ESSEX COUNTY COUNCIL ORGANISATION PLAN

2018/19

Essex County Council

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A FOREWORD

BY THE LEADER AND CHIEF EXECUTIVE

Essex is at the cutting edge of innovation and is one of the most dynamic counties in the UK. With two leading universities, international airports and seaports, one of the longest coastlines and excellent road and rail links to the capital, Essex is uniquely placed and an excellent county to live and work in. It is also hugely diverse with 1.4 million residents spread across vibrant urban centres, rural villages and historic market towns.

There is genuine passion in Essex County Council to ensure everyone has the opportunity to improve their lives and those of their families. We believe prosperity is the best route to achieve that – so people can help each other, and themselves. We are also ready to step in when we need to – to protect vulnerable children and adults; to help care for older people; to support our economy to flourish; and to work with educational partners to provide the right skills for existing and emerging economies.

In July we agreed a new Organisation Strategy that set out what we want to achieve in Essex by 2021. We are now focused on achieving our four aims to:

- Enable inclusive economic growth,
- Help people get the best start and age well,
- Help create great places to grow up, live and work, and
- Transform the council to achieve more with less.

We are up to the challenge. We recognise that we can only achieve our ambitions by working together, and have agreed a long term Vision with partners. We have a strong financial track record to ensure we deliver a balanced budget. We are always conscious that Essex County Council does not have any money. It has taxpayers' money and we invest it wisely on services that directly affect every resident. As part of our innovation and adapting to a new world we are increasing our digital and commercial capabilities as we aim to transform our services to be better, faster and cheaper.

This Organisation Plan sets out the progress we have made in 2017/18 towards our aims, and our plans and budget for 2018/19.

Cllr David Finch
Leader

Gavin Jones,
Chief Executive

THE FINANCIAL CHALLENGE

REPORT BY CABINET MEMBER FOR RESOURCES

We have set high ambitions for Essex and for Essex County Council in the face of a difficult financial context and the Council has a strong record of sound financial management, focusing on providing efficient services that matter to residents.

We have a legal responsibility to operate within a balanced budget. With the changes and reduction in grant funding, coupled with increasing and more complex demand for services like caring for the elderly, protecting vulnerable children and supporting those families who need it, the financial situation continues to be challenging as we work to build a budget that works for Essex residents both now and in to the future.

The budget sets out the financial resources that the Council has available to deliver the Organisation Plan and therefore achieve the Organisation Strategy. The Council will spend a gross budget (including schools) of **£1,851m** and a capital programme of **£299m** to deliver our priorities in 2018/19.

We have an outstanding track record of delivering value to tax-paying residents. We have delivered **£350m** of savings in the last 4 years by driving out inefficiency, generating income and reducing costs, and the budget now presented is based on delivering a further **£59m** of savings and efficiencies in 2018/19. This track record has enabled the Council not only to maintain services in new and improved ways at lower cost, but also to invest for the future so that Essex is a better place in which to live and work.

We need to ensure effective services not just for today, but for the future. Therefore we have ambitious plans for our capital investment – a capital programme of **£299m**, an increase of **£32m** on that for 2017/18. This investment will help deliver our strategic aims and priorities, and in some cases give us a return on investment. The programme includes investment in independent living schemes for older and vulnerable adults, generating greater supply of housing, sufficiency of school places (including schools for children with special needs), and in schemes to promote economic growth, including improvements to the roads and footpaths that we all use daily. We are also providing an extra **£3m** investment in our highways over the coming twelve months.

We are determined to achieve the best service for residents in the most efficient way, this demands that we fully exploit the digital opportunity; therefore additional investment is provided for digital transformation. We are also investing in our skills and capability to become more commercial and seek out opportunities to drive up income, which will have a specific focus over 2018/19.

The Revenue Support Grant will be phased out completely by 2020 (a **£28m** reduction in 2018/19) so our income will be derived from remaining specific grants, council tax, business rates, fees and charges and other trading revenues. Our responsibility to taxpayers demands focus on the generation of discretionary revenues, where we will use commercial thinking in all that we do. We will encourage payment for services as appropriate and where there is a demand for them and an ability to pay.

Despite our efforts, price increases, population growth and increasing demand for services, particularly for social care, means we will need to utilise the 2% Social Care precept facility offered by government, and increase Council Tax by 2.99%. The precept is being used to insulate Adult Social Care from the savings required across other portfolios. The council tax for a band D property will be **£1,221.75; this is an increase of £1.12 per household per week**.

I am confident that this budget will deliver for the needs of Essex residents and businesses and that we continue to deliver sound value for taxpayers' money.

CLLR LOUISE MCKINLAY

OUR STRATEGIC PRIORITIES

ENABLE INCLUSIVE ECONOMIC GROWTH

HELP PEOPLE IN ESSEX PROSPER BY INCREASING THEIR SKILLS

THE CHALLENGE

While the number of well qualified people in Essex has increased, the workforce is less well qualified than the UK as a whole. Certain parts of our population are significantly less skilled and can face other barriers to economic inclusion, and there is a mismatch between the courses that are offered to learners after the age of 16 and the skills our employers need.

We need to be ready to benefit from the shift towards the new employer apprenticeship levy, creating the potential for more apprenticeships in Essex. In the school system Ofsted is increasing its focus on children's progress in schools and the GCSE curriculum and grading system is changing.

IN THE LAST YEAR WE HAVE:

- Seen 65% of pupils achieve at least a level 4 pass (Grade C in the old system) in GCSE English and Maths
- Seen 94% of Essex schools judged good or outstanding – five percentage points higher than the national average
- Reformed our approach to school support based on clusters of schools
- Started a review of learning provision in each district for people 0-19 years old
- Delivered more than 2,500 new school places ready for September 2017 intake
- Delivered a programme to promote key growth sectors of the economy as career opportunities to students in 60 Essex schools
- Invested with the South East Local Enterprise Partnership to develop a network of enterprise advisors to enhance careers education in schools
- Established a health and social care hub to promote health and social care careers to further education students
- Set up an apprenticeship promotion and brokerage hub for employers and young people
- Secured funding for Stansted Airport College (Uttlesford), Centre for Health and Care (Colchester) and STEM Innovation Campus (Braintree)
- Helped 1,330 young people not in education, employment or training to move into employment or learning.

IN THE NEXT YEAR WE WILL:

- Develop an early help hub to improve the attainment of vulnerable children, subject to a successful external funding bid
- Deliver the raising attainment of disadvantaged pupils strategy, to continue to improve outcomes for disadvantaged pupils
- Implement a new young carers service aimed at ensuring young carers get the tailored support they need
- Seek to initiate a new Multi Academy Trust (MAT) that will support schools where no other MAT will provide that support
- Complete the review of learning provision in each district for people from 0-19 years old and recommend improvements to the system
- Deliver a further 2,750 school places
- Expand the enterprise advisor network to enhance careers education in schools, with the employment and skills board
- Deliver a campaign to promote apprenticeships to employers and young people, through the brokerage hub
- Support colleges to deliver Stansted Airport College (Uttlesford), Centre for Health and Development (Colchester) and STEM Innovation Campus (Braintree)
- Work with further education colleges in Essex on their plans for increased collaboration or mergers, following the post-16 area review
- Develop and implement a 'positive progression model' for adults with learning disabilities, to increase their independence
- Ensure there is a range of employment support services for people with disabilities, including those with mental health needs.

These activities will be monitored throughout the year through a range of performance measures and targets that include educational outcomes, improvements in skills and apprenticeship levels and increasing numbers of adults with disabilities that are economically active. More detail can be found in the Measuring our Performance section.

ENABLE ESSEX TO ATTRACT AND GROW LARGE FIRMS IN HIGH GROWTH INDUSTRIES

THE CHALLENGE

We need to attract more large firms, given the size of our economy, and more firms in the sectors that are growing fastest. Productivity in Essex remains lower than other areas in the South East. Essex needs to respond to the government's industrial strategy, focused on clean growth, healthy ageing and the future of mobility. Many of our roads are congested at rush hour and commuters to London travel on crowded trains, making some people in Essex wary of further development.

IN THE LAST YEAR WE HAVE:

- Enhanced the Invest Essex service to promote Essex as a place to do business
- Invested with partners in the Anglia Ruskin University Medtech Innovation Centre at Harlow and the University of Essex Innovation Centre in Colchester
- Given substantial business support to 22 firms resulting in about **£2.3m** finance raised and multiple new products brought to market
- Developed a social enterprise network to create capacity in our health and care sector supply chain
- Developed plans to reduce car use in our main towns including infrastructure improvements in Chelmsford
- Continued planning and campaigning for investment in the major routes, including the A120 and a **£250m** bid to build major roads
- Provided almost 100,000 homes and businesses with superfast broadband.

IN THE NEXT YEAR WE WILL:

- Implement actions from our plans to improve inclusive growth along three economic corridors in Essex
- Engage with districts on Local Plan delivery to ensure the provision of sufficient and appropriate employment land
- Develop a programme to enhance the availability of commercial and industrial sites, focused on large firms
- Continue to undertake technical work and campaign for investment in the major routes including the A120, A12, A127 and the M11
- Deliver transport infrastructure in Colchester to increase walking and reduce car use
- Influence the roll out of broadband in Essex to support businesses and invest **£14m**
- Invest **£81m** in maintaining the roads in Essex
- Develop a local Industrial Strategy for Essex.

These activities will be monitored throughout the year through a range of performance measures and targets that include increasing investment in the county, availability of commercial space and high speed broadband for businesses and greater use of public transport. More detail can be found in the Measuring our Performance section.

TARGET ECONOMIC DEVELOPMENT TO AREAS OF OPPORTUNITY

THE CHALLENGE

Parts of Essex have untapped potential and, as a result, the county's economic performance is not as strong as the rest of the South East. As well as our work across the county, we have opportunities to focus on particular areas – Basildon, Colchester, Harlow, and Tendring, building on the preparatory work that has taken place this year.

IN THE LAST YEAR WE HAVE:

- Formed North Essex Garden Communities Ltd with partners and secured **£700,000** funding from the Ministry of Housing, Communities and Local Government (MHCLG)
- Worked with Colchester, Tendring and Braintree as they developed Local Plans for their areas, including proposals for new garden communities
- Begun to develop a 2050 vision with Basildon and South Essex
- Improved the entrance to Wickford Station and improved the A127/A132 Nevendon Roundabout
- Made Colne Bank Avenue wider in Colchester to improve traffic flow and increased the life of the bridge
- Completed the new market services building in Basildon and a new market in St Martin's Square
- Worked with the district council and Department of Communities and Local Government to begin a conversation towards a New Town Deal for Harlow
- Secured **£43m** for a new junction, 7A, on the M11 to improve access to Harlow, and changed A414 junctions to improve Enterprise Zone access.

IN THE NEXT YEAR WE WILL:

- Implement action plans in Colchester, Tendring, Harlow and Basildon to increase economic growth and reduce income inequalities
- Work with districts to make progress with Local Plans to support the development of North Essex Garden Communities
- Work closely with districts across Essex to bring forward high quality garden settlement proposals.

These activities will be monitored throughout the year through a range of performance measures and targets including household income levels with a particular focus on those in Basildon, Harlow, Tendring and Colchester. More detail can be found in the Measuring our Performance section.

OUR STRATEGIC PRIORITIES

HELP PEOPLE GET THE BEST START AND AGE WELL

HELP KEEP VULNERABLE CHILDREN SAFER AND ENABLE THEM TO FULFIL THEIR POTENTIAL

THE CHALLENGE

The council is a proactive children's service authority delivering integrated services to children and families, with just over 1,000 children in care. We have the third lowest rate of children subject to a child protection plan in the country. We want to reduce our re-referral rate and further reduce the number of adolescents in care, which will improve outcomes for children and reduce financial pressures on the council. We also want to focus our support on children with disabilities and improving their access to personal budgets, as well as tackling emerging challenges in Essex, including dealing with sexual exploitation and gangs.

We will continue to re-focus our support to children with disabilities and enable a stronger transition as they become adults. We want to continue to narrow the gap in educational attainment for disadvantaged children and to respond to the Care Act 2017 by offering support to people who have been in care up to the age of 25. We need to meet these challenges in the face of heavy financial pressure on children's services.

IN THE LAST YEAR WE HAVE:

- Reduced the re-referral rate to Children's Services from 26.9% to the national average of 22.4%
- Improved stability for children in care, with only 8.2% having more than two placements
- Helped Ofsted pilot its new inspection framework; their inspection judgement was that children's services in Essex are good with outstanding leadership
- Won **£3.1m** from the Children's Services Innovation Fund to establish the Inside Out project, an alternative to residential care for adolescents
- Established a digital research project with Essex University and the Children's Principal Social Worker Network to reduce bureaucracy in social work to free up more social work time to be spent directly with children, to make them safer
- Set up a specialist Gangs Team in the Youth Offending Service to support young people to leave gangs and so prevent re-offending
- Started to deliver advice, guidance and support to care leavers up to age 25, prior to the introduction of this as a statutory duty in 2018
- Started the review of our offer to disabled children and young people, improving consistency in delivery of Direct Payments
- Established the ground-breaking 'Pre-Birth to 19 service', to deliver early help with our partners Virgin Care and Barnardos
- Raised income from our consultancy services to other local authorities and the Department for Education, to improve outcomes for children.

IN THE NEXT YEAR WE WILL:

- Maintain the performance of the Children and Families Service while delivering efficiencies improving and innovating our delivery, and generating income through consultancy
- Offer advice, guidance, and support to all care leavers who want it up to the age of 25
- Grow the Essex Fostering Service to increase market share, reducing placements in more expensive independent fostering agencies
- Develop new employment opportunities for disabled children and young people
- Deliver a new activity and short break service
- Implement the Inside Out innovation project
- Conduct a market analysis of residential care, with the aim of delivering better value for money
- Deliver seamless social work to disabled children and young people by moving social workers into teams that offer a service from birth to 25 years old
- Implement the Youth Offending Service Gangs Team to support young people to leave gangs
- Set aside **£3m** to deliver innovative solutions for care for children, as the size of the population in Essex rises
- Redesign adoption services, improving outcomes and saving **£100,000**.
- Invest **£590,000** in small capital grants to help foster carers and adoptive parents to adapt their homes to make them suitable for children.

These activities will be monitored throughout the year through a range of performance measures and targets that include improving the number of care leavers that are in employment, training or education, greater uptake of free early education entitlements and improved outcomes for children in care. More detail can be found in the Measuring our Performance section.

ENABLE MORE VULNERABLE ADULTS TO LIVE INDEPENDENT OF SOCIAL CARE

THE CHALLENGE

The population of older people in Essex is expected to grow by 21% over the next decade so demand for care is growing, with the population aged more than 85 expected to grow by more than 50%. Along with other councils and partners, we have shrinking resources.

We need to continue our shift from a reactive service, to one that is focused on prevention, early intervention, recovery and enablement. We will work on the assumption that many people we support can recover quickly and want to be supported to live independently at home. We need to work with our partners in the NHS and private care sector to support our approach and ensure high quality provision. In particular we need to work to address challenges of high employee vacancy rates. We must maintain the improvement in performance on delayed transfer of care (DTOC) targets.

IN THE LAST YEAR WE HAVE:

- Reduced the number of people entering residential care from 1,181 to a forecast figure of 760
- Reduced the number of delayed transfers of care due to social care to an average of 1,100 per month
- Achieved 84% of providers rated ‘good’ or ‘outstanding’
- Increased the proportion of people caring for themselves after re-ablement from 65% to 68%
- Begun to align adult social care teams to GPs and other professionals in local Neighbourhood Teams
- Built quality relationships with NHS partners, including through the Better Care Fund negotiations and participated fully in the development of Sustainability and Transformation Partnerships, as required by the NHS
- Produced a Market Development Strategy to engage with the adult social care market on how we deliver our shared vision for older people
- Worked to support more people with Learning Disabilities to live independently
- Launched the new Greater Essex Mental Health Strategy and the new Greater Essex Dementia Strategy and won a national award for the Virtual Dementia Tour
- Tested a new digital approach to help people transfer from hospital to social care.

IN THE NEXT YEAR WE WILL:

- Seek to increase the number of providers rated good or outstanding by continuing to invest in the PROSPER programme; dementia training and rolling out the Gold Standards Framework for End of Life
- Invest in public health initiatives in areas that maximise value for money and reduce demand on adult social care and liaise with partners following the success of the Sports England bid for the Active Essex Initiative
- Improve the effectiveness of mental health social work to support people to avoid crises and live well
- Develop new accommodation and employment pathways for people with mental health problems
- Develop an approach to predictive analytics to help plan for future demand in Essex and help target resources accordingly
- Embed the new adult social care staffing structure with new teams focused on early intervention and recovery
- Continue to work with NHS partners on health and adult social care integration ensuring the interests of Essex residents are best represented in our work with the new NHS Sustainability and Transformation Partnerships
- Collaborate with partners to address autism issues, particularly assessment waiting times
- Continue to develop the community based re-ablement service
- Improve access to advice and guidance for vulnerable adults and carers by developing digital approaches.

These activities will be monitored throughout the year through a range of performance measures and targets that include reducing the number of people going into residential care, rising numbers of providers achieving good or excellent Care Quality Commission assessments and improved access to information and advice for service users and carers. More detail can be found in the Measuring our Performance section.

IMPROVE THE HEALTH OF PEOPLE IN ESSEX

THE CHALLENGE

Life expectancy is higher than the national average but varies by geography within Essex and is lower for vulnerable and socially excluded groups partly due to deprivation. Lifestyle choices can exacerbate these inequalities. Avoidable deaths from heart disease and mental health remain key issues. Obesity, diabetes and dementia are growing problems and levels of substance misuse are increasing.

IN THE LAST YEAR WE HAVE:

- Worked with partners to understand the drivers of increasing health inequality in Tendring District, in particular Clacton and Harwich
- Agreed a new public health approach with districts and boroughs with enhanced joint working
- Commissioned a new sexual health service with improved accessibility and acceptability through a digital interface
- Reviewed health investment to support the desired reduction in demand for adult social care services
- Commissioned an integrated Lifestyle Service and developed a new approach with commercial vendors to smoking cessation
- Mobilised a county wide programme to prevent diabetes
- Restructured and finalised the drug and alcohol treatment system to improve efficient delivery within reducing resources.

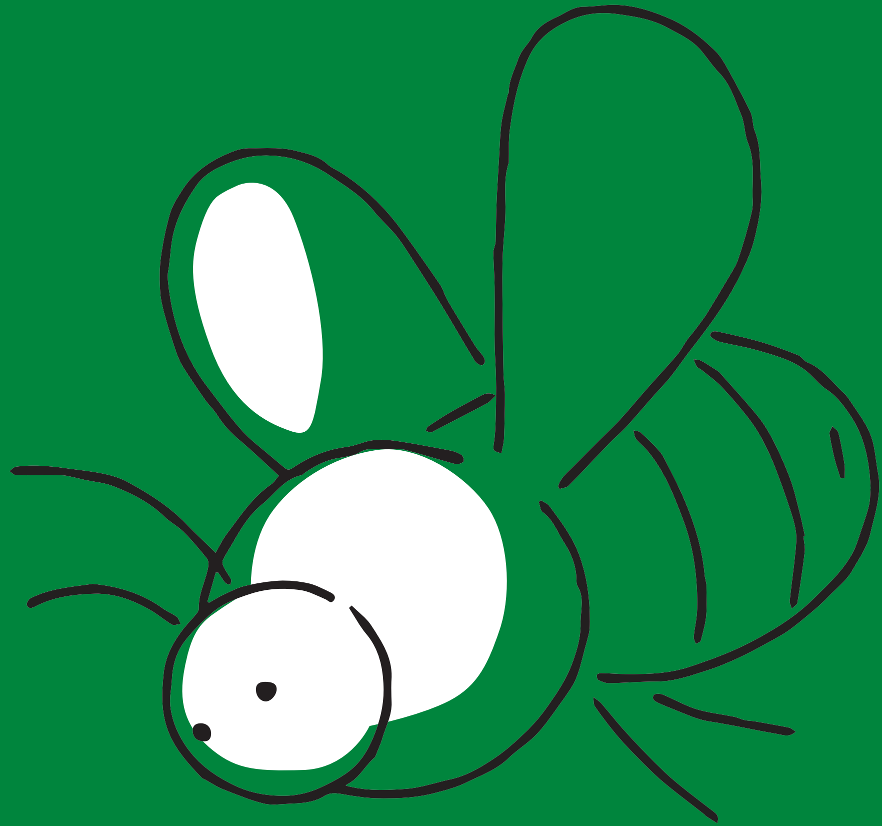
IN THE NEXT YEAR WE WILL:

- Deliver a programme of targeted interventions in Tendring and other appropriate areas to reduce health inequalities
- Launch a major initiative to improve physical activity in the population
- Deliver a new community-focused approach to weight management
- Develop with partners a new Essex Joint Health and Well Being Strategy
- Redesign and re-procure the alcohol treatment service and Accident and Emergency alcohol liaison service in partnership with health colleagues
- Work up a new commissioning approach with partners to drug and alcohol services using a charity model.

These activities will be monitored throughout the year through a range of performance measures and targets that include rising levels of school readiness, reducing gaps in the differences in life expectancy levels across Essex and lower rates of obesity. More detail can be found in the Measuring our Performance section.

OUR STRATEGIC PRIORITIES

HELP TO CREATE GREAT PLACES TO GROW UP, LIVE AND WORK



HELP TO SECURE STRONGER, SAFER AND MORE NEIGHBOURLY COMMUNITIES

THE CHALLENGE

Individuals, families and communities are the best guardians of their own interests. Where it is appropriate to do so, we should support communities to help themselves by seeking to foster and build community capacity and capability. But we also recognise there are times when public services need to step in.

We need to continue the shift in our approach that enables communities to take responsibility for themselves. And we need to take action that demonstrates progress and the impact of this approach. Strengthening communities has the potential to significantly change our commissioning support for the most vulnerable people in the county.

IN THE LAST YEAR WE HAVE:

- Worked with partners to reduce the reporting gap for domestic abuse by increasing the number of victims who disclose abuse to services
- Launched the Essex Community Alliance
- Launched the Essex Faith Covenant
- Reviewed our investment in the voluntary and community sector, including with our partners
- Developed an approach to identifying our assets of benefit to the local community
- Developed a violence and gangs reduction strategy.

These activities will be monitored throughout the year through a range of performance measures and targets that include improving residents' engagement in their local area through volunteering, influencing decision making and reducing social isolation. More detail can be found in the Measuring our Performance section.

IN THE NEXT YEAR WE WILL:

- Implement new approaches to increase volunteering in Essex
- Continue investment to establish vibrant hubs in our communities that include library and registration services with other partners and our communities
- Develop a single point of access to optimise effectiveness of funded community schemes, including community agents and care navigators
- Develop new citizen-led approaches to enabling communities to improve well-being
- Develop increased opportunities to collaborate with partners to make the most of the assets that exist in Essex
- Explore and deliver opportunities to improve community engagement using social media and digital
- Mobilise the newly integrated Health and Justice Services across Essex (Street Triage, Police Custody Healthcare and Liaison and Diversion) to support reductions in re-offending
- Work with partners to improve 'community sentencing' and 'out of court disposals' to more effectively deliver reduced levels of offending and re-offending.

HELP SECURE SUSTAINABLE DEVELOPMENT AND PROTECT THE ENVIRONMENT

THE CHALLENGE

The council has a key role to play as a custodian of our environment for this and future generations. Our stewardship requires that less waste is produced, less carbon emitted, more homes and businesses protected from flooding and the use of our green space is maximised. New housing growth in Essex has the potential to deliver more connected, healthier communities.

The Clean Growth Strategy has set out an ambition for zero avoidable waste by 2050. This ambition and legislative changes that will likely follow the UK's exit from the EU, create the opportunity to re-shape our approach to waste. Producing less waste in Essex is better for the environment and will reduce the cost to taxpayers of its disposal. The world of energy is changing. The push to reduce carbon emissions, the deployment of new technologies, such as battery storage, means our energy system is shifting to a more decentralised and flexible model.

IN THE LAST YEAR WE HAVE:

- Promoted activities and delivered services which helped reduce the amount of household waste collected over the last 12 months by 2.9% or 32kg less per household
- Increased household recycling and composting in the last 12 months to 53.9%
- Completed a study to understand the best opportunities to target waste reduction
- Responded to seven Local Plan consultations, including comment on amount and use of green space
- Continued to invest in our country parks which has increased visitor numbers from 684,504 to 735,850 a year
- Provided Sustainable Drainage System advice on 500 major planning applications
- Completed seven flood alleviation schemes and nine Community Flood Involvement Fund Schemes reducing flood risk for more than 470 properties
- 35% **(£1.6m)** of the Capital Flood programme was provided by the Environment Agency as part of the **£4.5m** funding for 2017/18.

IN THE NEXT YEAR WE WILL:

- Develop a Great Green Plan for Essex to unlock the value of our green assets
- Develop and embed circular economy principles to ensure resource efficiency is integral to the choices we make in designing and delivering our services
- Embed delivery of the Energy and Low Carbon Growth Strategy
- Complete an efficiency review of existing waste infrastructure to ensure it remains fit for purpose and is optimised
- Develop a business case to look at the opportunities of establishing a local authority led energy retail company
- Promote community owned renewable energy generation projects
- Refresh and implement the walking strategy
- Expand the Ride Pilot to community based transport
- Incorporate Great Green Essex principles into the design of garden communities and other significant developments.

These activities will be monitored throughout the year through a range of performance measures and targets that include satisfaction and usage levels of our green spaces and country parks, reductions in waste and increasing recycling levels. More detail can be found in the Measuring our Performance section.

FACILITATE GROWING COMMUNITIES AND NEW HOMES

THE CHALLENGE

Essex will need to build at least 136,000 new homes over the next 20 years – a 22% increase in the current number of homes. We are committed to facilitating that housing growth in such a way that the characteristics of the county we cherish are protected and enhanced. We are not just building new homes, we are building communities.

Government remains focused on housing. It expects to see house building increase. Targets could rise from 136,000 to 150,000 over the next 20 years. Districts' Local Plans are the key to securing good growth – we will work with our districts to support the local planning process.

IN THE LAST YEAR WE HAVE:

- Worked with districts to develop Local Plan documents, including those which will support the delivery of the North Essex Garden Communities
- Progressed Essex Housing, which will deliver more than 400 homes over time, including for older people and people with learning disabilities
- Developed an Essex Growth model to decide which infrastructure projects provide best value for money
- Begun construction work on 64 housing units – 41 units for private sale and 23 units for independent living for people with learning disabilities
- Commissioned a Homelessness Trailblazers service which has helped to prevent 225 cases of homelessness following a successful bid to DCLG.

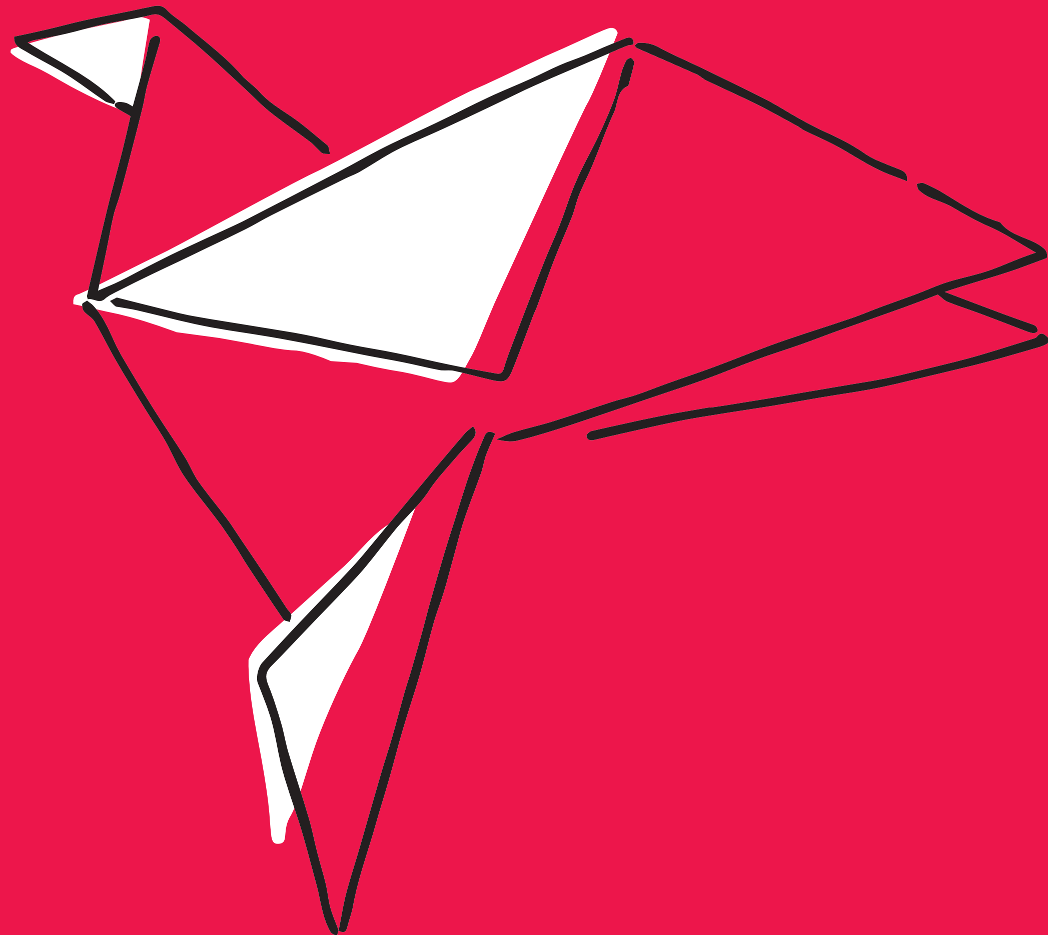
IN THE NEXT YEAR WE WILL:

- Work with MHCLG to develop a strong partnership approach towards securing new homes and infrastructure in sustainable communities in the North Essex Garden Communities
- Publish the updated Essex Design Guide online, including new content on digital, the ageing population, and Garden Communities, to improve new housing development
- Develop an approach to increase the amount of key worker housing
- Develop a Viability Protocol with districts and developers on public investment from private housing development
- Complete 38 new homes through Essex Housing, including 15 independent living homes for people with learning disabilities.

These activities will be monitored throughout the year through a range of performance measures and targets that include increasing the availability of land for housing and the numbers of houses built. More detail can be found in the Measuring our Performance section.

OUR STRATEGIC PRIORITIES

TRANSFORM THE COUNCIL TO ACHIEVE MORE WITH LESS



LIMIT COST AND DRIVE GROWTH IN REVENUE

THE CHALLENGE

Our income is falling and demand for our services is rising. We must continue to ensure we operate as efficiently as possible and maximise the value of every pound of taxpayers' money we spend while seeking out new opportunities to grow our income streams.

IN THE LAST YEAR WE HAVE:

- Delivered in excess of **£100m** of savings
- Reviewed fees and charges for our services
- Developed the Council Tax Fraud Scheme
- Launched a Property Investment fund of **£50m**, with the first purchase of a Grade A Office block for **£11.1m**, generating a significant financial return for the Council
- Launched the Essex Lottery – sold 22,000 tickets in 2017, which equates to **£156,000** raised annually across the 229 good causes, throughout the county.

IN THE NEXT YEAR WE WILL:

- Deliver **£59m** savings
- Develop a more commercial approach to our services to deliver investment in services
- Deliver a target of **£10m** capital receipts
- Optimise the use of our buildings, including through changed working practices.

DEVELOP THE CAPABILITY, PERFORMANCE AND ENGAGEMENT OF OUR PEOPLE

THE CHALLENGE

We employ approximately 7,500 people. We are building an organisation that values doing the right thing for the people we serve. And we will continue to invest in our people to make sure they have the skills and capabilities to serve the people of Essex as they deserve.

IN THE LAST YEAR WE HAVE:

- Redesigned our senior leadership team
- Started the organisational redesign for the whole of the Council
- Developed a new pay and grading structure
- Developed a new Workforce Strategy
- Introduced new leadership and organisational behaviours
- Started to build a shared understanding of what our ambition of becoming a 'learning organisation' means to us.

IN THE NEXT YEAR WE WILL:

- Complete the organisational redesign of the whole of the county council
- Implement and embed the reward and recognition system and performance management system for employees
- Support the development of our managers, so they can enable our people to be their best at work
- Develop a brand for Essex as a desirable place to work that is diverse and promotes equality to attract talent
- Review how people join the Council and how we attract talent in the wider market
- Identify and create the right conditions in the organisation to ensure 'learning from experience' is embedded in everything we do
- Review the way our Learning and Development offering supports our need to have a "life-long learning" mindset.

RE-IMAGINE HOW RESIDENTS' NEEDS CAN BE MET IN A DIGITAL WORLD

THE CHALLENGE

The digital revolution is transforming the way we live our lives. The internet has not only allowed for the design of much cheaper, faster services, delivering better outcomes, it has changed entire systems. From re-casting age old industries, such as banking and retail, to creating entirely new sectors, such as the sharing economy and social media. This change will continue to offer huge potential, especially to those that need our support the most. Our residents expect our public institutions to take advantage of these opportunities. We must re-imagine our role to better meet people's needs and expectations in the internet age.

IN THE LAST YEAR WE HAVE:

- Agreed the Essex Service Standards as part of the Organisation Strategy to help us create and run better digital services
- Agreed and published a digital roadmap
- Established a core team to support capability and capacity in service design
- Run multiple sessions on digital, agile and service design to start to build understanding and capability.

IN THE NEXT YEAR WE WILL:

- Reorganise around the Essex Service Standards using service design techniques to support re-imagining how the Council meets its outcomes
- Integrate Essex Service Standards and Commissioning into one framework to ensure we design and deliver services that put the user first
- Reform our information, advice and guidance so residents can access information through the appropriate channels, prioritising digital
- Work on improving digital capabilities throughout the organisation
- Establish shared digital ambitions with core public service delivery partners
- Identify and work on key areas for focus for digital service design programmes
- Refresh our approach for a Lean Estate to deliver a more commercial return, to assess the need for a physical presence for the Council and partner services in localities based on customer need alongside digital interaction; and to recognise the social value of some property assets in creating stronger, safer and more neighbourly communities
- Deliver the Digital Foundations Programme to improve our technology infrastructure and increase productivity by allowing more flexible and mobile working and to ensure value for money service provision.

These activities will be monitored throughout the year through a range of performance measures and targets that will be developed and agreed through the coming year.

RESOURCES

THE BUDGET IS A FINANCIAL PLAN OF THE ORGANISATION STRATEGY AND THE WAY THE BUDGET IS DELIVERED THROUGH CABINET MEMBERS WHO HAVE A PORTFOLIO RESPONSIBILITY FOR A NUMBER OF SERVICES, WHICH WILL DELIVER THE STRATEGIC AIMS AND PRIORITIES OF THE ORGANISATION STRATEGY

REPORT ON THE REVENUE BUDGET BY THE EXECUTIVE DIRECTOR FOR CORPORATE AND CUSTOMER SERVICES (S151 OFFICER)

The budget is set against a backdrop of the eighth year of austerity and significant reductions in Central Government funding, and increasing demand for social care services which has attracted much attention nationally. The Council faces a 38% reduction in Central Government revenue support grant, when compared to the current year, and this is on top of 37% in the previous year.

The authority took up the Government's offer of a four year settlement, thereby providing greater certainty over government funding streams from 2016/17 to 2020/21.

In 2016/17 the Government agreed that local authorities with social care responsibilities were allowed to increase council tax by an additional 2% if the money raised is spent on adult social care. This is referred to as the 'adult social care precept'. In the Provisional Finance Settlement for 2017/18 it was announced that social care authorities could increase the social care precept provided that the total increase as a result of the precept by 2019/20 does not exceed 6%. The Council raised the adult social care precept by 3% in 2017/18 and proposes to increase by 2% in 2018/19, followed by 1% in 2019/20. A 2% increase will yield an estimated **£12m** in 2018/19, which while being a contribution to the financial pressures relating to social care, is not sufficient to meet the costs of inflation (including the cost of funding increases in the National Living Wage) and demographic growth which are estimated to cost **£29m** for this service alone.

The financial situation that the authority faces remains very challenging. In the past year, the authority has seen significant cost pressures in the provision of children's social care services, equating to an additional cost of **£7m** for 2018/19, and without transformational activity, it is likely this will continue to rise in future years.

The 2018/19 budget includes a **£39m** reduction in central government grants compared to the previous year, inflationary pressure (including National Living Wage) of **£27m**, and additional income offset by service pressures **(£7m)** resulting in a net pressure of **£59m**. For future years, these pressures are expected to continue. The council must therefore continue to explore different ways of working with its partners, local communities and the voluntary sector to ensure essential services can be provided with significantly reduced funding.

Given this, the Council is proposing to implement a 2.99% increase in core Council Tax, in addition to the 2% social care precept. The decision to increase Council Tax is a political one – and any increase is a balance between the need to provide a sound financial basis for the provision of services, and the needs of the taxpayer. The increases proposed within this budget will not only contribute additional funds for 2018/19, but will also provide an increase to the Council's base funding position going forward and help to stabilise the financial position of the authority and its ability to provide essential public services.

There are a number of risks associated with the budget, including the assumed full delivery of **£59m** budget proposals, where at this stage, 17% of savings have a higher level of delivery risk. The extent and management of social care demand is a significant risk given that people are living longer, may have more care needs, and we are experiencing more cases and more complex cases within Children's services too. We have very recently also experienced some winter weather which did require greater intervention than normal, and looking ahead, it is important that we are able to provide additional resources at very short notice to keep our infrastructure running in periods of bad weather. The longer term funding position is uncertain due to the proposed changes to local government financing.

Reserves play an important part in the financial strategy of the Council, and much has been written about them in local and national media. A substantial amount of the Council's reserves are 'restricted use funds' in that they are ring-fenced very specifically to long term contractual commitments such as Private Finance Initiative (PFI) schemes, or they are partnership funds, and not available to support the spend of the

Council. These reserves are important in terms of risk management – they have the potential to manage specific risks in the areas they are allocated to, and so alleviate pressure on the remaining reserves, but they should not be considered available to support more general pressures facing the Council. Excluding these specific funds, the remaining reserves provide a cushion against the significant risks the Council faces as outlined above, and a source of transformation funding to change the way the Council provides services and achieves future efficiencies. The continued provision of adequate reserves is essential. Without these, it may be necessary to take remedial urgent action in-year to mitigate unavoidable challenges that arise, which could lead to longer term consequences. The general balance is set at **£55m** which is sufficient to fund the Council's activities for 22 days.

In building the budget and considering the risk inherent within it, it is important that the Council considers not only the level of reserves available to support it, but the wider control environment which will help to manage and minimise those risks. This includes the approach to financial planning with functions, regular reporting to Members and senior officers, using performance reporting as an early warning system, and the internal audit function assessing controls and processes. These processes are robust and it is important that continued focus is given to these by the senior leadership of the Council to ensure this remains the case. These processes provide an early warning system to potential problems to enable appropriate action to be taken if necessary in a calm and measured way.

However, it has to be recognised that these steps will not serve to eliminate risk entirely, especially for those that come externally. There are further measures that can be taken to diminish the overall financial effect of these risks, including slowing down or stopping spending, increasing income elsewhere, and moving funds around the organisation. The authority also has an emergency contingency, which is set at £4m (or less than 0.5% of net expenditure), in addition to the General Balance mentioned above.

It is therefore important that the authority continues with its reform of services and ensures there is strong leadership to deliver the new sources of income and efficiencies required to balance future budgets. There will be an increasingly strong focus on digital transformation and commercialism to enable this.

Whilst a balanced budget for 2018/19 is presented here, it does include high levels of risk in terms of delivery of the budget proposals. Furthermore, the projections for future years indicate a gap between the Council's expected funding streams and the Council's expenditure. It is therefore essential that the Council continues to identify further income and opportunities for efficiencies to ensure balanced budgets are able to be set in future.

REPORT ON THE CAPITAL STRATEGY BY THE EXECUTIVE DIRECTOR FOR CORPORATE AND CUSTOMER SERVICES (S151 OFFICER)

The Council has also indicated within the budget proposals, an aspiration to invest considerable sums through the capital programme over the next three years. This will deliver a range of schemes to enhance, maintain and deliver new assets, some of which will help to deliver revenue savings. Clearly if the Council has to borrow sums to pay for this investment, it will incur borrowing costs, which increase the pressure on the revenue budget. The ability to turn this aspiration into a long term programme will therefore be dependent on achievement of savings, generation of income and maximising funding from a range of sources. The indicated borrowing costs of the capital programme will rise from 5% of the net budget in 2017/18 to an estimated 6% in 2020/21. Clearly this could create a situation where services will have to make greater efficiencies in future to fund these increased borrowing costs. Currently some 6% of the capital programme is spent on projects which deliver a financial return greater than their borrowing costs. Over the coming year, further work will be undertaken to implement the commercial strategy to ensure this proportion increases, thereby generating further returns over and above the cost of borrowing to reduce the impact on front line services.

The Prudential Code for Capital Finance in Local Authorities (the Prudential Code) plays a key role in capital finance in local authorities, and it requires the Executive Director for Corporate and Customer Services to comment specifically on the Capital Strategy adopted by the Council. The full strategy is shown in Annex 1.

Local authorities determine their own programmes for investment that are central to the delivery of quality public services. The Prudential Code was developed by CIPFA as a professional code of practice to support local authorities in taking their decisions. Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003. Part of the Prudential Code requires the Chief Financial Officer to report explicitly on the affordability and risk associated with the Capital Strategy.

In financing capital expenditure, local authorities are governed by legislative frameworks, including the requirement to have regard to CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

In order to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability, the Prudential Code requires authorities to have in place a Capital Strategy that sets out the long term context in which capital expenditure and investment decisions are made, and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

The Capital Strategy provides an overview of the governance process for approval and monitoring of capital expenditure. These processes are well established, and have been highly effective in recent years in ensuring the delivery of the Council's capital investment plans. It provides a projection of the Council's capital financing requirement, how this will be funded and repaid. It also sets out the Council's borrowing strategy and explains how the Council will discharge its duty to make prudent revenue provision for the repayment of debt. The capital strategy, and the indicators provided in Annexes 1A and 1B, show that the capital financing requirement, external borrowing levels and costs of borrowing are all on an upward trajectory. This reflects the substantial level of capital investment being undertaken by the Council at present. A focus of much of this investment is upon 'invest to save' initiatives and upon economic regeneration. Hence, the increase in borrowing, and the costs associated with this borrowing, is partly mitigated by revenue savings and additional income generation. In the longer term, it will not be possible to sustain this level of capital investment without the achievement of savings, generation of income and maximising funding from a range of sources.

The Council's approach to treasury management investment activities is set out on page 72, and includes the criteria for determining how and where funds will be invested to ensure that the principal sums are safeguarded from loss and that sufficient liquidity is maintained to ensure that funds are available when needed. The treasury management investment strategy proposed for 2018/19 is consistent with that applied in previous years, other than where changes have been necessary due to external factors. The Council has a good track record with regard to its treasury investment activity, adhering to the statutory requirement to give priority to security and liquidity over yield. In addition, Internal Audit has issued a ‘good’ assurance opinion on the management of these activities, confirming that internal controls are consistently adhered to.

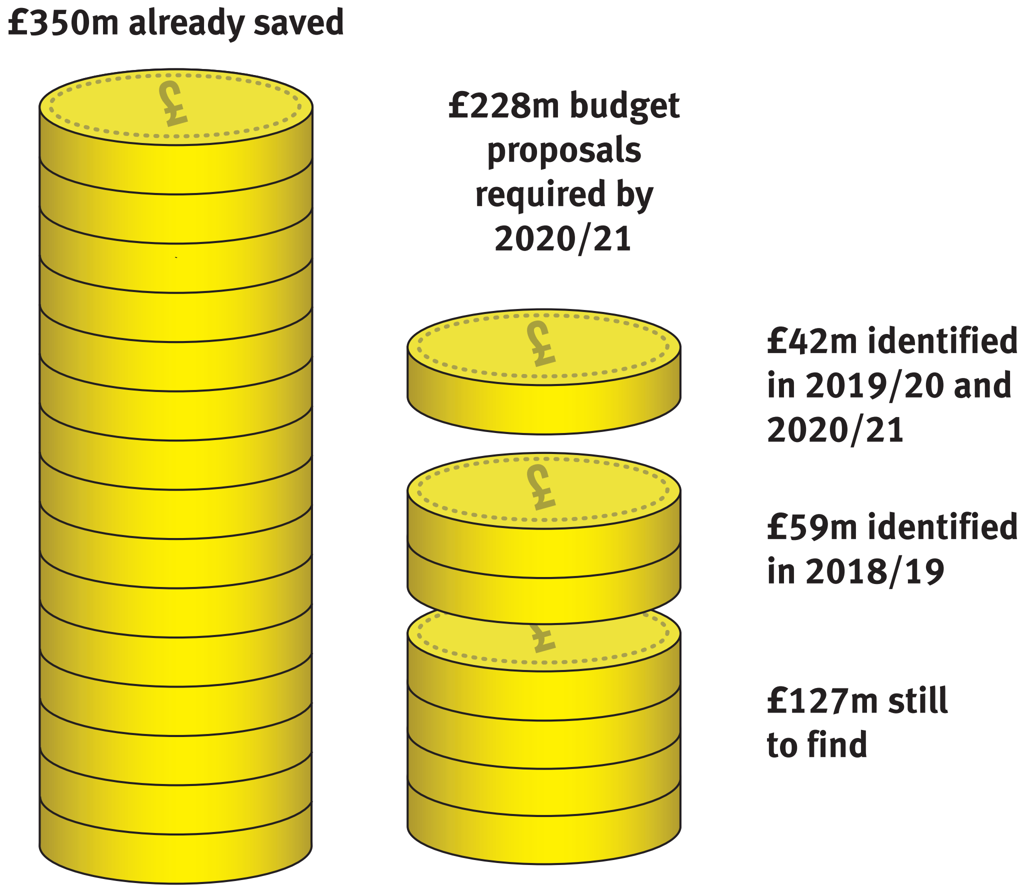
The Capital Strategy also explains the Council’s current approach to commercial investment activities, including processes, due diligence and defining the Council’s risk appetite in respect of these, including proportionality in respect of overall resources. All commercial investment activities entered into so far have been subject to approval in accordance with the Council’s governance framework for decision making, and giving due regard to risk and proportionality, and this will be the intention for new propositions too. This section of the Capital Strategy may need to be revisited and updated once the revised statutory Guidance on Local Authority Investments is published and/or as the Council’s own agenda for commercial investments evolves.

The Council’s policies, objectives and approach to risk management of its treasury management activities, and the manner in which it seeks to achieve its policies and objectives for treasury management is set out in the Strategy, alongside the knowledge and skills available to the Council and provides confirmation that these are commensurate with the Council’s risk appetite.

The distinct, but inter-related, elements of the Capital Strategy therefore collectively demonstrate that the Council’s capital expenditure and investment decisions properly take account of stewardship, value for money, prudence, sustainability and affordability, by setting out the long term context in which capital expenditure and investment decisions are made, and by giving due consideration to both risk and reward and impact on the achievement of priority outcomes.

FINANCIAL STRATEGY 2018/19 – 2020/21

This budget is underpinned by a financial strategy to ensure the financial sustainability of the Council and to deliver essential services to residents, whilst keeping council tax as low as possible. This will continue to be achieved by focussing on increasing income generation and delivery of our commercial strategy.



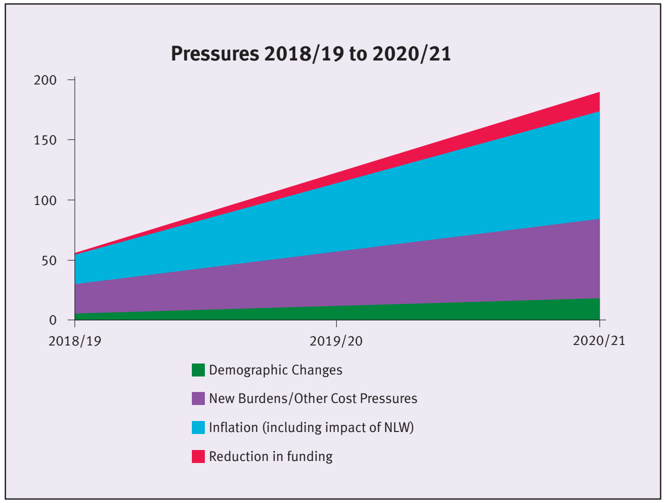
Over the last four years we have generated savings to taxpayers of £350m, and are budgeted to deliver a further £59m of new savings by the end of 2018/19 (6% of net budget). We have an outstanding track record both in terms of delivering savings, generating income and delivering value to its residents, with a constant focus on strategic outcomes and financial prudence.

The **£59m** of budget proposals relate to process and back office efficiencies, improved targeting of resources and preventative measures, including a more targeted approach of support to vulnerable people and families and continue our focus on allowing vulnerable people to live independently.

We have worked closely with our District, Borough and City partners to improve Council Tax collection rates, through local schemes and the implementation of an anti-fraud campaign. This will result in an expected growth in council tax in 2018/19 of **£2m** (before the precept and core tax increase).

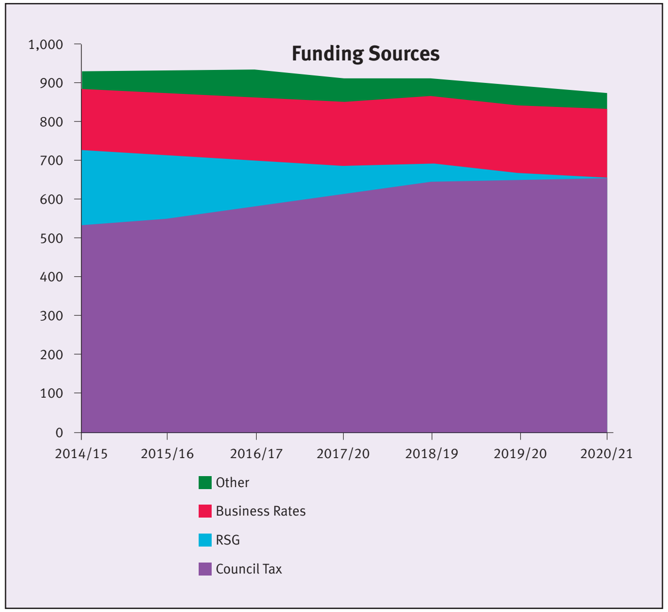
In 2016/17, we accepted the offer from Central Government for a multi-year settlement, in return for an efficiency plan. The settlement provides the Council with certainty of some central government funding streams until 2019/20. Revenue Support Grant funding from central government reduces significantly over this period – falling to zero by 2020/21. RSG in 2018/19 will be **£46m** which is 5% of total funding.

The funding position beyond 2019/20 is not clear. We are working with central government on the design of the new Busines Rate Retention scheme which is due to be implemented in 2020/21. These initiatives will mean that more business rates are retained locally by local authorities. This will be a significant change to the way we are funded, but will provide greater financial independence, and incentives to push for local growth and pioneer new models of public service delivery. Importantly it will also improve local accountability as locally raised tax becomes the core funding source.



The Government is also consulting on the funding allocations for local authorities.

As well as reductions in Central Government funding, the Council faces significant cost pressures over this period due to demand, inflation, and demographics.



MEDIUM TERM

Work will continue during 2018/19 to identify options to close the funding gap beyond the next year. We are fully cognisant of the challenges that we face, but are determined to continue to transform how we operate to tackle this enormous financial shift. We operate a Transformation and Efficiency programme which is central to delivering the savings and generate the income required to reach a balanced budget position but also to deliver fundamental change in the way we work both internally and with partners.

	2018/19 £M	2019/20 £M	2020/21 £M
Net Cost of Services	915	931	974
Funding	(915)	(896)	(882)
Gap	**-**	**35**	**92**

The total savings still to find over the medium term period is **£127m**.

There will be a continued focus on commercialism, effective contract management and working with partners to secure value for money in delivering our strategic aims and priorities.

This is about operating our services in ways that generate value for residents, where residents are willing to pay a fair price where they can afford to do so. We will be investing in its digital capability to make optimum use of digital solutions to drive the transformation and improve its efficiency. The capital programme will similarly have elements which result in greater revenues thus reducing the burden on taxpayers.

CAPITAL

The capital programme presented is fully developed for 2018/19 and provides the current view of the programme for 2019/20 and 2020/21.

Our longer term capital programme aspirations are significant, we recognise that investments are essential to transform our capacity to meet future needs, generate additional income including capital receipts and deliver revenue savings. We will continue to develop a future programme of investment which is affordable within the financial envelope available and will help us to transform service delivery to improve the quality of life for our residents.

The overall vision for the capital programme is to have a diverse portfolio of activity, ensuring the continued creation of new and maintaining the quality of existing infrastructure, for the benefit of our residents and businesses. Our investments must deliver value for money within an affordable financial envelope that generates income and growth, drives savings and is focused on creating better places to live and work. This is all underpinned by the needs of the people and businesses of Essex and the strategic aims and priorities as set out in the Organisation Strategy.

Our approach to deliver this vision is:

- Ensuring activity is prioritised in line with our organisation strategy, with robust delivery plans in place, enabling delivery on time and at value, for example ensuring every child has a place at school and maintaining the road network.
- Ensuring external funding is leveraged, especially from development, which will maximise the financial envelope available for capital projects such as funding for road improvements (which reduce congestion and unlock housing and jobs growth) and building new schools.
- Building and maintaining a diverse capital programme which is agile and responds to residents' needs, such as providing new accommodation for older people and adults with disabilities and improving the flood defences. Investment in infrastructure such as housing and roads delivers economic growth, which in turn increases Council Tax and Business Rates.
- Utilising and leveraging our existing asset base to ensure it is fit for purpose and creating value.

Over the last three years we have invested approximately **£210m** on improving the quality of roads and footways. As a result it has seen significant improvements in the condition of the principal road network which we wish to extend into local roads and improvements to congestion in a number of key locations. Notable achievements over the last three years include major improvements to the A414 in Harlow and key junction improvements in Colchester and Basildon.

Continued investment is vital to achieving our ambitions for the county which are aligned to the districts local plans from economic growth to reducing congestion to meeting the future needs of residents. Over the next three years the plan is to focus more on the local road network condition and delivery will commence on significant packages of improvement work such as new junctions at M11 J7a and A127 Fairglen and a package of highway works in Chelmsford.

To support our ambition, we have been successful in bids for funding from the Local Growth Fund and National Productivity Investment Fund and submitted bids for the Housing Infrastructure Fund. We continue to work closely with the Department for Transport and Highways England to secure improvements for the A120, A12 and M25 J28. A longer term pipeline covering the next 10 – 15 years is in the early stages of development, which will provide us greater opportunities to leverage external funding and work with third parties to enable our ambition for Essex. In response to the changing financial landscape, the investment strategy now encompasses projects which provide a return on investment, giving us ongoing revenue savings, a regular income stream or capital receipts.

The ambitious housing schemes and redevelopment of redundant Council property continues to provide much needed new homes across the county, delivering suitable independent living housing for older people and adults with disabilities.

Our collaboration with Essex Schools will enable up to £53m investment expanding special school places over the next 3 years.

This represents a step change in the provision and will help to reduce distances children with Special Educational Needs and Disabilities need to travel, keeping them closer to their family and reducing associated costs. This is on top of the **£214m** we are planning to invest in mainstream education to create over 8,000 new school places, ensuring all children in Essex receive the best possible education and pupils' individual needs are met in their locality.

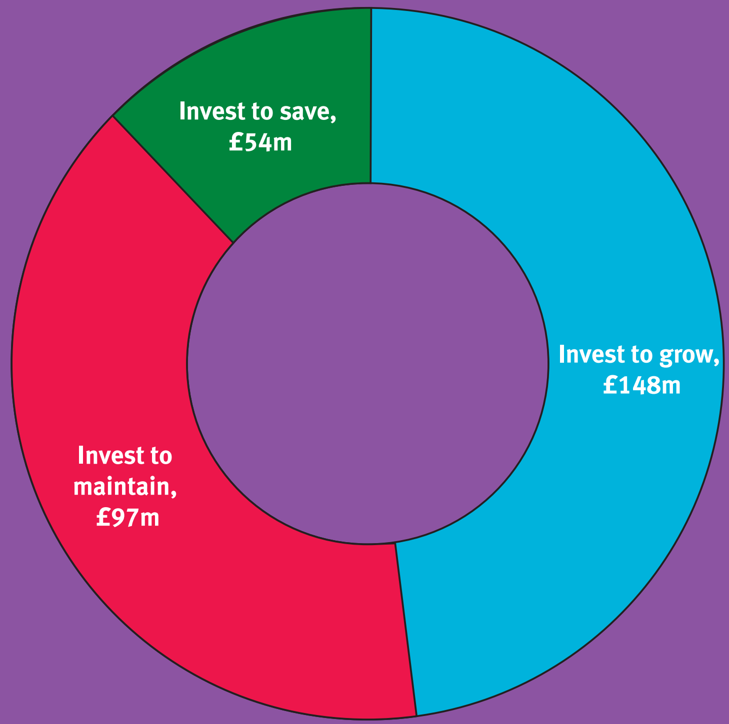
THE TOTAL OF THE 2018/19 PROGRAMME IS £299M. THIS CAN BE ANALYSED AS FOLLOWS:

Invest to Grow totals £148m and includes areas where we are expanding its capacity, for example, economic growth schemes in infrastructure and highways, creating new school places to meet additional demand from demographic changes, new housing developments and enhancing skills in key growth areas.

Invest to Maintain totals £97m and includes areas where we are maintaining (but extending the life of) its current assets, for example, highways and the flood programme.

Invest to Save/Generate Return totals £54m and includes areas where we are investing to generate a return or saving, for example, accommodation for older people and people with disabilities, LED lighting and the Essex Housing Programme.

ECC CAPITAL PROGRAMME 2018/19 £299M



2018/19 OVERVIEW

Gross expenditure to be incurred in the delivery of Council services in 2018/19 is **£1,851m**. After taking income and specific grants into account, the net costs of services amounts to **£915m**.

BUDGET BREAKDOWN

	2017/18 £M	2018/19 £M
Gross Expenditure	1,823.6	1,850.6
Deduct:		
Income	(226.5)	(264.4)
Specific Government Grants (excluding DSG)	(138.5)	(153.3)
Specific Government Grants (DSG)	(545.9)	(517.5)
Subtotal: Net Cost of Services	912.7	915.4
Deduct:		
Council Tax Requirement	(597.1)	(635.6)
Revenue Support Grant	(73.9)	(45.7)
Non-Domestic Rates	(168.7)	(173.7)
Non-Domestic Rates Deficit/(Surplus)*	0.8	(0.8)
General Government Grants	(60.7)	(50.2)
Council Tax Collection Fund Surplus*	(13.1)	(9.4)
Subtotal: Total Funding	(912.7)	(915.4)
Surplus/(Defecit)/Balanced Budget	0.0	0.0

** Estimate of the variation of actual council tax and non-domestic rates revenue 2017/18 compared to that budgeted (technical adjustment)*

As referred to above, the budget is delivered within portfolios.

A summary of the revenue budget and capital programme by portfolio is shown on pages 36 and 37.

Breakdown of Total Net Funding

INCOME

Within the budget, income of £264m is expected in 2018/19, an increase of £38m when compared to 2017/18. The breakdown of income streams by portfolio is shown on page 36.

The significant change in contributions from other bodies reflects a change in accounting treatment of income from health partners relating to the Better Care Fund.

Over 48% of income shown in the table is derived from fees and charges; of this the majority is raised from means tested charges for adult social care.

	2017/18 £M	2018/19 £M
Fees and Charges	(124.9)	(126.8)
Contributions from Other Bodies	(63.8)	(38.3)
Interest Receivable	(0.5)	(1.3)
Rents and Lettings	(4.3)	(5.7)
Sales	(1.4)	(1.6)
Other Income:		
Appropriations Income*	(13.6)	(24.2)
Income Recharge	(9.6)	(52.3)
Other Recharges	(8.2)	(14.1)
Capital Grants	(0.1)	(0.1)
TOTAL	(226.5)	(264.4)

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

SPECIFIC GOVERNMENT GRANTS

The budget also includes **£671m** of specific government grants, the most significant of which is the Dedicated Schools Grant (**£518m**), the majority of which is passed through to schools, and Public Health grant (**£64m**) which is ring-fenced to public health activity.

CAPITAL PROGRAMME

The Capital Programme for 2018/19 is **£299m**. We will deliver our biggest ever education programme, with in excess of 2,750 new primary and secondary school places being constructed. We will continue on its five year **£85m** investment programme to provide 400 new special school places for children with special educational needs in Essex (**£53m** over the three years 2018/19 – 2020/21). It will significantly accelerate its plans to bring forward ambitious housing schemes and redevelop redundant Council property to provide much needed new homes across the county, supporting independent living schemes for older people and adults with disabilities. With **£81m** being invested in maintaining and improving the highway network, it will ensure the county keeps moving.

We will deliver a range of schemes to enhance, maintain and deliver new assets. Schemes such as superfast broadband and investment in libraries to make them more community based. There will be a continuation of building new primary and secondary schools, at Beaulieu Park in Chelmsford, New Hall in Harlow and a significant school expansion programme in Colchester. There is also a package of highways maintenance and road congestion busting schemes countywide to support economic growth, particularly in Harlow. There is major investment with further education organisations to help address the gap in the skills sector, such as at Stansted Airport.

REVENUE BUDGET SUMMARY

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
113,358	113,212	113,597	Children and Families	130,776	(6,787)	(9,088)	114,902
20,656	18,642	18,885	Culture, Communities and Customer	24,504	(7,344)	(0)	17,160
7,752	6,984	7,670	Economic Growth, Skills, Infrastructure and the Digital Economy	8,130	(633)	(350)	7,147
83,444	74,341	75,784	Education	668,766	(32,833)	(561,043)	74,889
76,777	75,383	75,670	Environment and Waste	90,984	(9,890)	(105)	80,989
434,793	421,823	426,839	Health and Adult Social Care	648,216	(139,042)	(97,837)	411,337
43,499	42,828	42,925	Highways	61,869	(15,803)	(2,090)	43,976
3,374	4,003	4,148	Housing, Property and Planning	5,079	(1,079)	(3)	3,998
7,911	6,611	9,341	Leader	8,040	(231)		7,809
45,222	62,329	30,058	Other Operating Costs	87,840	(25,612)		62,228
18,712	15,775	16,772	Resources	19,697	(3,208)	(256)	16,233
1,843	2,003	2,003	Culture, Communities and Customer RSSS	1,997	(67)		1,930
71,670	58,013	79,082	Resources RSSS	84,396	(21,286)	(0)	63,110
13,249	10,708	9,962	Leader RSSS	10,313	(606)		9,706
942,260	**912,656**	**912,735**		**1,850,608**	**(264,423)**	**(670,772)**	**915,413**

CAPITAL PROGRAMME SUMMARY

2016/17 ACTUAL £000	2017/18 LATEST BUDGET £000		2018/19 BUDGET £000	2019/20 ASPIRATION £000	2020/21 ASPIRATION £000	THREE YEAR TOTAL £000
125	550	Children & Families	590	550	500	1,640
347	702	Culture, Communities and Customer	2,182	1,550	0	3,732
44,914	36,567	Economic Growth, Skills, Infrastructure and the Digital Economy	64,901	99,194	80,603	244,698
53,282	83,885	Education	105,251	104,824	63,909	273,984
5,918	7,889	Environment and Waste	5,293	3,700	0	8,993
3,303	4,864	Health and Adult Social Care	3,269	1,400	1,150	5,818
102,668	106,018	Highways	85,176	73,110	72,000	230,286
2,602	6,784	Housing, Planning and Property	9,276	13,972	13,872	37,120
12,891	19,605	Resources	22,657	26,381	5,372	54,410
226,051	**266,865**	**Capital Programme**	**298,595**	**324,681**	**237,406**	**860,681**

2016/17 £000	2017/18 £000	Financing	2018/19 £000	2019/20 £000	2020/21 £000	THREE YEAR TOTAL £000
101,702	103,354	Grants	89,537	173,902	146,211	409,650
27,755	10,000	Capital Receipts	10,000	10,000	10,000	30,000
20,140	21,176	Contributions	14,581	17,658	8,929	41,168
14,843	17,756	Reserves	8,843	8,796	8,748	26,387
61,611	114,579	Unsupported borrowing	175,634	114,325	63,518	353,477
226,051	**266,865**	**Total financing**	**298,595**	**324,681**	**237,406**	**860,681**

COUNCIL TAX REQUIREMENT

Under sections 42A and B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011, there is a requirement to disclose the budget requirement and associated council tax requirement for the year. This is set out below.

STATUTORY DISCLOSURE REQUIREMENT TO THE £

	£
Net cost of Services	915,413,141
General Government Grants*	(50,161,755)
Budget requirement	**865,251,386**
Less funding available:	
RSG	45,739,099
NDR	173,736,330
NDR Surplus/(Deficit)	752,352
Council Tax Collection fund surplus	9,470,868
	229,698,649
Council tax requirement	**635,552,737**
Tax base	
(Band D equivalent properties)	520,199
Band D council tax	1,221.75

The Band D council tax charge is **£1,221.75**. The provisional council tax charge by band is set out in in the following table. This represents an increase of under **£1.12** per week.

PROVISIONAL COUNCIL TAX CHARGE BY BAND

COUNCIL TAX BAND	2017/18 £	2018/19 £
Band A	775.80	814.50
Band B	905.10	950.25
Band C	1,034.40	1,086.00
Band D	**1,163.70**	**1,221.75**
Band E	1,422.30	1,493.25
Band F	1,680.90	1,764.75
Band G	1,939.50	2,036.25
Band H	2,327.40	2,443.50

CHILDREN AND FAMILIES PORTFOLIO (CLLR DICK MADDEN)

ALIGNS TO THE STRATEGIC AIM – HELP PEOPLE GET THE BEST START AND AGE WELL

REVENUE BUDGET

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
			Childrens Services				
38,461	40,601	40,952	Childrens Fieldwork	42,934	(824)	(2,800)	39,310
57,003	57,102	56,945	Children Looked After	60,631	(200)	(866)	59,565
2,832	2,664	2,921	Childrens Service Management	3,449	(486)	(127)	2,836
34	93	76	Clacton Joint Service Centres	187	(94)		93
230	232	232	Corporate and Democratic Core	234			234
9,897	6,597	6,597	**Early Years and Childcare**	11,149	(4,173)		6,976
			Other Childrens Services				
127	238	238	i Domestic Violence	484	(117)		367
195	214	214	Essex Local Childrens Safeguarding Board	440	(194)		246
3,273	3,838	3,789	Other Social Care	8,182	(226)	(4,122)	3,835
1,306	1,634	1,634	**Youth Offending Service**	3,087	(473)	(1,173)	1,441
113,358	**113,212**	**113,597**	**Net Cost of Services**	**130,776**	**(6,787)**	**(9,088)**	**114,902**

i For 2018/19 £1.1m of Domestic Violence spend is reported within the Health and Adult Social Care portfolio as it is funded through Public Health grant

CAPITAL PROGRAMME

2016/17 ACTUAL £000	2017/18 LATEST BUDGET £000		2018/19 BUDGET £000	2019/20 ASPIRATIONAL £000	2020/21 ASPIRATIONAL £000
125	300	Adaptations	300	300	300
	250	Children With Disabilities	290	250	200
125	**550**	**Total Children and Families**	**590**	**550**	**500**

CULTURE, COMMUNITIES AND CUSTOMER PORTFOLIO (CLLR SUSAN BARKER)

ALIGNS TO THE STRATEGIC AIM – HELP CREATE GREAT PLACES TO GROW UP, LIVE AND WORK

REVENUE BUDGET

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
800	690	695	**Communities**	541	1		542
2,337	2,675	2,365	**Coroners' Courts**	3,354	(793)		2,562
1,761	2,130	1,946	**Customer Services and Member Enquiries**	2,258	(280)		1,978
1,770	1,335	1,475	**Heritage and Cultural Services**	1,731	(636)	(0)	1,094
			Libraries and Information Service				
			Libraries Service Management				
10,962	9,101	9,362	Library Operational Services	10,994	(1,588)		9,405
1,799	1,957	1,957	Library Resources	1,959	(2)		1,957
(680)	(974)	(974)	**Registrars**	2,295	(3,650)		(1,355)
140	59	59	**Tourism**	197	(144)	(0)	53
1,766	1,669	2,000	**Trading Standards**	1,176	(252)		923
26,656	**18,642**	**18,885**		**24,504**	**(7,344)**	**(0)**	**17,160**
1,843	2,003	2,003	**Customer Services**	1,997	(67)		1,930
1,843	**2,003**	**2,003**		**1,997**	**(67)**		**1,930**
22,499	**20,645**	**20,888**	**Net Cost of Services**	**26,501**	**(7,411)**	**(0)**	**19,090**

CAPITAL PROGRAMME

2016/17 ACTUAL £000	2017/18 LATEST BUDGET £000		2018/19 BUDGET £000	2019/20 ASPIRATIONAL £000	2020/21 ASPIRATIONAL £000
48	500	Colchester Mercury Theatre Schemes completing in 2017/18 or earlier	1,500		
48	**500**	**Total Heritage, Culture and The Arts**	**1,500**	**-**	**-**
64	100	Libraries Community Hubs	350	1,550	
164	100	Libraries Self Service	332		
70	2	Schemes completing in 2017/18 or earlier			
298	**202**	**Total Libraries And Community Hubs**	**682**	**1,550**	**-**
347	**702**	**Total Culture, Communities And Customer**	**2,182**	**1,550**	**-**

ECONOMIC GROWTH, SKILLS, INFRASTRUCTURE AND THE DIGITAL ECONOMY (CLLR KEVIN BENTLEY)

ALIGNS TO THE STRATEGIC AIM – ENABLE INCLUSIVE ECONOMIC GROWTH

REVENUE BUDGET

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
2,757	2,295	2,463	Economic Regeneration	2,435	(65)		2,370
185	216	216	International Trade	350	(135)		215
631	253	476	Inward Investment	797		(350)	447
2,124	2,008	2,288	Skills	1,960	5		1,964
231	312	346	Traded Strategy	436	(110)		326
1,825	1,900	1,881	Transport Strategy	2,152	(327)		1,825
7,752	**6,984**	**7,670**	**Net Cost of Services**	**8,130**	**(633)**	**(350)**	**7,147**

CAPITAL PROGRAMME

2016/17 ACTUAL £000	2017/18 LATEST BUDGET £000		2018/19 BUDGET £000	2019/20 ASPIRATIONAL £000	2020/21 ASPIRATIONAL £000
		Economic Development and Regeneration Projects with SELEP funding			
		Chelmsford City Flood Prevention		800	
	50	Colchester Centre For Health & Development	1,200	2,500	
	2,000	Stansted Airport College	5,000		
	50	Stem Innovation Campus Braintree	1,200	2,500	
1,750	1,000	University Of Essex Innovation Centre	1,000		
		ECC Funded Schemes			
544	420	Basildon Craylands	336	450	450
	1,000	Harlow Medtech	1,500		
		Panfield Lane		1,360	1,360
		Witham Innovation Centre/Grow on units		900	900
2,996	1,161	Schemes completing in 2017/18 or earlier			
5,290	**5,681**	**Total Economic Development and Regeneration**	**10,236**	**8,510**	**2,710**
3,519	3,413	BDUK Essex Superfast Programme	14,031	10,749	9,889
132		Schemes completing in 2017/18 or earlier			
3,651	**3,413**	**Total Superfast Essex Broadband Programme**	**14,031**	**10,749**	**9,889**
		Highways Capital Programme (over £500,000) Projects with SELEP funding			
1,372	1,600	A127 Fairglen Interchange	1,756	2,504	3,000
4,100	427	A127 Road Safety & Network Resilience Package	1,300	2,000	
		A127/A130 Fairglen New Link Road		5,000	4,835

2016/17 ACTUAL £000	2017/18 LATEST BUDGET £000		2018/19 BUDGET £000	2019/20 ASPIRATIONAL £000	2020/21 ASPIRATIONAL £000
112		A131 Braintree – Sudbury RBS		1,820	1,820
198	1,500	A131 Chelmsford To Braintree Route Based Strategy (RBS)	2,000	3,820	-
139		A133 Colchester – Clacton RBS	1,895	3,417	120
139		A414 Harlow – Chelmsford RBS	2,400	3,770	
1,608	800	Basildon Integrated Transport Package	3,373	3,600	1,986
1,039	151	Beaulieu Park Station	1,497	1,507	9,770
3	1,000	Chelmsford Growth Area	3,000	5,500	5,500
2,392	2,100	Colchester Integrated Transport Plan (Borough Wide)	1,500	4,844	
915	3,525	Harlow Enterprise Zone & A414 Pinch Point Delivery Package Two	7,559	500	
3,153	5,196	M11 Junction 7A And Gilden Way Upgrading	3,500	22,627	25,973
249	500	M11 Junction 8	1,880	5,276	1,500
		ECC Funded Schemes			
	250	A120 Millennium Way Slips	1,250	6,250	6,000
3,105	2,200	A120 Preferred Route	2,473		
		A130/A12 Howe Green		2,500	2,500
2,892	4,023	Advanced Scheme Design	5,000	5,000	5,000
14,556	3,950	Schemes completing in 2017/18 or earlier			
35,973	**27,223**	**Total Highways Capital Programme (Over £500,000)**	**40,384**	**79,935**	**68,004**
		Self Financing Schemes			
	250	Medtech Accelerator	250		
	250	**Total Self Financing Schemes**	**250**		
44,914	**36,567**	**Total Economic Growth, Skills, Infrastructure and the Digital Economy**	**64,901**	**99,194**	**80,603**

EDUCATION PORTFOLIO (CLLR RAY GOODING)

ALIGNS TO THE STRATEGIC AIM – ENABLE INCLUSIVE ECONOMIC GROWTH

REVENUE BUDGET

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
			Education and Life Learning DSG				
(462,851)	(468,825)	(436,338)	Dedicated Schools Grant			(434,707)	(434,707)
	2,810	1,564	Early Years Contingency	2,000			2,000
62,067	73,529	74,923	Education for Under Fives	83,218			83,218
			Ethnic Minorities and Bi-Lingual Learners				
3,293	2,900	2,900	i Prudential Borrowing	2,900			2,900
(22,862)	(24,996)	(14,875)	Pupil Premium Grant	21,756		(21,756)	(0)
424,678	428,878	393,523	Schools Budget	374,699	(931)	(4,451)	369,316
203	1,770	1,542	Service Management	1,542			1,542
54,343	57,960	56,059	Special Educational Needs	55,576	(121)		55,455
(54,047)	(77,090)	(77,821)	Under Fives DSG			(82,788)	(82,788)
			Education and Life Learning Non DSG **Access To Education**				
14,545	10,997	13,013	Home to School Transport – main	13,295	(300)		12,995
11,560	12,516	10,500	Home to School Transport – SEN	10,792	(364)		10,429
17,048	16,573	17,299	Access to Education – Other	28,931	(12,327)		16,604
(1,621)	(1,239)	(1,231)	Adult Community Learning	9,282	(2,744)	(8,065)	(1,526)

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000			2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
(10,762)	(6,232)	(8,351)		Funding for former Education Services Grant services	(0)	(5,418)	(0)	(5,418)
2,667	2,208	2,208		Education for Under Fives	2,177	(129)		2,047
3,336	1,455	634		Improving School Standards	10,196	(1,585)	(6,195)	2,415
30,848	30,328	31,031		Passenger Transport	36,759	(6,433)	(1,121)	29,206
1,385	1,730	1,718	ii	Services to Children	5,841	(1,976)	(1,942)	1,923
5,802	4,769	3,744		Special Educational Needs and Additional Educational Needs Service	6,058	(52)		6,006
691	633	633		Sports Development	632	(4)		628
3,236	3,668	3,181		Strategic Management	3,092	(449)		2,643
(115)	(0)	(73)		Young Person Learner Agency (YPLA) Funding	19		(19)	0
83,444	**74,341**	**75,784**		**Net Cost of Services**	**668,766**	**(32,833)**	**(561,043)**	**74,889**

i Borrowing costs for some capital projects in schools ii Includes Youth Services

EDUCATION PORTFOLIO (CLLR RAY GOODING)

ALIGNS TO THE STRATEGIC AIM – ENABLE INCLUSIVE ECONOMIC GROWTH

CAPITAL PROGRAMME

2016/17 ACTUAL £000	2017/18 LATEST BUDGET £000		2018/19 BUDGET £000	2019/20 ASPIRATIONAL £000	2020/21 ASPIRATIONAL £000
24,087	47,398	Basic Need Programme	56,236	64,026	46,930
1,303	12,038	Beaulieu Park Schools	19,832		
259	3,651	Early Years	1,279	494	624
9,365	7,500	Schools Capitalised Building Maintenance	7,500	7,500	7,500
1,514	2,262	Special Schools	17,113	29,595	6,395
882	2,085	Temporary Accommodation	1,691	1,609	1,500
14,105	7,231	Schemes completing in 2017/18 or earlier			
51,516	**82,165**	**Total Local Authority Controlled**	**103,651**	**103,224**	**62,949**
1,766	1,720	Devolved Formula Capital	1,600	1,600	960
1,766	**1,720**	**Total School Controlled**	**1,600**	**1,600**	**960**
53,282	**83,885**	**Total Education**	**105,251**	**104,824**	**63,909**

ENVIRONMENT AND WASTE PORTFOLIO (CLLR SIMON WALSH)

ALIGNS TO THE STRATEGIC AIM – HELP CREATE GREAT PLACES TO GROW UP, LIVE AND WORK

REVENUE BUDGET

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
268	(0)	289	**Community Initiatives**	0			0
1,181	1,394	1,434	**Development Management**	879	(70)		809
60	0	(0)	**Historic Environment**				
			Leisure				
85	85	85	i Contributions To Other Bodies	85			85
161	(422)	(342)	Country Parks	2,229	(2,556)	(105)	(432)
21	(27)	(54)	Cressing Temple	127	(198)		(71)
			Marsh Farm				
6	(321)	0	**Management and Support Services**	(0)			(0)
(103)	(611)	(611)	**Outdoor Education**	3,183	(3,387)		(204)
179	178	178	**Rural Issues**	178			178
			Waste Management				
13,059	12,102	12,102	Civic Amenity Service	12,351			12,351
1,530	3,256	3,256	Courtauld Road Waste Treatment	3,413			3,413
88	116	116	Exceptional Waste	118			118

i Contributions to external bodies including Woodland Trust

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
353	301	301	Landfill Aftercare	481	(58)		423
22,112	23,810	23,755	Recycling Initiatives	23,600			23,600
129	179	179	Tipping Away Payments	282			282
(2,315)	(2,311)	(2,311)	Trade Waste Income		(2,621)		(2,621)
38,083	35,941	35,941	Waste Disposal	42,739	(1,000)		41,739
(44)	1,183	0	Waste Management and Support Services	0	(0)		(0)
1,926	531	1,353	Waste Strategy	1,319	0		1,319
76,777	**75,383**	**75,670**	**Net Cost of Services**	**90,984**	**(9,890)**	**(105)**	**80,989**

CAPITAL PROGRAMME

2016/17 ACTUAL £000	2017/18 LATEST BUDGET £000		2018/19 BUDGET £000	2019/20 ASPIRATIONAL £000	2020/21 ASPIRATIONAL £000
2,912	1,544	Country Parks	**450**		
682	1,352	Essex Outdoors Centres	**343**		
26	4,378	Flood Management	**4,500**	**3,700**	
2,298	616	Schemes completing in 2017/18 or earlier			
5,918	**7,889**	**Total Environment And Waste**	**5,293**	**3,700**	**-**

HEALTH AND ADULT SOCIAL CARE PORTFOLIO (CLLR JOHN SPENCE)

ALIGNS TO THE STRATEGIC AIM – HELP PEOPLE GET THE BEST START AND AGE WELL

REVENUE BUDGET

2016/17: ACTUALS				2017/18: LATEST BUDGET					2018/19: DRAFT BUDGET			
GROSS EXPENDITURE £000	INCOME £000	SPECIFIC GRANTS £000	TOTAL NET EXPENDITURE £000	GROSS EXPENDITURE £000	INCOME £000	SPECIFIC GRANTS £000	TOTAL NET EXPENDITURE £000		GROSS EXPENDITURE £000	INCOME £000	SPECIFIC GRANTS £000	TOTAL NET EXPENDITURE £000
								Access Assessment and Care Management				
8,560	21	(102)	8,479	7,120	(4)		7,116	Countywide Teams	6,862			6,862
6,000	(110)		5,890	7,292	(91)		7,200	Mid Teams	6,845	(148)		6,697
9,266	(3,612)		5,654	12,542	(5,977)		6,565	North East Teams	16,243	(9,177)		7,067
8,216	(522)	22	7,717	8,351	(423)		7,929	South Teams	8,144	(472)		7,671
5,276	(111)		5,165	5,455	(91)		5,363	West Teams	5,491	(113)		5,378
1,921	(90)		1,831	1,843			1,843	**Child and Adolescent Mental Health Services**	1,966	(9)		1,958
								Care and Support				
194,944	(10,035)		184,910	201,843	(9,137)		192,705	Learning Disabilities	207,892	(11,704)		196,188
225,509	(104,856)		120,653	225,294	(105,591)	(24,721)	94,981	Older People	232,318	(109,600)	(32,571)	90,148
49,142	(4,062)		45,081	48,579	(3,431)		45,148	Physical and Sensory Impairment	51,054	(4,397)		46,658
								Corporate and Democratic Core				
215			215	213			213	Corporate and Democratic Core	135			135
780		(328)	452	680		(328)	352	**Health Watch**	680		(328)	352
753			753	723			723	**Health Reform and Integration**	713			713
								Housing Related Support				
12,415			12,415	5,987			5,987	Programme Costs	4,856			4,856

2016/17: ACTUALS				2017/18: LATEST BUDGET					2018/19: DRAFT BUDGET			
GROSS EXPENDITURE £000	INCOME £000	SPECIFIC GRANTS £000	TOTAL NET EXPENDITURE £000	GROSS EXPENDITURE £000	INCOME £000	SPECIFIC GRANTS £000	TOTAL NET EXPENDITURE £000		GROSS EXPENDITURE £000	INCOME £000	SPECIFIC GRANTS £000	TOTAL NET EXPENDITURE £000
22,282	(2,775)		19,507	22,495	(2,754)		19,740	**Mental Health**	21,940	(2,836)		19,104
								Other Social Care				
318	(283)		35	333	(287)		46	Essex Vulnerable Adults	279	(279)		
2,441	(100)	(362)	1,978	2,578	(100)	(350)	2,127	Third Sector Funding	2,721	(105)	(350)	2,266
67,531	(45)	(68,269)	(783)	67,096	(135)	(66,110)	851	**Public Health**	64,470	(27)	(64,443)	
								Service Management Costs				
14,450	(404)	(218)	13,828	28,341	(251)	(146)	27,943	Service Management Costs	15,399	(177)	(146)	15,076
								Social Fund				
1,010			1,010					Social Fund	200			200
								Support to Carers				
1			1	8			8	Carers Strategy	8			8
631,032	**(126,983)**	**(69,256)**	**434,793**	**646,769**	**(128,275)**	**(91,655)**	**426,839**	**Net Cost of Services**	**648,216**	**(139,042)**	**(97,837)**	**411,337**

CAPITAL PROGRAMME

2016/17 ACTUAL £000	2017/18 LATEST BUDGET £000		2018/19 BUDGET £000	2019/20 ASPIRATIONAL £000	2020/21 ASPIRATIONAL £000
197	275	Changing Places	100	100	100
641	1,540	Independent Living Adults With Disabilities Programme	1,150	175	
588	648	Independent Living Older People Programme	2,019	1,125	1,050
1,877	2,402	Schemes completing in 2017/18 or earlier			
3,303	**4,864**	**Total Health and Adult Social Care**	**3,269**	**1,400**	**1,150**

HIGHWAYS PORTFOLIO (CLLR IAN GRUNDY)

ALIGNS TO THE STRATEGIC AIM – ENABLE INCLUSIVE ECONOMIC GROWTH

REVENUE BUDGET

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
			Highways And Transportation				
622	738	76	Asset Management Planning	252			252
1,342	1,551	1,249	Bridges	1,196	(45)		1,151
2,065	1,869	1,674	Congestion	7,542	(5,872)		1,670
	141		Corporate And Democratic Core				
11,706	12,058	12,058	i Ongoing Operator Payments for A130 PFI	13,640			13,640
1,055	1,167	1,167	Localism	194			194
882	625	625	Park and Ride	2,674	(2,369)		305
1,784	2,308	1,871	Public Rights Of Way	2,009	(164)		1,845
852	1,520	809	Road Safety	974	(8)	(221)	745
14,821	12,786	14,117	Roads And Footways	19,354	(155)	(1,869)	17,330
8,310	6,557	7,521	Street Lighting	7,068	(349)		6,718
(1,514)	(361)	(1,646)	Support Services	621	(3,487)		(2,866)
(1,365)	(739)	294	Traffic Management Act	3,210	(3,354)		(144)
			Transportation Planning				
2,940	2,609	3,111	Winter Service	3,134			3,134
43,499	**42,828**	**42,925**	**Net Cost of Services**	**61,869**	**(15,803)**	**(2,090)**	**43,976**

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

CAPITAL PROGRAMME

2016/17 ACTUAL £000	2017/18 LATEST BUDGET £000		2018/19 BUDGET £000	2019/20 ASPIRATIONAL £000	2020/21 ASPIRATIONAL £000
5,795	6,799	Bridges	7,710	5,700	5,700
		Bus & Passenger Transport Infrastructure	500	1,500	1,000
	210	Bus Lane Camera Enforcement	110	110	150
		Cycling Infrastructure	500	1,500	1,000
9,765	7,960	Footway Maintenance	8,000	3,500	3,500
5,749	4,000	Local Highways Panels	4,000	4,000	4,000
248	250	Passenger Transport	250	250	
405	400	Public Rights Of Way	400	400	400
60,419	65,500	Road Maintenance	50,040	50,040	50,000
1,959	1,900	Safety Barrier Replacement	2,000	1,500	1,500
3,611	2,512	Street lighting replacement	3,000	1,500	1,500
2,646	2,629	Surface Water Alleviation	2,500	1,250	1,250
2,069	1,500	Traffic signal refurbishment	1,500	1,860	2,000
5,165	3,533	Schemes completing in 2017/18 or earlier			
97,831	**97,192**	**Total Highways Excluding Self Financing**	**80,510**	**73,110**	**72,000**
		Self Financing Schemes			
4,837	8,826	LED Rollout	4,666		
4,837	**8,826**	**Total Self Financing Schemes**	**4,666**	**-**	**-**
102,668	**106,018**	**Total Highways**	**85,176**	**73,110**	**72,000**

ALIGNS TO THE STRATEGIC AIM – HELP CREATE GREAT PLACES TO GROW UP, LIVE AND WORK

REVENUE BUDGET

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
629	899	777	Environmental Planning	1,051	(209)		841
0	0	0	Environmental Strategy	3		(3)	(0)
1,222	711	1,428	Housing	1,342	(83)		1,259
1,340	1,332	1,280	Strategic Spatial Planning	1,202	(163)		1,039
(170)	677	193	Service Management	272			272
191	330	330	Sustainable Development	333	(10)		323
162	53	140	Travellers	878	(613)		265
3,374	**4,003**	**4,148**	**Net Cost of Services**	**5,079**	**(1,079)**	**(3)**	**3,998**

CAPITAL PROGRAMME

2016/17 ACTUAL £000	2017/18 LATEST BUDGET £000		2018/19 BUDGET £000	2019/20 ASPIRATIONAL £000	2020/21 ASPIRATIONAL £000
910	163	Travellers	310	440	
910	**163**	**Total Travellers**	**310**	**440**	**-**
		Self Financing Schemes			
1,693	6,620	Essex Housing	8,966	13,532	13,872
1,693	**6,620**	**Total Self Financing Schemes**	**8,966**	**13,532**	**13,872**
2,602	**6,784**	**Total Housing, Planning and Property**	**9,276**	**13,972**	**13,872**

ALIGNS TO THE STRATEGIC AIM – TRANSFORM THE COUNCIL TO ACHIEVE MORE WITH LESS

REVENUE BUDGET

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
			Democratic Core				
948	996	966	Corporate Management	519	0		519
32	62	62	Democratic Representation	61			61
		1,083	**Digital**	2,148			2,148
	250	350	**Innovation Fund**	(0)			(0)
1,820	1,768	3,403	**Members Support**	1,770			1,770
1,544	1,397	1,501	**Olympics and Sports Development**	1,688	(231)		1,457
			Other				
261	261	261	Contributions and Subscriptions	261			261
57	(0)	37	Essex Initiatives	(0)			(0)
139	138	138	Devolution				
3,110	1,739	1,539	**Corporate Policy**	1,594			1,594
7,911	**6,611**	**9,341**		**8,040**	**(231)**	**-**	**7,809**
2,881	2,459	2,331	**Communications And Customer Relations**	2,404	(86)		2,318
134	138	138	**Equality And Diversity**	140	(3)		137
4,903	5,088	4,525	**Performance and Commissioning Support**	4,247	(334)		3,914
5,331	3,023	2,968	**Project Management Office**	3,521	(184)		3,337
13,249	10,708	9,962		**10,313**	**(606)**		**9,706**
21,160	**17,319**	**19,303**	**Net Cost of Services**	**18,353**	**(838)**	**-**	**17,515**

RESOURCES PORTFOLIO (CLLR LOUISE MCKINLAY)

ALIGNS TO THE STRATEGIC AIM – TRANSFORM THE COUNCIL TO ACHIEVE MORE WITH LESS

REVENUE BUDGET

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
			Central Services To The Public				
6,338	6,841	6,871	Council Tax Sharing Scheme	6,596			6,596
9,890	6,483	7,450	Other Services	9,571	(417)	(256)	8,898
(0)	0	0	Support Services	972	(2,791)	(0)	(1,819)
595	575	575	**Emergency Planning**	525			525
			Precepts				
1,505	1,500	1,500	Environmental Agency	1,645			1,645
384	376	376	Kent and Essex Sea Fisheries	388			388
0	(0)		**Vehicle Lease Management**				
18,712	**15,775**	**16,772**		**19,697**	**(3,208)**	**(256)**	**16,233**
7,907	8,630	8,787	**Business Support**	8,892			8,892
1,257	1,255	1,195	**Capital Programme, Implementation and Delivery**	1,115	(97)		1,018
(43)	53	53	**Car Provision Scheme**	2,708	(2,655)		53
847	783	937	**Democratic Services**	905	(146)		759
11,878	7,913	13,324	**Finance**	13,481	(6,185)		7,297
4,001	1,332	7,411	**Human Resources**	6,481	(1,803)		4,678
19,008	15,246	23,308	**Information Services**	16,826	(1,682)		15,144
6,619	4,541	4,541	**Insurance**	6,243	(2,649)		3,594

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
161	389	341	**Legal Services**	6,946	(2,393)		4,554
5,265	4,798	4,504	**Procurement**	3,375	(96)	(0)	3,279
14,769	13,073	14,679	**Property**	17,423	(3,581)		13,841
71,670	**58,013**	**79,082**		**84,396**	**(21,286)**	**(0)**	**63,110**
90,382	**73,788**	**95,854**	**Net Cost of Services**	**104,093**	**(24,495)**	**(256)**	**79,342**

CAPITAL PROGRAMME

2016/17 ACTUAL £000	2017/18 LATEST BUDGET £000		2018/19 BUDGET £000	2019/20 ASPIRATIONAL £000	2020/21 ASPIRATIONAL £000
1,909	1,094	Digital Foundations Programme	500	400	250
176	203	Next Generation Networks	122	122	122
2,085	**1,297**	**Subtotal Technology Services**	**622**	**522**	**372**
6,538	5,034	Capitalised Building Maintenance (Non School estate)	5,000	5,000	5,000
4,268	1,428	Schemes completing in 2017/18 or earlier			
12,891	**7,758**	**Total Property and Facilities**	5,000	5,000	5,000
		Self Financing Schemes			
	11,847	Property Investment	17,035	20,859	0
-	**11,847**	**Total Self Financing Schemes**	17,035	20,859	0
12,891	**19,605**	**Total Resources**	22,657	26,381	5,372

OTHER OPERATING COSTS

The revenue budget in 2018/19 is **£62m**. The expenditure includes the net appropriations to reserves and restricted use funds as described in the Reserves and Restricted use funds section (page 64) of **£11m**, the costs of financing the capital programme of **£49m** and the provision of the Emergency Contingency at **£4m**.

The provision of the Emergency Contingency budget recognises the risk for unforeseen events such as winter pressures and extreme weather conditions.

The movement since 2017/18 is mainly due to changes in the appropriations and withdrawals from the reserves between the years, in line with changes in the specific liabilities, for example changes in PFI payment profiles.

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
27,382	26,192	26,192	**Capital Financing**	27,472			27,472
	4,000	4,000	**Contingencies**	4,000			4,000
			Dividends received				
			Interest Payable				
(746)	(504)	(504)	Contributions – Transferred Debt		(479)		(479)
18,069	19,767	19,767	External Interest Payable	21,150			21,150
(88)	(87)	(87)	Loan Charges Grant		(82)		(82)
			Interest Receivable				
(3,254)	(941)	(2,079)	External Interest Receivable		(2,293)		(2,293)
512	427	427	Interest Reallocated	28	1,007		1,035
	0	0	**Other Items**	0	0		0
41,875	48,854	47,715		52,650	(1,848)		50,802

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
			Approps To/(From) Reserves and Restricted Use Funds				
(3,294)	(3,635)	(3,635)	A130 PFI Reserve		(4,002)		(4,002)
	1,000	1,000	Local Projects Reserve	0			0
(953)	(0)	178	Building Schools for the Future				
86		(432)	Capital Receipts Pump Priming	1,000			1,000
(188)		(650)	Carbon Reduction Reserve				
(2,422)		(6,635)	Carry Forwards Reserve		(8,100)		(8,100)
239		(626)	Clacton PFI Reserve		(0)		(0)
			Collection Fund Risk Reserve				
(415)		(777)	Community Initiatives Fund				
255	0	(439)	Debden PFI Reserve		(0)		(0)
			Digital Infrastructure Reserve	5,000			5,000
1,087	(2,190)	(4,089)	Grant Equalisation Reserves		(0)		(0)
(150)			Health And Safety Reserve				
895			Innovation Reserve				
			Insurance Reserve				
	7,000	6,900	Adults Digital Programme	0	(6,900)		(6,900)
44		(46)	Partnership Reserves				
(1,574)	(634)	(634)	Pension Deficit Reserve		(206)		(206)
			Property Fund Reserve	326			326
475	500	(1,135)	Quadrennial Elections Reserve	500	0		500
6,902	2,042	2,900	Reserve For Future Capital Funding	4,074			4,074

2016/17 ACTUALS £000	2017/18 ORIGINAL BUDGET £000	2017/18 LATEST BUDGET £000		2018/19 GROSS EXPENDITURE £000	2018/19 INCOME £000	2018/19 SPECIFIC GRANTS £000	2018/19 TOTAL NET EXPENDITURE £000
(4,635)			Schools Reserves				
74	(0)	(0)	Tendring Public Private Partnership				
(5,394)	(6,649)	(6,649)	Trading Activities Reserves	0	(4,556)		(4,556)
1,043	5,424	(13,506)	Transformation Reserve	15,515	0		15,515
11,270	10,618	10,618	Waste Reserve	8,776			8,776
3,347	13,476	(17,657)		35,191	(23,764)		11,427
45,222	62,329	30,058	**Net Cost of Services**	87,840	(25,612)		62,228

TRADING ACTIVITIES

This section sets out the budgets relating to those services that are currently set up as Trading Activities, which operate under separate Trading Accounts. As part of the organisational redesign there will be an enhanced focus on commercialism throughout the Council, which will include a review of other activities not currently set up as Trading Accounts, for instance country parks, and some registrar's services. Within EES (Essex Education Services) we recognise the financial constraints across the Schools Market, the challenges in investing to renew our offerings, and the ability for EES to respond to any downturn in demand in the year, it is essential for the council to monitor commercial performance and support remedial action.

For 2018/19, the Trading Activities have a target operating surplus of **£5m**.

	REVENUE RESERVE 1 APRIL 2018 £000	INCOME £000	EXPENDITURE £000	(SURPLUS) / DEFICIT £000	APPROPRIATIONS TO COUNTY REVENUE ACCOUNT £000	APPROPRIATIONS TO TRADING ACTIVITY RESERVE £000	REVENUE RESERVE 31 MARCH 2019 £000
Education							
EES (Essex Education Services)	(1,281)	(13,254)	8,351	(4,903)	(4,298)	(606)	(1,887)
Culture, Communities and Customer							
Music Services Traded	(103)	(4,654)	4,541	(113)	(113)	-	(103)
Resources							
School staffing insurance scheme	(913)	(4,166)	4,166	(0)	-	-	(913)
Information Services infrastructure	(437)	(6,500)	6,500	0	-	-	(437)
Environment and Waste							
Place Services	(398)	(2,557)	2,378	(179)	(145)	(34)	(432)
Total	(3,132)	(31,132)	25,936	(5,196)	(4,556)	(640)	(3,772)

RESERVES

Any organisation which is being prudently managed, whether in commercial, charitable or public sector, will maintain a level of reserves to deal with future or unexpected pressures.

Much has been written about Local Authority reserves and much is misunderstood.

The Council has built specific reserves to manage known financial liabilities and possible risks – as good financial practice would dictate; these can be split into three types:

- Those reserves which are for known current and future contractual liabilities, or are beyond the control of the Council. These are restricted in use and cover items such as Private Finance Initiative (PFI) contracts and Schools Balances
- Those reserves which are for more general purposes such as the Transformation Reserve, used to fund revenue investment in areas such as new ways of working and more efficient services, and
- The General Balance.

To provide greater clarity in reporting, these are presented under two headings of 'Restricted Use Funds' which covers the first bullet point above and 'Reserves' which covers the last two.

Among the restricted funds, there are items to cover the waste strategy and the associated PFI, and also the PFI contracts for the A130 and various schools. This approach effectively smooths what would be significant year on year increases in budget requirement and contract costs to more manageable levels.

The Council also uses these specific cash backed reserves to generate interest receipts and minimise the cost of debt. The Council expects to earn £2m in 2018/19 from temporarily investing surplus cash in the market, which is included in the budget, and will be used to fund services. However, it saves substantially more by using the reserves to offset what would otherwise be external borrowing costs. In 2018/19, it is estimated that this will enable the Council to avoid borrowing costs of £10m, thereby allowing funds to be used instead for front line service delivery.

EARMARKED RESERVES

	BALANCE AT 1 APRIL 2017	BALANCE AT 1 APRIL 2018	ESTIMATED CLOSING BALANCES				
			2018/19			2019/20	2020/21
			BUDGETED CONTRIBUTIONS/ WITHDRAWALS	ASSUMED USAGE	CLOSING BALANCE		
	£000	£000	£000	£000	£000	£000	£000
General Balance	(55,299)	(55,114)			(55,114)	(55,114)	(55,114)
Reserves earmarked for future use							
Adults Digital Programme	-	(6,900)	6,900		-	-	-
Capital Receipts Pump Priming	(2,757)	(1,757)	(1,000)	1,000	(1,757)	(1,757)	(1,757)
Carbon Reduction	(2,984)	(2,334)		700	(1,634)	(984)	(334)
Carry Forward	(6,635)	-	8,100	(8,100)	-	-	-
Collection Fund Risk	(1,412)	-			-	-	-
Community Initiatives Fund	(2,097)	(1,320)		1,000	(320)	-	-
Digital Infrastructure			(5,000)	2,000	(3,000)	(6,000)	(9,000)
Future Capital Funding	(5,061)	(5,061)	(4,074)	4,074	(5,061)	(5,061)	(5,061)
Health and Safety	(86)	(586)			(586)	(586)	(586)
Innovation	(1,861)	(1,361)		500	(861)	(361)	(361)
Insurance	(8,356)	(8,356)			(8,356)	(8,356)	(8,356)
Local Projects	-	(500)		500	-	-	-
Pension Fund Equalisation	(840)	(206)	206		-	-	-
Property Investment	-	-	(326)		(326)	(1,109)	(1,918)
Quadrennial Elections	(1,475)	(340)	(500)		(840)	(1,340)	(1,840)
Tendring PPP	(496)	(496)			(496)	(496)	(496)
Transformation and Digitalisation	(32,741)	(5,115)	(15,515)	9,646	(10,984)	(16,524)	(12,064)

RESTRICTED FUNDS

	BALANCE AT 1 APRIL 2017	BALANCE AT 1 APRIL 2018	ESTIMATED CLOSING BALANCES				
			2018/19			2019/20	2020/21
			BUDGETED CONTRIBUTIONS/ WITHDRAWALS	ASSUMED USAGE	CLOSING BALANCE		
	£000	£000	£000	£000	£000	£000	£000
Long Term Contractual Commitment							
PFI Reserves							
A130 PFI	(48,908)	(44,967)	4,002		(40,965)	(36,595)	(32,593)
Building Schools for the Future PFI	(1,545)	(1,723)			(1,723)	(1,723)	(1,723)
Debden School PFI	(4,418)	(3,979)			(3,979)	(3,979)	(3,979)
Clacton Secondary Schools' PFI	(3,425)	(2,799)			(2,799)	(2,799)	(2,799)
Waste Reserve	(90,890)	(100,849)	(8,766)	659	(108,966)	(117,676)	(127,822)
Grant Equalisation Reserve	(11,127)	(7,037)			(7,037)	(7,037)	(7,037)
Trading Activities (not available for use)	(3,374)	(3,374)	4,556	(4,556)	(3,374)	(3,165)	(4,314)
Partnerships and Third Party (not availabe for use)	(1,733)	(1,687)			(1,687)	(1,687)	(1,687)
Schools (not available for use)	(47,304)	(47,304)			(47,304)	(47,304)	(47,304)

MANAGING RISK

THE CHALLENGE

Risks facing public service organisations are increasingly complex. Council-wide ownership and accountability for managing risk is critical to the success of the organisation. Our adopted approach sets out how we identify, evaluate and control risk to ensure there is continued financial and organisational wellbeing.

IN THE LAST YEAR WE HAVE:

- Effectively managed business risk through a comprehensive framework
- Regularly reported on and evaluated risks
- Adopted the principles of lean and agile management so our approach to risk is now focused on having the right conversations, rather than on following a rigid process.

IN THE NEXT YEAR WE WILL:

- See further change to how services are both configured and delivered, with increased collaborative working with our internal and external stakeholders
- More closely scrutinise the risks and opportunities resulting from collaborative working arrangements
- Focus our attention on safeguarding, the increasing demand for our services, realising savings, cyber security, legislative changes as we leave the European Union and delivering our organisational design programme.

We are committed to adopting best practice in risk management. We will ensure we can tolerate the risks we take and understand their potential impact on the delivery of services and the achievement of outcomes.

EQUALITIES

THE CHALLENGE

Our vision for equalities is to ensure that fairness is part of everything we do. Our goal is to work towards a just society, free from discrimination, harassment and prejudice. We aim to embed this in all our policies, procedures, day-to-day practices and external relationships.

The Equality Act 2010 compels us and others carrying out public duties to pay due regard to equality in all areas of our work – advancing equality of opportunity, eliminating discrimination and fostering good relations with different groups.

All of our service areas, managers and employees will carry out their duties in line with Essex County Council's commitment to achieving excellence in relation to equalities, both in the workplace and across Essex. We will provide the necessary resources and leadership to make this happen. For our policy to be successful, it is essential that everyone is committed to, and involved in, its delivery.

IN THE LAST YEAR WE HAVE:

- Been rated as excellent under the Equality Framework for Local Government in 2016, a national benchmark coordinated by the Local Government Association
- Embedded equalities activities into functional business plans
- Developed a Faith Covenant for Essex to help build trust and collaborative working between public services and faith communities
- Achieved accreditation by the Department for Work and Pensions as a Disability Confident Leader.

IN THE NEXT YEAR WE WILL:

In line with the Equality Act, we are now embarking on refreshing our equalities objectives, last updated in 2015. These objectives support the strategic aims set out within the Organisation Strategy, describing how we will ensure that fairness, diversity and inclusion are central to everything we do over the next four years.

We have set the following equality objectives for 2018-21:

- We will tackle the causes of disadvantage, ensuring that all Essex residents can access good jobs and an excellent education, regardless of their background
- We will remove the obstacles that hold Essex residents back, tackling inequalities between children and supporting older people to live independently with dignity
- We will help make it easier for people to travel across Essex, bringing communities together and connecting people to services, employment and learning opportunities
- We will employ a diverse workforce, drawing on the different values and experiences that reflect the communities we serve.

Activities that support our equality objectives will be kept under review and we will monitor progress against these through regular performance reporting.

MEASURING OUR PERFORMANCE

AIM 1: ENABLE INCLUSIVE ECONOMIC GROWTH	2017/18	2018/19
Priority 1: Help people in Essex prosper by increasing their skills		
Percentage of pupils at good or outstanding schools (primary, secondary, special and PRUs)	100%	100%
Percentage of 'disadvantaged' pupils that have achieved 'at least expected standard' in Reading, Writing and Maths at Key Stage 2	TOP QUARTILE	TOP QUARTILE
Average Progress 8 score at Key Stage 4 – all pupils	TOP QUARTILE	TOP QUARTILE
Proportion of residents aged 16 to 64 with level 3 or above qualifications	54.9%	56.5%
Proportion of residents aged 16 to 64 with no qualifications	7.5%	7.2%
Percentage of pupils that have achieved 'at least the expected standard' in Reading, Writing and Maths at Key Stage 2	TOP QUARTILE	TOP QUARTILE
Average Progress 8 score at Key Stage 4 – 'disadvantaged' pupils	TOP QUARTILE	TOP QUARTILE
Rate of adults with disabilities who are economically active	8%	10%
Total apprenticeship starts in Essex	11,750	11,750
Priority 2: Enable Essex to attract and grow large firms in high growth industries		
Number of new jobs created as a result of foreign investment in Greater Essex	>1,650	>1,650
Total industrial floor space available with over 10,000 sq. ft.	1.8M	1.8M
Total office floor space available with over 10,000 sq. ft.	0.4M	0.4M
Journey time reliability on interurban roads	93.5%	93.0%
Number of businesses enabled with superfast (30MB+) broadband as part of the superfast Essex broadband programme	852	1758
Total number using public transport (bus)	41.7M	41.7M
Total number of jobs in Essex	668,000	673,000
Proportion of residents aged from 16 to 64 who were in work	76.8%	77.3%

AIM 1: ENABLE INCLUSIVE ECONOMIC GROWTH	2017/18	2018/19
Priority 3: Target economic development to areas of opportunity		
Median net weekly household income in Essex	BASELINE	BASELINE
Median net weekly household income in key localities (Basildon, Harlow, Tendring and Colchester)	BASELINE	BASELINE

AIM 2: HELPING PEOPLE GET THE BEST START AND AGE WELL	2017/18	2018/19
Priority 1: Help keep vulnerable children safer and enable them to fulfil their potential		
Percentage of 19-21 year old care leavers Employment, Education or Training (Annual Outturn)	49%	49%
Stability of placements of Children in Care: Percentage of placements, 3 or more in year	10%	10%
Percentage of the eligible disadvantaged 2 yr olds in Essex, who are in receipt of free early education entitlement for 2 yr olds	74%	74%
Priority 2: Enable more vulnerable adults to live independent of social care		
Percentage of people self-caring after reablement	71%	72%
Number of residential starts per 100,000 of population	356	337
Number of social care attributed delayed transfers of care (per day per population)	2.6	2.6
The proportion of carers who find it easy to find information about support	59%	64%
The percentage of enquiries resulting in a reduction of risk to the service user	80%	85%
Proportion of people assessed who go on to receive a long-term care package	TBC	TBC
Care Quality Commission assessed providers rated ‘good’ or ‘outstanding’	90%	90%
Numbers of new houses and accomodation solutions for vulnerable adults – older people	73	440
Numbers of new houses and accomodation solutions for vulnerable adults – adults with a disability	0	44
Priority 3: Improve the health of the people of Essex		
Differential in life expectancy across different areas of Essex (Women)	5.4 YEARS	BASELINE
Differential in life expectancy across different areas of Essex (Men)	7.1 YEARS	BASELINE
Percentage of adults classified as overweight or obese	65.6%	BASELINE

AIM 3: HELPING TO CREATE GREAT PLACES TO GROW UP, LIVE AND WORK	2017/18	2018/19
Priority 1: Help to secure stronger, safer and more neighbourly communities		
Residents agree that their local area is a place where people from different backgrounds get on well together	80%	80%
Percentage of residents not lonely (Perception of isolation)	65%	65%
Residents that have offered unpaid help to any group, club or organisation	35-40%	35-40%
Residents that agree they can influence decisions in their local area	22% – 27%	22% – 27%
Priority 2: Help to secure sustainable development and protect the environment		
Percentage of respondents who said they were satisfied with ECC parks and open spaces	78%	78%
Total carbon dioxide emissions per head of population (within the scope of local authority influence)	4.79	4.57
Percentage of people using outdoor space for exercise/health reasons	19.7%	20.3%
Total household waste collected per household (kg)	1,098	1,098
Percentage of household waste sent for reuse, recycling or composting	53%	55%
Priority 3: Facilitate growing communities and new homes		
Jobs per household	1.09	1.1
Detailed planning applications as % of 5 year land supply	BASELINE	BASELINE
Net housing additions across Essex	6,504	8,439

ANNEX 1
CAPITAL STRATEGY

CAPITAL STRATEGY (INCLUDING TREASURY MANAGEMENT)

The purpose of the Capital Strategy is to demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

The Capital Strategy comprises a number of distinct, but inter-related, elements as follows:

- Capital expenditure (see below); which includes an overview of the governance process for approval and monitoring of capital expenditure, including the Council's policies on capitalisation, and an overview of its capital expenditure and financing plans.
- Capital financing and borrowing (see page 75); provides a projection of the Council's capital financing requirement, how this will be funded and repaid. It therefore sets out the Council's borrowing strategy and explains how it will discharge its duty to make prudent revenue provision for the repayment of debt.
- Treasury management investments (see page 81); explains the Council's approach to treasury management investment activities, including the criteria for determining how and where funds will be invested to ensure that the principal sums are safeguarded from loss and that sufficient liquidity is maintained to ensure that funds are available when needed.
- Commercial investments (see page 83); provides an overview of those of the Council's current and proposed commercial investment activities that count as capital expenditure, including processes, due diligence and defining the Council's risk appetite in respect of these, including proportionality in respect of overall resources.
- Treasury management policy statement and practices (see page 86); presents, for approval, updates to the Council's Treasury Management Policy Statement and to its Treasury Management Practices. These set out the Council's policies, objectives and approach to risk management of its treasury management activities, and the manner in which it seeks to achieve its policies and objectives for treasury management.
- Knowledge and skills (see page 87); summarises the knowledge and skills available to the Council and provides confirmation that these are commensurate with the Council's risk appetite.

Further details are provided in the following sections.

CAPITAL EXPENDITURE

CAPITALISATION POLICIES

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

- Will be held for use in the delivery of services, for rental to others, or for administrative purposes; and
- Are of continuing benefit to the Council for a period extending beyond one financial year.

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

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

- Where the Council has no direct future control or benefit from the resulting assets, but would treat the expenditure as capital if it did control or benefit from the resulting assets; and
- Where statutory regulations require the Council to capitalise expenditure that would not otherwise have expenditure implications according to accounting rules.

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

DE-MINIMIS LIMITS	£
General limit (applied where no specific limit is applicable)	10,000
Specific limits:	
• Schools' capital projects funded or supported by Formula Capital Grant	2,000
• Transport (highways) infrastructure	NIL
• Land	NIL

GOVERNANCE

The Cabinet Member for Resources, in conjunction with the Executive Director for Corporate and Customer Services (Section 151 Officer), manages the preparation of a capital programme, on behalf of the Council, on an annual basis in accordance with the Council's capital projects' governance arrangements and capitalisation criteria.

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

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

Once the capital programme or a scheme is approved, Executive Directors are, subject to the rule in the Constitution that officers may not take a Key Decision and limits within the scheme of delegation to officers, authorised to progress with capital projects that have:

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

Schemes will usually only be added to, or removed from, the Capital Programme as part of the annual budget setting process. Any request outside of this process to change the capital programme by adding or removing schemes, or by allocating additional scheme and payment approvals to an approved scheme, must be approved by the Cabinet Member for Resources (up to a limit of £5m) or by the Cabinet (for schemes of £5m or more).

Executive Directors will ensure that:

- All officers responsible for committing expenditure on any approved capital project comply with all relevant guidance and follow approved certification processes;
- Budget holders are accountable for the effective management of the scheme and payment approvals allocated to them to either oversee or directly manage;
- Appropriate monitoring processes are in place to ensure that the scheme and payment approvals for a capital project are not overspent; and

- Reports are made to the relevant Cabinet Member(s) on expenditure compared with the scheme and payment approvals for the capital projects for which they are accountable.

The Executive Director for Corporate and Customer Services will ensure that timely information is available on expenditure for each capital project, which is sufficiently detailed to enable Executive Directors and their managers to fulfil their budgetary responsibilities.

The Executive Director for Corporate and Customer Services will also monitor performance against the Council's approved capital programme on an on-going basis, and will advise upon the overall financial position. Specifically, the Executive Director for Corporate and Customer Services will prepare financial overview reports for the Cabinet Member for Resources to present to Cabinet on a regular basis. These financial overview reports will provide a comparison of the Council's projected expenditure with the latest approved capital programme and assess the financing implications of variations in forecast under / over spends against payment approvals.

CAPITAL EXPENDITURE PLANS

The proposal is for capital investment of £299m for the 2018/19 programme, with an indicative programme for the subsequent two years totalling £562m. These planning levels represent a continued major investment in the infrastructure and economy of Essex, and also make provision for commercial investments (see page 83 for further details).

When expenditure is classified as capital expenditure for capital financing purposes, this means that the Council is able to finance that expenditure from any of the following sources:

- **Capital grants and contributions** – amounts awarded to the Council in return for past or future compliance with certain stipulations.
- **Capital receipts** – amounts generated from the sale of assets and from the repayment of capital loans, grants or other financial assistance.
- **Revenue contributions** – amounts set aside from the revenue budget in the Reserve for Future Capital Funding.
- **Borrowing** – amounts that the Council does not need to fund immediately from cash resources, but instead charges to the revenue budget over a number of years into the future.

The implications of financing capital expenditure from 'borrowing' are explained in Treasury Management Investments on page 81.

Actual capital expenditure and financing sources for 2016/17, together with the original and updated plans for 2017/18, proposals for 2018/19 and the indicative guidelines for the subsequent two years, is summarised in Annex 1A.

CAPITAL FINANCING REQUIREMENT AND BORROWING

CONTEXT

The Council is required by regulation to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (referred to as the 'Prudential Code') when assessing the affordability, prudence and sustainability of its capital investment plans.

Fundamental to the prudential framework is a requirement to set a series of prudential indicators. These indicators are intended to collectively build a picture that demonstrates the impact over time of the Council's capital expenditure plans upon the revenue budget and upon borrowing and investment levels, and explain the overall controls that will ensure that the activity remains affordable, prudent and sustainable.

A summary of the actual prudential indicators for 2016/17, and the estimates for 2017/18 through to 2020/21, are provided in Annex 1A. Explanatory comments are provided in the following paragraphs.

CAPITAL FINANCING REQUIREMENT

When the Council finances capital expenditure from borrowing, this means that it does not need to fund the expenditure immediately from cash resources, but is instead able to charge the expenditure to the revenue budget over a number of years into the future. It does this in accordance with its policy for the repayment of debt, which is explained later within this document (see Annex 1C).

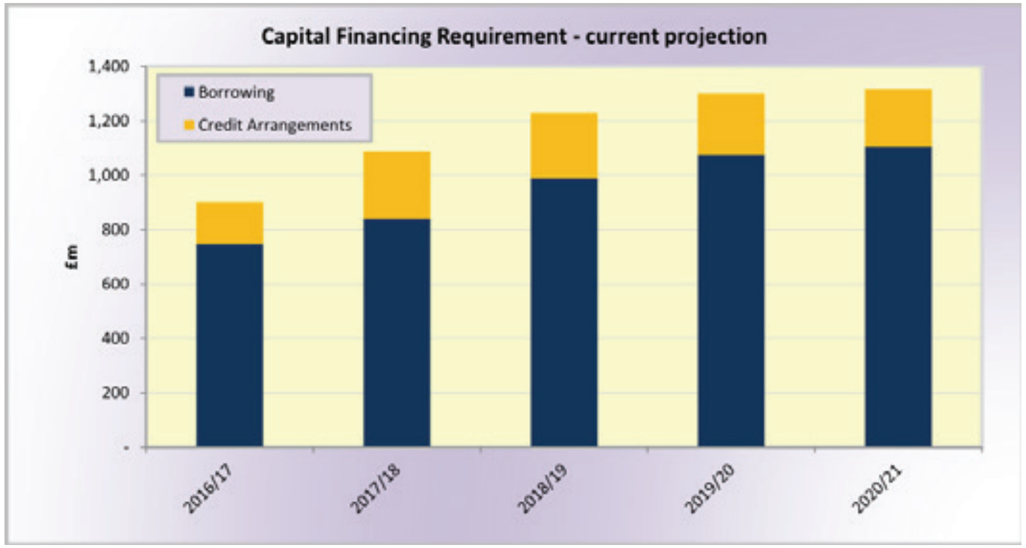
The actual Capital Financing Requirement (CFR) for 2016/17 provides a measure of the amount of capital expenditure that the Council has already spent that has yet to be funded from cash resources. That is, it provides a measure of the Council's indebtedness, and hence of its need to borrow for capital financing purposes.

Credit arrangements are also included in the calculation of the CFR because they have the same practical impact as borrowing; credit arrangements are those that enable the Council to acquire the use of assets on deferred payment terms – typical examples include finance leases and Private Finance Initiative (PFI) schemes.

The forward projections of the CFR reflect:

- The Council's intention to finance further capital expenditure from borrowing and to enter into further credit arrangements (these both result in increases to the CFR); and
- Revenue budget provision being made for the repayment of debt (which results in a reduction to the CFR).

The actual CFR for 2016/17 and forward projections for the current and forthcoming years are as follows:



The forecast increases in the CFR show that the amount of capital expenditure that it is intended to finance from borrowing and credit arrangements exceeds the annual provision for the repayment of debt each year up to and including 2020/21, which is the last year in the current planning horizon for capital programme starts.

The forecast increases in the CFR reflect the substantial level of capital investment being undertaken by the Council at present. A focus of some of this investment is upon 'invest to save' initiatives and upon economic regeneration. Hence, the increase in borrowing, and the costs associated with this borrowing, is partly mitigated by revenue savings and additional income generation.

The estimates of the CFR assume that:

- The Government will continue to support local authorities' capital investment over the medium term via the provision of capital grant rather than by 'supported borrowing'; and
- The Council will repay debt on the basis set out in Annex 1C.

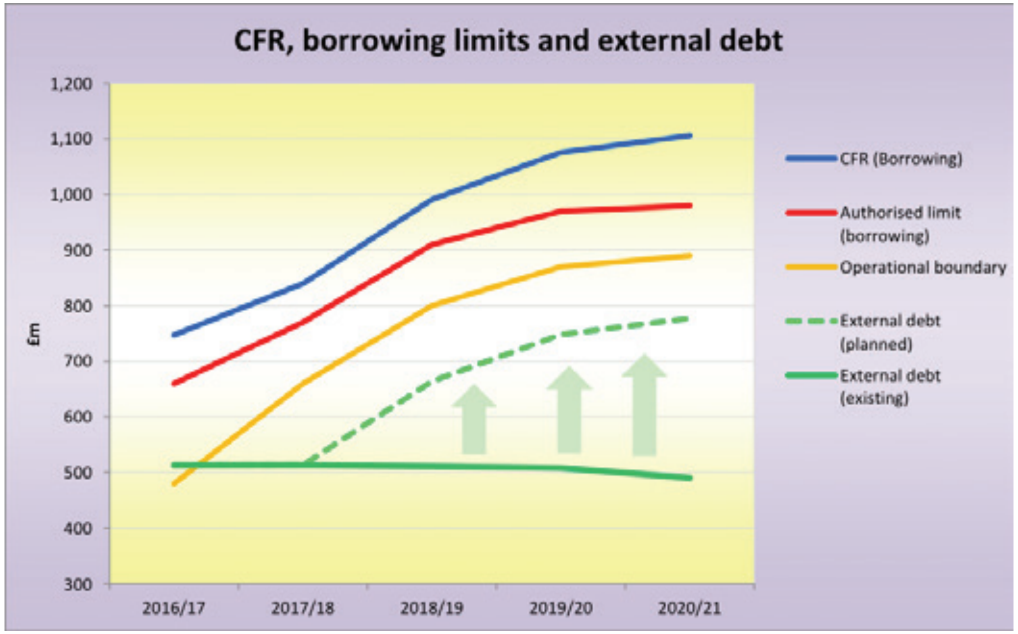
EXTERNAL BORROWING LIMITS

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

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

The proposed limits, which are set out in Annex 1A, make separate provision for external borrowing and other long-term liabilities, and are based upon an estimate of the most likely but not worst case scenarios. They allow sufficient headroom for fluctuations in the level of cash balances and in the level of the CFR.

The authorised limit and operational boundary related to external borrowing are below the current estimates of the CFR for borrowing.



This position is currently sustainable because the Council is able to temporarily utilise its cash balances as a short to medium term alternative to external borrowing. This practice, which is referred to as ‘internal borrowing’, does not reduce the magnitude of funds held in reserves and balances; the funds are merely being borrowed until they are required for their intended purpose.

A number of the Council’s commercial investment activities (see Commercial Investments, page 83) are likely to score as capital expenditure. The above assumptions make provision for borrowing to fund the Council’s commercial investment aspirations to the extent that they are already incorporated into the Capital Programme. The Commercial Investments Strategy is still evolving though and, in the event that major initiatives are proposed, in excess of those already in the Capital Programme, it may be necessary to review the current borrowing limits.

BORROWING STRATEGY

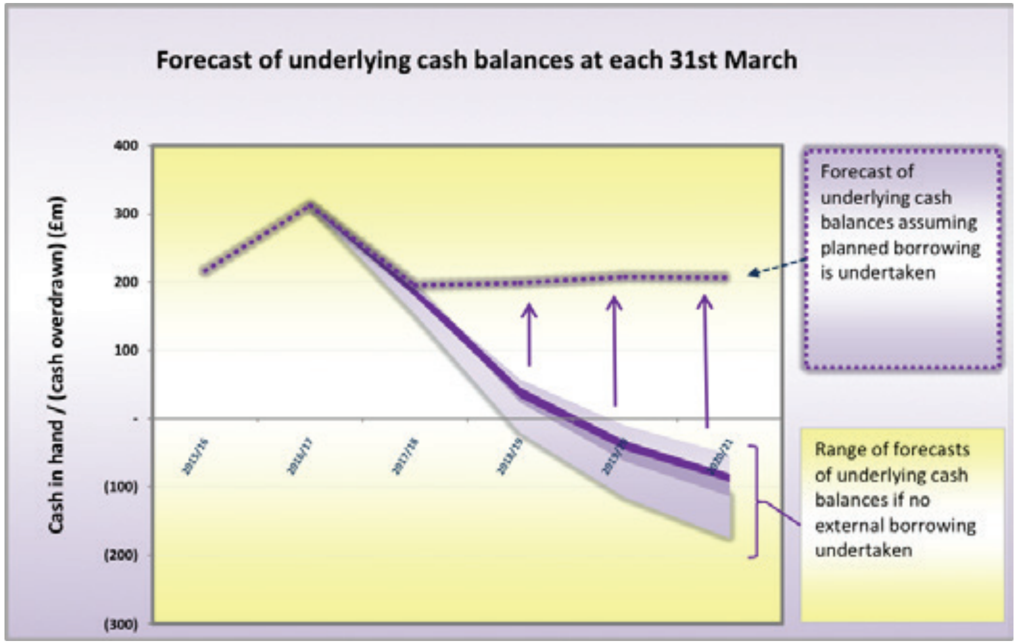
The Capital Financing Requirement (CFR) provides a measure of the Council’s need to borrow in order to manage the cash flow implications of incurring capital expenditure that it does not immediately fund from cash resources. Currently, long-term external borrowing amounts to £513m, which equates to around 60% of the estimated CFR at 31 March 2018. The remainder of the CFR is currently funded from the cash the Council has set aside for other purposes (a practice referred to as ‘internal borrowing’).

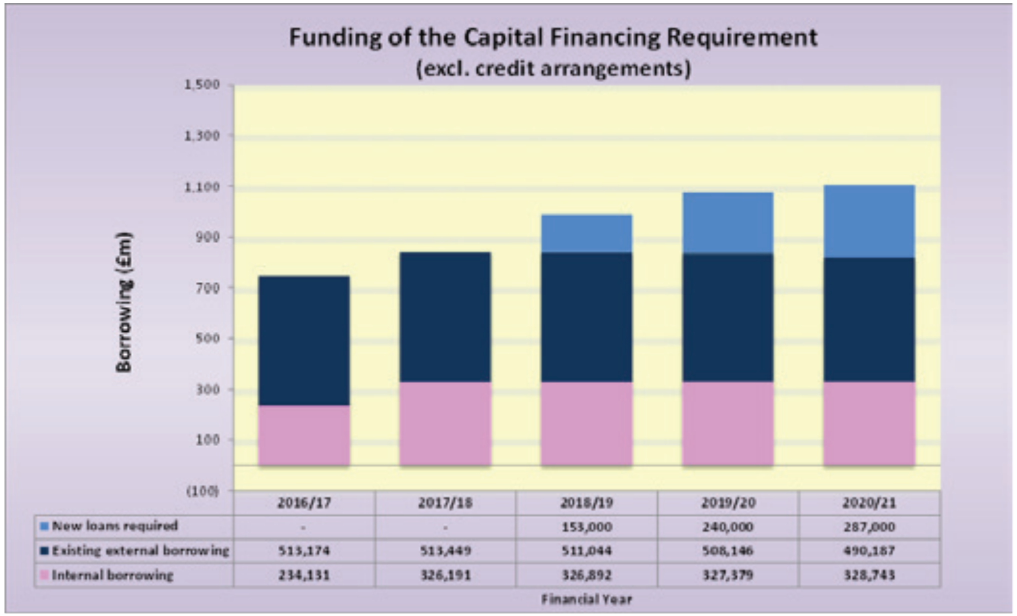
The use of internal borrowing has been an effective strategy in recent years as:

- It has enabled the Council to avoid significant external borrowing costs (i.e. making it possible to avoid net interest payments of around £10m per annum); and
- It has mitigated significantly the risks associated with investing cash in what has often been a volatile and challenging market.

However, the Council is likely to reach the limit of its capacity to ‘internally borrow’ (at around £325m) by the end of 2017/18, or during 2018/19. Without undertaking new long term borrowing in 2018/19, and annually thereafter, in line with the forecast increases in the CFR, the Council would cease to hold any cash for investment and would be borrowing on a sustained basis.

Long term external borrowing in line with the forecast increases in the CFR over the period 2018/19 to 2020/21 would maintain the Council’s underlying cash balances at around **£200m**.





This translates into the following levels of long-term external borrowing over the period covered by this strategy:

CURRENT FORECAST	LONG TERM BORROWING REQUIREMENT			
	2018 £000	2019 £000	2020 £000	2021 £000
Existing external loans	513,449	511,044	508,146	490,187
Requirement for further borrowing				
2017/18	-	-	-	-
2018/19	-	153,000	153,000	153,000
2019/20	-	-	87,000	87,000
2020/21	-	-	-	47,000
2021/22	-	-	-	-
2022/23	-	-	-	-
Total new borrowing	-	153,000	240,000	287,000
Total external borrowing	513,449	664,044	748,146	777,187
Internal borrowing	325,904	326,639	327,160	328,557
Total borrowing	839,353	990,683	1,075,306	1,105,744

The external borrowing requirement will be kept under review, and long term external loans will be secured within the parameters established by the **authorised** limit and **operational boundary** for external debt (as set out within **Annex 1A**).

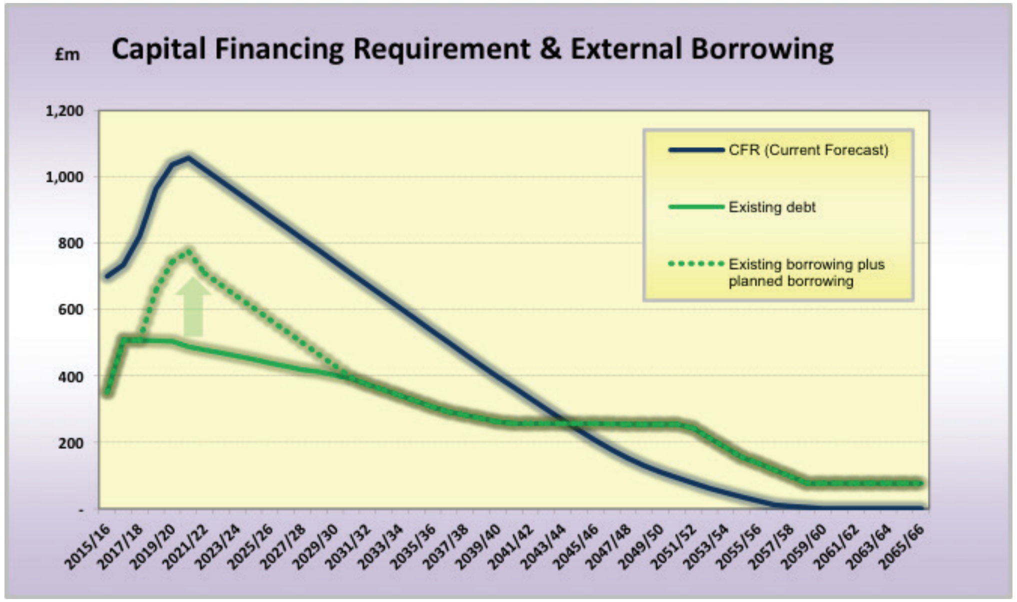
Opportunities to generate savings by refinancing or prematurely repaying existing long term debt will also be kept under review. Potential savings will be considered in the light of the current treasury position and the costs associated with such actions.

MATURITY STRUCTURE OF BORROWING

Limits are proposed, in **Annex 1B**, for the maturity structure of borrowing. The purpose of these limits is to guide decisions about the period over which new borrowing will be secured, to ensure that the Council does not have:

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

Although external borrowing is currently at a level well below the CFR, this only remains the case until 2044/45; in 2044/45, the CFR falls below existing loans on a sustained basis:



On the face of it, this presents a problem. However, no assumptions are included in the long term forecast of the CFR for capital expenditure flowing from schemes with a start date beyond the current planning horizon. Once future years' are factored in, the longer term forecast of the CFR will exceed that shown above. However, any new loans secured over the period covered by this Strategy will be repaid before 2044/45, to ensure that external loans do not further exceed the longer term forecast of the CFR.

INTEREST RATE EXPOSURE

In order to manage and minimise the impact of movements in interest rates, limits are proposed within Annex 1B that will establish the ranges within which fixed and variable rate borrowing will be undertaken.

Long term loans are usually secured at fixed rates of interest, to provide certainty over the cost of maintaining the loans over their lifetime. However, up to 30% of all borrowing could alternatively be secured at variable rates of interest. This may be appropriate if, for example, funding is required for a relatively short period, or if the Council wishes to defer locking into fixed rate loans because the interest rate forecast indicates that interest rates will lower than the prevailing rate in the near term.

PERFORMANCE INDICATORS

If long-term borrowing is undertaken, performance will be assessed against the average PWLB rate for the year for the applicable loan type and interest rate banding.

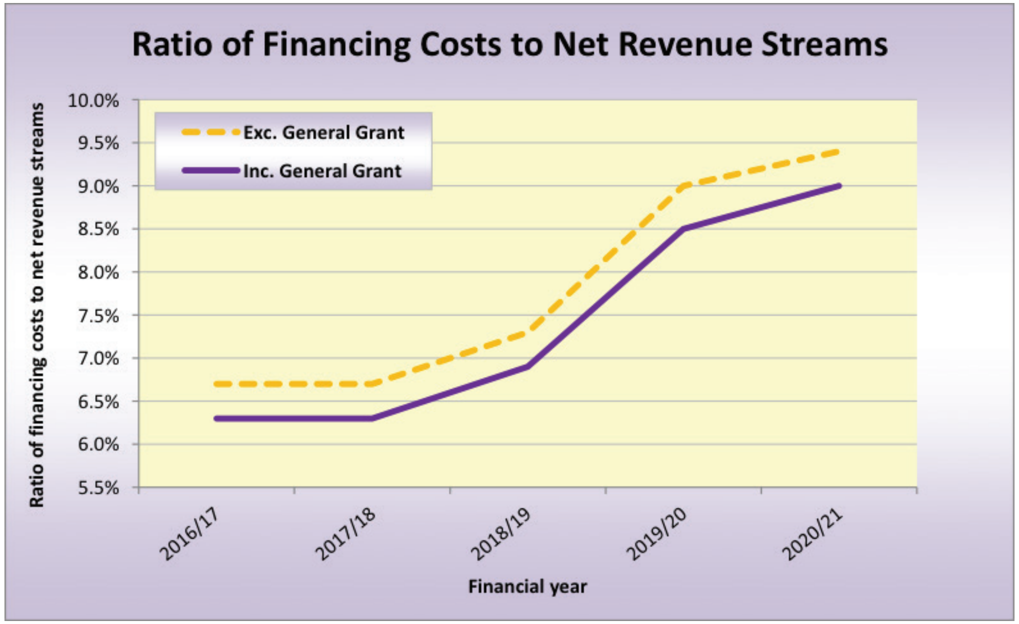
Short term borrowing will be assessed against the average 7 Day London Inter Bank Offer Rate (7DLIBOR) for the year.

RATIO OF FINANCING COSTS TO NET REVENUE STREAMS

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

It is estimated that the proportion of the revenue budget requirement that is required to fund borrowing costs will increase from 6.3% in 2016/17 to 9.0% by 2020/21. This increase partly reflects the impact of the Council's capital programme proposals over the forthcoming five years, but also a reduction in our net revenue streams.

As noted elsewhere, some of our capital investment is focussed on investment to save and economic regeneration. The additional income and/or savings that result from these schemes help to mitigate the impact of rising financing costs estimated at **£2.7m** in 2018/19.

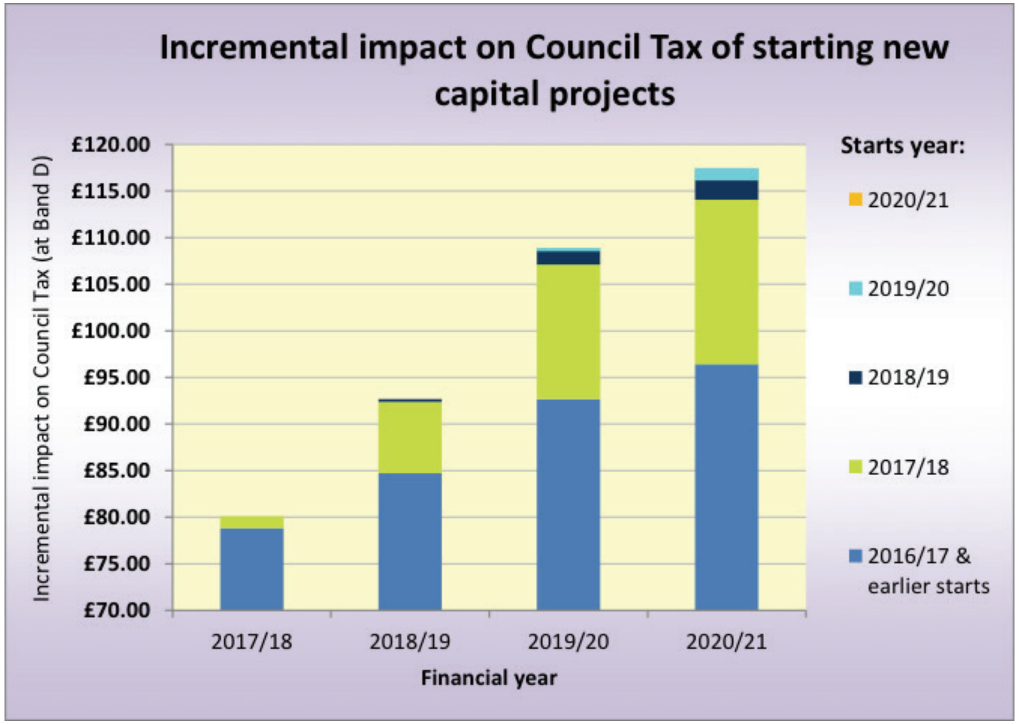


INCREMENTAL IMPACT ON COUNCIL TAX

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

The prudential indicator for the incremental impact upon council tax shows the council tax at band D that results from continuing with capital schemes started in, and prior to, 2016/17 and the additional amounts that result from commencing new capital projects in the current and subsequent five years.

The indicators are set out in Annex 1A and are illustrated as follows:



The actual impact upon council tax will be lower than that implied by the indicators illustrated above (and set out in Annex 1A) because:

- The indicator is calculated on the basis that the revenue implications of borrowing decisions will be funded entirely from council tax; in reality, the Budget Requirement is funded from a combination of financing sources, including council tax, business rates, fees and charges and specific and general government grants.
- No account has been taken of the savings that may accrue from invest to save / improve schemes.

REVENUE PROVISION FOR THE REPAYMENT OF DEBT POLICY

As noted above in Capital Expenditure Plans, one of the key ways that the Council has of financing capital expenditure is from ‘borrowing’. Financing capital expenditure in this way means the Council is able to incur capital expenditure that it does not immediately fund from cash resources. Instead, the Council sets cash resources aside from the Revenue Budget each year to repay the borrowing. This practice is referred to as making minimum revenue provision (or MRP) for the repayment of debt.

The Capital Financing Requirement (CFR) provides a measure of the amount of capital expenditure which has been financed from borrowing that the Council yet to fund from cash resources.

Statutory guidance requires MRP to be provided annually on a prudent basis, and interprets ‘prudent’ to mean that:

- MRP charges on government supported and pre April 2008 borrowing should (as a minimum) be made over a period commensurate with the period over which government support is provided towards the associated debt financing costs; and
- MRP charges on unsupported borrowing should be made over a period commensurate with the period the assets financed from borrowing continue to provide benefit.

In accordance with the requirement to make a prudent ‘revenue provision for the repayment of debt’, the Council ensures that debt is repaid over a period that is commensurate with the period over which the capital expenditure provides benefit. This is achieved by applying the methodology set out in Annex 1C. The revenue budget provision for MRP charges in 2018/19 has been compiled on a basis consistent with this policy.

TREASURY MANAGEMENT INVESTMENTS

The Council’s investment activities must be undertaken in compliance both with the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (referred to as the Treasury Management Code) and with statutory regulations. The Treasury Management Code and statutory regulations require the Council to prepare an annual strategy that explains how the Council will invest its funds, giving priority to security and liquidity, and then to yield. The following paragraphs are provided in compliance with this requirement.

ECONOMIC OUTLOOK

The following paragraphs set the backdrop to the Council’s investment management activity in 2018/19 and subsequent years, by providing commentary on the economic outlook:

GLOBAL ECONOMY

World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October 2017, the International Monetary Fund upgraded its forecast for world growth from 3.2% to 3.7% in 2018. In addition, inflation prospects are generally muted and wage inflation has been subdued despite unemployment falling to historically low levels in the UK and US.

The central banks’ monetary policies of the last ten years of lowering central interest rates and flooding the financial markets with liquidity through quantitative easing is coming towards its close, and actions are now required to reverse these measures. It is crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. The potential for the central banks to get this timing, and the strength of action, wrong are now key risks.

UK ECONOMY

After strong economic growth in 2016, growth in 2017 was disappointing, mainly due to a sharp increase in inflation. This resulted in a reduction in consumer disposable income and spending power. However, there are encouraging signs of growth in the manufacturing sector, particularly as a result of increased demand for exports.

The Monetary Policy Committee (MPC) increased the bank rate from 0.25% to 0.5% in November, and gave forward guidance that they expect to increase the Bank Rate only twice more in the next three years to reach 1.0% during 2020. This is consistent with previous statements that Bank Rate would only go up gradually, and to a limited extent.

The above forecast will be liable to further amendment depending on how economic data and developments in the financial markets transpire over the next year. Geopolitical developments, especially in the EU, would also have a major impact.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

INVESTMENT PROJECTIONS

The Council has cash backed resources which it has set aside for longer term purposes (such as funds set aside in reserves and balances), and working capital balances, that can either be invested or temporarily utilised to defer the need for external borrowing.

Forecasts of the investment balances for the forthcoming three years, and estimates for interest rates, are set out in Annex 1B.

INVESTMENT STRATEGY

When the Council has surplus cash balances, these are invested until they are next required. Usually, this means that funds are invested on a short-term basis (i.e. up to a maximum period of 365 days), but up to £50m may be invested for periods beyond 365 days.

In accordance with regulatory requirements, the primary objectives, when investing the Council's funds for treasury management purposes, are firstly to safeguard the principal sums invested; secondly, to ensure adequate liquidity; and lastly, to consider investment returns or yield.

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

Funds may also be invested according to the Secretary of State's definition of non-specified investments. The inclusion of non-specified investments in the investment strategy is to allow funds (up to a maximum of £50m) to be invested for periods of in excess of one year.

A lending list will be compiled to include counterparties satisfying the criteria set out within Annex 1D. The lending limits that will be applied to counterparties satisfying these criteria are also set out within Annex 1D. Additional operational market information (e.g. Credit Default Swaps, negative rating watches/outlooks etc.) will also be considered before making any specific investment decisions.

The criteria for choosing counterparties (as set out within Annex 1D) provide a sound approach to investing in normal market circumstances. However, the Executive Director for Corporate and Customer Services will determine the extent to which the criteria set out within Annex 1D will be applied in practice.

INTEREST RATE EXPOSURE

In order to manage and minimise the impact of movements in interest rates, limits are proposed within Annex 1B that will establish the ranges within which fixed and variable rate investments will be undertaken.

As a general guide, term deposits are usually at a fixed rate of interest, whereas amounts invested on call (to maintain sufficient liquidity in the investment portfolio) are usually at variable rates of interest.

LIQUIDITY

Liquidity is defined as having adequate, but not excessive cash resources, borrowing arrangements and overdraft or standby facilities to ensure that funds are available, at all times, for the achievement of the Council's objectives. In this respect, the Council will seek to maintain liquid short-term deposits of at least £25m available with a week's notice.

PERFORMANCE

Performance on cash invested short term, in order to maintain liquidity of funds, will be benchmarked against the Seven Day London Inter Bank Bid Rate (LIBID) rate; the aim being to achieve investment returns that are equivalent to, or greater than, the average 7 day LIBID rate for the year.

TREASURY MANAGEMENT ADVISORS

The Council employs Link Asset Services (Treasury Solutions) to provide it with treasury management advice.

The services provided by Link Asset Services (Treasury Solutions) include advice on treasury matters and capital finance issues, economic and interest rate analysis and creditworthiness information. Notwithstanding this, the final decision on all treasury matters remains vested with the Council.

The services received from Link Asset Services (Treasury Solutions) are subject to regular review, including through periodic re-tendering.

OTHER MATTERS

The Council currently provides treasury management support to its local trading companies (principally Essex Cares Ltd). As part of the agreement to provide treasury management support to these organisations, the Council may borrow their surplus funds, or lend to them to cover temporary shortfalls of cash (the Council has provided a £5m overdraft facility to Essex Cares Ltd for this purpose).

Any amounts borrowed from, or lent to, these organisations for treasury management purposes are consolidated with the Council's own cash balances on a daily basis, and the Council invests or borrows on the net position. The Council charges interest on amounts lent to these organisations, or pays interest on amounts borrowed, in accordance with the terms of a formal agreement between the respective parties.

Under new banking regulations (referred to as MiFID II) which took effect from 1 January 2018, all local authorities are classified as retail counterparties and will have to consider whether to opt up to professional status. The Council has opted up to professional status where appropriate, to enable it to continue to invest in accordance with its Investments Strategy.

New accounting arrangements are introduced for financial instruments from 1 April 2018. Some of the changes have the potential to impact on the Council's General Fund, particularly the requirement to charge movements in the fair value of certain financial instruments to the Revenue Account, and to take a more forward looking approach to impairment losses. To ensure that the Council is protected from any adverse revenue impacts which may arise from complying with the new requirements, the accounting implications of new transactions will be carefully assessed before they are undertaken.

COMMERCIAL INVESTMENTS

The prolonged low interest rate environment has meant that treasury management investments have not generated significant returns. However, the introduction of the general power of competence has given local authorities far more flexibility in the types of activity they can engage in. These changes in the economic and regulatory landscape, combined with significant financial challenges, have led many authorities to consider different and more innovative types of investment.

CIPFA recently issued an update to its Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Treasury Management Code). One of the main changes introduced by the new Code is to require authorities to incorporate all of the financial and non financial assets held for financial return in authorities' annual capital strategies.

Separately, the Department for Communities and Local Government has recently consulted on changes to its statutory Guidance on Local Authority Investments. At the time of writing this strategy, the revised statutory guidance had not been issued, but it is expected that the guidance will reinforce the need for commercial investment activity to be included in the annual Capital Strategy.

In advance of confirmation of the statutory requirements related to commercial investment activities, the following paragraphs provide an overview of the Council's current approach to commercial investment activity. This section of the Capital Strategy will need to be updated once the revised statutory Guidance on Local Authority Investments is published and/or as the Council's own agenda for commercial investments evolves.

It is worth highlighting that all commercial investment activities are subject to approval in accordance with the Council's governance framework for decision making.

COMMERCIAL INVESTMENT OBJECTIVES

The primary objectives of the commercial investment activities are:

- Security – to protect the capital sums invested from loss; and
- Liquidity – ensuring the funds invested are available for expenditure when needed.

The generation of yield is distinct from these prudential objectives. However, once proper levels of security and liquidity are determined, it is then reasonable to consider what yield can be obtained consistent with these priorities.

Non-core activities and investments are primarily undertaken by the Council in order to generate income to support the delivery of a balanced budget. Such investments are only entered following a full assessment of the risks and having secured expert external advice (i.e. where it is relevant to do so).

INVESTMENT PROPERTIES

The Council has already agreed that land and buildings may be acquired for capital appreciation and/or solely to earn rentals, rather than for the supply of goods or services or for administrative purposes. Such assets will be classified as investment properties (unless they are acquired as the outcome of a regeneration priority).

Investment properties will be measured at their fair value annually (which will ensure the valuation reflects the market conditions at the end of each reporting period). The fair value measurement will enable the Council to assess whether the underlying assets provide security for capital investment. Where the fair value of the underlying assets is no longer sufficient to provide security against loss, mitigating actions will be considered, to ensure that appropriate action is taken to protect the capital sum invested.

The investment property portfolio strategy adopted by the Council is:

- No single property will be acquired at a value greater than £15m, although prime established assets with a value of £3m to £15m will be targeted;
- Investment decisions will be taken on commercial grounds only, based on advice from external professionals. The target gross rate of return for properties will be 5% to 7%;
- Only commercial properties will be acquired, with exposure to each sector being limited to the following proportions of the total:
  - Offices – 35%
  - Retail – 35%
  - Industrial – 30%
  - Alternatives – 10%
- Commercial properties acquired to earn rentals will be leased on the terms of an operating lease.

The 2017/18 Capital Programme includes provision of £50m for an initial property programme; to date, one property has been acquired at a cost of £11m.

The decision on further investments will be taken by the Executive Director for Corporate and Customer Services (Section 151 Officer) or by the Cabinet Member for Resources, and will be subject to the criteria and guidelines set out above.

Expansion of the property programme will be subject to the approval of the Cabinet.

NORTH EAST GARDEN COMMUNITIES PROJECT

The Cabinet agreed in December 2016 that the Council would enter into a joint arrangement with the district and borough councils of Braintree, Colchester and Tendring to create an overarching body known as North East Garden Communities Ltd (NEGC), which will coordinate the development of new garden communities in North Essex, and local delivery vehicles (LDV) for each garden community settlement.

There will be a requirement for each of the LDVs to have funding in place in order to ensure that the garden communities' infrastructure is provided at the right time as part of the development. All four Councils have agreed in principle that they will provide proportionate funding to the LDVs that will be used to pay for delivery of the infrastructure. This funding will be repayable out of land receipts as the development progresses.

The decision in principle to fund each of the LDVs has not created a formal legally binding agreement with the LDVs that the Councils will fund them. This will be a separate decision for Cabinets and Councils at a later stage once there has been further development of the business case and the detailed funding requirements.

MEDTECH ACCELERATOR LTD

In October 2017, Cabinet approved the investment in 500,000 ordinary £1 shares of Medtech Accelerator Ltd, representing 20% of the shares of the company. The acquisition of the share capital was categorised as capital expenditure.

The aim of Medtech Accelerator is to identify and support the development of new medical technologies so that new companies and new employment opportunities can be formed in the region.

By investing in Medtech Accelerator Limited, ECC has taken a commercial investment risk in order to generate a return on investment which, if successful, will help address the financial challenges that it is facing.

The investment will also provide additional benefits by supporting growth within the Lifesciences and Medtech sector which is a key sector for growth not only by ECC, but also by the South East Local Enterprise Partnership (SELEP) and UK Government. This sector of the economy is one of the areas led by the Science and Innovation Audit for the East of England.

Like any investment that potentially offers high levels of return, there are risks that the projects supported by Medtech Accelerator will not all advance or, if they do, will not generate a return on investment. The aim is that some of the investments generate a large enough return to mitigate the impact of losses in projects which fail. The key risks are that the:

- Project fails to generate returns

  If this happens, the Council will have to write off its investment, creating a revenue budget pressure. This will be mitigated by the Council having a seat on the Board and assuring itself that:

  - Medtech Accelerator takes proper advice and ensures that it invests in a number of projects to maximise the chances that some of them succeed;
  - The Council has a nominee on the board of Medtech Accelerator who will have oversight of the project;
  - Medtech Accelerator will take proper legal advice to ensure that it protects its investments via robust legal agreements.

- Council's position is undermined by conflicts of interests with partner investors

  This risk cannot entirely be mitigated but the Council will be working with public sector organisations who seek to act in the public interest and will ensure that the constitution of the company and associated agreements provide reasonable protection to the Council.

LOANS TO LOCAL ENTERPRISES AND THIRD PARTIES

Loans to local enterprises will be considered, as part of a wider strategy for local economic growth, even though they may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

Such loans will be considered when all of the following criteria are satisfied:

- The loan is given towards expenditure which would, if incurred by the Council, be capital expenditure;
- The purpose for which the loan is given is consistent with the Council's corporate / strategic objectives and priorities;
- Due diligence is carried out that confirms the Council's legal powers to make the loan, and that assesses the risk of loss over the loan term;
- A formal loan agreement is put in place which stipulates the loan period (which will not exceed 20 years), repayment terms and loan rate (which will be set at a level that seeks to mitigate any perceived risks of a loss being charged to the General Fund, and takes appropriate account of state aid rules) and any other terms that will protect the Council from loss;
- No more than £5m is awarded as a single loan, with no more than £20m being loaned in total to a single entity.

The Council has provided the following loans for capital purposes to date:

COUNTER PARTY	LOAN ADVANCED £000	FINANCIAL YEAR ADVANCED	LOAN TERM (YEARS)	INTEREST RATE %	LOAN O/STANDING AT 31 MARCH 2018 £000
Stow Maries Great War Aerodrome Ltd	200	2013/14	8 YEARS	1.5% ABOVE PREVAILING BANK RATE	175
Essex University (SELEP Growing Places Fund loan – phase 1) – Building business units	2,400	2013/14 & 2015/16	4 YEARS	N/A	0
Essex University (SELEP Growing Places Fund loan – phase 1a) – Building business units	850	2015/16	2 YEARS	N/A	0
Total	**3,450**				**175**

COMMERCIAL INVESTMENT STRATEGY – SUPPORT TO SUBSIDIARIES

As noted in Other Matters, the Council currently provides treasury management support to its local trading companies (principally Essex Cares Ltd). As part of the agreement to provide treasury management support to these organisations, the Council may borrow their surplus funds, or lend to them to cover temporary shortfalls of cash (the Council has provided a £5m overdraft facility to Essex Cares Ltd for this purpose).

In addition to providing Essex Cares' with an overdraft facility, the Council has also agreed the following longer term loans to its subsidiary:

COUNTER PARTY	LOAN ADVANCED £000	FINANCIAL YEAR ADVANCED	LOAN TERM (YEARS)	INTEREST RATE %	LOAN O/STANDING AT 31 MARCH 2018 £000
Refurbishment of Freebornes	610	2014/15	10	4%	427
Refurbishment of Waterboyce Centre	314	2016/17	10	4%	252
Total	**924**				**679**

LOCAL AUTHORITY MORTGAGE SCHEME (LAMS)

The Council agreed to participate in the Local Authority Mortgage Scheme in May 2013. This national scheme is aimed at first time buyers, providing help for potential buyers who can afford mortgage payments – but not the initial deposit – to get onto the property ladder. The scheme is standard and there is very little flexibility for Local Authorities to vary the terms set out by the lender.

If a potential buyer meets the strict credit criteria applied by the lender, and meets the criteria set out by the Council to qualify for a mortgage under the scheme, the Council provided an indemnity to the value of the difference between 75% of the value of the property and the amount borrowed. The potential buyer thereby obtained a mortgage of up to 95% LTV on similar terms as a 75% mortgage which enabled people to borrow with only a 5% deposit – if they met the other lending criteria.

Under this scheme, the Council was required to place £1m with Lloyds bank to cover the indemnities provided under the scheme.

The indemnities are in place for a fixed 5 year period for each mortgage granted under the scheme, which may be extended for a further 2 years if a mortgage were in arrears in the last 6 months of the initial 5 year period.

Assuming no default by the buyer, the indemnity liability terminates on the earliest of the end of the agreed indemnity period or an early repayment of the mortgage (e.g. if the buyer subsequently moves house). The fixed term deposit of £1m will be repaid to the Council at the date of maturity, plus interest due.

The indemnity provided by the Council will only be called upon if a loss is crystallised by the lender, which would only arise if a property is repossessed. To date, the indemnity provided by the Council has not been called upon.

OTHER COMMERCIAL INVESTMENTS

At the time of writing this section of the Capital Strategy, other commercial investment activities are in earlier stages of development. The Capital Strategy will be updated should further commercial investment opportunities crystallise during 2018/19 and/or in the event that the statutory Guidance on Local Authority Investments, when issued, requires further content to be included.

TREASURY MANAGEMENT POLICY STATEMENT AND TREASURY MANAGEMENT PRACTICES

During 2017, CIPFA consulted on proposed changes to its Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code), and published a revised version of the CIPFA Code in December 2017. The Treasury Management Code has largely been updated following recent developments in the marketplace and the introduction of the Localism Act 2011, which gave authorities greater flexibility to enter into a wider range of investment activities under the 'general power of competence'.

The Treasury Management Code has a particular significance under the provisions of the Local Government Act 2003 which requires local authorities 'to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify'.

The Treasury Management Code contains the following definition of treasury management activities which has been adopted by CIPFA:

The management of the organisation's borrowing, investments 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 optimum performance consistent with those risks.

This definition is intended to apply to all public service organisations in their use of capital and project financings, borrowings and all investments.

The updated Treasury Management Code clarifies that 'investments' in the above definition covers all of the Council's financial assets, as well as other non-financial assets held primarily for financial returns (such as investment property portfolios).

This means that it encompasses investments which are not managed as part of normal treasury management or under treasury management delegations.

The Treasury Management Code identifies three key principles for treasury management:

- Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.
- They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives, and that within the context of effective risk management, their treasury management policies and practices should reflect this.

In accordance with these principles, the Council had previously adopted a Treasury Management Policy Statement, which set out the policies, objectives and approach to risk management of its treasury management activities, and a series of Treasury Management Practices (TMPs), which set out the manner in which the Council sought to achieve its policies and objectives for treasury management.

The Council's Treasury Management Policy Statement and its Treasury Management Practices have been updated to reflect the requirements of the updated Treasury Management Code. They are presented for approval in the following annexes:

- Annex 1E – Treasury Management Policy Statement
- Annex 1F – Treasury Management Practices
- Annex 1G – Investment management practices for non treasury investments

KNOWLEDGE AND SKILLS

The Council recognises the importance of ensuring that all officers involved in the treasury management function (including commercial investment activities) are fully equipped to undertake the duties and responsibilities allocated to them. The Executive Director for Corporate and Customer Services is responsible for recommending and implementing the necessary arrangements and does this by:

- **Appointing individuals who are both capable and experienced**
  All individuals involved in the delivery of the treasury management function are required to be professionally qualified accountants, who have a responsibility to undertake continuing professional development.
- **Providing training and technical guidance**
  All individuals involved in the delivery of the treasury management function are provided with access to relevant technical guidance and training necessary to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills to undertake the duties and responsibilities allocated to them.
- **Appointing a treasury management and other professional advisors**
  By employing external providers of treasury management services, the Executive Director for Corporate and Customer Services ensures that the individuals involved in delivery of the Council's treasury management activities have access to specialist skills and resources.

  In addition, professional advisors are employed as required to ensure that the Council has access to the specialist skills and resources necessary to undertake commercial investment activities. A professional property advisor has been appointed to assist the Council with the acquisition and management of investment properties.

The Executive Director for Corporate and Customer Services will ensure that elected members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The statement by the Executive Director for Corporate and Customer Services is set out on page 28.

ANNEX 1A – PRUDENTIAL INDICATORS

SUMMARY OF PRUDENTIAL INDICATORS			2017/18				
		2018/19 ACTUAL	ORIGINAL ESTIMATE	UPDATED ESTIMATE	2018/19 ESTIMATE	2019/20 FORECAST	2020/21 FORECAST
CAPITAL EXPENDITURE & FINANCING							
Capital Expenditure	**£m**	226	263	263	299	325	237
Capital Financing							
Borrowing (unsupported)	£m	62	107	113	176	114	64
Grants and contributions	£m	121	121	123	104	192	154
Capital receipts and earmarked reserves	£m	43	35	27	19	19	19
Total capital financing	**£m**	**226**	**263**	**263**	**299**	**325**	**237**
CAPITAL FINANCING REQUIREMENT							
Capital financing requirement (CFR)							
Opening CFR	£m	868	1,039	901	1,090	1,228	1,300
Add							
Additional borrowing	£m	62	107	113	176	114	64
Additional credit liabilities (PFI / Finance leases)	£m	6	-	107	-	-	-
		1,146	1,121	1,266	1,342	1,364	936
Less							
Revenue provision for debt repayment	£m	(35)	(31)	(31)	(38)	(42)	(47)
Capital Financing Requirement	**£m**	**901**	**1,115**	**1,090**	**1,228**	**1,300**	**1,317**
Analysis of the Capital Financing Requirement							
Supported borrowing and pre 2008/09 unsupported borrowing	£m	490	478	478	466	454	442
Unsupported borrowing							

SUMMARY OF PRUDENTIAL INDICATORS			2017/18				
		2018/19 ACTUAL	ORIGINAL ESTIMATE	UPDATED ESTIMATE	2018/19 ESTIMATE	2019/20 FORECAST	2020/21 FORECAST
General	£m	256	378	354	509	594	626
Deferred (loans, housing and investment properties)	£m	1	2	7	15	28	38
Sub total – borrowing	**£m**	**747**	**478**	**839**	**990**	**1,076**	**1,106**
Credit arrangements (PFI / Finance leases)	£m	154	257	251	238	224	211
Total	**£m**	**901**	**1,115**	**1,090**	**1,228**	**1,300**	**1,317**
Gross borrowing and the CFR							
Medium term forecast of CFR	£m	1,228	1,338	1,300	1,317	1,266	1,214
Forecast external debt (long term) and credit arrangements	£m	513	824	514	511	508	490
Headroom	**£m**	**715**	**514**	**786**	**806**	**758**	**724**
EXTERNAL DEBT							
Authorised limit							
Borrowing	£m	620	760	770	910	970	980
Other long term liabilities	£m	284	257	250	237	223	211
Total authorised limit	**£m**	**904**	**1,017**	**1,020**	**1,147**	**1,193**	**1,191**
Operational boundary							
Borrowing	£m	520	590	660	800	880	890
Other long term liabilities	£m	265	237	241	217	204	191
Total operational boundary	**£m**	**785**	**827**	**901**	**1,017**	**1,084**	**1,081**
Actual external debt (incl. credit arrangements)	**£m**	511	N/A	N/A	N/A	N/A	N/A
FINANCING & NET REVENUE STREAMS							
Net revenue streams excl. gen. govnt grants	**%**	9.0%	8.0%	6.7%	7.3%	9.0%	9.4%
Net revenue streams incl. gen. govnt grants	**%**	8.5%	7.5%	6.3%	6.9%	8.5%	9.0%

SUMMARY OF PRUDENTIAL INDICATORS		2018/19 ACTUAL	2017/18 ORIGINAL ESTIMATE	2017/18 UPDATED ESTIMATE	2018/19 ESTIMATE	2019/20 FORECAST	2020/21 FORECAST
INCREMENTAL IMPACT ON COUNCIL TAX							
Effect of capital schemes starting in:							
2015/16 and earlier years	£	85.81	78.66	78.84	84.71	92.66	96.43
2016/17	£	-	3.70	1.26	7.67	14.44	17.64
2017/18	£	-	0.96	-	0.30	1.45	2.07
2018/19	£	-	-	-	-	0.30	1.33
2019/20	£	-	-	-	-	-	-
2020/21	£	-	-	-	-	-	-
2021/22	£	-	-	-	-	-	-
Total	**£**	**85.81**	**83.32**	**80.10**	**92.68**	**108.85**	**117.47**

ANNEX 1B – TREASURY MANAGEMENT SUMMARY

TREASURY MANAGEMENT SUMMARY		2018/19 ACTUAL	2017/18 ORIGINAL ESTIMATE	2017/18 UPDATED ESTIMATE	2018/19 ESTIMATE	2019/20 FORECAST	2020/21 FORECAST
ESTIMATED DEBT AND INVESTMENTS							
Investments (estimated balance at each 31st March)	**£m**	313	106	196	200	209	210
External debt (operational boundary for borrowing)	£m	520	480	660	800	880	890
EXPECTED MOVEMENT IN INTEREST RATES							
Bank Rate (at each 31st March)	%		0.25%	0.50%	0.50%	0.75%	1.25%
PWLB (borrowing) rates							
5 year	%		1.60%	1.50%	1.70%	1.90%	2.20%
10 year	%		2.30%	2.20%	2.40%	2.60%	2.90%
25 year	%		2.95%	2.90%	3.00%	3.20%	3.50%
50 year	%		2.75%	2.60%	2.80%	3.00%	3.30%
Source: Link Asset Services (Treasury Solutions) (December 2017)							
EFFECT OF 1% INCREASE IN INTEREST RATES							
Interest on borrowing	£000		-	-	765	1,965	2,635
Interest on investments	£000		(1,045)	(1,954)	(1,991)	(2,078)	(2,066)
Interest attributed to reserves & balances	£000		2,282	2,433	2,493	2,549	2,608
Interest attributed to other bodies	£000		325	10	10	10	10
Net total	**£000**		**1,562**	**489**	**1,277**	**2,446**	**3,187**
BORROWING REQUIREMENT (EXTERNAL BORROWING)	**£m**	163	42	-	153	87	47

TREASURY MANAGEMENT SUMMARY			2017/18				
		2018/19 ACTUAL	ORIGINAL ESTIMATE	UPDATED ESTIMATE	2018/19 ESTIMATE	2019/20 FORECAST	2020/21 FORECAST
INTEREST RATE EXPOSURES							
Upper limits for exposure to fixed rates							
Net exposure	£m	620	660	770	910	970	980
Debt	%	100%	100%	100%	100%	100%	100%
Investments	%	100%	100%	100%	100%	100%	100%
Upper limits for exposure to variable rates							
Net exposure	£m	186	198	231	273	291	294
Debt	%	30%	30%	30%	30%	30%	30%
Investments	%	100%	100%	100%	100%	100%	100%
MATURITY STRUCTURE OF BORROWING (UPPER LIMIT)							
Under 12 months	%	1%	40%	40%	40%	40%	40%
12 months and within 24 months	%	1%	40%	40%	40%	40%	40%
24 months and within 5 years	%	4%	40%	40%	40%	40%	40%
5 years and within 10 years	%	10%	40%	40%	40%	40%	40%
10 years and within 25 years	%	26%	60%	60%	60%	60%	60%
25 years and within 40 years	%	23%	40%	40%	40%	40%	40%
25 years and within 40 years	%	12%	20%	20%	20%	20%	20%
50 years and above	%	15%	20%	20%	20%	20%	20%
MATURITY STRUCTURE OF BORROWING (LOWER LIMIT)							
All maturity periods	%	0%	0%	0%	0%	0%	0%
TOTAL SUMS INVESTED FOR MORE THAN 364 DAYS							
Upper limit for sums invested for more than 364 days	£m	4	50	50	50	50	50

ANNEX 1C – REVENUE PROVISION FOR THE REPAYMENT OF DEBT POLICY

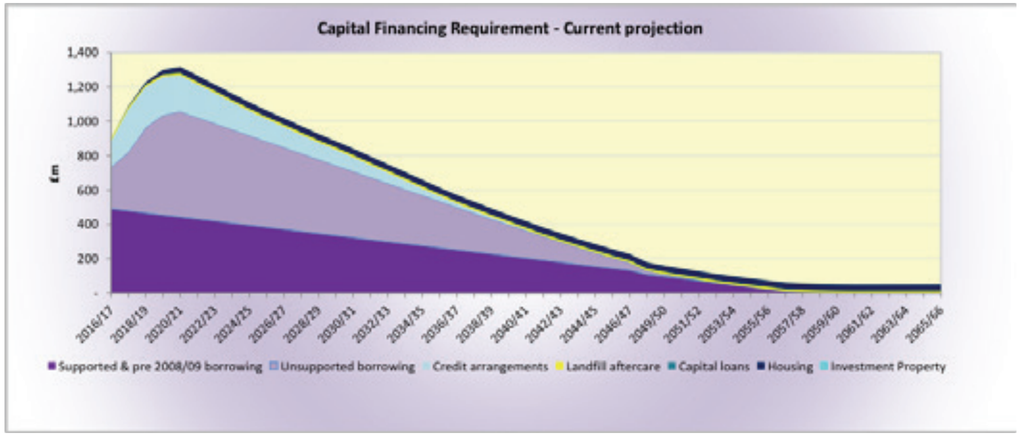
In accordance with the requirement to make a prudent 'revenue provision for the repayment of debt', the Council ensures that debt is repaid over a period that is commensurate with the period over which the capital expenditure provides benefit.

This is achieved by applying the following methodology:

BORROWING	MRP REPAYMENT BASIS
Pre 1st April 2008 debt	This element of the Capital Financing Requirement is being repaid on a 50 year 'Equal instalments' basis, with commencement of the 50 year term in 2007/08.
Government supported debt – 2008/09 onwards	This element of the Capital Financing Requirement is being repaid on a 50 year 'Equal Instalments' basis, with commencement of the 50 year term in the financial year following the capital expenditure.
Unsupported borrowing – General	This element of the Capital Financing Requirement is being repaid using the Asset Life method. This spreads the unsupported borrowing over the useful life estimated at the start of the relevant asset lives (or over a shorter period where use of the standard useful life would not be supportable as prudent).
Loans awarded for capital purposes	Where the Council gives a loan to a third party towards expenditure which would, if incurred by the Council, be capital expenditure, the amounts paid out count as capital expenditure for capital financing purposes. The expenditure is therefore included in the calculation of the Council's Capital Financing Requirement. When the Council receives the repayment of an amount loaned, the income will be classified as a capital receipt. Where the capital receipts will be applied to reduce the Capital Financing Requirement, there will be no revenue provision made for the repayment of the debt liability (i.e. unless the eventual receipt is expected to fall short of the amount expended).
Assets acquired or developed for resale	Where expenditure is incurred to acquire and/or develop properties for resale, the Capital Financing Requirement will increase by the amount expended. Where the Council will subsequently recoup the amount expended via the sale of an asset, the income will be classified as a capital receipt. Where the capital receipts will be applied to reduce the Capital Financing Requirement, there will be no revenue provision made for the repayment of the debt liability (i.e. unless the fair value of the properties falls below the amount expended).
Investment properties	Where expenditure is incurred to acquire properties meeting the accounting definition of investment properties, the Capital Financing Requirement will increase by the amount expended. Where the Council will subsequently recoup the amount expended (e.g. via the sale of an asset), the income will be classified as a capital receipt. Where the capital receipts will be applied to reduce the Capital Financing Requirement, there will be no revenue provision made for the repayment of the debt liability (i.e. unless the fair value of the properties falls below the amount expended).
Credit arrangements	MRP is met by a charge equal to the element of rent/charge that goes to write down the balance sheet liability.

Revenue provision is chargeable in the first financial year after the relevant capital expenditure is incurred. Where it is practical or appropriate to do so, the Council may make voluntary revenue provision, or apply capital receipts, to reduce debt over a shorter period.

On the basis of the MRP policies outlined above, and the capital programme proposals outlined elsewhere within the Capital Strategy, the longer term forecast of the Capital Financing Requirement is as follows:



The revenue budget provision for 'revenue provision' charges in 2018/19 has been compiled on a basis consistent with this policy.

ANNEX 1D – COUNTERPARTY CRITERIA FOR INVESTMENTS

CONTEXT

In order to minimise the risk to investments, the Council stipulates the minimum acceptable credit quality of counterparties for inclusion on its lending list. Where applicable, it does this by reference to the credit ratings, watches and outlooks published by all three ratings agencies (i.e. Fitch, Standard and Poor and Moody's). Definitions of the credit ratings of the three main rating agencies are available upon request.

BANKS AND BUILDING SOCIETIES

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

RATING CATEGORY	CREDIT RATING AGENCIES		
	FITCH	STANDARD & POOR'S	MOODY'S
Short term rating	F1	A-1	P-1
Long term rating	A	A	A2

These ratings will be used to determine the pool of counterparties with whom the Council can transact for term/call deposits and certificates of deposit. This will ensure that funds are invested with high quality counterparties.

Where counterparties are rated by more than one credit rating agency, the lowest ratings will be used to determine whether they are included on the counterparty list.

The short and long-term ratings will be further applied to determine the maximum amount that will be invested with each of the counterparties in the 'pool', and for what duration.

Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria above. Credit ratings will be kept under review. Counterparties will be removed from the Council's lending list in the event that they receive a downgrading to their credit rating below the minimum criteria outlined above.

Counterparties placed on 'negative ratings watch' (which indicate a likely change in the counterparty's credit rating) will remain on the Council's lending list at the discretion of the Executive Director for Corporate and Customer Services, in consultation with the Cabinet Member for Finance.

Although non-UK banks domiciled in a country with a minimum sovereign rating of AA may be included on the lending list, due regard will be given to the country exposure of the Council's investments.

In the event that the Council's own banker falls below the minimum credit rating criteria outlined above, and is not nationalised or part nationalised, the bank will be used for transactional purposes only, and not as an active outlet for investments.

Financial institutions nationalised (or part nationalised) by the UK Government

UK banks that do not fully meet the credit rating criteria outlined in the previous paragraph, but which have been nationalised or part nationalised, will remain on the counterparty list whilst they continue to be nationalised (or part nationalised).

MONEY MARKET FUNDS

Money Market Funds (MMFs) are short term, pooled, investments that are placed, by a manager, in a wide range of money market instruments. The size of the investment pool of a MMF enables the manager to not only offer the flexibility of overnight and call money, but also the stability and returns of longer dated deposits.

Strict rules and criteria are set down by the official rating agencies, covering the types of investment counterparties used, the maturity distribution of the funds and investment concentrations.

The Money Market Fund Regulation was published in June 2017. This will apply to new funds with effect from 21st July 2018 and to existing funds by no later than 21st January 2019. The Regulation permits three structural options for money market funds, as follows:

- Constant Net Asset Value (CNAV)
- Low Volatility Net Asset Value (LVNAV)
- Variable Net Asset Value (VNAV)

The Council will only use CNAV and LVNAV MMFs with an AAA credit rating that are denominated in sterling and regulated within the EU and VNAV MMF's with an AAA credit rating and a minimum credit score of 1.25 that are denominated in sterling and regulated within the UK.

UK GOVERNMENT

No restrictions are placed on the amounts that can be invested with the UK Government (i.e. with the Debt Management Office or via UK Treasury bills or Gilts with less than 1 year to maturity).

OTHER LOCAL AUTHORITIES

Other local authorities are included within the counterparty 'pool'. However, the amount that can be invested will be determined with regard to their size. For this purpose, top tier local authorities will include county councils, unitary and metropolitan authorities and London Boroughs and lower tier local authorities will include district / borough councils and police and fire authorities.

OTHER PRODUCTS

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

- Property Funds – this is a long term, and relatively illiquid investment, which is expected to yield both rental income and capital gains.
- Corporate bonds – bonds issued by companies to raise long term funding other than via issuing equity. Investing in corporate bonds offers a fixed stream of income, paid at half yearly intervals, in exchange for an initial investment of capital.
- Corporate bond funds – these are pooled funds investing in a diversified portfolio of corporate bonds, so provide an alternative to investing directly in individual corporate bonds.
- UK Government Gilts / Gilt Funds – with greater than 1 year maturity
- UK Government Treasury bills – with greater than 1 year maturity

The risks associated with the use of any combination of these investment products may include:

- Liquidity risk – Ability to realise assets in a timely manner, at an appropriate price.
- Security or credit risk – Capital preservation (principal is returned at contractual maturity); Payments of interest or principal not being made, or not being made in full.
- Valuation or 'mark to market' risk – Paper losses may be reported in year-end accounts; liquidating assets prior to maturity could lead to losses being crystalised.

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

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

TIME AND MONETARY LIMITS APPLYING TO INVESTMENTS

The time and monetary limits for counterparties that individually satisfy the criteria outlined in the previous paragraphs will be determined with reference to the counterparties' short and long term credit ratings (or to other criteria where applicable), as outlined in the table overleaf.

Notwithstanding these limits, the Executive Director for Corporate and Customer Services will ensure appropriate operational boundaries are in place to avoid over exposure in any particular country, sector or group.

TIME AND MONETARY LIMITS

COUNTERPARTY TYPE	SHORT AND LONG TERM CREDIT RATING CRITERIA						INVESTMENT LIMIT £M	MAXIMUM DURATION (NO. YEARS)
	FITCH		STANDARD & POOR'S		MOODY'S			
	SHORT TERM	LONG TERM	SHORT TERM	LONG TERM	SHORT TERM	LONG TERM		
UK Banks & building societies	F1+	AA-	A-1+	AA-	P-1	AA3	70	3 YEARS
	F1	A	A-1	A	P-1	A2	60	1 YEAR
UK banks & building societies (nationalised)							60	1 YEAR
Non UK financial institutions	F1	A	A-1	A	P-1	A2	35	1 YEAR
'AAA' rated Money Market Funds (CNAV)							50	NOT FIXED
'AAA' rated Money Market Funds (LVNAV)							25	NOT FIXED
'AAA' rated / 1.25 credit score Money Market Funds (VNAV)							25	NOT FIXED
UK Government							NO LIMIT	1 YEAR
Local authorities – upper tier							50	3 YEARS
Local authorities – lower tier							35	3 YEARS
Property Funds							20	NOT FIXED
'AAA' rated Corporate Bonds							20	3 YEARS
Corporate Bond Funds							20	3 YEARS
UK Government Gilts / Gilt Funds							20	3 YEARS
UK Government Treasury Bills							20	3 YEARS

NOTES:

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

Forward deals – If forward deposits are made, the forward period plus the deal period should not exceed the maximum duration specified above.

ANNEX 1E – TREASURY MANAGEMENT POLICY STATEMENT

The following statement defines the policy and objectives of the Council's treasury management activities:

1. The Council defines its treasury management activities as:
    - The management of its investments 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 optimum performance consistent with those risks.
2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and of employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
4. The Council's policies for borrowing and investments will be set out within the annual Capital Strategy.

ANNEX 1F – TREASURY MANAGEMENT PRACTICES

TMP 1 – RISK MANAGEMENT

GENERAL STATEMENT

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures covering all external investment.

The Executive Director for Corporate and Customer Services will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP 6 Reporting requirements and management information arrangements.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

[1] Credit and counterparty risk management

The Council will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

[2] Liquidity risk management

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

[3] Interest rate risk management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

[4] Exchange rate risk management

It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

[5] Inflation risk management

The Council will keep under review the sensitivity of its treasury management assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of its wider exposure to inflation.

[6] Refinancing risk management

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

[7] Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

[8] Fraud, error and corruption and contingency management

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

[9] Market risk management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sum it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP 2 – PERFORMANCE MEASUREMENT

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's business or service objectives and performance will be measured against relevant benchmarks.

TMP 3 – DECISION-MAKING AND ANALYSIS

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

TMP 4 – APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in its annual Investments Strategy, and within the limits and parameters defined in TMP1 Risk management.

The Council has reviewed its classification with financial institutions under MIFID II and will set out in its annual Investment Strategy those organisations with which it is registered as a professional client.

TMP 5 – ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when it is intended, as a result of lack of resources or other circumstances, to depart from these principles, the Executive Director for Corporate and Customer Services will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Executive Director for Corporate and Customer Services will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Executive Director for Corporate and Customer Services will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out.

The Executive Director for Corporate and Customer Services will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The delegations to the Executive Director for Corporate and Customer Services in respect of treasury management are set out in the Council's Financial Regulations and Scheme of Delegation for Financial Management. The Executive Director for Corporate and Customer Services will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and the CIPFA Standard of Professional Practice on Treasury Management.

TMP 6 – REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:

- Full Council will receive an annual report on the strategy and plan to be pursued in the coming year.
- The Cabinet will receive reports on the performance of the treasury management function, and on any circumstances of non-compliance with the Council's Treasury Management Policy Statement and TMP's, as part of the Council's quarterly financial overview reporting.

The Council's Corporate Policy and Scrutiny Committee have responsibility for the scrutiny of treasury management policies and practices.

TMP 7 – BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The Executive Director for Corporate and Customer Services will prepare, and full Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP 2 Performance Measurement, and TMP 4 Approved instruments, methods and techniques. The Executive Director for Corporate and Customer Services will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP 6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP 8 – CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Executive Director for Corporate and Customer Services, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Executive Director for Corporate and Customer Services will ensure that these are adequate for the purposes of monitoring compliance with TMP1[1] liquidity risk management.

TMP 9 – MONEY LAUNDERING

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the Council's Anti-Money Laundering Policy.

TMP 10 – TRAINING AND QUALIFICATIONS

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced, and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that elected members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP 11 – USE OF EXTERNAL SERVICE PROVIDERS

The Council recognises that responsibility for treasury management decisions remains with the Council at all times. However, the Council recognises that there may be value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources.

When it employs such service providers, it will do so following a full evaluation of the costs and benefits, and will also ensure that the terms of their appointment are properly agreed and documented, and subjected to regular review.

Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

The monitoring of such arrangements rests with the Executive Director for Corporate and Customer Services.

TMP 12 – CORPORATE GOVERNANCE

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

This organisation has adopted and has implemented the key principles of the CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

ANNEX 1G – INVESTMENT MANAGEMENT PRACTICES FOR NON TREASURY INVESTMENTS

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries and investment property portfolios.

The Council will ensure that all of its investments are covered in its annual Capital Strategy, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Council's risk exposure.

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