	1.464
<i>Less</i>	1% to Essex Fire	0.170	0.163
<i>Equals</i>	40% Share retained by RDC	(6.805)	(6.507)
<i>Less</i>	Tariff paid to Government	4.753	4.844
<i>Plus</i>	Section 31 Grants	(0.280)	(0.437)
<i>Equals</i>	Pre-Levy Income	(2.333)	(2.100)
<i>Less</i>	Levy on Growth	0.393	0.131
<i>(plus)/less</i>	prior years' (surplus) / deficit	0.000	0.382
<i>Equals</i>	Retained Business Rates Income	(1.940)	(1.588)

6.20 Business rates income is affected by the following:-

- The business rates multiplier is increased by the RPI inflation in the September prior to the financial year, unless capped by the Government in their Autumn Statement which has occurred for 2014/15 and 2015/16.
- Rating values are subject to appeals from businesses that may result in reductions and refunds going back previous financial years.
- A provision must be made not only for existing outstanding appeals but also for future possible appeals.
- New properties or changes to existing properties.
- Businesses closing and properties becoming empty.
- In January prior to the new financial year, an estimate must be made of any surplus or deficit for the current financial year. This estimated surplus or deficit is then distributed in the next financial year.

- The Retained Rates Scheme includes an allowance to cover the cost of collecting business rates (£85,235 for 2015/16) – this is shown as income on the Business Rates cost centre and not included in the total for Retained Rates.

6.21 There were other announcements in the Autumn Statement which will impact on the Authority:-

- business rates appeals backdating – the Government will change the rules so that alterations to rateable values can only be backdated up to 1 April 2010. Currently appeals can be backdated to 1 April 2005. This change should reduce the value of refunds made but does not affect the impact of downward revaluations on annual income from the retained rates scheme.
- the Government has announced that it will review the future structure of business rates and will report before Budget 2016. The review will not consider changes to the principle that some of the revenue from business rates should directly fund local government. It will fully consider the impact on local government funding of any changes to the structure of business rates. However any change to the structure of business rates is likely to have an impact on workloads, particularly during implementation and may increase the risk of appeals.
- business rates administration review: interim findings – the Government will publish interim findings setting out a summary of stakeholder responses and providing an update on how the Government proposes to respond to businesses’ calls for clearer billing, better sharing of information and a more efficient appeals system
- business rates avoidance: discussion paper – the Government will publish a discussion paper on the nature and scale of business rates avoidance.

6.22 Projections for Retained Business Rates up to 2019/20 are as follows:-

	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Retained Business Rates Income	(1.588)	(2.010)	(2.058)	(2.110)	(2.018)

6.23 Assumptions used in these forecasts:-

- Small Business Rate relief will continue.
- Other temporary extensions to reliefs will continue. If they are stopped, there will be a matching increase to rating income, so no impact on the bottom line of the Retained Rates.



- No future cap on the increase in the business rate multiplier. If there is a cap, it is anticipated that this will continue to be funded by S31 grant.
- No changes are made to the Retained Rates Scheme before the planned reset for 2020.
- RPI inflation forecast as follows, based on Bank of England and Capital Economics forecasts:-

	2016-17	2017-18	2018-19	2019-20
RPI Inflation	2.5%	2.5%	2.5%	2.4%

### **National Non Domestic Rates (NNDR) Forecasting**

- 6.24 Under the Government's new Business Rates Retention model the NNDR1 form has become a key document in the budget setting process.
- 6.25 The NNDR1 shows the calculation of the amount to be retained, and the amounts to be paid to central government and major precepting authorities on the basis of the billing authority's estimate of its non-domestic rating income for the year.
- 6.26 Calculations of these shares of non-domestic rates income are recorded on the form in the NDR summary. There will be a retrospective cash adjustment in the following financial year based on the final position for the financial year in question.
- 6.27 One of the more significant changes to the NNDR1 is that it now includes the estimated adjustments to the NDR total arising from appeals and anticipated growth in rateable values. These have been based on an assessment of the outstanding appeals held by the Valuation Office, the historic experience on appeals and a judgement on likely impact over the coming year: The Government have announced a target for the Valuation Office, who manage appeals, to clear 95% of the backlog of appeals as at September 2013 by July 2015. This has been taken into account in the estimate of the impact of appeals on retained business rates.
- 6.28 The 2015/16 return submitted to DCLG is included as Appendix 1.
- 6.29 **New Homes Bonus (NHB)**
- 6.30 This Government incentive to encourage more homes was introduced in 2011/12. It is based on the increase in new houses and bringing empty homes back into use and the grant matches Council Tax for 6 years, with 80% being received by the district council, as the planning authority, and 20% going to the county. The growth in housing is measured from a statistical

return which reports the Council Tax base as at September each year and the NHB is based on an average Council Tax rate.

- 6.31 There is also an additional reward of £350 for each new affordable home and Council provided Travellers' pitch, which is measured in April each year, again split 80:20 to districts and county.
- 6.32 For 2015/16, the number of new homes is 267 new dwellings, which equates to 307 band D equivalents and earns £362k in new homes bonus. Empty homes has seen a large fall of 83 dwellings (equivalent to 73 Band D Equivalents) and earning £86k in bonus.
- 6.33 The considerable improvement in the number of empty homes receiving discount is due to the work that the Revenues and Benefits team have undertaken in following up on the annual review of empty properties by visits to ensure that the discount is being correctly claimed.
- 6.34 In addition, the above total of new homes includes 73 Affordable Homes earning another £20k in bonus.
- 6.35 The numbers quoted below are the Band D equivalents and not the actual number of physical properties.
- 6.36 Value of NHB:-

<b>Actual Bonus Earned</b>	<b>Year 1 2011/12</b>	<b>Year 2 2012/13</b>	<b>Year 3 2013/14</b>	<b>Year 4 2014/15</b>	<b>Year 5 2015/16</b>
Additional Properties	60	68	78	112	307
Reduction in Empty Homes	41	62	67	14	73
Total change in housing	101	130	145	126	380
Affordable Homes	-	-	46	13	38
<b>Bonus earned (£000s)</b>	<b>0.117</b>	<b>0.149</b>	<b>0.174</b>	<b>0.156</b>	<b>0.458</b>

<b>Forecast of Bonus</b>	<b>Year 6 2016/17</b>	<b>Year 7 2017/18</b>	<b>Year 8 2018/19</b>	<b>Year 9 2019/20</b>
Additional Properties	217	126	100	148
Reduction in Empty Homes	30	30	30	30
Total change in housing	247	156	130	178

Affordable Homes	44	39	30	30
<b>Bonus earned (£000s)</b>	<b>0.303</b>	<b>0.196</b>	<b>0.163</b>	<b>0.222</b>

6.37 Future years' forecasts are based on best estimates of the likely completions of new houses as measured in September each year. These estimates are based on Planning Policy's Housing Trajectory forecast, adjusted for the timing which means that properties need to be on the Council Tax listing as at September. The forecast is also adjusted for an assessment of the likelihood of properties being completed based on the status of planning applications.

6.38 The bonus is paid for 6 years, so the bonus that started in 2011/12 will stop in 2017/18, which explains why the cumulative bonus starts to level out from then. The table below shows the payment profile:-

Payment for: (£m)	2011/12	2012/13	2013/14	2014/15	2015/16	2016-17	2017-18	2018-19	2019-20
Year 1	0.117	0.117	0.117	0.117	0.117	0.117			
Year 2		0.149	0.149	0.149	0.149	0.149	0.149		
Year 3			0.174	0.174	0.174	0.174	0.174	0.174	
Year 4				0.156	0.156	0.156	0.156	0.156	0.156
Year 5					0.458	0.458	0.458	0.458	0.458
Year 6						0.303	0.303	0.303	0.303
Year 7							0.196	0.196	0.196
Year 8								0.163	0.163
Year 9									0.222
<b>Total Payment</b>	<b>0.117</b>	<b>0.266</b>	<b>0.44</b>	<b>0.596</b>	<b>1.054</b>	<b>1.357</b>	<b>1.436</b>	<b>1.450</b>	<b>1.498</b>

6.39 The above forecasts assume that no changes are made to the NHB scheme or level of bonus paid for each additional housing unit.

6.40 The Government's aim with the NHB was that it would benefit communities who support development in their areas and act effectively as a reward or incentive get encourage communities to accept new housing. Because of the large reductions in funding for core services and the significant uncertainties over future funding, the NHB is currently planned to go into General Fund balances. The NHB will then continue to support the delivery of services across the District but also finance the capital programme which provides new and improved facilities.

6.41 During 2013, there was a Government consultation on top slicing 30% of total NHB to fund a Growth Fund for Local Economic Partnerships. The

Government withdrew this proposal but are reviewing the scheme, including whether bonus should be awarded for housing developments which are given planning permission on appeal.

- 6.42 There has been some recent criticism of the New Homes Bonus and discussion about whether it is achieving the aim of encouraging new house building. This raises the risk that the scheme may be stopped or amended if there is a change of Government in 2015, which could affect the scheme from the 2016/17 financial year. This situation will need to be carefully monitored.

#### Preventing Homelessness Grant

- 6.43 The Government have confirmed that they will continue to fund local authority preventing homelessness grant until 2015. Under the RRS, the grant funding will be rolled into the RRS and RSG, although it is promised to remain visible. Although the money is not ring-fenced it will remain allocated to homelessness activity. Any unused grant will be set aside in the earmarked reserve to protect this funding for homelessness activity. The funding is included in the totals for RRS and RSG and the cost centre shows the budgeted expenditure funded by this grant.

#### Government Funding - Summary

- 6.44 Based on the considerations above, the MTFs is based on the following figures for Government funding.

	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Business Rates	(1.940)	(1.588)	(2.010)	(2.058)	(2.110)	(2.018)
Revenue Support Grant	(1.743)	(1.202)	(0.900)	(0.634)	(0.388)	(0.177)
<b>Main Government Funding</b>	<b>(3.682)</b>	<b>(2.789)</b>	<b>(2.910)</b>	<b>(2.693)</b>	<b>(2.498)</b>	<b>(2.194)</b>
Year on Year change	-4%	-24%	4%	-7%	-7%	-12%
		0.894	(0.120)	0.217	0.195	0.303
New Homes Bonus	(0.596)	(1.053)	(1.357)	(1.436)	(1.450)	(1.498)
<b>Direct Government Funding</b>	<b>(4.278)</b>	<b>(3.843)</b>	<b>(4.267)</b>	<b>(4.129)</b>	<b>(3.948)</b>	<b>(3.693)</b>
Year on Year change	0%	-10%	11%	-3%	-4%	-6%

6.45 Overall the reduction in the main Government funding for 2015/16 of £0.9m is partly offset by the increase in New Homes Bonus. The above figures demonstrate the importance of the New Homes Bonus to the Council's financial future and any changes to NHB would be of major concern and require a fundamental rethink of the Council's MTFs and financial plans

#### 6.46 Local Council Tax Support Scheme

6.47 The above figures include the Local Council Tax Support Grant. The LCTS replaced the national council tax benefit scheme in 2013/14. Instead of a fully funded benefit paid towards council tax, eligible claimants receive a discount against their council tax bill. The funding is no longer shown separately by the Government in the above figures. For 2013/14 the funding was split 60:40 between RSG and RRS. While Government claim that the LCTS funding is protected, it is difficult to see how this will be maintained as RSG reduces.

6.48 \*The funding for Council Tax Support is to offset the reduction in the Council's Tax Base, and consequent loss of Council Tax income, arising from the introduction of the LCTS. Although shown separately in 2013/14, it has now been subsumed into the main grant so it is impossible to identify whether the funding has been maintained. The LCTS grant also includes an element for the parish/town councils.

6.49 The baseline figures include grants that have been rolled up into the totals and split between the RRS and RSG funding as follows:-

	2013/14 £m	2015/16 £m	2015/16 £m
<b>In Revenue Support Grant:</b>			
2011/12 Council Tax Freeze	0.095	0.093	0.091
Homelessness Prevention Funding	0.030	0.029	0.028
Council Tax Support Funding*	0.416	-	-
<b>In Retained Business Rates</b>			
2011/12 Council Tax Freeze	0.063	0.064	0.066
Homelessness Prevention	0.020	0.020	0.021
Council Tax Support Funding*	0.277	-	-

## 7 COUNCIL TAX

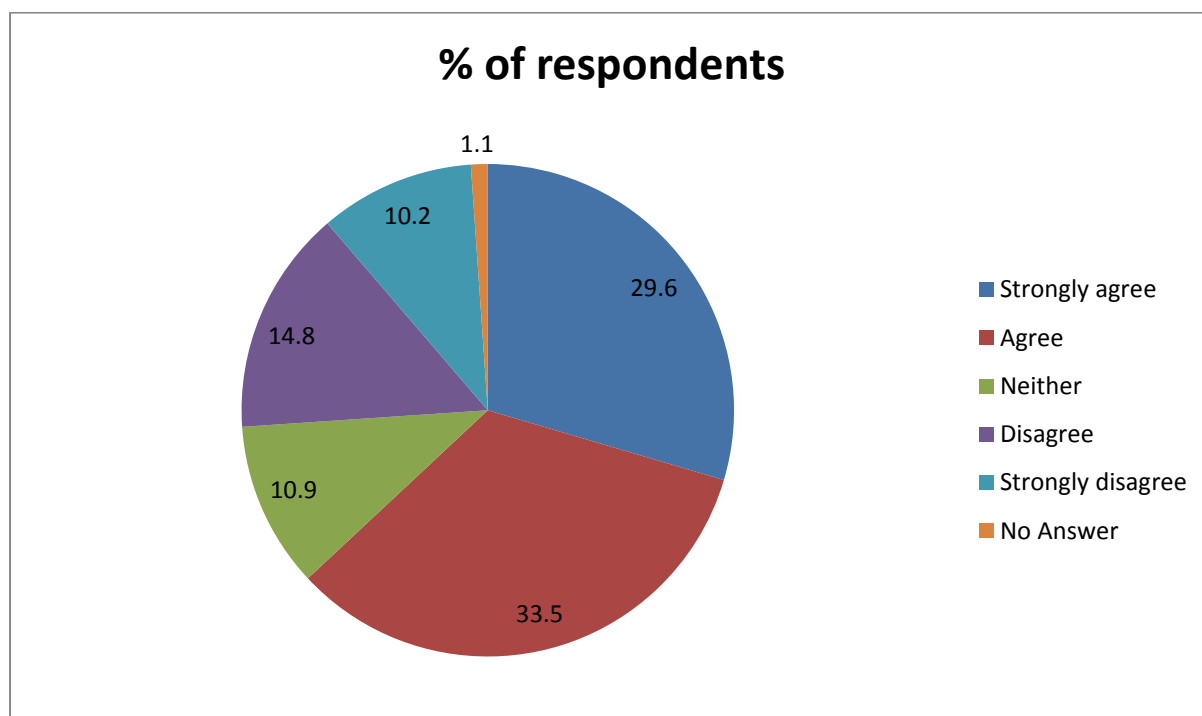
7.1 The other area of income for the Council is the level of Council Tax.

7.2 When considering the Council Tax level for 2015/16, Members will note the current level of Council Tax which is:-

	2014/15 Band D Average (£)
Essex County Council	1,086.75
Essex Fire Authority	66.42

Police and Crime Commissioner	144.27
Parish Councils	39.78
Rochford District Council	208.98
<b>Total</b>	<b>1,546.20</b>

- 7.3 The Government have maintained the principles for triggering a referendum to veto excessive council tax increases at 2%. During last year’s budget process, there was some discussion in Government circles of setting a Council Tax threshold of 1.5% and this remains a consideration for future years.
- 7.4 For 2015/16, the Government has announced a further freeze grant, based on a 1% increase.
- 7.5 In considering whether or not to accept the grant and freeze council tax, Council will again consider the longer term impact of a further freeze on council tax income, against the background of further reductions in Government funding over the next 5 years.
- 7.6 The Council will also note the response to the question about a council tax increase in the public consultation carried out over the Autumn. In response to the question “I would be happy to see an increase in Council Tax if it avoided reductions in service” the response was:



- 7.7 Out of 284 respondents, 63% agreed that they would be happy to see an increase in Council Tax, 25% did not agree and 12% had no view or did not answer the questions.

7.8 Council need to determine the Council Tax level for 2015/16.

7.9 An increase of 1.98% would increase income by £30k in 2015/16, and £158k over 5 years, compared to a 1.5% increase.

	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Option 1 – 1.5% increase</b>					
Council Tax Increase %	1.51%	1.50%	1.50%	1.50%	1.50%
Council Tax Band D Charge (£)	212.13	215.31	218.54	221.82	225.15
Council Tax Income (£m)	6.411	6.552	6.689	6.824	6.971

	<b>Option 2 – Freeze</b>				
Council Tax Increase %	0.00%	1.50%	1.50%	1.50%	1.50%
Band D Rate £	208.98	212.11	215.29	218.52	221.80
Council Tax Income & Grant £m	6.384	6.523	6.658	6.790	6.935
<b>Reduction in annual income</b>	<b>(0.027)</b>	<b>(0.030)</b>	<b>(0.032)</b>	<b>(0.034)</b>	<b>(0.036)</b>
<b>Reduction in GF Balance</b>	<b>(0.027)</b>	<b>(0.057)</b>	<b>(0.088)</b>	<b>(0.122)</b>	<b>(0.158)</b>

7.10 Over the 5 years the average taxpayer would save £16.25 and the Council would have lost £158,000 in income.

### Council Tax base

7.11 The Chief Finance Officer is delegated to set the tax base, which is based on the current council tax valuation list plus an estimate of changes anticipated to occur in 2015/16.

7.12 introduction of the Local Council Tax Support Scheme (LCTS) has meant a change in the way that the Council Tax Base is calculated. The LCTS is based on a discount rather than a benefit, so results in a reduction in the tax base. The reduction in the tax base caused by the discounts is offset by Government grant. For 2015/16, the tax base is calculated as follows:-

		Band D equivalents		
		2013-14	2014-15	2015-16
	Tax base	32,171.4	32,754.5	33,462.3
<i>Less</i>	LCTS Adjustment	(2,970.4)	(2,843.1)	(2,682.1)
<i>Less</i>	Collection Rate Adjustment	(583.92)	(598.23)	(554.0)
<i>Equals</i>	Tax Base for Council Tax calculation	28,617.1	29,313.2	30,226.2

7.13 The Council Tax Base is adjusted for the forecast Collection Rate and for 2015/16 this has been set at 98.2%, based on recent experience. Changes to this assumption would have the following impact:

Collection Rate	Tax Base -Band D equivalents	Change in Council Tax Income Increase / (Reduction) £
97.9%	30,134	(19,297)
98.0%	30,165	(12,865)
98.1%	30,195	(6,432)
98.3%	30,257	6432
98.4%	30,287	12,865

7.14 The increase in the tax base is due to:-

- the additional housing units in the districts;
- further changes in discounts and exemptions to commence from 1 April 2015;
- forecast reduction in discounts and exemptions as a result of additional fraud and compliance being undertaken in partnership with the Essex authorities.

7.15 For 2015/16, income from Council Tax for this Council will be approximately £6.4m. For this Council, the LCTS discounts are the equivalent of £560k (£594k in 2014/15).

7.16 The total Council Tax, including the amounts for Essex County Council, Essex Police and Crime Commission, Essex Fire Authority and the Town and Parish Councils will be set at the Council meeting on 24 February 2015.



### Local Council Tax Support Scheme

- 7.17 There is unidentified funding in the Retained Rates Scheme and Revenue Support Grant to cover the reduction in the council tax base as a result of the move from a council tax benefit scheme to the LCTS which is delivered by discounts on council tax demands.
- 7.18 The total funding for the Rochford district scheme for 2013/14 was £4.44m of which £693,000 related to the district council and parish/town councils. In February 2014, the cost of the LCTS had fallen from £4.47m in February 2013, to £4.24m. At the end of Quarter 3 2014/15, the value of discounts had fallen further to £4.14m. For 2015/16, it is estimated that the value of discounts will be the equivalent of 2,682 Band D properties. The final value of the discounts in 2015/16 will depend on the Band D Council Tax charge but based on the 2014/15 average of £1,546, that's £4.15m (£581k for Rochford District Council).
- 7.19 Rochford District Council receives grant funding for the parish/town councils, but this is no longer shown as a separately identifiable amount.
- 7.20 The grant allocation to the parish/town councils has been based on the LCTS adjustments then reduced in line with the overall reduction in the RRS/RSG grant funding. The grant allocations for 2015/16 total £83k, down from £97k in 2014/15 and are distributed as follows, based on the impact of the LCTS discount:-

Town/Parish Council	Grant £
Ashingdon	2,675
Barling	2,166
Canewdon	2,520
Foulness	290
Great Wakering	5,916
Hawkwell	8,749
Hockley	12,331
Hullbridge	9,209
Paglesham	192
Rawreth	1,144
Rayleigh	20,674
Rochford	16,014
Stambridge	1,773
Sutton	346

- 7.21 The Parish/Town Councils have been notified of the above amounts so that they can set their budgets and precepts for 2015/16. They are also aware of the following principles covering future grant allocations:-
- The Government does not separately identify the amount of funding for LCTS. The District Council will not receive additional funding to cover any increased demand for the LCTS or reductions in collection rates. Therefore, if there is an increase in LCTS discounts, Parish/Town Councils will see a reduction in their tax base, with the consequent impact on their council tax. The District Council is unable to provide further funding to cover this impact.
  - Rochford District Council cannot guarantee that the amount of grant allocated to each parish/town council will be maintained in future years. Where the District Council receives a reduction in Government funding, it will pass on a proportionate reduction to the Parish/Town Councils.
  - Rochford District Council will aim to notify Parish/Town Councils as early as possible about the level of grant funding in future years, recognising that this may be dependent upon Government announcements.
- 7.22 The agreement of the final amount of grant for each parish/town council is delegated to the Council's Section 151 Officer and reported to Council as part of the MTFs each year. This allows early notification of the amounts to the individual parish/town councils.
- 7.23 The Local Government Finance Act 2012 requires the Government to carry out a review of the Local Council Tax Support Scheme (LCTS) within 3 years with consideration given as to whether it should be brought within the Universal Credit. This review will be due during 2015/16.
- 7.24 In light of a recent court decision, the consultation on the LCTS scheme for 2016/17 will need to be more closely aligned to any budget consultation.
- 7.25 The Council has worked with the other authorities in Essex, including the major preceptors, Essex County Council, Essex Fire Authority and the Police and Crime Commissioner on the design of its LCTS. As part of this work, the preceptors agreed to a cost/benefit sharing agreement. The agreement provides financial assistance to billing authorities to support additional collection activity. The agreement includes targets for collection of council tax. Without the investment, it was anticipated that our collection rate would fall by 0.9% in 2013/14 to 97.6%. With the investment, the target collection rate was 98.1%, while the final collection rate was 98.3%, a reduction of just 0.2%. The return on the investment was an estimated £317k against an investment of £45k
- 7.26 The Hardship Fund also established as part of the LCTS is partially funded by the major preceptors.

- 7.27 For 2014/15, the Council introduced changes to some of the technical discounts on council tax. The above agreement included a sharing agreement on the basis of the major preceptors repaying a percentage of their additional income back to the billing authority. The estimated additional income is £140,000 in 2015/16. A new sharing agreement has been arranged which will also incorporate investment in Fraud and Compliance work to improve the accuracy of discounts and exemptions awarded. The additional income from this investment has not been included in the MTFS as it is based on assumptions about the level of fraud and non-compliance in other authorities which were not yet available at the time of writing but will be an increase on the £140,000 mentioned above.

## 8 EXTERNAL GRANT FUNDING

### 8.1 External Funding

- 8.2 The Council has a good track record of attracting funding from external organisations to support new initiatives and service delivery. This is down to the work officers have done in identifying the funding streams and completing the bid documents.

- 8.3 If the Council wishes to become self sufficient in its financing, with no reliance on Revenue Support, not only does it need to maintain and increase the income from areas outside its normal fees and charges, it also needs to attract external grant funding.

- 8.4 In 2014/15, the funding received by the Council was:-

<b>Grants for specific services:</b>	<b>Income</b>
• Local Council Tax Support Scheme	£65,000
• Preventing Homelessness`	£50,000
• Individual Electoral Registration	£27,000
• Housing Benefit Admin	£171,000
• Business Rates collection	£85,500
<b>Grants awarded after successful bidding</b>	<b>Income</b>
• Weekly bin collection	£150,000
• Cherry Orchard	£59,000
• Sport England Active Colleagues	£28,000
• Disabled Facilities Grants	£168,000
• Music Month	£2,500

**9 RESOURCE REQUIREMENTS**

- 9.1 The starting point for preparing the budget estimates for 2015/16 is the Core Estimates from 2014/15 which are reviewed in detail by the Finance team in conjunction with service managers.
- 9.2 For 2015/16, changes to individual budgets are shown in the attached draft budget book (Appendix 2) with the percentage variation of estimate to estimate from 2014/15 to 2015/16 (Changes of £500 or less are not included).

**Members' Allowances**

- 9.3 The Council agreed in January 2011 to move away from annual reviews of the member remuneration scheme and the Independent Remuneration Panel will now only undertake a formal review of the scheme every four years. The first review was completed in 2014/15 and relates to the scheme for 2015/16. In subsequent years, the Scheme allows for the following annual amendments:-
- The level of basic and special responsibility allowances to be adjusted in line with the local government staff award.
  - Travelling expenses, Childcare and Carer's allowances to be increased by the retail price index available at the start of the new municipal year.
- 9.4 Members have agreed that for the fifth year, there should be no increases to their allowances, and a small increase to the hourly rate for other childcare.

**Pension Revaluation**

- 9.5 The Council belongs to the Local Government Pension Scheme which is a statutory scheme, the requirements of which are covered by legislation. The Council has no discretion in the operation of the scheme which is administered by Essex County Council.
- 9.6 The scheme is revalued every 3 years in order to determine the level of liabilities relating to current and future pensioners and assets. The results of the valuation are an updated contribution to the deficit in respect of past employees, which is a fixed amount, and an ongoing contribution rate for current employees which is based on a percentage of pensionable pay. The last revaluation took effect from April 2014. At the previous revaluation, the Council chose to reduce the deficit payment recovery period from 24 to 20 years in order to maintain the contribution rates at similar levels.
- 9.7 The 2014 revaluation resulted in an improvement in the funding position of the Scheme which means that the deficit contribution has reduced and the deficit recovery period has been reduced from 24 years to 20 years. The funding levels have improved because investment returns have been better than expected and salary increases have been lower than expected.

- 9.8 The ongoing contribution rate has increased because of changes to assumptions for investments in the future, mortality rate assumptions and estimate of how many members of the scheme will choose to opt for the 50/50 scheme (pay half the contributions to receive half the benefits).
- 9.9 The deficit payment has reduced from £765,333 to £690,000 per year and the on-going rate has increased from £610,555 to £690,101, giving a net improvement of £22,400 per year.
- 9.10 The scheme has undergone a number of changes recently in order to share costs between employers and employees and further changes to the scheme will be introduced from April 2014. The main change is the move from a Final Salary pension scheme to a Career Average pension scheme and changes to the contribution rates, with increases at the higher salary ranges. £100,000 has been included in the MTFS to cover the impact of the pension revaluations in 2017/18, when the council will seek to further reduce the deficit recovery period.

### **Contracts**

- 9.11 The Environmental contracts (Recycling and Street Cleansing) have been extended from April 2015 for 7 years with a reduction in cost. When the Materials Recycling Facilities contract was let in 2010, the price of recyclables was at its highest and the Authority moved from paying for recyclables to be taken away, to generating income. When the contract is re-let in 2015, there is a risk that prices will have fallen affecting this income stream and this has been included in the budget estimates.
- 9.12 The leisure contract was awarded in 2002 for 20 years. The procurement for the next contract is likely to start at least 2 years before the current contract ends in 2022 and provision is included in the MTFS
- 9.13 The ICT contract was awarded in partnership with 3 other authorities and is due for renewal in April 2017 with the option of 2 further extensions of 2 years each. Provision is included in the Capital Programme to support the investment in IT infrastructure and prepare for the new contract arrangements.
- 9.14 The Council's insurance contract is due for renewal in July 2015. No change to costs have been assumed.

### **Elections**

- 9.15 The requirement to register electors individually rather than by household has been introduced (Individual Electoral Registration). The Government have provided funding but additional provision has been included in the Budget.

- 9.16 The Boundary Commission is undertaking a review of the district council's wards. Once the review is completed, there will be all out elections for the District, rather than the election by thirds. Provision has been included for these elections in 2016. Following the results of the district council review, it may then be appropriate to conduct a review of the parish boundaries; this review would have to be conducted by district council officers.

### **Changes in Demographics and Population**

- 9.17 The Rochford District covers an area of 65 square miles and is home to around 84,000 people. Rochford Ward has the highest number of 0-17 year olds representing 9.97% of that age group within the District. Hullbridge Ward has the highest number of people aged 65 and over representing 10.30% of that age group in Rochford. The District is one with an ever-increasing percentage of older residents. The area is relatively affluent, ranking 299 out of 326 authorities nationally, where 1 is the most deprived and 326 the least deprived. Owner occupied homes constitute 84% of households, 8.5% of homes are privately rented and 7.5% are social rentals. Average house prices are below both the county and national average, but 6th highest in Essex (Based on Band D – 3 bed Semi). The District has good levels of employment with around 79% of residents being economically active compared to the national figure of 77.5%.
- 9.18 Councils face considerable challenges in responding to an ageing population. Although not a social care provider, there will be impacts on the services required from the Council and we will need to work with others to redesign services and target them more effectively. The Council recently refreshed its Ageing Population Strategy which will continue to focus on practical solutions and actions to address the needs of local older people. The Strategy's five overall aims are:-
- To support the financial security of older people
  - To support access to mainstream services to older people
  - To support older people to lead healthy and active lifestyles
  - To support older people to feel safe and supported in their home and their neighbourhood
  - To support older people to make a positive contribution within their community
- 9.19 The actions identified in the Ageing Population Strategy will not commit the Council to significant investment beyond its normal and existing activities – rather it aims to raise awareness of the increase in the ageing population within the District in coming years and encourage services to make adjustments where necessary.

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**Universal Credit and Benefits**

- 9.20 The Government have announced their plans to introduce a Universal Credit to replace the variety of benefits currently available, which includes housing benefit administered by local authorities. The original plan had been for this Universal Credit to be managed centrally by the Department of Works and Pensions (DWP) from 2013/14. However, recent Government announcements indicate that there is no clear timetable for the rollout. The current position of the DWP is that there will be no transfer of local authority benefit staff to DWP and any consequent redundancy costs will have to be borne by individual local authorities. However, DWP have also indicated that there will continue to be a need for local authorities to deal with face to face enquiries.
- 9.21 There are also plans to centralise fraud investigation activity. At this stage, the introduction of a Single Fraud Investigation Services and Universal Credit are expected to impact directly on the Council in October 2015.
- 9.22 The other Welfare changes being implemented by the Government will impact on the Council with an increase in enquiries for benefit information and advice and also it is expected that there will be an increase in demand for housing advice services. The Council is working with the other Essex authorities to manage the impact of these changes.

**Localism Act 2011**

- 9.23 The Localism Act was introduced to Parliament on 13 December 2010 and given Royal Assent on 15 November 2011. The Act aims to significantly decentralise power and decision-making to councils and neighbourhoods and gives local communities more control over housing and planning decisions but it is still not clear how these additional responsibilities for local authorities will be financed, particularly in the context of the reduced Government Grant settlement.
- 9.24 This report does not attempt to cover all the implications of this new legislation but just to highlight those issues which could have a significant impact on the MTFs in the future.
- 9.25 The right for residents to veto excessive Council Tax rises by referendum has been covered in the earlier Section on Council Tax.
- 9.26 The Act gives a community right to buy which would require local councils to draw up and publish a list of assets of community value. This right provides a route for community groups to express an interest in bidding for assets and there would also be a community right to challenge which would provide community groups, employees and parish councils with the right to bid to the council to take over the running of a service. The Council has not received any approaches under this Right.
- 9.27 Work is underway by the Local Land Charges Institute and Land Registry on moving to a national delivery of the land search service. There is as yet no

timetable for when this might be introduced. It will have an impact on the Council in terms of income from land charge searches and staffing.

### **Inflation**

- 9.28 One impact of the economic situation is the effect on inflation and, in particular, the increased volatility which has made accurate forecasting difficult. The Council has outsourced a number of services which means that about £5m of expenditure is contracted out and the terms of the contracts allow for an annual increase based on retail price indices. The MTFS is based on the inflation forecasts used by the Government in their forecasts as inflation affects the Retained Rates Scheme. Inflation forecasts are for Retail Price Index rather than the Government's official inflation measure Consumer Price Index:

<b>Inflation</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2019/20 £m</b>
Retail Price Index Forecast	2.2%	2.8%	2.8%	2.4%

- 9.29 Each change of 0.1% is equivalent to about £14,000 net expenditure. The risk that inflation is higher is managed through the General Fund balance.

### **Salaries**

- 9.30 Salaries account for approximately £6.8m of the Council's expenditure. The cost of living rise for 2014/15 was 2.2% from January 2015 and covering the period to March 2016.
- 9.31 In addition to the annual savings target, the estimate for salaries includes a savings target which is achieved through staff turnover and tight management of vacancies, including challenging staff replacements.



9.32 The headcount and target information is shown below:-

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000s	2014/15 £000s	2015/16
Original Salaries Estimate	7,512	7,511	6,898	6,987	7,126	6,453
Salary savings target	(400)	(921)	(400)	(415)	(300)	(200)
<b>Target Cost</b>	<b>7,112</b>	<b>6,590</b>	<b>6,498</b>	<b>6,572</b>	<b>6,826</b>	<b>6,253</b>
Actual Cost	6,831	6,477	6,490	6,690	6,587*	
Actual Savings	(681)	(1,034)	(408)	(297)	(539)	
Headcount (Full Time Equivalents)	209	214	211	206	190*	

\*based on current estimates

9.33 In the Chancellor's 2012 autumn statement he announced that, following a two-year pay freeze for public sector workers, he was setting a cap of 1% on the cost of living rise for the two years from 2013. Pay awards in local government are covered by free collective bargaining by employers and the trade unions and are not subject to direct control by central government. However, it is considered reasonable to assume that future pay negotiations will take this cap into account. The MTFs has therefore assumed per year increases, albeit that the pay award in January 2015 covers up to and including March 2016.

9.34 The introduction of the single-tier pension from 2016 means the abolition of the Second State Pension (SSP). All those who are in occupational pension schemes such as the Local Government Pension Scheme currently opt out of the SSP. When it is abolished all employees will benefit from the new higher pension but will not longer be entitled to pay lower national insurance (NI) so their NI payments will increase. This will also affect employer NI contributions. The MTFs includes £14,000 based on the current staff profile.

9.35 At the time of writing, it is difficult to estimate accurately the final impact that the redesign will have on salaries but the following points will affect the costs that will be incurred in 2014/15 and the costs/savings that will be shown for 2015/16:-

- It is proposed that the budgets for vacancies ('vacancy pot'), currently not being actively recruited to, will cover the costs of any additional posts that are identified at the other levels. This will be done by the Assistant

Directors when they assess their requirements in light of the reduction of 15 posts from the tier 2 and tier 3 staff;

- Through the Redesign, voluntary redundancy has been agreed for 9 staff. The total termination costs will be £620,415 and will be recognised in 2014/15. 5 posts affected by the Redesign are vacant so there are no termination costs;
- The costs for the new posts will be between £762,500 and £782,800, depending on pay protection;
- It is difficult to forecast termination costs for compulsory redundancies as this is dependent upon slotting in to new posts;
- 2015/16 budget book shows:

Remove existing salary costs	(£1,620k)
Salary costs for new posts	£783k
Officers subject to VR/CR working notice	£14k
Net savings	(£823k)

### Interest Forecasts

9.36 Although investment income is no longer a significant source of income for the Council, having fallen from £1m in 2007/08 to less than £100,000 per year, any increase in interest rates will generate additional income and affects borrowing costs.

9.37 The latest forecasts used in the MTFs for Base Rate are that it will remain at 0.5% until at least the end of 2016, 18 months later than anticipated in last year's MTFs.

### Summary of Expenditure

9.38 The Council's expenditure is forecast to change over the life of the MTFs as follows:-

	2014/15 R	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2018/20 £m
Salaries	7.228	6.255	6.376	6.488	6.590	6.693
Other Employee Costs	1.099	1.179	1.190	1.200	1.212	1.224
Premises	0.704	0.726	0.738	0.729	0.747	0.765
Transport	0.125	0.122	0.123	0.126	0.129	0.132
Supplies and Services	2.106	1.980	1.921	1.803	1.915	1.934

	2014/15 R	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2018/20 £m
Contracted Services	4.580	4.676	4.771	4.867	5.034	5.155
Savings b/f	Note 1	Note 1	(0.100)	(0.400)	(0.500)	(0.700)
Benefits	18.483	18.506	18.506	18.506	18.506	18.506
Fees and Charges	(4.147)	(4.639)	(4.551)	(4.646)	(4.718)	(4.373)
Direct Grants and Subsidy	(19.550)	(19.238)	(19.076)	(19.035)	(19.022)	(19.010)
New Savings in year	0.000	(0.100)	(0.300)	(0.100)	(0.200)	(0.400)
<b>Total</b>	<b>10.627</b>	<b>9.467</b>	<b>9.598</b>	<b>9.340</b>	<b>9.393</b>	<b>9.727</b>
Change over previous year		-10.9%	1.4%	-2.7%	0.6%	3.6%

Note 1 – savings from previous years are included in the core estimates

## 10 FEES AND CHARGES

- 10.1 Although the Council reviews discretionary fees annually as part of the Budget Process, circumstances may change during the year necessitating in-year changes and Council has delegated in-year approval of discretionary fees to the Executive.
- 10.2 The proposals in respect of the charges for 2015/16 are shown in Appendix 3 to this report. Changes shown in the Appendix come into effect from 1 April each year, unless indicated otherwise.
- 10.3 The Council also undertakes to review existing services to identify opportunities for introducing or increasing charges, if appropriate. Charging users for services reduces the level of overall subsidy by Council Tax payers to a particular service.
- 10.4 Fees for Licensing, Planning and certain other services are not included within the schedule for fees and charges, as these are prescribed and the Council has no discretion. These are available on request from the relevant department and will be published on the Council's website.
- 10.5 In 2010, changes to the regulations for building control and land charges fees were introduced to ensure that fees covered the cost of the service only. The fees are reviewed at regular intervals and changes will be made if they are required because of changes to the cost of the service; these changes will be reported to the Executive. The current fees for Land Charges are included

in the appendix for approval. The current Building Control fees are not shown in the appendix due to the wide fee structure.

- 10.6 The Council continues to be successful in generating income through the provision of services to partners and other councils and approximately £317,000 (132,400 – 2013/14) will have been earned in 2014/15; examples include:-

<b>Service</b>	<b>Income</b>
• Payroll Service to Castle Point Council	£21,500
• Elections Payroll Services to Castle Point Council, Brentwood Council and Thurrock Council	£7,100
• Arboricultural and playground inspection services to the Rochford Housing Association	£29,200
• Grounds maintenance services to Parish Councils & Essex County Council	£18,900
• Legal Services – parishes and Environment Agency	£14,600
• Building control Partnership	£10,000
• Administration of Dutch Cottage and Finchfield bungalows	£10,600
• IT Backup Storage for Southend Council	£1,200
• Prosecution of fraud cases for Castle Point Council	£2,000
• Planning Programme Management	£2,000
• Dataset Work	£7,000
• Health Walks in Castle Point	£2,000
• Wild Woods Day	£1,600
• Salvation Army – Recycling	£8,200
• Council Tax Sharing Agreement	£142,000
• Essex LCTS Business Case - Collection Investment	£43,000

### **Car Parking Charges**

- 10.7 The Council maintains a number of car parks and as a key principle, we charge for and manage our car parks to ensure residents can access town centre facilities, safely and easily. When reviewing its charges, the Councils

aims to set charges that will enable it to manage and maintain the car parks to the high standard expected by users and to manage and maintain proper controls over the use of town centre parking spaces as contributor to vital and viable town centres. The Council continues to provide free parking in its car parks on Saturday afternoons, Sundays and Bank Holidays. No changes are proposed to the charges for 2015/16.

## **11 MANAGEMENT OF RESERVES AND GENERAL FUND BALANCES**

### **Introduction**

- 11.1 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Within the existing statutory and regulatory framework, it is the responsibility of the Head of Finance, as the Chief Finance Officer, to advise the Authority about the level of reserves that it should hold.
- 11.2 There is no statutory minimum level of reserves but it is important to manage the level of reserves in order to:
- Maintain adequate balances to provide contingency funds for unforeseen events.
  - Provide resources to support the Council's long term spending plans
  - Avoid holding excessive amounts because of the opportunity costs in not utilising these resources.
- 11.3 The Council's Policy on Reserves is that, as part of the budget preparation process, the Council will carry out a risk assessment of any material items included in the budget that are based on forecasts or assumptions and that an appropriate level of reserve will be maintained based on the assessment of the probability of events occurring that would require some or all of those reserves to be drawn upon. The approved level of reserves is to be adhered to in order to support the Council in the achievement of its long term objectives. The Council will also establish and maintain earmarked reserves to build up resources and for each earmarked reserve there will be a clear protocol setting out:
- the reason for/purpose of the reserve
  - how and when the reserve can be used
  - procedures for the reserve's management and control
  - a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

**Earmarked Reserves**

- 11.4 The Council maintains a number of earmarked reserves as a means of building up funds to cover expenditure on particular items. These reserves are used for a number of reasons including:-
- Sums set aside for major schemes
  - Self insurance
  - Ring fenced activities, for example Crime and Disorder
  - Repairs and Maintenance Reserve
  - Reserves retained for specific service use where under-spends are carried forward to enable better use of finances
  - Up to £10,000 of salary savings will be carried forward in a reserve to provide funding for corporate training initiatives.
  - Funds held on behalf of partnerships where the Council is effectively acting as banker, an example being the Local Strategic Partnership
  - Where grants have been received either specifically in relation to planning activities or have been allocated to planning activities, but have yet to be fully spent, and also where specific planning budgets have come in underspent, these residual funds have been retained in reserves in order to support the work on the Local Development Framework and in Planning policy.
- 11.5 The Council regularly reviews the reserves as part of the budget setting and closure of accounts processes to make sure that they are appropriate. Reserves should be used in accordance with the reasons they were set up and their use is authorised by the Section 151 Officer.
- 11.6 Forecast movement in the current Reserves and Balances is summarised below. These are estimates based on expenditure and plans at the time of writing the MTFS. A further report on Reserves and Balances will be made to Council as part of the closure of the accounts for 2014/15.

Earmarked Reserves	Balance as at 31 March		Reason for Reserve & Criteria for usage
	2014 £000s	2015 £000s	
Corporate	830	600	To meet Council's Corporate and Statutory objectives, for example Community Safety, Economic Development and Insurance Fund. This reserve also holds funds for outstanding legal claims and includes funds held on behalf of partnerships or ring-fenced for specific purposes

Earmarked Reserves	Balance as at 31 March		Reason for Reserve & Criteria for usage
	2014 £000s	2015 £000s	
Strategic Housing	127	157	Funds for provision of Strategic Housing. To meet Strategic Housing requirements and action to prevent homelessness.
ICT Strategy	7	-	Funds for ICT Strategy - maintained by additional surpluses on the General Fund identified at the end of the year Bids to utilise these funds are considered annually as part of the divisional plan and budget process and agreed by the Executive.
Projects	1,030	880	For specific projects including sports and arts activities and planning. To implement Member decisions and deliver priorities. This Reserve includes funds held on behalf of partnerships or is ring-fenced for specific purposes.
Repairs & Maintenance	174	62	Funds to maintain Council's assets at an acceptable level Use of the reserve is managed by the Financial Programmes Group.
Total	2,168	1,699	

- 11.7 If necessary the Section 151 Officer may approve the use of Earmarked Reserves to cover unexpected emergency expenditure.

#### **General Fund Reserve**

- 11.8 The Authority also has a General Fund reserve as a result of accumulated surpluses on the General Fund account.
- 11.9 The reserve is intended to provide sufficient safeguards against events that may happen that would impact on the Council's liquid cash resources and place the Council in an insolvent position. It therefore ensures the Council can set a balanced budget. It also enables the Council to undertake medium term financial planning and achieve its longer term objectives.

11.10 The current strategy is to build up General Fund balances going forward to prepare for the risks associated with the business rates retention scheme, further constraints on public spending including a change of Government and the triennial revaluation of the pension scheme and to build up funds for future investment in services or revenue generating schemes.

11.11 The level of the General Fund reserve is reviewed annually as part of the budget process and the current target for General Fund balances is:

General Fund	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Target	1.100	1.500	1.800	2.000	2.400	2.400

### Collection Fund Reserve

11.12 As the Billing Authority, this Council collects Council Tax on behalf of Essex County Council, Essex Fire and Rescue Authority and Police and Crime Commissioner (all known as main precepting bodies). The amount of Council Tax to be collected includes an allowance for non-collection of Council Tax. When we collect more than the amount due, this surplus is held in the Collection Fund as a ring fenced amount and can be distributed to the main precepting bodies and ourselves on a proportionate basis, based on the Band D Council Tax amount for each body.

11.13 A forecast is made of the likely outturn surplus or deficit for the current financial year and this amount is then split across the main precepting bodies and this Council. For 2015/16 there will be a surplus on the collection fund, attributable to the billing authority and main preceptors as follows:

Recipient	Distribution Amount – Deficit/(Surplus)	
	2014/15 actual £000s	2015/16 proposed £000s
Rochford District Council	10	(104)
Essex County Council	46	(452)
Essex Police and Crime Commission	6	(60)
Essex Fire & Rescue Authority	3	(28)

## 12 IDENTIFICATION OF PRIORITIES

12.1 The Council has refreshed its Corporate Plan around its priorities of economic growth, homes and place.

12.2 The Localised Council Tax Support Scheme, which replaced Council Tax Benefit from April 2013, has been introduced by the Government because it



believes that local authorities are best placed to drive economic growth which will lead to job generation and reduce the demand for Council Tax Support.

12.3 Over the last few months the Council has been running a Budget consultation which has been available on-line, published in Rochford District Matters, publicised through social media and distributed at various public events. 284 residents responded; 182 online and 102 by hard copy.

12.4 Residents were asked to indicate how important each service is to them and the results are:

Service area	Very Important %	Medium Importance %	Low Importance %	No answer %
Street cleansing	72.2	21.8	3.9	2.1
Recycling collection	72.9	19.4	5.6	2.1
Community Safety	65.5	26.1	6.7	1.8
Woodlands, parks & open spaces	61.3	30.6	6.3	1.8
Environmental Health	56.7	31.3	9.2	2.8
Voluntary grants	42.6	42.3	13.7	1.4
Public conveniences	46.5	32.0	19.4	2.1
Economic Development	35.2	40.5	22.2	2.1
Leisure premises	25.7	47.9	25.0	1.4
Windmill	26.8	40.5	31.7	1.1

12.5 Residents were also asked the following questions and their responses are as shown below:-

Question – I would be happy to see	Strongly agree/Agree	Neither	Disagree/Strongly disagree
an increase in Council Tax if it avoided reductions in service	64%	11%	25%

Question – I would be happy to see	Strongly agree/Agree	Neither	Disagree/Strongly disagree
an increase in the expenditure to resolve flooding issues, even where these are not the District Council's responsibility	59%	18%	23%
parking charges introduced at other open spaces in the District to support those facilities	32%	13%	55%

12.6 The consultation also gave residents the opportunity to identify their top 3 issues and the ones mentioned the most often were:-

- Community safety / tackling Anti-Social Behaviour
- Stop building on greenbelt
- Street lighting on\*
- Flooding
- Better roads – sorting out pot holes (County function)
- Recycling
- Less Councillor pay / better conduct
- Free parking / reduce parking charges
- Litter / fly tipping
- Maintain / improve open spaces

12.7 **Part Night Street Lighting** – a Member Advisory Group has been established to look at the issues and implications arising from Essex County Council's decision to introduce part night lighting in some areas of the district. In order to support the work of the Group including detailed research and analysis, a one off budget of £30,000 will be allocated for 2015/16.

12.8 **Community Safety Accreditation Scheme (CSAS)**- a one off budget of £6,000 will be included for 2015/16 to enable the Council to become a member of the Police CSAS. The CSAS allows the Chief Constable to accredit Council staff with powers to tackle graffiti, litter, abandoned cars and anti-social behaviour.

12.9 **Flood Prevention Works** – in 2014, the Council set up the Surface Water Flood Action Group to work with partner agencies to address some of the issues that cause localised flooding in the district. Although the Council is not the lead authority for flood prevention works, Members allocated £18,000 from Earmarked Reserves to carry out priority works that would help prevent future flooding. In response to the work that Rochford District Council have been doing, Essex County Council have also agreed to contribute £50,000. In the public consultation, 59% of respondents agreed that they would be happy to see an increase in the expenditure to resolve flooding issues, even where these are not the District Council's responsibility. Therefore in order to

continue the work and work with agencies, the Council will introduce a budget of £25,000, in addition to the existing revenue provision for works on its land. Any unspent budget will be set aside in an earmarked reserve to potentially build up funds for larger schemes.

- 12.10 **Recycling** – In the public consultation, 73% of respondents identified recycling as being a very important service for them. An Essex County Council run Recycling Centre was originally sited in Great Wakering; this site was closed in 2000 and the Southend site in Stock Road became the nearest facility for residents living in that part of the district to use. In April 2011, residents were charged £3 by Southend Borough Council to use the Stock Road site. Residents could then claim the money back from Essex County Council. This system was in operation until two years ago, when it was agreed that the residents could enter Stock Road site free of charge. The annual cost of £30,000 was paid by Essex County Council to Southend Borough Council. This cost was subsequently increased, at which point, Essex County Council stopped payments, resulting in Rochford District residents no longer being permitted access after 1 April 2014. The closest Essex County Council run site is at Rayleigh, a distance of 11 miles from Great Wakering.
- 12.11 A pilot amenity vehicle scheme was introduced in Great Wakering to enable residents to dispose of excess waste and was funded by Essex County Council for 12 weeks. The scheme was well received but the costs of running the service are disproportionate to the Council's standard collection arrangements, costing £217 per tonne compared to £39 per tonne. Essex County Council declined to provide further funding and Rochford District Council agreed to fund the scheme for the rest of 2014/15.
- 12.12 The full year costs of running the amenity vehicle scheme are approximately £60,000. It is proposed to enter into negotiations with Southend Borough Council for a fixed price to be paid to them to open up the Stock Road Recycling Centre to Rochford residents. There will be an increase to the Recycling Contract budget to cover the forecast cost.
- 12.13 **Access to Services** – In order to respond more quickly to residents' issues raised on social media, the Council will work with partners on a social media strategy and invest in a social media management system. A budget of £7,500 will be required for this, which will fund up to 10 users within our Communications and Customer Services teams.
- 12.14 **Economic Growth** – In its Corporate Plan, the Council recognises that economic growth is crucial to the vitality of the district. The new funding regime, Business Rates Retention scheme, means that one of the main funding streams will be directly linked to growth in business rates, arising from new or enlarged businesses. The Council's Economic Growth Strategy sets out the plans for business support, helping businesses to grow, support for new business start-ups promoting inward investment opportunities and funding sources; and to show how the Council will be driving economic

development forward. A budget of £15,000 will be established to support these activities.

12.15 **Pest Control Service** – Since 2011, the Council has only been providing a free pest control service to residents in hardship. The Council will reintroduce a free pest control service to all residents. The details of the service will be agreed by the Portfolio Holder and the service will start in April 2015. The estimated cost is £40,000 per year but this will need to be reviewed as it is difficult to estimate demand. The hardship fund will still be available in appropriate circumstances for the treatment of other pests.

12.16 Grants to Voluntary Organisations – the allocation for 2015/16 was agreed by Council in December 2014 based on the process agreed by the Executive. The report to the Executive noted that a commissioning process would be set up to allocate the grant funding currently allocated to CAB and RRAVS. This is being developed with a view to implementing for a 3 year period from April 2016. Further reports will be brought into Members on the detailed arrangements.

### 13 MIND THE GAP

13.1 The Council continues to deliver savings and recent examples include:-

Budget	2014/15 REVISED	2015/16 changes compared to 2014/15
Bank Charges – Reduction in Bank charges due to a new contract with Lloyds Bank	36,200	(10,000)
Windmill – increase number of civil ceremonies by 10 and increase donations to running costs	19,600	(11,900)
Parks and Open spaces fees – Increase in sale of wood products, pitch hire fees and events.	(131,900)	(12,700)
Planning Policy Fees – provision of services externally	(11,500)	(10,500)
Refuse Collection Contract – renewal of contract will deliver savings, in particular through the financing of the new vehicles	2,200,600	(300,600)
Homelessness Contracted Accommodation – provision of additional temporary accommodation and bringing empty homes back into use. Secure additional nightly paid units under House to Homes lettings and implement homelessness prevention action plan.	350,000	(26,500)

- 13.2 With the Council's strategy to reduce reliance on Revenue Support Grant by increasing other income streams, the budget gap for the medium term financial strategy is based on increasing General Fund balances to support future investment.

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Savings Required	0	0.100	0.300	0.300	0.300	0.300

- 13.3 It is considered reasonable to leave a gap of £100,000 for 2015/16 that will be met from in-year savings; the risk that this element of the gap will not be met, is addressed through the higher level of General Fund balances and will be identified at the mid year revision of budgets, which allows an opportunity to reign in spending if necessary.
- 13.4 As further reductions by the Government in public spending are expected over the medium term, The Council is developing a longer term approach to identifying cost reductions and income generation opportunities.

#### 14 CAPITAL PROGRAMME

- 14.1 Capital expenditure supports the delivery of the Council's Corporate Plan through the following objectives:-
- To ensure that there are suitable assets to support delivery of services and enable access by all, both now and as services evolve.
  - To ensure that these assets are suitably maintained and enhanced.
  - To maximise the use of External Funding and provide the assets in the most cost effective and efficient manner.

#### Key Areas of Capital Spend and Funding

- 14.2 Rochford District Council is only a small authority and this is reflected in the Council's Capital Programme. Capital projects are generally small and infrequent and most expenditure is spent on ensuring that the District's assets are maintained and that the District is a modern and desirable area to live in.
- 14.3 Grant funding mainly relates to housing, for which we receive grants for items, such as disabled facilities, where we provide grants to the public to convert dwellings for the use of the disabled. The other main area of funding is Capital Receipts. The main sources of capital receipts are from disposal of assets and a contract arrangement with Rochford Housing Association.

### Framework for managing and monitoring capital programme and risk management

- 14.4 To ensure that funds are prioritised and allocated to the right areas, the following criteria are applied to all bids for capital expenditure before being put in front of members for approval to be included in the capital programme.
- **Investment in statutory and priority services** to ensure the continuation of essential services and value for money
  - **Ensure that landlord and owner responsibilities are undertaken** including priority items identified through the asset management plan
  - **Improve infrastructure** that has an influence on economic activity and the wellbeing of the District. This mainly relates to the improvement of town and village centres.
  - **Priority items flowing from key strategy documents**
  - Schemes bringing in **external funding**
  - Schemes that **generate revenue** income or **reduce revenue costs**.
- 14.5 The first of these criteria will become the main priority with the reduction in the Capital Receipts pot, which is currently forecast to run out in 2016/17. The Council has agreed a programme for the development and disposal of various sites across the District over the next 4 years which will generate capital receipts, particularly as the housing market improves. With the continuing cuts in public sector funding, the Council will also continue to explore opportunities for invest to save schemes where capital investment can be used to generate revenue income or reduce revenue costs.
- 14.6 Unless indicated otherwise, further reports will be made to Members on the final proposals for the capital schemes which will include consideration of other options for delivering the required results and any on-going revenue costs. The reports to Members will identify the whole life costs of the projects, including any associated revenue costs as these need to be considered in the overall affordability of the project.

### Capital Programme Risk Management

- 14.7 The capital programme is monitored throughout the year by a multi-disciplinary officer group (Financial Programmes Group). All items are considered at the start of the financial year for likelihood of problems being incurred and changes being necessary to the programme. Risk management is also a key factor in the project management of major schemes.

### Capital Programme Monitoring and Reporting

- 14.8 Unfortunately, sometimes factors may cause projects to slip behind the planned timetable. This is monitored as part of the Financial Programmes Group work, and will be reported to officers and members as required by the

Financial Regulations. It will also be reported to Members as part of the Quarterly Financial Management Report which includes updates on the expenditure. Major capital schemes are also monitored as part of the Progress of Decisions report made to the Executive on a quarterly basis.

### **Capital Spending Proposals**

- 14.9 The proposed Capital Programme is in Appendix 4. In addition, there are also some potential projects that have not yet been built into the Programme as further work is required on either their feasibility or detailed costings. They are not included in the Programme because of uncertainty about timing and costs.
- Land purchases to facilitate housing and the delivery of the Town Centre Action Plans.
  - Non Religious Place of Ease at Hall Road Cemetery – this item will be kept under review until funding can be identified
  - Buildings on the depot site are approaching the end of their useful life and some of the buildings are now unusable following flooding. As a result they will require replacement.
  - As part of its on-going review of infrastructure and in particular to ensure that IT systems are future proofed, the Council may need to invest in IT hardware. Council may want to develop remote working to deliver savings from more efficient working and freeing up accommodation. Any proposals for investment will come via the ICT Strategy.

### **Capital Financing and Prudential Indicators**

- 14.10 Local authorities are now able to determine their own borrowing requirements. However these have to be within the Prudential Code, the framework of which requires local authorities to demonstrate that its capital expenditure is prudent, affordable and sustainable.
- 14.11 All capital spending proposals are considered for their revenue impact over the life of the asset. This is built into the MTFS where significant to ensure that all proposals are affordable.

14.12 Much of what follows are technical issues that are required to be reported to Council; however the bottom line is the question of whether the Council can afford any new borrowing. Therefore when agreeing the Capital Programme, under the Prudential Code, the Council is required to consider a number of Prudential Indicators of affordability. It should be stressed that although the following borrowing indicators have been calculated, there may not be any actual borrowing as funding may come from other sources.

14.13 **Ratio of Financing Costs to Net Revenue Stream** – this indicator identifies the trend in the cost of capital (borrowing costs net of interest and investment income) against the net revenue stream. A negative figure shows that there is a net contribution to the revenue budget from investment income.

%	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Ratio of Financing Costs to Net Revenue Stream	(0.36%)	(0.60%)	(0.22%)	0.06%	0.26%

14.14 **Estimates of the incremental impact of capital investment decision on the Council Tax** - this indicator identifies the trend in the cost of implementing changes in the Capital Programme compared to the current Capital Programme.

14.15 The Council is required to make reasonable estimates of the total capital expenditure that it plans to incur during the forthcoming financial year and at least the following two years. Council agreed the current Capital Programme in July 2013 and this is the starting point for considering the affordability of the proposed Capital Programme.

£	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>Council tax - band D</b>	(0.18)	0.12	1.00	0.09	(0.02)

14.16 It must be stressed that these are only to be used as indicators and do not represent actual increases or decreases in Council Tax. The Code merely requires the potential change to Council Tax be identified to Council.

14.17 **Capital Financing Requirement (CFR)** – This indicator reports on the Council's underlying requirement to finance its current and historic capital expenditure, which has not been charged to revenue. The change year on year will be influenced by the capital expenditure within the year. The CFR is designed to measure the underlying need to borrow, or finance by other long-term liabilities, capital expenditure. With the purchase of the recycling vehicles, the Capital Programme will require borrowing or additional capital receipts to fund it. The business case for the recycling vehicles demonstrated that the savings on the contract cost, as a result of the Council funding the



purchase, outweighed the additional financing costs of any borrowing. The borrowing may not necessarily take place externally as the Council can use internal resources to fund borrowing.

14.18 The table shows the possible external debt, against the underlying capital borrowing need (the Capital Financing Requirement - CFR), showing that the authority is underborrowing compared to need.

	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>Borrowing</b>	-	-	1,806	2,363	2,629
<b>Capital Financing Requirement</b>	1,061	1,061	2,867	3,424	3,690

## 15 MEDIUM TERM FINANCIAL PLAN

15.1 All the matters discussed in this report are brought together to produce the Council's MTFS for the period 2015/16 to 2019/20.

15.2 On the basis that all the proposals recommended in this report are agreed together with the core estimates, the MTFS can be summarised into a Medium Term Financial Plan.

15.3 With a Council Tax Freeze, the MTFP would be:

	2014-15 R £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
<b>Base Budget</b>	10.476	10.667	9.467	9.598	9.340	9.393
Inflation	0.000	0.250	0.269	0.288	0.259	0.267
Planned Growth	1.886	0.576	0.051	0.025	0.154	0.034
Planned Reductions	(0.676)	(1.747)	(0.140)	(0.217)	0.000	(0.025)
Income Changes	(1.058)	(0.180)	0.250	(0.054)	(0.060)	0.358
<b>Budgeted Expenditure</b>	<b>10.627</b>	<b>9.567</b>	<b>9.898</b>	<b>9.640</b>	<b>9.693</b>	<b>10.027</b>
Savings Required	0.000	(0.100)	(0.300)	(0.300)	(0.300)	(0.300)
<b>Net Expenditure</b>	<b>10.627</b>	<b>9.467</b>	<b>9.598</b>	<b>9.340</b>	<b>9.393</b>	<b>9.727</b>
Financed By:						

	2014-15 R £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Government Support	(4.279)	(3.910)	(4.334)	(4.196)	(4.016)	(3.760)
Council Tax Income	(6.116)	(6.420)	(6.455)	(6.590)	(6.723)	(6.868)
<b>Total Income</b>	<b>(10.394)</b>	<b>(10.330)</b>	<b>(10.789)</b>	<b>(10.787)</b>	<b>(10.738)</b>	<b>(10.628)</b>
Use of General Fund Balances	(0.233)	0.000	0.000	0.000	0.000	0.000
Contribution to General Fund Balances	0.000	0.863	1.192	1.446	1.345	0.901

15.4 With a 1.5% Council Tax increase, the MFTP will be:

	2014-15 R £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
<b>Base Budget</b>	<b>10.476</b>	<b>10.667</b>	<b>9.467</b>	<b>9.598</b>	<b>9.340</b>	<b>9.393</b>
Inflation	0.000	0.250	0.269	0.288	0.259	0.267
Planned Growth	1.886	0.576	0.051	0.025	0.154	0.034
Planned Reductions	(0.676)	(1.747)	(0.140)	(0.217)	0.000	(0.025)
Income Changes	(1.058)	(0.180)	0.250	(0.054)	(0.060)	0.358
<b>Budgeted Expenditure</b>	<b>10.627</b>	<b>9.567</b>	<b>9.898</b>	<b>9.640</b>	<b>9.693</b>	<b>10.027</b>
Savings Required	0.000	(0.100)	(0.300)	(0.300)	(0.300)	(0.300)
<b>Net Expenditure</b>	<b>10.627</b>	<b>9.467</b>	<b>9.598</b>	<b>9.340</b>	<b>9.393</b>	<b>9.727</b>
Financed By:						
Government Support	(4.279)	(3.843)	(4.267)	(4.129)	(3.948)	(3.693)
Council Tax Income	(6.116)	(6.515)	(6.553)	(6.690)	(6.824)	(6.972)
<b>Total Income</b>	<b>(10.394)</b>	<b>(10.358)</b>	<b>(10.819)</b>	<b>(10.819)</b>	<b>(10.772)</b>	<b>(10.664)</b>
Use of General Fund Balances	(0.233)	0.000	0.000	0.000	0.000	0.000
Contribution to General Fund Balances	0.000	0.891	1.222	1.478	1.379	0.937

- 15.5 The level of General Fund balances will depend on the Council Tax increase determined at this meeting and will be one of the following options:-

Council Tax change	General Fund Balance (£m)					
	2014/15 R £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19	2019/20 £m
Frozen	0.761	1.624	2.816	4.062	5.108	5.808
1.5% increase	0.761	1.652	2.874	4.152	5.231	5.968

- 15.6 The total net budget, before contribution from reserves, for 2015/16 is £9.47m, compared to a net budget for 2010/11 of £11.52m, a reduction of 22% over 5 years and a reduction in real terms of 39%. The net budget for 2014/15 was £10.32m.

## 16 RISK IMPLICATIONS

- 16.1 The risks to the MTFs and the financial standing of the Council are discussed within this report. The key controls for managing financial risks are the robust estimate process, a 5 year Medium Term Financial Plan, the in-year budget monitoring and detailed financial risk assessments.
- 16.2 The Council's main sources of income will be Council Tax, New Homes, Revenue Support Grant and Business Rates. The Council needs to be proactive in developing opportunities for growth in both new housing and local businesses in order to achieve growth in these income streams.
- 16.3 With the introduction of Police & Crime Commissioners, the Home Office have introduced new regulations covering the preparation of the Police budgets. The Police & Crime Commissioners must notify the Police & Crime Panels of proposed precept levels by 1 February each year. The Panel have one week to respond to the precept proposal and, if accepted, the precept is set. However, if the Panel do not accept the precept, the Commissioner has to respond to the Panel by 15 February with a revised precept. The Panel have until 22 February to review the revised precept and respond to Commissioner. If, at this stage, the Panel still does not accept the revised precept, the Commissioner has until 1 March to respond with a further revision. On this basis then, it could be 1 March before we receive the final precept from the Police and Crime Commissioner
- 16.4 The Government intend to have a national reset of the Business Rates Retention scheme in 2020 with a new baseline set and any growth achieved by this date subsumed within the national total for redistribution through the new baselines.
- 16.5 With the General Election in 2015, any change in Government may lead to changes in the funding regime for local authorities and change in policy that directly impacts on the Council and the services it delivers.

**17 EQUALITIES AND DIVERSITY IMPLICATIONS**

- 17.1 When considering changes to service delivery or the introduction of new charges, the Council must consider Equality and Diversity issues. The approach taken is to adopt a staged process:

Stage	Title	Purpose
1	<b>Preliminary Assessment</b>	Initial assessment to determine if there will be any adverse impact, carried out by the relevant member of the Senior Management Team.  If there is no impact at all on any group of users or the community, then only this Stage needs completing.
2	<b>Equality Risk Assessment</b>	Scoring to assess the level of risk, carried out by relevant member of the Senior Management Team.
3	<b>Equality Impact Assessment - Identifying Adverse Impact</b>	Level of detail depends on risk assessment scoring but any removal or reduction in service must go through this stage. Completed by the relevant member of the Senior Management Team and a summary reported to Members at the time of the final decision making.
4	<b>Sign Off</b>	Approval and decision making details by Members
5	<b>Implementation</b>	Action Plan to implement and minimise impact. Completed by the relevant member of the Senior Management Team with a summary reported to Members at the time of the final decision making.

- 17.2 Where Council decides in principle to look at a particular area, with the decision on the detail referred to the Executive, the Equality Impact Assessment will be completed with the final report.

**18 RECOMMENDATION**

- 18.1 It is proposed that the Council **RESOLVES** to agree:-

- (1) The level of Council Tax for Rochford District Council for 2015/16 by recorded vote.

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- (2) The Medium Term Financial Strategy for 2015/16 to 2019/20 including the proposals contained within this report, with the following key budgetary changes:-
- a) New budget of £7,500 for the Social Media Strategy and any required subscriptions.
  - b) New budget of £15,000 to support the delivery of the Economic Growth Strategy.
  - c) Increase to the Recycling contract costs to provide access for Rochford district residents to the Southend Borough Council amenity site in Stock Road.
  - d) New budget of £40,000 for reintroduction of a pest control service, final details to be determined by the Portfolio Holder for introduction from 1 April 2015.
  - e) New budget of £25,000 for flood prevention works.
  - f) New budget of £6,000 for Community Safety Accreditation
  - g) One off budget for 2015/16 of £30,000 to support the work of the Part Night Street Lighting Member Advisory Group.
- (3) The core estimates for 2015/16 as shown in the attached Draft Budget Book
- (4) The schedule of fees and charges for 2015/16.
- (5) The Capital Programme.
- (6) The use of Earmarked Reserves.
- (7) The Non Domestic Rates Return (NNDR1).



Yvonne Woodward

Head of Finance

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**Background Papers:-**

None.

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