



Council Offices, Kiln Road,  
Thundersley, Benfleet,  
Essex SS7 1TF.  
Tel. No: 01268 882200



## **CABINET AGENDA**

**Date:      Wednesday 15th February 2023**

**Time:      6pm NB Time**

**Venue:    Council Chamber**

**This meeting will be webcast live on the internet.**

### **Membership:**

<b>Councillor Blackwell</b>	<b>Chairman - Leader of the Council</b>
<b>Councillor Cole</b>	<b>Special Projects (Deputy Leader of the Council)</b>
<b>Councillor Fuller</b>	<b>Environment</b>
<b>Councillor Gibson</b>	<b>Strategic Planning</b>
<b>Councillor Mountford</b>	<b>Resources</b>
<b>Councillor Palmer</b>	<b>Regeneration &amp; Economic Growth</b>
<b>Councillor Mrs Sach</b>	<b>People, Health Wellbeing &amp; Housing</b>
<b>Councillor Savage</b>	<b>People &amp; Community</b>

**Cabinet Enquiries:**      **Ann Horgan ext. 2413**  
   **ahorgan@castlepoint.gov.uk**  
**Reference:**                **7/2022/2023**  
**Publication Date:**      **Tuesday 7th February 2023**

---

---

---

**AGENDA  
PART I  
(Business to be taken in public)**

---

---

- 1. Apologies**
- 2. Members' Interests**
- 3. Minutes**  
To approve the Minutes of the meeting held on 18th January 2023.
- 4. Forward Plan**  
This is included for information only it is not a decision item.
- 5. Extension of Public Space Protection Order - Dogs on Leads Canvey Seafront Beaches**  
*(Report of the Cabinet Member – Special Projects)*
- 6. Planning Reforms – Revised National Planning Policy Framework Consultation**  
*(Report of the Cabinet Member – Strategic Planning)*
- 7. Council Rent Setting and Capital Programme**  
*(Report the Cabinet Members – Resources People, Health Wellbeing & Housing)*
- 8. The Highway Ranger Service**  
*(Report of the Cabinet Member – Environment)*
- 9. Budget and Policy Framework 2023/24**  
*(Report the Cabinet Member – Resources)*
- 10. Matters to be referred from /to the Standing Committees**
- 11. Matters to be referred from /to Policy & Scrutiny Committees**

---

---

**PART 2  
(Business to be taken in private)  
(Item to be considered with the press and public excluded from the meeting)**

---

---



## CABINET



**18th JANUARY 2023**

### **PRESENT:**

Councillor Blackwell  
Councillor Cole  
Councillor Fuller  
Councillor Gibson  
Councillor Mountford  
Councillor Palmer  
Councillor Sach  
Councillor Savage

Chairman – Leader of the Council  
Special Projects – Deputy Leader of the Council  
Environment  
Strategic Planning  
Resources  
Regeneration & Economic Growth  
People, Health Wellbeing & Housing  
People & Community

### **ALSO PRESENT:**

Councillors Acott, Ainsley, Campagna, Cutler, Dixon, T. Gibson, MacLean, C. Mumford and S Mumford.

#### **67. MEMBERS' INTERESTS:**

There were none

#### **68. MINUTES:**

The Minutes of the Cabinet meeting held on 21.12.2022 were signed and approved as a correct record.

#### **69. FORWARD PLAN:**

At the beginning of the meeting the Leader announced changes to Cabinet responsibilities with Councillor Fuller taking responsibility for Environment and Councillor Mountford taking on Resources.

To comply with regulations under the Localism Act 2011, the Leader presented a revised Forward Plan to the meeting which outlined key decisions likely to be taken within the next quarter of 2023. The Plan is reviewed each month.

Cabinet noted that it was planned to report on action on mould and dampness.

**Resolved:** To note and approve the Forward Plan as amended.

#### **70. FINANCIAL UPDATE**

Cabinet was asked to consider the report providing Cabinet with the latest 2022/23 forecast in respect of the General Fund (GF); updating Cabinet on developments of a financial nature, which might impact on the Council's financial

plans in respect of either the General Fund, Housing Revenue Account (HRA) or Capital Programme.

Cabinet was also asked to approve the virement budget adjustments described within report at 6.1.

**Resolved:**

1. To note the report and the financial forecast at Appendix 1.
2. To approve the proposed virement shown within paragraph 6.1.

**71. UK SHARED PROSPERITY FUND**

Cabinet considered a report on the award of £1,000,000 to Castle Point from the UK Shared Prosperity Fund. This followed submission of a bid which included an investment Plan. The award would be paid of over three financial years 2022/23 (£79,307,) 2023/24 (£158,614) and 2024/25 (£762,079) and incorporated into the Council's Capital and Revenue budgets.

The Cabinet Member for Special Projects in presenting the report took the opportunity to thank the officers for their work on this successful submission specific mention was made of Ben Brook, Strategic, Policy and Performance Manager, Amanda Parrott, Planning Policy Manger and Ian Butt Head of Place and Policy.

**Resolved:**

1. To note the Investment Plan for the use of the UK Shared Prosperity Fund in Castle Point.
2. To approve the budget as set out in the report in the current financial year and 2023/24 and 2024/25.
3. To agree the preparation of the programme and governance options for a further report to Cabinet

**72. KNIGHTSWICK CENTRE – PROPOSAL TO CREATE A DETAILED BUSINESS CASE FOR INVESTMENT ETC**

Cabinet considered a report proposing that the Council commissions a detailed business case for investment in the updating and refurbishment of the Knightswick Shopping Centre, Canvey Island.

**Resolved:**

That the Council allocates up to £150,000 from the Knightswick earmarked reserve to commission a detailed business case for investment in the updating and refurbishment of the Knightswick Shopping Centre

**73. PUBLIC REALM AND PLAY SPACES FUND**

Cabinet considered a report creating a Public Realm and Play Spaces Fund to provide public realm and play space improvements in the Borough.

The report set out arrangements for public engagement and the application process.

**Resolved:**

1. To create a new ear-marked reserve of £140,000 to provide public realm and play space improvements to be known as the Public Realm and Play Spaces Fund.
2. To delegate authority to the Head of Environment in consultation with the Deputy Leader and the s151 Officer to draw down the ear-marked reserve for the purposes set out in this report.

**74. AWARD OF BUILDING CLEANSING CONTRACT ELEMENT OF THE GROUNDS MAINTENANCE, STREET CLEANSING AND BUILDING CLEANSING CONTRACT.**

Cabinet considered a report providing information about the results of the procurement and tender evaluation process which had been undertaken for Building Cleansing as part of the new Grounds Maintenance, Street Cleansing & Building Cleansing Contract.

The report included an evaluation of the current arrangement and four options for delivery for delivery of the building cleaning service. The report described the consultation and engagement undertaken with inhouse staff.

Option three was the recommended option providing Cabinet with assurances regarding both the cost and qualitative benefits of outsourcing the Building Cleansing function to the successful Grounds Maintenance and Street Cleansing tenderer.

**Resolved:**

To note the information provided in the report and approve the award of the Building Cleansing element of the contract for Grounds Maintenance, Street Cleansing and Building Cleansing Services to the successful tenderer, Pinnacle.

**75. CORPORATE PERFORMANCE SCORECARD – QUARTER 2**

Cabinet considered a report setting out the performance figures for the Corporate Performance Scorecard for Q1 2022/23.

**Resolved:**

To note the report and continue to monitor performance

**76. MATTERS TO BE REFERRED FROM / TO POLICY & SCRUTINY COMMITTEES**

There were none.

**77. MATTERS TO BE REFERRED FROM / TO THE STANDING COMMITTEES**

There were none.



# **Castle Point Borough Council**

## **Forward Plan**

**FEBRUARY 2023**

# **CASTLE POINT BOROUGH COUNCIL**

## **FORWARD PLAN**

**FEBRUARY 2023**

This document gives details of the key decisions that are likely to be taken. A key decision is defined as a decision which is likely: -

- (a) Subject of course to compliance with the financial regulations, to result in the local authority incurring expenditure which is, or the savings which are, significant having regard to the local authority's budget for the service or function to which the decision relates subject to a threshold of £100,000; or
- (b) To be significant in terms of its effects on communities living or working in an area comprising two or more Wards in the area of the local authority.

The Forward Plan is a working document which is updated continually.

<b>Date</b>	<b><u>Item</u></b>	<b>Council Priority</b>	<b>Decision by Council/ Cabinet</b>	<b>Lead Member(s)</b>	<b>Lead Officer(s)</b>
February 2023	<u>Planning Reforms - Revised National Planning Policy Framework -consultation</u>	Economy and Growth People	Cabinet	Strategic Planning	Head of Place & Policy
February 2023	<u>Extension of Dogs on Leads Public Space Protection Order - approval</u>	Environment	Cabinet	Environment	Head of Environment
February 2023	<u>Council Rent Setting and Capital Programme</u> To approve.	Enablers Resources People	Cabinet	Resources	Head of Housing Strategic Director (Resources)
February 2023	<u>Budget and Policy Framework</u> To make recommendations to Council on the Council tax and budget setting.	All	Cabinet/ Council	Resources	Strategic Director (Resources)
March 2023	<u>Council Tax Support Fund</u> <u>To make recommendations on eligibility for allocation</u>	Enablers Resources People	Cabinet/ Council	Resources	Head of Customer & Digital Services
March 2023	<u>Report back from The Paddocks Member Working Group</u>	People	Cabinet	Leader of the Council	Chief Executive
March 2023	<u>Mould and Damp</u>	People /Environment	Cabinet	People-Health Wellbeing Environment	Head of Housing
March 2023	<u>Fireworks Event</u> To report on outline proposals	People	Cabinet	Deputy Leader – Special Projects	Chief Executive
March 2023	<u>Community Infrastructure Levy</u> Report back on Examination of proposed CIL rates, and to make recommendations to	Place / Enabler	Cabinet/ Council	Strategic Planning	Head of Place and Policy

	Council on the adoption of CIL.				
March 2023	<u>Developer Contributions Review</u> Report back on consultation outcomes, and to make recommendations to Council on the adoption of updated Developer Contributions Guidance SPD.	Place / Enabler	Cabinet/ Council	Strategic Planning	Head of Place and Policy
March 2023	<u>Corporate Performance Score Card Quarter 3 – to monitor</u>	All	Cabinet	Special Projects	Strategy Policy & Performance Manager
TBC	<u>UK Shared Prosperity Funding</u> to note	All	Cabinet	Resources	Head of Place & Policy
TBC	<u>Extension to Thorney Bay Car Park</u>	Place /Environment	Cabinet	Strategic Planning	Head of Environment
TBC	<u>Waste Collection Arrangements</u> – to consider recommendations from Environment PSC	Environment	Cabinet	Waste & Environmental Health	Head of Environment

**CABINET**

**15th February 2023**

**Subject: Extension of the Public Spaces Protection Order – (Castle Point Borough Council) 2020 – Dogs to be kept on leads on Canvey Island Seafront Beaches and seaward side walkway between 1<sup>st</sup> April to 30<sup>th</sup> September inclusive**

**Cabinet Member: Councillor Steven Cole - Special Projects, Leisure, Deputy Leader of the Council**

---

**1. Purpose of Report**

To seek approval to extend, with reductions to the current area covered and the prohibited times, the Public Spaces Protection Order – (Castle Point Borough Council) 2020 – Dogs to be kept on leads on Canvey Island Seafront Beaches and seaward side walkway between 1<sup>st</sup> April to 30<sup>th</sup> September inclusive for a further three years.

**2. Links to Council's priorities and objectives**

Extension of the Public Spaces Protection Order supports the Council's Environment objective.

**3. Recommendations**

It is recommended that Cabinet:

- (1) Note the responses to the consultations and endorses the extension of the Public Spaces Protection Order (with amendments) for a further three years;**
  - (2) Endorse the reduction in the time during which dogs must be kept on a lead in the designated area from 24 hours per day to 10am to 6pm each day between 1 April and 30 September; and**
  - (3) Endorse the reduction in the area covered by the Order from the area between The Point and Thorney Bay, to the area between the Town Council managed tidal pool and Thorney Bay.**
-

## **4. Background**

- 4.1 In April 2020, the Council utilised the powers available to it under the Anti-Social Behaviour, Crime and Policing Act 2014 and adopted a Public Spaces Protection Order. The Order applied to the foreshore footpath seaward side and beaches between The Point and Thorney Bay, Canvey Island between the 1 April and 30 September each year for an initial period of 3 years and required all dogs to be kept on their leads and the leads to be in the control of the person or persons in charge of the dog or dogs.
- 4.2 This Public Spaces Protection Order makes it an offence for any person in charge of a dog or dogs not to have the dog or dogs on a lead and not to be in control of the lead or leads.
- 4.3 A person who fails to comply with any obligation imposed by this Order is guilty of a criminal offence by virtue of Section 67(1) of the Anti-Social Behaviour Crime and Policing Act 2014 and is liable to a fine on summary conviction not exceeding level 3 on the standard scale. A Fixed Penalty Notice for £100.00 for the offence can also be served where an Authorised Officer witnesses a person not complying with the requirements of the Order.
- 4.4 Public Spaces Protection Orders are in place for an initial period of three years but at any point before expiry of an Order it can be extended for up to a further three years if it is considered that it is necessary to prevent the original behaviour from occurring or recurring. There is a requirement to consult with the local police and any other community representatives felt appropriate regarding a proposed extension to an Order.
- 4.5 The Order came into place as society was coming to grips with the COVID Pandemic, this meant that over the first two years of the Order and due to the restrictions in place to minimise the spread of COVID, the Council's Street Scene Team were unable to gather any significant data and information with regards to compliance with the Order or dog owners and non-dog owners views of the Order.
- 4.6 However throughout the summer of 2022 and with COVID restrictions removed, the Council's Street Scene Team were able to undertake numerous patrols and in so doing assess the extent of compliance and also to engage with both dog owners and other members of the public using the foreshore to gauge their opinion in respect of the Order.
- 4.7 Compliance with the Order

Overall, the vast majority of dog owners were found to be complying with the Order, those that were not when spoken to put their dogs on leads. At no time was it found that it was necessary to serve a Fixed Penalty Notice for non-compliance with the Order. It was noted that in the majority of cases where dogs were off leads, these were in the early morning when there were very few other people on the foreshore.

## **4.8 Feedback during patrols**

Most people spoken to during routine patrols felt the Order was required but that the prohibited times and the area it covered, were unnecessarily restrictive.

Particularly in respect of the timings many early morning dog walkers stated that there were very few other visitors to the foreshore at that time, so it seemed pointless having the Order in place at that time of day. It was also noted that visitors to the foreshore usually decreased from early evening onwards.

## **5. Consultation**

- 5.1 Taking into consideration the opinions received over the summer and noting the requirement to consult as part of the 3-year review, the following consultations were undertaken.

### **5.2 Foreshore Voluntary Groups**

The Council approached both Canvey Bay Watch and the Friends of Concord Beach. Canvey Bay Watch felt the Order should stay in place, but the area covered by the Order should be reduced to the area between the Town Council managed tidal pool and Thorney Bay and that the timings should be reduced to between 8am and 5:30pm each day. Unfortunately, no response was received from the Friends of Concord Beach.

### **5.3 On – Line Public Consultation**

An on-line public consultation was undertaken between 8<sup>th</sup> November 2022 and 6<sup>th</sup> December 2022 and 192 responses were received. The questions and the responses are attached as Appendix 1.

The key findings of the consultation survey were:

- There is still a need for an Order requiring dogs to be kept on leads
- There is no need for the Order to be in place for 24 hours per day
- The majority of respondents felt the Order should be in place from 10 a.m. to 6 p. m.
- The majority of respondents felt the area of the Order should be reduced to the area between the Town Council managed tidal pool and Thorney Bay

### **5.4 Required consultees**

A consultation letter was sent to the following persons on 8<sup>th</sup> December 2022 requesting a response by 6<sup>th</sup> January 2022

- The Chief Executive – Essex County Council
- The Police and Crime Commissioner for Essex
- The Police District Commander for Castle Point and Rochford
- The Town Clerk – Canvey Island Town Council
- The Chief Operating Officer – The Dogs Trust
- The Chief Operating Officer – The Kennel Club

- 5.5 Responses supporting the extension of the Order were received from the Dogs Trust and Canvey Island Town Council. No objection was raised by Essex county Council.

- 5.6 Should the Council wish to extend the Dogs on Leads PSPO the Council will be required to advertise the Order by way of a Public Notice, which needs to be in place by 1 March 2023 for a minimum of one month prior to the commencement of the Order. It is proposed that if the Order is made, it will take effect from 1 April 2023. In addition to the Public Notice being advertised in a local newspaper, copies will be posted on the Council's noticeboards, website and at various locations along the seafront.

## **6. Corporate Implications**

### **a. Financial implications**

Whilst the Council can keep any income it receives through the service of Fixed Penalty Notices the primary purpose of this Public Spaces Protection Order is to deter offences from being committed and promote responsible dog ownership.

All costs in respect of advertising the public notice will be met by existing budgets.

### **b. Legal implications**

The Council will need to extend the existing Public Spaces Protection Order if it wishes to take enforcement action against a person who does not have their dog or dogs on leads in the designated area between the 1 April and 30 September each year for a further period of 3 years.

To avoid legal challenge the Council will need to satisfy itself extending the Order is necessary and proportionate to the problem of dogs being off leads on the foreshore between 1<sup>st</sup> April and 30<sup>th</sup> September.

The Order would be enforced by existing Borough Council staff who will be authorised and trained to ensure that correct procedures are followed. Town Council officers could also if it so wished, be authorised to enforce the Order provided that certain conditions linked to training are satisfied.

### **c. Human resources and equality implications**

There are no additional human resource implications. Enforcement action will only be taken against the small number of irresponsible dog owners.

### **d. Timescale for implementation and risk factors**

The Public Notice to advertising the extension of the Order for a further three years will need to be issued by 1<sup>st</sup> March 2023 and remain in place for one month so that the extension of the Order can take effect from 1 April 2023.

## **7. Background Papers:**

**Report Author:** Stuart Jarvis, Street Scene and Contracts Manager.

## Public Spaces Protection Order (PSPO) - Dogs on Leads - Canvey Island Foreshore (Copy)

192 Responses   07:10 Average time to complete   Closed Status

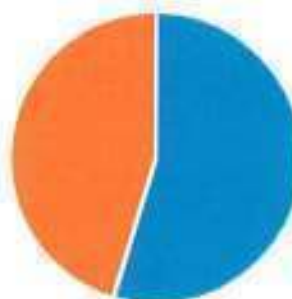
1. Do you feel there is a need for dogs to be kept on leads on Canvey Island Foreshore between the 1st April and 30th September

Yes

105

No

87



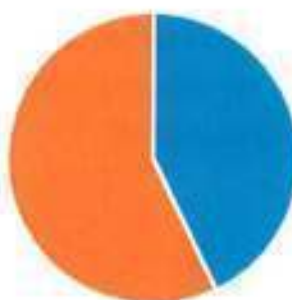
2. Do you feel that the times the PSPO is currently in place for should stay the same (1st April to 30th September, 24 hours a day, 7 days a week)?

Yes

82

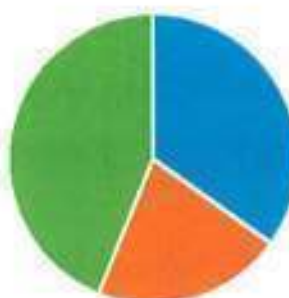
No

110



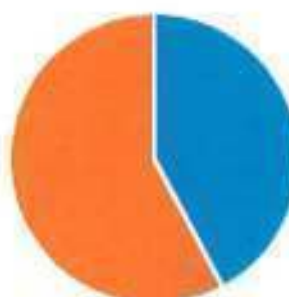
3. If we were to change the times of the PSPO, which one of following times do you feel is more suitable?

8.00am - 7.00pm	67
9.00am - 6.00pm	41
10.00am - 6.00pm	84



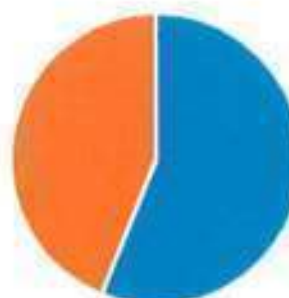
4. Do you think that the area of the PSPO should stay as it currently is, as per following link to map <https://www.castlepoint.gov.uk/download.cfm?doc=docm93jjjm4n6719>

Yes	81
No	111



5. Do you think that the area of the PSPO should now be reduced to only cover the seaward side beach areas from the Canvey Town Council pool at sea defence gate 17 opposite Maurice Road to, and including, Thorney Bay Beach., as per following link to map <https://www.castlepoint.gov.uk/download.cfm?doc=docm93jjjm4n6718>

Yes	108
No	84



Stuart Jarvis  
Street Scene & Contracts Manager  
Environment  
Castle Point Borough Council



1<sup>st</sup> November 2022

Castle Point Borough Council consultation letter in relation to - The Public Spaces Protection Order - (Castle Point Borough Council) 2020 - Dogs to be kept on leads on Canvey Island Seafront Beaches and seaward side walkway between 1st April to 30th September inclusive

Dear Stuart,

Thank you for your letter inviting Dogs Trust to take part in your consultation.

This Public Spaces Protection Order makes it an offence for any person in charge of a dog or dogs that does not have the dog or dogs on a lead and not to be in control of the lead or leads.

We are making comment on this singular proposed PSPO, but should you have more, or be looking to bring any others into enforce, then if you let me know what they are I will happily support you with further commentary, accordingly.

As the UK's largest dog welfare charity, we would like to make the following comments for consideration.

#### Dogs Trust's Comments

##### 5. Re; Dogs on Leads Order:

- Dogs Trust accept that there are some areas where it is desirable that dogs should be kept on a lead.
- Dogs Trust would urge the Council to consider the Animal Welfare Act 2006 section 9 requirements (the 'duty of care') that include the dog's need to exhibit normal behaviour patterns – this includes the need for sufficient exercise including the need to run off lead in appropriate areas. Dog Control Orders should not restrict the ability of dog keepers to comply with the requirements of this Act.
- The Council should ensure that there is an adequate number, and a variety of, well sign-posted areas locally for owners to exercise their dog off-lead.

##### 6. Re; Dogs on Lead by Direction Order:

#### **Dogs Trust**

Clarissa Baldwin House  
17 Wakley Street,  
London, EC1V 7RQ

T: 0207 837 0006  
F: 0207 837 0006  
[www.dogstrust.org.uk](http://www.dogstrust.org.uk)

Patron: Her Majesty The Queen  
Registered Charity Numbers: 227523 & SC037843

- Dogs Trust enthusiastically support Dogs on Leads by Direction orders (for dogs that are considered to be out of control or causing alarm or distress to members of the public to be put on and kept on a lead when directed to do so by an authorised official).
- We consider that this order is by far the most useful, other than the fouling order, because it allows enforcement officers to target the owners of dogs that are allowing them to cause a nuisance without restricting the responsible owner and their dog. As none of the other orders, less fouling, are likely to be effective without proper enforcement we would be content if the others were dropped in favour of this order.


The PDSA's [Paw Report 2018](#) found that 89% of veterinary professionals believe that the welfare of dogs will suffer if owners are banned from walking their dogs in public spaces such as parks and beaches, or if dogs are required to be kept on leads in these spaces. Their report also states that 78% of owners rely on these types of spaces to walk their dog.

We believe that the vast majority of dog owners are responsible, and that the majority of dogs are well behaved. In recognition of this, we would encourage local authorities to exercise its power to issue Community Protection Notices, targeting irresponsible owners and proactively addressing anti-social behaviours.

Dogs Trust works with local authorities across the UK to help promote responsible dog ownership. Please do not hesitate to contact should you wish to discuss this matter.

We would be very grateful if you could inform us of the consultation outcome and subsequent decisions made in relation to the Public Space Protection Order.

Yours sincerely



Kevin Atkinson Hughes-Gandy  
**Community Engagement**

**Dogs Trust**

Clarissa Baldwin House T: 0207 837 0006  
17 Wakley Street, F: 0207 837 0006  
London, EC1V 7RQ [www.dogstrust.org.uk](http://www.dogstrust.org.uk)

Patron: Her Majesty The Queen  
Registered Charity Numbers: 227523 & SC037843

# Canvey Island Town Council



Stuart Jarvis  
Street Scene & Contracts Manager  
Castle Point Borough Council  
Council Offices, Kiln Road  
Thundersley, Benfleet  
Essex SS7 1TF

14<sup>th</sup> December 2022

Dear Stuart,

**Castle Point Borough Council - Consultation letter in relation to the Public Spaces Protection Order – 2020 – Dogs to be kept on leads on Canvey Island Seafront Beaches and seaward side walkway between 1<sup>st</sup> April to 30<sup>th</sup> September inclusive.**

Thank you for your letter dated the 8<sup>th</sup> December 2022 in relation to the consultation on possible changes to the Public Spaces Protection Order.

The Town Council fully support the extension of the Public Spaces Protection Order and any changes that are appropriate following the public consultation to ensure that the Council is able to continue to encourage responsible dog ownership and enforce dog fouling contraventions on the public highway and public open spaces.

Yours sincerely,

Mrs E. De Can  
Town Clerk

## Stuart Jarvis

---

**From:** ECC Customer Services <ECC.CustomerServices@essex.gov.uk>  
**Sent:** 23 December 2022 12:12  
**To:** Stuart Jarvis  
**Subject:** ECC13930622 12 22 - Proposed Public Places Order  
**Attachments:** Castlepoint BC 08.12.22.pdf

Dear Mr Jarvis

Thank you for your letter to Essex County Council, regarding the proposed extension of a public places protection order.

We can advise that The Council would not have an issue with the extension of the order, however, our Network Assurance Team would be interested in where the signs are being installed or have been installed as if that is on the public highway, consent from the highways authority would be required. You can contact the team directly on [Trafficmanagement@essexhighways.org](mailto:Trafficmanagement@essexhighways.org)

Thank you for contacting us regarding this matter.

To contact Compliance and Complaints in the future please complete the online [enquiry form](#) via our website.

Regards

**Compliance and Complaints**

Customer Services

Essex County Council

[Essex County Council](#)

CEC/CS/CC/ CW/ RCO

If you would like full details on how ECC uses personal data, please go to [www.essex.gov.uk/privacy](http://www.essex.gov.uk/privacy)

**CABINET**

**15th February 2023**

**Subject: National Planning Policy Framework – response to consultation on revised draft**

**Cabinet Member: Councillor Gibson - Strategic Planning**

---

**1. Purpose of Report**

**To report on the Council’s response to the draft revised National Planning Policy Framework published by the Government on 22nd December 2022. The consultation period expires on the 3rd March 2023.**

**2. Links to Council’s Priorities and Objectives**

**The National Planning Policy Framework provides national planning policy the implementation of which impacts on all of the Council’s Corporate Plan objectives - Economy and Growth, People, Place and Environment.**

**3. Recommendations**

**The Cabinet comments on the draft response to the Consultation on the draft revised National Planning Policy Framework.**

**The Cabinet authorises the Head of Place and Policy in consultation with the Leader of the Council and the Cabinet Member for Strategic Planning to make amendments to the draft response for submission.**

---

**4. Background**

**4.1 The National Planning Policy Framework (NPPF) sets out Government policy for planning for England and how these policies are expected to be applied. The NPPF was first published in March 2012 and has been subject to three revisions since.**

**4.2 In December 2022 the Government published the fourth set of revisions in draft form for consultation. The consultation ends on 3rd March 2023.**

- 4.3 The revised draft NPPF is in part in response to the Levelling Up and Regeneration Bill, which is due to come into effect in the Spring, subject to parliamentary approval.
- 4.4 This consultation is a mix of changes to the NPPF and seeking views on what further changes the Government can make. The focus is, to a large extent on improving plan making; the application of policy and national development management policies; and the role of the planning system in achieving levelling up.
- 4.5 A draft response has been prepared by officers and is attached in Appendix One. Members' views are requested for inclusion into the Council's formal response, together with further changes made by the Head of Place and Policy in consultation with the Leader of the Council and the Cabinet Member for Strategic Planning.
- 4.6 Generally many of the changes can be supported and align with the fresh approach that the Council is taking in the preparation of the Castle Point Plan (Council meeting 30 November 2022).
- 4.7 Of particular note is the proposal that the Standard Method is an advisory starting point and can be reduced (or increased) in exceptional circumstances through a local plan. Aligned to this is the statement that Council will not be required to amend green belt boundaries to accommodate need, although as under current green belt policy, changes boundaries can still be made in local plans.
- 4.8 There is greater emphasis on place making and the use of urban land, but the government are clear that this should not be at the expense of the character of the area and community well-being.
- 4.9 The Government propose that having a justified plan will no longer be one of the tests of soundness. This implies that plans are not as evidence led than they are at present, but place and need led, and whilst evidence is required, it should be more proportionate. This fits with the approach on the Castle Point Plan to use data and engagement to provide the basis of a vision and evidence tailored to support the policies and proposals in the plan, and deliverability.
- 4.10 The transitional arrangements suggest that the preparation of the Castle Point Plan should be using the new system, however there will be a lag between when we submit and the examination of the new plan, which is unacceptable. If the Council submits in the summer of 2025, the transitional arrangements suggest that the examination is to take a further 15 months. This will delay the plan's adoption and is unacceptable.
- 4.11 The response offers the Government the opportunity to use the Castle Point Plan as a pilot for the new system and encourages discussions with Government officials in that regard.
- 4.12 The response does not support the approach to national development management policies. Although the NPPF is a material consideration, presently local plan policy prevails where a plan is up to date – as we intend to have in a

few years. The proposal is that national policies take precedent even if a plan is up to date. However, national policies create a one size fits all approach (something the standard Methodology has done causing controversy) and does not take account of local circumstances.

- 4.13 With regards to levelling up, the Government will provide further guidance on this, but generally the response indicates support for local plans in establishing a framework for levelling up. It also highlights that levelling up is a local issue as well as a national one, and plans should reflect that.
- 4.14 Following the enactment of the Levelling Up and Regeneration Bill, the Government intend to undertake a more comprehensive review of the NPPF, plus other planning guidance and policy documents. The Government will consult on this and the Council will have further opportunity to comment.

## **8. Corporate Implications**

### **(a) Financial Implications**

There are no financial implications arising from this report. However the planning reforms suggest a new approach to plan making, and the consideration of planning applications. More details on those is to be provided by the government and the resource implications will need to be considered at that time.

### **(b) Legal Implications**

No implications arising from this report. The Levelling Up and Regeneration Bill, when enacted, will become part of the legislative framework for planning decisions.

### **(c) Human Resources and Equality Implications**

#### **Human Resources**

There are no human resource implications arising from this report.

#### **Equality Implications**

It is for the Government to undertake an Equality Impact Assessment of its Local Plan proposals under the requirements of the Equalities Act and the Public Sector Equality Duty.

### **(d) IT and Asset Management Implications**

There are no IT or Asset Management implications arising from this report.

## **8. Background Papers**

Levelling up and Regeneration Bill  
<https://bills.parliament.uk/bills/3155>

Draft revised National Planning Policy Framework

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1126647/NPPF\\_July\\_2021 -  
\\_showing\\_proposed\\_changes.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1126647/NPPF_July_2021_-_showing_proposed_changes.pdf)

Open consultation on Levelling-up and Regeneration Bill: reforms to national planning policy

<https://www.gov.uk/government/consultations/levelling-up-and-regeneration-bill-reforms-to-national-planning-policy/levelling-up-and-regeneration-bill-reforms-to-national-planning-policy>

**Report Author:**

Ian Butt – Head of Place and Policy

## APPENDIX ONE

### Draft response to the Revised Draft NPPF 2023 and other planning reforms

The Government proposes a series of changes to the NPPF and other planning reforms. For some of these changes they are seeking specific comments through a number of questions in the consultation document. Set out below is the draft response to each.

For each chapter, is a summary of the key changes, and the question (highlighted in grey) with the draft Council response (in bold). Direct quotes from the consultation document are in italics.

The full text of the Revised Draft NPPF and the consultation document can be found at:

<https://www.gov.uk/government/consultations/levelling-up-and-regeneration-bill-reforms-to-national-planning-policy>

### Chapter 3 – Providing certainty through local and neighbourhood plans

#### *Five-year land supply*

The UK has a plan-led planning system. The policy of the presumption in favour of sustainable development where a plan is not in place, remains, but the Government propose to amend the requirement for Councils to demonstrate that there is a five-year supply of housing land. The Government state that their 'intention is to provide local authorities with another strong incentive to agree a local plan, giving communities more of a say on development and allowing more homes to be built.' [It is not clear what these incentives are]. These include not having to defend against speculative development where an up-to-date plan is in place.

At present the requirements is for the continued demonstration of a five-year housing land supply, even when a local plan has been adopted. The Government intend that this only applies if a plan is out of date after 5 years.

*Q.1: Do you agree that local planning authorities should not have to continually demonstrate a deliverable 5-year housing land supply (5YHLS) for as long as the housing requirement set out in its strategic policies is less than 5 years old?*

#### **Draft response:**

**Under a plan-led system where a plan is up to date, and meets locally assessed needs through a robust and sound housing trajectory, the need to demonstrate supply should not be required. As plans should be reviewed every five years from adoption, the need for a five-year housing land supply should not be an issue. The presumption therefore would remain in favour of decisions in accordance with the local plan and against inappropriate speculative development.**

-----

### *Buffer on land supply*

*'The Framework currently requires local authorities to include a buffer of 5%, 10% or 20% on top of their 5-year housing land supply in plan-making or when making decisions. These buffers were built into the 5-year housing land supply as contingency. Currently the 5% buffer is expected in all cases as a minimum, the 10% buffer is applied when an Annual Position Statement or recently adopted plan meets specific criteria (as set out in the Framework) and the 20% buffer is applied as a consequence of the Housing Delivery Test, where a local planning authority delivers less than 85% of the homes it is required to.'*

The Government propose to remove the buffers to simplify the system and make the *'calculations more comprehensible to the public.'*

**Q.2: Do you agree that buffers should not be required as part of 5YHLS calculations (this includes the 20% buffer as applied by the Housing Delivery Test)?**

#### **Draft Response:**

**The buffers seek to punish local authorities and residents of an area without capacity for new development for failure in housing delivery. Through a plan led system, with up-to-date local plans maintained and therefore a supply of land based on local needs an agreed trajectory, the need for buffers diminishes.**

**Buffers do not benefit local communities, and there is little or no evidence that they increase the supply of housing or speed up delivery. What they do is add to the pressure on local communities for more and more houses, alienating the public from the plan making process.**

**The Council supports this proposal**

---

### *Oversupply*

Currently where a council has planned for an oversupply of housing (more than assessed need), but in the latter years of the plan period there is no five-year supply of land, the presumption in favour of sustainable development applies. This can result in additional oversupply, but not one that is planned.

The Government propose to ensure that when assessing supply, an earlier oversupply is taken into consideration.

**Q.3: Should an oversupply of homes early in a plan period be taken into consideration when calculating a 5YHLS later on, or is there an alternative approach that is preferable?**

**Q.4: What should any planning guidance dealing with oversupply and undersupply say?**

#### **Draft Response:**

**A plan led approach should set a trajectory based on local need. Therefore, over supply should not be an issue in a plan led approach.**

**The Council supports this proposal and suggests that through setting supply to genuine local needs, supported by an agreed trajectory, over supply should not be an issue.**

#### *Boosting the status of Neighbourhood Plans*

The assumption in favour of sustainable development does not apply if the adverse impact allowing development conflicts with a Neighbourhood Plan, but only if the Neighbourhood Plan meets certain conditions. One condition is that the Neighbourhood Plan is less than two years old. This means that in areas where a Neighbourhood Plan is over two years old, the area is vulnerable to speculative development, if the areas local plan is out of date. As neighbourhood plans are based need to be compliant to local plans, and are usually prepared after the local plan, this requirements means that neighbourhood plans are quickly out of date.

The Government intend to apply the same five-year principle as they will with local plans, so are proposing to increase this condition from Two years to five years.

In addition, neighbourhood plans are subject to the same requirements of demonstrating a housing supply (which the local plan should do anyway) and the housing Delivery Test. The Government propose to scrap these requirements.

*Q.5: Do you have any views about the potential changes to paragraph 14 of the existing Framework and increasing the protection given to neighbourhood plans?*

#### **Draft Response:**

**Castle Point does not have any neighbourhood plans in place or in preparation. However, should one be prepared, then the proposed changes make sense and avoid a neighbourhood plan quickly becoming out of date and exposing an area to unplanned speculative development.**

**The Council supports this proposal**

---

## **Chapter 4 – Planning for housing**

### *Housing supply*

*‘Ensuring that enough land is allocated to provide the right homes in the right places that our communities need, alongside other economic, social and environmental needs, is a central task of planning.’* The government is proposing changes that support the *‘objective of a planning system that delivers the new homes we need while taking account of important areas, assets or local characteristics that should be protected or respected.’*

The proposed changes *‘are intended to signal that providing for necessary development that is integrated with local infrastructure is a core purpose of the planning system, while not negating the fundamental importance of respecting the overarching economic, social and environmental objectives.’*

*Q.6: Do you agree that the opening chapters of the Framework should be revised to be clearer about the importance of planning for the homes and other development our communities need?*

## Draft response:

These changes are welcomed. For too long the main focus of plan making has been the top down imposition of housing targets which have scant regard in themselves for the place, capacity and characteristics of an area. This approach has grabbed the headlines, nationally and locally, and despite best efforts to convince otherwise, the lacks conviction of being genuinely infrastructure led and delivering the type of homes needed to meet local needs.

The changes reflect the desire for the character of an area and infrastructure to be a key principle in planning for new homes and other development.

---

### *Local housing need and the standard method*

The standard method for assessing local housing need was introduced in 2018 to make sure that plan-making by local authorities is informed by an objective assessment of projected household growth and affordability, while speeding up the process of establishing housing requirement figures through local plans.

The Government maintain the importance that there is a clear starting point for the plan-making process and they are not proposing any changes to the standard method formula itself through this consultation. However, they will review the implications on the standard method of new household projections data based on the 2021 Census, which is due to be published in 2024.

The proposed changes respond to the concerns from a wide range of stakeholders:

- *‘there can be confusion about how and when it is acceptable to bring forward a plan that does not meet housing needs in full due to recognised constraints such as Green Belt. As a result, some local authorities are not progressing plans, or are struggling to make their case at examination.*
- *some major urban centres are not meeting, or proposing to meet, their housing need in full, with the prospect of it being ‘exported’ to surrounding areas, contrary to the objective of delivering need in those areas with the best sustainable transport links and infrastructure, and with the greatest brownfield opportunities.*
- *delivering more homes than expected in the early years of a plan can create a “ratchet effect” as local authorities have to find more land for homes, even if overall they have delivered on expectations, thus disincentivising ambitious plans.*
- *some authorities are subject to consequences through the Housing Delivery Test due to developer behaviour when they are granting more than enough permissions.*
- *areas with recently made neighbourhood plans can find that those plans are overridden and open to unplanned development because the local planning authority cannot demonstrate a sufficient supply of housing, or their plans are set aside due to low performance in the Housing Delivery Test.*
- *there are concerns about the pace at which some sites, which have been granted planning permission, move through to construction and completion of new homes.’*

*The combined effect is to inhibit plan-making, fuel opposition to development and ultimately hinder the supply of high-quality homes where they are needed.’*

Changes are designed to support local authorities to set local housing requirements that respond to demographic and affordability pressures while being realistic given local constraints. Being clearer about how local constraints can be taken into account and taking a more proportionate approach to local plan examination is intended to speed up plan-making.

The Government are to make it clearer in the Framework *‘that the outcome of the standard method is an advisory starting-point to inform plan-making – a guide that is not mandatory – and also propose to give more explicit indications in planning guidance of the types of local characteristics which may justify the use of an alternative method, such as islands with a high percentage of elderly residents, or university towns with an above-average proportion of students.’*

The changes also include supporting areas where there is sufficient permissions to meet need, but the Housing Delivery Test has not been passed. At present, the system punishes the local authority and residents for non-delivery by developers, by the presumption in favour of [speculative] development.

Our proposed changes for planning for housing are intended to support plan-making and in doing so help deliver more homes.

*Q.7: What are your views on the implications these changes may have on plan-making and housing supply?*

*Q.8: Do you agree that policy and guidance should be clearer on what may constitute an exceptional circumstance for the use of an alternative approach for assessing local housing needs? Are there other issues we should consider alongside those set out above?*

#### **Draft response:**

**Clarity of the movement away for the standard methodology being the ‘mandatory’ target for plan making and towards an ‘advisory’ starting point is welcomed. Whilst the NPPF has in exceptional circumstances allowed for the standard methodology to be challenged in plan making, this has proven to be an unsurmountable obstacle forcing Councils with constrained environments to propose development at a scale that is no of the choosing of local residents and taking into account the true nature of local constraints.**

**Local councils working with residents and the development sector know their area best. The Standard Methodology is a starting point, but a formula that is applied to all areas regardless of local characteristics and without detailed understanding, is in some instance is unrealistic and alienating.**

**The ability of a Council to produce its own housing needs assessment is welcomed. However, the local needs assessment should be transparent and robust, tested at examination as a preferred alternative to the standard methodology, and therefore, the starting point, from which those seeking to promote higher levels of development have to provide the justification.**

**The reference to ‘islands with elderly populations’ is of particular relevance to Castle Point. Elderly people may have a different housing need, which needs to be met, but also can affect the local housing market.**

**The grant of planning permission is a stage in the development process. Although there are time limits imposed, the grant does not mean that the development will take place. For various reasons developers may hold back making a start on site or there may be unforeseen site conditions or anomalies which cause delay.**

**Current national policy and processes, in effect, punish the Council and local residents by the actions of developers. It forces even more speculative development on an area to compensate for the lack of delivery. This in turn places considerable stress on local infrastructure. It also wastes Council resources having to deal with unplanned applications and appeals, when the better use of resources would be to support developers who already have consent to accelerate delivery.**

---

#### *Introducing new flexibilities to meeting housing needs*

The Government are setting out three changes to the NPPF which relate to matters which may need to be considered *‘when assessing whether a plan can meet all of the housing need which has been identified locally:’*

- 1 The harm of building at densities higher than the character of the area in order to meet need, may outweigh need.
- 2 Local planning authorities are not required to review and alter green belt boundaries if that is the only way to meet need (although the authority can still review and alter boundaries, should it wish to do so, providing they can demonstrate exceptional circumstances).
- 3 Previous over delivery in earlier plans can be taken into consideration in establishing housing targets in new plans.

***Q.9: Do you agree that national policy should make clear that Green Belt does not need to be reviewed or altered when making plans, that building at densities significantly out-of-character with an existing area may be considered in assessing whether housing need can be met, and that past over-supply may be taken into account?***

***Q.10: Do you have views on what evidence local planning authorities should be expected to provide when making the case that need could only be met by building at densities significantly out-of-character with the existing area?***

**In response to question 9, the Council supports the government's intention to make it clear that the green belt boundaries should not have to be reviewed and altered to meet local need. It also welcomes that in order to meet needs, building at unacceptable densities should not be imposed.**

**These two changes may result in local need not being met within a plan area.**

---

#### *Changes to the examination criteria*

In addition to the above, the Government state that the *‘purpose of these changes is to provide more certainty that authorities can propose a plan with a housing requirement that is below their local housing need figure, so long as proposals are evidenced, the plan*

*makes appropriate and effective use of land, and where all other reasonable options to meet housing need have been considered.'*

The Government are also making the *'policy clearer for those authorities who wish to plan for more homes than the standard method (or an alternative approach) provides for may do so, where they judge that is right for their areas, for example to capitalise on economic development opportunities.'*

The Government propose changes to the way that plans are examined so that the requirement that plans are 'justified' is no required. In addition, the Government are changing the requirement that the objectively assessed need of the area is a *'minimum' to being met 'as far as possible, taking into account the policies of [the] Framework.'*

Plans will still need to be effective and deliverable. The Government intends that evidence is more proportionate.

These changes will not apply to plans which have reached Regulation 19 pre-submission consultation.

**Q.11: Do you agree with removing the explicit requirement for plans to be 'justified', on the basis of delivering a more proportionate approach to examination?**

**Q.12: Do you agree with our proposal to not apply revised tests of soundness to plans at more advanced stages of preparation? If no, which if any, plans should the revised tests apply to?**

#### **Draft response:**

**These changes are welcomed by the Council. They support local authorities in areas of significant constraint recognising the requirement for a robust need assessment, but providing greater certainty to Councils to submit plans that demonstrate that local need cannot be met due to constraints and the policies of the Framework. The Government should be clear in the NPFF and guidance, that these changes should not alter the starting point of the objectively assessed need in plan making. It should be unreasonable for a Council to assume that local constraints define local need. Constraints (as defined in the footnote 7 to paragraph 11 of the NPFF) restrict the ability to meet the need locally.**

-----

#### ***Largest towns uplift***

In 2020 the Government amended the method for calculating housing need so that the 20 largest towns and cities had an uplift applied for 35%. This recognises the *'opportunities to locate more homes in sustainable urban locations where development can help to reduce the need to travel (thereby supporting sustainable patterns of development overall) and contribute to productivity, regeneration and levelling up,'* and supports making the best use of brownfield land.

*'The Government intends to maintain this uplift and to require that this is, so far as possible, met by the towns and cities concerned rather than exported to surrounding areas, except where there is voluntary cross-boundary agreement to do so (for example through a joint local plan or spatial development strategy).'*

The Levelling Up and Regeneration Bill will remove the Duty to Co-operate, although it will remain in place until those provisions come into effect. To secure appropriate engagement between authorities where strategic planning considerations cut across boundaries, we propose to introduce an “alignment policy” as part of a future revised Framework. Further consultation on what should constitute the alignment policy will be undertaken.

*Q.13: Do you agree that we should make a change to the Framework on the application of the urban uplift?*

*Q.14: What, if any, additional policy or guidance could the department provide which could help support authorities plan for more homes in urban areas where the uplift applies?*

**Draft response:**

**The uplift does not apply to Castle Point or any councils in South Essex. The requirement for the uplift to be met within the town and cities limits is welcomed as it will focus London’s need within the Greater London area. However, this should not be at the expense of quality of life, which may force London residents to relocate outside of London, thereby applying pressure to the housing market, contributing to house price inflation and having a negative impact on affordability.**

*Q.15: How, if at all, should neighbouring authorities consider the urban uplift applying, where part of those neighbouring authorities also functions as part of the wider economic, transport or housing market for the core town/city?*

**Draft response:**

**A move back to sub-regional strategic planning is not objected to, but it must be about more than just how housing needs are met. There are opportunities through sub-regional plans for the strategic assessment and planning for infrastructure, design and environment standards, biodiversity net gain and place setting / place making, which cannot be achieved through local plans.**

---

*Enabling communities with plans already in the system to benefit from changes*

The Government are putting transitional arrangements in place for plan making. These generally involve where plans have been submitted for examination or at the regulation 19 pre-submission consultation stage. These arrangements are proposed to include a reduced housing requirement of 4-years as opposed to 5-years to avoid speculative development, whilst the plan is examined.

*Q.16: Do you agree with the proposed 4-year rolling land supply requirement for emerging plans, where work is needed to revise the plan to take account of revised national policy on addressing constraints and reflecting any past over-supply? If no, what approach should be taken, if any?*

*Q.17: Do you consider that the additional guidance on constraints should apply to plans continuing to be prepared under the transitional arrangements set out in the existing Framework paragraph 220?*

**Draft response:**

**These proposals will not apply in the case of the new Castle Point Plan, as that plan will not have reached Regulation 19 by the time the proposed changes to the NPPF are in place. However, the arrangements provide greater clarity and can act as a deterrent against unplanned development during the latter stages of plan making.**

---

*Taking account of permissions granted in the Housing Delivery Test (HDT)*

The Housing Delivery Test was introduced in 2018 to measure homes built in local planning authorities across England. Where delivery is below the number of homes planned for, 'penalties' are imposed: the need for an action plan or a 20% buffer applied to the 5-year housing land supply or the presumption in favour of sustainable development.

However, the Government recognises that the housing delivery test penalises local authorities for developer behaviour. The proposed changes will turn off the presumption in favour of development or the 20% buffer where the local authority can demonstrate sufficient deliverable permissions that can meet the housing requirement in a local plan.

*'To qualify for the Housing Delivery Test presumption 'switch off', a local planning authority would need to have sufficient permissions for enough deliverable homes to meet their own annual housing requirement or, where lacking an up-to-date plan (adopted in the past 5 years), local housing need, plus an additional contingency based on the number of planning permissions that are not likely to be progressed or are revised.'*

The Government propose defining 'sufficient' deliverable units as 115% of the housing requirement or local housing need, and this will form the basis for the 'switch off'. Authorities will still need to prepare an Action Plan if the Housing Delivery Test is not met by more than 5%.

*Q.18: Do you support adding an additional permissions-based test that will 'switch off' the application of the presumption in favour of sustainable development where an authority can demonstrate sufficient permissions to meet its housing requirement?*

*Q.19: Do you consider that the 115% 'switch-off' figure (required to turn off the presumption in favour of sustainable development Housing Delivery Test consequence) is appropriate?*

*Q.20: Do you have views on a robust method for counting deliverable homes permissioned for these purposes?*

**Draft response:**

**As currently applied, the housing delivery test seeks to 'punish' the local authority and local residents for failure by developers to deliver homes in accordance with the local plan. These passes blame for no delivery away from the developers.**

**If a local plan is in place delivery should accord with the trajectory in that plan, a trajectory which is agreed with developers. This passes an obligation on developers to deliver, and failure to do so should not result in benefits for developers through an increased housing requirement.**

**Therefore, measures which seek to redress this are welcomed.**

In respect of measuring the number of homes permissioned is complex as there are different consents and pre-commenced conditions. However, with Council resources for thorough monitoring limited, it is suggested that the following are counted:

- Number of dwellings with outline planning permission
- Number of dwellings in unimplemented full or reserved matter consents

The Government is seeking views on when the above changes should come into effect. *‘It remains [the government’s] intention to publish the 2022 Housing Delivery Test results. However, given [the] proposed changes and consultation on the workings of the Housing Delivery Test, [the government] would like to receive views on whether the test’s consequences should follow from the publication of the 2022 Test or if they should be amended, suspended until the publication of the 2023 Housing Delivery Test, or frozen to reflect the 2021 Housing Delivery Test results while work continues on our proposals to improve it.’*

**Q. 21: What are your views on the right approach to applying Housing Delivery Test consequences pending the 2022 results?**

**To provide greater certainty, avoid unnecessary adjustments for plans under way and ensure that the correct procedures are in place, introducing these measures with the 2023 Housing Delivery test is preferred.**

---

## **Chapter 5 – A planning system for communities**

*‘The Government is committed to creating a planning system that focuses not simply on housing numbers, but on delivering the types of homes that communities want and need. That means a diverse range of homes, more genuinely affordable housing and specific provision for older people – all built to designs that suit local communities and at densities that make efficient use of land while aligning with local character’*

### **More homes for social rent**

The Government propose that securing social rented homes must be a priority of a local planning authority. The current proposed changes do not set out the national policy for doing so, but the Government are seeking views on this proposal so that they can formulate a policy.

**Q.22: Do you agree that the Government should revise national planning policy to attach more weight to Social Rent in planning policies and decisions? If yes, do you have any specific suggestions on the best mechanisms for doing this?**

### **Draft response:**

**The Council welcomes this proposal. With the affordability gap between average salaries and average house prices not reducing, the affordability of affordable housing pegged to market rents has become a major barrier towards acquiring a home.**

**Social rent is a solution, providing securing and relatively affordable rents. It is essential that Council are, through planning, equipped with the maximum tools to**

**secure genuinely affordable housing, providing homes for those in greatest need and tackling the large-scale concealment of young people (20- to 40-year-olds) who live in their parental home or share housing with other concealed households.**

#### *More older people's housing*

The population of the UK is ageing rapidly and around 1-in-4 will be aged 65 or over by 2041. Whilst the Framework already makes provision for the needs of older people, the Government propose to strengthen national policy so that the housing market is 'prepared' for the challenge of an increasing elderly population and 'that older people are offered a better choice of accommodation to suit their changing needs, to help them to live independently and feel more connected to their communities. In 2021, a report by the International Longevity Centre indicates that there will be a shortfall of 37% in specialist retirement housing by 2040.'

The Government propose an additional specific expectation that in '*ensuring that the needs of older people are met, particular regard is given to retirement housing, housing-with-care and care homes, which are important typologies of housing that can help support our ageing population.*'

**Q.23: Do you agree that we should amend existing paragraph 62 of the Framework to support the supply of specialist older people's housing?**

#### **Draft response:**

**This addition is welcomed. It is vital that the needs are met, not only to best support the elderly, but also free existing housing for other residents. Care should be taken, however, to not introduce policies which are seen to force people out of their homes. Many elderly residents wish to stay in their existing home. But greater choice and access to other accommodation should be a priority in planning new homes.**

-----

#### *More small sites for small builders*

Currently there is a requirement that 10% of sites in plans should be for small developments of less than 1 hectare. This is to encourage small development and support the smaller building firms.

The Government is seeking views on whether this requirement could be strengthened to encourage the greater use of small sites, particularly in urban areas, to speed housing delivery and provide greater support to the SME sector.

**Q.24 Do you have views on the effectiveness of the existing small sites policy in the National Planning Policy Framework (set out in paragraph 69 of the existing Framework)?**

**Q.25 How, if at all, do you think the policy could be strengthened to encourage greater use of small sites, especially those that will deliver high levels of affordable housing?**

#### **Draft response:**

**There has been a significant decline in the market share of SME housebuilders. With a greater focus on urban first sites, the SME and regional / sub-regional**

housebuilders many of whom specialise in such development is vital to ensure delivery of high-quality housing.

These types of sites are generally shunned by the major and regional housebuilders. One approach could be to use plans to identify areas within which small site development will be encouraged using design codes to set parameters that allow the builders sufficient flexibility to allow them to plan and deliver homes with confidence. Such areas could include town centres and along major public transport corridors.

An area approach will allow sufficient control but the local authority, but create conditions for the SME developer to quickly secure planning consent, create exciting quality architecture and add dynamism to urban areas.

---

#### *More community-led developments*

The Government propose to strengthen the role of community-led housing groups through the planning process. They intend to do this referencing community-led housing groups in the NPPF. However the Government are seeking views on whether the definition of affordable housing for rent should include community-led housing groups. At present the definition is restricted to registered providers, who provide protections for tenants provided by the regulations. Although community-led housing groups can apply to become registered providers, their lack of scale means that many do not chose to do so. The same applies to Almshouses.

The Government are keen to ensure that any change aligns with the 'drive (including through the Social Housing Regulation Bill) to ensure that social housing is of good quality and that residents can have access to swift and fair redress.'

The Government are also keen to make it easier for community-led housing groups and Almshouses to develop rural exception sites to meet the needs for affordable and specialist housing in rural communities.

*Q.26: Should the definition of "affordable housing for rent" in the Framework glossary be amended to make it easier for organisations that are not Registered Providers – in particular, community-led developers and almshouses – to develop new affordable homes?*

*Q.27: Are there any changes that could be made to exception site policy that would make it easier for community groups to bring forward affordable housing?*

*Q.28: Is there anything else that you think would help community groups in delivering affordable housing on exception sites?*

*Q.29: Is there anything else national planning policy could do to support community-led developments?*

#### **Draft response:**

The Council welcomes further diversification of bodies who can provide affordable housing. However, such groups must be subject to the same regulations as registered providers to offer maximum protections to home occupiers.

**Castle Point is an urban borough and does not include rural communities for whom a change to the rural exception policy would affect.**

*Irresponsible behaviour by developers*

The Government is proposing new policies that will allow the local council to take action against developers who have been irresponsible in the behaviour. Such behaviour can include breaches of planning control or failing to deliver their legal commitments to the community. This will require regulatory change so the proposals will through strengthening the additional powers in the Levelling Up and Regeneration Bill.

*This will signify a departure from the 'long-standing principle that planning decisions should be based on the planning merits of the proposed development – and not the applicant. This principle is critical to ensuring the planning system is fair, open and focused on land use considerations. Nonetheless, there are instances where personal circumstances can be taken into account, and we consider it would be legitimate to consider widening this scope to include an applicant's past irresponsible behaviour.'*

The Government propose two options:

*'option 1: making such behaviour a material consideration when local planning authorities determine planning applications so that any previous irresponsible behaviour can be taken into account alongside other planning considerations;*

*option 2: allowing local planning authorities to decline to determine applications submitted by applicants who have a demonstrated track record of past irresponsible behaviour prior to the application being considered on its planning merits - similar to the amendment which we have already made to the Levelling Up and Regeneration Bill allowing local planning authorities to decline to determine new applications on sites where the build out of development has been too slow.'*

*Q.30: Do you agree in principle that an applicant's past behaviour should be taken into account into decision making? If yes, what past behaviour should be in scope?*

*Q.31: Of the 2 options above, what would be the most effective mechanism? Are there any alternative mechanisms?*

**Draft response:**

**The Council supports these proposals, but to ensure consistency the Government must develop very clear guidelines on the application of such measures. For example, what constitutes bad behaviour? Would a developer have to show a record of bad behaviour over time? What are the extenuating circumstances under which what could otherwise constitute 'bad behaviour' not result in action by the Council by virtue of refusing planning permission or refusing to handle a planning application?**

**The principles should apply to all developers. It should also include where a developer has reneged on an agreed delivery plan, delayed infrastructure investment putting pressure on local services or not delivered the standard of the planning application.**

**The Council welcomes the principle, but would like to be engaged on the detail as promised by the government.**

### *More build out*

Development should be built as soon as possible once planning permission is granted. The Government has developed a series of measures to incentivise developers to build-out promptly and support *'local authorities to act against those who fail to meet these commitments.'*

Under the Levelling Up and Regeneration Bill (the Bill) a developer will be required to issue a Development Commencement Notice when they commence development. They intend to introduce powers for a local authority to serve a completion notice on a developer which has the effect that 'if the development is not completed within the period specified in the notice, the planning permission for unfinished development lapses.' This will provide powers to effectively remove consent from the unfinished development.

In addition, authorities will be able to have discretion on whether to entertain further planning applications made by developers who fail to build out earlier permissions on the same land.

To further strengthen this the Government intend to introduce 3 further measures, via changes to national planning policy:

- 'a) ....publish data on developers of sites over a certain size in cases where they fail to build out according to their commitments.*
- b) Developers will be required to explain how they propose to increase the diversity of housing tenures to maximise a development scheme's absorption rate (which is the rate at which homes are sold or occupied).*
- c) The National Planning Policy Framework will highlight that delivery can be a material consideration in planning applications. This could mean that applications with trajectories that propose a slow delivery rate may be refused in certain circumstances.'*

These measures intend to increase transparency, public accountability, empower local authorities to take action, and provide stronger tools to address build out issues.

The Government will be launching a separate consultation on proposals to introduce a financial penalty against developers who are building out too slowly.

Q.32 Do you agree that the 3 build out policy measures that we propose to introduce through policy will help incentivise developers to build out more quickly? Do you have any comments on the design of these policy measures?

### **Draft response:**

**Accountability for slow build out must rest with the developer, unless there are extenuating circumstances that inhibit development. In such cases those circumstances may result in a developer not facing any sanction, but the circumstances may also inhibit delivery on other sites – such as systemic lack of viability.**

**In response to the three specific proposed policies:**

**a) ....publish data on developers of sites over a certain size in cases where they fail to build out according to their commitments.**

**This can be done via the Authority Monitoring Report for large sites.**

**b) Developers will be required to explain how they propose to increase the diversity of housing tenures to maximise a development scheme's absorption rate (which is the rate at which homes are sold or occupied).**

**This should be part of the Housing Delivery Test Action Plan where required.**

**c) The National Planning Policy Framework will highlight that delivery can be a material consideration in planning applications. This could mean that applications with trajectories that propose a slow delivery rate may be refused in certain circumstances.'**

**The Government need to be clear that the definition of slower is slower than the trajectory rate agreed in a local plan or an application, which ever takes precedent. However, it should go further and that local councils should be supported to refuse planning permission for applications in latter phases of a phased scheme if the trajectory is not achieved.**

---

## **Chapter 6 – Asking for beauty**

### *Ask for beauty*

Through the Planning Reforms, Levelling Up and the 2021 revisions to the NPPF, the Government is promoting good design and the creation of beautiful places as a foundation for healthy and happy places, that create places where people want to live and call home. Design codes are being promoted which deal with issues such as height, form and density. The Government published a Model Design Guide in 2021, to help in the preparation of design guides going forward.

The Government propose to make the changes to the Framework to '*emphasise the role of beauty and placemaking in strategic policies to further encourage beautiful development and deliver on the levelling up missions through our national planning policy. [The Government] also propose to make a stronger link between good design and beauty by making additions to Chapters 6, 8 and 12 of the Framework to further reflect the importance of beautiful development in our everyday lives as recognised by the Building Better, Building Beautiful Commission report so it becomes a natural result of working within the planning system.*'

**Q.33: Do you agree with making changes to emphasise the role of beauty and placemaking in strategic policies and to further encourage well-designed and beautiful development?**

**Draft response:**

**The Council welcomes these changes which strengthen the link between good design and the creation of beautiful places.**

**However, the opportunity should be taken now to ensure that the new places and environments are maintained to the highest standard in perpetuity. Good design can be undermined by poor stewardship. Stewardship needs to be given greater consideration in the planning process with a clear stewardship plan a requirement on all major development. That plan should set out the governance arrangements for the stewardship will be, including the role of residents and businesses; how access to information on the new development will be made available, including via a digital twin; and what charges if any will be applied to occupiers, including indexation.**

---

The Government also propose to replace the references to 'well-designed' in the title of Chapter 12 and existing paragraphs 84a and 124c to read 'well-designed and beautiful'.

*Q.34: Do you agree to the proposed changes to the title of Chapter 12, existing paragraphs 84a and 124c to include the word 'beautiful' when referring to 'well-designed places' to further encourage well-designed and beautiful development?*

**Yes. The Government need to provide more guidance on what is beautiful. It is a term that is open to interpretation, and relative to the character of the area and close environment.**

---

### *Refuse ugliness*

In order to control development and ensure that local planning authorities have visual clarity on the design of development as part of the planning application process by ensuring conditions refer to clear and accurate plans and drawings. This will help support effective enforcement and ensure well-designed and beautiful places where the design quality of approved development is not materially diminished after a scheme is permitted. The proposed amendment is designed to 'ensure that planning conditions associated with applications reference clear and accurate plans and drawings which provide visual clarity about the design of development, as well as clear conditions about the use of materials where appropriate, so they can be referred to as part of the enforcement process.'

*Q.35: Do you agree greater visual clarity on design requirements set out in planning conditions should be encouraged to support effective enforcement action?*

### **Draft response:**

**Conditions are currently applied on what plans have been approved, and a Section 73 application is required to seek approve to vary from the approved plans. However, in practice such applications are rarely refused given that the principle of development has been established and the assessment of risk of being successful on appeal. These changes must come with support for local authorities on appeal to stand firm against a raft of changes from developers, individually or cumulatively, could erode the quality of the development originally granted.**

### *Embracing gentle density*

The Government is promoting the upward extension of properties for new homes. It proposes to amend the NPPF to include specific reference to mansard roof development which *‘would recognise their value in securing gentle densification where appropriate.’*

*Q.36 Do you agree that a specific reference to mansard roofs in relation to upward extensions in Chapter 11, paragraph 122e of the existing Framework is helpful in encouraging LPAs to consider these as a means of increasing densification/creation of new homes? If no, how else might we achieve this objective?*

#### **Draft response:**

**Mansard roofs enable development in what is in effect half a storey – i.e. within the roof. The carte blanche promotion of such style of development can lead to poor design quality and if proliferated create an ugly street scene, contrary to the creation of beautiful places. A better approach would be to allow local authorities in local and neighbourhood plans, and through residential design guidance to establish the right sort of design appropriate to the local area.**

---

### **Chapter 7 – Protecting the environment and tackling climate change**

Enhancing the environment and tackling climate change are two of the greatest long-term challenges facing the world today.

National planning policies and guidance, spatial development strategies and local plans should all contribute to this core objective of planning. The NPP already *‘places environmental objectives at the heart of the planning system, making clear that planning should protect and enhance our natural environment, mitigate and adapt to climate change, support the transition to a low carbon future and take full account of flood risk and coastal change.’*

The Environment Act has further strengthened the role of the planning system, through mandatory Biodiversity Net Gain and Local Nature Recovery Strategies. The changes we have committed to are designed to support more holistic placemaking – through application of the National Design Guide, National Model Design Code and local design codes – will also contribute to these objectives.

The Government wants to build on these existing protections in 6 ways:

- *protecting important natural, landscape and heritage assets, whilst also incorporating nature, landscape and public space into development and its surroundings;*
- *supporting habitat creation and nature recovery in ways which benefit nature and people. For instance, nature-based solutions can store carbon, assist adaptation (e.g. by reducing water run-off rates) and protect and enhance ecology;*

- *promoting locational and design decisions that reduce exposure to pollution and hazards and respond to changing climate conditions, for example the risk of overheating, surface-water flooding, and water scarcity;*
- *enabling renewable and low carbon energy production and distribution, at both a commercial and household scale; and policies for regulating carbon-generating extraction and energy generation;*
- *promoting development locations, and designs and layouts, that contribute to healthier lifestyles, energy and resource efficiency consumption, for example by reducing the need to travel, increasing public transport connectivity and accessibility and promoting active travel i.e. walking, wheeling and cycling; and*
- *bringing together the spatial strategy for a place in a way which addresses these in a holistic way and reflects its unique characteristics, whilst also providing a clear framework for development and regeneration.*

The Government intend to further review national policy but are currently seeking views on the approach to carbon assessments and the role of planning in supporting climate adaptation.

#### *Delivering biodiversity net gain and local nature recovery*

The Government believe that planning can do more to enable nature and environmental improvements. The Environment Act 2021 provides a foundation, by amongst other things:

The requirement to demonstrate at least 10% biodiversity net gain on qualifying development sites from November 2023;

New Local Nature Recovery Strategies, that will map important habitats and areas for recovery and enhancement, this includes opportunities to capitalise on opportunities to site off-site biodiversity net gain, improve public access to nature, nutrient mitigation and carbon sequestration (capture, removal and storage of carbon). Further guidance on these is planned.

The Government has made a commitment to review the NPPF with respect of Ancient Woodlands and a duty to consult the Secretary of State before granting planning permission for development affecting an Ancient Woodland.

The Government propose to review DEFRA's powers to ensure that developers or landowners do not clear sites of habitats ahead of a planning consent to avoid the Biodiversity Net Gain provisions.

The National Model Design Code already promotes design that will encourage more wildlife-friendly neighbourhoods, including bat and bird boxes, bee and swift bricks and hedgehog highways. The Government has already set out its view that artificial grass has no value for wildlife. Its installation can have negative impacts on both biodiversity drainage for flood prevention or alleviation, and plastic pollution, if installed in place of natural earth or more positive measures such as planting flowers, trees or providing natural water features. The Government want to make sure that guidance halts the threat to wildlife caused by the use of artificial grass.

**Q.37 How do you think national policy on small scale nature interventions could be strengthened? For example in relation to the use of artificial grass by developers in new development?**

**Draft response:**

The Council notes the intention to consult further on measures which protect ancient woodlands and supports bio-diversity net gain as introduced by the Environment Act 2021. In considering measures to notify the Secretary of State on development affecting an Ancient Woodland, the Council would welcome clear guidance on what type of development is to trigger a notification so that it can be applied in a consistent way.

In respect of small-scale interventions being included in national policy, achieving bio-diversity net gain and tackling climate change will be about the cumulative impact of small intervention as well as large scale interventions. In South Essex a framework is in place – the South Essex Regional Park – which whilst highlighting strategic regional parks which will enhance biodiversity, and protect and create habitats, rewilding or green and blue habitat creation will be as equally important at a local level enhancing the value of wildlife in a series of small, but interconnected corridors.

Artificial grass laid by developers can be controlled through conditions on planning applications, in particular the submission for approval of a landscaping scheme. The problem is cascading any ban to future residents. Measures outside of planning to consider a ban the use of such materials (and including sealed block paving to help reduce flood risk) would be more effective.

---

*Recognising the food production value of farmland*

The Government is proposing to amend the NPPF to afford greater protection of Grade 1-3 agricultural land. The best and Most Versatile land is defined as grades 1-3a in the Agricultural Land Classification. The Government propose a change to the current Framework footnote 58 by adding detail on the consideration that should be given to the relative value of agricultural land for food production, where significant development of higher quality agricultural land is demonstrated to be necessary, compared to areas of poorer quality land. This should not prevent the achievement of Government's objectives in relation to nature recovery and creation of ecosystem services to enable and offset development elsewhere.

*Q.38 Do you agree that this is the right approach to making sure that the food production value of high value farmland is adequately weighted in the planning process, in addition to current references in the Framework on best and most versatile agricultural land?*

**Draft response:**

This does not affect Castle Point as there is no Grade 1 to 3 agricultural land.

The reference to Footnote 58 of the framework is confusing as that footnote relates to the requirement to plan for tree lined streets.

### *Climate change mitigation: exploring a form of carbon assessment*

The Government committed in the Net Zero Strategy, to carry out a fuller review of the National Planning Policy Framework following Royal Assent of the Levelling Up and Regeneration, to ensure to reflect the Government's Transport Decarbonisation Plan, strengthens the links between planning and transport in pursuing sustainable patterns of development and an improved built environment; and to expect plans to show how their approach to identifying land should support this. This will also be included in the forthcoming National Development Management Policies. The work on the Future Homes Standard (2025) and Building Standards will help to deliver significant reductions in operational carbon emissions from the built environment. The Government has also announced our intention to consult in 2023 on our approach and interventions to mainstream measurement and reduction of embodied carbon.

There have been calls to embed a broad form of carbon assessment in planning policy, for example that could apply at local plan-level or could cover emissions that result from locational, design, travel and development choices. However, evidence on their operation and impact, and how local authorities take action on the results, is not clear cut. We are interested in whether effective and proportionate ways of deploying a broad carbon assessment exist, including what they should measure, what evidence could underpin them such as Local Area Energy Plans, and how they may be used in a plan-making context or as a tool for assessing individual developments. This will inform a further consultation on national planning policy in due course. Alongside this, the government intends to consult in 2023 on Quantifiable Carbon Reductions guidance as part of the statutory Local Transport Plans process.

***Q.39: What method and actions could provide a proportionate and effective means of undertaking a carbon impact assessment that would incorporate all measurable carbon demand created from plan-making and planning decisions?***

#### **Draft response:**

**This is not an area that the Council has experience in as far as plan making is concerned. Whilst the Council is now embarking in the preparation of a new plan, it will gather evidence on the impact the plan will have on carbon generation.**

**The Council would welcome the Government setting out what it considers to be the most effective options for councils to use and enable consultation on that. By that stage the Council should be more advanced in its approach and that will better help inform the government of our views on this matter.**

---

### *Climate adaptation and flood-risk management*

The National Planning Policy Framework embeds policies on adapting to climate change through the planning system, including designing and shaping sustainable places that are resilient to, and appropriate for, current and future climate change impacts.

The Government will keep policy relating to flooding under review, including the planning policy approach for areas at the coast in managing and adapting to coastal change and

sea level rise. Also to be reviewed is guidance on Sustainable drainage Systems (SuDS) to support the objectives of alleviating pressures on the sewer network and reducing flood risk, as well as improving water quality, amenity, biodiversity, and rainwater harvesting. If implemented, this would introduce standards for new sustainable drainage systems as well as making connection to public sewers conditional of approval that the drainage system meets the national standards. government will update on the outcome of this review shortly.

Alongside this the Government will review policy and guidance in relation to the production of Strategic Flood Risk Assessments to encourage maximum coverage and more frequent updates to ensure up-to-date assessments are available to support both plan preparation and decision making. Taken together, this will ensure that flood risk is appropriately considered and will improve the speed and effectiveness of decisions.

Stakeholders have suggested that planning policy should address other climate risks identified in the third Climate Change Risk Assessment, such as overheating and water scarcity, and that it should help put more focus on nature-based solutions and multi-functional benefits. This would be beneficial for ensuring future development is resilient to changes in climate, beyond the role of building regulations. For example, the provision of green infrastructure in new development can aid climate change adaptation and improve resilience to extreme weather events. In addition, the latest assessment of climate risk to the UK includes 61 risks and opportunities, and government is working to develop a third National Adaptation Programme for the UK that will address these. Any changes needed for adaptation in the National Planning Policy Framework will include considering any changes required to reflect the third National Adaptation Programme, governments policy response to the latest assessment of UK climate risk, the third Climate Change Risk Assessment.

*Q.40 Do you have any views on how planning policy could support climate change adaptation further, including through the use of nature-based solutions which provide multi-functional benefits?*

**Draft response:**

**Planning for new development should include measures for adapting to climate change as well as measures to ensure that new development does not contribute towards the causes of climate change. Plan making needs to demonstrate the overall benefit of growth to climate change adaptation. This could be through either onsite solutions or measures that tackle the cumulative impact.**

**However, planning must also take a sequential approach: how to reduce the need for energy, surface water runoff, and sewerage. Then how to reuse; and final capture in a manner which is natural and contributions to overall improvements in tackling the risks of climate change.**

**On larger sites, particularly green field, where viability is more likely to allow, this is more likely to be achieved. However, on achieving this in schemes that have marginal viability caused by size, remediation and other infrastructure contributions, this may be more difficult.**

**The Council would welcome more guidance from the Government on this, but only if it is based on a number of development typologies, including different land uses.**

**Measures to mitigate the impacts of climate change and adapt to the impacts could include the repurposing of old industrial structure – such as the Occidental Oil Jetty on Canvey Island which could provide a role in the generation of renewable energy.**

---

## **Chapter 8 - Onshore wind and energy efficiency**

The Government's Net Zero Strategy set out a clear vision for decarbonising and transforming the way energy is produced and used. This includes bringing forward the Government's goal of a fully decarbonised power system by 2035 (subject to security of supply) which requires a step change in deploying renewable technologies. The Government *'is serious about delivering a cheaper, greener and more secure energy supply, so we need to consider all our options for securing it.'*

The Government is consulting on changes to planning policy for onshore wind to deliver a more localist approach that provides local authorities more flexibility to respond to the views of their local communities and are also proposing changes to the National Planning Policy Framework to fulfil commitments in the British Energy Security Strategy to support the repowering of onshore wind and review the barriers when installing energy efficiency measures.

### *Enabling the repowering of existing onshore wind turbines*

The Government propose making changes to Paragraphs 155 (by including repowering) and 158 (requirement to approve extensions to the life of a site through repowering where the impacts are acceptable) of the existing National Planning Policy Framework to enable the re-powering of renewable and low carbon energy where planning permission is needed, and providing that the impacts of any development proposal are or can be made acceptable in planning terms.

*Q.41: Do you agree with the changes proposed to Paragraph 155 of the existing National Planning Policy Framework?*

**Yes**

*Q.42: Do you agree with the changes proposed to Paragraph 158 of the existing National Planning Policy Framework?*

**Yes**

---

### *Introducing more flexibility to plan for new onshore wind deployment*

National policy since 2015 requires that locations for onshore wind power to be identified in local plans. Wind power can make an important contribution to meeting the UK's legally binding decarbonisation targets and the government states that they are supported by 785 of the population.

However, with taller and more visible turbines, public opinion may change so the Government are providing greater flexibility for decision on the location of turbines to be

taken locally. They changes to the existing National Planning Policy Framework Footnote 54 will ensure that:

- *‘Permission is predicated on satisfactorily addressing the planning impacts of onshore wind projects as identified by local communities, and on demonstrable local support for the scheme, learning from best practice and using new digital engagement techniques.*
- *Local authorities have a range of routes to demonstrate their support for certain areas in their boundaries to be suitable for onshore wind, outside the overly rigid requirement for onshore wind sites to be designated in the development plan.’*

*The Government has published new guidance to developers on wind farms on how they should engage with local communities, which includes increased engagement, including through the use of digital platforms. ‘To ensure host communities can participate and benefit from onshore wind energy, we will:*

- *retain regulations that require onshore wind developers to consult with the local community at pre-application stage, so communities will retain the right to have a say before an application is submitted;*
- *provide further information in planning practice guidance to explain how it can be demonstrated that the planning impacts identified by the affected local community have been satisfactorily addressed and the proposal has community support, reflecting our proposed changes to the Framework;*
- *retain current legislation that provides for all onshore wind applications to be considered by local planning authorities rather than through the Nationally Significant Infrastructure Projects regime; and*
- *consult in the coming months on the development of local partnerships with supportive communities who wish to host onshore wind in exchange for community benefits such as discounted energy bills; delivering our commitment on this in the British Energy Security Strategy.’*

The Government also propose a new Footnote 62 which states that: *‘wind energy development involving one or more turbines can be granted through Local Development Orders, Neighbourhood Development Orders and Community Right to Build Orders, if it can be demonstrated that the planning impacts identified by the affected local community have been appropriately addressed and the proposal has community support.’*

**Q.43: Do you agree with the changes proposed to footnote 54 of the existing National Planning Policy Framework?**

**Yes, but demonstrating local support needs quantifying. Local opposition to a scheme is often louder than support, and tacit support is normally silent. Vocal support must be quantifiable by the number of people against the number of people who do not raise any objection.**

**Do you have any views on specific wording for new footnote 62?**

**No comments except that where proposed as part of a neighbourhood plan, where there is known strong local support, the general locations should be identified in local plans.**

Barriers to energy efficiency

The Government will review the planning barriers that households can face when installing energy efficiency measures in their homes, such as improved window glazing and better insulation; and particularly relevant to conservation areas and listed buildings. To help the delivery of such measures, they propose adding new Paragraph 161 to the National Planning Policy Framework to clarify that significant weight should be given to the importance of energy efficiency through adaptation of buildings, whilst ensuring that local amenity and heritage continues to be protected.

**Q.44: Do you agree with our proposed new Paragraph 161 in the National Planning Policy Framework to give significant weight to proposals which allow the adaptation of existing buildings to improve their energy performance?**

**Yes. Adaptation measures should be included in new Conservation Area Action Plans to and local bespoke advice provided to further help building owners.**

-----

## **Chapter 9 - Preparing for the new system of plan-making**

*‘Although 95% of local planning authorities have now adopted a Local Plan, we know that only around 40% of these authorities have adopted within the last 5 years.’ The Government want councils to continue plan making.*

*‘The Levelling Up and Regeneration Bill sets out reforms to the local plan-making system. This includes plans being produced quicker and simplified content. Plans will also enjoy greater weight in the decision-making process, limiting the circumstances when unplanned development could be approved – in particular through the application of the presumption in favour of sustainable development (the so called ‘tilted balance’). This will result in a more effective system that is easier to engage with, giving greater certainty to those affected by and use the system, whilst providing communities with a greater say in how they want their areas to develop. Subject to parliamentary approval, we expect these plan-making reforms to be implemented from late 2024.’*

The proposed timeline for the shift to a new system is:

- 11 May 2022, Levelling Up and Regeneration Bill is introduced
- Spring 2023, subject to Parliamentary approval, Levelling Up and Regeneration Bill receives Royal Assent
- November 2024, expected earliest date when LPAs with a plan which is more than 5-years old must begin new plan-making process
- 30 June 2025, cut-off for the old-style plans to be submitted for examination
- October 2026, earliest date for the first new-style examinations to commence
- 31 December 2026, latest date for any old-style local and minerals and waste plans to be adopted (or in the case of Strategic Development Strategies, published)
- April 2027, first new-style plans are adopted
- 31 December 2031, latest date when LPAs must begin the new-style plan-making process (if their previous plan was adopted on 31 December 2026).

This timeline is designed to give LPAs time to finalise and adopt plans already in development before the reformed plan-making system is introduced:

*‘The reformed plan-making system is intended to be introduced in late 2024. In the meantime, we recognise the importance of ensuring that as many authorities as possible can take advantage of the policy changes outlined in this wider document, which are expected to take effect from spring 2023. Ensuring that plans can progress in the short term will allow land for development to continue to come forward and help to smooth the transition to the new plan-making system. Authorities with an up-to-date local plan in place will be in the best possible position to adapt to the reforms provided for in the Bill.*

*Therefore, we are proposing that plan makers will have until 30 June 2025 to submit their local plans, neighbourhood plans, minerals and waste plans, and spatial development strategies for independent examination under the existing legal framework; this will mean that existing legal requirements and duties, for example the Duty to Cooperate, will still apply.’*

This will mean that examination of those plans will be completed by the end of 2026.

The new system is expected to go live in late 2024. There will be a requirement for all Councils to start work on a new plan under the new system at the very latest 5 years after the adoption of their last plan and to take 30 months to adopt that new plan.

*‘Authorities that have prepared a local plan, spatial development strategy or minerals and waste plan which is more than 5 years old when the new system goes live (and are not proactively working towards the 30 June 2025 submission deadline under the current system, as set out above), will be required to begin preparing a new style local plan, spatial development strategy or minerals and waste plan straight away.’*

*‘Authorities that do not meet the 30 June 2025 submission deadline for ‘old-style’ plans (as set out previously) will need to prepare plans under the new plan-making system.’*

Those with recently adopted plans, will have five years to prepare a new plan, and there will be arrangements on plans that become out of date or found sound within the transitional period.

### *Neighbourhood plans*

The Government are proposing that *‘neighbourhood plans submitted for examination after 30 June 2025 will be required to comply with the new legal framework. ‘Made’ neighbourhood plans prepared under the current system will continue to remain in force under the reformed system until they are replaced.’*

### *Supplementary planning documents*

*‘In the reformed planning system, authorities will no longer be able to prepare supplementary planning documents (SPDs). Instead, they will be able to prepare Supplementary Plans, which will be afforded the same weight as a local plan or minerals and waste plan. We are proposing that when the new system comes into force (expected late 2024), existing SPDs will remain in force for a time-bound period; until the local planning authority is required to adopt a new-style plan. Current SPDs will automatically cease to have effect at the point at which authorities are required to have a new-style plan in place. For example, if a planning authority’s plan is more than 5 years old when the new system comes into force and that planning authority is required to begin new-style plan-making straight away, their SPDs will expire on the date at which they are required to adopt a new-style plan i.e. 30 months after they commence plan preparation. Where an*

*authority is working towards the 30 June 2025 deadline and they miss it, their SPDs will expire 30 months after that date i.e. at the end of December 2027.'*

**Q.45: Do you agree with the proposed timeline for finalising local plans, minerals and waste plans and spatial development strategies being prepared under the current system? If no, what alternative timeline would you propose?**

The Council does not object to this, but it is likely that LPAs will hold back on plan production pending the reforms. It is recommended that the Government requires LPAs without an up to date plan to publish and up to date LDS setting out their timetable for the production of a new plan. This will be able to identify local authorities who are deliberately seeking to delay plan production in order to do so under the new system.

In the case of Castle Point, the Council withdrew its draft Plan (post examination) in June 2022 and has since published its LDS for the production of a new plan. the Council intend to prepare the new plan under the new system.

**Q.46: Do you agree with the proposed transitional arrangements for plans under the future system? If no, what alternative arrangements would you propose?**

No.

Rather than speeding up plan making, this timeline could slow it down. Looking at it from Castle Point's perspective, following the withdrawal of the Castle Point Local Plan in June 2022, a new plan is under production (the Castle Point Plan) that will generally fit with the planning reforms.

The Council's local development scheme indicates that the plan will be ready to submit in summer 2025, which fits with the proposed timeline for plans under the new system. However, the Council is keen to press on with examination as soon as possible, thereafter, in order to adopt the plan in early 2026. However, the timeline proposed by the Government suggests that there would be at least 15 months between submission and examination.

The Council are keen to work as a pilot for the government of the new plan making regime and would welcome discussions on how this can be achieved.

**Q.47: Do you agree with the proposed timeline for preparing neighbourhood plans under the future system? If no, what alternative timeline would you propose?**

No comment

**Q.48: Do you agree with the proposed transitional arrangements for supplementary planning documents? If no, what alternative arrangements would you propose?**

No.

SPDs are a useful tool for local authorities' decision makers including the Inspectorate and the Secretary of State. Given the poor resourcing of local planning authorities the proposed timetable forces Councils to prepare a new plans, with associated design codes, plus any new Supplementary Plans as well as review existing SPDs. This is unrealistic.

**As an alternative, Councils should be able to ‘save’ existing SPDs – a similar approach to the old saved local plan policies – and issue a statement to that effect for each SPD, setting out why it remains valid; how where it conflicts with national policy, why and how that conflict will be managed; and a timetable for its review.**

**If Supplementary Plans are to be afforded the same weight, clarification is needed on whether they are policy documents or guidance.**

---

## **Chapter 10 – National Development Management Policies**

The Government is proposing national development management policies for certain policy areas or types of development. Further consultation will follow on the specifics of the policies. This section therefore is not seeking views on the specific policies, but rather the principles for producing them.

*What are National Development Management Policies?*

*‘National Development Management Policies are proposed in Clauses 83 and 84 of the Bill (as introduced to the Commons; these are now 86 and 87 in the version introduced to the Lords). These would be given the same weight in certain planning decisions as policies in local plans, neighbourhood plans and other statutory plans (and could, where relevant, also be a material consideration in some other planning decisions, such as those on Nationally Significant Infrastructure Projects). It is our intention that National Development Management Policies would cover planning considerations that apply regularly in decision-making across England or significant parts of it, such as general policies for conserving heritage assets, and preventing inappropriate development in the Green Belt and areas of high flood risk.*

*The existing National Planning Policy Framework already contains development management policies of this type that can be significant ‘material considerations’ when assessing planning applications. Currently, these important national policies do not have any statutory status. We are proposing that the starting point for creating National Development Management Policies would be these existing parts of the National Planning Policy Framework which apply to decision-making. However, we welcome views on whether there are other topics that should be added and have included consultation questions later in this chapter.*

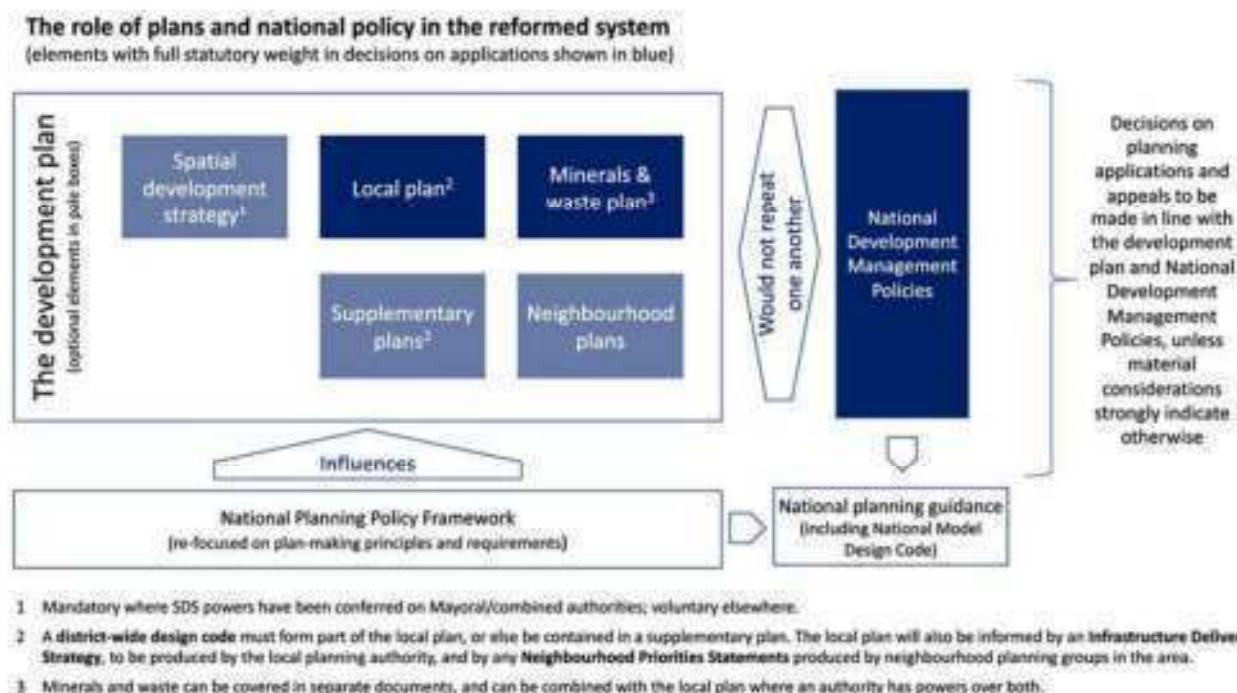
*The introduction of National Development Management Policies will aid decision making by making the basis for decisions clearer. They would not impinge on local policies for shaping development, nor direct what land should be allocated for particular uses during the plan-making process. These will remain matters for locally-produced plans.*

*The policies themselves would, following passage of the Bill, be designated by direction of the Secretary of State. Before this could happen, full public consultation would take place on the draft policies, building on the initial views which we are seeking now.*

*Our current intention is that National Development Management Policies, once introduced, would be set out in a separate document to the rest of the National Planning Policy Framework. The latter would be re-focused on principles for plan-making (i.e. the general approach to allocating land for development in plans and protecting areas of value) and*

would not carry the statutory weight conveyed by the Bill, although they would still be capable of acting as material considerations where relevant.

8. The below diagram illustrates how National Development Management Policies would work with the different components of the development plan, providing a framework for informing and deciding planning applications.



### The Case for National Development Management Policies

9. The creation of National Development Management Policies is part of the government's ambition to make it easier to produce plans and foster a genuinely plan-led system, leading to clearer and more certain decision making.

10. Through responses to 2020's Planning for the Future White Paper and wider engagement with stakeholders, we have heard that:

- Local plans are often hundreds of pages long, but can try to replicate many aspects of national planning policy, such as general policies for controlling development in the Green Belt, or policies on nationally-recognised heritage assets. Feedback from local authorities is that they do so because national policy has no statutory status, unlike the development plan. Removing this material from local plans would help to make them more accessible and engaging for users as well as cheaper to produce;
- Unnecessary time can be spent at examination testing such generic development management policies and establishing whether they are consistent with the National Planning Policy Framework, rather than dealing with locally-specific matters;
- There are a number of issues of national importance – such as the Green Belt – where many accept that policies for controlling development should be set nationally; and

- *Small builders in particular struggle to follow multiple different detailed local plan policies on the same issues, making it harder to build within different local authority areas.*

*11. With this in mind, the government believes the case for National Development Management Policies is 5-fold:*

- *They will help local authorities produce swifter, slimmer plans by removing the need to set out generic issues of national importance such as policies for protecting the Green Belt;*
- *They will make plans more locally-relevant and easier for communities and other users to digest;*
- *It will be easier for applicants to align their proposals with national and local policy requirements and, where they wish, to go beyond them. We expect this to be particularly valuable for small and medium enterprises: it will support our small and medium sized builders to build more of the homes and create more of the skilled jobs that people want to see in their communities;*
- *They will provide greater assurance that important policy safeguards which apply nationally, or to significant parts of England (such as protections for areas at risk of flooding, policy on climate change, and policies to protect the Green Belt) will be upheld with statutory weight and applied quickly across the country, including when any changes are made; and*
- *They will mean that this framework of common national policies can guide decisions even if the local plan is significantly out-of-date and cannot be relied upon. For example, they will ensure that national protections for things safeguarded solely through planning policy – local wildlife sites for example – have clear statutory status equivalent to an up-to-date plan.*

*The scope of National Development Management Policies*

*12. The government's initial view is that National Development Management Policies would fall within 3 broad categories:*

- *Existing policies aimed at decision-making already provided within the National Planning Policy Framework, subject to these being reviewed on a case-by-case basis so that the rationale for their inclusion is clear;*
- *Selective new additions to reflect new national priorities, for example net zero policies that it would be difficult to develop evidence to support at a district level, but which are nationally important.*
- *Selective new additions to close 'gaps' where existing national policy is silent on planning considerations that regularly affect decision-making across the country (or significant parts of it).*

*13. We also propose that any National Development Management Policies would adhere to a number of principles:*

- *Covering only matters that have a direct bearing on the determination of planning applications;*
- *Limited to key, nationally important issues commonly encountered in making decisions on planning applications across the country (or significant parts of the country); and*

- *solely addressing planning issues, in other words that concern the development and use of land. National Development Management Policies would not address subjects which are regulated through other legislation, for example the building regulations or acts relating to public health, pollution, and employment; although we are minded to retain the scope for optional technical standards to be set locally through plans, where these remain appropriate, so that local planning authorities can go above certain minima set through building standards.*

*We will also want to make sure that National Development Management Policies are drafted in a clear, concise and consistent manner, and avoid ambiguities, so that they are easy to understand and apply by applicants, local planning authorities and other users. The policies will also need to be capable of being accessed easily in a digital format by a wide range of users.'*

*The relationship between National Development Management Policies and locally-produced plans*

The Bill retains considerable scope for local planning authorities to produce their own local plan policies on distinctly local issues, and for neighbourhood and other statutory plans to do the same.

The new 'gateway' stages during plan preparation, and at the local plan examination, will provide opportunities for local planning authorities to explain the local policies they wish to include and (where relevant) demonstrate their consistency with National Development Management Policies.

Councils will not be able to duplicate national policies in new plans.

*'The Bill also provides that National Development Management Policies would take precedence where there is conflict between them and development plan policies when making a decision on a planning application. This has been included as a safeguard where plans have become out-of-date and important national policies, for example on the environment, need to be reflected fully in decisions. In practice, the existing National Planning Policy Framework often outweighs plans where such situations arise. However, we expect inconsistencies to arise much less frequently in future, both because our reforms should mean fewer out-of-date plans, and because of the clearer distinction being drawn between the role of national policy and that of locally-produced plans.'*

**Q.49 Do you agree with the suggested scope and principles for guiding National Development Management Policies?**

**The national planning policy framework already provides national policies that guide decision makers. Local plans should accord with the NPPF unless there are justifiable reasons, and likewise decision makers should have regard to the NPPF.**

**The Council does not agree to this proposal as set out.**

**A one size fits all approach does not take account of local factors that are equally important to the objectives of national policies and an LPA could find itself in conflict with the policies in preparing local policies in plans or decisions. The trust that is needed to be built between local communities and planning decisions cannot be achieved by the top-down approach as advocated.**

**We would welcome a discussion on where a local plan has been prepared which justifies a local policy that conflicts with a national development management policy, the local plan which planning law states applications must be determined against, should take precedent. Otherwise, the Government are not prepared to allow local circumstances to be taken into account, and effectively, restricting local plans ability to deliver what is needed locally in a way which is supported locally and appropriate.**

*Q.50 What other principles, if any, do you believe should inform the scope of National Development Management Policies?*

**None**

-----

15. Indicative examples of ‘gaps’ where national policy is silent on common decision-making issues, which National Development Management Policies might address, are provided in the table below. This is not an exhaustive list and is subject to considering the outcome of this consultation, as well as a future consultation on detailed policy proposals.

Topic Rationale for including

- Carbon reduction in new developments
- Allotments
- Housing in town centres and built-up areas

*Q.51: Do you agree that selective additions should be considered for proposals to complement existing national policies for guiding decisions?*

**We will need to see the proposed policies to comment further on these.**

*Q.52: Are there other issues which apply across all or most of England that you think should be considered as possible options for National Development Management Policies?*

**No**

-----

## **Chapter 11 – Enabling Levelling Up**

The Government are seeking to further support levelling up that has the aims of supporting businesses to drive economic growth and deliver on boosting productivity, pay, jobs and living standards, especially in those places where they are lagging.

The Bill and many of the changes proposed in this document will empower local leaders and give them more tools to level up their communities, build the beautiful homes that will give young people a secure path to home ownership, and boost pride in place.

National planning policy and the planning system could enable developments that contribute to the success of many more of the levelling up missions. This includes around beauty, close-knit communities, pride of place, wellbeing and health outcomes through

innovative design and placemaking. Also though supporting businesses, transport and digital connectivity.

*Q.53: What, if any, planning policies do you think could be included in a new Framework to help achieve the 12 levelling up missions in the Levelling Up White Paper?*

Local plans can be an important tool in establishing the framework for levelling up. The aspirations of a local plan should not be confined to land use, but will help through a vision led approach and effective engagement, set out how a community can evolve, and in areas that are 'falling behind' what can be done to level them up.

The approach being taken for the new Castle Point Plan will focus on places, develop evidence that acts as a suite of delivery plans that improve the job prospects, skills and well-being of residents, and provides the infrastructure to support business growth. The latter includes ensuring that the infrastructure is in place locally and across the sub-region so that businesses can seize opportunities from major economic drivers such as the Thames Freeport.

The Government must recognise that levelling up should not be confined to a London/Greater South East v the North. Within the south there are pockets that need levelling up, and local plans should be allowed to provide a framework to support levelling up initiatives.

---

#### *Levelling up and boosting economic growth*

*'When we undertake a full review of the Framework, we propose to reshape the existing 'Building a strong competitive economy' policies to align more closely with the economic vision set out in the Levelling Up White Paper. In order to make this happen, we intend to:*

- a. Make sure that local plans in every part of the country support new business investment and give existing business, including SMEs, the confidence to expand and grow.*
- b. Support the sectors and businesses that will drive up productivity. We want technology companies, life sciences and all those involved in Research and Development to invest more and grow more in every part of country – in line with the levelling up R&D mission.*
- c. Spread financial capital and investment to the places, projects and people that need it most. We want to empower local decision makers in those places to say yes to commercial development if it will drive economic growth, deliver new jobs, and stimulate innovation and productivity*

*Overall, we want an approach that will support local planning authorities to attract new business investment to areas that have lagged in the past; whilst making sure that those parts of the country with high levels of productivity can continue to capitalise on their performance and potential and attract investment as they do now. We also want to make sure that planning policies/decisions support SMEs grow and develop.'*

*Q.54: How do you think the Framework could better support development that will drive economic growth and productivity in every part of the country, in support of the levelling up agenda?*

The NPPF is relatively light with regards to economic growth. Economic growth and plan making tends to focus on new employment areas. Economic Development Need Assessments and Economic Land Availability Assessments are land use focussed, rather than economic strategies and action plans, that fail to encapsulate the full economic value of an area created by all activity – home working, micro-business growth, shared workspace, town centres (retail and hospitality) the public sector and voluntary sector - as well as other economic enablers – decent housing, education infrastructure, skills and training, digital and business support networks.

In Essex nearly 90% of businesses are micro businesses, and yet they are not accounted for in the planning system. Positive policies that enable people to set up a new business, work from home or through innovation centres and hubs – such as libraries – with the flexibility to create new business space should be encouraged.

National policy should also include an affordable business unit element similar to that applied to affordable housing. This could include on site, within larger schemes, or via a tariff, including CIL towards off site provision.

---

*‘As part of the wider Framework review, we therefore want to make sure that national planning policies are fully supportive of our aim to gently densify our urban centres, especially outside London and the southeast. In previous chapters we pose questions on boosting small sites and mansard roofs, but we are interested in wider proposals for boosting existing planning policies on brownfield land.’*

**Q.55: Do you think that the Government could go further in national policy, to increase development on brownfield land within city and town centres, with a view to facilitating gentle densification of our urban cores?**

Urban brownfield land is going to be crucial in order to protect the countryside and green belt (where applicable) from encroachment. It also supports more sustainable form of development with housing closer to existing facilities. However, viability is an issue, and the government should via local plans encourage LPAs to work with landowners, developers, infrastructure providers, housing association and Homes England to map out the cumulative impact of brownfield development and how to improve viability and ensure that the over impact on infrastructure is properly mitigated.

Levelling up and boosting pride in place

*‘Chapter 8 of the existing Framework currently sets out that, “planning policies and decisions should aim to achieve healthy, inclusive and safe places and also “planning policies and decisions should promote public safety and take into account wider security and defence requirements.” In line with HMG’s strategy on tackling violence against women and girls, however, we want to understand if national planning policy should do more to enable local authorities to consider the safety of women and girls, and other vulnerable groups, when setting policies or making decisions.’*

**Q.56: Do you think that the Government should bring forward proposals to update the Framework as part of next year’s wider review to place more emphasis on making sure**

*that women, girls and other vulnerable groups feel safe in our public spaces, including for example policies on lighting/street lighting?*

**Yes. It is vital that through good planning measures are put in place so that no one feels excluded. However, that only deals with new places. LPAs should be able, where viable to extract value from development to invest in design out crime measures in existing places where it is demonstrated that people feel most vulnerable.**

---

## **Chapter 12 - Wider changes to national planning policy in the future**

*'The Government will undertake a full consultation on a revised National Planning Policy Framework and proposals for National Development Management Policies once the Bill has completed its passage through Parliament. Other changes proposed include:*

- *Achieving sustainable development - Amendments to reflect the importance of fostering beautiful places, better environmental and health outcomes, delivering appropriate infrastructure (including sustainable transport provision) and effective community engagement, in the wider context of promoting levelling up.*
- *The presumption in favour of sustainable development may also need amending to reflect the introduction of National Development Management Policies (once designated).*
- *We are considering how to align the NPPF with the Environment Act and how to make government's priorities for the environment clear and to ensure these are given sufficient weight.*
- *Plan-making Changes to reflect the amendments to plan-making made by the Bill, including:*
  - *replacing the statutory duty to cooperate (which would be abolished by the Bill) with a new 'Alignment Policy' to secure appropriate engagement between authorities where strategic planning considerations cut across boundaries. This will be tested at Examination and, importantly, unlike the current system authorities and Inspectors would have the ability to amend Plans to improve alignment;*
  - *any changes to the 'soundness' tests for assessing draft plans which may be appropriate so that plan examinations are proportionate;*
  - *how infrastructure delivery strategies are to be prepared;*
  - *the importance of effective community engagement in plan-making, including through digital means;*
  - *taking Neighbourhood Priorities Statements into account when preparing local plans; and*
  - *other procedural changes to plan-making, including a fixed timetable for local plan production, the role of gateway checks, new data standards, streamlined evidence requirements and the introduction of Environmental Outcome Reports.*

- *We are also considering how to encourage wider uptake of strategic planning to understand and resolve environmental issues in a joined up way. Strategic planning also needs to consider rural communities to ensure that local policies are tailored to their different needs.*
- *Decision-making* Changes to reflect the role of National Development Management Policies in decision-making, the introduction of Environmental Outcome Reports for assessing relevant development proposals, the importance of digital methods of community engagement, and to place greater emphasis on planning enforcement, with increased weight against intentional unauthorised development.
- *Delivering a sufficient supply of homes* Changes to: support the Bill's provisions to strengthen control over the build-out of sites with permission for residential development; enshrine our commitment to lifting the 5-year housing supply requirement where plans are fewer than 5 years old; and carry forward the more immediate changes we are consulting on in this document.
- *Building a strong, competitive economy* As set out in the Levelling Up White Paper, we propose to consult on a more positive framework for supporting economic development, including reviewing the approach to supporting employment land, and the consideration of supply chain and connectivity issues, including responding to information gathered as part of the Future of Freight Call for Evidence.
- *Ensuring the vitality of town centres* We propose to review the approach to town centre and out-of-centre development in the light of the Use Class Order changes.
- *Promoting sustainable transport* We propose to assess what changes are needed to reflect the government's commitment to encourage active travel through the 'Gear Change' programme, the forthcoming update to Local Transport Plan's Guidance, any update to Manual for Streets and wider work to reduce carbon consumption from transport planning choices as set out in the Transport Decarbonisation Plan. We also propose to review policy on the freight sector and supply chains infrastructure, such as lorry parking, warehouse space and rail freight hubs. This will draw on findings from the government's 'Future of Freight' call for evidence which will be launched in due course.
- *Achieving well-designed places* Changes to reflect provisions in the Bill on mandatory authority wide design codes and supplementary plans.
- *Protecting Green Belt land* Amendments to reflect the commitment in the Levelling Up White Paper to bringing forward measures to 'green' the Green Belt, to improve its environmental and recreational value.
- *Meeting the challenge of climate change, flooding and coastal change* Changes to reflect and incorporate the immediate proposals being consulted on in this document, as well as any further changes needed to reflect our commitment to making sure that national policy goes as far as possible in addressing climate change.
- *Conserving and enhancing the natural environment* Proposed changes to:
  - set out how Local Nature Recovery Strategies, introduced by the Environment Act, should be given weight in the plan-making process;

- reflect updated guidance on addressing nutrient pollution, including expectations on strategic mitigation in sensitive catchment areas;
- reflect a review of policy on ancient woodland, as agreed in the passage of the Environment Act 2021;
- reflect the introduction of mandatory Biodiversity Net Gain from 2023;
- incorporate nature into development through better planning for green infrastructure and nature-friendly buildings.
- Conserving and enhancing the historic environment - Amendments to reflect the changed status of some historic designations through the Bill.'

## Chapter 13 - Practical changes and next steps

*'National policy, like plans, needs to be accessible and user friendly. The creation of National Development Management Policies, the Bill's digital reforms and supporting work to embed common data standards and the use of digital platforms create opportunities to improve the way that national policies are presented and used. For example, it would help local authorities producing digital local plans, and those using them, if national policies were in a format that enabled them to be accessed in an integrated way.*

*We therefore intend to explore the creation of a more accessible and interactive, web-based set of national policies (both the statutory National Development Management Policies and the residual National Planning Policy Framework). PDF versions of policies would be retained for those who need them. As we develop our approach to revising national policy, taking into account the responses to this consultation, we will engage with the sector to inform our approach (e.g. through user research).'*

**Q.57 Are there any specific approaches or examples of best practice which you think we should consider to improve the way that national planning policy is presented and accessed?**

**The Government should create a national policy and guidance portal through which all the information – from legislation (including a new consolidated planning act) to the regulation, circulars, NPPF, national guidance and PPGs can be found.**

**At present this is split amongst various sites, and it is easy to overlook aspects of for people – in particular the public – to not understand.**

**The NPPF is also generally produced in pdf format. The NPPF should be the starting point, and a wiki approach providing links to referenced documents should be adopted in full HTML.**

**The Council will be happy to work with the government on this and act as a pilot for a web based, integrated approach for the new Castle point Plan.**

---

At present, National Planning Policy for Waste and Planning Policy for Traveller Sites sit alongside the National Planning Policy Framework. As part of the wider changes to national planning policy set out in this document which will become necessary as a result

of the Bill – and in particular the creation of separate statutory National Development Management Policies – we will consider how policies for these matters should be set out in future, including which aspects need to form part of the suite of proposals for National Development Management Policies.

**CABINET**

**15th February 2023**

**Subject: Housing Revenue Account (HRA) – 2023/24 Rent Levels, Revenue Budget and Capital Plan for 2023/24 and 2022/23 Revised**

**Cabinet Member: Councillors Mrs Sach – People, Health Wellbeing & Housing & Mountford – Resources**

---

**1. Purpose of Report**

**To present to Cabinet for consideration and agreement:**

- **Proposed rent levels for Council dwellings and garages for 2023/24.**
- **HRA Revenue budget for 2022/23 (revised) and 2023/24.**
- **HRA Capital Plan for 2022/23 (revised) and 2023/24.**

**2. Links to Council's priorities and objectives**

**The approval of the HRA Revenue and Capital budget supports the Council priorities of Environment, Housing and Regeneration, Health and Community Safety and A Commercial and Democratically Accountable Council.**

**3. Recommendations**

**That:**

- 1. A rent increase of 7% for all social rent HRA dwellings be agreed, resulting in an average increase of £6.61 per week.**
- 2. A rent increase of 7% for all affordable rent HRA dwellings be agreed, resulting in an average increase of £12.94 per week.**
- 3. Following a £1 rent increase being applied to garages in 2022/23 it is proposed to increase garage rents in 2023/24 by £1.68 excluding VAT.**
- 4. The HRA revenue budget for revised estimate 2022/23 and estimate 2023/24, as set out in Annexe A, is approved.**
- 5. The HRA capital plan for revised estimate 2022/23 and estimate 2023/24, as set out in Annexe B, is approved.**

**Resolution required.**

---

#### 4. Introduction and background

4.1 Local authorities have freedom to manage and invest in their housing stock whilst maintaining a viable HRA Business Plan. Central control over rent setting though still continues, which means that significant constraints over income generation still exist.

4.2 The rent setting framework sets out a common basis on which all rents in the social sector should be set. The aim is that social rents for similar houses in the same area should be the same, irrespective of the landlord. This is monitored via the use of two rent indicators.

- Limit Rent: This is set by the Government and defines the average rent beyond which rent rebate subsidy is not payable (known as rent rebate subsidy limitation).
- Formula Rent: This is based on a Government national formula for calculating social rents.

The "limit" rent will remain roughly equal to the formula rent. Whilst actual rents at the Council are slightly lower due to a number of properties that currently are not at formula rent. These will be moved to formula rent when current tenants move on, but due to low levels of turnover in the housing stock this will take a long time to be completed. The Limit rent and Formula rent must be taken into consideration when the Council sets its actual rent for the forthcoming financial year, as shown in paragraph 5.1.

4.3 As a result of continued work in the 22/23 estimates cycle such as phasing of capital repairs identified in the most recent stock condition survey, combined with reviewing the future funding of the HRA, the business plan is sustainable, despite the restrictions on the level of the rent increase for 23/24 explored below. But it does identify periods where budget gaps exist that may require funding via internal or external borrowing. As a result, detailed work has continued to be undertaken and proposals to address these gaps have been prepared and are explored later in this report.

4.4 In April 2020 a five-year rent settlement came into effect which provided for CPI + 1% rent increases to be applied. This has been suspended in relation to the 23/24 rent increase due to the current inflation levels. Consultation with Local Authorities and Registered Providers was undertaken in August to October 2022 when it became apparent the CPI levels were going to be abnormally high. It was proposed to have rent increase limits of 3%, 5% or 7% and whilst 5% was favoured in the consultation documents the eventually agreed cap was 7%. This minimises the impact on the HRA Business Plan, but still results in pressure due to the inflation levels on key areas of expenditure such as utilities as well as building material and labour prices.

4.5 Rent increases are set based on the CPI level in September each year, the level recorded in September 2022 was 10.1% consequently the rent increase for 2023/24 would have been 11.1% and resulted in average weekly rent increases of **£3.88** on social rents and **£7.59** on affordable rents above the levels proposed in this report, this equates to lost rental income of **£300k** in 23/24. No future

compensation is anticipated thus this will have an ongoing impact on rental income with estimated lost income of **£317k** in 24/25 and **£329k** in 25/26.

- 4.6 The limitation of the rent increase will assist tenants who do not receive Housing Benefit or Universal Credit direct payments, currently 66% of total rent is cover by these elements thus of the **£300k** saving **£98k** will provide savings to tenants and there will be a **£202k** reduction in the Central Government welfare benefits costs.

#### **Repairs and maintenance**

- 4.7 A programme of planned maintenance for 2023/24 has been prepared by South Essex Homes in conjunction with Housing Services. The programme is informed by a stock condition survey undertaken by South Essex Homes during 2018 and updated based on work undertaken, the next full survey will take place this year and is currently at the planning stage. The condition survey assesses the capital and revenue investment requirements for the Council's housing stock over the next 30 years and informs the 30-year HRA Business Plan and detailed HRA budget.
- 4.8 The HRA budget includes provision in current and future years to reflect the ongoing Property Management Service currently provided by South Essex Homes.
- 4.9 The Capital Plan submitted for approval at Annexe B has also been prepared based upon the stock condition survey. Future development opportunities undertaken by utilising receipts from right to buy sales as well as other sources of capital funding have been built into the Capital Plan. This includes the three current schemes agreed by Cabinet in September 2022 and commenced in December 2022.
- 4.10 The Capital Plan constitutes an affordable core plan that can be financed within the HRA business plan.
- 4.11 In April 2012 and as part of the implementation of HRA self-financing, a borrowing cap of **£37.5m** was placed on the authority, meaning that the authority could borrow up to a further **£1m**. The autumn 2018 budget announced that the borrowing cap would be removed so that local authorities would be permitted to undertake additional borrowing to enable investment in new homes, as stated in 4.9 above plans have been presented to Cabinet for a programme of new developments, additional borrowing is not anticipated to be necessary to deliver these, but may be required for future schemes. The first of the loans taken out in April 2012 was repaid in 2021/22, with a further **£2.451m** having been repaid in 2022/23 at a cost of **£2.16m**, this was possible as a result of favourable loan redemption rates being offered, this has been funded by reserves. Having reviewed the HRA Business Plan the Strategic Director (Resources) anticipates that in 2024/25 when the next loan is due for repayment it may be necessary to take out borrowing to replace this. Any additional borrowing will be subject to financial viability and be affordable within the 30-year HRA Business Plan.

#### **Basis for preparation of estimates**

- 4.12 Estimates have generally been prepared by the Housing Department and agreed with the Resources Department and are:
- based on the current staffing establishment and current service delivery.
  - based on out-turn prices, i.e. to include anticipated pay and price increases.

- 4.13 The estimates are submitted to Cabinet as officers' recommendations on the net spending necessary to deliver approved HRA policies and strategies in 2023/24. These estimates have been tested in the HRA business plan and have been shown to be sustainable over the Medium Term.
- 4.14 The Cabinet is encouraged to concentrate on the policy aspects of the estimates in order to link spending plans to Council policies and strategic objectives, e.g. appropriate resources are directed to housing management and maintenance services respectively.

## 5. Proposals

### HRA Social Rent

- 5.1 The table below provides a comparison between Castle Point's "formula", "limit" and actual rents, based on a 7% increase in rent for all properties, applied based on September 2022 CPI of 10.1% + 1%, but capped to 7% as per the rent setting formula.

	<b>Rent 2022/23 £</b>	<b>Increase</b>		<b>Rent 2023/24 £</b>
		<b>£</b>	<b>%</b>	
Formula rent	<b>94.55</b>	<b>6.61</b>	<b>7.00</b>	<b>101.16</b>
Limit rent	<b>94.55</b>	<b>6.62</b>	<b>7.00</b>	<b>101.17</b>
Actual rent	<b>94.51</b>	<b>6.61</b>	<b>7.00</b>	<b>101.12</b>

- 5.2 The increase on the three rental levels all move in unison, with Actual rent still being below Limit rent, thus minimising the risk of any Housing Benefit subsidy loss and below Formula rent indicating that there are still some unconverged rent levels being charged.
- 5.3 The proposed 2023/24 average weekly rent for Castle Point is **£101.12**, an increase of **£6.61** on the actual average 2022/23 rent of **£94.51**.

### HRA Affordable Rent

- 5.4 Affordable rent properties are not subject to the Formula and Limit rent calculations but are subject to the government's rent policy. These rents are set locally below the maximum of the appropriate Local Housing Allowance (LHA) cap.

	<b>Rent 2022/23 £</b>	<b>Increase</b>		<b>Rent 2023/24 £</b>
		<b>£</b>	<b>%</b>	
<b>Actual rent</b>	<b>184.94</b>	<b>12.94</b>	<b>7.00</b>	<b>197.88</b>

### Garage Rents

- 5.5 It is proposed to implement a 11.1% rent increase for Council owned garages for 2023/24 of **£1.68** excl VAT. The last increase applied was in 2022/23.

## **Revenue and Capital Estimates**

- 5.6 Annexe A presents the HRA revenue estimates and Annexe B presents the HRA Capital Plan, the latter should be read in conjunction with the Corporate Capital Strategy section of the Policy Framework and Budget Setting report. There are columns on both annexes for:

- Actual expenditure / income for 2021/22.
- Original estimate for 2022/23 as approved by Cabinet on 23 February 2022, updated where applicable for any subsequent approved amendments since that date.
- Revised estimate for 2022/23 now submitted for approval.
- Estimate for 2023/24 now submitted for approval.

## **HRA Reserves**

- 5.7 The advice of the Strategic Director (Resources) on HRA reserves is that a safe minimum level would be approximately **£593k** as at 31 March 2023 and **£659k** as at 31 March 2024. These are based on previous Government guidance for a minimum level of reserve for each property, updated for inflation.
- 5.8 Whilst the HRA budget provides for levels of reserves at the end of 2022/23 and 2023/24 in excess of these balances, the ongoing impact of previous rent reductions and the capping of the increase in 2023/24 will lead to a significant reduction in reserves over future years and in the medium to longer term will fall below the minimum level recommended. To ensure the sustainability of the HRA the Council will continue to model options within the Business Plan including the level of future loans held, programming of capital works to meet decent homes and maximising income within the rent setting guidance issued by DLUHC.
- 5.9 The HRA also maintains a separate earmarked reserve consisting of sums set aside for the scheduled repayment of debt in future years.

## **6. Corporate Implications**

### **a. Financial implications**

Financial implications are outlined in sections 4 and 5 above. Whilst HRA reserves for the period as reported above are currently at a satisfactory level, future levels will be monitored, and action taken to maintain the ongoing viability of the HRA.

### **b. Legal implications**

The HRA is “ring-fenced” by legislation and must therefore be self-financing. There is no general power to transfer surpluses to the General Fund or to meet a deficit by contribution from the General Fund.

The Council has a statutory duty to set a budget for the HRA that avoids a deficit. This includes provision for a prudent level of reserves to call upon in the event of unforeseen circumstances, emergency expenditure or major budget variations. Failure to maintain adequate reserves could possibly result in an additional mid-year rent increase; this may push rent levels above limit rents and thus result in the loss of rent rebate subsidy on part of the rental income.

**c. Human resources and equality implications**

The Council has a responsibility to deliver the Government's Decent Homes Standard and to work towards the national provision of 1 for 1 replacement of homes sold through the Right to Buy. The 2023/24 Capital Plan is currently mainly prioritised towards those programmes of repair, maintenance and modernisation which tackle identified non-decency issues in the housing stock. But it may be required to support the development of new homes as well, utilising capital receipts and borrowing, in combination with additional funds being allocated from revenue.

**d. Timescale for implementation and risk factors**

The proposed rent level for 2023/24 must be approved at this meeting so that the statutory notice to tenants is given in order for the new rents to be effective from 3rd April 2023.

Preparation for implementation of the 2023/24 Capital programme will commence immediately following Cabinet's approval.

The implications of not approving the proposed programmes would be a failure in the Council's responsibility to tackle known non-decency issues in its stock.

The implication of not approving the recommended rent increases for dwelling rents would be that the Council would not receive additional income to the Housing Revenue Account. This would have a direct impact on service delivery. Furthermore, if the dwelling rent increase is not approved, the Council's actual rent levels would diverge further from social housing rent policy and due to the restrictions on increases would result in ongoing lower income levels, with limited opportunity to recoup the lost income.

**7. Background Papers:**

HRA Business Plan and associated DLUHC guidance  
Housing Strategy and associated DLUHC guidance  
DLUHC guidance on the delivery of the Decent Homes Standard  
Direction on the rent standard 2019 from 1 April 2020 (DLUHC)  
Direction on the rent standard 2023 for 2023/24 (DLUHC)  
Welfare Reform and Work Act

**Report Author:**

David Randerson – Housing Development and Finance Manager  
Chris Mills – Strategic Director (Resources)

## Housing Revenue Account - Revenue budgets

No	Housing Revenue Account summary	Note	2021/22 Actual	2022/23 Estimate	2022/23 Revised	2023/24 Estimate
			£000s	£000s	£000s	£000s
	<b>Income</b>					
	Gross dwelling rents		(7,055)	(7,277)	(7,301)	(7,815)
	Gross non-dwelling rents		(97)	(103)	(80)	(88)
	Charges for services and facilities		(608)	(631)	(651)	(873)
1	<b>Total Income</b>		<b>(7,760)</b>	<b>(8,011)</b>	<b>(8,032)</b>	<b>(8,776)</b>
	<b>Expenditure</b>					
	Supervision and management		3,090	2,938	2,769	2,973
	Repairs and maintenance		1,553	1,475	1,858	1,788
	Increased provision for bad or doubtful debts		34	80	45	45
	Rents rates taxes and other charges		236	208	208	211
	Depreciation and revaluation/impairment of fixed assets		1,737	1,875	2,104	2,330
	Amortisation Costs		0	68	0	0
2	<b>Total Gross Expenditure</b>		<b>6,650</b>	<b>6,644</b>	<b>6,984</b>	<b>7,347</b>
3	<b>Net cost of HRA services</b>		<b>(1,110)</b>	<b>(1,367)</b>	<b>(1,048)</b>	<b>(1,429)</b>
4	Total other operating Income and Expenditure	1	1,162	929	785	610
5	Total Net Statutory Adjustments	2	6,719	219	(140)	(79)
6	<b>(Surplus) on HRA services</b>		<b>6,771</b>	<b>(219)</b>	<b>(403)</b>	<b>(898)</b>
	<b>Reserves</b>					
	<b>HRA Main Reserve</b>					
7	Reserve balance brought forward		2,872	2,221	2,101	1,503
8	Surplus/(deficit) for the year		(6,771)	219	403	898
9	Transfer (to) / from HRA Earmarked Reserves		6,000	(1,000)	(1,000)	(1,000)
	<b>Reserve balance carried forward</b>		<b>2,101</b>	<b>1,440</b>	<b>1,503</b>	<b>1,401</b>
	<b>HRA Earmarked Reserves</b>	3				
10	Reserve balance brought forward		7,000	1,000	1,000	2,000
11	Net transfer to / (from) HRA Earmarked Reserves		1,000	1,000	1,000	1,000
12	Loan Repayments made		(7,000)	0	0	0
	<b>Reserve balance carried forward</b>		<b>1,000</b>	<b>2,000</b>	<b>2,000</b>	<b>3,000</b>
	<b>Notes</b>					
1	Various including interest payable and receivable and asset valuation adjustments					
2	Various statutory adjustments and reversals, to ensure that rental income is not affected by income and expenditure relating to non-current assets, such as gains and losses on revaluations and disposals, and other similar items. Includes repayment of first HRA self-financing loan and contributions to capital for new build housing developments					
3	HRA earmarked reserves including a specific reserve for sums set aside for future repayment of loans and first repayment of loans in 21/22					

## Housing Revenue Account - Capital Plan

No	Housing Revenue Account Capital Plan summary	Note	2021/22 Actual	2022/23 Estimate	2022/23 Revised	2023/24 Estimate
			£000s	£000s	£000s	£000s
1	<b>Annual Programmes for replacement and repair</b>					
	Disabled adaptations to council properties	1	229	150	175	180
	Central heating replacement	2	97	165	165	162
	Window Replacements	2	218	400	429	600
	Insulation		18	24	24	85
	Kitchen replacement and improvements	2	177	186	187	402
	Environmental improvements		0	50	50	50
	Roofing maintenance	2	326	149	149	400
	Structural Repairs	3	0	0	64	0
	Electrical rewiring	2	23	43	45	46
	Chimney Replacement		18	19	19	20
	Replacement Doors		6	200	200	215
	Bathroom replacement and improvements	2	79	137	139	259
	Maintenance and redevelopment of communal areas	2	85	40	40	44
	Water Supply and tank replacement		20	0	10	10
	UPVC fascias and soffits	2	63	70	70	230
	Wall finishes	2	76	50	50	79
2	<b>New Build construction and Periodic Programmes</b>					
	Affordable Housing		79	20	20	20
	Purchase 60 North Avenue	4	0	1	1	0
	Demolition at Linden Way		33	0	0	0
	New Build at Link Road	5	100	549	438	657
	New Build at 54-60 Linden Way	5	97	820	427	641
	New Build at Cedar Road	5	32	422	243	365
	Digital TV		106	0	14	0
	Lifts		72	0	0	0
	Unallocated Provision	6	0	100	40	100
	HMS Implementation	7	0	83	0	0
			<b>1,955</b>	<b>3,676</b>	<b>2,997</b>	<b>4,564</b>
	<b>Notes</b>					
1	Provision for adaptations from the Council's waiting list for council owned properties					
2	Programmes based on the current stock condition survey, update to be undertaken in 23/24					
3	Budget agreed at November 2022 Cabinet for emergency works at Manor Road					
4	Purchase of property to add to the Housing stock, sundry additional cost for the recovery of Tax on purchase					
5	Budget approved by Cabinet September 2022					
6	Unallocated provision used to support updated programmes					
7	Budget for replacement of existing Housing Management System approved at Cabinet in March 2020, now ceased					
8	2022/23 Estimate figures include budgets rolled forward from 2021/22					

**CABINET**

**15th February 2023**

**Subject: The Highway Ranger Service**

**Cabinet Member: Councillor Fuller - Environment**

---

**1. Purpose of Report**

- a) To bring to Cabinet's attention the decision by Essex County Council (ECC) to cease funding the Highway Ranger Service from 1 April 2023; and
- b) To seek approval for the Council to fund the service for the financial year 2023/24.

**2. Links to Council's Priorities and Objectives**

**This proposal links with the Council's Environment priority.**

**3. Recommendations**

**It is recommended that:**

- (1) Cabinet notes Essex County Council's decision to cease funding the Highway Ranger Service from 1 April 2023;**
  - (2) Cabinet approves the use of £80k from reserves to fund the Community Ranger Service for the financial year 2023/24; and**
  - (3) The Council continues to lobby ECC to reinstate the funding for the Highway Ranger Service for 2024/5 and subsequent years.**
- 

**4. Background**

Essex County Council (ECC) as the Highways Authority is responsible for the maintenance of public highways and public rights of way. Up until now it has funded the Highway Ranger Service through its Revenue budget and funding has been allocated to each Local Highway Panel (LHP) for this purpose.

The Borough Council receives £80k each year via the LHP to provide the service on behalf of ECC. The service is managed by the Council's Street Scene & Contracts Manager who allocates work to the two Highway Rangers employed by Pinnacle.

The activities that the Highway Rangers can undertake are restricted to work on the public highway or public rights of way. They cannot undertake work on private land.

The type of activities that the Rangers undertake typically includes such things as;

- Cleaning and minor repairs (non-electrical road signs and bollards).
- Reinstatement of posts and bollards where no excavation is required.
- Trimming of vegetation. This is restricted to minor trimming to improve the visibility of signs. Vegetation trimming cannot be carried above head height.
- Ad hoc grass cutting and strimming of highway verges.
- Repairs to light damage of roadside verges. Light damage is cosmetic damage to the verge that would not meet the intervention level for repair by Essex Highways.
- Removal of graffiti from road signs – where this can be done without the use of a ladder or traffic management.\*
- Painting of street furniture (posts, bollards and benches etc.)
- Removal of weeds.
- Removal of illegal signs and fly-posting – where the work can be done safely without the need for ladders or traffic management.\*
- Resetting slabs – where this can be done without excavating the bed
- Cleaning footway drainage channels.
- Cleaning footway gully pots

\*The removal of graffiti and fly posters is included in the Grounds Maintenance and Street Cleansing Contract, however the Highway Rangers would remove such items if found within the area they are working.

Their work programme is developed based on local knowledge, service requests received from ECC, elected members and local residents. The service is highly visible, proactively managed and delivered in a timely manner. As such it is a well-respected and appreciated service which complements the maintenance work undertaken by Essex Highways.

However, the Council was informed in November 2022 that due to the significant financial pressures faced by ECC, it will no longer be able to grant fund the Highways Rangers Service. This means that as of 1st April 2023 the grant funding provided by ECC will cease.

ECC has confirmed that it will not be possible to fund the Highway Ranger Service from capital allocated to the LHP and that on cessation of the Highway Ranger funding, matters would need to be reported via the Essex Highways Report It tool on-line, and they would be dealt with in accordance with their priorities.

However, ECC is agreeable to the Borough/District Councils continuing to provide the Highway Ranger Service if they are prepared to fund it themselves in future.

ECC's decision to cease the funding for the Highway Ranger Service without any prior consultation with this Council is disappointing given the importance this Council and the public places on the service. Whilst this Council should not be expected to fund a service that remains the responsibility of ECC to provide, there are real concerns that the work currently undertaken by the Highway Rangers will be deemed to be low priority and will in all likelihood not be undertaken in a timely manner, if at all. This was the case previously when the Highway Ranger Service was provided by ECC and was one of the main reasons why we took over the management of the service albeit it has up until now still been funded by ECC.

If this Council were to agree to fund the service for 2023/24 it would give us time to explore possible efficiency opportunities through more coordinated and integrated working between our Environmental Rangers who look after the Council's parks and open spaces and Pinnacle staff who provide the highway ranger service and the street cleansing and grounds maintenance service.

As the Council would be funding the service there would be no restriction on where the rangers work so activities would not therefore be restricted to the highway. It is therefore proposed that if the Council does decide to fund works on the public highway in 2023/24 that the service is rebranded as the Community Ranger Service to reflect the more diverse service they will be providing.

In order to effectively lobby ECC for reinstatement of the funding, a detailed log will be kept of the works undertaken by the Community Rangers on adopted highways and public rights of way so that we can demonstrate the value of this service.

## **5. Corporate Implications**

### **(a) Financial Implications**

The Council currently receives £80k per year from ECC which covers the cost of 2 full time highway rangers, their vehicle and associated running costs and materials required in the course of their activities.

The Council would need to draw down £80k from reserves in order to provide the service in 2023/24.

It should be noted however that the current Highway Ranger truck needs replacing, and Pinnacle has quoted a price of £86,125 to provide the service next year. The additional £6,125 will be covered by any unspent Highway Ranger budget at the end of this financial year and savings made by using the Community Rangers to install bins, street signs etc instead of using contractors.

The Community Rangers could also potentially undertake minor highway works if requested to do by ECC, albeit on a chargeable basis.

**(b) Legal Implications**

Despite its decision to cease the funding of the Highway Ranger Service, ECC as the Highways Authority remains responsible for the maintenance of adopted public highways and public rights of way.

**(c) Human Resources and Equality Implications**

None associated with this report, the service will be managed using the existing staff resource.

**(d) IT and Asset Management Implications**

As above.

**6. Timescale for implementation and Risk Factors**

Subject to obtaining the required funding the provision of the Community Ranger Service (for one year only) will commence on 1 April 2023. If this Council decides it is unable to fund the service beyond March 2024 it is likely that the public will see this as a service that this Council has cut, rather than a cut by ECC.

**Background Papers**

None

**Report Author:** Trudie Bragg, Head of Environment

**CABINET**

**15th February 2023**

**Subject: Policy Framework and Budget Setting for 2023/24**

**Cabinet Member: Councillor Mountford – Resources**

---

**1. Purpose of Report**

- 1.1 This report (including the accompanying document which forms part of this report) submits proposals and recommendations for the Council's Policy Framework and Budget Setting for 2023/24. The Cabinet should consider these and make appropriate recommendations to Council at the meeting to be held later this evening.

**2. Links to Council's priorities and objectives**

- 2.1 This report is explicitly linked to all Council priorities as it recommends the budget for the Council to operate within when delivering against all of its priorities.

**3. Recommendations**

**Implementation of Council policies and related spending plans**

1. That Cabinet approves the continued funding of priority projects and other items of discretionary expenditure, as set out in table 2.4.
2. That Cabinet note the changes from the previously published budget as set out in table 2.5.
3. That Cabinet note the key items causing the changes in table 2.5, as summarised in table 2.6.
4. That subject to recommendations 1 to 3 above, the revenue spending plans for 2022/23 (revised) and 2023/24, set out in section 2, tables 2.1 (summary) and 2.2 (net services expenditure) of the accompanying report, are approved.

**Capital spending plans and prudential indicators**

5. That the capital spending plan described in section 8 of the accompanying report (tables 8.2 and 8.3) is approved in respect of 2022/23 (revised) and 2023/24.
6. That as required by section 3 of the Local Government Act 2003, and the Prudential Code for Capital Finance in Local Authorities (the Prudential Code), the following Prudential Indicators are approved as set out in the appropriate sections of the accompanying report:

Prudential Indicator - Reference to sections 8, 9 and 10 of accompanying report	
Capital expenditure	Tables 8.2 and 8.3
Capital financing requirement (CFR)	Table 8.4
Authorised limit for external debt	Table 8.5
Operational boundary for external debt	Table 8.6
Ratio of financing costs to new revenue stream	Table 8.7 (a & b)
Gross external borrowing does not exceed CFR	Section 8 – para 55
Maturity structure of fixed rate borrowing - upper and lower limits	Table 9.2
Upper limits of fixed and variable interest rate exposures	Table 9.3
Maximum period and counterparty limits for specified and non-specified investments	Table 10.2 & 10.3

7. That the Statement of Minimum Revenue Provision for 2023/24, as stated in paragraphs 57 to 62 of section 8 of the accompanying report is approved.
8. That no new capital proposals are allowed until:
  - the proposal has been evaluated in accordance with relevant evaluation criteria;
  - the Cabinet has confirmed affordability and compliance with the Prudential Code for Capital Finance in Local Authorities;
  - the Cabinet has considered and approved details of the proposal.
9. That, as stated in paragraph 69 of section 8 of the accompanying report, and as required by the Prudential Code, the statement of the Chief Financial (s151) Officer in respect of the affordability, deliverability and appropriateness of risk management arrangements with respect to the Capital Strategy is noted.
10. That the policies and strategies supporting the budget framework and contained within the accompanying report are approved.

#### **Statutory report of the Strategic Director (Resources)**

11. That as required by section 25 of the Local Government Act 2003, the report of the Strategic Director (Resources) set out in section 12 of the accompanying report in respect of robustness of the estimates is noted.
12. That as required by section 25 of the Local Government Act 2003, the report of the Strategic Director (Resources) set out in section 6 of the accompanying report in respect of the adequacy of proposed financial reserves is noted.

**Statutory calculations in respect of the budget requirement & Council Tax as required by the Local Government Finance Act 1992, as amended (“the Act”)**

13. That as set out in section 3 of the accompanying report it is noted that acting under delegated authority and in consultation with the Cabinet Member responsible for Finance, the Strategic Director (Resources) has calculated:

- A tax base for the Borough of Castle Point of **31,258** being the amount **T** required by section 31B of the Act; and
- A tax base for Canvey Island to which a Town Council precept applies as **12,049**.

14. That the following amounts be calculated for the year 2023/24 in accordance with sections 31 to 36 of the Act:

Ref	Amount £	Item
(a)	<b>62,149,909</b>	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish (Town) Councils.
(b)	<b>53,067,361</b>	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	<b>9,082,548</b>	being the amount by which the aggregate at 14(a) above exceeds the aggregate at 14(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item <b>R</b> in the formula in Section 31B of the act)
(d)	<b>290.57</b>	being the amount at 14(c) above (item <b>R</b> ), divided by item <b>T</b> (14(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish (Town) precepts).
(e)	<b>274,359</b>	being the aggregate amount of the (Parish (Town) precepts) referred to in Section 34(1) of the Act.
(f)	<b>281.79</b>	being the amount at 14(d) above less the result given by dividing the amount at 14(e) above by item T (14(a) above), calculated by the Council in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

15. That the Cabinet recommends that Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2023/24 for each part of its area and for each category of dwelling. This information is included within section 13 of the accompanying report.

Castle Point Borough Council Tax 2023/24, including and excluding Town Council precept, for each of the following categories of dwelling:

Council Tax			
Band	Ratio in 9ths	Canvey Residents Council Tax Including Town Council	Mainland Residents Council Tax Excluding Town Council
A	6	203.04	187.86
B	7	236.88	219.17
C	8	270.72	250.48
D	9	304.56	281.79
E	11	372.24	344.41
F	13	439.92	407.03
G	15	507.60	469.65
H	18	609.12	563.58

16. To note that the County Council, the Police Authority and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwelling in the Council's area, as indicated in the table below:

Council Tax for each band							
Band	Castle Point Borough Council	Essex County Council	Essex PFCC - Fire and Rescue Authority	Essex PFCC - Policing and Community Safety	Total excluding Town Council	Canvey Island Town Council	Total including Town Council
	£	£	£	£	£	£	£
A	187.86	966.78	53.52	155.64	<b>1,363.80</b>	15.18	<b>1,378.98</b>
B	219.17	1,127.91	62.44	181.58	<b>1,591.10</b>	17.71	<b>1,608.81</b>
C	250.48	1,289.04	71.36	207.52	<b>1,818.40</b>	20.24	<b>1,838.64</b>
D	<b>281.79</b>	<b>1,450.17</b>	<b>80.28</b>	<b>233.46</b>	<b>2,045.70</b>	<b>22.77</b>	<b>2,068.47</b>
E	344.41	1,772.43	98.12	285.34	<b>2,500.30</b>	27.83	<b>2,528.13</b>
F	407.03	2,094.69	115.96	337.22	<b>2,954.90</b>	32.89	<b>2,987.79</b>
G	469.65	2,416.95	133.80	389.10	<b>3,409.50</b>	37.95	<b>3,447.45</b>
H	563.58	2,900.34	160.56	466.92	<b>4,091.40</b>	45.54	<b>4,136.94</b>

17. To note that, in accordance with the requirements of section 52ZC of the Act the Council has determined whether it's Relevant Basic Amount of Council Tax for 2023/24 is excessive.
18. For 2023/24, the relevant basic amount of Council Tax for Castle Point would be deemed excessive if the authority's relevant basic amount of Council Tax is:
- 3%, or more than 3%, greater than its relevant basic amount of Council Tax for 2022/23; and
  - More than **£5.00** greater than its relevant basic amount of Council Tax for 2022/23.

Ref	Amount £	Item
(a)	<b>273.69</b>	being the Relevant Basic Amount of Council Tax for 2022/23, excluding local precepts.
(b)	<b>3.0%</b>	being the percentage increase above which the Secretary of State has determined the Relevant Basic Amount of Council Tax for 2023/24 would be excessive.
(c)	<b>281.87</b>	being the amount above which the Relevant Basic Amount of Council Tax for 2023/24, excluding local precepts, would be excessive (rounded down to the nearest penny).
(d)	<b>281.79</b>	being the Relevant Basic Amount of Council Tax for 2023/24, excluding local precepts.
(e)	<b>2.96%</b>	being the percentage increase in Council Tax for 2023/24, excluding local precepts.

The Relevant Basic Amount of Council Tax for 2023/24 is therefore not excessive and the duty to make substitute calculations and hold a referendum does not apply (Chapter 4ZA of Part 1 of the Act).

#### **Resolution required.**

---

## **4. Background**

4.1 The accompanying report consolidates the following information in one single presentation:

- The background to the key policy issues including the assumptions adopted in formulating the financial forecast around government support, price increases and assessment of minimum level of general fund reserves.
- The Council's financial targets and the medium-term financial forecast.
- Revenue and capital spending plans.
- Prudential indicators.
- The various policies and strategies which support the budget framework including the Capital Strategy.
- The statutory budget and Council Tax calculations required for 2023/24.

## **5. Proposals**

5.1 The key features of the budget proposals are summarised below:

- The budget is supported by Directorate and Service Action Plans which support delivery of the Council's key priorities.
- The budget for 2023/24 is balanced after the use of reserves for one-off items, meaning that the Council does not need to rely on the use of reserves to meet ongoing spending plans during this year.
- The level of general reserves planned for the end of the 2023/24 financial year, exceed the minimum recommended level of **£2.6m**.

- The budget continues to support priority services.
- Efficiencies and/or additional resources are required to deliver a balanced budget and maintain/restore reserves to the recommended minimum levels for years 2024/25 and beyond.

## **6. Corporate Implications**

### **a) Financial Implications**

The Council must make certain statutory calculations in relation to the Council Tax requirement for 2023/24. These are set out in full in the Policy Framework and Budget Setting 2023/24 report attached.

The tables shown at recommendations 15 & 16 set out the proposed Council Tax charges to be made to residents in respect of the Borough Council, the Town Council and the other precepting authorities.

### **b) Legal Implications**

This report is presented by me in my role as “section 151 officer” – the officer appointed to have responsibility for the Council’s financial administration. It covers all those matters required by legislation for setting a budget and Council Tax.

The Cabinet’s attention is drawn particularly to sections 3, 6 and 12 of the accompanying report containing statutory reports that I have a duty to provide in respect of the adequacy of reserves and the robustness of spending plans. The Council must have regard to this advice before making the decisions required by this report.

The proposals in this report are based on a Council Tax increase of **2.96%** resulting in the Borough Council Band D charge of **£281.79**.

#### Council Tax Referendums

Schedule 5 of the Localism Act introduced a new chapter into the 1992 Act, making provision for Council Tax referendums to be held if an authority increases its Council Tax by an amount exceeding principles determined by the Secretary of State and agreed by the House of Commons. The Localism Act also abolished the capping regime in England.

In summary, for 2023/24 the principles are that the Council would be required to seek the approval of the local electorate in a referendum if, compared with 2022/23, it set Council Tax increases of **3.0%** or **£5** whichever is the greater.

The Council’s calculations in this regard are given at recommendation 18 above.

### **c) Human resource & equality implications**

There are no new implications within this report.

### **d) Timescale for implementation and risk factors**

Having considered this report, the Cabinet should submit its recommendations to the Council meeting to be held later this evening. At this meeting, the Council will

also set the full amount of Council Tax, to include the precepts issued by Essex County Council, Essex PFCC Fire and Rescue Authority, Police, Fire & Crime Commissioner for Essex and Canvey Island Town Council (where appropriate).

The date of the Council meeting is well within the legal deadline of 11<sup>th</sup> March for setting the budget but is almost the latest date that will allow adequate preparation for the timely despatch of Council Tax bills to give due notice for first instalments due on 1 April.

## **7. Conclusion**

7.1 The recommendations set out above are classified as to:

- those required to implement Council policies and to approve the related spending plans;
- those required in respect of capital spending plans and treasury management;
- those requiring the Council to have regard to the statutory reports of the Strategic Director (Resources);
- the statutory calculations in respect of the budget requirement and Council Tax.

### **Background Papers:**

Final local government finance settlement: England, 2023 to 2024

The Referendums Relating to Council Tax Increases (Principles) (England) Report 2023 to 2024

**Report Author:** Chris Mills – Strategic Director (Resources), Section 151 Officer



# ***Policy Framework and Budget Setting for 2023/24***

(Incorporating the Financial Planning and Capital Strategy)

Report of Chris Mills FCPFA, Strategic Director (Resources)



# Contents

Report section	Page
1 Financial Planning Strategy .....	1
2 Medium-Term Financial Planning.....	3
3 Tax base .....	16
4 Local Government Funding.....	17
5 Collection Fund .....	22
6 Reserves & Contingencies.....	23
7 Charging Policy & Commercialism .....	34
8 Capital Strategy .....	36
9 Treasury Management Strategy.....	48
10 Investment Strategy .....	53
11 Pay Policy .....	60
12 Chief Financial Officer's report under Section 25 of the Local Government Act 2003.....	65
13 Calculation of the Council Tax Requirement .....	66
14 Precepts & Council Tax levels .....	67

Please note that in this report many of the tables display rounded figures. The totals in those tables are based on the unrounded figures and therefore it may give the appearance that some totals do not correctly sum the presented figures.

# 1 Financial Planning Strategy

## Introduction

- 1 Ongoing delivery of priority services is the central focus of the Council's Financial Planning Strategy. Departmental Service Action Plans are produced annually, supported by detailed financial projections covering both revenue and capital cost implications. These plans are directly linked to the Council's Corporate Plan and therefore reflect the Council's key priorities and objectives for the medium term.
- 2 The Financial Planning Strategy sets out how the Council plans to resource the delivery of its services and is applied in compiling the Council's medium-term financial forecast, considering:
  - The financial settlement for local government that determines the amount of government grant and redistributed funding the Council receives towards its expenditure.
  - Developments in the economy, including key external influences and drivers.
  - Changes in government policy, legislation or regulation.
  - Financial risks which may or may not materialise over the lifetime of the strategy.

## Key principles of the Strategy

- 3 The strategy is informed by detailed Departmental Service Action Plans containing the revenue and capital cost implications of the Council's services and based on the following key principles:
  - Balanced and affordable budget - spending on services is contained within resources, managed by identifying efficiency savings and redirecting the use of existing resources.
  - Adequate reserves – making sure the Council has enough reserves to meet identified risks, unbudgeted increases in costs and to manage the impact of cyclical spend across the Council's financial forecast. An allowance for unidentified and unknown risks also needs to be made.
  - Council Tax levels – assuming that, unless there are inescapable cost increases above inflation or significant reductions in other funding, Council Tax levels will increase by no more than the maximum permissible without holding a council tax referendum, as set out by the Secretary of State (DLUHC).

## Requirements of the Strategy

- 4 The strategy:
  - Is linked with other key strategies and plans, namely the Human Resources Workforce Plan and the Asset Management Plan together with finance-based strategies including the Capital, Treasury Management, Investment and Commercial Strategies, and the Housing Revenue Account Business Plan.
  - Shows how the Council will be responsive to national economic circumstances, government requirements and initiatives.
  - Shows how the Council would deal with any future variations in funding levels and requirements to improve efficiency, while maintaining a balanced and affordable budget.
  - Recognises the importance of risk assessments and financial contingency planning, understands the sensitivity of the budget and the implications of changes in operational performance and funding levels.
  - Recognises the importance of sound financial management and explains the Council's policies on financial reserves.
  - Identifies the Council's policy options for setting the level of the Council Tax.
  - Develops the best possible estimate of future resources and ensures that financial planning takes account of both the immediate and the medium-term implications of decisions.

- Identifies additional sources of income and other resources through partnerships.
- Carries out consultation with stakeholders to inform Council priorities reflected in spending plans.
- Gives budget holders sufficiently wide delegated powers and flexibility to enable them to respond promptly to the changing needs of service delivery.
- Maintains a charging policy which is consistent, clear and fair to both the direct users of services and Council Taxpayers in the Borough.
- Ensures the budget reflects the annual impact of the management of its assets including repairs and renewals and the outcome of property reviews and stock condition surveys.

**Actions to support the Strategy**

5 The processes that support the Financial Planning Strategy are: -

- Rolling five-year financial forecast – based on the strategy, updated on a rolling basis and considered regularly at Cabinet meetings.
- Annual budget process – agreed each year to enable the Council's budget to be set within the guidelines of the strategy.
- Financial monitoring – budget holders are responsible for monitoring their budgets. The Leadership Team conduct monthly reviews of those budgets identified through risk assessment or where expenditure or income budget variances exceed certain thresholds. Reports focus on large, high risk or volatile budgets, as well as areas identified by service accountants during the monthly review of detailed management reports. Matters of exception are referred to Members.
- Member oversight - Cabinet Members receive monthly operational reports and bi-monthly high-level reports are presented to formal Cabinet meetings (quarterly from 2023/24 onwards), including updates on the Medium-Term Financial Forecast and explanation of financial developments which may impact on the forecast going forward.
- Evaluation of new proposals – the financial and human resource implications of new proposals and their impact on the financial strategy are considered at the outset and included in relevant Cabinet reports.

## 2 Medium-Term Financial Planning

- 1 The Corporate Plan provides the links between the aspirations of the community and individual services. Service plans are produced annually to ensure the future allocation of resources is based on the Council's key priorities. Service plans demonstrate how each service will be delivered and inform the Council's Financial Planning Strategy and Medium-Term Financial Forecast (MTFF).
- 2 The forecast at table 2.3 shows the impact on financial resources of current service spending plans and estimated future changes to those plans. Tables 2.1 and 2.2 provide a summary of service spend at Directorate and service level before external funding and Council Tax. The final line of table 2.1 informs line 1 of the MTFF (table 2.3).

Table 2.1 General Fund revenue summary	Note	2021/22 Actual £000's	2022/23 Revised £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's
<b>Net Service Expenditure</b>						
Chief Executive & Resources	1	2,613	1,572	1,548	1,588	1,743
Corporate Services	1	276	326	526	465	493
Environment	1	6,522	7,356	8,327	7,369	8,036
Customer & Digital Services	1	1,069	1,410	1,375	1,373	1,497
Housing	1	1,268	1,376	1,401	1,437	1,466
Place & Policy	1	1,219	1,495	1,994	2,096	1,925
<b>Total Net Service Expenditure</b>		<b>12,967</b>	<b>13,535</b>	<b>15,171</b>	<b>14,327</b>	<b>15,160</b>
Other Operating Expenditure	2	417	644	560	513	710
Financing & Investment Income & Expenditure	3	308	(8)	(157)	(124)	(103)
Net Statutory Adjustments	4	(465)	(2,345)	(1,334)	(2,017)	(2,339)
<b>Total to be met from government grants, reserves and Council Tax</b>		<b>13,228</b>	<b>11,827</b>	<b>14,240</b>	<b>12,700</b>	<b>13,428</b>
<b>Total excluding Canvey Island Town Council Precept</b>		<b>12,976</b>	<b>11,563</b>	<b>13,966</b>	<b>12,426</b>	<b>13,154</b>

### Notes:

- 1 See table 2.2
- 2 Includes a percentage applied to all salaries estimates to take account of vacant periods (vacancy factor), the precept payable to Canvey Island Town Council from additional Council Tax collected from Canvey residents, allowances for repairs and maintenance programmes, and other miscellaneous items.
- 3 Includes interest payable and receivable, and statutory pensions adjustments based on information from the Essex Pension Fund and the pension actuary.
- 4 Various statutory adjustments and reversals, to ensure that the Council Tax requirement amount is not affected by income and expenditure relating to non-current assets, such as depreciation, and other items such as the payment of capital receipts to central government. Also includes revenue contributions to fund capital expenditure.

Table 2.2 General Fund net service expenditure	2021/22 Actual £000s	2022/23 Revised £000s	2023/24 Estimate £000s	2024/25 Estimate £000s	2025/26 Estimate £000s
<b>Environment</b>					
Cemetery & Mortuary Services	188	189	233	197	308
Environmental Health	723	824	888	891	911
Flood Defence	0	0	0	0	0
Leisure & Community Halls	1,797	2,014	2,728	2,121	2,066
Parking	(405)	(437)	(831)	(821)	(817)
Parks & Open Spaces	727	715	776	633	751
Public Conveniences	147	166	157	157	161
Refuse & Recycling	1,712	2,308	2,618	2,503	2,942
Street Scene & Operational Services	1,634	1,577	1,756	1,688	1,714
<b>Net total - Environment</b>	<b>6,522</b>	<b>7,356</b>	<b>8,327</b>	<b>7,369</b>	<b>8,036</b>
<b>Customer &amp; Digital</b>					
First Contact	0	0	0	0	0
Housing Benefit	(33)	263	188	173	190
Information Technology (IT)	0	0	0	0	0
Revenues & Benefits	1,102	1,147	1,187	1,199	1,307
<b>Net total - Customer &amp; Digital</b>	<b>1,069</b>	<b>1,410</b>	<b>1,375</b>	<b>1,373</b>	<b>1,497</b>
<b>Housing</b>					
Housing Development	88	162	144	150	125
Housing Options & Homelessness	1,181	1,214	1,258	1,286	1,341
Land Charges	0	0	0	0	0
<b>Net total - Housing</b>	<b>1,268</b>	<b>1,376</b>	<b>1,401</b>	<b>1,437</b>	<b>1,466</b>
<b>Place &amp; Policy</b>					
Building Control	144	190	245	257	284
Development Control	358	496	480	508	560
Planning Policy	643	641	1,050	1,107	849
Strategic Planning	75	167	218	225	231
<b>Net total - Place &amp; Policy</b>	<b>1,219</b>	<b>1,495</b>	<b>1,994</b>	<b>2,096</b>	<b>1,925</b>
<b>Corporate Services</b>					
Community Services	286	287	279	280	286
Estates Management	20	28	27	28	28
Events	1	0	0	0	0
Governance	0	0	0	0	0
Legal Services	0	0	0	0	0
Licensing	(32)	12	219	158	180
Public Health	0	0	0	0	0
<b>Net total - Corporate Services</b>	<b>276</b>	<b>326</b>	<b>526</b>	<b>465</b>	<b>493</b>
<b>Chief Executive &amp; Resources</b>					
Corporate & Democratic Core	301	1,074	1,049	1,041	1,104
Democratic Services	1,282	1,383	1,446	1,457	1,552
Knightswick	1,027	(884)	(947)	(910)	(912)
Financial services	0	0	0	0	0
Human resources	3	0	0	0	0
Internal Audit Services	0	0	0	0	0
Policy & Performance	(0)	0	0	0	0
<b>Net total - CEO &amp; Resources</b>	<b>2,613</b>	<b>1,572</b>	<b>1,548</b>	<b>1,588</b>	<b>1,743</b>
<b>Total Net Service Expenditure</b>	<b>12,967</b>	<b>13,535</b>	<b>15,171</b>	<b>14,327</b>	<b>15,160</b>

**Basis of the forecast (table 2.3)**

- 3 The key stages and assumptions in the process of producing the Financial Forecast were: -
- A review of 2022/23 estimates against actual income and expenditure for 2021/22 and 2022/23 year to date, to arrive at a core no-growth base budget for revised 2022/23, estimate 2023/24 and 2024/25 to 2025/26 (both provisional), driven by current service plans.
  - Where applicable, increases for inflation of costs relating to pay, employer's pension fund contributions, contracts, rates, utilities and insurances are adjusted for. Controllable service costs have been carried forward at existing levels except in the case of inescapable increases.
  - Adjustments have been made for changes to spending levels expected or known to occur over the life of the forecast including the impact of the capital programme on revenue. In compiling the forecast, account has been taken of the financial implications of wider economic developments, including the impact of interest rate increases, changes in the housing market and the impact on the Council's various fee charging services.
  - Income from fees and charges has been reviewed and recalculated taking account of latest trends, proposed price increases and the impact of the current economic climate.
  - Provision has been made for costs or savings expected to arise from known and proposed changes in legislation as well as unavoidable service-related cost increases.
  - A review of the funding mechanism for local government has once again been deferred and it is unknown when it will be implemented or what the impact on the Council's financial plans may be. Therefore, in the absence of specific information, years beyond 2023/24 are based on a continuation of existing government policy, funding mechanisms and local spending plans.
- 4 The forecast includes the latest information received from the Essex County Council (ECC) Pension Fund in relation to employer's pension contributions. This information has been based on an actuarial valuation carried out on the Pension Fund as at 31 March 2022. These valuations are carried out every three years. This latest valuation is effective for contribution rates included in the forecast from 2023/24 onwards and is based on a 10 year recovery period. The next valuation will be undertaken by the actuary in March 2025, effective for contributions from April 2026.
- 5 The tax base as at December 2022 has been adopted as the basis for calculations relating to 2023/24 and includes adjustments to reflect the localised scheme for support of Council Tax, as well as the outcomes anticipated to be realised from the ongoing compliance review of discounts and exemptions granted from Council Tax.
- 6 The proposed Council Tax band D value for 2023/24 is indicated at note 5 of table 2.3 and, combined with current spending plans, delivers a balanced budget for the new financial year.
- 7 A Council Tax referendum would be triggered by this Council if Council Tax were increased by more than **3%** on a band D property, above the Council's relevant basic amount of Council Tax for 2022/23. The Council's proposed increase is below this threshold.

**Commentary on the forecast**

- 8 This is a forecast for the guidance of Cabinet/Council and not a policy statement that the position will be as indicated. The forecast shown at table 2.3 indicates the following:
- The budget for 2023/24 is not initially balanced and the Council is having to rely on the use of reserves to meet its spending plans. The General Reserve is being used to fund two items. First, the use of the reserve demonstrates the impact of decisions taken by Full Council in relation to the unadopted Local Plan and its successor, the Castle Point Plan. Second, the use of the reserve includes the **£80k** impact of funding for one year only the Highways Rangers service previously funded by ECC. The budget is balanced excluding these one-off costs.
  - The **£80k** cost of the Highways Rangers can effectively be met from the forecast 2022/23 underspend. Any residual underspend after all required adjustments at the end of 2022/23 will

be applied to the General Reserve and carried forward in the reserve balance. The **£80k** cost of the Highways Rangers is then able to be met from within the brought forward amount.

- The budgets for future years are not balanced even after allowing for the forecast costs associated with the Castle Point Plan, meaning that the Council will have to rely on the use of reserves to meet spending plans during these years until such time as the budget gap indicated at line 8 is closed by reducing costs or increasing income streams.
- The Council, like all local authorities, has been delivering savings and efficiencies for many years but is now at the point where the smaller or easier options have been exhausted. Consequently, the Council is commencing a transformation programme which is able to look at thematic workstreams at strategic level, and at a detailed level identify new and improved ways of working and managing resources. Detailed transformation budget plans are not yet available although an allowance for the cost of change has been made within reserves. Additionally, in the absence of detailed plans, no savings have yet been assumed in the budget although it is possible that ongoing savings will start accruing during 2023/24.
- That Council Tax levels for 2023/24 will be increased by **2.96%** and future years by the maximum increase currently permitted without holding a Council Tax referendum.
- Forecast reserves are projected to be above the minimum level of **£2.6m** recommended by the s151 Officer at the end of 2023/24.
- From 2024/25 onwards the level of reserves and Council Tax increases indicated are dependent on the achievement of savings, additional revenue income streams and/or increases in grant funding, over and above that already incorporated within the forecast. The Council Tax increase shown for all years is within the referendum limit currently indicated by Government and subject to the agreement of Council in each respective years' Council Tax setting process.
- In view of the potential funding gap indicated for future years, there will be limited opportunities to plan the use of reserves for non-recurring expenditure, over and above those already earmarked at the present time.

### **Robustness of the forecast**

- 9 The underlying spending plans for 2022/23, 2023/24 and 2024/25 to 2025/26 (both provisional), on which the forecast is based, are considered generally robust, subject to any reservations expressed above. The figures presented for 2023/24 represent the funding notified to the Council as part of the one-year settlement.
- 10 The Council has already identified significant savings which will impact throughout the financial forecast. Further savings will need to be identified in order to balance the budget for years beyond 2023/24.

### **Monitoring of the forecast**

- 11 The forecast is approved by Cabinet and Council in February as part of this budget and Council Tax setting process. If material changes are necessary during the financial year, the Cabinet will be updated accordingly.
- 12 Financial and operational performance indicators are routinely monitored, and performance reported to Cabinet members and the Leadership Team on a monthly basis. Formal reporting of performance against the financial forecast is undertaken monthly by the s151 Officer and reported quarterly to Cabinet.
- 13 The Financial Forecast is a live document linked directly to the detailed budget and therefore reflects the impact of virements, additional revenue and/or changes in services as they occur.

### **Funding of priority projects**

- 14 Table 2.4 sets out some of the priority projects / discretionary functions that the Council continues to fund during the period of the forecast. These have been reflected in the Financial Forecast.

**Cost pressures and budget increases (growth)**

- 15 The movement caused by cost pressures and unavoidable/essential service increases identified during the budget process and since the budget set in February 2022 is summarised in table 2.5, with the more material items or items of interest listed in table 2.6.

Table 2.3 Medium term financial forecast (MTFF)		2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	Report Section Ref	Notes
Line	Current policies and service plans						
1	Net service expenditure	11,563	14,166	12,426	13,154	2	Fluctuations predominantly caused by phasing of expenditure some of which is "offset" by earmarked reserves.
2	Council Tax	(8,534)	(8,808)	(9,170)	(9,454)	3	
3	Business Rates (related transactions)	(3,161)	(3,912)	(2,014)	(2,014)	4	Note 1 (below)
4	Capital grants, other grants and contributions	(1,090)	(1,935)	(392)	(298)		Note 2 (below)
5	Net Collection Fund(s) (surplus) / deficit	1,358	973	32	0	5	2022/23 and 2023/24 deficits relate to the previous year and are funded by s31 grant from central government applied through earmarked reserves at line 7.
6	Net expenditure / (income) before reserves	136	484	882	1,398		
7	Transfer to / (from) Earmarked reserves (net)	(498)	147	308	10	6	Note 4 (below)
8	(Surplus) / Deficit on General Fund	(362)	631	1,190	1,398	6	Note 3 (below)
9	General Reserves balance at end of year	(6,126)	(4,995)	(3,305)	(1,407)	6	Note 3 (below)
10	Earmarked Reserves balance at end of year	(14,770)	(14,721)	(14,830)	(14,660)	6	Note 4 (below)

Note 1 (MTFF) Business Rates Related Transactions		2022/23 £000's	2023/24 £000's	2025/25 £000's	2025/26 £000's	Report Section Ref	Notes
1	NNDR1 (statutory return) calculation / forecast (income)	(1,279)	(1,878)	(2,014)	(2,014)	4	Includes impact of negative revenue support grant in future years
2	Business Rates Levy (payment)	411	396	0	0	4	
3	Grant received (s31) in respect of business rates government reliefs	(2,193)	(2,430)	0	0	4	
4	Business Rates pool growth	(100)	0	0	0		
5	<b>Business Rates related transactions</b>	<b>(3,161)</b>	<b>(3,912)</b>	<b>(2,014)</b>	<b>(2,014)</b>		Financial forecast line 3
6	Deficit on collection fund relating to business rates grants	1,300	936	0	0	5	Within financial forecast line 5 (COVID-19 related / offset by reserve)
7	Grant transferred to / (from) earmarked reserve	(1,300)	(936)	0	0	5	Within financial forecast line 7 (COVID-19 related / offsets line 5)
8	<b>Net value of transactions relating to business rates</b>	<b>(3,161)</b>	<b>(3,912)</b>	<b>(2,014)</b>	<b>(2,014)</b>		

Note 2 (MTFF) Capital grants, other grants and contributions		2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	Report Section Ref	Notes
1	Preceptors' council tax share back agreement	(472)	(200)	(200)	(200)		
2	New Homes Bonus	(141)	(83)	0	0	4	
3	Capital Funding Grants (Seafront and Labworth)	(50)	(1,200)	(94)	0	8	Includes £200k in 2024/25 being applied from earmarked reserves against expenditure
4	New Burdens Grant / Services grant / Misc.	(424)	(452)	(98)	(98)	4	
6	Covid related funding from government	(3)	0	0	0		
7	<b>Capital grants, other grants and contributions</b>	<b>(1,090)</b>	<b>(1,935)</b>	<b>(392)</b>	<b>(298)</b>		Line 4 financial forecast

Note 3 (MTFF) General Reserve		2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	Report Section Ref	Notes
1	Balance at start of year	(5,764)	(6,126)	(4,995)	(3,305)		Minimum recommended balance for General Reserves is <b>£2.6m</b> for 2023/24.
2	Contribution to / (from) General Fund (MTFF line 8)	(362)	631	1,190	1,398		
3	Potential planning appeals & associated legal costs	0	500	500	500		
4	<b>(Balance) / deficit at end of year</b>	<b>(6,126)</b>	<b>(4,995)</b>	<b>(3,305)</b>	<b>(1,407)</b>	6	

Note 4 (MTFF) Earmarked Reserves		2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	Report Section Ref	Notes
1	Balance at start of year	(15,538)	(14,770)	(14,721)	(14,830)		The precise timing of the use of earmarked reserves is, due to their nature, is generally unknown.  Earmarked reserves are reviewed annually to ensure sufficiency and where need has diminished funds will be returned to General Reserves.
2	Contribution (to) / from General Fund (MTFF line 7)	498	(147)	(308)	(10)		
3	Total other expected usage of earmarked reserves - not allocated within the detailed budget	270	196	199	180		
4	<b>Balance at end of year</b>	<b>(14,770)</b>	<b>(14,721)</b>	<b>(14,830)</b>	<b>(14,660)</b>	6	

Note 5 (MTFF) Council Tax		2022/23	2023/24	2024/25	2025/26	Report Section Ref	Notes
1	Tax at band D £	273.69	<b>281.79</b>	290.16	295.92	14	
2	Increase %	1.98%	<b>2.96%</b>	2.97%	1.99%		

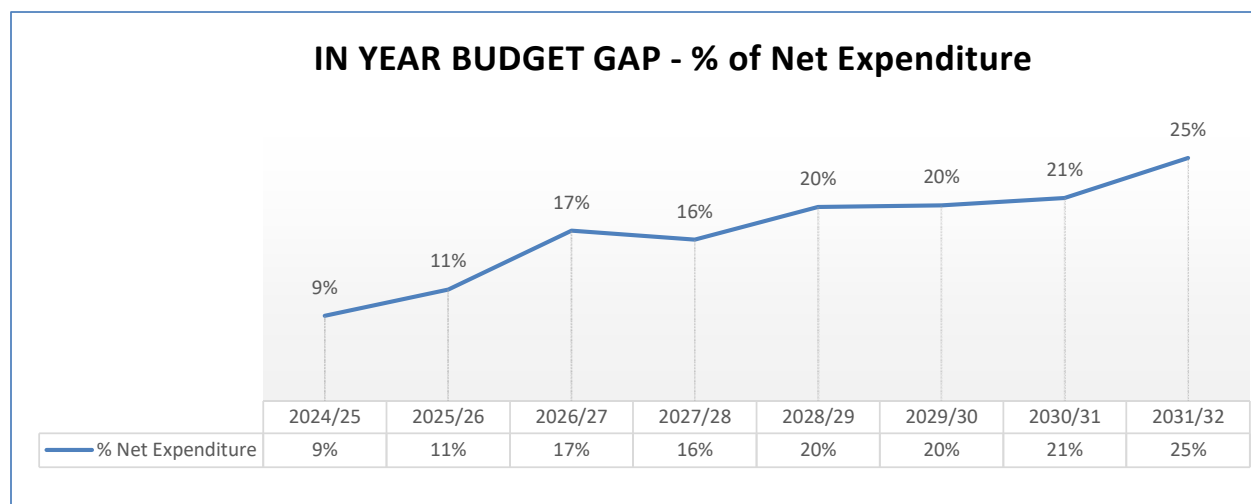
Table 2.4 Funding of priority projects & other discretionary expenditure included in line 1 of the Financial Forecast			
Ref.	Description of priority project or discretionary item	2022/23 £000's	2023/24 £000's
	<b>All Services, Corporate &amp; Democratic Core</b>		
1	Funding of discretionary portion of business rates relief to charities and other bodies - percentage of overall relief cost applicable to this Council	31	28
2	Funding to move to a zero-carbon electric tariff	0	9
	<b>Corporate Services</b>		
3	Funding for local and voluntary organisations	126	128
4	Contribution to Community Transport Scheme operated by Wyvern, providing transport for elderly and disabled residents of the Borough	10	10
5	Running costs of CCTV installed at various public locations around the Borough, including car parks, the Dutch Cottage, the seafront and specific residential areas	17	12
	<b>Environment</b>		
6	Festive lighting / decorations across the Borough	14	14
7	Black refuse sacks provided free to residents (actual cost)	39	0
8	Public Conveniences across the Borough (net direct cost excluding recharges and capital charges)	149	140
9	Highways Rangers (previously funded by Essex County Council)	0	80
	<b>Total funding of priority projects and discretionary items</b>	<b>386</b>	<b>421</b>

Table 2.5 - Changes from previously published budget								
2022/23 Increases / (Decreases)	Chief Executive & Resources £'000s	Corporate Services £'000s	Customer & Digital Services £'000s	Environment £'000s	Housing £'000s	Place & Policy £'000s	Non-Service & Financing £'000s	Total £'000s
Staffing - Pay/NI/Pension	2	31	(239)	59	42	(62)	0	(167)
Staffing - Other	173	(24)	150	(380)	26	(45)	0	(101)
Premises	(17)	(113)	0	(405)	0	0	0	(534)
Other Expenditure	64	(13)	5,102	1,184	(55)	267	1,763	8,313
Income	89	(214)	(4,945)	(146)	65	(96)	(1,024)	(6,271)
Recharges	(136)	167	(410)	(685)	57	(16)	0	(1,023)
	<b>175</b>	<b>(166)</b>	<b>(342)</b>	<b>(371)</b>	<b>135</b>	<b>47</b>	<b>739</b>	<b>217</b>
Earmarked reserves								(544)
<b>Overall change from previously published budget</b>								<b>(327)</b>
2023/24 Increases / (Decreases)	Chief Executive & Resources £'000s	Corporate Services £'000s	Customer & Digital Services £'000s	Environment £'000s	Housing £'000s	Place & Policy £'000s	Non-Service & Financing £'000s	Total £'000s
Staffing - Pay/NI/Pension	39	28	144	329	74	109	0	723
Staffing - Other	110	(53)	(70)	(266)	17	(20)	0	(282)
Premises	26	172	0	923	12	0	0	1,132
Other Expenditure	2	(16)	(62)	1,527	(57)	522	721	2,636
Income	15	8	(29)	(1,270)	31	(97)	(3,707)	(5,048)
Recharges	10	(114)	(373)	(363)	95	41	0	(704)
	<b>202</b>	<b>25</b>	<b>(390)</b>	<b>879</b>	<b>172</b>	<b>555</b>	<b>(2,986)</b>	<b>(1,543)</b>
Earmarked reserves								892
<b>Overall change from previously published budget</b>								<b>(651)</b>

Table 2.6 Key changes from previously published budget		2023/24 £000's	2024/25 £000's
<b>Favourable movements, savings and efficiencies</b>			
Increase in net interest receivable		(624)	(568)
Government grants in Local Government Financial Settlement		(438)	0
Increase in leisure services income		(333)	(333)
Net increase in retained business rate income		(284)	0
Reduced interest payable due to early repayment of PWLB debt		(207)	(207)
Change in VAT treatment for leisure services		(200)	(202)
Triannual pension valuation showing fully funded scheme		(178)	(400)
Saving on financing cost of vehicle replacement programme		(150)	(118)
Reduced disposal cost for comingled waste		(100)	(100)
Reduction in use of temporary accommodation		(87)	(87)
Review of Members' allowances postponed for one year		(69)	0
Ceasing provision of free black sacks (budgeted cost)		(28)	(28)
<b>Adverse movements, pressures and growth</b>			
Staffing – above budget pay award in 2022/23, increased assumption for 2023/24, increased pension contribution rate		474	474
Staffing – contingency for 2023/24 pay award being above budgeted assumption		200	0
Inflation – increased electricity cost		187	187
Inflation – increased gas cost		161	161
Inflation – other		210	210
Highways Rangers previously funded by ECC		80	0
Tax base changes		75	75
Increased costs associated with elections		50	0
Review of Council's constitution		40	0
Street Scene Enforcement & Education Officer – extension of fixed term contract		13	21
Moving to a zero-carbon energy tariff		9	9

### Budget Gap – Years 2024/25 and beyond

- 16 The medium term financial forecast shown at table 2.3 indicates on line 8 a significant budget gap in 2024/25 and beyond, which the Council must address during the course of the 2023/24 financial year. The Council is not unique in this position and many authorities are working on significant programmes of change to address their own budget gaps. The Council is indeed commencing its own transformation programme as mentioned in Section 2, paragraph 8. The following chart provides a visual presentation budget gap and shows in year gaps which, if not addressed, will amount to a cumulative funding gap in the region of **£20.5m** over the 8-year period shown below.



- 17 Whilst General reserves appear relatively healthy short term, and the Council has been successful in establishing a range of earmarked reserves to support spending programmes such as asset maintenance, the effective cap on council tax increases, uncertainty around the future of local government funding, rising costs and limitations on the ability to raise fees and charges mean that the Council will shortly be “living beyond its means” and must adjust.
- 18 Reserves may not be used to support day to day operational spend but may be utilised to “unlock” ongoing revenue savings. For example, in order to run a new leisure activity which generates additional income it may be necessary to structurally adapt an existing facility. These initiatives are often referred to as spend to save initiatives and must be supported with a business case which considers the full implications of the initiative, including implementation costs, cashflow implications, impact on general fund and ultimately the period of return against the “investment” (e.g. period over which costs are offset by savings).
- 19 Such initiatives include:
- Digitalisation and automation of functions both internal to the organisation and externally facing for the benefit of our customers
  - Service and organisation restructuring to refocus resources to improve delivery of services
  - Engagement of specialists and consultants to supplement internal resources and skills and support the implementation of new ways of working
  - Investing in our assets to serve an alternative purpose perhaps in order to generate additional income, reduce costs or improve customer experience
- 20 As part of the current budget process the Council has identified funds totalling **£1.3m** from within existing earmarked reserves which may be utilised to support and enable such initiatives during the course of the forthcoming financial year, in order to support the delivery of a balanced budget in 2024/25 and beyond. These are as follows:
- Improvement fund **£937k**
  - Spend to save **£189k**
  - Carbon reduction **£200k**

### 3 Tax base

#### Tax base calculation

- 1 Under Section 33 of the Local Government Finance Act 1992 and supporting Regulations, the Council must make an annual calculation of its tax base. The tax base is the total number of properties on which Council Tax will be charged, expressed as a band D equivalent, after allowing for discounts, exemptions and losses on collection. The method of calculation is prescribed by law and made under delegated authority by the Strategic Director (Resources), in consultation with the Cabinet Member with responsibility for Finance.
- 2 The tax base is used in the budget requirement calculation to produce the standard amount of Council Tax for a band D property as well as by the Government in distributing certain grants and determining the Council's "spending power".
- 3 The calculated tax base for 2023/24, before losses on collection are deducted, is **32,059** band D equivalent properties which is an increase from the 2022/23 tax base of **31,981**. The increase reflects:
  - a) An increase in the total number of dwellings on the valuation list caused by, for example, new properties being built.
  - b) The above being offset by a 25% increase in the number of exempt dwellings, predominately in relation to unoccupied pitches linked to ongoing development work at Thorney Bay and empty properties where the liable person has passed away.
  - c) The anticipated outcome of ongoing compliance reviews of the various categories of Council Tax discounts and exemptions. The resource required to undertake the work is part funded by the main precepting organisations.
- 4 Having determined the overall tax base, the estimated number of band D properties must be reduced to reflect a collection rate that takes account of losses on collection due to amounts that are uncollectable and void periods in respect of empty properties (this is not the same as the collection rate used as a performance indicator). The tax base collection rate has been reviewed and it is proposed that it should be maintained at **97.50%** for 2023/24.
- 5 The tax base for 2023/24 is therefore **31,258** band D equivalent properties (compared with **31,181** in 2021/22) which is a year on year net increase of 77 band D equivalent properties.

## 4 Local Government Funding

### 2023/24 Local Government Finance Settlement / Settlement Funding Assessment (SFA)

- 1 At time of writing this report, the Rt Hon Michael Gove MP is expected to make a written statement to Parliament on 8<sup>th</sup> February 2023 confirming the publication of the 2023/24 Final Local Government Finance Settlement. The figures in the tables below reflect the detail within the draft Local Government Finance Settlement. If there are any material changes between the draft and final settlements, an updating paper will be produced and published as soon as possible.
- 2 The 2023/24 local government finance settlement is for one year only although does also set out the Government's intentions and proposals for the 2024/25 settlement which has assisted with the budget setting process.
- 3 At a national level, there is a **9.2%** net increase in the core spending power for local government in 2023/24, with every Council seeing at least a **3%** increase before taking into account any decisions on Council Tax rates. The national position is as shown in table 4.1 whilst table 4.2 shows how this translates at a local level to Castle Point, with the net increase of **4.3%**, mainly as a result of increased business rates and Council Tax.

Table 4.1 Core Spending Power - National Level		2022/23 £m	2023/24 £m
Settlement Funding Assessment		(14,882)	(15,671)
Council Tax		(31,923)	(33,838)
Grants		(7,736)	(10,035)
<b>Total</b>		<b>(54,541)</b>	<b>(59,544)</b>
<b>Net change %</b>			<b>9.2%</b>

Table 4.2 Core Spending Power - Castle Point		2022/23 £000's	2023/24 £000's
Settlement Funding Assessment (Business Rates)		(2,263)	(2,434)
Council Tax		(8,834)	(8,808)
Grants		(400)	(438)
<b>Total</b>		<b>(11,197)</b>	<b>(11,681)</b>
<b>Net change %</b>			<b>4.3%</b>

- 4 Table 4.3 shows the distribution of Business Rates (NNDR) collected within the Borough.

Table 4.3 Funding Settlement 2021/22 to 2022/23		2022/23 £000's	2023/24 £000's
Anticipated yield from NNDR for CPBC		(15,314)	(16,898)
50% Payable to Government		7,657	8,449
10% Payable to Essex County Council and Essex PFCC Fire and Rescue Authority		1,531	1,690
Amount left after payments		(6,126)	(6,759)
Tariff payable to Government		3,863	4,325
<b>Business Rates Baseline / CPBC funding</b>		<b>(2,263)</b>	<b>(2,434)</b>

**Business Rates Retention (BRR)**

- 5 The settlement no longer provides absolute funding indications for BRR and is based on an adjusted average income figure. This may or may not be reflective of the final BRR outcome for each respective year. Whilst the BRR scheme enables the Council to retain a proportion of Business Rates growth, it also requires the Council to absorb a proportion of the financial impact of successful rating valuation appeals and bad debts. Appeals may result in the repayment of backdated rates paid by businesses as well as an ongoing reduction in rates receivable by the Council in future years. This information is not known to Government at the time the settlement is announced.
- 6 The Council is therefore required to complete a statutory annual return to the Department for Levelling Up, Housing and Communities (DLUHC), referred to as the NNDR1, which sets out the anticipated National Non-Domestic Rates income collectible by the Council, based on more recent information than that available to Government. This return also calculates the value of section 31 grant (s31) which is payable to the Council. When Government introduce an initiative which reduces Business Rates payable by a particular type of business, s31 grant is payable in order to compensate for the reduction in business rates yield (e.g. small business rates relief).
- 7 The following table provides a comparison between the settlement and the NNDR1 return and indicates a difference in the amount due to the Council of **£857k** in 2023/24. The impact of this variance is cushioned through use of the Equalisation Reserve as described below.

<b>Table 4.4 Funding Settlement 2021/22 to 2022/23 (comparison)</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>	<b>2023/24 £000's</b>
	<b>NNDR1</b>	<b>Settlement</b>	<b>NNDR1</b>
Anticipated yield from NNDR for CPBC	(12,764)	(16,898)	(14,755)
50% Payable to Government	6,382	8,449	7,378
10% Payable to Essex County Council and Essex PFCC Fire and Rescue Authority	1,276	1,690	1,476
Amount left after payments	(5,106)	(6,759)	(5,902)
Less Tariff payable to Government	3,863	4,325	4,325
<b>Total combined funding for CPBC</b>	<b>(1,243)</b>	<b>(2,434)</b>	<b>(1,577)</b>

**Managing fluctuations in Business Rates Revenue**

- 8 The Council prudently established an earmarked reserve (NNDR Equalisation Reserve) in 2013/14 for the purpose of smoothing any detrimental impact which may present in respect of the NNDR collection fund, such as any levy payment which may become due, the effect of appeals on Business Rates income and the impact of any deficits on the Collection Fund. The Council maintains a rolling medium-term forecast of the reserve to support financial planning and table 4.5 sets out the transactions which are anticipated to impact on the reserve.
- 9 The balance on the reserve is to be maintained at a maximum of **£3m** as shown by the final line of the table below, with the value of funds exceeding this threshold being applied directly into the General Fund (reduction in overall reserve balance). This is an increase from prior years, with the Council taking a prudent position given a new ratings list is coming into effect, along with generally increased risk and uncertainty around collectable rates which could cause volatility in income levels. The position will be monitored throughout the year and updates provided to Cabinet in the quarterly Financial Update reports if required.

<b>Table 4.5 NNDR Equalisation Reserve</b>	<b>2021/22 £000's</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>
Opening Balance	(4,923)	(3,626)	(2,336)
Application of s31 grant income	(3,392)	(2,193)	(2,430)
Surplus on collection fund in year of distribution	0	0	0
<b>Total Contributions into the Reserve</b>	<b>(8,315)</b>	<b>(5,819)</b>	<b>(4,766)</b>
Application to offset payment of Levy	462	411	396
Deficit on collection fund in year of distribution	3,453	1,290	635
Equalisation adjustment – variance in rates retained	292	1,020	771
Reduction in overall reserve balance	482	762	0
<b>Closing Balance</b>	<b>(3,626)</b>	<b>(2,336)</b>	<b>(2,964)</b>

- 10 Additional information regarding the operation of the Business Rates Collection Fund may be found below and within section 5 of this report.

#### **Business Rates Retention Scheme & Growth**

- 11 Under the system of local Business Rate Retention, some authorities collect more rates than the Government has determined they need in order to fund their activities. These authorities are currently required to pay over the excess to Government and are referred to as “tariff” authorities. Most district councils are in this position and for Castle Point the tariff is **£4.325m** for 2023/24.
- 12 Conversely, those authorities who collect insufficient income in their own area receive payments from Government and are known as “top up” authorities. The most common group of authorities receiving top ups are county councils. Where an authority sees growth in its Non-Domestic Rates it must pay a proportion of that growth into the central pool as a “levy” which is capped at **50%**.
- 13 Calculation and payment of the levy is undertaken following the end of the financial year, once final outturn is known. The levy calculations for 2021/22 (final), 2022/23 & 2023/24 (provisional) are shown in the table below. Any detrimental impact on the General Fund is offset by application of the NNDR Equalisation Reserve (paragraph 8 above).

<b>Table 4.6 NNDR Levy Payment</b>	<b>2021/22 £000's</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>
CPBC share of Business Rates receipt	(4,767)	(5,106)	(5,902)
Tariff payment to Government	3,863	3,863	4,325
s31 grants awarded to the Council	(2,282)	(1,842)	(1,563)
<b>Retained income</b>	<b>(3,186)</b>	<b>(3,085)</b>	<b>(3,140)</b>
Less baseline funding level	(2,263)	(2,263)	(2,348)
Growth above baseline	(923)	(822)	(792)
<b>Levy Payment @ 50% of growth</b>	<b>462</b>	<b>411</b>	<b>396</b>

- 14 Year to year variations in the figures shown in this table reflect the impact of the pandemic and the ongoing support provided to business rates. Growth shown in the table above is absorbed within the NNDR Collection Fund.

### Essex Region Business Rates Pool

15 In a pooling arrangement, the respective baseline funding levels and baselines for the member authorities are added together and treated as one “pool” for the calculation of the levy. The levy, rather than being paid across to Government, is retained within the Pool and this is fundamentally the main advantage of a pooled arrangement.

16 The following authorities across Essex are members of an Essex Region pool:

- Basildon Borough Council
- Castle Point Borough Council
- Colchester Borough Council
- Essex County Council
- Harlow District Council
- Rochford District Council
- Tendring District Council
- Braintree District Council
- Chelmsford City Council
- Epping Forest District Council
- Essex PFCC Fire & Rescue Authority
- Maldon District Council
- Southend Borough Council
- Uttlesford District Council

17 The reduced levy resulting from the Essex Region Pool means that significantly more growth will be retained by member authorities. A participation agreement is in place which sets out the key principles of the pool as well as the basis for distribution of all proceeds.

### New Homes Bonus (NHB)

18 The New Homes Bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.

19 The NHB was previously a material source of funding for this Council however changes to the scheme announced as part of the 2017/18 Local Government Finance Settlement, coupled with the relatively low new property yield within the Borough, has meant that Castle Point has not qualified for significant new NHB funding in recent years.

20 The table below shows the allocation to Castle Point under the current methodology and based on the existing tax base.

Table 4.7 New Homes Bonus Allocations	2021/22 £000's	2022/23 £000's	2023/24 £000's
Settlement December 2022	(17)	(141)	(83)

21 The Government has previously consulted on the future of the NHB scheme, stating that “It is not clear that the New Homes Bonus in its current form is focused on incentivising homes where they are needed most”. Changes to the scheme are therefore anticipated at some point in the future.

### Lower tier services grant / Funding Guarantee

22 A new un-ringfenced lower tier services grant was introduced for 2021/22 and 2022/23. This had been allocated via 2013/14 Settlement Funding Assessment (SFA) levels and was designed to ensure that no authority has a reduction to its Core Spending Power. For 2023/24, this grant has ceased but was replaced by the Funding Guarantee which ensures no Council has an increase in the Core Spending Power of below 3% before Council Tax decisions are taken. The value of this grant for 2023/24 is **£268k**.

### Services Grant

23 This new grant in 2022/23 has also been distributed via 2013/14 SFA shares. The value of this grant for 2023/24 is **£88k**, a reduction from 2022/23 when it was **£156k**. The value for future years unknown.

**Top-up/Tariff Adjustments (Negative RSG)**

- 24 These adjustments were first introduced in the 2016/17 provisional settlement. They reflected the need to remove funding from authorities (due to the Spending Review 2015 funding reductions) that no longer had Revenue Support Grant.
- 25 Due to the approach taken in making the reductions, the Top Up/Tariff adjustments tended to hit high tax base/high tax rate authorities, with an increasing number being affected each year from 2017/18 to 2019/20. However, at the 2016/17 final settlement, the adjustments up to and including 2018/19 were removed, with the 2019/20, 2020/21, 2021/22 and 2022/23 amounts removed at the respective settlements.
- 26 As per the previous six years, the negative RSG amounts have been eliminated for 2023/24 from the settlement but have been included in the Council's financial forecast for future years given the uncertainty around these future years.

**Local Government Funding Reform / Business Rates Revaluation**

- 27 The only announcement regarding funding reform was as follows:
- “Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013/14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes”.
- 28 The lack of a set timetable for implementing the delayed Fair Funding Review and Business Rates Reset (both originally planned for 2019/20) may mean something more than just completing the previous project.

## 5 Collection Fund

### Collection fund balance

- 1 An estimate must be made of the balance on the Council Tax and Business Rates Collection Funds as at 31 March 2023. This is a statutory calculation that has to be made by 15 January for Council Tax and 31 January for NNDR.
- 2 The net impact of the respective balances relevant to Castle Point will be applied in the subsequent financial year as shown on line 5 of the financial forecast and expanded below:

Table 5.1 Collection Fund Surpluses/Deficits	2022/23 £000's	2023/24 £000's
Council Tax deficit / (surplus)	58	37
Business Rates deficit / (surplus)	1,300	936
<b>Total deficit / (surplus) on Collection Funds</b>	<b>1,358</b>	<b>973</b>

- 3 The deficit on business rates in both years is in relation to reliefs granted to businesses as part of the Government's 2021/22 covid-19 support programme and is funded by s31 grant. The deficit on council tax in 2022/23 is as a direct result of the impact of the economic effects of the pandemic on resident's ability to pay their council tax, with 2023/24 being caused by the current cost of living crisis.

### Council tax collection fund

- 4 The surplus or deficit relating to Council Tax is shared between this Council, Essex County Council, Essex PFCC Fire & Rescue Authority and Essex PFCC Policing and Community Safety. These adjustments are subtracted from or added to the amount to be raised from Council Tax for the forthcoming financial year and do not form part of the budget requirement.

### Business rates collection fund

- 5 Any surplus or deficit relating to NNDR is shared between this Council, Essex County Council, Essex PFCC Fire & Rescue Authority and Central Government. These adjustments are subtracted from or added to the amount to be raised from Council Tax and do not form part of the budget requirement.
- 6 A surplus or deficit balance on the NNDR Collection Fund may be caused by changes in a number of factors during the course of a financial year including new business premises, the outcome of rating appeals and changes in the total value of discretionary or mandatory reliefs granted compared to original estimates.

## 6 Reserves & Contingencies

- 1 The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to take into account the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 2 Under Section 25 of the Local Government Act 2003, the Council's Chief Financial (s151) Officer is required to report to the Council on the adequacy of the proposed financial reserves and to ensure that there are clear protocols for their establishment and use. The report of the s151 Officer is shown at paragraphs 4 to 21 below and has regard to the Guidance Note on Local Authority Reserves and Balances, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in June 2015. The Council must have regard to this report when making decisions on the Council Tax requirement calculation.
- 3 Reserves can be held for three main purposes:
  - a) General reserves: to meet the potential cost of emergencies or unexpected events, including a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
  - b) A contingency: to meet the costs of events that are possible, but whose occurrence is not certain - this also forms part of general reserves.
  - c) Earmarked reserves: to meet known or predicted liabilities, and potentially extending beyond a single financial year.

### Proposed level of general reserves

- 4 For 2022/23 and 2023/24 General reserves are calculated as follows: -

Table 6.1 General Reserves		£000's
<b>Actual balance 1 April 2022</b>		<b>(5,764)</b>
Net potential movement during 2022/23		(362)
<b>Forecast balance at 1 April 2023</b>		<b>(6,126)</b>
Net potential movement planned during 2023/24		631
<b>Forecast balance at 31 March 2023</b>		<b>(5,495)</b>

- 5 The estimated balance on reserves at the end of 2023/24 represents **42%** of the Council's net budget before funding for that year. Without context this level of reserves would appear to be high, however unless significant ongoing cost reductions are achieved, the Council will be required to use general reserves in order to support day to day expenditure for years 2024/25 and beyond.
- 6 Use of reserves on an ongoing basis to support day to day expenditure is not good practice and it is the Council's intention to identify savings / cost reductions / additional income to fully close each year's budget gap without relying on the use of reserves. However, until these years are balanced it is prudent for the Council to maintain reserves at a higher level.
- 7 The covid-19 pandemic delayed the progression of projects and initiatives which may have helped to reduce the budget gap in future years. The impact of the pandemic and more recently the cost of living crisis on both the demand for some council services and resident / customer ability to pay for the use of services and facilities is also unknown and may result in either an improved or worsened budget gap than is currently predicted.

**Adequacy of reserves**

- 8 There is no universally valid formula for calculating an adequate level of reserves – the relevant factors can only be assessed properly at a local level. The assessment of local factors should take account of the strategic, operational and financial risks facing the Council. This report considers these under the following headings: -

- **Corporate issues**
- **Financial standing and management**
- **Budget assumptions**
- **Other local factors of significance**

**Adequacy of reserves – corporate issues**

- 9 The Council has adopted a Risk Management Strategy and progress is regularly reported to the Audit Committee. The process includes the identification and management of strategic and operational risks. Risk Management is a key governance process as set out in the Local Code of Corporate Governance which is reviewed and adopted by the Audit Committee annually.

- 10 In terms of financial risks, the most significant at the current time are:

1. Impact of the pandemic and cost of living crisis on the Council's direct revenue streams including Council Tax and Business Rates (linked to resident and customer demand and ability to pay for the use of services and facilities).
2. New funding mechanism for local government (unknown implementation timeframe).
3. Increase in planning appeals and consequential costs.

**Adequacy of reserves – financial standing and management**

- 11 This is considered in the following table: -

**Table 6.2 Adequacy of reserves - financial standing and management**

**Overall financial standing**

The Council has no difficulty in meeting the key indicator of prudence in relation to capital borrowing. Local tax collection rates have been reviewed in view of the pandemic but are satisfactory.

**Record of budgeting and financial management**

In-year monitoring of the financial position is sound and risk rated with comprehensive reporting to budget holders. For many years, the year-end outturn has been well within approved budgets. The Financial Planning Strategy, which forms part of this document, has assisted the Council in maintaining the Council's finances on a prudent and stable footing.

**Capacity to manage in-year budget pressures**

The Council has an excellent record of maintaining good financial and budgetary discipline. A scheme of virements allowing resources to be reallocated within approved parameters has been used extensively. Financial procedures include flexibility to carry unspent budget into subsequent financial years in order to avoid unnecessary spend at year end.

**Strength of financial information and reporting arrangements**

All budget holders have access to a real time financial management system that shows cumulative expenditure (including commitments) and income against profiled budgets. Cabinet is responsible for monitoring the effectiveness of budgetary control and Cabinet Members receive regular reports of forecast variances. These reports provide Members with clear and concise information that has been informed by risk assessment and operational activity.

**Adequacy of reserves – budget assumptions**

12 These are considered in the following table: -

**Table 6.3 Adequacy of reserves – budget assumptions**

**Estimate of the level and timing of capital receipts**

Assumptions of new capital receipts are limited to, and based on, the current annual number of Council House sales under Right to Buy provisions.

**Sensitivity of budget assumptions**

The assumptions on which the financial forecast is based are sensitive to changes in factors outside the Council's influence. During the budget process the sensitivities of these assumptions are considered before determining the budget values to be adopted.

**Treatment of demand led pressures**

Many of the Council's revenue income streams are sensitive to changes in market conditions and therefore there will always be a risk that budgeted targets are not met. These include fees and charges for planning, building control, land charges and leisure services, recycling revenue streams and car parking income.

Estimates have been based on the latest available predictions with adjustment, where necessary, to take account of known factors that might cause changes in demand. This is a tried and tested approach.

**Adequacy of provisions**

Provisions for bad and doubtful debts have been calculated in accordance with CIPFA guidelines. This is a tried and tested approach.

The provision for the value of potentially successful rating valuation appeals in relation to Business Rates is significant. There are numerous variations to methodologies for calculating this provision and the Council has adopted a prudent approach, informed where possible by historic information. Progression of appeals is slow and there is limited information available on which to base estimates of the likely impact of successful appeals, so the Council has adopted methodology provided by DLUHC and has reviewed this with LG Futures.

**Treatment of inflation and interest rates**

The detailed budget includes provision for an average **4%** pay increase for 2023/24 and **2.5%** for subsequent years. A vacancy factor of **1.5%** has also been included in the estimates to reflect the vacancy periods during which salary costs are not incurred. There is a risk that the 2023/24 pay award ultimately agreed with unions is higher than budgeted, with every additional **1%** equating to **£120k**.

Budget holders have been asked to estimate outturn prices, i.e. to take account of known or expected increases in the prices of goods and services. This is a tried and tested approach.

All the Council's external debt is at fixed interest rates and the average interest rate used to estimate interest receivable from investments in 2023/24 is **2.67%**. The estimated level of investment income generated is based upon investments placed with institutions in accordance with the Council's Investment Strategy, as detailed in section 10.

Where cost increases are linked to the RPI or CPI, future year's increases are based on future RPI or CPI predictions provided by the Bank of England.

## 13 Adequacy of reserves – other local factors of significance

These are considered in the following table: -

**Table 6.4 Adequacy of reserves – other local factors of significance**

### **Equal pay review / Job evaluation**

A great deal of work has been undertaken on pay harmonisation and single status. However, the Council has not undertaken a full job evaluation exercise as required by the 2004 National Agreement. This carries a potential risk that the Council will need to use general reserves to defend and/or settle any successful claims made against the Council.

At the time of writing this report the Council is at the planning stage of undertaking a job evaluation exercise across the entire workforce. This is a major project which will require additional resource and which may have ongoing financial implications for the Council.

Any pay increases may be effective immediately and may or may not be backdated. In the absence of certain data on which to determine a sound cost estimate, provision has been included in the Council's budget for an ongoing cost increase of **£100k** representing **1%** of the Council's overall staffing cost.

### **Pension Fund revaluation**

The Council is obliged by statute to offer its employees membership of the Local Government Pension Scheme (administered by Essex County Council). The scheme changed from a final salary to a career average scheme in 2014/15 and offers members a defined benefit funded by employee and employer contributions. Every three years an actuarial valuation takes place which determines the Council's contributions for current employees and a deficiency payment to make good any estimated shortfalls in the fund's assets measured against its expected liabilities.

The actuary undertook a valuation of the Pension Fund as at 31 March 2012 which indicated a funding level of **106.3%** and has required an increase in the employer's contribution rate from **20.2%** to **21.9%**. The implications included within the Council's financial forecast are based on the recommendations of the pension fund, effective from April 2023. The next valuation will be undertaken by the actuary in March 2025, effective for contributions from April 2026.

Pension fund risks include changing economic conditions and investment returns being less than the assumptions adopted in the Pension Funds investment strategy. As a consequence this may see an increase in the employer's contribution rate from 2026/27 onwards. Provision has not been made in the Council's budget for this eventuality.

### **Potential for withdrawal of external or third-party revenue income**

The financial forecast currently assumes the continuation of certain revenue streams from external organisations or third parties. Many of these organisations have been impacted by the pandemic or cost of living crisis and are striving to reduce their costs. It is possible that one or more of these revenue streams may be lost.

**It is therefore recommended that when assessing the minimum level of reserves a sum of £100k is included in the calculations (paragraph 14 below).**

### **Potential for incurrence of legal costs**

There is potential for the Council to incur costs in relation to legal challenges including employment tribunals, equal pay claims, planning appeals and uninsured losses.

**It is recommended that when assessing the minimum level of reserves a sum of £640k is included in the calculations (paragraph 14 below).**

**Table 6.4 Adequacy of reserves – other local factors of significance (continued)****Potential for cost fluctuations in relation to service contracts**

A significant element of the Council's annual spend is transacted through contracts with other organisations. Fluctuations in markets (e.g. recycling), changes in legislation (e.g. new living wage) and other external events (e.g. covid-19 pandemic) can have a direct impact on the delivery costs of these contracts, necessitating an increase in the charge made to the Council. These changes are unpredictable.

The Consumer Prices Index for December 2022 (most recent to writing this report) was **10.5%** against a Bank of England target of **2%**. The rate is predicted to fall during the new financial year before gradually reducing towards the **2%** target. The index is significantly impacted by rising energy costs. The Council applies different inflation rates to different cost categories but there is potential for fluctuating inflation rates to have a more significant impact on contracted costs than has been determined as part of the current budget process.

As the Council tenders contracts during the year, it is likely that pricing will exceed existing budget provision. Whilst budgets have been inflated where contracts set out an inflationary element, many contracts cover a multi-year period at a fixed price. Where possible, estimates have been made of any additional cost on retender but there is a risk that prices received are significantly higher than expected.

**It is recommended that when assessing the minimum level of reserves a sum of £400k is included in the calculations (paragraph 14 below).**

**Potential for District / Borough Councils to “step into” the void left by other public organisations**

The combined pressure of reductions in funding and the increasing financial impact of welfare services and reforms on public organisations are significant. These organisations are striving to reduce their costs which may result in the discontinuation or reduction in some services to the public, an example this year being ECC's decision to cease funding the Highways Rangers. Consequently, there may be political pressure or public expectation that the District/Borough Councils will take on these discontinued functions.

Often, the organisation is much larger than the District / Borough Council and has undertaken its own review of functions and services, resulting in the displacement of those which it has determined to be lower priority.

The Borough Council must continue to be mindful of its own financial position and the funding gap predicted in future years. Assuming delivery of additional and unfunded functions, particularly where the District / Borough Councils have no legal responsibility for delivery, will worsen the Council's own financial position and be difficult to relinquish later.

**VAT – Partial Exemption**

The Council currently takes full advantage of the VAT concession in respect of recovering input tax relating to VAT-exempt activities, available to local authorities under the VAT Act 1994. The concession is only available provided this input tax remains below **5%** of VAT on all expenditure. Increased investment in the Council's assets, such as refurbishment of facilities, may result in the VAT partial exemption limit being exceeded. If this is the case, under normal circumstances, it is estimated that additional VAT would become payable to HM Revenue and Customs. A review of the Council's VAT position is undertaken annually.

**It is recommended that when assessing the minimum level of reserves a sum of £400k is included in the calculations (paragraph 14 below).**

**Table 6.4 Adequacy of reserves – other local factors of significance (continued)****Ongoing and lasting impact of the Pandemic (covid-19) on Council Revenue Streams**

An earmarked reserve was established as part of the 2021/22 budget process to give the Council flexibility to respond to financial implications arising from the lasting impact of the pandemic as they become known.

The most apparent lasting impact has been on the Council's School Lane car park. This car park was previously heavily used by commuters, but the shift to hybrid/home working has reduced utilisation of the car park with the inevitable reduction in income this brings. The car park income level has been improving throughout 2022/23 whilst for 2023/24 the detailed budget has retained income at the pre-pandemic level. As the year goes on and the impact becomes clearer, funding will be applied from the earmarked reserve to offset the impact.

**Impact of Welfare Reforms & Universal Credit on demand for Council Services**

A number of reforms (such as the introduction of Dependant Child Limitation rules, the Housing Benefit Cap, and the Spare Room Subsidy Limitations) have been introduced in recent years and continue to impact households across the borough.

The mass migration of legacy Housing Benefit Claims to Universal Credit, stalled by the pandemic in 2020, has recommenced with migration underway at targeted pilot sites and full migration expected to be complete by 2025. The Authority continues to work closely with Third Sector partners to successfully mitigate the impacts of this transition.

Despite this, demand for services across Revenues, Benefits, and First Contact remains high and is expected to continue so until the full impact of covid-19 on the economy, cost of living, and levels of debt stabilises.

Nationally the impact of covid-19 and cost of living crisis has seen increases in people who are experiencing homelessness and there is uncertainty regarding the continuing and ongoing impact. With 100% occupation of its own housing stock, changes in the private rented sector, and the continuing low rate Housing Benefit Cap (£22k for 2023/24), the Council continues to experience difficulty in finding suitable family sized temporary/permanent accommodation. The emerging impact of the wider economic context brings further service demands with the cumulation and management of rent arrears and debt management provision.

It is not therefore possible to predict the full direct or indirect impact of these and other welfare changes on demand for Council Services, particularly Housing and Benefit advice longer term.

**It is recommended that when assessing the minimum level of reserves a sum of £100k is included in the calculations (paragraph 14 below).**

**Economic volatility**

With the cost of living crisis, the war in Ukraine, the lasting impact of the pandemic, changes in Government fiscal policies and the impact of Brexit, there has been and continues to be a lot of economic volatility. The Council has also experienced significant impacts, most notably inflation on pay and energy budgets

However, the Council has also been able to benefit as interest receivable, driven by increases in the Bank of England base rate, has significantly increased and assisted with reducing the budget gap. Additionally, high gilt yields in October 2022 enabled the Council to repay PWLB debt at a discount and therefore reduce its interest payable.

Given the rapid ascent of the Bank of England base rate from its record lows, there is a risk that the increases have a quicker or harder impact than the Bank expects and therefore reduces the rate, or at least does not increase it as higher as expected

**It is recommended that when assessing the minimum level of reserves a sum of £300k is included in the calculations (paragraph 14 below).**

### Adequacy of reserves – conclusions

- 14 Having evaluated all the above factors, including the sensitivity of key budget assumptions, the s151 Officer considers that the following are significant local factors that should be taken into account when assessing the minimum level of general reserves: -
- a) Potential for withdrawal of external or third party revenue income (**£100k**)
  - b) Potential for cost fluctuations in major contracts (**£400k**)
  - c) Potential for incurrence of legal costs (**£640k**)
  - d) VAT – Partial Exemption (**£400k**)
  - e) Impact of Welfare Reforms on demand for Council Services (**£100k**)
  - f) Impact of economic volatility (**£300k**)
- 15 These factors would not be reflected in any formula approach such as the benchmark reported at point 18 below. It is the s151 Officer's view that, taking into account the combined value of the items identified above, plus an additional **5%** of operating expenditure (see below), an appropriate minimum level of reserves is approximately **£2.6m**.
- 16 Although this report on adequacy of reserves is specific to 2023/24, the Council should bear in mind that adequacy should also be judged against longer-term plans.
- 17 Whilst it is not permissible or feasible for the Council to rely on the use of reserves on an ongoing basis to balance its budget, it may apply reserves as part of a short-term strategy to manage, for example, a period of transition during which efficiency savings are identified to provide a longer-term solution. The Council's working policy is to earmark funds (set aside) to manage specific risks once the likelihood of that those risks materialising increases to a tangible level.

### Comparison with external benchmarks

- 18 The only previously known external benchmark for adequacy of reserves was the standard that used to be included in the criteria for auditor scored judgements on Financial Standing, this formed part of the Comprehensive Performance Assessment made by the Audit Commission. This was stated as **5%** of net operating expenditure, weighted by reference to government limits for meeting emergency expenditure. For Castle Point, this calculates at **£708k** for 2023/24.
- 19 A comparison of the above benchmark with the s151 Officer's assessment and the Council's target is therefore: -

Table 6.5 Adequacy of reserves 31st March 2022		£000's
Castle Point (Target)		2,600
Audit Commission (Benchmark)		708

- 20 The s151 Officer considers that until the impact of the new funding regime is known, and the local factors described in table 6.4 & paragraph 14 are resolved it is prudent for the Council to maintain a level of reserves in excess of the minimum recommended level.

### Exclusions

- 21 This opinion does not include the following items: -
- The equal pay review as there is no information currently available on which to form a view.
  - The impact of the new funding regime as the implementation timeframe and proposed methodology are unknown.
  - The impact of a change in Waste Collection arrangements.
  - The impact arising from the Council's transformation programme.

If, however, the circumstances surrounding any of the issues identified above change significantly, a report setting out the financial implications to the Council must be made immediately.

### **In-year use of General Reserves**

- 22 General reserves will not be applied during a financial year except under the conditions described in paragraph 3a) above.

### **Earmarked Reserves**

- 23 General reserves have been earmarked for known or predicted liabilities. Individual earmarked reserves of a significant value are supported by detailed spending forecasts and may span several financial years. The following provides a short commentary on the reserves held by the Council.

- **Spend to Save Initiatives**

A reserve of **£100k** intended to enable the Council to establish a scheme of self-insurance was established during the 2013/14 financial year. The scope was extended as part of the 2016/17 budget process to provide a fund for “pump-priming” initiatives which would deliver an ongoing reduction in costs and / or increased revenue to the Council. Each initiative will be supported by a specific business case. The value of this reserve was increased during the 2020/21 budget process to enable more initiatives to be taken forward. As savings from initiatives are generated, the reserve is replenished up to the value of the original investment ensuring that funds are continuously recycled for new initiatives. The balance on this reserve at the start of the 2023/24 financial year is forecast to be **£189k**.

- **Planning - Local Development Scheme & Local Plan**

The delivery of the programme set out in the Council's Local Development Scheme has considerable staffing and financial resource implications. Full Council approved the creation of the Castle Point Plan in November 2022 and this reserve is anticipated to be utilised to meet the costs of this.

- **Planning – Joint Strategic Plan**

A reserve created during the 2019/20 budget setting process for costs in relation to development of a Joint Strategic Plan with Brentwood, Rochford, Southend, Thurrock, Basildon and Essex County Council.

At the time of writing this report, a review of this reserve is in progress and it is unlikely that this funding will need to remain set-aside for its original purpose. As part of the current budget process, **£110k** has been retained in the reserve as a contingency.

- **Local Council Tax Support**

A reserve established at the end of 2013/14 from underspends on the Castle Point element of the local scheme grant, intended to fund future scheme variances and / or hardship cases over and above existing revenue budget provision.

- **Non Domestic Rates Equalisation**

A reserve intended to safeguard the Council from fluctuations in Business Rates income and the impact of potential levy payments and successful business rate appeals.

This reserve was originally established from s31 grants awarded to the Council to offset the financial impact of policy changes introduced by central government which resulted in discounts in Business Rates to eligible businesses. Ordinarily these grants may have been applied directly into the General Fund, but many councils chose to set them aside given the continuous uncertainty of Business Rates.

A new funding regime is proposed and set to bring about fundamental changes to the overall mechanics of how local government funding is distributed. The new regime may have an impact on the continuation or value of the grant in future years. For that reason, it is not possible or prudent to assume its continuation in future years.

- **Future Asset Maintenance**

The Council commissions stock condition surveys on a five year cycle for all buildings in order to identify future works, and inform financial and resource plans across the lifetime of the financial forecast. All works are subject to competitive tender in line with the Council's procurement rules.

The purpose of this earmarked reserve is to fund and manage year on year variances in the cost of works to premises operated by the Council. The Council maintains two separate primary divisions of this reserve, one for general properties and one specifically for the two leisure centres. The second division also allows for non-building costs such as periodic replacement of fitness suite equipment.

There are also two much smaller separate elements of this reserve for car parks and playgrounds, to be applied towards future works as required.

These reserves are used for works intended to maintain the structure of the building and are not for cyclical or reactive works which are budgeted for directly within service budgets.

The reserve is supported by a detailed financial plan extending to the 2030/31 financial year whilst during 2023/24 new condition surveys will be conducted to refresh and update the work plans and values. The reserve is currently seen to be virtually depleted towards the end of the forecast but will be reviewed in the context of the updated surveys.

- **Pension Deficit Payment**

To enable the Council to take advantage of significant financial incentives offered by the Essex Pension Fund, payment of three years' deficit contributions is made in one lump sum in advance, rather than paying amounts monthly or annually. This reserve was partly applied in 2020/21 for the scheduled advance payment in that year. Funds were accumulated in advance of the anticipated payment in 2023/24 but as the most recent valuation has shown a funding level of **106.3%** no deficit payment is required. Instead, funds will be held and added into in advance of the anticipated payment in 2026/27.

The values of future years lump sum payments are estimated and may vary significantly since they are dependent on the valuation of the pension fund which takes place every three years.

- **Improvement Fund**

A reserve established from accumulated unspent revenue budget and savings generated through service reviews and initiatives and small value miscellaneous government grants. At the start of 2023/23 funds to the value of **£937k** are forecast to be held in this reserve.

This fund may be used to deliver improvements to services and / or "unlock" ongoing revenue savings. Costs which could be funded through this reserve include costs of engaging consultants to support initiatives, staff settlement and redundancy costs arising through reorganisation and other one off costs necessary to deliver improvements to service delivery.

With the Council commencing a transformation programme in 2023/24, it is likely that this reserve, along with the spend to save reserve, will be heavily utilised during the next couple of years to fund the required changes and deliver long term savings.

- **Revenue Grants Unspent / New Burdens Funding**

The Council receives grants from central government and other organisations, for specific purposes. Where this grant funding is not spent during the course of the year that it is received in, and in order to preserve it for future use, it is held in an earmarked reserve.

- **ICT Projects**

Funding set aside annually for investment in ICT related projects and infrastructure across Council services – to facilitate new ways of working, improved customer experience and keep up to date with new technology.

The reserve includes ongoing expected commitments for the lifetime of the financial forecast as part of various planned ICT replacement and enhancement programmes and is supported by a detailed financial plan up to and including the financial year 2031/32.

- **Co-mingled waste contract**

Disposal costs of co-mingled (pink sack) waste can be highly volatile. Although prices have settled during 2022/23, it is prudent to hold this reserve in case costs significantly increase again.

- **Carbon Reduction**

A new reserve created as part of the 2023/24 budget setting process, funded by an anticipated underspend in 2022/23. Its purpose is to fund projects which aim to reduce the Council's carbon footprint which may therefore reduce energy usage and subsequently costs. It may also be utilised to fund the gap between traditional and green options, for example covering the additional cost of purchasing electric vehicles compared to the cost of internal combustion engine vehicles.

- **Knightswick Shopping Centre**

A reserve introduced during the budget setting process for 2020/21 which will hold accumulated annual surpluses, after settlement of debt management and operational expenditure in relation to the Knightswick Centre.

It is anticipated that this reserve may be utilised during 2023/24 and 2024/25 to deliver improvements to the centre, subject to business case and governance processes.

- **Pandemic Response Reserve**

A new reserve established during the budget setting process for 2021/22. The purpose of the reserve is to set aside funds which may be used to offset any short-term detrimental impact of ongoing changes in demand for, and use of, Council services. As the risk of impacts has now reduced, the reserve has been reduced by **£200k** in 2023/24.

- **Public Realm and Play Spaces**

Initially created as the Priority Initiatives reserve, the **£100k** that was held in the reserve has been released to the general fund in 2023/24 and replaced by a new **£140k** Public Realm and Play Spaces reserve funded from the Council's 2022/23 New Homes Bonus allocation. It is anticipated that this reserve will be fully utilised in 2023/24.

24 Table 6.6 on the following page provides a summary of forecast movements on General Fund earmarked reserves.

25 In addition to General Fund reserves, the Council holds reserves in respect of the Housing Revenue Account (HRA), including the following earmarked reserve: -

- **Housing Revenue Account (HRA) Loan Repayments**

Funds set aside from the HRA for the repayment of debt taken out by the Council as part of the refinancing of the HRA.

Table 6.6 Earmarked reserves movements	Balance 01/04/2022 £000's	2022/23 £000's (movement)	2023/24 £000's (movement)	2024/25 £000's (movement)	2025/26 £000's (movement)	Forecast 31/03/2026 £000's
Revenue grants unspent	(585)	(77)	(74)	18	0	(718)
Public Realm and Play Spaces	(100)	(140)	240	0	0	0
Future asset maintenance	(3,027)	(227)	610	86	599	(1,958)
Pandemic response	(613)	0	200	0	0	(413)
Insurance	(348)	0	0	0	0	(348)
Non-domestic rates equalisation	(3,626)	1,290	(628)	0	0	(2,964)
Local council tax support scheme	(221)	20	0	0	0	(201)
Improvement fund	(937)	0	0	0	0	(937)
Pension deficit payment	(1,339)	(178)	0	(220)	(220)	(1,958)
Planning - local development scheme & plan	(326)	0	0	0	0	(326)
Planning - joint strategic plan	(110)	0	0	0	0	(110)
Regeneration	(258)	0	0	200	0	(58)
Knightswick Shopping Centre	(1,063)	(409)	(459)	(320)	(333)	(2,584)
ICT projects	(2,162)	430	178	155	124	(1,274)
Co-mingled waste contract	(210)	0	0	0	0	(210)
Spend to save initiatives	(172)	(17)	(19)	(28)	0	(235)
Carbon reduction	0	(200)	0	0	0	(200)
Commitments from previous year	(363)	264	0	0	0	(99)
All other earmarked reserves	(80)	11	0	0	0	(68)
<b>Total General Fund Earmarked Reserves</b>	<b>(15,538)</b>	<b>768</b>	<b>49</b>	<b>(109)</b>	<b>170</b>	<b>(14,660)</b>

This statement reconciles to note 4 of the Medium-Term Financial Forecast (table 2.3)

## 7 Charging Policy & Commercialism

### Introduction

- 1 There are clear links between the Council's policy on charging and commercialism. For Castle Point commercialism includes not only maintaining a focus on raising and maintaining additional revenue but establishing greater financial awareness in terms of our costs, how those costs interact with and affect the associated income generated, and smarter ways of working in order to reduce those costs.
- 2 The Council's charging policy sets out the key principles and processes it intends to follow when setting fees and charges for services and applies to all fees and charges except for: -
  - Services which have charges set by statutory legislation.
  - Services which are prohibited by statutory legislation from raising any charges.
  - General rental income and lease / licence income.
  - Income from housing rents.
- 3 The Council's Constitution provides the majority of services with the authority to set their own fees and charges.
- 4 Section 93 of the Local Government Act 2003 provides local authorities with the power to charge for discretionary services, provided they are not covered or prohibited by other statutory legislation, and provided the services in question do not make a profit from charging.
- 5 The Council published a commercialism strategy during 2021/22 and this may be found on the Council's website (<https://www.castlepoint.gov.uk/council-strategies-and-policies>).

### Income generation principles

- 6 Charges should be set at a level to maximise income generation. Departments should aim to set charges so that at the expected level of usage, the income generated from a service recovers the full cost of providing the service. However, charges should not be set at a prohibitively high level that would adversely affect usage, e.g. by making the Council uncompetitive.
- 7 Full cost consists of: -
  - The direct cost of running the service, i.e. staffing, property and vehicle costs, equipment, etc.
  - The indirect cost of running the service i.e. recharged costs from central and other support departments and capital charges, such as depreciation.
- 8 Charges set below full cost recovery levels should be fully justifiable in terms of meeting Council priorities or subject to confirmation by the s151 Officer and Leadership Team, as they result in the net cost of that particular service being subsidised by the Council as a whole.

### Annual process

- 9 As part of the annual budget setting process, budget holders are required to confirm, as a minimum, the following information: -
  - The rate by which charges will be inflated for the forthcoming financial year. This would normally be expected to not be less than the annual increase in inflation (CPI / RPI) prevailing at that time, although given the current high levels of inflation it was agreed to use a lower rate of **7%**, that being equal to the cap on housing rents set by Government.
  - Any changes in activity and / or usage and the expected impact on the income budget.
  - Any other changes which could have an impact on the income budget.
  - Proposals for any services which are currently provided free of charge for which a charge could be raised.

- 10 Using this information, and by analysis of income received during the previous financial year and to date in the current financial year, Financial Services will calculate a draft budget for each income line, including a revised budget for the current year and forecast budgets for the following three years.

**Publication and communication**

- 11 Each department is responsible for the establishment of a schedule of charges for the chargeable services within their jurisdiction, as well as communication of charges direct to users as appropriate. A single schedule of all charges is published on the Council's website.

**Variations in standard fees**

- 12 Budget holders may decide that on occasion there is enough rationale for providing variations on standard charges to individuals or classes of users, for example: -

- Discounts on bulk bookings.
- Off-peak discounts.

- 13 Variations should only be considered provided they are also consistent with Council priorities and service aims, for example, making concessions available to other local organisations who contribute to meeting Council objectives.

**Periodic full review of charges**

- 14 As well as the annual processes described above, a more in-depth review of fees and charges is undertaken at least once every three years.

- 15 This review aims to ensure charges are consistent with Council priorities and service aims, market and customer intelligence, and to justify any subsidy made by the Council as a whole to that service. The outcome of, and any changes arising from, the three-yearly formal reviews are to be approved by the s151 Officer and the Leadership Team. A review is planned to take place during 2023/24 as part of the Council's transformation programme and a focus on commercialism.

**The case for financial self-sufficiency**

- 16 Traditionally local government has been dependent on two main sources of funding in order to deliver services: Council Tax and central government funding. Restrictions on the ability to raise local taxation, and a reluctance to charge full cost for discretionary services, has historically led to dependence on central government funding. Now that government funding has diminished, greater emphasis is placed on locally raised revenue streams such as service specific fees and charges and charges for discretionary functions.

- 17 Such is the importance of income from fees and charges, a review will be undertaken during 2023/24 of all of the Council's fees and charges to ensure they are set at the appropriate levels (giving due regard to amongst other things full-cost recovery, competitiveness in the market and legislative requirements). Where it is identified that any fee or charge is not at the appropriate level, plans will be put in place to amend as required.

## 8 Capital Strategy

- 1 The Capital Strategy sets out the long-term context in which capital expenditure and investment decisions are made and considers risk, reward and impact on the achievement of priority outcomes. The strategy is fully integrated with revenue planning and budgeting.
- 2 The strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services and shows how associated risk, including future financial sustainability, is managed.
- 3 Decisions around capital expenditure, investments, and borrowing align with the processes for the setting and revising of the budget for the Council, hence the Capital Strategy forms part of the overall Policy Framework and Budget Setting Report. Subsequent sections in relation to Treasury Management and Investment are closely linked to the Capital Strategy and cover in detail the Council's approach to borrowing and investing.
- 4 New best practice guidance has been issued by CIPFA around the development of a whole organisation approach to the production of a capital strategy. This guidance will be reviewed during 2023/24 to identify improvements that can be included within the Council's existing strategy.

### **Asset management planning, maintenance and strategic use of the Council's asset base**

- 5 As at 31 March 2022 the Council held assets valued at circa **£209m**, including:
  - Council Houses (1,490) and garages (293): **£148m**
  - Land and buildings: **£57m**. Major assets include the Council offices, Waterside Farm and Runnymede Leisure Centres and the Knightswick Centre.
  - Vehicles: **£2m**, mainly refuse and recycling freighters.
  - Assets let to other organisations and individuals (Investment Properties): **£2m**. These include the golf course on Canvey Island.

The above amounts represent the values used for capital accounting purposes, such as annual depreciation charges.

- 6 The Council regularly commission condition surveys on all its building assets to inform work programmes, financial planning and corporate decision making. All works are provided for within the medium-term financial forecast.
- 7 Whilst assets are managed by relevant service areas, programmed works are overseen by a central Estates team who administer inspections, surveys, and commission planned works in line with procurement rules and procedures.
- 8 An Asset Management Group, comprising representation from relevant service areas, consider matters such as planned or potential asset disposals and when appropriate refer matters to the Council's Strategic Asset Group which is an internal working group consisting of Senior Officers.
- 9 The Council's Asset Management Plan is updated every two years and provides an overarching framework for the management of the Council's corporate land and building assets. It is supported by a Commercial Strategy, which references maximising the return on the Council's building assets. Ensuring that assets are utilised to their full potential is a key principle of the Commercial Strategy.

### **Capital expenditure and the Council's approach to capital investment**

- 10 Capital expenditure is expenditure that results in the provision or enhancement of assets such as land, buildings, plant and vehicles. This is subject to a de minimis limit whereby the Council will generally treat expenditure that is below **£10k** as revenue expenditure.

- 11 The Council must comply with the provisions of part 1 of the Local Government Act 2003 relating to capital expenditure and borrowing controls. These require local authorities to determine and keep under review the amount of their affordable borrowing. Authorities must also have regard to the Prudential Code for Capital Finance in Local Authorities issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which became effective from 1 April 2004 and was most recently updated in 2021 as were the associated guidance notes also published by CIPFA.
- 12 The main issues affecting capital investment decisions are:
- The Council's capacity to borrow.
  - The availability of other capital resources, such as capital receipts and grants.
  - The management of debt, cash flows and investments.
- 13 The Council's strategy is to ensure that decisions on resource allocation are based on the corporate objectives and priorities, as detailed in the Council's Corporate Plan (available on the Council's website: <https://www.castlepoint.gov.uk/council-strategies-and-policies>) and reflect the views of residents and stakeholders.
- 14 The Council's capital investment priorities are set out below: -

Table 8.1 Prioritisation of capital investment projects	
Priority	Purpose
1	Private sector improvement and disabled facilities grants.
2	Housing capital expenditure financed by the depreciation allowance, receipts from Right-to-Buy sales and contributions from revenue, with priorities determined in accordance with the HRA Business Plan and in consultation with tenants.
3	Self-financing schemes funded by specific grants and external sources.
4	Spend-to-save schemes that deliver on-going reductions to net cost.
5	On-going maintenance of assets and replacement of vehicles, equipment and plant.

- 15 New proposals will be evaluated in accordance with the requirements of the Prudential Code and with regard to the following criteria: -
- Service objectives, e.g. strategic planning for the Council.
  - Stewardship of assets, e.g. asset management planning.
  - Value for money, e.g. option appraisal.
  - Prudence and sustainability, e.g. risks, whole life costing and implications for external debt.
  - Affordability, e.g. implications for long-term resources and ultimately the Council Tax (and Housing rents for the Housing Revenue Account).
  - Practicality, e.g. achievability of the forward plan.
  - Revenue cost and income impacts.
- This assessment is equally applicable to proposals which are self-financed or externally funded.
- 16 Different evaluation methods will be relevant for different proposals and will be undertaken as part of a comprehensive business case. These might include: -
- Options appraisal, e.g. rebuild, improve or replace an existing asset.
  - Whole life costing, e.g. longer-term revenue impact.
  - Sensitivity analysis, e.g. impact of cost fluctuations on an overall project.
  - Effect of different borrowing options, e.g. duration and rate of interest.
  - Payback calculations, e.g. how long it takes to recoup the cost incurred.
  - Savings, e.g. scope to generate future savings or income.

- 17 Contingency allowances for unexpected costs or overruns that might occur will be assessed and included as appropriate, particularly for high value projects.
- 18 All capital expenditure will comply with the Council's procurement rules and thresholds.

### **Financing of capital expenditure**

- 19 Each item included in the capital programme is assessed to determine how it is to be financed. The term "financing" refers to the resources that are applied to ensure that the full cost is dealt with absolutely, whether short or longer term. There are a number of ways in which capital expenditure can be funded, primarily as follows: -
  - External grant funding received from central government or other organisations.
  - Use of capital receipts from the sale of Council owned assets. These include receipts from Council Houses sold through the Right-to-Buy (RTB) process. Certain restrictions apply on the usage of RTB receipts – see later in this section.
  - Revenue contributions to capital expenditure – direct charges to revenue, in the General Fund and / or Housing Revenue Account, in the year that the capital expenditure takes place.
  - Minimum Revenue Provision (MRP) - charges to revenue in subsequent years over the useful life of the asset. This is the outcome if none of the other above options apply - see later in this section for further information on MRP.
  - Amortisation of Intangible Assets in HRA – charges to the HRA in subsequent years over the useful life of the asset. This method has been used to fund the Housing Management System.

### **Capital programme monitoring**

- 20 Budget monitoring of the Council's capital programme is undertaken in the same manner during the year as that of the revenue budget, i.e. by officers from Financial Services in conjunction with the relevant budget holders for each item on the programme.
- 21 Exception reporting of positive or negative issues is made on a monthly basis to the Council's Leadership Team and Cabinet members.
- 22 The Council's financial regulations detail the procedures and authorisations required for dealing with capital programme cost variances and sets out a "fast track" process for items fully financed by external funding.

### **Prudential Code for Capital Finance in Local Authorities**

- 23 The Prudential Code includes statutory requirements for the manner in which capital spending plans are considered and approved, as well as requiring the Council to set and monitor a series of Prudential Indicators. These Prudential Indicators are set out over the following paragraphs.
- 24 The Council has a duty under Section 3 of the Local Government Act 2003 and supporting Regulations to determine and keep under review how much it can afford to borrow. The amount so determined is called the Affordable Borrowing Limit and the Council must have regard to the Prudential Code when setting this limit. This requirement is to ensure that total capital investment remains within sustainable limits and that the impact on future Council Tax and rent levels is acceptable.
- 25 The following paragraphs explain the Prudential Indicators that the Council should have regard to before agreeing capital spending plans for 2023/24. The Council must approve Prudential Indicators for the next three years – 2023/24 to 2025/26 – and an appropriate recommendation appears in the accompanying formal Committee report. These indicators are, however, calculated over years beyond those three to ensure that the capital strategy is sustainable over the longer term, and to align with the timeframes used for the Medium-Term Financial Forecast and capital budgets.
- 26 A requirement of the CIPFA Code of Practice to bring leases currently classified as operating leases onto the Council's Balance Sheet has been delayed until 2024/25. This change will impact

on the calculation of the prudential indicators. The indicators set out in this report do not include the impact of this change but work is underway to identify relevant leases and calculate the impact on the indicators. Following the finalisation of this work, a further report will be presented detailing the impact and changes required. This requirement does not change the costs to the Council of these lease arrangements.

27 The Prudential Indicators are classified into two main groupings – indicators for “Affordability” and indicators for “Prudence”.

- Indicators for “Affordability” – The fundamental objective in the consideration of affordability of the Council’s capital programme is to ensure that the proposed level of investment in capital assets results in the total capital investment of the Council remaining within sustainable limits. In considering the affordability of the capital programme, the Council is required to consider all resources currently available to it as well as those estimated for the future, together with the total of its capital programme and income and expenditure forecasts.
- Indicators for “Prudence” – The Council should ensure that all capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it should consider arrangements for the repayment of debt and consideration of risk and the impact on the Council’s overall fiscal sustainability.

28 Where applicable the Prudential Indicators are required to be calculated separately for the General Fund and Housing Revenue Account. Where relevant these indicators are calculated on the basis that following the first HRA loan repayment in 2021/22, a partial refinancing of repayment will be due in 2024/25. This is in line with assumptions in the HRA business plan which will be revisited periodically.

29 Prudential Indicators applicable to treasury management are shown in Section 9 of this report.

#### **Prudential indicator (for prudence) – capital expenditure**

30 Table 8.2 below shows actual 2021/22 capital expenditure, along with estimates for current and future years recommended for approval: -

<b>Table 8.2 Capital expenditure</b>	<b>2021/22 £000's</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>	<b>2024/25 £000's</b>	<b>2025/26 £000's</b>
General Fund (GF)	3,159	2,921	3,563	2,665	1,462
Housing Revenue Account (HRA)	1,955	2,998	4,564	2,419	2,478
<b>Total</b>	<b>5,114</b>	<b>5,919</b>	<b>8,127</b>	<b>5,084</b>	<b>3,940</b>

31 The amounts shown for 2023/24 represent firm proposals for approval. Amounts shown for later years are indicative guidelines for financial planning and are subject to confirmation in each respective year's budget process. The General Fund schemes are analysed in table 8.3 on the following pages.

32 All schemes identified in the preceding table match the priorities outlined in paragraph 14 above. These capital proposals constitute a capital plan that can be financed from revenue and capital resources and are therefore considered affordable. The position of Housing Revenue Account proposals (priority 2) is set out in a separate report to Cabinet.

#### **Recurring and significant capital schemes**

33 The capital programme has several items which recur in most years. These include: -

- Disabled Facility Grant adaptations paid for by central government grant funding.
- The vehicle replacement programme. This primarily consists of refuse and recycling freighters, but also includes a number of smaller specification vehicles. Most vehicles are replaced every

7 or 8 years on a rolling basis although there has been a significant increase in lead time for replacement vehicles due to the pandemic. This has been reflected in the plan.

- The Housing Revenue Account programme for annual improvements to Council-owned properties, covering works such as central heating, double glazing, new kitchens and bathrooms, etc.

34 In addition one-off items may also be included in the capital programme from time to time. These include:

- The Knightswick Shopping Centre related works reprogrammed for 2023/24.
- Canvey Island seafront regeneration at Thorney Bay continuing through to 2024/25.
- Replacement of playground equipment at Thundersley Common in 2021/22.
- Replacement of gym equipment at Runnymede in 2022/23 and at Waterside in 2023/24.
- The Housing Revenue Account capital expenditure includes several new housing developments as well as normal annual programmes of works to existing Council properties.

35 A more detailed breakdown of the HRA capital programme can be found in the Housing Revenue Account (HRA) – Rent Levels, Revenue Budget and Capital Plan report, approved at the same time as this report each February.

<b>Table 8.3 General Fund Capital Expenditure Proposals</b>	<b>2021/22 £000's</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>	<b>2024/25 £000's</b>	<b>2025/26 £000's</b>
<b>ENVIRONMENT</b>					
<b>Disabled Facilities Grants (Mandatory)</b>					
Gross Capital Expenditure	351	250	686	686	687
Specific external funding	(351)	(250)	(686)	(686)	(687)
Net Capital Expenditure	0	0	0	0	0
<b>Mobile Homes – Fit &amp; Proper Test</b>					
Gross Capital Expenditure	1,796	0	0	0	0
Specific external funding	(1,796)	0	0	0	0
Net Capital Expenditure	0	0	0	0	0
<b>Mobile Homes – Warm Homes</b>					
Gross Capital Expenditure	0	2,483	0	0	0
Specific external funding	0	(2,483)	0	0	0
Net Capital Expenditure	0	0	0	0	0
<b>Playground Equipment Replacement Programme</b>					
Gross Capital Expenditure	80	0	0	0	0
Specific external funding	0	0	0	0	0
Net Capital Expenditure	80	0	0	0	0

<b>Table 8.3 General Fund Capital Expenditure Proposals</b>	<b>2021/22 £000's</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>	<b>2024/25 £000's</b>	<b>2025/26 £000's</b>
<b>Leisure Centres Gym Equipment (both sites)</b>					
Gross Capital Expenditure	0	25	60	0	50
Specific external funding	0	0	0	0	0
Net Capital Expenditure	0	25	60	0	50
<b>Waterside Squash Court Refit</b>					
Gross Capital Expenditure	223	0	0	0	0
Specific external funding	0	0	0	0	0
Net Capital Expenditure	223	0	0	0	0
<b>Waterside Soft Play Area</b>					
Gross Capital Expenditure	0	41	0	0	0
Specific external funding	0	0	0	0	0
Net Capital Expenditure	0	41	0	0	0
<b>Vehicle Replacement Programme</b>					
Gross Capital Expenditure	0	22	117	1,685	725
Specific external funding	0	0	0	0	0
Net Capital Expenditure	0	22	117	1,685	725
<b>CUSTOMER AND DIGITAL ICT Hardware and software</b>					
Gross Capital Expenditure	0	50	0	0	0
Specific external funding	0	0	0	0	0
Net Capital Expenditure	0	50	0	0	0
<b>PLACE &amp; POLICY</b>					
<b>Labworth Car Park</b>					
Gross Capital Expenditure	579	0	0	0	0
Specific external funding	(311)	0	0	0	0
Net Capital Expenditure	268	0	0	0	0
<b>Seafront Regeneration</b>					
Gross Capital Expenditure	22	50	1,200	294	0
Specific external funding	(22)	(50)	(1,200)	(26)	0
Net Capital Expenditure	0	0	0	268	0
<b>Seafront Solar Powered Cabin Toilets</b>					
Gross Capital Expenditure	108	0	0	0	0
Specific external funding	(67)	0	0	0	0
Net Capital Expenditure	41	0	0	0	0

Table 8.3 General Fund Capital Expenditure Proposals	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's
<b>Knightswick Shopping Centre</b>					
Gross Capital Expenditure	0	0	1,500	0	0
Specific external funding	0	0	0	0	0
Net Capital Expenditure	0	0	1,500	0	0
<b>Total Gross Capital Expenditure</b>	<b>3,159</b>	<b>2,921</b>	<b>3,563</b>	<b>2,665</b>	<b>1,462</b>
<b>Total Specific External Funding</b>	<b>(2,547)</b>	<b>(2,783)</b>	<b>(1,886)</b>	<b>(712)</b>	<b>(687)</b>
<b>Total Net Capital Expenditure</b>	<b>612</b>	<b>138</b>	<b>1,677</b>	<b>1,953</b>	<b>775</b>

### Prudential Indicator (for prudence) – Capital Financing Requirement (CFR)

- 36 The Capital Financing Requirement is a measure of capital expenditure incurred historically by the Council that has yet to be financed by capital receipts, capital grants or contributions from revenue, and represents the Council's underlying need to borrow for a capital purpose. In accordance with best professional practice, the Council does not associate borrowing with particular items or types of expenditure. At any point in time, the Council has a number of cash flows both positive and negative and manages its treasury position, in terms of borrowings and investments, in accordance with its approved treasury management strategy and practices.
- 37 The CFR will increase whenever the Council incurs capital expenditure that is not immediately funded in the same year by grants, capital receipts or direct revenue contributions. The CFR will reduce when Minimum Revenue Provision (MRP) charges to revenue are applied in subsequent years.
- 38 If the Council takes out additional borrowing to pay for capital expenditure this also causes the CFR to increase. This is because borrowing does not finance capital expenditure. Instead it merely provides the cash to enable the expenditure to take place and, since the borrowing is required to be repaid at a later date, does not provide the resource.
- 39 There is no statutory limit on the amount of borrowing, however, the Council is required to demonstrate affordability of new capital proposals. This should include the annual principal and interest payments and ongoing revenue impact arising from new borrowing.
- 40 Within day-to-day cash management, no distinction can be made between revenue cash and capital cash. External borrowing can arise as a consequence of all the financial transactions of the Council and not simply those arising from capital spending.
- 41 Estimates of the end of year capital financing requirement for the Council for the current and future years, and the actual capital financing requirement at 31 March 2022 are:-

Table 8.4 Capital Financing Requirement (CFR)	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's
GF	17,092	16,283	17,055	17,615	17,143
HRA	29,317	26,866	26,866	25,366	25,366

- 42 The impact of the early repayment of external debt in 2022/23, General Fund **£5.2m** and HRA **£2.5m**, can be seen on the CFR. The HRA requirement remains fairly constant until a further loan repayment is made in 2024/25. It is currently anticipated that partial refinancing of this debt will be required, and the table reflects this. This requirement will be reviewed and a final decision will be taken at the appropriate time.

- 43 The Council's CFR, for both the General Fund and HRA, is mapped out beyond the timescale reported in the above table, and currently extends to 31 March 2032.

**Prudential Indicator (for prudence) – authorised limit for external debt**

- 44 It is recommended that the Council approves the following authorised limits for total external debt gross of investments. They are based on the current actual position adjusted by changes to the Capital Financing Requirement, potential increases in additional borrowing, plus a **5%** allowance for risks, contingencies and cash flow.

Table 8.5 Authorised limit for external debt	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's
Borrowing	44,611	40,483	36,229	33,497	31,520
Other long-term Liabilities (finance leases)	0	0	0	0	0
<b>Total limit</b>	<b>44,611</b>	<b>40,483</b>	<b>36,229</b>	<b>33,497</b>	<b>31,520</b>

- 45 The authorised limit shown for 2023/24 will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.
- 46 These limits separately identify borrowing from other long-term liabilities, such as finance leases. It is recommended in the accompanying report to approve the overall limit. Any breach of, or required increase in, the overall limit must be immediately reported to Council.
- 47 These authorised limits are consistent with the Council's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, as well as with its approved Treasury Management Policy Statement and practices. They are based on the estimate of most-likely prudent, but not worst-case scenario, with sufficient headroom to allow for operational management, for example unusual cash movements.

**Prudential Indicator (for prudence) – operational boundary for external debt**

- 48 Approval is also recommended for the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit, and reflects the estimated most-likely prudent, but not worst-case scenario.

Table 8.6 Operational boundary for external debt	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's
Borrowing	43,551	39,998	35,406	32,734	30,780
Other long-term Liabilities (finance leases)	0	0	0	0	0
<b>Total boundary</b>	<b>43,551</b>	<b>39,998</b>	<b>35,406</b>	<b>32,734</b>	<b>30,780</b>

- 49 The operational boundary is a key management tool for in-year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified. It is recommended in the accompanying report to approve the overall limit. Any breach of, or required increase in, the overall limit must be immediately reported to Council.
- 50 The Council's actual external debt at 31 March 2023, excluding (when applicable) any Finance Lease liabilities, is forecast at **£6.3m** for the General Fund and **£27m** for the Housing Revenue Account (principal amounts only), comprised wholly of external borrowing.

**Prudential Indicator (for affordability) – ratio of financing costs to net revenue stream**

- 51 Estimates of the ratio of financing costs to the net revenue stream for the current and future years, and the actual figures for 2021/22, are: -

Table 8.7(a) Ratio of financing costs to net revenue stream	2021/22 %	2022/23 %	2023/24 %	2024/25 %	2025/26 %
GF	8	0	0	2	3
HRA	34	32	33	32	32

- 52 The impact of the early repayment of loans and the increase in the interest rates for surplus funds can be seen in the table above from 2022/23.

- 53 Contributions from the General Fund and Housing Revenue Account revenue budgets to fund capital schemes are included within the estimates in some years, for example, in 2023/24 towards the costs of replacement gym equipment referred to in paragraph 34. These contributions are not required to be included as part of the statutory calculation but if they were included, the ratios of financing costs to net revenue stream would become: -

Table 8.7(b) Ratio of financing costs to net revenue stream (local variant)	2021/22 %	2022/23 %	2023/24 %	2024/25 %	2025/26 %
GF	13	5	1	4	4
HRA	34	32	34	32	32

Note: The estimate of financing costs includes current commitments and the proposals in this budget report.

**Prudential Indicator (for affordability) – ratio of net income from commercial investments to net revenue stream**

- 54 Estimates of the ratio of net income from commercial investments to net revenue stream for the current and future years, and the actual figures for 2021/22, are: -

Table 8.8 Ratio of net income from commercial investments to net revenue stream	2021/22 %	2022/23 %	2023/24 %	2024/25 %	2025/26 %
GF	2	1	2	1	1
HRA	0	0	0	0	0

This new indicator shows the impact on the authority of the income generated from its investment properties.

**Prudential Indicator (for prudence) - Gross Debt and the Capital Financing Requirement**

- 55 The Prudential Code includes the following as a key indicator of prudence:

*“In order to ensure that over the medium term, debt (i.e. gross external borrowing) will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for the comparison with gross external debt.”*

This calculation takes into account current commitments and the proposals in this budget report, and the requirement is met for the current and forthcoming two financial years.

- 56 The Council will continue to monitor this requirement and will take appropriate remedial action if any difficulties were to arise. Where the gross debt is greater than the capital financing requirement the reasons for this should be clearly stated.

**Statement of Minimum Revenue Provision (MRP)**

- 57 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 came into force on 31 March 2008 (with subsequent revisions at later dates). The Regulations require the Council to approve an Annual Statement of Minimum Revenue Provision (MRP) which is the amount set aside from revenue for the repayment of debt principal relating to the General Fund.
- 58 The regulations place a duty on local authorities to make an amount of MRP which it considers to be “prudent” each year. The regulation itself does not define “prudent provision”, however, the MRP guidance makes recommendations to authorities on the interpretation of that term.
- 59 In accordance with the regulations, it is proposed to adopt the following MRP policy for the financial year 2023/24: -
- For capital expenditure incurred before 1 April 2008, or which in the future will be supported capital expenditure, it is proposed that the MRP policy will be in line with the former Regulatory Method, subject to any additional voluntary provision as appropriate. The Regulatory Method covers debt which is supported by the Government through the Revenue Support Grant (RSG) system, and authorities may continue to use the formulae in the old regulation 28 as if it had not been revoked by the 2008 Regulations. The MRP element of RSG is calculated on this basis.
  - For capital expenditure incurred after 1 April 2008, for unsupported borrowing, it is proposed that the MRP policy will be the Asset Life Method with MRP being provided for on an equal annual instalment basis over the estimated life of the relevant assets. On occasion, the Council may take a more prudent approach of applying MRP charges over a shorter term than the estimated life of the associated asset. In very exceptional circumstances the Council may elect not to apply any MRP charges on a specific asset, for example, if an asset was purchased but only expected to be held for a short time and then sold, and that sale was expected to fully recover the original purchase costs incurred.
  - The Council may, as an alternative to the Asset Life Method with equal annual instalments basis, use the Asset Life Method with MRP being provided under the Annuity Method. This method can be used where it is required that the total of principal and interest each year is broadly a consistent amount. The value of MRP increases year on year as the amount of interest on debt decreases year on year. It is considered a prudent basis for assets that produce a steady flow of benefits over their useful life.
  - For capital expenditure incurred in relation to leases classified as finance leases, the MRP method will be the annuity method, whereby provision is applied over the primary term of the lease of the relevant asset. The MRP provision for each financial year will be equivalent to the reduction in outstanding liability held on the Balance Sheet for the corresponding lease in that year.
  - The Council may also make additional Voluntary Revenue Provisions (VRP) above those calculated using the above methods. For example, if there were years where income receipts were higher than those budgeted for, then extra VRP could be applied which would reduce the amount of MRP required to be charged in later years.
  - All MRP charges commence in the financial year following the year in which the associated capital expenditure occurs.
- 60 MRP is calculated in line with current statutory guidance.

- 61 Forecast MRP charges based on estimated capital expenditure up to 2031/32 are mapped out beyond the timescales reported within the Capital Strategy, and currently extend up to 2044/45.
- 62 The table below shows the MRP charges to General Fund and, separately, the MRP charge in respect of the Knightswick Centre which is funded by rental income from the Centre: -

Table 8.9 MRP charges	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's
GF	344	339	303	204	504
Knightswick	478	478	478	628	628
<b>Total MRP charges</b>	<b>822</b>	<b>817</b>	<b>781</b>	<b>832</b>	<b>1,132</b>

### Capital receipts

- 63 Capital receipts from the sale of Council houses under Right-to-Buy (RTB) provisions and surplus assets will continue to be an important capital resource for the Council. The Government has set a de-minimis level for capital receipts, and receipts of **£10k** or less are classified as revenue resources and are therefore accounted for within the revenue accounts. Receipts over **£10k** cannot be used for revenue purposes.
- 64 Table 8.9 shows the allocation of Non-RTB related receipts used to fund new affordable housing. Subject to agreement by the Secretary of State, specified RTB sales may also be excluded from pooling, where monies are for use in the provision of new affordable housing, regeneration or repayment of debt.

Table 8.10 Allowable use of capital receipts (Non-Right-to-Buy)		
Type of asset	% that may be applied to new <i>capital expenditure</i>	% that must be paid over to <i>the Government</i>
Other Housing land	100	0
General Fund land & property	100	0

- 65 The proceeds from sales where Housing tenants have exercised the right to purchase their dwellings under the Right to Buy (RTB) scheme, the following deductions are made:
- 1) An amount based on a Central Government calculation which is intended to compensate the Council for debt which may be still outstanding against the sold property, as determined by the original self-financing of the HRA. This amount is available to use for future HRA capital expenditure or HRA debt repayment.
  - 2) Administration allowance at **£1,300** per property sold which will be treated as HRA revenue income.

66 The remaining balance is then split according to the following table:

Table 8.11 Allocation of remaining Right-to-Buy receipt		2022/23		2023/24	
Party	Allocation of receipt		Allocation of receipt		
	%	Cap £	%	Cap £	
Treasury	69.9%	150,854	69.7%	150,854	
Local Authority	30.1%	64,932	30.3%	65,581	

67 This therefore caps the maximum contribution the Council can make towards new general capital expenditure to **£64,932** in 2022/23 and **£65,581** in 2023/24. Where receipts are insufficient to provide this, the receipts are shared in the shown ratios.

68 Where there are receipt balances above these levels the funds are held by the Council for a period of five years from the end of the year they are received. If after this time the funds are not spent on the provision of replacement properties, they are to be returned to the Treasury with interest.

#### Chief Financial Officer's conclusion on the Capital Strategy

69 The Chief Financial (s151) Officer) considers the Capital Strategy and associated Capital programme of expenditure, as detailed within this section of the Policy Framework and Budget Setting Report, to be: -

- Affordable within the context of the Council's Medium-Term Financial Forecast and Housing Revenue Account Business Plan, and
- Deliverable within the resources available to the Council, and
- That the strategy is supported by adequate processes and procedures to ensure that risks are appropriately identified and addressed, with any residual risk (financial or other) being considered as acceptable.

## 9 Treasury Management Strategy

### Definition of Treasury Management

- 1 Treasury management is:  
*“The management of the local authority’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.”*
- 2 The Council includes the following Treasury Management clauses within its Constitution, as recommended by the Code of Practice:

The Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable Treasury Management Practices (TMP’s) setting out how the organisation will seek to achieve those policies and objectives, prescribing how it will manage and control those activities.
- Will receive reports on its treasury management policies, practices and activities, including as a minimum an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMP’s.
- Delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council’s policy statement and TMP’s and CIPFA’s Standard of Professional Practice on Treasury Management.
- Nominates Cabinet to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

### Treasury Management Strategy for 2023/24

- 3 The Strategy has been formulated after considering the advice of the Council’s consultants, Link Treasury Services (Link). All activity envisaged by the Strategy will be in accordance with the Treasury Management Policy Statement.

### Balanced budget requirement

- 4 It is a statutory requirement under the Local Government Finance Act 1992, for the Council to produce a balanced budget. This means that the Council is required to ensure the affordability of existing and new projects, both revenue and capital, within the projected income of the Council for the foreseeable future.

### Economic uncertainty, and interest rates

- 5 Economic uncertainty and a cost of living crisis currently exists in the UK caused by a wide range of factors including the war in Ukraine. As a result of these factors and the subsequent increases in the Bank of England base rate in an attempt to control inflation, the coming year is expected to be challenging for the economy. Any relevant impacts will be reported in the quarterly update reports.
- 6 The Council’s treasury management advisers Link Asset services forecast that the base rate will reach a peak of 4.5% in 2023/24. This is shown in table below:

Link Group Interest Rate View 08.11.22		Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
<b>BANK RATE</b>		3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings		3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings		4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings		4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB		4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB		4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB		4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB		4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

- 7 The Council adheres to strict investment criteria. As it remains difficult to predict longer-term rates accurately, the interest rates used to forecast investment income for the Council's budget process remain prudent. The Council may also be restricted in where it can invest funds. Officers will continue to seek the best return possible whilst always complying with the Council's policies and procedures and without compromising security and liquidity.

#### Current debt position and requirements for 2023/24

- 8 A summary of external debt that is expected to be outstanding as at 31 March 2023 is as follows:

Table 9.1 External debt outstanding		Total at 31/03/23 £000's
Public Works Loan Board – General Fund		6,300
Public Works Loan Board – Housing Revenue Account		27,000
<b>Total</b>		<b>33,300</b>

- 9 The Council made early repayments of some of General Fund and HRA Loans in September 2022 to take advantage of discounts which were available, giving a net saving of just over £3.4m. The Council's General Fund borrowing now consists of a single fixed rate loan (in relation to the Knightswick) at interest rate of **1.08%** per annum. The Council's HRA borrowing consists of fixed rate loans at interest rates ranging from **2.31%** to **3.43%** per annum. If remaining loans are to be repaid prematurely, they attract either a premium or discount depending on the relationship between the interest rate of the loan and market rates and the unexpired period at the time of repayment. Currently as interest rates and gilt yields are increased, premature repayment of all loans would incur a total discount of approximately **£820K** but this is not advised when taking into consideration the Council's liquidity requirements.
- 10 The proposed programme of capital expenditure due to be approved by Council in February 2023 is not currently anticipated to trigger a requirement for new borrowing in 2023/24. The Policy Framework and Budget Setting Report will provide confirmation of the prudential position for future years, based on current estimates.
- 11 Internal borrowing is the use of the Council's own temporary investments for capital expenditure and is when the Capital Financing Requirement (CFR) exceeds the level of external borrowing. This position is known as "under-borrowed". At the end of 2023/24 for the General Fund this is expected to be **£11.5m** due partly to capital expenditure on the Knightswick Shopping Centre and associated public realm works. As cash balances are relatively high and interest earned on investments is lower than the rate at which the Council can take out new loans, borrowing internally is an efficient use of resources that also lowers the overall cost of funding for the projects. By the end of 2023/24 the HRA will be over-borrowed by approximately **£134k**. The position fluctuates from year to year depending on various factors such as the level of capital expenditure, and a prudential indicator in the Capital Strategy ("Gross Debt and the Capital Financing Requirement") monitors and reports on this position.
- Borrowing Strategy**
- 12 The uncertainty over future interest rates increases the risk associated with treasury activity. As a result, the Council will take a fairly cautious approach to its Treasury Management Strategy.
- 13 If a need to borrow should arise, The Section 151 Officer, under delegated powers, will take the most appropriate form of borrowing depending on identified risks and the prevailing interest rates at the time. It is likely that shorter-term fixed rates may provide lower cost opportunities in the short to medium term.

- 14 Borrowing can only be undertaken for the purposes of capital expenditure, and not for day-to-day revenue expenditure. Any new borrowing would result in additional annual interest charges to either the General Fund or Housing Revenue Account, as well as the need to set aside sums from those funds for future repayment of the principal amount borrowed. In effect, borrowing does not finance capital expenditure, instead it merely provides the cash to enable the expenditure to take place. Therefore, the financial impact on the longer-term budget positions for both the General Fund on the Medium-Term Financial Forecast (MTFF) and the Housing Revenue Account on the HRA Business Plan, must be taken into careful consideration in all borrowing decisions. As shown within the MTFF and HRA Business Plan the General Fund has annual funding gaps to be closed, and the HRA also faces challenges, such as the lasting impact of changes in central government policies including imposed 4-year rent reductions, as detailed within previous HRA budget setting reports.
- 15 On 9 October 2019 the PWLB increased their margin over gilt yields by 100 basis points to 180 basis points on loans to local authorities, making borrowing from the Government more expensive. However, on 25 November 2020 the Government reversed this. The PWLB allows local authorities to register for a preferential “certainty rate” for borrowing, which is currently **0.20%** below the standard rate or **0.80%** above gilt rates. Registering for this preferential rate does not commit an authority to undertake any borrowing, it just allows it to access the preferential rate should the need arise. Although there are no current plans to borrow before 2024/25, the Council routinely registers for the preferential rate.
- 16 The weighted average maturity of the Council’s General Fund **£6.3m** debt is at **7** years. This has changed significantly due to the early repayments of three loans totalling **£5.25m** in September 2022 leaving one loan with repayments of **£0.9m** every year for the next 7 years, currently with no requirement to refinance.
- 17 The Housing Revenue Account debt of **£36.5m** taken out in March 2012 as part of the HRA self-financing changes is set to mature at different times between 2021/22 and 2035/36 with **£7m** repaid in 2021-22, **£2.5m** repaid early in September 2022. A borrowing cap of **£37.5m** was placed on the Council at the same time, which effectively left the ability to borrow a further **£1m** above the **£36.5m**. The autumn 2018 budget announced that the borrowing cap would be removed so that local authorities would be allowed to undertake additional borrowing to enable investment in building new homes. However, as stated above, any additional borrowing would still have to be affordable within the 30-year HRA Business Plan and be subject to a full assessment of the financial viability of any scheme.

#### **Borrowing in advance of need**

- 18 The Council has some flexibility to borrow funds in advance for use in future years. The Section 151 Officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints and where there is a clear business case for doing so. Furthermore, councils must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. They must also consider carefully whether they can demonstrate value for money in borrowing in advance of need and can ensure the security of such funds.
- 19 DLUHC guidance has determined that the setting of constraints for any borrowing in advance of need is considered good practice. The Section 151 Officer does not currently anticipate any need to borrow in advance of need, but if circumstances change then borrowing in advance will be made within the constraints that:
- It will be limited to no more than £3m of the expected increase in borrowing need (CFR) over the three-year planning period; and
  - The Council would not look to borrow more than 18 months in advance of need.
- 20 Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism. Any surplus

funds arising from borrowing in advance of need will be invested in accordance with the Council's Investment Strategy.

### Treasury management indicators

- 21 The Council is required to calculate several Treasury Management Indicators as part of the Treasury Management Code of Practice. The indicators are reported in the following paragraphs.

### Borrowing maturity structure

- 22 The Prudential Code for Capital Finance in Local Authorities requires the Council to set upper and lower limits for the maturity structure of fixed rate borrowing. These limits are designed to help the Council minimise its exposure to large fixed rate sums falling due for refinancing. The proposed limits, expressed as percentages of total projected fixed rate borrowing, are as follows:

Table 9.2 Maturity structure of fixed rate borrowing				
	General Fund		Housing Revenue Account	
	Upper limit %	Lower limit %	Upper limit %	Lower limit %
Within 1 year	50	0	0	0
Within 2 years	50	0	50	0
Within 5 years	60	0	60	0
Within 10 years	80	0	80	0
After 10 years	100	0	100	0

### Borrowing – limits of fixed and variable rate exposure

- 23 The Prudential Code also requires the Council to set upper limits for fixed and variable interest rate exposure. These indicators identify the maximum limits for both fixed and variable interest rates based upon the Council's debt position net of investments. The proposed limits are as follows:

Table 9.3 Upper limits of Fixed and Variable exposures						
	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Upper limit – fixed rates	42	39	38	36	35	34
Upper limit – variable rates	(14)	(24)	(22)	(20)	(18)	(16)

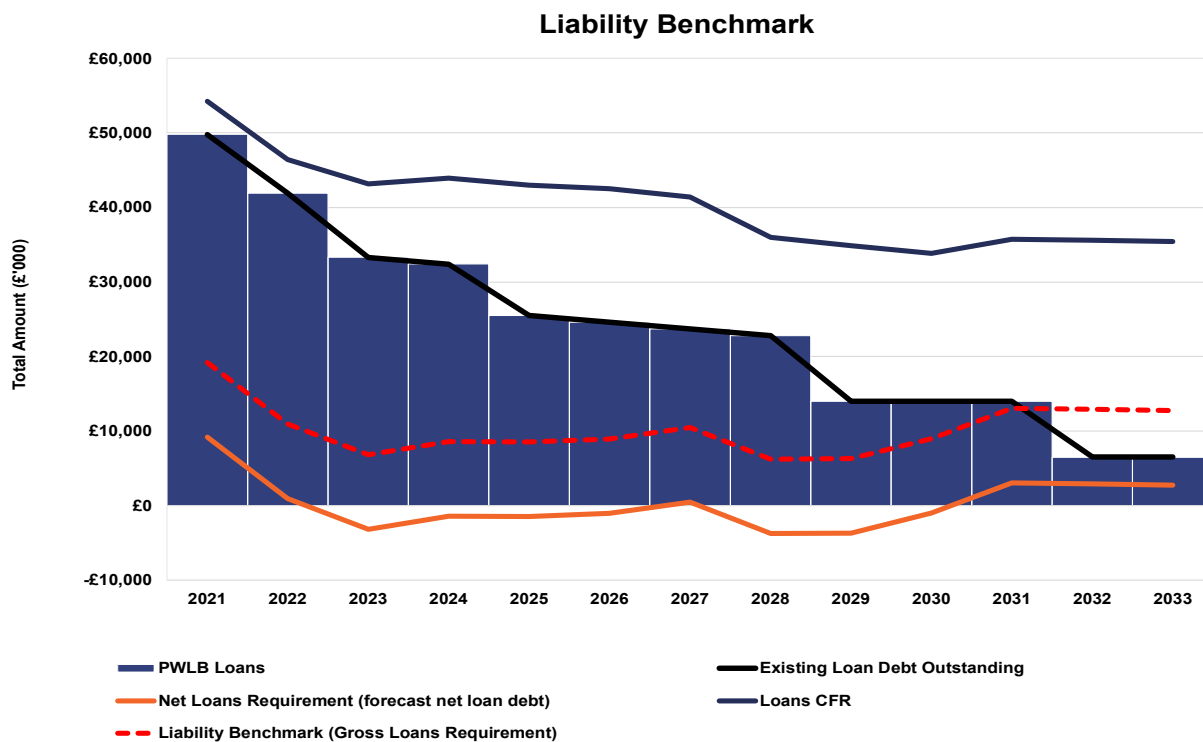
### Borrowing - interest rate sensitivity

- 24 Any borrowing decisions will need to take account of any changes in interest rates. There are two possible scenarios: -
- a sharp rise in rates – if this is considered possible, any fixed interest borrowing will be taken while interest rates are relatively low.
  - a sharp fall in rates – if this is expected, any borrowing will be postponed (waiting for borrowings to become cheaper) and rescheduling from fixed to variable rate funding will be considered.

### Liability Benchmark

- 25 The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

The Liability Benchmark establishes whether the Council is likely to be a long-term borrower or long-term investor in the future, to help shape its strategic focus and decision making. The benchmark is shown in the chart below which also shows that the Council does not need to externally borrow in the near future. The benchmark will be updated quarterly taking into account the actual in the year to date and the forecast for the remainder of the financial year as well as any updates made to future years.



### Debt management objectives

- 26 A summary of the Council's debt management objectives for 2023/24 is therefore as follows: -
- to borrow, if necessary, in order to finance cash flows arising from capital expenditure in accordance with the Prudential Code;
  - to reduce, if possible, the amount of long-term borrowing without incurring net losses for early redemption.
  - to manage the debt maturity profile in order to avoid a high level of repayments in any one year.
  - to borrow at the best interest rates achievable in relation to estimated future rates.
  - to monitor and review the level of any variable interest rate loans, in order to take advantage of interest rate movements;
  - if possible, to reschedule debt in order to take advantage of potential savings as interest rates change;
  - to avoid as far as possible, excessive overdrawn bank balances by achieving a balanced daily cash position, unless market borrowing proves favourable by comparison;
  - to ensure that overall borrowing is within the authorised limit for external debt and that this is monitored on a regular basis.

## 10 Investment Strategy

### Investment guidance

- 1 This Council's investment policy has regard to the following:
  - DLUHC's Guidance on Local Government Investments ("Guidance")
  - CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes ("CIPFA TM Code")
  - CIPFA Treasury Management Guidance Notes 2021

### Investment principles

- 2 The primary policy objective of the Council's treasury management and investment activities is the security of funds, and to avoid exposing public funds to inappropriate and unquantified risk. The Council's investment priorities are:
  - Firstly – the **security** of capital (protecting the capital sum invested from loss) and
  - Secondly – the **liquidity** of its investments (keeping sufficient money readily available for expenditure when needed).

Provided that proper levels of security and liquidity are achieved, it may then (but only then) be reasonable to seek the highest **yield** consistent with those priorities. All investments will be in sterling.

- 3 Under the guidance investments made by local authorities are classified into two main categories:
  - Investments held for treasury management purposes
  - Other investments

All of the Council's temporary investments are held for treasury management purposes and the interest received contributes to the General Fund budget, as shown in the table below. Investments are not split between General Fund and Housing Revenue Account (HRA) but held as one portfolio with a proportion of the overall interest received applied to the HRA, calculated on the levels of HRA reserves and balances. For 2023/24 this amount is forecast to be **£60k**.

Table 10.1 General Fund Investment Income						
	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Forecast investment income	655	1,069	966	920	670	431

- 4 The guidance maintains that the borrowing of monies purely to invest or lend on and make a return is unlawful and this Council will not engage in such activity.

### Financial investments

- 5 Under the guidance financial investments fall in to three categories:
  - **Specified investments** - high security, high liquidity investments in sterling with high credit quality, and with a maturity of no more than a year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
  - **Loans** – for example to local enterprises, charities etc. The Council has none.
  - **Non-specified investments** – all others, may be less secure.

Specified investment instruments identified for use in the financial year are listed in table 10.2. Non-specified Investments are any other type of investment, i.e. not defined as specified above, are listed in tables 10.3 and 10.4.

### Non-financial investments

- 6 Non-financial investments are assets an organisation holds primarily or partially to generate a profit, essentially for commercial activities. The Council does not currently hold non-financial investments, but may consider doing so, if they support the priorities of the Council as detailed in the Corporate Plan, after taking expert external advice and a thorough appraisal by officers, scrutiny by the appropriate committee and approval by Council. The Council would have to carefully assess whether such assets retain sufficient value to provide security of investment, and if they do not, the Strategy must provide details of the mitigating actions taken to protect the capital.

### Liquidity

- 7 Based on its cash flow forecasts, the Council anticipates its fund balances in the financial year 2023/24 to range between **£29m** and **£44m**.

### Risk assessment and risk appetite

- 8 As the Council's primary policy objective of treasury management is to avoid exposing public funds to inappropriate and unquantified risk, the Council has a very cautious approach to investing, reflected in the internal guidance which ensures the following:
- 1 a very high average credit weighting for the portfolio, typically AA
  - 2 a diversified portfolio
  - 3 a weighted average maturity of approximately 250 days
  - 4 strict stepped limits on lower-rated, but still high grade (A-rated) investments of up to **£3m**.
  - 5 Officers monitor market information including financial updates from the Council's treasury adviser on a daily and weekly basis, to keep as well-informed as possible to make the best decisions. The internal guidance can be amended by the S151 Officer, with advice from treasury officers, at very short notice. This is for flexibility and to adapt to changing circumstances in the current time of economic uncertainty, firstly to protect the security of the Council's temporary investments and secondly to achieve liquidity and yield.

### Credit ratings

- 9 Credit quality of counterparties (issuers and issues) and investment schemes will be determined mainly by reference to credit ratings published by Fitch, Moody's and Standard & Poors. In compliance with CIPFA recommendations and the CIPFA Treasury Management Code, the rating criteria use the lowest common denominator method of selecting counterparties and applying limits. Tables 10.2 to 10.4 also set out the Council's minimum credit ratings that it considers appropriate for each category of investment.
- 10 The sovereign rating for the UK is AA. All three agencies have the UK on negative outlook. Investments are placed with institutions with high long-term credit ratings (minimum A-) or in money market funds with the highest possible rating (AAA or equivalent). The Council has a policy of diversification to prevent over-reliance on a small number of counterparties and Money Market Funds are used to provide a broad spread of underlying holdings.

### Monitoring of credit ratings

- 11 All credit ratings will be monitored on a regular basis, including when investments are made. The Council's treasury adviser, Link Treasury Services, also alert the Council to changes in ratings as they occur.
- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
  - If a counterparty/investment scheme is upgraded so that it fulfils the Council's criteria, the s151 Officer will have the discretion to include it on the lending list.

### Amendments to the 2023/24 Investment Strategy

- 12 The portfolio of investments maintained by the Council is very cautious and the yield is below that earned by some other councils. It is proposed to diversify the investment portfolio to include international institutions and not only limit the Council to UK institutions. Paragraph 13 describes the geographical considerations.

**Table 10.2 Specified Investments for the Financial Year 2023/24**

<b>Investment</b>	<b>Counterparty limit</b>	<b>Security / Minimum Credit Rating</b>	<b>Maximum period of investment</b>
<b>Debt Management Agency Deposit Facility (DMADF)</b> (this facility is at present available for investments up to 6 months)	No limit	The Debt Management Office is an agency of the UK Government	6 months (DMO imposed time limit)
<b>Treasury Bills</b> issued by the UK Government (currently maximum 6-month duration)	No limit	The Debt Management Office is an agency of the UK Government	364 days
<b>Term Deposits</b> with the UK Government or with UK local authorities (i.e. local authorities as defined under section 23 of the 2003 Act)	The lesser of £5m or 33% of total investments	High quality as either directly invested or via agencies of UK Government. (Although local authorities are not specifically credit rated)	364 days
<b>Term Deposits</b> with institutions	The lesser of £5m or 33% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
<b>Money Market Funds</b> (i.e. a collective investment scheme as defined in SI 2004 No 534) CNAV, LVNAV and VNAV These funds do not have a maturity date	The lesser of £5m or 33% of total investments	Fitch, Moody's or Standard and Poors AAA (Minimum of two ratings)	n/a (repayable on demand)
<b>Current accounts, notice accounts or term deposits</b> with credit-rated deposit takers (banks and building societies)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days (Call deposits repayable on demand)
<b>Forward deals</b> with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
<b>Certificates of Deposit</b> issued by institutions	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
<b>Covered bonds</b> (maximum 364-day period includes borrower extension option)	The lesser of £4m or 25% of total investments	long-term AA-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
<b>Reverse repurchase agreements "repos"</b> (a form of secured lending with enhanced security)	The lesser of £4m or 25% of total investments	long-term AA-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days

<b>Table 10.3 Non-Specified Investments for the Financial Year 2023/24</b>			
<b>Investment</b>	<b>Counterparty limit</b>	<b>Security / Minimum Credit Rating</b>	<b>Maximum period of investment</b>
<b>Term deposits</b> with the UK Government or with UK local authorities (i.e. local authorities as defined under section 23 of the 2003 Act)	The lesser of £5m or 25% of total investments	High quality as either directly invested or via agencies of UK Government. (Although local authorities are not specifically credit rated)	2 years
<b>Current accounts, notice accounts or term deposits</b> with credit-rated deposit takers (banks and building societies)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	2 years
<b>Property Funds</b>	The lesser of £4m or 25% of total investments	Unrated	n/a
<b>Bond funds</b>	The lesser of £4m or 25% of total investments	Unrated	n/a
<b>Multi-Asset funds</b>	The lesser of £4m or 25% of total investments	Unrated	n/a
<b>Equity Funds</b>	The lesser of £4m or 25% of total investments	Unrated	n/a

- All Specified Investments listed above must be sterling denominated.
- All investments are managed in-house.
- No shares or loan capital is held by the Council
- None of the investments are classified as capital expenditure

### **Country, group and sector limits**

- 13 The Council selects counterparties according to credit quality as well as the additional information in paragraph 16 below. Group and sector limits do not form part of the formal Investment Strategy, but are used within the temporary, stricter investment guidance described in paragraph 18.

Whilst there are no specific limitations on which countries the Council can or will invest in, consideration will be given to Environmental, Social and Governance (ESG) issues. For example, the Council will avoid investing in institutions based in or strongly linked to countries with questionable human rights practices. As always, any investments made will be with institutions meeting the required credit ratings and will always be in GBP.

### **Money Market Funds**

- 14 As has been the practice for several years, the Council continues to place a high proportion of its investments in Money Market Funds. By March 2019 the valuation method for the Council's Money Market Funds changed from constant net asset value to low volatility net asset value. Constant net asset value funds aim to preserve a stable value (such as £1) per share at which investors either subscribe or redeem, but under money market fund regulations they are being replaced with low volatility net assets funds where the underlying investments may have to be priced at market value, so potentially investors could get back slightly more or less than the £1 invested, although this is very unlikely with AAA-rated funds. The Council has assessed the implications, but it is not expected that there will be any significant impact on the value of investments.

## 15 **Markets in Financial Instruments Directive (MiFID)**

From 3rd January 2018 changes in legislation required the Council to opt up to professional status (rather than the default status of a retail client) with several of its counterparties to continue using a range of secure and diversified investments and not be limited solely to simple bank deposits. Organisations classified as professional have a good understanding of financial products but do not have the same protection as retail clients or ordinary consumers.

## **Use of additional information other than credit ratings**

- 16 Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example equity prices, Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

## **Bail-in legislation**

- 17 To avoid a Government bailout (i.e. where Governments inject monetary support into institutions to keep them solvent) that occurred during the financial crisis, bail-in legislation is now fully implemented in the UK. In future large investors or creditors may contribute to the rescue of failing banks rather than taxpayers, as some or all their deposits are converted into equity which could be worth less than the original investment. Consequently, the potential risk of depositing with banks may have increased, however this is reflected in the credit ratings.

## **Internal stricter guidance**

- 18 The Council continues to use temporary stricter internal investment guidance than that laid out in the Investment Strategy, such as lower counterparty limits. These will remain in place for as long as they are required and are reviewed regularly, considering information and advice supplied by Link. Changes to the internal guidance are approved by the s151 Officer.

## **Use of derivative instruments**

- 19 Local authorities can use any hedging tools such as derivatives, but only for the management of risk and the prudent management of financial affairs. When an authority intends to use derivative instruments the policy for their use must be clearly detailed in the annual Treasury Management Strategy. The Council does not currently use derivatives, but should this change then the Treasury Management Strategy will be amended prior to their use. The Council will seek proper advice when entering into arrangements to use such products to ensure that it fully understands those products.

## **Investments defined as capital expenditure**

- 20 The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1) (d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded out of capital or revenue resources and will be classified as Non-specified Investments. As already stated, the Council does not currently intend to invest in Non-specified Investments.

- 21 Investments in Money Market Funds are not treated as capital expenditure.

- 22 A loan, grant or financial assistance by this Council to another body for capital expenditure by that body will be treated as capital expenditure, should it occur.

## **Provisions for credit-related losses**

- 23 If any of the Council's investments appeared at risk of permanent loss due to default (i.e. a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

### Investment strategy to be followed in-house

- 24 The Council's in-house managed funds are mainly cash-flow derived. It is expected that the majority of the Council's funds will be invested for periods of less than 365 days although this will be reduced should it be deemed appropriate. There are core funds of approximately **£10m** that it is very unlikely will be required for cash flow purposes for another 2 to 5 years. The recent changes to the treasury strategy will allow some or all of these funds to be invested longer-term, at higher rates, to provide additional investment income for the Council.

### Investment treasury indicator and limit

- 25 These limits, relating to funds invested for greater than 365 days and shown in the table below, are set with regard to the Council's liquidity requirements. They are designed to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

Table 10.4 Upper limit for principal sums invested for longer than 365 days			
	2023/24	2024/25	2025/26
Principal sums invested for longer than 365 days	£15m	£15m	£15m
Current investments as at <b>31.03.2023</b> in excess of 1 year maturing in each year	£0m	£0m	£0m

### The Council's banking arrangements

- 26 The Council's banking operations are with Lloyds Bank PLC with the current contract expiring on 31<sup>st</sup> March 2025.

### Risk benchmarking

- 27 The most recent version of the CIPFA Treasury Management Code recommended the use of security and liquidity benchmarks alongside existing yield benchmarks used to assess investment performance.
- 28 These benchmarks are simple targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported with supporting reasons in the quarterly or Annual Report. Use of these benchmarks will be reviewed and amended or added to if necessary.
- 29 **Security** – The Council's maximum-security risk benchmark for the current portfolio is:
- A credit-rating score of **6.4** for the overall investment portfolio. Each investment is given a score according to long-term credit rating (e.g. 7 for AAA, 4 for AA-, 1 for A-) and then weighted according to amount.
- 30 **Liquidity** – In respect of this area the Council seeks to maintain:
- The bank overdraft facility was reviewed for the new banking contract that started in April 2020 and it was decided it was not cost effective for the Council to have one permanently in place
  - Liquid short-term deposits of at least **£1m** available with a day's notice
  - Weighted Average Life benchmark is expected anything up to 270 days, with a maximum of 1 year
- 31 **Yield** – Local measures of yield benchmarks are:
- Investments – returns above SONIA (Sterling Overnight Index Average), rate. The Council previously used LIBID but this measure has been discontinued by the Bank of England in favour of SONIA.

**Treasury management adviser**

- 32 Link Treasury Services, the largest provider of capital financing and treasury advisory services to public sector organisations, is the Council's current treasury adviser. The company provides a range of services through a formal contract, which includes technical support on treasury matters and capital finance issues; economic and interest rate analysis; debt rescheduling advice surrounding the existing portfolio; investment advice on interest rates, timing and investment instruments; credit ratings/market information service provided by the three main credit rating agencies; and data from international money markets. The current contract expires in 2023 and a procurement exercise will be undertaken to ensure a treasury management adviser is in place at the end of the current contract.
- 33 Whilst Link provide support to the internal treasury function the final decision on all treasury matters remains with the Council.

**Member and officer training and experience**

- 34 Members receive training on Treasury Management matters on a periodic basis. Treasury staff attend appropriate courses and seminars held by CIPFA and Link both to maintain and improve their knowledge and expertise. All treasury staff have accountancy or treasury qualifications and many years' experience in local authority treasury across the team.

**Investment activity reporting and publication**

- 35 Officers prepare a quarterly monitoring report on investment activity and an end of year report as part of its Annual Treasury Report after the close of each financial year. This does not preclude more frequent reporting should changes or circumstances dictate, including changes to the Treasury Management and Investment Strategy if required. The Investment Strategy is published annually on the Council's website.

# 11 Pay Policy

## 1 Introduction

- 1.1 The Localism Act 2011 (the “Act”) brought together the strands of increasing accountability, transparency and fairness in the setting of local pay.

All Councils were required to publish a Pay Policy Statement for the financial year 2012/13, and for each subsequent financial year, before the 31 March immediately preceding the financial year to which it relates.

The Act requires that Pay Policy Statements, and any amendments to them, are considered by an open meeting of Full Council.

This also applies to:-

- New appointments to posts carrying a salary package of £100,000 and above will be presented for approval by full Council.
  - Severance packages for staff leaving the authority of £100,000 and above will be presented for approval by full Council. Full detail of the severance package should be presented including PILON, redundancy compensation, pension entitlements, holiday pay and any performance pay/bonus, fees or allowances.
- 1.2 The Localism Act 2011 requires the Pay Policy Statement to include the Council’s policies relating to:-
- The remuneration of its Chief Officers
  - The remuneration of its lowest paid employees
  - The relationship between the remuneration of the Chief Officers and other officers
  - The specific aspects of the officers’ remuneration such as remuneration on recruitment, use of performance related pay and bonuses, termination payments and transparency.
- 1.3 The Pay Policy Statement must also set out the definition of “lowest-paid employees” and the Council’s reasons for adopting that definition.
- 1.4 This Pay Policy Statement is produced in accordance with Chapter 8 of the Act. It is made available on the Council’s website which also includes separately published data on salary information relating to the Leadership Team. The Pay Policy Statement complies with the requirements of the Act and relevant guidance.

## 2 Definitions

- 2.1 A Chief Officer is defined as:-

- The monitoring officer designated under section 5(1) of that Act
- The statutory chief officer mentioned in section 2(6) of that Act
- A non-statutory chief officer mentioned in section 2(7) of that Act
- A deputy chief officer mentioned in section 2(8) of that Act

- 2.2 Definition of Lowest paid staff:-

A member of staff performing duties of an unskilled nature will receive a salary determined by scale point 1 on the NJC pay scale structure. This definition has been chosen as the lowest grade paid to an employee of the Council.

In April 2023, scale point 1 is to be removed from the NJC pay scale and then scale point 2 will become the lowest pay point.

Apprentices are paid in accordance with the HMRC National Minimum Wage Rates which are based on age.

### **3. General policies relating to all staff**

The following policies are applicable to all staff:

- 3.1 All staff (except the Chief Executive and Chief Officers) will receive the annual national NJC pay increase for Local Government employees, if and when offered and agreed by the Local Government Employers.
- 3.2 New members of staff will commence at a salary point within the range for the post dependent upon the knowledge, skills and competencies of the individual and having regard to current and previous salary levels.
- 3.3 In accordance with the principle of equal pay, all staff will be treated equally irrespective of gender and average pay for men and women will be equal for like work. The Council has a legal duty to report on the gender pay gap and this information is published on the Council's website.
- 3.4 The Council uses pay benchmarking and the principles of the NJC Job Evaluation Scheme to set pay grades for new posts and regradings. A formal job evaluation exercise is planned for 2023.
- 3.5 The Council has a Pay Protection Policy for those staff whose posts are downgraded as a consequence of changing organisational requirements where this results in a salary reduction.
- 3.6 Increments will be paid on 1st April each year until the maximum of the level is reached subject to the following:
  - a) Increments may be accelerated within an officer's scale at the discretion of the authority on the grounds of special merit or ability, subject to the maximum of the level not being exceeded as approved by the Strategic Director (Resources).
  - b) An increment may be withheld due to poor performance but this will only be applied where correct probation or capability procedures have been followed. Any increment withheld may be paid subsequently if the officer's services become satisfactory.
  - c) Employees with less than six month's service in the grade by 1st April shall be granted their first increment six months from the actual date of their appointment, promotion or regarding.

Note. Any action under (a) or (b) shall not interrupt the payment of subsequent increments on 1st April.
- 3.7 Where an employee is required to hold a membership of a professional body to carry out their role, one professional subscription will be paid annually by the Council on behalf of the employee.
- 3.8 When an employee has worked for the Council for a continuous period of 25 years an award of £500 is made in recognition of their service.
- 3.9 In exceptional circumstances, the Council may consider awarding an honorarium, solely at the discretion of the HOPS.
- 3.10 Annual Leave, on entry 22 days plus 2 statutory days, increasing to 25 days plus 2 statutory days after five years' service. (This will increase by one day on 1 April 2023 as part of the pay agreement).

- 3.11 Membership of the Local Government Pension Scheme (Employees can exercise the right to opt out)
- 3.12 The Council has agreed policies in place for Redundancy, Redeployment and Retirement.
- 3.13 Where applicable, the following benefits are offered to staff as part of their salary package:
- Flexible working arrangements (can relate to hours or time worked, or full or part home working)
  - Flexitime (allows flexibility in start, finish and lunch times as well as hours carried forward to better match the needs of the Council and employee)
  - Free staff membership at Waterside Leisure Centre for use of the swimming pool and fitness suite (not classes) to improve the health and wellbeing of staff working a minimum of 15 hours per week. Use of the swimming pool also free at the Runnymede Leisure Centre with access to the fitness suite at lunchtimes only.
  - Casual car user allowance or essential car user allowances.
  - Market supplements (to attract and retain the right calibre staff to key posts) There are market supplements in place for four employees and one job group (Refuse Drivers) paid in accordance with a policy which will continue to be reviewed as part of the Council's planned transformation programme.
  - Retention payments (to retain essential skills in key posts). There is a retention payment in place for one employee in addition to the payments included in Section 4. As part of transformation, the application of these payments will also be reviewed.

## 4 Remuneration for the Leadership Team

The Leadership Team's salary range is published on the Council's website and detailed below and is subject to ongoing appraisal.

### 4.1 Chief Executive and Head of Paid Service

All general policies set out in section 2 (above) apply to the Chief Executive who also performs the statutory role of Head of Paid Service.

In addition to these, the following specific policies also apply.

- The salary scale for the Chief Executive is:-

CEX1	126,925
CEX2	129,425
CEX3	131,925

This scale was agreed by the Staff Appointment & Review Panel in 2022 as part of the recruitment exercise for a new Chief Executive.

- The Chief Executive will receive the annual national pay increase for Chief Executives if, and when offered and agreed by the Local Government Employers.
- The Chief Executive also receives a (Deputy) Returning Officer fee in respect of District, County and Town Council elections. Payment for Local election duties are based on a locally determined scale according to the number of electorate and payment is in addition to

the Chief Executives basic pay. Fees for conducting Parliamentary/European and Police & Crime Commissioner elections and referenda are determined by way of a Statutory Instrument.

- The Chief Executive does not receive any additional payments such as performance related pay, retention or market supplement payments.
- The Chief Executive receives 35 days annual leave plus 2 statutory days.

#### 4.2 **Chief Officers and Heads of Service**

The Council employs two Strategic Directors as part of the Leadership Team one of whom performs the statutory role of Monitoring Officer and the other performs the statutory role of Section 151 Officer. The Council also employs four Heads of Service as part of the Leadership Team

All general policies set out in section 3 (above) apply to the Leadership Team. In addition to these, the following specific policies also apply.

- The Strategic Directors will receive the annual national pay increase for Chief Officers if, and when offered and agreed by the Local Government Employers.
- The Strategic Directors receive 35 days annual leave plus 2 statutory days.
- The Heads of Service will receive the annual national pay increase for local government employees if, and when offered and agreed by the Local Government Employers.
- The Leadership Team's contractual arrangements vary by member but include entitlement to retention payments, market supplements and performance related pay.

#### 4.3 **Publication of and access to information relating to remuneration of Chief Executive and Chief Officers and senior posts paid over £50k**

The remuneration of the Chief Executive and Chief Officers is disclosed in the Annual Statement of Accounts (Page 51) and published on the Councils website:

[Statement of Accounts](#)

Details of the remuneration of the senior posts are published in the Data Transparency section of the Council's website.

[Senior Salaries over 50k](#)

#### 4.4 **Relationship between the remuneration of the Chief Executive and all other staff**

The Hutton report discussed the merits or otherwise of putting a ceiling on managers from earning more than 20 times the pay of the lowest paid person in their organisation.

The Council's current ratios, based on annual gross pay of all employees in post as at 31 March 22 and the then vacant Chief Executive position, are:

- The ratio of the highest earning officer (Chief Executive) to the lowest paid full time equivalent employee in the Council is 7:1.
- The ratio of the highest earning officer (Chief Executive) to the average of all other staff in the Council is 5:1.

- The ratio of the average of the Chief Executive and other Chief Officers earnings to the average of all other employees is 3:1

The Council will ensure that the ratios remain below the guideline ceiling.

#### **4.5 Limitation of the ratios**

The ratios set out above should be used as a general guide only. The data used to calculate the ratios for the different categories of employees may differ for a variety of reasons which makes direct comparisons difficult. Average earnings will vary according to the mix of employees at any given point in time.

#### **5. Performance related pay and Bonuses**

Performance related pay of an additional 5% payment based on performance, is assessed annually by the Chief Executive against the achievement of agreed objectives.

No bonus schemes are in place.

#### **6. Review of Pay Policy**

The Council's proposed transformation programme is likely to require amendments to be made to the existing Pay Policy Statement during the course of the year, when this happens then an appropriate recommendation will be made to Full Council.

## 12 Chief Financial Officer's report under Section 25 of the Local Government Act 2003

- 1 Under Section 25 of the Local Government Act 2003, the Council's Chief Financial (s151) Officer is required to report to the Council on: -
- the robustness of the estimates made for the purpose of the calculation of Council Tax requirement, and
  - the adequacy of the proposed financial reserves.

- 2 The Council must have regard to this report when making decisions on the Council Tax requirement calculation.

- 3 The report on the adequacy of reserves appears at section 7 and the report on the robustness of the estimates appears below.

### **General Fund services**

- 4 Estimates in respect of General Fund services for the following expenditure types have generally been calculated by the Council's Financial Services department, based on a full recalculation of relevant factors: pay and related costs; insurances; leasing charges; interest payable and receivable. Business Rate charges on Council owned properties are calculated by the Council's Revenue Services Unit. These estimates are considered robust for current service levels.

- 5 Estimates in respect of the Local Council Tax Support Scheme, Housing Benefit payments, government reimbursement of these payments and respective administration subsidy have been calculated by the Council's Revenue Services Unit. These are based on the latest information available about take up of benefits and caseload data, the latest levels of correctly paid benefits and government notifications of reimbursement and subsidy levels. These estimates are considered robust for current service levels.

- 6 Estimates in respect of service controlled income and expenditure have generally been calculated jointly by Financial Services and respective service departments, subject to final agreement and acceptance by budget holders in service departments. This has been a sound process and based on experience of past estimates prepared by a similar process, these estimates are considered generally robust.

### **Housing Revenue Account**

- 7 Housing Revenue Account estimates, as set out in a separate report to Cabinet, have been prepared by Housing and Financial Services staff as appropriate and in accordance with procedures that are tried and tested and have proved robust previously.

### **Overall conclusions**

- 8 The s151 Officer's overall view of the robustness of the estimates is therefore that the processes followed have been generally sound and identical to those that have produced robust estimates in the past.

- 9 In order to ensure accountability is exercised in relation to financial management, it is essential that Cabinet continues to ensure that budgets are monitored diligently and accountable officers (budget holders) are reminded of their personal responsibility for budget compliance in line with Financial Regulations and Procedures. Breaches of these regulations should be considered extremely serious and Cabinet is tasked with monitoring compliance.

## 13 Calculation of the Council Tax Requirement

- 1 The Localism Act 2011 requires the billing authority to calculate a Council Tax requirement for the year. This calculation is prescribed by Sections 31A and 31B of the Local Government Finance (LGF) Act 1992 (as amended by the Localism Act 2011) and is as follows: -

Table 13.1 Council Tax requirement calculation LGF Act 1992		£
s31A(2)(a)	Gross spending on services	61,176,856
s31A(3)(a)	Less gross income from services	(46,736,400)
s31A(3)(a)	Less Government grant & business rates	(4,647,165)
	Less Capital and other grants & contributions	(1,200,000)
s31A(3)(b)	Less net Collection Fund surplus / plus deficit	973,053
s31A(3)(d)	Net amount taken to / (from) general and earmarked reserves	(483,796)
	<b>Council Tax Requirement</b>	<b>9,082,548</b>

- 2 The above figures include internal charges between services and **£274,356** relating to the Canvey Island Town Council precept. The tax base (see section 3 of this report) is then used to calculate the amount of Council Tax (including the Town Council) at band D, in accordance with Section 31B of the Act: -

Section 31B - Band D charge	
Council Tax (including Town Council) £	9,082,548
Tax base (property number)	31,258
<b>Band D charge £</b>	<b>290.57</b>

- 3 The resultant figure is required by statute but does not actually represent the Council Tax payable by either a Canvey Island or mainland resident. A further calculation that sets out the actual amount of tax payable at band D as well as other bands is set out in table 13.2 below.
- 4 The calculation of Council Tax at band D, including and excluding the Town Council, is prescribed by Sections 34 and 35 of the Local Government Finance Act 1992. The calculation of Council Tax for other bands (shown below) is prescribed by Section 36 of the Act and is made by adjusting the basic amount of tax for band D by the ratio (in ninths) applicable to all other valuation bands.

Band	Ratio in 9ths	Canvey Residents Council Tax Including Town Council	Mainland Residents Council Tax Excluding Town Council
<b>A</b>	6	203.04	187.86
<b>B</b>	7	236.88	219.17
<b>C</b>	8	270.72	250.48
<b>D</b>	<b>9</b>	<b>304.56</b>	<b>281.79</b>
<b>E</b>	11	372.24	344.41
<b>F</b>	13	439.92	407.03
<b>G</b>	15	507.60	469.65
<b>H</b>	18	609.12	563.58

- 5 The Council Taxes set by other precepting authorities are added to these amounts to calculate the total amount of Council Tax due for the year, as shown in section 14.

## 14 Precepts & Council Tax levels

The information set out below is based on proposed information received from preceptors. This is due to be confirmed at a series of meetings being held during February. A substitute report will be issued if there is any change.

### Introduction

- 1 The Council is required by law to approve the calculation of Council Tax requirement for the Council's services (including that required by Canvey Island Town Council) and set the Council Tax level to be levied in the Borough that takes account of the following preceptors:

- Essex County Council
- Essex PFCC – Policing & Community Safety
- Essex PFCC – Fire & Rescue Authority
- Canvey Island Town Council

### Essex County Council

- 2 The County Council has a duty to issue a precept to billing authorities before 1 March each year. The County Council set its budget and level of precept on 9 February 2023.

### Essex PFCC – Policing & Community Safety

- 3 The PFCC has been elected to oversee Essex Police and is responsible for setting the Essex Police budget. The PFCC set its budget and precept on 7 February 2023.

### Essex PFCC – Fire & Rescue Authority

- 4 The Fire & Rescue Authority operates as an independent body and is responsible for setting its own budget. The PFCC set its budget and precept on 7 February 2023.

### Canvey Island Town Council

- 5 The Town Council is a separate and autonomous body within the Borough which approves its own spending and precept levels for each financial year, based on a separate tax base (calculated by the Council) consisting of Canvey Island properties only. The Town Council resolved its precept for the forthcoming financial year at its meeting on 12 December 2022.
- 6 There are currently no specific government controls over the Town Council's budget requirement or Council Tax level although the Government has consulted in recent years on the introduction of a referendum limit for Town and Parish Council's.
- 7 The Council is required to include the net expenditure relating to the Town Council in the Council's net overall budget requirement.
- 8 The Town Council's precept is added to the statutory calculation as an average for the overall Borough but is levied only on properties that are situated on Canvey Island.

### Council Tax Levels 2023/24

- 9 Castle Point, as the billing authority for the area, is responsible for the collection of Council Tax on behalf of the three major precepting authorities, as well as Canvey Island Town Council which is a local precepting authority.
- 10 Tables on the following page set out the individual and combined council tax charges by property band.

- 11 A summary of precepts notified and corresponding Council Tax levels is shown in the following table:

<b>Table 14.1 Precepts and Council Tax Levels</b>	<b>Council Tax at Band D 2022/23 £</b>	<b>Council Tax at Band D 2023/24 £</b>	<b>Change from 2022/23 £</b>	<b>Change from 2022/23 %</b>	<b>Share %</b>
Castle Point Borough Council (proposed)	273.69	<b>281.79</b>	8.10	2.96	13.62
Essex County Council	1,401.12	<b>1,450.17</b>	49.05	3.50	70.12
Essex PFCC - <u>Fire</u> and Rescue Authority	75.33	<b>80.28</b>	4.95	6.57	3.88
Essex PFCC - <u>Policing</u> and Community Safety	218.52	<b>233.46</b>	14.94	6.84	11.29
<b>Total (excluding Canvey Island Town Council)</b>	<b>1,968.66</b>	<b>2,045.70</b>	<b>77.04</b>	<b>3.91</b>	<b>98.90</b>
Canvey Island Town Council	21.87	<b>22.77</b>	0.90	4.12	1.10
<b>Total (including Canvey Island Town Council)</b>	<b>1,990.53</b>	<b>2,068.47</b>	<b>77.94</b>	<b>3.92</b>	<b>100.00</b>

- 12 The table below shows the amount of Council Tax each authority has set for 2023/24:

<b>Table 14.2 Council Tax for each band</b>							
<b>Band</b>	<b>Castle Point Borough Council</b>	<b>Essex County Council</b>	<b>Essex PFCC - Fire and Rescue Authority</b>	<b>Essex PFCC - Policing and Community Safety</b>	<b>Total excluding Town Council</b>	<b>Canvey Island Town Council</b>	<b>Total including Town Council</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>A</b>	187.86	966.78	53.52	155.64	<b>1,363.80</b>	15.18	<b>1,378.98</b>
<b>B</b>	219.17	1,127.91	62.44	181.58	<b>1,591.10</b>	17.71	<b>1,608.81</b>
<b>C</b>	250.48	1,289.04	71.36	207.52	<b>1,818.40</b>	20.24	<b>1,838.64</b>
<b>D</b>	<b>281.79</b>	<b>1,450.17</b>	<b>80.28</b>	<b>233.46</b>	<b>2,045.70</b>	<b>22.77</b>	<b>2,068.47</b>
<b>E</b>	344.41	1,772.43	98.12	285.34	<b>2,500.30</b>	27.83	<b>2,528.13</b>
<b>F</b>	407.03	2,094.69	115.96	337.22	<b>2,954.90</b>	32.89	<b>2,987.79</b>
<b>G</b>	469.65	2,416.95	133.80	389.10	<b>3,409.50</b>	37.95	<b>3,447.45</b>
<b>H</b>	563.58	2,900.34	160.56	466.92	<b>4,091.40</b>	45.54	<b>4,136.94</b>