

13 February 2020

Report of	Assistant Director for Corporate and Improvement Services	Author	Paul Cook ☎ 505861
Title	Supplementary Budget Report 2020/21		
Wards affected	All		

1 **Executive Summary**

- 1.1 This report includes additional information and recommendations to the budget report recommended by Cabinet. It also takes account of recommendations from and discussions with the 28 January 2020 Scrutiny Panel meeting.
- 1.2 The report provides further budget detail on
 - New Strategic Priorities including the Northern Gateway.
 - Business Rates
 - The ability to identify savings to close the forecast budget gap from 2022/23 onwards.
- 1.3 New Homes Bonus is allocated to the Local Highways Panel and St Marks Community Centre.

2 **Recommended Decisions**

- 2.1 To note the treatment of £500k as set out in section 6.14 of the 29 January 2020 Cabinet budget report
- 2.2 To note that 29 January 2020 Cabinet acknowledged that the wording of para 6.12 of the Cabinet budget report should have stated that Council had not agreed to release the funds.
- 2.3 To agree allocations of £100k to the Local Highways Panel in 2020/21, and £150k to St Marks Community Centre in 2021/22 from the Balance for future allocation and New Strategic Priorities set out in Row 20 of Appendix K of the 29 January 2020 Cabinet Report.

- 2.4 To note the feasibility and implementation allocations and indicative programme costs for New Strategic Projects set out in Appendix L.

3 New Strategic Priorities

- 3.1 Cabinet at its meeting on 20 November 2019 allocated £500k of reserves for the implementation of New Strategic Projects including feasibility assessments and scoping exercises. Appendix L sets out the use of those reserves.
- 3.2 Appendix L also sets out indicative capital and revenue for the New Strategic Priorities. These figures will be refined following the feasibility and scoping exercises. The planned investment is provided for in the Medium Term Financial Forecast.

4 Budget gaps after 2020/21

- 4.1 The main budget report forecasts two levels of budget gap. These are
- the position if government funding is broadly at current levels
 - the position assuming loss of government support in £500k annual steps from 2021/22 onwards

Table - Budget (Surplus)/Gaps forecast in the Medium Term Financial Forecast (£k)						
		19/20	20/21	21/22	22/23	23/24
1	Government funding maintained	0	0	(43)	494	1,086
2	After funding loss in £500k steps	0	0	457	1,494	2,586

- 4.2 The Council has a good record of delivering efficiencies. Since 2010 it has identified £21.3m of revenue savings up to and including the 2020/21 budget. With appropriate reviews and efficiency improvements it is expected the savings requirements set out in the table can be achieved.

5 Business Rates and Future Funding

- 5.1 The major uncertainty over the next few years is Government's undertaking to introduce 100% business rates retention and carry out a Fair Funding Review. These changes are planned for 2021/22. Any financial implications will need to be addressed in setting the 2021/22 budget.
- 5.2 The likely impact of 100% retention was reported to Scrutiny Panel 15 October 2019. The position has not changed substantially since then and is summarised in the paragraphs below.
- 5.3 The current business rates retention system has applied since 2013/14. Each authority is set a business rates baseline. The baseline is then increased annually for inflation. The baseline is intended to be a fair assessment of the authority's business rates collection potential.
- 5.4 A separate spending need assessment for the local authority (unchanged in principle since before 2013/14) is made based on various factors.
- 5.5 The authority's 40% share of the baseline plus any Revenue Support Grant and other grants make up its finance settlement. The settlement will differ from what the

authority has been assessed to need in funding. If higher, a tariff is paid by the authority to the government. If lower a top-up is received by the authority.

- 5.6 Colchester is a tariff authority. Furthermore, by regularly collecting more than the baseline can retain additional business rates.
- 5.7 A further aspect of the current system is for authorities to combine in a business rates pool. For technical reasons treating several authorities as a single authority reduces the share of rates collected returned to the government. In the case of the Essex Pool this has resulted in a £200k per annum budgeted gain in the Colchester Medium-Term Financial Forecast. This level of pooling gain is expected to continue to be achieved. However, the arrangements after 2020/21 remain unclear.
- 5.8 In the 2020/21 Local Government Finance Settlement MHCLG confirmed:
- Not making major local government funding reform until after a full Spending Review
 - Introducing reforms to the system to increase stability and certainty
- 5.9 As an authority experiencing and planning for an ambitious level of growth, the key aspects of any future MHCLG consultation will include:
- How much and for how long will Colchester retain the benefit of the additional business rates it generates?
 - Why should new rating powers and abilities be restricted to Combined Authorities?
 - Would Colchester be affected by any major change in London business rates especially if business rates powers were fully devolved to London?

6 New Homes Bonus Allocations

- 6.1 Additional New Homes Bonus allocations have been identified since the 29 January 2020 Cabinet meeting as follows
- £100k support for the Local Highways Panel in 2020/21
 - £150k support for St Marks Community Centre in 2021/22.

7 Consultation

- 7.1 This report reflects discussions at 28 January 2020 Scrutiny Panel and 29 January 2020 Cabinet.

8 Financial implications

- 8.1 As set out in the report.

9 Environmental and Sustainability Implications

- 9.1 The New Strategic Priorities reflect the Council's declaration of a Climate Emergency and its commitment to becoming carbon neutral by 2030. The

environmental and sustainability implications of individual programmes will be thoroughly assessed with reference to the definition of sustainable development set out in the National Planning Policy Framework. Indicative allocations for New Strategic Priorities are set in Appendix L

10 Equality and Diversity Implications

- 10.1 Consideration will be given to equality and diversity issues in taking forward budget proposals. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

11 Risk Management Implications

- 11.1 As set out in the report

12 Other Standard References

- 12.1 There are no direct Publicity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Appendices

- Appendix L – New Strategic Priorities

Background Papers

None

Appendix L – Indicative funding allocations for New Strategic Priorities

- 1 These New Strategic Priority themes are at an early stage. The scoping and feasibility work provided for in the budget will lead to greater clarity for each theme. The scoping exercises will be completed by Summer 2020. When the scoping exercises are available, they will be taken into account by the 'We Are Colchester' work towards a Towns Fund bid to Government. They are inviting proposals for up to £25M, to the terms of their prospectus, the intent to draw in significant additional investment from other partners, business and the wider public sector. That is likely to lead to some adjustments to the New Strategic Priorities and associated initial funding allocations

The Towns Fund

- 2 The Towns Fund will provide the core public investment in Town Deals. The objective of the Fund is to drive the economic regeneration of towns to deliver long term economic and productivity growth through:
 - Urban regeneration, planning and land use: ensuring towns are thriving places for people to live and work, including by: increasing density in town centres; strengthening local economic assets including local cultural assets; site acquisition, remediation, preparation, regeneration; and making full use of planning tools to bring strategic direction and change.
 - Skills and enterprise infrastructure: driving private sector investment and ensuring towns have the space to support skills and small business development.
 - Connectivity: developing local transport schemes that complement regional and national networks, as well as supporting the delivery of improved digital connectivity

	<p>Place Theme including</p> <ul style="list-style-type: none"> • Create a vision for Colchester Town Centre that puts Colchester on the map as a regional centre for heritage and culture and a place to visit, invest in and re-locate to. Work with partners to harness significant regeneration opportunities. • Government has launched the £3.6bn Towns Fund to unleash the full economic potential of over 100 places (including Colchester). Local people will make proposals for a significant investment of up to £25 million in each place. Objectives are to increase economic growth with a focus on regeneration, improved transport, better broadband connectivity, skills and culture. The private sector has an integral role to play in Town Deals– driving investment and value for money and ensuring that funding delivers the jobs, businesses and homes towns need to thrive for generations to come. A Board must be established for each Town Deal led by a representative of the local business community. • Stage 1 provides capacity support to places to put the structures and vision in place in order to move to the next stage of 	50	100	2,000	<p>The Towns Fund is detailed separately in the Capital Programme</p> <p>Place projects will use external grants and partner contributions</p> <p>There are likely to be ongoing revenue costs</p>
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	<p>agreeing a deal. Colchester has been allocated £173,029.</p> <ul style="list-style-type: none"> • Stage 2 of the programme will use the locally owned Town Investment Plan to put together a business case to apply for up to £25m of government funding for interventions. The Colchester Board will be seeking up to £25m from Government plus significant additional investment from other partners. Towns Fund priorities will clearly have an impact upon the Council's own New Strategic Priorities, and it is only possible to give indicative figures for the New Strategic priorities at this stage. • Appendix B of the Cabinet Report adds £10m for the period 2021/22 to 2023/24 to the Capital Programme as an indicative figure. This is set out in row 3 of Table B2. This allocation will be revised as the programme develops. • Prioritise plans for cycling and walking in Colchester and develop new projects to encourage sustainable modes of travel, improving health, wellbeing, community safety and air quality and providing a more attractive environment for people to cycle and walk • Create Garden Communities to deliver a step-change in homes and jobs and 				
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	<p>address residents' aspirations for the prospects and prosperity of Colchester through resilient, self-reliant communities and stewardship of community assets.</p> <ul style="list-style-type: none">• Work with partners to develop a vision for the upper, middle and lower River Colne that prioritises its value as a unique natural asset to be carefully utilised, protected and enhanced.							
					Range for Place Theme			
					Scope	Rev	Cap	Scope
					High	100	150	2,000
					Low	25	50	500

<div>Commercial Theme including:</div> <ul style="list-style-type: none">Regenerate the Rowan House site and existing accommodation to provide top quality office space and stimulate inward investment, providing a better working environment and additional revenue.Creating a new gateway to Colchester, jobs and housing and contributing to sustainability and the council's revenue with land south of Axial Way and adjacent to the stadium.	150	0	0	<div>It is expected the commercial projects will be self-financing or income generating. Project costs will either be covered by capital receipts or project income will fully meet the cost of any prudential borrowing Business cases for individual projects will be presented to Cabinet Feasibility costs will be capitalised once a scheme goes ahead releasing the £150k revenue investment</div>			
				Range for Commercial Theme			
					Scope	Rev	Cap
				High	300		
				Low	100		

	<p>Community Theme including:</p> <ul style="list-style-type: none"> Improved community facilities by building on existing assets (people and places) that enable communities to come together, play together & encourage improved health and wellbeing. Building on the work of Creative Colchester by working with them and Arts funded partners to develop a collaborative Cultural Vision and Ambitions for the Borough Bringing our history to life, from the Temple and Castle to the Roman Circus, through display of physical objects, events, interpretation and commemoration to physical and digital trails and displays. Building pride in Britain's 1st City, drawing in residents and visitors. 	150	100	4,000	<p>The Youth Zone project will rely on matched funding from other stakeholders</p> <p>There are likely to be ongoing revenue costs for heritage and cultural projects</p>
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	<ul style="list-style-type: none">• Work in collaboration to bring a Youth Zone to Colchester and improve facilities, activities and youth engagement aiming for positive impacts on volunteering, improved health & wellbeing, reducing ASB and crime and developing a greater sense of community.																
					Range for Community Theme												
					<table><tr><td></td><td>Scope</td><td>Rev</td><td>Cap</td></tr><tr><td>High</td><td>200</td><td>200</td><td>2,000</td></tr><tr><td>Low</td><td>100</td><td>50</td><td>6,000</td></tr></table>		Scope	Rev	Cap	High	200	200	2,000	Low	100	50	6,000
	Scope	Rev	Cap														
High	200	200	2,000														
Low	100	50	6,000														
	Total all themes	500	605	10,000	Overall cost will be contained within these figures												