Scrutiny Panel Meeting

Moot Hall, Town Hall, High Street, Colchester, CO1 1PJ
Tuesday, 25 January 2022 at 18:00

The Scrutiny Panel examines the policies and strategies from a borough-wide perspective and ensure the actions of the Cabinet accord with the Council's policies and budget. The Panel reviews corporate strategies that form the Council's Strategic Plan, Council partnerships and the Council's budgetary guidelines, and scrutinises Cabinet or Portfolio Holder decisions which have been called in.

Information for Members of the Public

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https://colchester.cmis.uk.com/colchester/MeetingCalendar.aspx.
Most meetings take place in public. This only changes when certain issues, for instance, commercially sensitive information or details concerning an individual are considered. At this point you will be told whether there are any issues to be discussed in private, if so, you will be asked to leave the meeting.

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Scrutiny Panel – Terms of Reference

1. To fulfil all the functions of an overview and scrutiny committee under section 9F of the Local Government Act 2000 (as amended by the Localism Act 2011) and in particular (but not limited to):

(a) To review corporate strategies;

(b) To ensure that actions of the Cabinet accord with the policies and budget of the Council;

(c) To monitor and scrutinise the financial performance of the Council, performance reporting and to make recommendations to the Cabinet particularly in relation to annual revenue and capital guidelines, bids and submissions;

(d) To review the Council's spending proposals to the policy priorities and review progress towards achieving those priorities against the Strategic and Implementation Plans;

(e) To review the financial performance of the Council and to make recommendations to the Cabinet in relation to financial outturns, revenue and capital expenditure monitors;

(f) To review or scrutinise executive decisions made by Cabinet, the North Essex Parking Partnership Joint Committee (in relation to decisions relating to off-street matters only) and the Colchester and Ipswich Joint Museums Committee which have been made but not implemented referred to the Panel pursuant to the Call-In Procedure;

(g) To review or scrutinise executive decisions made by Portfolio Holders and officers taking key decisions which have been made but not implemented referred to the Panel pursuant to the Call-In Procedure;

(h) To monitor the effectiveness and application of the Call-In Procedure, to report on the number and reasons for Call-In and to make recommendations to the Council on any changes required to ensure the efficient and effective operation of the process;

(i) To review or scrutinise decisions made, or other action taken, in connection with the discharge of functions which are not the responsibility of the Cabinet;

(j) At the request of the Cabinet, to make decisions about the priority of referrals made in the event of the volume of reports to the Cabinet or creating difficulty for the management of Cabinet business or jeopardising the efficient running of Council business;

2. To fulfil all the functions of the Council’s designated Crime and Disorder Committee (“the Committee”) under the Police and Justice Act 2006 and in particular (but not limited to):

(a) To review and scrutinise decisions made, or other action taken, in connection with the discharge by the responsible authorities of their crime and disorder functions;

(b) To make reports and recommendations to the Council or the Cabinet with respect to the discharge of those functions.

COLCHESTER BOROUGH COUNCIL
Scrutiny Panel
Tuesday, 25 January 2022 at 18:00

The Scrutiny Panel Members are:

Councillor Mark Cory	Chairman
Councillor Tina Bourne	Deputy Chairman
Councillor Nigel Chapman	
Councillor Lyn Barton	
Councillor Derek Loveland	
Councillor Lorcan Whitehead	
Councillor Dennis Willetts	
Councillor Barbara Wood	

The Scrutiny Panel Substitute Members are:
All members of the Council who are not Cabinet members or members of this Panel.

AGENDA
THE LIST OF ITEMS TO BE DISCUSSED AT THE MEETING
(Part A - open to the public)

Please note that Agenda items 1 to 5 are normally dealt with briefly.

1 **Welcome and Announcements**

The Chairman will welcome members of the public and Councillors and remind everyone to use microphones at all times when they are speaking. The Chairman will also explain action in the event of an emergency, mobile phones switched to silent, audio-recording of the meeting. Councillors who are members of the committee will introduce themselves.

2 **Substitutions**

Councillors will be asked to say if they are attending on behalf of a Committee member who is absent.

3 **Urgent Items**

The Chairman will announce if there is any item not on the published agenda which will be considered because it is urgent and will explain the reason for the urgency.

4 **Declarations of Interest**

Councillors will be asked to say if there are any items on the agenda about which they have a disclosable pecuniary interest which would prevent them from participating in any discussion of the item or participating in any vote upon the item, or any other pecuniary interest or non-pecuniary interest.

5 **Minutes of Previous Meeting**

The Councillors will be invited to confirm that the minutes of the meeting held on 14 December 2021 are a correct record.

Scrutiny Panel Minutes 14 December 2021 9 - 16

6 **Have Your Say! (Hybrid meetings)**

Members of the public may make representations to the meeting. This can be made either in person at the meeting or by joining the meeting remotely and addressing the Council via Zoom. Each representation may be no longer than three minutes. Members of the public wishing to address the Council remotely may register their wish to address the meeting by e-mailing democratic.services@colchester.gov.uk by 12.00 noon on the working day before the meeting date. In addition a written copy of the representation will need to be supplied for use in the event of unforeseen technical difficulties preventing participation at the meeting itself.

There is no requirement to pre register for those attending the meeting in person.

7 **Decisions taken under special urgency provisions**

The Councillors will consider any decisions by the Cabinet or a Portfolio Holder which have been taken under Special Urgency provisions.

8 **Cabinet or Portfolio Holder Decisions called in for Review**

The Councillors will consider any Cabinet or Portfolio Holder decisions called in for review.

9 **Items requested by members of the Panel and other Members**

(a) To evaluate requests by members of the Panel for an item relevant to the Panel’s functions to be considered.

(b) To evaluate requests by other members of the Council for an item relevant to the Panel’s functions to be considered.

Members of the panel may use agenda item 'a' (all other members will use agenda item 'b') as the appropriate route for referring a ‘local government matter’ in the context of the Councillor Call for Action to the panel. Please refer to the panel’s terms of reference for further procedural arrangements.

10 **Portfolio Holder Briefing from Cllr Beverley Oxford [Communities]]**

Scrutiny Panel will receive a briefing from the Portfolio Holder on work conducted within her portfolio, and will then take part in a question and answer session.

11 **Budget 2022/23, Capital Programme and Medium-Term Financial Forecast** 17 - 82

Scrutiny Panel is invited to consider the 26 January 2022 Cabinet reports and make recommendations to the Cabinet meeting.

12 **2022/23 Housing Revenue Account Estimates and Housing Investment Programme** 83 - 114

This report invites the Panel to review and comment on the 2022/23 Housing Revenue Account Estimates and the Housing Investment Programme reports which are being submitted to Cabinet.

13 **Recommendations from the Scrutiny sub-group on Youth Zones** 115 - 116

This report sets out the proposed recommendations put forward by the Panel's sub-group regarding the potential for a Youth Zone to be sited within Colchester Borough.

14 **Work Programme 2021-22** 117 - 132

This report sets out the current Work Programme 2021-2022 for the Scrutiny Panel. This provides details of the reports that are scheduled for each meeting during the municipal year.

15 **Exclusion of the Public (Scrutiny)**

In accordance with Section 100A(4) of the Local Government Act 1972 and in accordance with The Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 (as amended) to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).

Part B
(not open to the public including the press)

16 Resetting the Capital Programme and the Capital Strategy Confidential Appendix

This appendix details new funding for projects which are confidential by nature and therefore details should not be included in the public report but are included in the resetting of the Capital Programme 2022/23 to 2025/26.

SCRUTINY PANEL
14 December 2021

Present: -	Councillor Cory (Chair) Councillor Barton, Councillor Loveland, Councillor Whitehead, Councillor Willetts, Councillor Wood
Substitutions: -	Councillor Fox for Councillor Bourne, Councillor Barber for Councillor Chapman
Also present: -	Councillor Dundas, Councillor Lissimore, Councillor B Oxford

322. Minutes of previous meeting

The Panel were informed that three typographical errors within the minutes published in the agenda for this meeting had been identified and corrected.

RESOLVED that the minutes of the meeting held on 9 November 2021 be approved as a correct record.

323. Portfolio Holder Briefing from Councillor Lissimore [Resources and Deputy Leader]

Councillor Lissimore, Portfolio Holder for Resources, and Deputy Leader of the Council, provided a briefing on the highlights of her work over the past six months. The decision to remove content (relating to a Colchester Youth Zone) from the draft 2022-23 Budget and Medium-Term Financial Forecast was defended, and the possibility of its potential future inclusion, should the necessary additional funding be found, was confirmed.

The Portfolio Holder explained that Locality Budgets were being returned to their original levels and that she supported the holding of a future review to see if the scheme could be improved.

The four-year funding set for local arts organisation was highlighted to address the need to give stable funding and financial certainty to those organisations.

The Portfolio Holder detailed the inflationary pressures which were currently high but were forecast to drop to around two percent by the end of 2023, and the Council's approach to service charges in the light of financial challenges caused by Covid-19. A high percentage continued to be achieved regarding rates of Council tax collection, whilst the Local Council Tax Support Scheme continued to support lower-income households. Government support funding had meant that the Council had needed to use less of its reserves than had been expected.

Efforts to increase sustainable travel, and work to reduce printing and travel costs, were covered. This also contributed to the Council's work to reduce its emissions.

The Portfolio Holder gave a brief update to explain that the Town Deal programme was proceeding, and that the Council was carrying out improvements to its estate management.

The Portfolio Holder was asked to give examples as to what actions had been taken to save money. The Panel was informed that the Portfolio Holder had looked at the 2021-22 spending proposals. Some were approved to remain, whilst others were rejected.

The Tree Planting Policy had been examined and was to be changed in order to ensure the highest possible rates of survival for trees planted. It was admitted that the changes had not resulted in a saving, but rather had used the planting budget more effectively.

An estimated £140k for renovation and changes to rooms at the Town Hall, including the provision of extra facilities for elected members. It was argued that any assessment of councillors' working practices and needs should wait until the worst of the Covid-19 pandemic had passed. A debate was conducted on the exact nature of the Town Hall changes which had been planned, and which included improvements to working areas for officers, some of which had already been carried out. The Portfolio Holder stated that she had discussed the situation with officers and elected members and that no great need for change had been raised. A member of the Scrutiny Panel noted that there had been talk by members about the desirability of more cross-party opportunities for them to talk outside of, and before, formal meetings.

The Portfolio Holder was asked if there had been any progress on holding an estate review, as suggested by the Scrutiny Panel in 2020-21. The Panel were told that the Rowan House upgrades and renovations were now going ahead. The Council effectively reviewed its estates and offices, adapting to reflect changing needs. The Council also used space in the Community 360 Town Centre Hub for face-to-face contact with the public. Future working practices and office needs weren't possible to predict at this time, but spaces needed to be provided for those who could not work from home.

A Panel member agreed that Council assets needed to be sweated and noted that office space was to be rented by the County Council. The Portfolio Holder was asked whether new ways had been found to get more from Council assets. The Portfolio Holder stated that the Council needed to be innovative and that assets could be developed by the Council for different purposes, such as rental office space or new residential properties. An example of partnership working was how Essex Housing worked with local authorities and other partners in developing assets. The Council could potentially work with them in the future. A suggestion from a Panel member was to see if the Council could take on assets from the County Council in order to maximise their potential and find ways to both save and make money.

A member of the Panel raised the increases in inflation, cost of living, and in National Insurance [from April 2022], and the constriction of household incomes, and stated that a Government review indicated that Council Tax levels would rise by 9% by 2024-25. The Portfolio Holder was asked at what balance she felt that levels of Council Tax should be set and argued that she wanted Council Tax levels to be minimized, but realistic. The Council Tax Support Scheme continued to support those most vulnerable. Accessing the scheme was not a tick-box exercise; officers worked with applicants to go over their situations and provide information and advice. The Portfolio Holder argued that Government schemes provided support to low-income households.

In response to questioning, the Portfolio Holder explained that Cabinet was unable to put in significant plans to address wasteful spending until the Budget approval for 2022-23. The size of Cabinet had been reduced by one and further savings were to be found in the Budget which would be presented for approval at Full Council early in 2022. One Panel member argued that the lack of changes to the previous Administration’s Budget for 2021-22 indicated that it had been an efficient budget. Another member asked for an indication of the savings from reducing the size of Cabinet.

The Portfolio Holder was asked whether there were data and an analysis of spending by Council ward and to identify allocations to deprived areas. In answer, the Panel was informed that such a breakdown would be difficult to give, as officers and programmes did not work on a ward-by-ward basis. The Portfolio Holder argued that councillors needed more power to identify who was responsible for addressing different issues and to report issues and problems. Money had been awarded to improve the functions which allowed elected members to report issues and the Portfolio Holder offered to provide what details she could to members of the Panel. The difficulties of data sharing were discussed. The Panel also noted that it would help if outcome information were to be provided on issues raised. It was confirmed that the additional funding from Government would help to improve this.

The Panel discussed Cabinet’s views regarding Colchester Commercial Holdings Limited [CCHL] and whether there was appetite to allow it to branch out and market different services. The Panel were informed that Cabinet was looking to increase income and avoid cuts. Central Government was looking at changing the minimum revenue provisions and the Council awaited the effects of this. Cabinet would look to the new Chief Executive to provide commercial leadership so that income could be maximised, but charges and fees minimized.

The Panel asked for information as to how the ‘customer’ experience of Council service users was being developed, and as to what Cabinet was doing to understand what service users wanted and adapt services to best fit this. The Portfolio Holder explained that the access point at the C360 Town Centre Hub would help residents contact the Council on their terms, if digital contact was not possible or preferable. The commitment to providing the best service possible was underlined.

The Panel asked, with regard to the £120m Capital Programme, what was needed to address the two projects rated as ‘red’ and 25 as ‘amber’ and get these back on track, meeting any overspends. The Portfolio Holder posited that strong, well-worded contracts could protect the Council from overspend costs incurred by its contractors. Joint working with partners such as the County Council was highlighted as being necessary for projects to succeed. The Portfolio Holder noted that some projects that relied upon partnership working were commercially sensitive and so could not be discussed in open session of the Panel. Regarding questions as to where the necessary extra £300k funding needed for the new Highwoods Community Centre could be sourced, information could be collated and provided to Panel members following the meeting.

The Panel discussed the terms used to refer to residents, with a Panel member noting that many disliked being called 'customers' of the Council. Differences were highlighted between users of the Council's statutory services (or where there were no alternative providers) and customers of the Council's commercial services, such as those at Leisure World.

In discussion of the costs of the Council's political processes, the Portfolio Holder argued that planning and decision making was more difficult where annual elections were held, and when leadership of the Council changed hands. Holding quadrennial elections of the whole Council once every four years was suggested as a way to allow administrations to draft and pursue four-year business plans.

RESOLVED that the Panel had carried out scrutiny of the work of the Portfolio Holder for Resources and Deputy Leader of the Council.

324. Half Year April 2021 – September 2021 Performance Report Key Performance Indicators (KPI) and Other Performance News

Councillor Dundas, Portfolio Holder for Strategy and Leader of the Council, joined Richard Block, Assistant Director (Corporate and Improvement), to present the report and answer questions.

A Panel member highlighted an interest in key performance indicators where public expectations and views might differ from those of the Council, such as the indicator relating to new housing provided within the Borough. The Leader agreed that there could be issues where performance was far in excess of target, such as in housebuilding rates, and suggested that it was best to look at a three- or four-year average for such KPIs, to account for fluctuation.

It was queried whether there could be a performance indicator to measure Council success regarding defence of appealed planning decisions. The Leader stated that the Council was beholden to decisions made by its Planning Committee, and the grounds given for refusals. For some major applications, Section 106 [Town and Country Planning Act 1990] issues seemed to be causing delays, including highways and funding issues.

A member of the Panel noted that waste and recycling was considered to be a fundamental service offered by the Council and that KPI K1W2 [Household waste reused, recycled and composted] was marginally below target. The Leader was asked why waste collections had dropped, composting reduced and residual waste increased. The Leader was also asked to explain what was being done to improve performance in this area. The Leader explained that there had now been widespread changes to the working practices around residual waste collection and queried whether the KPI target was still realistic, given the increase in home working and household waste, whilst trade waste levels had diminished. This was one of several KPIs identified as needing review in light of changes caused by Covid-19. The scarcity of HGV drivers was raised as an issue which could lead to difficulties in waste collection, but the Leader praised the success achieved by the Council in retaining driving staff and emphasised the perks of working for the Council. Work hours continued to be lost to illness, including Covid-19, and from officers having to isolate when required. Officers were praised for doing sterling work in tough circumstances.

Rosa Tanfield, Group Manager (Neighbourhood Services) provided additional details on waste collection method changes. The initial changes had been agreed during 2020 and further refining was carried out in 2021 to match Government guidance, including changes to limits on bag numbers per household. The Council had been lenient on bag numbers during 2020 but had moved to advising and educating service users where necessary during 2021. It was explained that the KPI K1W1 [Residual Household Waste per Household] was cumulative, which meant that it was difficult to bring it back in line with target performance in the latter part of a year where performance difficulties had been experienced early in the year. KPI K1W2 [Household waste reused, recycled and composted] was moving closer to target, due in part to efforts to change resident behaviours. The Environment Act 2021 would mean further changes would be needed, and officers were committed to supporting residents through these and offer encouragement individually and via media options.

The Panel were informed that the Waste and Recycling Strategy was being reviewed and was expected to come before the Environment and Sustainability Panel in February 2022. The Group Manager stressed that it was essential for the Council to be open to innovative and simple actions which could reduce waste and improve recycling rates.

The Group Manager gave assurance that staff were being supported to maximise health and wellbeing in healthy workplaces. Some officers had needed to be redeployed to cover gaps in service areas, but this had been done carefully so as to minimise disruption. In response to questions regarding rising levels of short- and long-term sickness, the Leader agreed that analysis, by service area, would be useful to look at issues such as those from ‘Long Covid’. Richard Block, Assistant Director (Corporate and Improvement), explained that some long-term sickness cases could have been ‘hidden’ earlier in the year, where individuals were isolating or shielding. ‘Long Covid’ cases were being identified and those affected were being supported.

The Panel discussed the need to ensure that KPIs and targets were useful in driving performance improvements, reflected changes in circumstances and were sufficiently sophisticated to capture all relevant performance data.

The Panel discussed ways in which performance relating to homelessness duty owed could be effectively presented, with the difficulty experienced when trying to set this alongside other KPIs, given that for this KPI no meaningful target could be set. A Panel member asked if it would make sense to show number of homelessness preventions as a percentage of total cases, and whether it would make sense to set a KPI relating to numbers in temporary accommodation, to press for a reduction in this. The Leader agreed that it was important to discuss what the Homelessness Duty Owed KPI could tell the Council [KPI K1H3] and agreed that the level of use of temporary accommodation was also important, given the implications for residents and the effect it had on increasing budget pressures for the Council. Richard Block, Assistant Director (Corporate and Improvement), clarified that homelessness measures had been brought in to reflect the requirements within the Homelessness Reduction Act 2017 and suggested that this would be an area of interest for the Panel to consider in the coming municipal year. The Panel was due to consider the Council's draft corporate KPI targets for 2022-23 in early 2022.

The Leader was asked if anything could be done to address Council properties left in poor condition, thus causing lengthier times empty between tenancies whilst remedial work is done. The Leader suggested that this should be addressed by the Portfolio Holder for Housing and Planning but noted that the average time to re-let Council homes had improved since the previous year. The Assistant Director (Corporate and Improvement) explained that the length of time it takes to evict tenants who seriously damage properties had increased the damage done and the length of time needed to prepare the properties for new tenants.

A Panel member reasoned that, should the Local Plan be adopted, the default position would be that the number of new homes provided would increase. The Leader was asked how Cabinet might reduce this target, assuming that this remained an intention for them. The Leader contended that it would depend, in part, on the Local Plan Committee and that it was not guaranteed that housing targets would increase. The situation would be considered carefully, and a formal review would not be triggered without an idea of what Cabinet wished to see changed.

The Panel noted that performance was behind target on K1H1 [Additional Homes Provided] with the explanation being that some large developments were expected. The Leader was asked whether he saw new housing as being welcome. The Leader explained that a balance was needed, taking into consideration density, authority size, available infrastructure and other factors, arguing that it was widely thought that infrastructure provision had not kept up with increases in the numbers of homes in the Borough. It was emphasised that all new residents would be welcome in the Borough.

RESOLVED that the Scrutiny Panel had reviewed performance against Key Performance Indicators and, where Key Performance Indicators had not been met, that appropriate corrective action has been taken.

325. Half Year covering April 2021 to September 2021 Performance Report - 2020-2023 Strategic Plan Action Plan

Richard Block, Assistant Director (Corporate and Improvement), presented the report showing mid-year performance against the Strategic Plan Action Plan, which showed work carried out and progress made. Recommendations could be made by Scrutiny

Panel for Cabinet to consider when it considered this item on 26 January 2022. Councillor Dundas, Portfolio Holder for Strategy and Leader of the Council, highlighted that Cabinet had kept the themes from the last Administration's Strategic Plan Action Plan, and retained content where Cabinet agreed with it. A new waste bin policy had been developed and the Council had ordered new smart bins. A litter engagement campaign had been commenced and investments made in the Shrub End Depot. The Borough's population continued to increase, pushing an increase in pressure on waste collection services. Potential ways to expand trade waste services were being explored in order to raise Council income. A number of schemes had been commenced to draw more visitors to the area, including to visit heritage assets. These included schemes to improve parking in the area. The safety and security of local open spaces were a priority, with £50k put into looking at ways to improve them.

The Chairman praised the work of officers. The Leader was then asked what green initiatives had been brought in by his Administration, following on from those of the previous Administration. A Panel member also highlighted the information circulated regarding the vision for the River Colne and requested renewed focus on the River. The Leader deferred these questions to the Portfolio Holder into whose portfolio these matters fell, but could inform the Panel that the Haven Road flooding was caused because the one-way valve meant to prevent water flowing up and out of the drainage system was broken. Repairs had been effected by Anglia Water, which was now recommending that the Council and County Council contributed towards its maintenance in the future. New schemes would also be trialled to solve issues caused by fresh water not being able to drain when the valve was engaged, both rain water and flow from Distillery Pond.

The Leader was asked whether there was any information that could be provided regarding the Queen Street/Alumno project. The Panel was informed that a Town Centre Masterplan was to be drawn up with partners, such as Essex County Council, which could leverage more funding. It was expected that more information could be given in 2022.

A request was made to the Leader for more attention and better advertising to be carried out relating to heritage assets across the whole Borough, including rural sites as well as those in Colchester itself.

A Panel member asked the Leader how conflicts between policies in the Strategic Plan Action Plan were resolved, such as the conflict between efforts to ensure good insulation on new homes, and the target for new housing, when increased cost of building new properties would reduce the number of new homes. The priority of lowering emissions was contrasted with the decision to buy diesel vehicles for Council use due to electric vehicles having been found to be too costly at the present. The Leader agreed that there were always areas where compromises would be needed, such as between insulation quality and new housing numbers. Regarding Council vehicles, it was important that the right time was chosen for conversion to using electric vehicles. Certain previous renewals of Council leases could have been for shorter terms, to allow earlier replacement with electric vehicles.

The Panel discussed a recent motion to Council which related to residential property insulation, and the differing views on how to push for better insulation given when this had been debated. A Panel member urged the Administration to lobby central government for increased action upon this.

The Panel asked whether the target for new affordable homes was realistic. The Leader explained that 105 new units were expected to be built at the Mill Road site, which had experienced delays within the planning process. Housing allocation and requirements were laid out in the Local Plan.

Questions were asked regarding the environmental elements of the Strategic Plan, the Administration's views on rewilding and on the Head Street cycle lane. The Leader noted that he had not seen any criticism of rewilding work, but there had been issues raised in some areas where mowing was still scheduled but where problems had occurred in carrying this out. Councillor Lissimore, Portfolio Holder for Resources and Deputy Leader of the Council, confirmed that the Head Street cycle lane was to be removed as it was poorly used and took up road space, increasing congestion. This had meant to link up to a cycle lane on Butt Road, however that lane had not been carried out, so the system did not work as it had been intended. The Panel discussed this, and a view was given that it was a shame that a wider network of cycle lanes was not being installed. A Panel member also praised the secure bike storage in the Town centre and suggested that more ways to provide secure storage at car parks should be examined. The Leader agreed and informed the Panel that, in theory, it should also be possible to have storage points highlighted on google maps.

326. Work Programme 2021-22

The Panel were informed that the additional meeting requested for it to meet was now recommended to be scheduled for 22 February 2022.

In answer to questions relating to the work of the Panel's sub-group on Youth Zones, Owen Howell, Democratic Services Officer, confirmed that the sub-groups findings, and any recommendations, were scheduled to come before the Panel for consideration at its meeting on 25 January 2022, prior to Cabinet considering the draft 2022-23 Budget at its meeting on 26 January 2022.

RESOLVED that the Scrutiny Panel's Work Programme for 2021-22 be approved.

	Scrutiny Panel 25 January 2022	**Item 11**

Report of	**Chief Operating Officer**	**Author**	**Paul Cook** **☎ 505861** **Darren Brown** **☎ 282891**
Title	**Budget 2022/23, Capital Programme and Medium-Term Financial Forecast**		
Wards affected	All		

1 Executive Summary

1.1 Scrutiny Panel is invited to consider the 26 January 2022 Cabinet reports and make recommendations to the Cabinet meeting.

2 Reason for Scrutiny

2.1 To review the 2022/23 Budget and Medium-Term Financial Forecast.

2.2 To comment or make recommendations to the 26 January 2022 Cabinet meeting.

3 Reason for Cabinet Report

3.1 To balance the 2022/23 budget and revise the Medium-Term Financial Forecast.

4 Alternative Options

4.1 The Council is obliged to balance its budget on an annual basis. There are no alternatives.

5 Overview

5.1 See Cabinet Report attached.

6 MTFF Consultation

6.1 The budget strategy and timetable have ensured that information is available for scrutiny and input from all Members.

7 Financial implications

7.1 As set out in the Cabinet report.

8 Environmental and Climate Change Implications

8.1 All budget measures are assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's recovery planning and a core theme of the new Strategic Plan.

9 Equality and Diversity Implications

9.1 Consideration will be given to equality and diversity issues in respect of budget changes proposed as part of the budget process. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

10 Other Standard References

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

Colchester	**Cabinet 26 January 2022** **Scrutiny Panel 25 January 2022**	**Item** **7**

Report of	**Chief Operating Officer**	**Author**	**Paul Cook** **☎ 505861** **Darren Brown** **☎ 282891**
Title	**Budget 2022/23 and Medium-Term Financial Forecast**		
Wards affected	All		

1 Executive Summary

1.1 The report recommends a sustainable 2022/23 budget and Medium Term Financial Forecast 2022/23 to 2025/26.

2 **Recommended Decision**

2.1 To approve the 2022/23 Revenue Budget and revised Medium Term Financial Forecast as set out Appendix A.

2.2 To note the budget resilience statement and forecast level of balances set out in Appendix B.

2.3 To approve the Treasury Management Strategy Statement 2022/23 to 2025/26 set out in Appendix C

2.4 To recommend to Council the 2022/23 revenue budget requirement of £21.875m

2.5 To recommend to Council Colchester's element of the Council Tax at £205.47 per Band D property being an increase of £4.95.

3 Reason for Recommended Decision

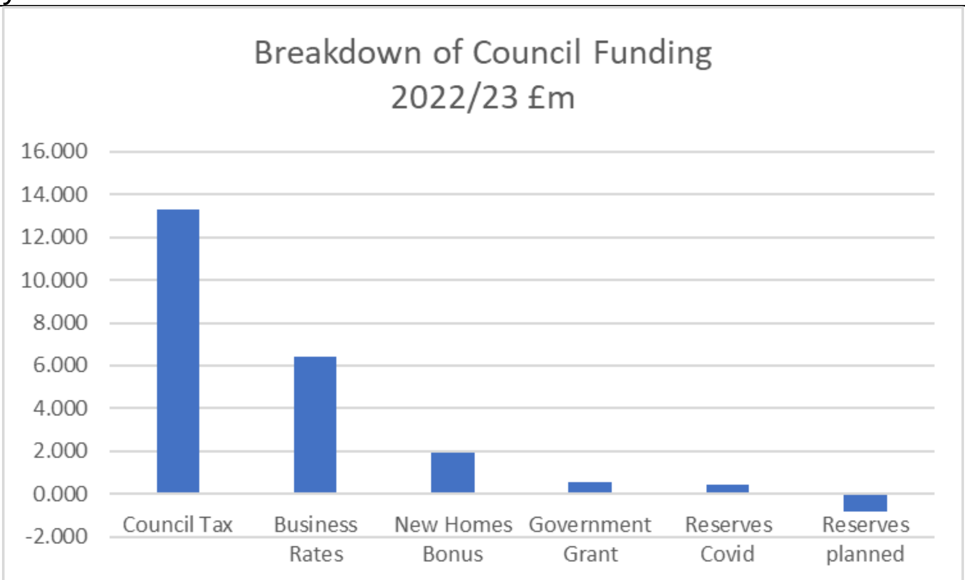
3.1 To balance the 2022/23 budget and revise the Medium Term Financial Forecast.

4 Alternative Options

4.1 None.

5 Summary of Council Funding

5.1 The table sets out a summary of the normal funding of Council services. This sets the budget recommendations in context.

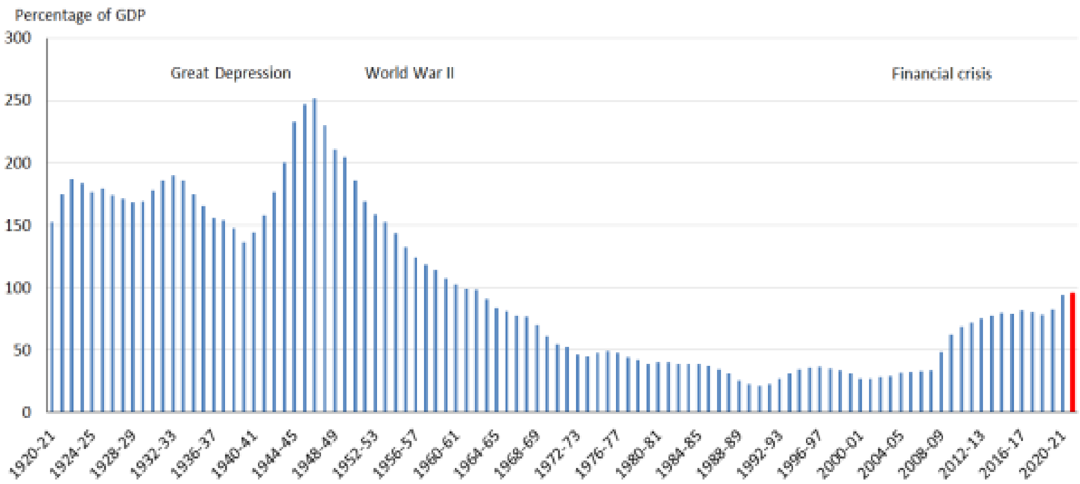
Revenue	These are running costs and income, including salaries, supplies and services and sales fees and charges.
Capital	Investment in land and buildings, plant and equipment.
Housing Revenue Account	Council houses and flats. It is ringfenced and self-financing for both revenue and capital.
General Fund	Non-Housing Revenue Account services accounted for in the General Fund such as waste collection, museums, sport and leisure, democratic services for example.
The 22/23 Budget	General Fund Revenue financial plan for next year 2022/23.
Medium Term Financial Forecast	Our financial plan for the next four years on General Fund or Medium Term Financial Forecast.
Net Budget requirement	A technical budget setting calculation the Council must make in accordance with complex rules set by the Government. Running costs, sales fees and charges and grants for individual services.
Net Budget	Circa £19.9m (excluding North Essex Parking Partnership). £84.3m costs less £64.4m income, as set out in Appendix E.
Government funding	Since 2012 funding comes mainly from retained business rates.
Business rates	We collect about £76m a year of which we expect to retain around £6m in 2022/23. Business rates are set nationally.
Council tax	We collect the council tax, most of which relates to Essex County Council services. Of a total £115m we expect to retain £13.300m in 2022/23. The district council tax will be increased by just under £5 per annum in 2022/23. This is the maximum increase without needing approval in a local referendum.
Collection Fund	Business rates and council tax are accounted for in a separate collection fund. This is used to distribute total income to the government, county council and police and fire as well as our own requirements. Also used to share surpluses or deficits compared to budget. This is a complex calculation over a number of financial years.
Breakdown of Council Funding	

6 Macro-economic context November 2021

6.1 Increasing levels of public sector debt are likely to restrict funding availability for local authorities as set out in the Office for National Statistics October 2021 Public Sector Finances Bulletin.

Figure 2: Debt expressed as a percentage of gross domestic product has reached levels last seen in the early 1960s

Public sector net debt excluding public sector banks, UK, financial year ending March 1921 to October 2021



Source: Office for Budget Responsibility and Office for National Statistics – Public sector finances

6.2 The Bank of England Monetary Policy Committee's November 2021 forecast is set out in the table below. The Consumer Price Index inflation forecast is particularly concerning, and the council will need to monitor the position carefully.

Table 1.A: Forecast summary[a][b]

	Projections			
	2021 Q4	2022 Q4	2023 Q4	2024 Q4
GDP[c]	6.7 (8.5)	2.9 (2.3)	1.1 (1.3)	0.9
CPI inflation[d]	4.3 (4.0)	3.4 (2.5)	2.2 (2.0)	1.9
LFS unemployment rate	4.5 (4.8)	4.0 (4.3)	4.1 (4.3)	4.4
Excess supply/Excess demand[e]	+¼ (+½)	+¼ (+¼)	0 (0)	-½
Bank Rate[f]	0.2 (0.1)	1.0 (0.3)	1.1 (0.5)	1.0

7 Overview of the Provisional 2022/23 Local Government Finance Settlement

7.1 The Draft Local Government Finance Settlement was published 16 December 2021. The consultation closed 13 January 2022.

7.2 The settlement is for one year only.

7.3 For 2022/23 the settlement was more favourable than expected in the areas of New Homes Bonus, Lower Tier Services Grant, and Services Grant. These revised figures have now been built into the Medium Term Financial Forecast.

7.4 Over the coming months the Department for Levelling Up, Housing and Communities intends to work with local government on calculating new spending needs assessments for individual local authorities.

7.5 The revision of spending needs assessments is one of the main financial risks to the Council. The Department for Levelling Up, Housing and Communities state there will be a transition scheme (from 2023/24) to protect 'losing' authorities. Any transition scheme will not apply to one-off elements of the 2022-23 Settlement. The table below shows that of £7.206m government funding to the Council in 2022/23, £2.878m or 40% could be exempt from protection.

Government Funding Draft 2022-23 Local Government Finance Settlement £m	£m	One-off
Settlement Funding Assessment	4.328	
Compensation for under-indexing the business rates multiplier	0.356	0.356
New Homes Bonus	1.954	1.954
Lower Tier Services Grant	0.270	0.270
2022/23 Services Grant	0.298	0.298
Total Government Support	**7.206**	**2.878**

7.6 Business Rates were frozen at 2020/21 levels in the 27 October 2021 Budget. Council business rates baselines have therefore also been frozen in the Settlement. Under legislation councils must be compensated by the Department for Levelling Up, Housing and Communities for the impact of business rates not increasing by the Retail Price Index. For Colchester this compensation is worth £356k in 2022/23.

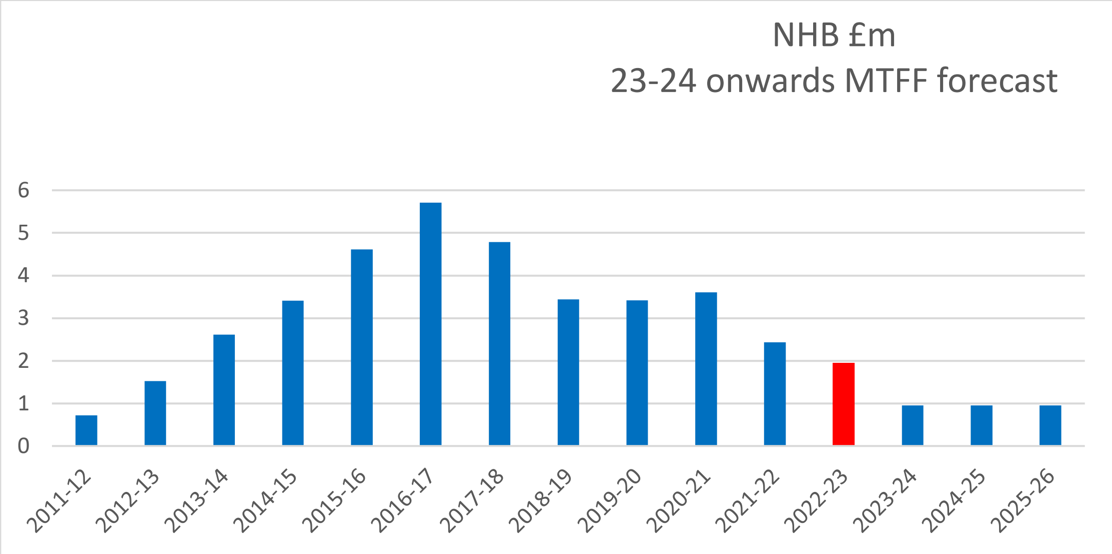
7.7 Under delegated authority agreed 13 October 2021 Cabinet, the Head of Finance in consultation with the Deputy Leader and Portfolio Holder for Resources has continued the Council's membership of the Essex Business Rates Pool. The Pool is confirmed in the Settlement.

7.8 The business rates retention system began in 2011/12. The local share is 50% of business rates collected. As a tariff authority, the Council must pay to Department for Levelling Up, Housing and Communities the difference between its business rates baseline and its assessed spending need.

7.9 Since 2011/12 growth in the local share of business rates has exceeded the baseline. The Council must pay the Department for Levelling Up, Housing and Communities a levy on the excess of its local share. Due to membership of the Essex Business Rates Pool this levy has been reduced to only 0.6%. The fundamental review of spending need set out in Section 7.5 could disturb what is an advantageous arrangement for the Council.

7.10 The Business Rates Reserve has been established to smooth year by year variations in business rates income arising in the Medium Term Financial Forecast.

7.11 The Council has been allocated £1.954m New Homes Bonus in 2022/23. This compares to the previous £950k Medium Term Financial Forecast assumption. The variance is a final year of 2019/20 legacy payments.



7.12 The Settlement announced that proposals for a revised New Homes Bonus would be published in the coming months. The revision of New Homes Bonus is also one of the main financial risks to the Council. In past years the Council has benefitted from high New Homes Bonus allocations, averaging £3.185m a year between 2011/12 and 2022/23.

7.13 Lower Tier services grant was first paid in 2021/22 and is paid again in 2022/23 at the same total of £111m nationally. It is split into 2 components – Settlement Funding Assessment or service element and Funding Floor protection. As shown in the table, Colchester's 2022/23 allocation of £270k is a substantial reduction on 2021/22. The grant's primary purpose is to ensure no authority has reduced core spending power in 2022/23 compared to 2021/22.

	21/22	**22/23**
National Total	111.000	111.000
Colchester services	0.184	0.194
Colchester cash floor	0.439	0.076
Colchester total Lower Tier Services Grant	**0.623**	**0.270**

7.14 A new Services Grant is announced in the Settlement worth £822m nationally. Colchester's allocation for 2022/23 is £298k. This one-off Service Grant is proposed for the local government finance settlement 2022 to 2023 to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government. It is distributed in proportion to each local authority's assessed spending need. The grant is intended to cover additional National Insurance costs announced in 2021.

7.15 £15m per annum nationally for the next 3 years to improve local audits was also announced in the Settlement. Details of Colchester's allocation are awaited.

7.16 On 30 November 2021 the Department for Levelling Up, Housing and Communities published a consultation paper Changes to the Capital Framework: Minimum Revenue Provision. The consultation closes 8 February 2022.

7.17 If put into force from 2023/24 as planned, the proposals would require the Council to make minimum revenue provision on loans to Amphora companies. Under current accounting policy the Council does not make such provision. This would result in considerable additional costs to the Medium Term Financial Forecast. The changes would potentially make the current business model of the Council lending to the companies unsustainable.

7.18 These changes are in addition to existing accounting requirements for advances to the companies. These include the need to demonstrate a corresponding asset value in the investment. If asset value cannot be demonstrated it is necessary to make minimum revenue provision or write down the investment to an appropriate level.

7.19 It is not clear that the purpose of the consultation is to prevent investment in local authority housing companies. If loans to housing companies are in due course exempted from the new requirements, then the planned programme of advances to Amphora Housing will be able to proceed. If loans to housing companies remain in scope, the planned advances in the capital programme will become unaffordable to the Council.

7.20 The results of the consultation will therefore be awaited before new projects are commenced in the companies that rely on borrowing from the Council or where a significant level of advance to the companies would be outstanding on 31 March 2023.

8 The Council's Budget

8.1 The Council has adopted a progressive approach to the 2022/23 budget emphasising investment in the local economy and recovery. Council tax and sales, fees and charges increases have generally been restricted to inflationary increases.

8.2 The rate of recovery will be dictated by Government policy on lockdown. Income budgets in 2022/23 assume a reduced level compared to 2020/21 original budgets in some areas and a gradual recovery. The position needs to be kept carefully under review through the normal monitoring processes.

8.3 At the same time Council efficiency and service delivery has been improved to deliver a wide range of savings. To balance its budget the Council has made appropriate use of reserves.

8.4 The Council continues to invest in the future of Colchester with projects such as the Town Deal and Northern Gateway. A vigorous programme of housing investment also continues. This capital investment will achieve improved services and increase employment.

8.5 The Council has available £254k of New Homes Bonus for allocation in 2022/23 and later years. This resource and efficient use of current budgets will help achieve the priorities in the Strategic Plan.

8.6 To balance its budget, the Council has made savings of £2.045m for 2022/23.

8.7 The Council has also allowed £2.169m for cost pressures and growth items in 2022/23. Some of the main items being;

- Inflation allowance (including fuel and utilities) - £1.006m
- 1.25% increase in National Insurance employer contributions £0.200m
- Reduction in income across a number of areas £0.388m
- Investment in the Digital Roadmap - £0.100m

8.8 The 2022/23 budget and MTFF allows for the financing costs of the Capital Programme. The Capital Programme is reported separately on this agenda.

8.9 The Council has limited most sales fees and charges to an inflationary increase. This is unavoidable given the need to finance essential services. Sales, fees and charges were agreed by November 2021 Cabinet.

8.10 The 2022/23 budget assumes a £4.95 Colchester council tax increase and the MTFF assumes the same increase is made in future financial years.

8.11 A 99% council tax collection rate is assumed. Local Council Tax Support take-up for 2022/23 onwards is assumed to be 12.5% higher than originally budgeted for 2020/21. Growth in property numbers is assumed to be 1% per annum.

8.12 The MTFF also assumes £200k of the gain from the Council's membership of the Essex Business Rates Pool.

8.13 It is also planned to use £0.450m of Council reserves for Covid-related pressures in 2022/23. This is in addition to the reserves already used in 2020/21 and 2021/22. A full statement on reserves is provided in Appendix G.

8.14 The Medium-Term Financial Forecast and the assumptions used are set out in Appendix A to this report.

9 MTFF Consultation

9.1 The budget strategy and timetable have ensured that information is available for Scrutiny Panel and input from all Members.

9.2 Budget Workshops were held on 20 September 2021; 22 November 2021; and 17 January 2022 so that all members could share in the task of meeting the budget challenge.

9.3 The Leader of the Opposition is able at any stage of the budget process to meet with officers to assist with consideration of any alternative budget proposals.

9.4 The statutory consultation with business ratepayers will take place on 9 February 2022.

9.5 Wider consultation for the 2022/23 budget has effectively been prevented by delays in government announcements with a major impact on the revenue budget. Nevertheless the Council has continued to work constructively with partners and stakeholders and consult appropriately over a wide range of projects including the Towns Fund. Key budget factors that were not available in time to permit a full budget consultation include:

- Uncertainty over the New Homes Bonus, this being covered by an unresolved Government Consultation
- Lack of clarity on the timetable and levels of increased business rates retention
- Lack of information on government levelling up proposals

9.6 It is expected that hopefully with a more stable financial framework in place for 2023/24 the normal public consultation can proceed for that year's budget.

10 Risk Management Implications

10.1 Staff and support costs reflect current assumptions but will be subject to the progress of our transformation work.

10.2 Modelling has been undertaken with service managers to assess the potential range of impacts before adopting the assumptions described within the report.

11 Financial implications

11.1 As set out in the report.

11.2 No changes are necessary to the 2020 Financial Regulations.

12 Environmental and Climate Change Implications

12.1 All budget measures are assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's recovery planning and a core theme of the new Strategic Plan.

13 Equality and Diversity Implications

13.1 Consideration will be given to equality and diversity issues in respect of budget changes proposed as part of the budget process. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

14 Other Standard References

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

Appendices

A	**2022-26 Medium Term Financial Forecast and Assumptions**
B	**Budget Robustness Statement**
C	**Treasury Management Strategy Statement**
D	**Technical reconciliations of budget requirement 2022/23**
E	**Summary Budget 2022/23**
F	**2022/23 General Fund Budgets**
G	**Reserves, Provisions and Balances**
H	**Allocation of New Homes Bonus**

Appendix A – 2022-26 Medium Term Financial Forecast and Assumptions

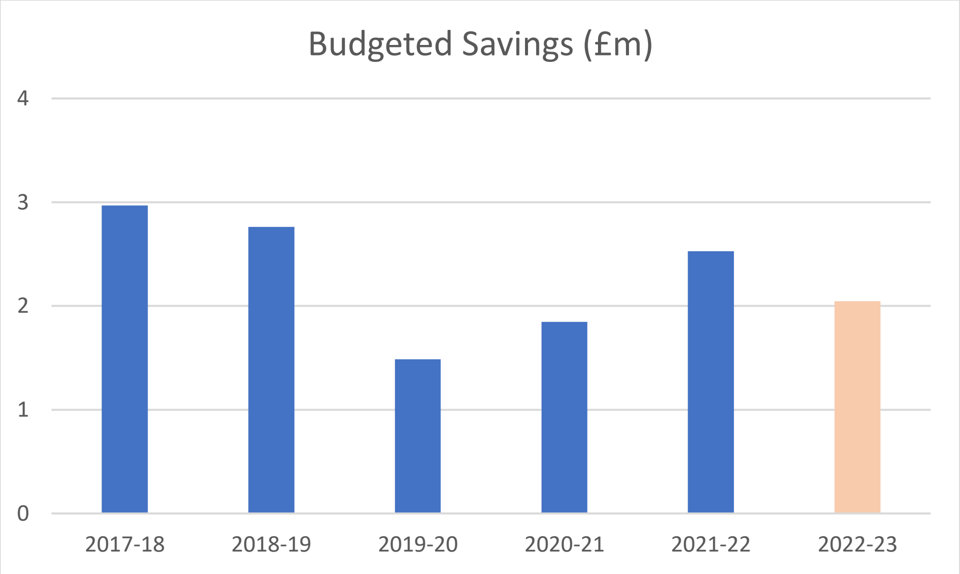
2022/23 Budget and MTFF	22/23	23/24	24/25	25/26
	£'000	£'000	£'000	£'000
Previous year's budget	**21,747**	**21,875**	**21,980**	**23,315**
Cost pressures & Growth items	2,169	496	900	900
Capital financing	0	609	385	(276)
Income losses	0	(150)	(200)	(200)
Savings	(2,045)	(146)	(50)	(50)
Change in forecast use of new homes bonus	4	(704)	300	0
Current year's budget	**21,875**	**21,980**	**23,315**	**23,689**
Business rates	(6,413)	(5,956)	(5,500)	(5,044)
Govt Grant	(568)	0	0	0
New Homes Bonus	(1,954)	(950)	(950)	(950)
Council Tax	(13,300)	(13,757)	(14,221)	(14,693)
Previously planned use of reserves	810	935	935	935
Covid use of reserves	(450)	(400)	(200)	(200)
Budget Gap Cumulative	**0**	**1,852**	**3,379**	**3,737**

MTFF Assumptions	22/23	23/24	24/25	25/25
Council Tax collection	99%	99%	99%	99%
Growth in council tax base	1.0%	1.0%	1.0%	1.0%
District council tax increase	£4.95p	£4.95p	£4.95p	£4.95p
LCTS increased take-up	12.5%	12.5%	12.5%	12.5%

Appendix B – Budget Robustness Statement

1 In 2021/22 the Council's financial position has been substantially affected by the Coronavirus pandemic. Fortunately the first quarter's income losses and additional costs have been supported by Government grants. The use of reserves for Covid in 2021/22 is expected to be £1.210m.

2 The value of new savings planned for 2022/23 is comparable to the level of savings achieved in recent financial years (see chart). The Council is however prioritising achieving high annual values of transformation savings from 2023/24 onwards to achieve a balanced and sustainable budget in the longer term



3 The Council's capital programme has resulted in increasing capital financing requirements in the 2022/23 revenue budget and in the Medium Term Financial Forecast. Care should be taken that current borrowing commitments do not restrict the scope for future spending decisions.

4 Minimum Revenue Provision accounting changes proposed by Government for 2023/24 would – if coming into force as set out in the Budget Report – render the current system of Council advances to Amphora financially unsustainable. These arrangements and the consultation progress need to be kept under thorough review.

5 The development of Colchester Northern Gateway is a major undertaking bearing significant financial risks. Given economic and business changes following Covid ongoing financial appraisal of the project is being undertaken to ensure the risks and rewards remain appropriate given the size of the Council's net budget.

6 The Council will need to carefully monitor the impact of inflation during 2022/23 in both pay and other areas.

7 The Council's borrowing requirements are largely financed in long maturity borrowing at fixed rates. Increasing interest rates may lead to additional investment income.

8 The Council has a good record of delivering agreed savings. The 2022/23 savings proposals were developed by the Transformation Board and assessed by the Finance Business Partners.

9 The Council has in place revenue and capital monitoring processes enabling it to take corrective action in the event of unexpected budget variations. The Council has sound finance and performance monitoring processes including the Performance Management Board and the Capital Programme Steering Group. These arrangements ensure that any new expenditure proposals are adequately assessed.

10 The Council is relying on an additional £0.450m use of balances to deliver its core services in 2022/23. Given the exceptional situation locally and nationally this is appropriate.

11 The budget process allows for the review of budget proposals by the Scrutiny Panel and this has applied to the 2022/23 proposals.

12 The Council’s use of resources judgment by BDO in the 2019/20 audit was satisfactory, following an assessment of the Council’s approach. The 2020/21 use of resources judgment is not available due to external audit delays

13 There is an effective risk management process in place in the Council.

14 The 2022/23 Provisional Local Government Finance Settlement was more favourable than expected. However planned Government recalculation of spending assessments and the abolition of new Homes Bonus are significant financial risks from 2023/24 as set out in the budget report.

15 The Chartered Institute of Public Finance and Accountancy resilience index has yet to be updated.

16 In order to maintain financial planning, monitoring and accounting at a robust level given all the risks and changes outlined above, the Finance resource and capacity within in the Council needs to be maintained and any additional accounting requirements appropriately resourced.

17 It appears therefore that the 2022/23 budget and Medium Term Financial Forecast are robust and the reserves and balances adequate as set out in the succeeding tables.

Appendix C

Treasury Management Strategy Statement
Minimum Revenue Provision Policy Statement and Annual Investment Strategy
2022/23

1 Introduction

1.1 Statement includes the Minimum Revenue Provision Policy Statement and Annual Investment Strategy.

1.2 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Treasury management ensures that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.3 The second main function of treasury management is funding the Council's Capital Programme. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost.

1.4 The contribution that treasury management makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. Treasury management balances the interest costs of debt and the investment income arising from cash deposits. Since cash balances primarily result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will result in a loss to the General Fund.

1.5 Loans to third parties will impact on the treasury function. These activities are classed as non-treasury activities arising from capital expenditure and are separate from day-to-day treasury management activities.

1.6 The Chartered Institute of Public Finance and Accountancy Code defines treasury management as:

> 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.

1.7 Local authorities are required to adopt a Capital Strategy to provide focus on long term capital investment plans. The Capital Strategy is set out in the Resetting the Capital Programme and the Capital Strategy report on this Cabinet agenda. Transparent reporting for non-treasury investments including loans to third parties and the purchase of investment properties or commercial activity is required under the Localism Act 2011.

Reporting requirements

1.8 Following the adoption of the Treasury Management Strategy Statement by Budget Council, Governance and Audit Committee receives a mid-year update and outturn report.

Prudential and Treasury Indicators and Treasury Strategy

1.9 The 2022/23 Treasury Management Strategy Statement is recommended to Budget Council by 26 January 2022 Cabinet. The 25 January 2022 Scrutiny Panel also considers the recommended strategy as part of its review of the Budget. The Treasury Management Strategy Statement covers:

- Capital plans (including prudential indicators)
- Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time)
- Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators
- Investment strategy (the parameters within which investments are to be managed).

1.10 The Mid-Year Treasury Management Report to Governance and Audit Committee updates on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

1.11 The annual Treasury Report after the financial year end to Governance and Audit Committee reports actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Training

1.12 The Chartered Institute of Public Finance and Accountancy Code requires the Head of Finance and Section 151 Officer to ensure that Members with responsibility for treasury management or scrutiny receive adequate training in treasury management. Training is provided in one or more presentations to members by the Council's Treasury Advisers Link Asset Management. Dates for 2022/23 will be notified when the Municipal Calendar is set. The training needs of treasury management officers are periodically reviewed.

Treasury Management Strategy for 2022/23

1.13 The Treasury Management Strategy for 2022/23 covers two main areas:

Content of Treasury Management Strategy	
Capital	capital expenditure plans and the associated prudential indicators
	minimum revenue provision policy
Treasury management	current treasury position
	treasury indicators which limit the treasury risk and activities of the Council
	prospects for interest rates
	borrowing strategy
	policy on borrowing in advance of need
	debt rescheduling
	investment strategy
	creditworthiness policy
	policy on use of external service providers

1.14 These elements cover the requirements of the Local Government Act 2003; The Chartered Institute of Public Finance and Accountancy Prudential Code: The Department of Levelling-Up Minimum Revenue Provision Guidance; The Chartered Institute of Public Finance and Accountancy Code Treasury Management Code; and Department of Levelling-Up, Housing and Communities Investment Guidance.

Treasury management consultants

1.15 The Council uses Link Asset Services as its external treasury management advisors.

1.16 Responsibility for treasury management decisions remains with the Council and undue reliance is not placed upon external advisors. Decisions use available information including external advice.

International Financial Reporting Standard 16 Leases

1.17 This Standard replaces previous guidance on leases in International Accounting Standard 17. The new Standard provides a single lessee accounting model. This requires lessees to recognise assets and liabilities for all leases. (Unless the lease term is 12 months or less or the underlying asset has a low value.) Lessors continue to classify leases as operating or finance. International Financial Reporting Standard 16 approach to lessor accounting remaining substantially unchanged from Internationl Accounting Standard 17.

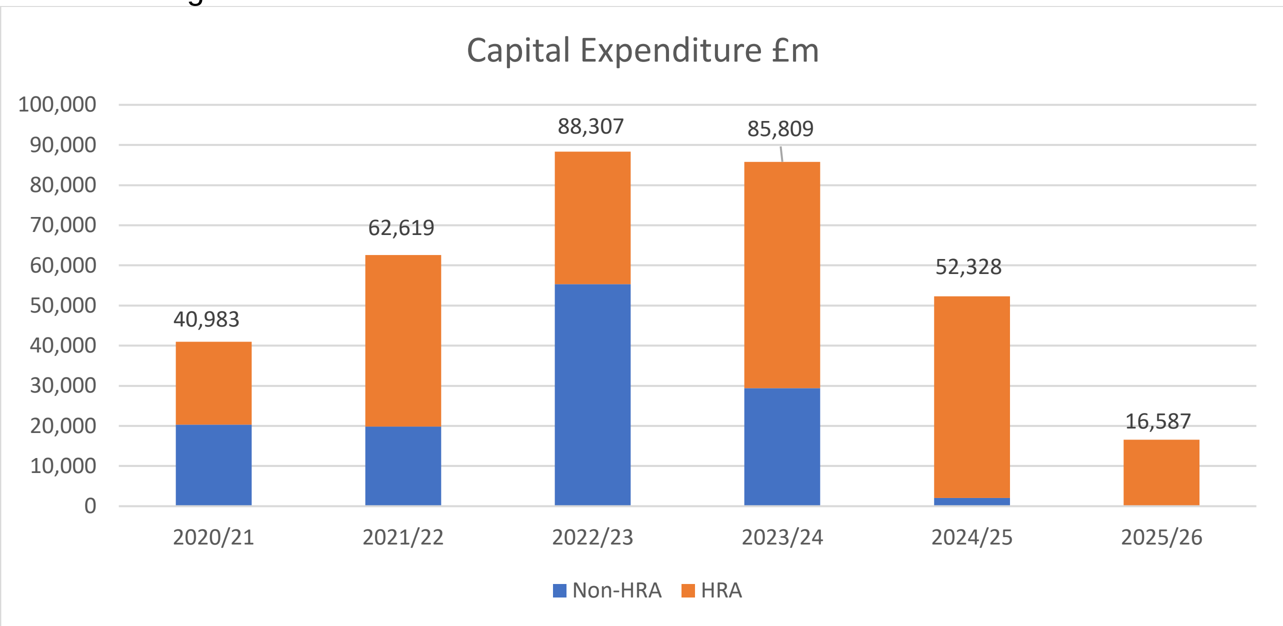
1.18 In December 2018, The Chartered Institute of Public Finance and Accountancy delayed implementation of International Financial Reporting Standard 16 in the Accounts Code until 1 April 2022. The impact of adopting International Financial Reporting Standard 16 will be disclosed in the financial statements for the year ending 31 March 2023.

2 The Capital Prudential Indicators 2020/21 – 2025/26

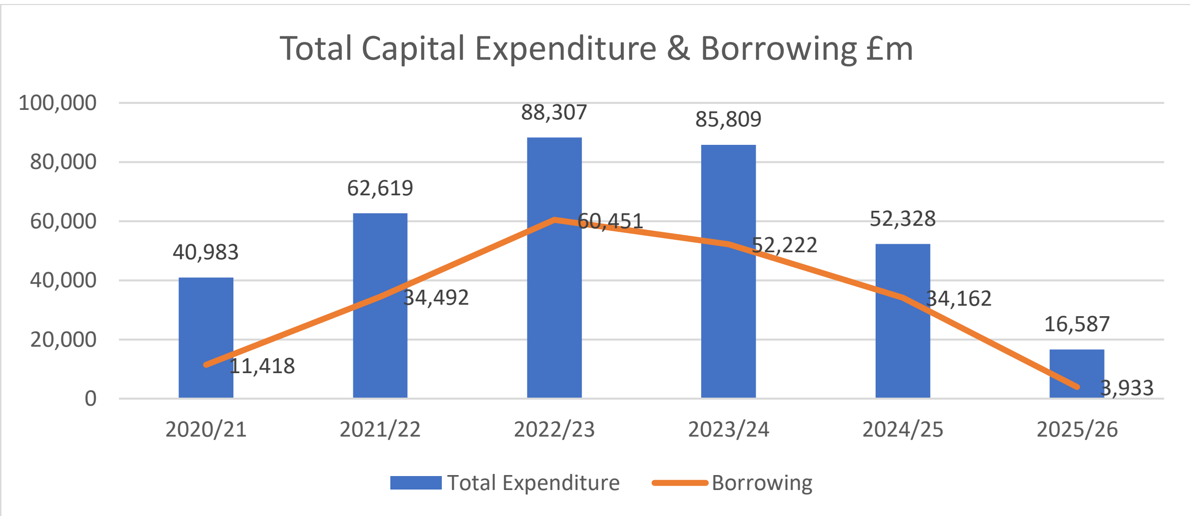
2.1 The Council's capital expenditure plans are the key driver of treasury. The output of the capital expenditure plan is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

2.2 This prudential Indicator is a summary of the Council's capital expenditure plans as set out in the Resetting the Capital Programme and the Capital Strategy report on this agenda.



The table below summarises how the above capital expenditure plans will be financed by capital or revenue resources. The balance of financing will be provided by borrowing.



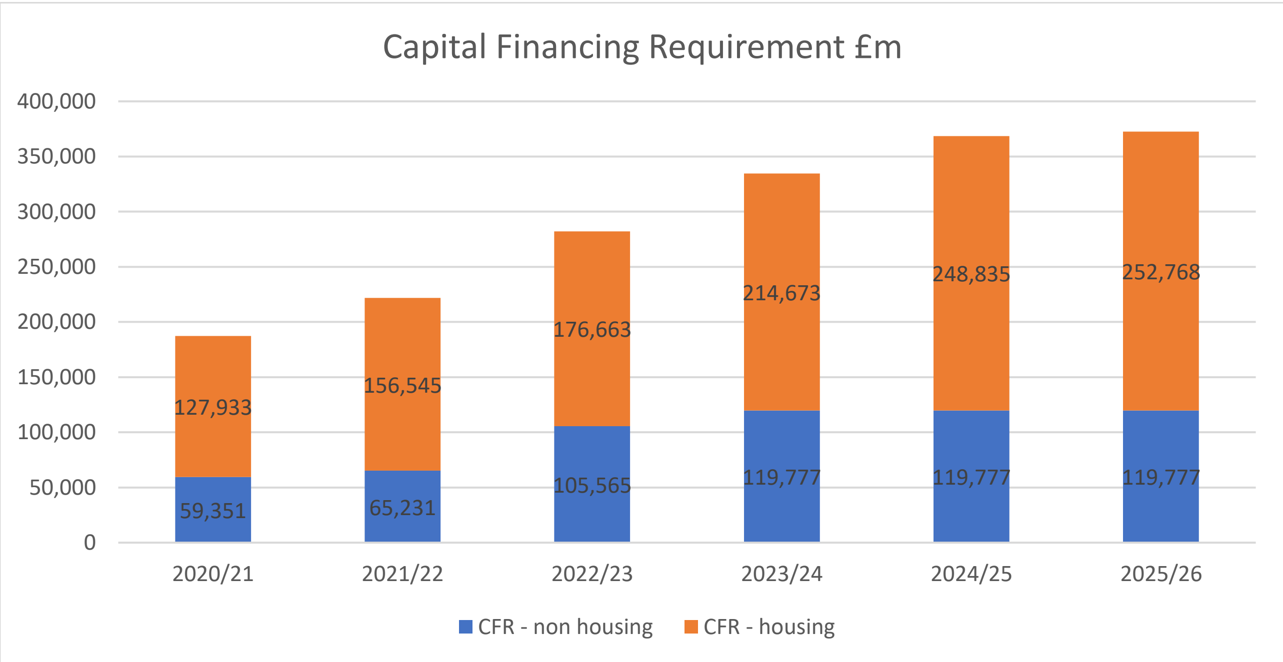
The Council's borrowing need (The Capital Financing Requirement)

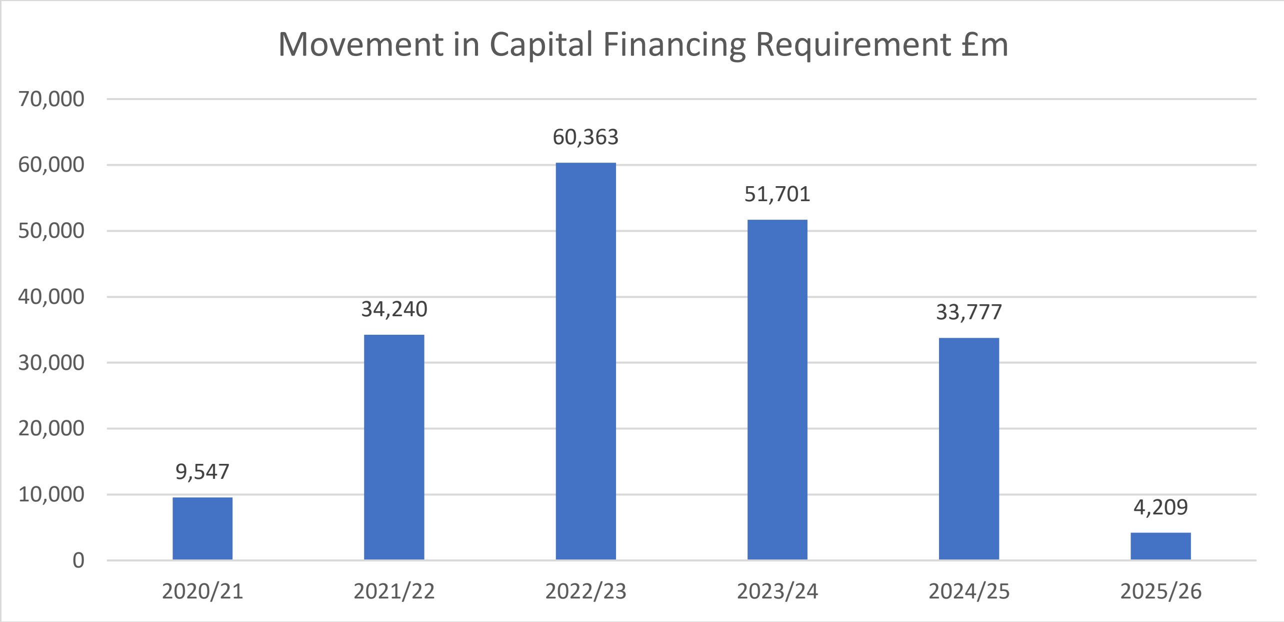
2.3 The second prudential indicator is the Council's Capital Financing Requirement. The Capital Financing Requirement is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so of its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the Capital Financing Requirement.

2.4 The Capital Financing Requirement does not increase indefinitely, as the minimum revenue provision is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

2.5 The Capital Financing Requirement includes any other long-term liabilities (for example finance leases). Whilst these increase the Capital Financing Requirement, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes.

2.6 Capital Financing Requirement projections are set out below, with a breakdown of the annual movement.





Minimum Revenue Provision Policy Statement

2.7 The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments if required.

2.8 Government regulations require the full Council to approve a Minimum Revenue Provision Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following Minimum Revenue Provision Statement:

2.9 For capital expenditure incurred before 1 April 2008 and subsequent Supported Capital Expenditure, the policy will allow for the borrowing need to be repaid on an equal instalment basis over a period of 50 years. This has the benefits of reducing the amount payable for the first 17 years, introducing a consistent level of charge, and ensuring that this element of Minimum Revenue Provision is eventually completely repaid.

2.10 From all unsupported borrowing (including finance leases) the Minimum Revenue Provision policy will be the Asset Life Method. Minimum Revenue Provision will be based on the estimated life of the assets, in accordance with the regulations. This provides for a reduction in the borrowing need over the asset’s life. Repayments included in finance leases are applied as Minimum Revenue Provision.

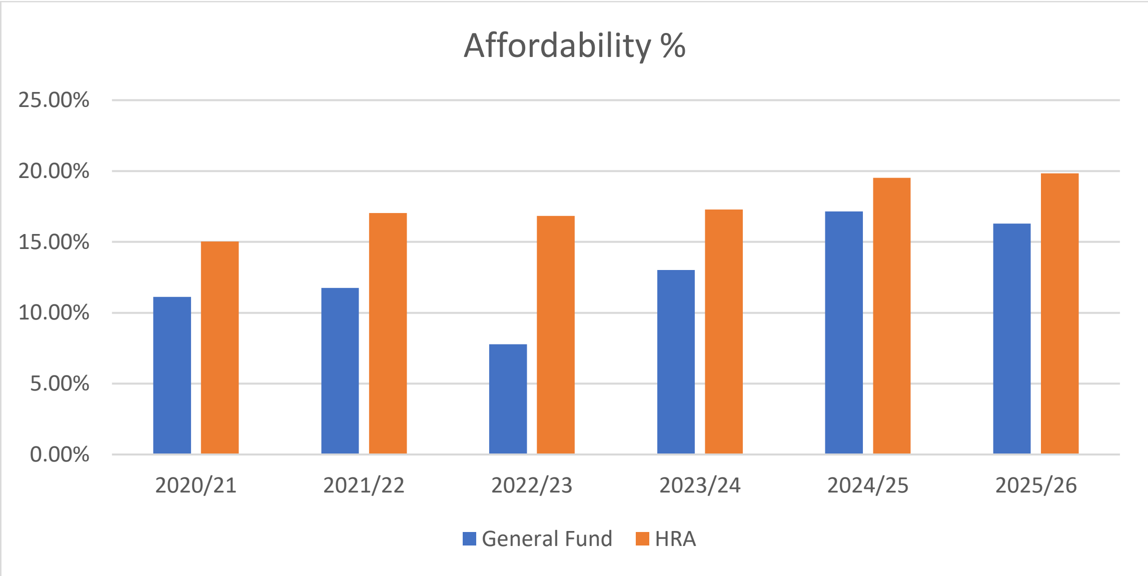
2.11 There is no requirement in the Housing Revenue Account to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

2.12 The Head of Finance in liaison with the Deputy Leader and Portfolio Holder for Resources will keep the Council’s Minimum Revenue Provision Policy under review to ensure that it remains fit for purpose in relation to its borrowing requirements.

Affordability Prudential Indicators

2.13 The previous sections of this report cover the overall capital, and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

2.14 Ratio of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.



The estimates of financing costs include current commitments and capital programme proposals on this agenda.

3 Economic Outlook provided by Link Asset Services

3.1 The Council has appointed Link Asset Services as its treasury advisor and part of the service is to assist the Council to formulate a view on interest rates. This section of the Strategy is provided by Link.

Link Group Interest Rate View	8.11.21													
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
Capital Economics	1.60	1.70	1.70	1.80	2.10	2.10	2.10	2.10	2.10	-	-	-	-	-
10yr PWLB Rate														
Link	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
Capital Economics	1.80	1.90	2.00	2.20	2.30	2.30	2.30	2.30	2.30	-	-	-	-	-
25yr PWLB Rate														
Link	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
Capital Economics	2.10	2.20	2.40	2.60	2.70	2.80	2.80	2.80	2.90	-	-	-	-	-
50yr PWLB Rate														
Link	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.60	2.60	2.70	-	-	-	-	-

MPC meeting 16th December 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- After the Governor and other MPC members had made speeches prior to the MPC meeting in which they stressed concerns over inflation, (the Bank is now forecasting inflation to reach 5% in April when the next round of capped gas prices will go up), thus reinforcing the strong message from the September MPC meeting, financial markets had confidently built in an expectation that Bank Rate would go up from 0.10% to 0.25% at this meeting. However, these were not messages that the MPC would definitely increase Bank Rate at the first upcoming MPC meeting as no MPC member can commit the MPC to make that decision ahead of their discussions at the time. The MPC did comment, however, that Bank Rate would have to go up in the short term. It is, therefore, relatively evenly balanced as to whether Bank rate will be increased in December, February or May. Much will depend on how the statistical releases for the labour market after the end of furlough on 30th September 2021 turn out.

- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major expenditure unless it was very limited and targeted on narrow sectors like hospitality. The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it <u>would</u> raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of Quantitative Easing, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    1. Raising Bank Rate as "the active instrument in most circumstances".
    2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
    3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

    3.2

- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn Quantitative Easing purchases announced at its November 3rd meeting, was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of Quantitative Easing held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near

zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

ECB tapering. The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its Quantitative Easing purchases - by half from October 2022, i.e., it will still be providing significant stimulus via Quantitative Easing purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing Quantitative Easing support.

The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further Quantitative Easing support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the

EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.

- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.

- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.

- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

WORLD GROWTH. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **SUPPLY SHORTAGES**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

4 Investment and borrowing rates

4.1 The policy of avoiding the interest cost of new borrowing by using available cash balances has served well over the last few years. However, this needs to be kept under review to avoid incurring high borrowing costs in the future when the Council may require new external borrowing to finance capital expenditure or for the refinancing of maturing debt.

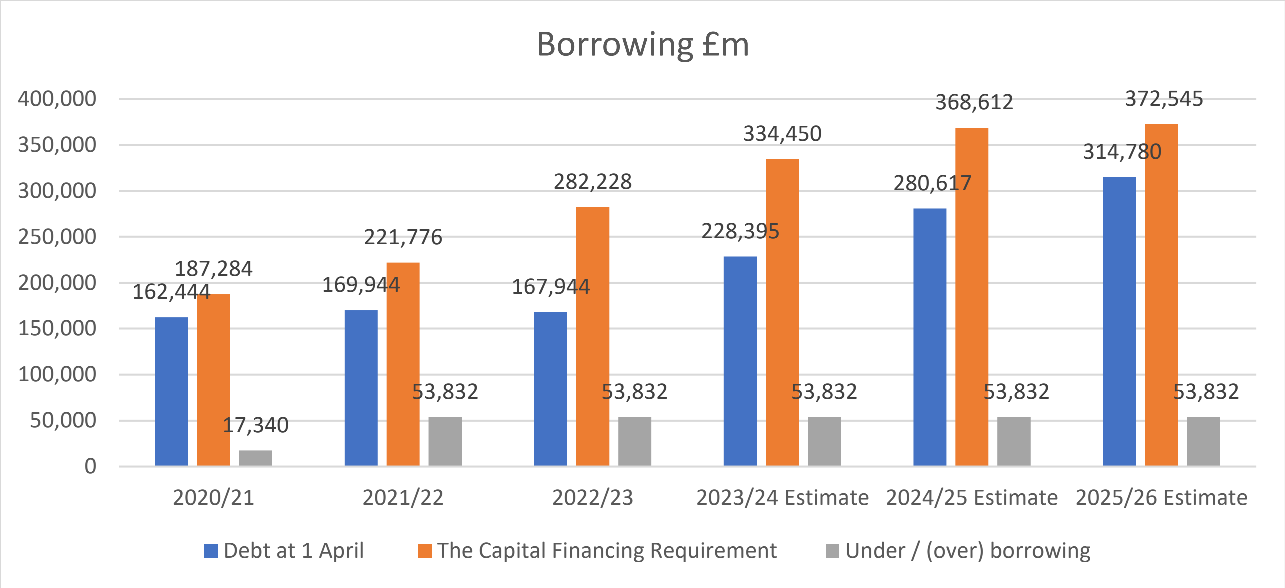
4.2 There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost - the difference between borrowing costs and investment returns.

Capital Financing Requirement

4.3 Resetting the Capital Programme and the Capital Strategy on this Cabinet agenda provides details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt position and the annual investment strategy.

Current portfolio position

4.4 The Council's treasury portfolio position at 31 March 2021, with forward projections are summarised below. The table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement), highlighting any over or under borrowing.

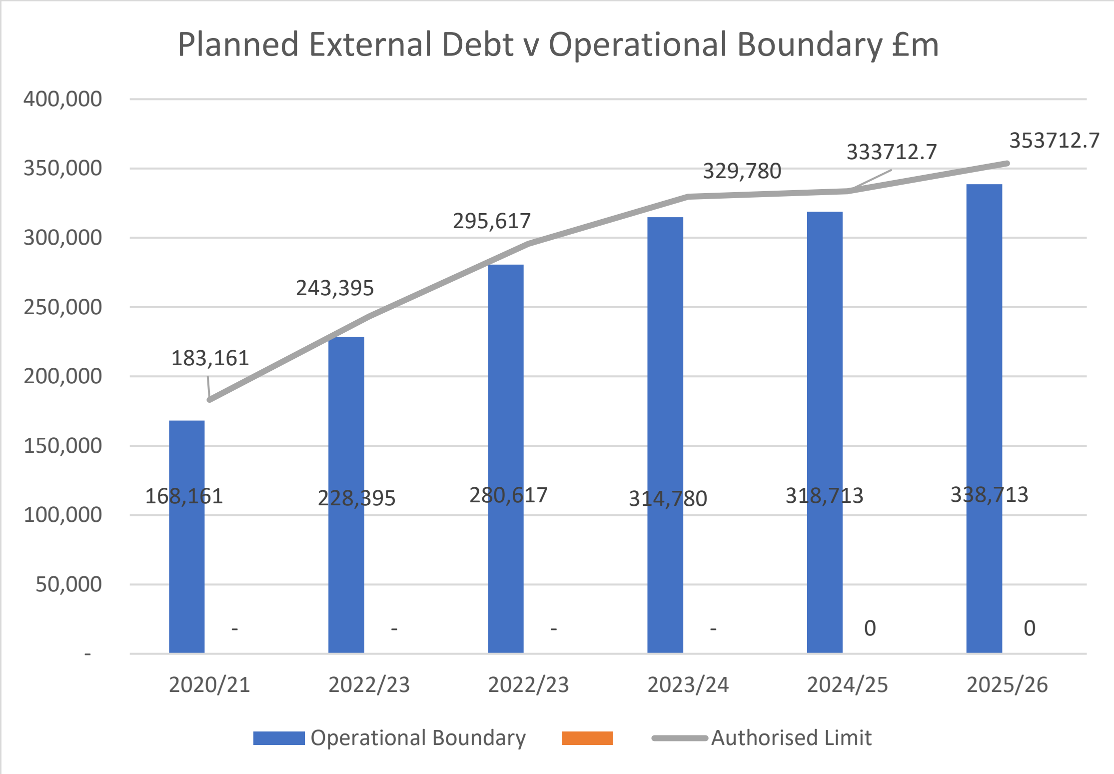


4.5 Within the prudential indicators there are key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short-term, exceed the total of the Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

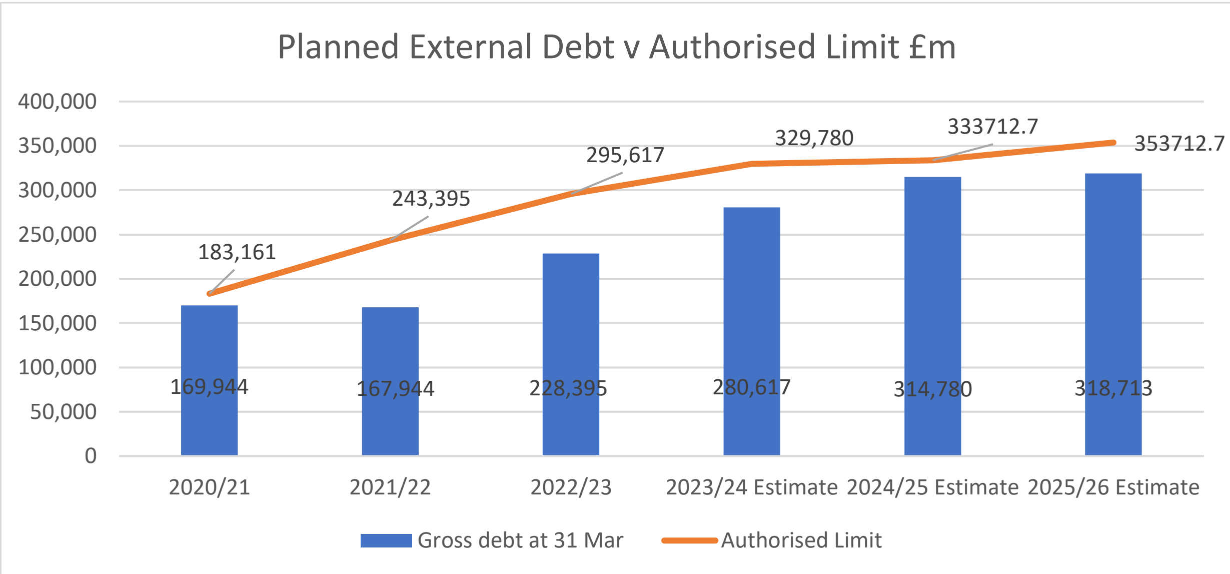
4.6 The Head of Finance and S151 Officer confirms that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future allowing for current commitments and the reset capital programme.

Treasury Indicators: Limits to Borrowing Activity

4.7 The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. Planned external debt is well within the operational boundary limit.



The **Authorised Limit** for external debt represents a control on the maximum level of borrowing. This is a statutory limit determined under section 3(1) of the Local Government Act 2003. This limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer term. The chart shows that planned external debt is well within the authorised limit sought. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.



Borrowing Strategy

4.8 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is avoided.

4.9 Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Head of Finance and S151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in long and short-term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long-term borrowing will be postponed, and potential rescheduling from fixed rate funding into short-term borrowing will be considered.
- if it was felt that there was a significant risk of a much sharper RISE in long and short-term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

4.10 Any major long term borrowing activity will be reported to the Governance and Audit Committee at the next available opportunity.

Treasury Management Limits on Activity

4.11 There are three debt-related treasury activity limits. The purpose of these is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates.

4.12 Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2021/22		
	Lower	**Upper**
Under 12 months	0%	15%
12 months to 2 years	0%	15%
2 years to 5 years	0%	15%
5 years to 10 years	0%	15%
10 years to 20 years	0%	40%
20 years to 30 years	0%	40%
30 years to 40 years	0%	40%
40 years to 50 years	0%	10%

Policy on Borrowing in Advance of Need

4.13 The Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Rescheduling

4.14 Where short-term borrowing rates become considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). The reasons for any rescheduling to take place will include:

- the generation of cash savings or discounted cash flow savings.
- helping to fulfil the treasury strategy.
- enhance the balance of the portfolio by amending the maturity profile or the balance of volatility).

4.15 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short-term rates on investments are likely to be lower than rates paid on current debt.

4.16 Any rescheduling will be reported to the Scrutiny Panel or the Governance and Audit Committee at the earliest meeting following its action.

Municipal Bond Agency

4.17 It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board. The Council will consider making use of this new source of borrowing as and when appropriate.

Housing Revenue Account borrowing

4.18 As part of the Housing Revenue Account reform arrangements in April 2012, the Council decided to follow the 'two pool' approach to allocating existing debt, considering those loans that were originally raised for a specific purpose. This assumed that the Housing Revenue Account would be fully borrowed, however the Housing Revenue Account is now in a position where it may need to borrow to fund the Housing Investment Programme.

4.19 As the Council is maintaining an under-borrowed position, the HRA will be recharged for the cost of any new borrowing requirement based on the average balance of unfinanced Housing Revenue Account borrowing during the year, using the Public Works Loan Board variable rate as at 31 March of the previous year. In an environment of low investment returns and relatively stable borrowing rates, this provides a recharge that is beneficial to both the Housing Revenue Account and General Fund and can be reasonably forecast from early in the financial year. This approach will be reviewed annually in conjunction with the Treasury Management Strategy Statement and projected investment returns.

5 Annual Investment Strategy

Investment Policy

5.1 The Department of Levelling Up, Housing and Communities and Local Government and the Chartered Institute of Public Finance and Accountancy have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy elsewhere on this agenda.

5.2 In accordance with the above guidance, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short-term and Long-term ratings.

5.3 Ratings will not be the sole determinant of the quality of an institution, and it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this the Council will engage with its advisors to maintain a monitor on market pricing such as Credit Default Swaps and overlay that information on top of the credit ratings.

5.4 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.

5.5 Investment instruments identified for use in the financial year are listed in the Appendix, which includes Counterparty, time and monetary limits. These will cover both ‘Specified’ and ‘Non-Specified’ Investments.

5.6 Such investments are treated as expenditure for treasury management and prudential borrowing purposes even though they do not create physical assets in the Council's accounts. Appropriate budgets in respect of these activities are agreed as part of the Council's budget setting and ongoing monitoring processes and considered as part of the Investment Strategy.

5.7 Specified Investments are sterling denominated investments of not more than one-year maturity, meeting the minimum 'high' criteria where applicable. These are considered low risk assets where the possibility of loss of principal or investment income is small. Non-Specified Investments are those that do not meet the specified investment criteria. A limit of £20m will be applied to the use of Non-Specified Investments (this will partially be driven by the long-term investment limits).

Creditworthiness policy

5.8 This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's, and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies.
- Credit Default Swap spreads that may give early warning of likely changes in credit ratings.
- sovereign ratings to select counterparties from only the most creditworthy countries.

5.9 This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will, therefore, use counterparties within the following durational bands

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

5.10 The creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

5.11 Typically, the minimum credit ratings criteria the Council uses will be a Short-term rating (Fitch or equivalents) of F1, and a Long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

5.12 All credit ratings will be monitored monthly. The Council is alerted to changes to ratings of all three agencies through its use of the creditworthiness service. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer-term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

- 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.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council’s lending list.

5.13 Sole reliance will not be placed on the use of this external service. In addition, the Council will also use market data and market information, and information on any external support for banks to help support its decision-making process.

Country limits

5.14 The Council will only use approved counterparties from countries with a minimum sovereign credit rating of AA-, based on the lowest available rating. However, this policy excludes UK counterparties. The list of countries that qualify using this credit criteria as at the date of this report are shown in the Appendix. This list will be amended by officers should ratings change in accordance with this policy.

5.15 In addition:

- no more than £15m will be placed with any non-UK country at any time.
- the limits will apply to a group of companies.
- sector limits will be monitored regularly for appropriateness.

Investment strategy

5.16 The Council will manage all its investments in-house. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short to medium term interest rates.

5.17 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows from our treasury advisors Link.

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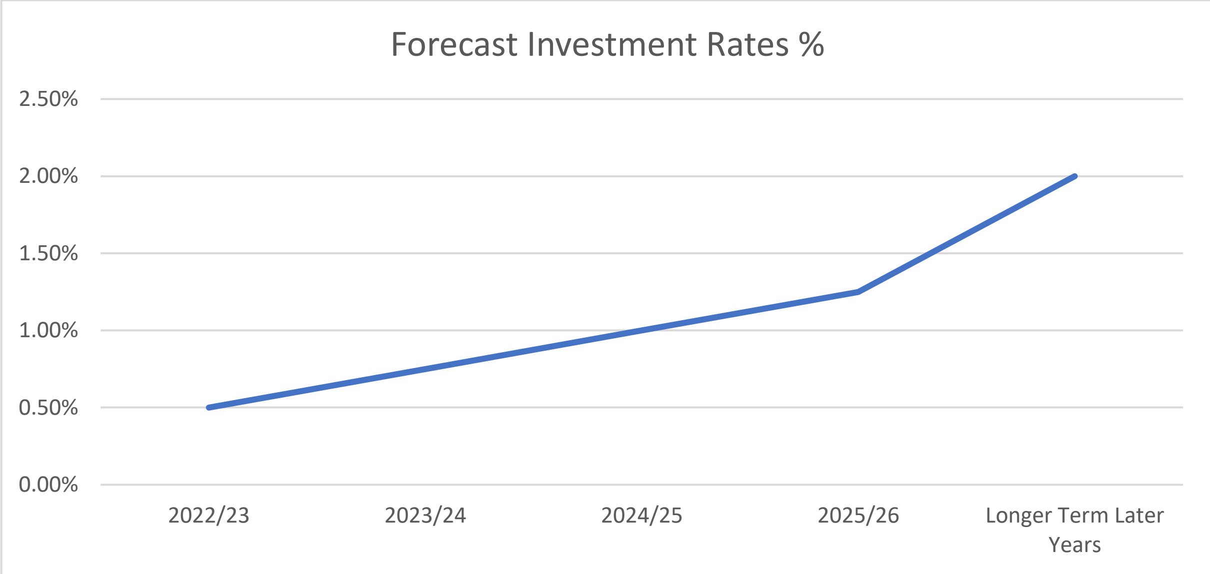


The overall balance of risks to economic growth in the UK is probably relatively even but is subject to major uncertainty due to the virus and the practical issues of the UK leaving the EU.

Investment treasury indicator and limit

5.18 The limit for the total principal funds invested for greater than 365 days is set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end. The Council is asked to approve a limit of £10m for 2021/22 and subsequent years.

£000	2022/23	2023/24	2024/25
Max. principal sums invested> 365 days	£10,000	10,000	10,000

End of year investment report

5.19 At the end of the financial year, the Council will report on its investment activity to the Governance & Audit Committee as part of its Annual Treasury Report.

Link Group Interest Rate View	8.11.21													
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
Capital Economics	1.60	1.70	1.70	1.80	2.10	2.10	2.10	2.10	2.10	-	-	-	-	-
10yr PWLB Rate														
Link	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
Capital Economics	1.80	1.90	2.00	2.20	2.30	2.30	2.30	2.30	2.30	-	-	-	-	-
25yr PWLB Rate														
Link	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
Capital Economics	2.10	2.20	2.40	2.60	2.70	2.80	2.80	2.80	2.90	-	-	-	-	-
50yr PWLB Rate														
Link	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.60	2.60	2.70	-	-	-	-	-

Specified Investments – These investments are sterling investments of not more that one year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small.

Organisation	**Min. Credit Criteria**	**Money Limit**	**Maturity Limit**
Banks and Building Societies (including term deposits, CDs or corporate bonds)	Yellow	£10m	1 years
	Purple	£10m	1 years
	Orange	£10m	1 year
	Blue	£10m	1 year
	Red	£7.5m	6 months
	Green	£5m	100 days
	No colour	Not to be used	
UK Government Gilts	UK sovereign rating	£10m	1 year
UK Government Treasury Bills	UK sovereign rating	£10m	1 year
UK Local & Police Authorities	N/A	Unlimited	1 years
Debt Management Agency Deposit Facility	AAA	Unlimited	6 months
Money Market Funds	AAA	£10m	Liquid
Enhanced Money Market Funds	Dark Pink / Light Pink / AAA	£10m	Liquid
Bonds issued by Multilateral Development Banks	AAA	£3m	6 months

Non-Specified Investments – These are investments that do not meet the specified investment criteria. A limit of the lesser of £20m or 50% of the portfolio will be held in aggregate in non-specified investments.

Organisation	Min. Credit Criteria	Money Limit	Maturity Limit
UK Local & Police Authorities	N/A	£10m	5 years
Banks and Building Societies (including term deposits, CDs or corporate bonds)	Yellow / Purple	£10m	5 years
UK Government Gilts	UK sovereign rating	£10m	5 years
UK Government Treasury Bills	UK sovereign rating	£10m	5 years
Property fund	AAA	£5m	5 years

Notes:

- Non U.K. country limit of £15m
- Limit in all Building Societies of £10m

The use of property funds can be deemed capital expenditure, and as such will be an application of capital resources. The Council will seek guidance on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

The criteria in this appendix are intended to be the operational criteria in normal times. At times of heightened volatility, risk and concern in financial markets, this strategy may be amended by temporary operational criteria further limiting investments to counterparties of a higher creditworthiness and / or restricted time limits.

This list is based on those countries that have sovereign ratings of AA- or higher and also have banks operating in sterling markets, which have credit ratings of green or above in the Link Asset Services credit worthiness service.

AAA	Australia
	Denmark
	Germany
	Luxembourg
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
AA+	Finland
	Canada
	U.S.A.
AA	Abu Dhabi (UAE)
	France
AA-	Belgium
	Hong Kong
	Qatar
	UK

Appendix D – Technical reconciliations of budget requirement 2022/23

Table D1 – Technical reconciliation of budget requirement		
	Element	£'000
1	Revenue expenditure requirement for 2022/23	21,875
2	Collection fund deficit (business rates and Council Tax)	5,809
3	New Homes Bonus	(1,954)
4	Use of balances / reserves for pensions payment	935
5	Use of Business Rates Reserve	(5,809)
6	Use of Business Rates Pooling gain	(200)
7	Use of balances	(575)
8	**Budget Requirement**	**20,081**
9	Funded by:	
10	Government Grant (Services and Lower-Tier services)	(568)
11	Business Rates Baseline Funding	(4,343)
12	Business Rates Improvement	(1,870)
13	Council Taxpayers requirement (before Parish element)	(13,300)
14	**Total Funding**	**(20,081)**

Table D2 – Technical reconciliation of Band D Council Tax		
1	Council Taxpayers requirement (before Parish element)	13,300
2	Council Tax Base – Band D Properties	64,731
3	**Council Tax at Band D**	**205.47**

Table D3 – Technical reconciliation of 2022/23 Base Budget		
1	Base Budget	25,028
2	One-off items	(3,281)
3	Cost Pressures	2,035
4	Growth Items	134
5	Change in use of New Homes Bonus for one off investment	4
6	Savings	(2,045)
7	**Forecast Base Budget**	**21,875**

Table D4 – Technical reconciliation of 2022/23 savings		
1	Council Tax sharing agreement	(370)
2	Sport and Leisure improved performance	(320)
3	Savings from budgets repeatedly underspending in recent financial years	(250)
4	21/22 Pay Award Non-Consolidated 1%	(207)
5	Reduction in the use of the earmarked parking reserve due to changes in the way Traffic Regulation Work is funded within NEPP	(185)
6	Fees and charges generated over and above average council tax increase	(145)
7	Savings against salary budget costs by sharing the cost of staff in HR, Finance, Governance, and ICT with partner organisations (21/22 budget setting)	(100)
8	Reduction in overall housing benefit subsidy claim as claimants migrate from Housing Benefit to Universal Credit	(87)
9	Savings against current budgeted cost for external contracts (21/22 budget setting)	(50)
10	Digital services use of revenues and benefits new burdens funding from Department for Work and Pensions	(50)
11	Amphora extra dividend (Memoirs)	(37)
12	Shared services	(30)
13	Extension of market and public events	(30)
14	CCHL SLA income from triennial review	(29)
15	Electoral Services Team resource reduction – Elections Officer (21/22 budget setting)	(25)
16	Efficient use of Anti-Social Behaviour resources	(25)
17	Digital Communications enabling a reduction in print and post	(20)
18	Digital service delivery enabling a reduction in mileage claims	(20)
19	Healthy Homes – Disabled Facilities Grant covering more of the cost of delivering the service	(20)
20	Grounds Maintenance Contract Inflation	(18)
21	Parks & Countryside Sites Strategy	(10)
22	Digital Office enabling a reduction in central stationery	(7)
23	Car park markets and events (21/22 budget setting)	(5)
24	North Essex Parking Partnership Agreement beyond 2022 including Service Level Agreements	(5)
25	**Total Savings**	**(2,045)**

Table D5 – Technical reconciliation of 2022-23 cost pressures and growth items		
1	General Inflation (pay, contractual, utilities etc)	906
2	1.25% National Insurance Increase (Employer’s Rate)	200
3	Commercial & Investment properties reduced income (primarily Culver Centre)	178
4	Contractor Payments (net of recyclable sales income)	150
5	Digital Roadmap	100
6	Fuel	100
7	Gosbecks Road loss of rental income and short-term running costs prior to sale	100
8	Executive Management Team staff changes	91
9	Local Fast Fibre Network reduced income assumptions	60
10	Locality Budgets	51
11	Market income reduced assumptions	50
12	Corporate Asset Management cost pressures	46
13	General Fund and Housing Revenue Account contingency	38
14	Woodland Project Officer	34
15	Virtual Committee Meetings	30
16	Audit Fees	25
17	Asset Valuations	6
18	Subscription Costs	4
19	**Total cost pressures and growth items**	**2,169**

Appendix E - Summary Budget 2022/23

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 22/23 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	(106)	0	28	0		(370)	(448)
Executive Management Team	687	0	111	0		(8)	790
Corporate & Improvement	6,117	0	200	0		(178)	6,139
Community	1,604	0	176	0		(245)	1,535
Customer	2,800	0	119	0		(257)	2,662
Environmental (excl NEPP)	6,477	(926)	554	34		(314)	5,825
Place & Client	5,049	(1,650)	578	(119)		(509)	3,349
Total General Fund Services	**22,628**	**(2,576)**	**1,766**	**(85)**	**0**	**(1,881)**	**19,852**
Technical Items							
Corporate Items / sums to be allocated to services							
Procurement Savings	(58)		0			(50)	(108)
Social Lottery	50	(50)	0	0			0
Investment Allowance funded by New Homes Bonus	1,200	0	0	123		0	1,323
Previously agreed funding for Strategic Priorities	(94)		0	0		0	(94)
Digital Roadmap	0		0	100			100
Fees & Charges increase in excess of inflation	0		0			(67)	(67)
Local Council Tax Support Care Leavers Scheme	15		(15)				0
Inflation yet to be allocated	0		244			(18)	226
Transformation & Recovery	500	(500)	0				0
Improved Establishment Control	(10)		0				(10)

Rowan House	120	(55)	0	0			65
CCHL SLA	29		0			(29)	0
Non-Service Budgets							
CLIA (net interest)	1,187	(100)	0			0	1,087
R&R Contribution	300		0				300
Min Revenue Provision	2,123		0			0	2,123
Pensions	366	0	0				366
Contribution to Bad Debts Provision	20		0				20
GF/HRA/NEPP Adjustment	(3,348)		40		0		(3,308)
Sub-Total	**2,400**	**(705)**	**269**	**223**	**0**	**(164)**	**2,023**
Total incl Below the line	**25,028**	**(3,281)**	**2,035**	**138**	**0**	**(2,045)**	**21,875**
Funded by:-							
Use of balances	(125)	125	0		(125)		(125)
Contribution to balances	935	(935)	0		935		935
Use of other Earmarked Reserves	(185)	185	0		0		0
Use of Reserves - Covid 19	(2,400)	2,400	0		(450)		(450)
Use of NNDR reserve	(12,824)	12,824	0		0		0
Govt - Covid 19 Support Grant	(1,493)	1,493	0				0
Govt - Lower Tier Grant	(622)	622	0		(270)		(270)
Govt - Services Grant	0	0	0		(298)		(298)
Business Rates Baseline	(4,300)		(43)				(4,343)
NNDR Growth above Baseline	(1,620)		0		(250)		(1,870)
Business Rates Pooling	(200)		0		0		(200)
Council Tax	(12,588)		0		(712)		(13,300)
Collection fund Transfer	12,824	(12,824)	0		0		0
New Homes Bonus	(2,430)		0		476		(1,954)
Total	**(25,028)**	**3,890**	**(43)**	**0**	**(694)**	**0**	**(21,875)**

Appendix F - 2022/23 General Fund Budgets

Area	Direct Budgets Spend £'000	Direct Budgets Income £'000	Direct Budgets Net £'000	Non-Direct Budgets Net £'000	Total £'000
Corporate & Democratic Core	322	(770)	(448)	*2,631*	2,183
Total	**322**	**(770)**	**(448)**	***2,631***	**2,183**
Executive Management Team					
EMT	790	-	790	*(790)*	-
Total	**790**	**-**	**790**	***(790)***	**-**
Community					
Assistant Director	165	-	165	*(165)*	-
Licencing, Food & Safety	528	(576)	(48)	*376*	328
Community Safety	94	-	94	*15*	109
Environmental Health Services	465	(67)	398	*144*	542
Building Control	426	(501)	(75)	*302*	227
Community Initiatives	392	-	392	*143*	535
Private Sector Housing	517	(223)	294	*175*	469
Bereavement Services	947	(1,773)	(826)	*266*	(560)
Cultural Services	633	(108)	525	*977*	1,502
Colchester Museums	49	(526)	(477)	*34*	(443)
Subtotal	**4,216**	**(3,774)**	**442**	***2,267***	**2,709**
Colchester & Ipswich Museums	2,258	(1,165)	1,093	*725*	1,818
Total	**6,474**	**(4,939)**	**1,535**	***2,992***	**4,527**
Customer					
Assistant Director	161	-	161	*(161)*	-
Accounts & Debt	751	(148)	603	*(603)*	-
Local Taxation & NNDR	561	(713)	(152)	*569*	417
Benefits & Hub	909	(185)	724	*(724)*	-
Contact & Support Centre	1,083	(29)	1,054	*(1,053)*	1
Electoral Services	391	(3)	388	*71*	459
Customer Digital & Systems	954	(45)	909	*(910)*	(1)
Land Charges	139	(285)	(146)	*146*	-
Subtotal	**4,949**	**(1,408)**	**3,541**	***(2,665)***	**876**
Benefits - Payments & Subsidy	35,565	(36,444)	(879)	*594*	(285)
Total	**40,514**	**(37,852)**	**2,662**	***(2,071)***	**591**
Environment					
Assistant Director	159	-	159	*(159)*	-
Neighbourhood Services	12,496	(4,422)	8,074	*2,823*	10,897
Car Parking	981	(3,389)	(2,408)	*947*	(1,461)
Subtotal	**13,636**	**(7,811)**	**5,825**	***3,611***	**9,436**

	Direct Budgets			*Non-Direct Budgets*	
Parking Partnership (NEPP)	3,909	(3,949)	(40)	*86*	46
Total	**17,545**	**(11,760)**	**5,785**	***3,697***	**9,482**
Place & Client					
Assistant Director	152	-	152	*(152)*	-
Place Strategy	698	-	698	*81*	779
Housing	2,795	(1,335)	1,460	*(219)*	1,241
Planning	1,165	(1,352)	(187)	*973*	786
Sustainability & Climate Change	211	(16)	195	*44*	239
Subtotal	**5,021**	**(2,703)**	**2,318**	***727***	**3,045**
Company Related:-					
Client - Commercial Company	2,028	(287)	1,741	*(2,028)*	(287)
Corporate Asset Management	1,866	(324)	1,542	*(1,486)*	56
Commercial & Investment	303	(2,980)	(2,677)	*2,581*	(96)
Sport & Leisure	5,693	(5,268)	425	*1,898*	2,323
Total	**14,911**	**(11,562)**	**3,349**	***1,692***	**5,041**
Corporate & Improvement					
Assistant Director	144	(129)	15	*(144)*	(129)
Finance	1,057	(200)	857	*(857)*	-
ICT	2,030	(404)	1,626	*(1,627)*	(1)
People and Performance	813	(186)	627	*(693)*	(66)
Governance	2,970	(381)	2,589	*(2,531)*	58
Communications	601	(176)	425	*(425)*	-
Total	**7,615**	**(1,476)**	**6,139**	***(6,277)***	**(138)**
Total (excl. NEPP)	**84,262**	**(64,410)**	**19,852**	***1,788***	**21,640**

* Non-direct budgets reflect recharges between service areas and technical accounting charges. These are shown to present the full cost of services

Appendix G - Reserves, Provisions and Balances

	2020/21	2021/22	2022/23
	Actual	Forecast	Forecast
	£'000	£'000	£'000
General Fund Balance	2,030	2,030	2,030
Future Years Budget Support Reserve - Carry-forwards etc	6,937	1,672	1,297
Future Years Budget Support Reserve - Risk Allocation	515	515	515
Redundancy, North Essex Parking Partnership, Colchester & Ipswich Museum Service etc	1,444	1,444	1,444
Pension Reserve	1,344	2,279	3,214
Renewals and Repairs Reserve	2,845	3,298	3,944
Insurance Reserve	652	652	652
Capital Expenditure Reserve	437	601	601
Gosbecks Reserve	134	134	134
Revenue Grants unapplied	3,173	3,173	2,973
Decriminalisation Parking Reserve	1,087	902	902
Business Rates Reserve	15,875	3,051	2,851
Revolving Investment Fund Reserve	1,596	1,096	1,096
Other reserves	237	237	237
TOTAL General Fund	**38,306**	**21,084**	**21,890**
Housing Revenue Account Balance	4,489	4,090	4,090
Housing Revenue Account Retained Right To Buy Receipts – Replacement	4,819	2,544	1,440
Housing Revenue Account Retained Right To Buy Receipts – Debt	251	921	1,592
TOTAL Housing Revenue Account	**9,559**	**7,555**	**7,122**
Total	**47,865**	**28,639**	**29,012**

Appendix H – Allocation of New Homes Bonus

	Allocation of New Homes Bonus	2022/23	2023/24	2024/25	2025/26	2026/27
		£'000	£'000	£'000	£'000	£'000
1	New Homes Bonus	1,954	950	950	950	950
2	Allocated to:-					
3	Feasibility costs	250	250	250	250	250
4	Affordable housing allocation	31	150	150	150	150
5	To support the Council's Revenue Budget	600	300	0	0	0
6	Savings Implementation Costs	200				
7	Support to Tendring Colchester Borders & Local Plan	250	250	250	250	250
8	Transfer to Reserves	0	0	300	300	300
9	Support for one-off schemes (see below)	623	0	0	0	0
10	**Total allocation**	**1,954**	**950**	**950**	**950**	**950**
	Use of NHB allocation for one-off schemes					
11	Support for one-off schemes	623	0	0	0	0
12	Allocated to:					
13	Support for the Transformation Programme	250	0	0	0	0
14	Restoration of affordable housing allocation	119	0	0	0	0
15	**Balance for future allocation**	254	0	0	0	0

Cabinet 26 January 2022	Item

Report of	**Chief Operating Officer**	**Author**	**Paul Cook** ☎ **Lily Malone** ☎
Title	**Resetting the Capital Programme and the Capital Strategy**		
Wards affected	All		

1 Executive Summary

1.1 The report resets the Capital Programme 2022/23 to 2025/26.

1.2 The report also sets out the Council's Capital Strategy.

2 Recommended Decision

2.1 To recommend to Budget Council the Capital Strategy set out in Appendix A of this report

2.2 To recommend to Budget Council the reset capital programme 2022/23 to 2025/26 as set out in Appendices B and C of this report subject to recommendations 2.3 and 2.4 below.

2.3 Approval of the Town Deal schemes in the Reset Capital Programme is conditional on project business cases being approved by Cabinet, and the Department for Levelling Up, Housing and Communities.

2.4 Further advances to Council companies be reviewed in the light of the Department for Levelling Up, Housing and Communities consultation on minimum revenue provision as set out in Section 6 of this report.

3 Reason for Recommended Decision

3.1 To take forward continuing investment in Colchester, in the interests of regeneration and the health, social and economic wellbeing of residents and how they are housed, local businesses and the local economy and the attractiveness of Colchester as a destination.

4 Alternative Options

4.1 A reduced Capital Programme would reduce the benefits investments will provide in the health and wellbeing of our town, impacting regeneration, the quality of services, the accessibility of housing and the state of the public realm, regeneration and economic recovery.

5 Background Information

5.1 The Capital Programme is the Council's long-term investment in land, buildings and other infrastructure.

5.2 The new projects include several components

- The Housing Investment Programme for the ringfenced Housing Revenue Account. At around £40m a year for the next few years, this includes a much needed increase to our housing stock at social rent levels through acquisitions and building new properties, as well as major repairs and improvements to our existing stock.

- Investment to secure the long term development of Colchester and economic recovery

- Taking forward the Town deal with up to £18.2m of government funding levering in up to £75m of additional external investment. The £18.2m is split over the revenue and capital programme, with a maximum of 10% being committed to revenue.

- Improving Council services and fulfilling the Carbon Commitment.

5.3 All allocations are subject to detailed project evaluation and assessment in accordance with the Capital Strategy. The capital programme allocations allow projects to proceed subject to the normal internal controls.

5.4 Inflation may impact on the cost of the Capital Programme and the following are relevant factors:

- Some projects are cash limited grants (Town Fund, Disabled Facilities Grants) and the overall value available is not affected by inflation.

- Tenders or contracts have already been confirmed for some schemes

- Lending to the Amphora companies are preset facilities. Inflation impacts on the companies' schemes will need to be addressed by Amphora

- The inflation position on schemes will be updated as part of capital monitoring

6 Changes to the Capital Framework: Minimum Revenue Provision

6.1 On 30 November 2021 the Department for Levelling Up, Housing and Communities published a consultation paper Changes to the Capital Framework: Minimum Revenue Provision. The consultation closes 8 February 2022.

6.2 If put into force from 2023/24 as planned, the proposals may require the Council to make minimum revenue provision on loans to Amphora companies. Under current accounting policy the Council does not make such provision. This could result in considerable additional costs to the Medium Term Financial Forecast.

6.3 These changes are in addition to existing accounting requirements for advances to the companies. These include the need to demonstrate a corresponding asset value in the investment. If asset value cannot be demonstrated, it is necessary to make minimum revenue provision or write down the investment to an appropriate level.

6.4 It is not clear that the purpose of the consultation is to prevent investment in local authority housing companies, particularly where there is clear 'public good' beyond the commercial case as with Colchester Amphora Trading Limited (CAHL) committing to at least 30% affordable housing on its schemes. If loans to housing companies are in due course exempted from the new requirements, then the planned programme of advances to

Amphora Housing will be able to proceed. If loans to housing companies remain in scope, the planned advances in the capital programme could become unaffordable to the Council.

6.5 The implications of the consultation should be reviewed further before new projects are commenced in the companies that rely on borrowing from the Council or where a significant level of advance to the companies would be outstanding as at 31 March 2023.

6.6 Cabinet resolved 13 October 2021 that additional resources for the Heat Network Project be allocated subject to the Deputy Leader and Portfolio Holder for Finance and the Head of Finance being satisfied as to the commercial proposition. Further lending to Amphora Energy would be subject to the consultation proposals.

6.7 The potential revenue implications of the consultation proposals are set out in the table below. The table assumes that minimum revenue provision is calculated from 2023/24 onwards as the value of the facility spread over the period the facility remains available. Alternatively a longer 25 year period might be acceptable provided this is prudent provision. A further alternative might be provision over the lifetime of the assets financed by the company from the advance. Repayment of the facility would constitute a capital receipt that could be used to finance future capital expenditure. These are provisional figures subject to finalisation of the consultation proposals and existing accounting requirements set out in Section 6.3 above, including the security of the loan.

Facility	Total facility £m	Remaining availability period from April 2023 Years	Annual MRP if spread over life of facility £m	Annual MRP if spread over 25 years £m
Amphora Energy	2.520	6	0.420	0.420*
Amphora Homes	28.800	6	4.800	1.152
Totals	31.320		5.220	1.572

*25 year MRP does not apply to the Amphora Energy facility

6.8 The Council has already committed to make revenue provision on advances to Amphora Energy following 2019/20 external audit findings.

7 Town Deal

7.1 The £16.5m capital split of the £18.2m Town Deal grant funding has been included in this report. The Town Deal schemes are subject to a business case process which will happen sequentially. All figures are indicative and will be updated in future reports. There is no additional general fund contribution included for the Town Deal schemes. This funding is from the Department for Levelling Up, Housing and Communities that is overseen by the We Are Colchester Town Deal Board. A report on these schemes will be presented in March to Cabinet.

8 The UK Infrastructure Bank

8.1 The UK infrastructure bank is expected – subject to legislation – to come into full operation during 2022-23. It will offer financing to local and mayoral authorities across the UK, for high-value and complex economic infrastructure projects. It will also lend to the private sector. It is expected lending rates will be slightly lower than offered by the Public Works Loan Board. Borrowers will need to satisfy the Bank with appraisals and business cases in order to secure facilities. This development will be monitored to understand potential

CBC eligibility for support from the new bank. However it is expected that the Bank will operate a de minimis level of £25m.

9 Overview

9.1 Capital investment is determined by the Council's Capital Strategy set out in Appendix A.

9.2 Summaries of the new schemes are set out in section 13 of the report. Appendix B sets out the revised capital programme in its totality.

10 MTFF Consultation

10.1 The cost of funding the recommended programme is provided for in the MTFF.

10.2 The budget strategy and timetable has ensured that information is available for scrutiny and input from all Members.

10.3 Budget workshops were held on 20 September 2021; 22 November 2021; and 17 January 2022 so that all Members have had the opportunity to get a better understanding of the budget challenge and share their ideas and concerns.

10.4 The Shadow Portfolio Holder has been briefed and the Leader of the Opposition is able at any stage of the budget process to meet with officers to assist with consideration of any alternative budget proposals.

10.5 The normal statutory consultation with business ratepayers and parish councils will take place.

11 Risk Management Implications

11.1 Modelling has been undertaken with service managers to assess the potential range of impacts before adopting the assumptions described within the report.

11.2 Capital and construction projects have been affected by Covid-19, with delays and additional costs arising, with our contractors and their supply chain. The impact of inflation on project costs is being carefully monitored.

11.3 Projects are monitored using Power Bi which is an interactive piece of software, part of the corporate suite of MS SharePoint functionality. Power Bi graphically depicts progress against Delivery, Time and Cost and must be measured against the Project Initiation Document (PID).

11.4 **RAG (Red/Amber/Green) Status.** Project Progress Reports and Risk Registers use the RAG status as a visual clue to performance. Its purpose is to demonstrate progress and make it clear when escalation is required. This is in accordance with Agile project management methodology which is the corporate approach used for delivering projects.

12 Strategic Priorities and Recovery

12.1 The Capital Programme will deliver the Council's strategic priorities as set out in the Strategic Plan 2020-23 and aid recovery in Colchester.

13 Financial implications

13.1 As set out in the report.

14 Environmental and Climate Change Implications

14.1 All budget measures are assessed for their likely environmental impact, reflecting the Council’s commitment to be ‘carbon neutral’ by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council’s recovery planning, a core theme of the new Strategic Plan and a clear category of investment through the capital programme.

15 Equality and Diversity Implications

15.1 Consideration will be given to equality and diversity issues in respect of budget changes proposed as part of the budget process. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

16 Other Standard References

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

Appendix A – Capital Strategy and Capital Programme

1. The Chartered Institute of Public Finance and Accountancy Prudential Code requires local authorities to produce a Capital Strategy. This is in line with the Ministry of Housing, Communities and Local Government's 2018 statutory guidance on local government investments, particularly about non-financial investments.

2. In contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services, capital investment seeks to provide long-term solutions to Council priorities and operational requirements that yield benefits to the Council generally for a period of more than one year.

3. The five aims of the Capital Strategy are:

    a. To take a long-term perspective on capital investment and to reflect the Council's wider place-making and growth agenda.
    b. To ensure investment is prudent, affordable, and sustainable over the long term.
    c. To set out the arrangements and governance for capital investment decision-making.
    d. To make the most effective and appropriate use of funds available - including revenue, capital receipts and housing right-to-buy receipts – to deliver the Council's strategic aims.
    e. To establish a clear methodology to prioritise capital proposals.

4. The Council has set out its Strategic Priorities in the Strategic Plan 2020 – 2023.

5. Colchester Commercial Holdings Ltd is the holding company for three separate subsidiaries, with related but distinct products, services, markets and opportunities. These companies make a high-quality commercial offer which maintains the strong public sector ethos of its shareholder.

    a. Colchester Amphora Trading delivers high quality products and services to public and private sector clients in the Property, Leisure and Health Care industries.

    b. Colchester Amphora Energy designs and implements low carbon energy systems and provides energy services in Colchester.

    c. Colchester Amphora Homes delivers high quality affordable and private sale homes in Colchester and the surrounding area.

6. Future loans from the Council to Amphora companies are now under review. On 30 November 2021 the Department for Levelling Up, Housing and Communities published a consultation paper *Changes to the Capital Framework: Minimum Revenue Provision.* If put into force from 2023/24 the proposals would require the Council to make minimum revenue provision on any loans, resulting in considerable additional costs to the Medium Term Financial Forecast. This would potentially make the current business model unsustainable.

7. Colchester Borough Council's Asset Management Strategy will set out the vision for how we manage our assets over the next 5 years.

Principles for Capital Planning

8. The Council operates a clear and transparent approach to the prioritisation of all capital spending. This includes decisions to invest in the Colchester Commercial Holdings group of companies.

9. The Council's programme is being set against a background of uncertainty over economic prospects and local government funding. Affordability and financial sustainability are therefore paramount in making spending decisions. The Council will only invest in projects that are affordable and financially sustainable in the long term and where risk is at an appropriate level. The achievement of external funding for all or part of project cost will be a key consideration.

10. The Council manages its capital programme by a sequential gateway process. Only projects that fulfil gateway requirements at each stage will be eventually considered for funding in the Capital Programme.

11. Proposed schemes must – in addition to demonstrating affordability and financial sustainability - demonstrate a good fit to the Strategic Plan. A project will not proceed solely because it delivers a strategic plan requirement. It must first demonstrate affordability and financial sustainability to be considered for inclusion.

Investment Principles		
Category Title	**Brief Description**	**Notes**
Assets	Investment to improve and maintain Council assets and systems	The Council will improve and maintain the condition of core assets and systems to replace them or extend their life where appropriate. The Council will make provision for lifecycle investment to maintain infrastructure to a standard that effectively supports service delivery and helps avoid unexpected costs.
Invest to Save	Invest to save and to generate returns	The Council will invest in projects that: • reduce service costs • avoid costs (capital or revenue) that would otherwise arise • invest to generate a financial return on investment (ROI) within an acceptable period. • invest in or lend to Colchester Commercial Holdings Ltd to enable subsidiary companies to provide services that generate commensurate additional dividend income for the Council.
Town Deal	Delivering the Town Deal	The Council in partnership with other agencies is delivering the Town Deal for which it is the accountable body. The Town Deal is funded by Government Grant.
Regeneration	Investing for wider economic recovery, regeneration, and growth.	The Council will work with partners to invest in place-making opportunities to grow the Colchester economy, and help tackle socio-economic, health and environmental inequalities across Colchester
Carbon Reduction	Investing to reduce the Council's scope 1 and 2 Carbon emissions	The Council has declared a climate emergency and will ensure its investments help to deliver the Climate Emergency Action Plan commitment to net zero carbon emissions by 2030.

12. The Council owns investment properties in Colchester and the portfolio generates a revenue return. The scale of investment is proportionate, and the risk is at a manageable level. Investment properties are regularly periodically to market level under a rolling programme.

13. When making non-financial investments the Council considers the balance between security, liquidity and yield based on its risk appetite. It also considers the contribution of the non-financial investment to a range of outcomes including growth and income.

14. Colchester has not borrowed for outright investment purposes and will not do so.

15. The Council's Medium Term Financial Forecast includes dividend income from Colchester Commercial Holdings Limited and investment property income to achieve a balanced budget. These contributions are at a proportionate level. Funding Sources for Capital Investment.

16. The Council funds its Capital Programme from a range of sources, which are principally:

    a. Capital receipts
    b. Grants
    c. Section 106 agreements
    d. Reserves and revenue
    e. Prudential borrowing

17. Housing Revenue Account Capital is entirely funded from the ring fenced Housing Revenue Account. It is a rolling 5-year outlook based on stock condition and planned projects. Key areas of housing investment include planned and cyclical works; mechanical and electrical and heating; accessible homes and repairs. The programme also includes development and special projects. The Housing Revenue Account capital programme is funded from:
    a. Housing Revenue Account Self Financing (The Major Repairs Reserve)
    b. Capital Receipts (Housing Revenue Account)
    c. Revenue and Reserves (Housing Revenue Account)
    d. Prudential Borrowing

Governance of the Capital Strategy

18. The resetting of the Capital Programme is agreed by full Council as part of the annual budget setting process. Approved allocations may be switched between schemes in accordance with the virement limits set out in the Council's Financial Regulations. All other changes to the Capital Programme during the financial year require a Cabinet approval.

19. Capital projects are overseen by the Programme Delivery Board (PDB), chaired by the Chief Operating Officer, This is supported by the Programme Delivery Group (PDG), chaired by the Assistant Director for Corporate and Improvement. PDB and PDG are convened monthly.

20. PDB is the governance body responsible for making service capital programme decisions and monitoring progress of all change initiatives.

    Board responsibilities are to:
    a. Approve and prioritise initiatives.

b. Schedule initiatives to make best use of finite resources.
c. Monitor the progress of initiatives and resolve escalations.
d. Ensure any conflicts between strategic initiatives and business as usual are addressed effectively.
e. Promote collaborative working across the services.
f. Review and resolve key strategic level risks and issues.

21. PDG is a Group Manager level function, responsible for reviewing progress of all change initiatives and escalating any capital and/or significant project risks to PDB. It will also provide a forum for the SMT to inform Group Managers of any new or ongoing strategic issues and/or key decisions within the organisation.

Group responsibilities are to:

a. Review the progress of initiatives and where possible resolve issues prior to escalation to PDB.
b. Promote collaborative working across the services.

22. **Managing, Monitoring and Reporting.** Project monitoring and control is about measuring progress, taking corrective action, and keeping stakeholders informed. A project prioritisation principle is applied to all projects. Projects are prioritised from 1-4 (1 being the highest priority) using a prioritisation tool that covers the following criteria against the following description:

a. Strategic impact - Alignment to the strategic plan and our services
b. Reasons for the project - Driver for the project being required
c. Risk Management - Relationship to the Strategic Risk Register
d. Customers - Customers who will be impacted
e. Technical - Technological / System requirement
f. Climate Emergency - Consider Impact
g. Return on Investment - Principle benefits from delivering the project

A range of conditions are offered which in turn produces a score against each criteria. The collective score produces a priority ranging from 1-4. The prioritisation tool is embedded in every Project Initiation Document (PID). A summary of each prioritisation score can be found at Annex F.

23. **Section 106 Infrastructure Funding Statement.** From December 2020, planning authorities are required to publish an Infrastructure Funding Statement (IFS) in accordance with the Community Infrastructure Levy (CIL) Regulations. The purpose of an IFS is to give communities a better understanding of how developer contributions have been or are planned to be used to deliver infrastructure in their area.

Developer contributions in the Borough of Colchester include section 106 planning obligations and unilateral agreements secured as part of the planning application process.

Colchester Borough is responsible for delivery of affordable homes, community facilities, sport and recreation including public open space. This statement provides details of how funds have been spent in these service areas.

24. Financial monitoring reports on the capital programme are considered quarterly by Cabinet and monthly by the Programme Delivery Group and escalated by exception to the Programme Delivery Board.

25. Relevant requirements of the Capital Strategy are incorporated in the Council's financial regulations and standing orders.

Appendix B Capital Schemes

Previously Approved Schemes with revised costs

St Mark's Community Centre	
Create a vibrant new Community Centre in partnership with the Diocese.	
Category: Regeneration	
	£m
Project Cost	1.500
Additional Funding	**0.300**
Revised Project Cost	**1.800**
External Funding	0.000
CBC funding	1.800

Rowan House	
The refurbishment of Rowan House will enable portions of the building to be rented to other organisations.	
Category: Carbon Reduction	
	£m
Project Cost	1.855
Additional Funding	**0.500**
Revised Project Cost	**2.355**
External Funding	0.528
CBC funding	1.827

Shrub End Depot	
Improvements are being made to Shrub End Depot to meet legal operational requirements and accommodate the demand to the service as the Borough grows.	
Category: Assets	
	£m
Project Cost	1.056
Additional Funding	**0.370**
Revised Project Cost	**1.426**
External Funding	0.000
CBC funding	1.426

Stanway Community Centre	
Development of a new community facility on the Western Bypass in Stanway.	
Category: Regeneration	
	£m
Project Cost	1.892
Additional Funding	**0.083**
Revised Project Cost	**1.975**
External Funding	1.975
CBC funding	0.000

Colchester Northern Gateway – The Walk	
To promote sustainable travel by linking a main pedestrian walk and cycle way through Colchester Northern Gateway. Increased costs of £1.143m. These will be funded £299k Amphora Energy and £443k Amphora Housing. £400k of increased cost will be funded by the Council.	
Category: Regeneration	
	£m
Project Cost	3.471
Additional Funding	**1.142**
Revised Project Cost	**4.613**
External Funding	4.213
CBC funding	0.400

LFFN	
Ensure our Borough becomes stronger by supporting businesses to recover and address the inequality of access to broadband by installing a fibre network.	
Category: Regeneration	
	£m
Project Cost	3.437
Additional Funding	**0.265**
Revised Project Cost	**3.702**
External Funding	3.228
CBC funding	0.474

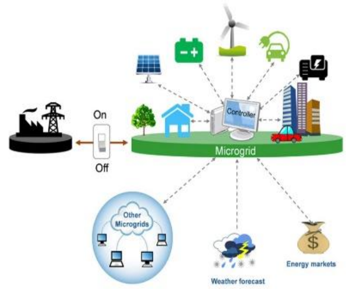
Heat Network	
Low carbon district heat system that provides renewable energy. This scheme is subject to approval by the Deputy Leader and Head of Finance. The model may prove unaffordable see section 6.6 above.	
Category: Regeneration	
	£m
Project Cost	6.500
Additional Funding	**2.052**
Revised Project Cost	**8.552**
External Funding	3.450
CBC funding	5.102

New Schemes added 2022/23 to 2025/26 reset

Land and Property Obligations	
See Confidential Appendix	
Category: Assets	
	£m
Total Project Cost	5.000
External Funding	TBC
CBC funding	5.000

Stanway Community Centre Toucan Crossing	
To promote sustainable travel by linking the crossing with community facilities to make Stanway Community Centre more accessible by foot or bike.	
Category: Regeneration	
	£m
Total Project Cost	0.200
External Funding	0.200
CBC funding	0.000

Grid Connection	
Future proofing for potential further development at Northern Gateway by providing a power connection. Subject to detailed business case.	
Category: Regeneration	
	£m
Total Project Cost	1.000
External Funding	0.000
CBC funding	1.000



Microgrid and Solar Farm	
Construct a solar park to support the Heat Network and future developments at Northern Gateway. £250k of feasibility funding needed in 2022/23 can be met from the existing capital programme allocation. Project subject to detailed business case.	
Category: Regeneration	
	£m
Total Project Cost	5.700
External Funding	0.000
CBC funding	5.700

Town Deal Schemes

Transforming Youth Provisions

Building on existing youth provision, with a significant investment in facilities for young people. This will include the refurbishing and upgrading of the facilities in The Townhouse Youth Centre in West Stockwell Street.

Category: Town Deal

	£m
Total Project Cost	1.136
External Funding	1.136
CBC funding	0.000

Town Centre and Gateways Public Realm

Investment in 4 public realm schemes at Balkerne Gate Phase 2, Holy Trinity Square, Essex County Hospital and Kerbless Streets (Sir Isaacs Walk) will enhance the accessibility and attractiveness of key town centre sites.

Category: Town Deal

	£m
Total Project Cost	2.772
External Funding	2.772
CBC funding	0.000

Town Centre and Gateways Historic Buildings

Investment in the Grade 1 listed Holy Trinity Church will see it repaired, refurbished and adapted to become a new community hub operated by Community 360. The Towns Fund will also contribute towards the costs of restoring and repurposing the 'Jumbo' water tower.

Category: Town Deal

	£m
Total Project Cost	1.377
External Funding	1.377
CBC funding	0.000

Heart of Greenstead

A major housing-led regeneration scheme at the centre of the estate, incorporating new active travel investment and the development of a new model neighbourhood which tackles the determinants of poor health. £2.3m awarded from the Estate Regeneration Fund, and potential £5m from Homes England. There is a HRA funding element which is reflected in HRA figures on Appendix C.

Category: Town Deal

	£m
Total Project Cost	34.583
External Funding	13.355
CBC funding	21.228

Digital Connectivity	
Investment in 1) a new digital skills hub in the Wilson Marriage centre, 2) a new digital working hub within the new Grow-on scheme at 43 Queen Street, of which SELEP are a funding partner and have contributed £3.8m, and 3) a new 5G-based project augmenting tourism through virtual and augmented reality.	
Category: Town Deal	
	£m
Total Project Cost	7.119
External Funding	6.219
CBC funding	0.900

Physical Connectivity	
Walking and Cycling links - Town Centre to Greenstead and University.	
Category: Town Deal	
	£m
Total Project Cost	2.739
External Funding	2.739
CBC funding	0.000

Appendix C Reset Capital Programme 2022-23

£m scheme cost including external funding	21/22	22/23	23/24	24/25	25/26
2021/22 Original Capital Programme	42.106	60.492	44.965	0.000	0.000
2021/22 HRA Original	40.292	40.821	37.282	27.071	0.000
2021/22 Total Programme	82.398	101.313	82.247	27.071	0.000
2021/22 Revised Programme	19.847	43.179	2.817	1.134	0.000
2021/22 HRA Revised	42.772	32.994	56.371	50.273	16.574
2021/22 Revised Programme	62.619	76.173	59.188	51.407	16.574
2022/23 new schemes					
St Marks Community Centre	0.000	0.020	0.280	0.000	0.000
Rowan House	0.000	0.000	0.500	0.000	0.000
Shrub End Depot	0.000	0.370	0.000	0.000	0.000
Stanway Community Centre	0.000	0.083	0.000	0.000	0.000
CNGS The Walk	0.000	0.400	0.000	0.000	0.000
LFFN	0.000	0.265	0.000	0.000	0.000
Heat Network	0.000	0.000	2.052	0.000	0.000
Land and Property Obligations- see confidential Appendix	0.000	0.000	5.000	0.000	0.000
Stanway Community Centre Toucan Crossing	0.000	0.200	0.000	0.000	0.000
Grid Connections	0.000	1.000	0.000	0.000	0.000
Microgrid and Solar Farm	0.000	0.000	5.700	0.000	0.000
Town Deal					
Transforming Youth Provisions	0.000	0.297	0.839	0.000	0.000
Town Centre and Gateways Public Realm	0.000	2.218	0.553	0.000	0.000
Town Centre and Gateways Historic Buildings	0.000	1.377	0.000	0.000	0.000
Heart of Greenstead	0.000	2.604	10.751	0.000	0.000
Digital Connectivity	0.000	2.442	0.000	0.000	0.000
Physical Connectivity	0.000	0.858	0.946	0.921	0.013
Total Additional GF schemes	**0.000**	**12.134**	**26.621**	**0.921**	**0.013**
Total Revised Capital Programme					
General Fund Programme	19.847	55.313	29.438	2.055	0.013
HRA Programme	42.772	32.994	56.371	50.273	16.574
Total Programme	**62.619**	**88.307**	**85.809**	**52.328**	**16.587**

	Scrutiny Panel		**Item 12**
	25 January 2022		
Report of	**Assistant Director for Place and Client Services**	**Author**	**Owen Howell** ☏ **282518**
Title	**2022/23 Housing Revenue Account Estimates and Housing Investment Programme**		
Wards affected	Not applicable		

1. Executive summary

1.1 This report invites the Panel to review and comment on the 2022/23 Housing Revenue Account Estimates and the Housing Investment Programme reports which are being submitted to Cabinet.

2. Action Required

2.1 The Panel is asked to review and comment on the 2022/23 Housing Revenue Account Estimates and the Housing Investment Programme reports which are being submitted to Cabinet on 26 January 2022. Any comments made by the Panel will be submitted to the Cabinet meeting for further consideration.

3. Reason for Scrutiny

3.1. The attached reports should be read and considered alongside each other to provide an assessment of the Councils overall Housing Revenue Account financial position and plans.

3.2 The Panel may, at the Cabinet's request, scrutinise decisions to be taken by the Cabinet and report any comments or concerns for further consideration by Cabinet prior to the decision being taken.

Appendices:

Appendix A – Housing Revenue Account Estimates 2022/23

Appendix B - Housing Investment Programme (HIP) 2022/23

Appendix A
Cabinet

26th January 2022

Item				
Report of	**Assistant Director for Place and Client Services**	**Author**	**Darren Brown** ☎ **282891**	
Title	**Housing Revenue Account Estimates 2022/23**			
Wards affected	**All**			

This report presents the Housing Revenue Account (HRA) estimates for 2022/23, the Medium Term Financial Forecast (MTFF) for 2022/23 to 2026/27, and the 30 Year HRA financial model

1. Executive Summary

1.1 This report sets out the Housing Revenue Account budget for 2022/23, including proposals for changes to tenants rents for the coming financial year, and the management fee payable to Colchester Borough Homes. It includes at Appendix C a forecast of the potential expenditure requirements and income projections for the HRA for the next 5 years, and the updated 30 year HRA financial model at Appendix E.

2. Recommended Decision

2.1 To approve the 2022/23 HRA revenue estimates as set out in Appendix A.

2.2 To approve dwelling rents as calculated in accordance with central Governments rent policy (set out in paragraph 5.7).

2.3 To approve the HRA revenue funded element of £7,855,100 included within the total management fee for Colchester Borough Homes (CBH) (set out in paragraph 5.14).

2.4 To note a revenue contribution of £3,979,300 to the Housing Investment Programme (HIP) is included in the budget (paragraph 5.29).

2.5 To note the HRA balances position in Appendix B.

2.6 To note the Medium Term Financial Forecast (MTFF) set out at Appendix C and the 30 Year HRA financial position set out at Appendix E.

3. Reasons for Decision

3.1 Financial Procedures require the Assistant Director for Place and Client Services to prepare detailed HRA estimates for approval by the Cabinet, setting the new rent levels for the new financial year.

4. Supporting Information

Key Issues for 2022/23

4.1 There are a number of key issues relating to the HRA budget for 2022/23, with further details being included within the main body of the report. However, in summary they are as follows;

- This is the first HRA budget to be set in the context of the refreshed 30 year HRA Business Plan, which is considered separately on the agenda. The budget therefore reflects the strategic priorities identified within the HRA business plan.
- Cabinet have previously agreed further significant investment in the Councils housing stock during 2022/23, which is reflected in the 2022/23 Housing Investment Programme report elsewhere on the agenda. This includes the HIP Climate Emergency Response works. The revenue implications of this investment are therefore reflected in the 2022/23 HRA budget.
- A revised Asset Management Strategy is being finalised, and the outputs have been included in this report and the Housing Investment Programme report elsewhere on the agenda.
- This is the eleventh year of HRA Self-Financing, which radically altered the funding of Council Housing, and the investment in the housing stock and other projects is reflected in this report and the Housing Investment Programme report included elsewhere on the agenda.

Prudence

4.1.1 This report and the 2022/23 Housing Investment Programme included elsewhere on the agenda reflect significant capital spending plans over the next 5 years, reflecting the clear signal and expectation from Government that Councils will increase the supply of Council housing through new build etc, following the abolition of the HRA debt cap. For information, the Councils housing stock at 1st April 2021 totalled 5,905 dwellings, with a balance sheet value of £396.8million.

4.1.2 In April 2012, the Council took on circa £75million of debt, determined as affordable by the Government under the HRA Self-Financing settlement. In the years thereafter, any new investment and its affordability has been assessed as part of the update of the 30 year HRA Business Plan. As set out in this report, the current and further planned investment and associated borrowing cost continues to be affordable, as demonstrated by the interest cover ratio in paragraph 5.27.

Housing Rents

4.2 The Governments 4 year rent reduction period ended in 2019/20, and the Government announced that rents would revert to the previous formulaic increase for a period of 5 years. Therefore, rents will increase by Consumer Price Index (CPI) + 1% from 2020/21 to 2024/25, which means we are continuing to set **dwelling rents within Department for Levelling Up, Housing & Communities (DLUHC) guidelines and so the annual increases in rents paid by tenants are set by reference to national Government policy.** The Government expects local authorities to apply rent restructuring to all their HRA properties and is the assumption the Government made when establishing the amount of debt we would take on under HRA Reform. As a reminder, the aim is that social rents reflect the condition and location of properties, local earnings and property size. Each property continues to have a target rent calculated using the Government's formula, and this increases annually by the September CPI figure + 1.0%. Rents are able to be moved to target rent when the property becomes empty, and there are caps in place to protect tenants from very large increases.

4.2.1 There is no information to suggest what will happen to rents after 2024/25, but the prudent assumption within the MTFF and 30 year Business Plan is that rents will increase in line with the Consumer Price Index (CPI) only.

4.3 As part of the process for setting the 2022/23 HRA budget, it is necessary to revisit the 2021/22 position to forecast the predicted level of HRA balances along with identifying any risk areas or cost pressures which could have an impact in future years.

2021/22 Revised Housing Revenue Account

4.4 Appendix A shows the Revised Housing Revenue Account (HRA) estimates for 2021/22. There have been some amendments to the original budget for 2021/22 during the course of the current financial year. A reconciliation is therefore provided in the following table between the Original and Revised budget for 2021/22:-

Reconciliation between Original and Revised 2021/22 HRA Budget

	Budget 21/22	***Commentary***
	£'000	
Original Budget Deficit	**-**	Agreed 27th January 2021
2020/21 Budgets c/fwd	399	Agreed by Assistant Director of Corporate and Improvement
Revised Budget Deficit	**399**	

2021/22 Forecast Outturn Position

4.5 When considering the financial position of the HRA, in addition to the adjustments to the 2021/22 original budget shown in the above table, it is important to note the 2021/22 forecast outturn position. It is currently predicted that the HRA will be on budget at the year-end. The table below provides a breakdown of this net position. In addition, commentary is provided on the major variations;

	Outturn 21/22
	£'000
Employee costs	35
Net Rental & Tenants Service Charge Income	421
One-off/Technical Items	
Revenue Contribution to Capital (RCCO)	(456)
Forecast 2021/22 Outturn Variance	**-**

- An overspend of £35k is forecast due to agency staff being used to provide short-term resource in the Client team.

- It is forecast that we will receive less rental and tenants service charge income of £421k. This primarily reflects the net impact of rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the level of Right to Buy sales, along with the timing of acquisition and additions to our housing stock.

- As a result of these forecast outturn variances, a reduced Revenue Contribution to Capital of £456k to fund the Housing Capital Programme in 2021/22 is forecast.

4.6 To provide a further explanation of the forecast outturn position, the funding of the Housing Investment Programme considered elsewhere on the agenda is derived from a number of sources. After firstly taking into account depreciation, grants and capital receipts etc, the remaining sources of funding are revenue resources from the HRA as detailed in this report, then finally borrowing in the form of new loans. Any opportunity to forego new borrowing so that interest costs can be minimised should be taken.

HRA Reform

4.7 Members will be aware of the implementation of the national reform of the Housing Revenue Account from April 2012. The 2022/23 budget therefore reflects the eleventh year of operating within this financial regime for the HRA, with commentary included on the medium and long-term outlook in this report.

4.8 Appendix E summarises the 30 year financial modelling for Colchester's HRA. This is set out using the standard approach, which is to show each of the first 5 years individually, then group the remainder of the model in 5-year bands. Further information is provided at paragraph 7, including some of the underlying principles and assumptions that are included. Given the long time-span this modelling covers, it will clearly change as time progresses as both internal and external influences have an impact. However, what it does provide is an indication of the long-term viability of the Council's HRA, given the assumptions made and the plans the Council has already identified and committed to.

5. 2021/22 Housing Revenue Account Budget

5.1 Appendix A shows the Housing Revenue Account (HRA) estimates for 2022/23. This shows a break-even budget for the year, meaning there is no planned contribution to or use of uncommitted HRA balances .

5.2 It should be noted that the MTFF included within the 2021/22 HRA budget cycle and considered by Cabinet on 27th January 2021 estimated a break-even budget for 2022/23.

Balances

5.3 The prudent level of uncommitted balances for the HRA is currently £1,600k. This recognises the transfer of risk from Central to Local Government resulting from HRA Reform, as well as providing for any adverse effects of inflation, interest rates, or Right To Buy sales on the HRA. Whilst there is certainty around interest rates given we have secured long-term fixed rates on our HRA Reform settlement debt, the abolition of the debt cap and our plans to borrow does bring a risk relating to increasing interest rates. The risk surrounding welfare reform continues to be recognised in our assessment of HRA balances.

5.4 A risk assessment has been undertaken to review the minimum prudent level of HRA uncommitted balance the Council should maintain. The results of this review are set out at Appendix D and show that it would be reasonable to retain the uncommitted balance at £1,600k. This will continue to be reviewed annually.

5.5 The estimated balances for the HRA are set out in Appendix B. The anticipated level of the uncommitted HRA balance as at 31st March 2023 is £1,600k, which is equal to the recommended prudent level. This means we are now running the HRA at the minimum prudent level of revenue balances, and any additional cost or saving that might arise could impact on the amount of any new borrowing undertaken.

5.6 The budget at Appendix A shows that we are using as much of our revenue balances as possible to make a Revenue Contribution to fund the Housing Investment Programme. This is because it is deemed to be a more economical use of resources, rather than fund the capital programme by undertaking additional borrowing and thus incurring additional borrowing costs. This fits with the prioritising of resources indicated in this report and in the Housing Investment Programme elsewhere on the agenda. From 2022/23 thereafter, the assumption is that where required, revenue contributions to the capital programme will be made up to the point that the minimum recommended level of balance is reached.

Income

Housing Rents

5.7 By following the rent increase formula, we are continuing to set **dwelling rents within Department for Levelling Up, Housing & Communities (DLUHC) guidelines and so the annual changes in rents paid by tenants are set by reference to national Government policy.** The average rent proposed for 2022/23 is £92.68 per week compared to a current average of £89.03, an increase of £3.65 (4.1%) per week. It is difficult to anticipate future rent increases after 2022/23, given the potential for the rate of inflation to vary in the short to medium term and also for any further changes in Government rent policy. However, modelling within the MTFF and 30 year financial modelling has been undertaken using reasonable estimates of inflation rates.

5.8 Sales of council houses under the Right to Buy (RTB) scheme could reach 40 this year (46 sold in 2020/21 and 31 sold in 2019/20), which is broadly in-line with the number included in the 2021/22 HRA budget. The level of sales has levelled out in recent years, therefore the 2022/23 budget has been set assuming the sale of 30 properties, being broadly in line with recent years. The MTFF and longer term modelling does not assume a reduction in the number of sales until 2027/28. However, these assumptions will be reviewed annually as part of our future budget setting.

5.9 The budget for 2021/22 has been set using the assumption that there will be a loss of rental income of 1.50% resulting from empty properties. This is consistent with the 2021/22 budget and is intended to provide for any additional void loss that may arise as a result of the various changes being undertaken within the housing stock.

5.10 Given the abolition of the debt cap, Cabinet has already agreed plans to increase our Council Housing stock, through a combination of new build and acquisitions. The 2022/23 budget includes an estimate for the additional rental income these measures will generate.

Other Income

5.11 The rents for garages are included in the fees and charges report agreed by the Portfolio Holder for Housing and Communities, and continues the policy that reflects a pricing strategy based on market forces.

5.12 There are a range of other fees and charges for services which are made to Tenants and Leaseholders, which are agreed by the Portfolio Holder. The budget for 2022/23 assumes that the demand for these services will remain the same as the current financial year, unless mentioned otherwise.

5.13 The de-pooling of service charges to individual tenants was implemented in 2008/09. There have not been any new service charges introduced for 2022/23, only an update of existing charges to reflect the actual cost of the services provided.

Expenditure

Colchester Borough Homes Management Fee

5.14 The management fee provides funding to CBH for the services they provide under the management agreement and is funded from several sources within the Council's accounts, namely the Housing Revenue Account, the Housing Investment Programme, as well as the Council's General Fund. The following table analyses the total CBH management fee, and provides details of where the funding is shown in the Council's overall budget:

Breakdown of 2022/23 CBH Management Fee

	Budget 22/23	***Funding Source***
	£	
CBH Management costs	4,060,800	CBH Ltd Management Fee at Appendix A
R&M Management Fee	584,000	Included in Repairs & Maintenance at Appendix A
R&M Works	3,210,300	Included in Repairs & Maintenance at Appendix A
Sub-Total: HRA	**7,855,100**	
Capital Fee	1,296,000	Included within the 2022/23 Housing Investment Programme
Sub-Total: HIP	**1,296,000**	
Professional Support Unit	128,400	Included within the 2022/23 General Fund Budget
Housing Options Team	660,900	Included within the 2022/23 General Fund Budget
Facilities Management/ Engineering Team	529,800	Included within the 2022/23 General Fund Budget
Housing Systems Team	90,100	Included within the 2022/23 General Fund Budget
Sub-Total: General Fund	**1,409,200**	
Total Management Fee	**10,560,300**	

5.15 The base management fee for 2022/23 includes an allowance for inflation and the increase in employers National Insurance contributions from April 2022 as implemented by the Government, along with provision for an increase in material costs for responsive and void repairs work. Furthermore, the one-off allowance made for the increased employer pension contributions CBH now have to pay following the schemes actuarial review has fallen-out in 2022/23.

5.16 Members will be aware that at its meeting on the 27th November 2013, Cabinet approved the Council's 30 year HRA Business Plan. The revised HRA Business Plan being considered elsewhere on the agenda, the 2022/23 budget and management fee include the continuation of a number of service enhancements, which reflect the strategic priorities identified by Cabinet. The majority of these are incorporated within the existing CBH Management Fee and Council budgets, with additional resources being directed in particular to supporting tenants.

Management Costs

5.17 The 2022/23 HRA budget includes £6,247,300 for management costs, an increase from 2021/22 (£6,048,600). Management costs form a substantial part of the HRA annual expenditure, and they consist of budgets managed directly by the Council, as well as those which are managed on behalf of the Council by CBH. Further information along with an explanation for any material changes from the 2021/22 budget is given in the following paragraphs;

5.18 The budget for Employee costs has increased by £14,200 for 2022/23. This primarily relates to provision for a pay award and an increase in the ICT training budget.

5.19 The budget for Premises costs has increased by £207,200. The budget for utility costs has increased by £186,300 recognising the national increase in gas and electricity prices, along with an increase in the grounds maintenance budget of £22,600.

5.20 The HRA receives a significant level of recharges from other Council services, along with a proportion of central support costs, such as Corporate and Democratic Core and Pension costs associated with the back-funding of the scheme. The total budget for 2022/23 has decreased by £29,700 from 2021/22.

Repairs and Maintenance

5.21 The 2022/23 Housing Investment Programme has been drafted and is included elsewhere on the agenda for approval. In respect of revenue works £5,748,200 has been included in the budget for repairs and maintenance (compared to £5,419,000 in 2021/22), of which £3,794,300 is specifically for works and associated overheads included within the CBH Management Fee. A provision of £1,739,700 is included in the budget for those works which are managed by CBH on behalf of CBC, such as external decorating and gas servicing, but where CBC still hold the contract. The balance of the budget is for works to sewage pumping stations, temporary accommodation and other CBH delegated areas. The revenue budget provides for repairs that are undertaken on a responsive basis, as well as works to void properties, and maintenance which is carried out under a planned programme such as external decorating and gas servicing.

Capital Financing Costs

5.22 The budget includes the statutory charges to the HRA for the interest costs of the Councils borrowing in respect of the housing stock. This represents a significant proportion of the Councils HRA expenditure each year. It is worth noting that any new borrowing to fund the overall Housing Investment Programme next year may be borrowed internally from the Councils General Fund, subject to the levels of borrowing required and funding available, which is at a lower rate than would be payable were we to borrow externally. This also delivers a benefit to the General Fund, as it would be receiving more interest than it would attract were it to invest externally. This approach has been considered and agreed as part of the Council's treasury management strategy.

5.23 No provision has been made at this point in time for the annual repayment of any HRA debt, as there is no statutory duty to provide for it. The Council though is statutorily responsible for self-managing its long-term indebtedness. The Council is forecast to have circa £156million of housing debt at the start of the next financial year, and it would be prudent to start to consider providing for some repayment in the future. The Treasury Management Strategy Statement approved by Cabinet on 25th January 2012 stated "That the Council plans to make Voluntary Revenue Provisions (VRP) for the repayment of HRA debt to enable maturing debt to be repaid, whilst ensuring that this does not create an adverse impact on the business case". However, this also needs to be considered alongside the investment requirements of the housing stock, and the clear message from Government that local authorities are expected to increase their Council housing stock to help address the housing crisis.

5.24 Given the need to undertake additional HRA borrowing to support the Housing Investment Programme over the next 5 years, it would currently seem impractical to set-aside revenue resources for debt redemption over this period of time, which as a result would leave a funding gap which would need to be met by further borrowing (and hence incur additional revenue interest costs). However, this should be considered each year as part of the Councils annual budget setting process and review of the 30 year HRA financial model. Given the medium term investment needs currently identified and priorities agreed by Cabinet, it is proposed that no voluntary provision for debt repayment is included in the 2022/23 budget or MTFF at this point in time.

5.25 The 2022/23 Housing Investment Programme report included elsewhere on the agenda contains significant capital spending plans over the next 5 years, directly as a result of the Governments abolition of the HRA debt cap and the clear signal and expectation that Councils will increase the supply of Council housing through new build etc. This expenditure will be funded through a combination of using our retained 1-4-1 Right To Buy receipts, and prudential borrowing. The Councils General Fund is already able to borrow using prudential borrowing, so the HRA is simply being treated consistently.

5.26 The Councils Treasury Management Strategy is included elsewhere on the agenda, and contains prudential indicators which assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances, and include the HRA. It is also proposed to continue using the following indicator within this report, which is a measure also adopted by Registered Providers to demonstrate how easily they can pay their interest costs:

5.27 **Interest Cover Ratio.** This indicator identifies the ability of the net operating surplus in the HRA to meet the interest costs of HRA debt. It would be reasonable to expect this indicator to be in the region of 1.50 or above.

20/21 Actual	21/22 Estimate	22/23 Estimate	23/24 Estimate	24/25 Estimate	25/26 Estimate	26/27 Estimate
2.09	1.64	1.74	1.73	1.60	1.70	1.68

Revenue Contributions to Capital Outlay (RCCO)

5.28 The Council has continuously made revenue contributions to capital spending recognising the significance of targeting resources to invest in our Housing Investment Programme. Given the regime of HRA self-financing and the additional revenue resources subsequently generated, the Council is able to make significant revenue contributions to support the capital investment included within the Housing Investment Programme.

5.29 The revenue contribution included in the estimates is £3,979,300. The majority of this budget is to support the capital work programmes to the housing stock in 2022/23, which are included within the Housing Investment Programme report elsewhere on the agenda. However a provision of £60,000 has been included for ICT, which is intended to support various projects as they arise during the year.

Risk areas and budget review process

5.30 Some of the key variables that may impact during the year are shown in the table below:-

Area	Comment
Rental Income	The budget makes assumptions on the future level of Right To Buy sales and void levels. These are to a certain extent demand led and due to the significance of Rental Income within the HRA, can have a significant effect on the level of the HRA balance. Furthermore, the risk exists that the Government could change rent policy unexpectedly, as demonstrated by the rent reduction announcement in 2015.
Governments Welfare Reform	The budget includes an estimate of the impact of Welfare Reform. As well as providing for transaction costs etc, the budget also includes an estimate of the potential impact upon rent arrears and consequently the level of bad debts provision we would need to maintain.
New Build	The budget makes assumptions on the numbers of new properties being built, the amount and timing of expenditure, and the amount of borrowing required. These factors can all change as schemes progress.
Revenue Contributions to Capital (RCCO) / Prudential Borrowing	Capital Resources have been provisionally allocated for 2022/23 within the Housing Investment Programme report contained elsewhere on the agenda. If these resources prove insufficient, then options exist to either finance capital expenditure from revenue, or undertake additional HRA borrowing. Clearly, if one of these options was pursued, then there will be a requirement to find additional resources from the HRA.
Repairs and Maintenance	Historically, this is an area where pressure has existed on budgets such as Responsive and Void repairs, given that they are demand-led. However, in recent years this has become less of a risk. These budgets now form part of the CBH Management Fee, and the terms of the management agreement specify that CBH will be liable for any overspend up to a maximum of £200k per year, but also that they may retain any underspend up to £100k per year. Therefore, there could be a reduced impact on the HRA of variations in expenditure.
Building Cost Inflation	The budget makes assumptions on future price increases for the cost of undertaking repairs & maintenance through the tender of contracts. Given the volatility of prices currently being seen, there is a risk that prices could rise further, the cost of which would have to be funded from existing resources or HRA balances.
Utility costs	The budget makes assumptions on future prices for Gas and Electricity that are consumed within the Council's housing stock, such as Sheltered Schemes, Temporary Accommodation and Communal entrances in blocks of flats. Given the volatility of utility prices currently being seen, there is a risk that prices could rise further, the cost of which would have to be funded from existing resources or HRA balances.
2021/22 Outturn	A net overspend of £456k is currently predicted for this year, which means a lower proportion of our Housing Capital Programme will be funded from new borrowing. Any variance on the forecast will result in a higher or lower RCCO, which will have a knock-on impact on the amount of any new borrowing undertaken.

5.31 As shown in paragraph 5.30 above several key variables have been identified. It is therefore essential that a programme of formal reviews of the HRA be set out to provide an opportunity to make changes to resource allocations during the year. The following schedule therefore sets out a suggested framework for these reviews.

Review	Comment
March 2022	Updated outturn forecast.
July 2022	Provisional pre-audit outturn / current year issues etc.
September 2022/ October 2022	Mid-year review.
December 2022 / January 2023	Outturn review / Budget 2023/24.

6. Supporting Information - Medium Term Financial Forecast (MTFF)

6.1 As part of the budget process for 2022/23 a MTFF has been produced for the HRA. This sets out the indicative budget position for the period 2022/23 to 2026/27. Although we are operating under the HRA Self-Financing regime, and more certainty is now in place, assumptions still have to be made around inflation rates, void levels, bad debts and increases in costs etc, which can of course change. To that extent, the MTFF should still be viewed as indicative.

6.2 Appendix C sets out the MTFF for the period analysed by the main areas of expenditure and income. This shows that the level of uncommitted HRA balance is able to be maintained at prudent levels throughout the MTFF. This is after meeting all the running costs of managing & maintaining the housing stock, along with servicing the borrowing costs on all HRA debt. It is also after substantial revenue contributions have been made to support the Housing Investment Programme. Planning to run the HRA balance at the minimum prudent level fits with the principle that it is more cost effective to minimise/reduce borrowing costs where possible, rather than hold a higher revenue balance than is prudently required, whilst also providing reassurance to tenants and residents that the Council is wisely managing its finances and its housing stock. This approach fits with the principle referred to in paragraph 5.6 above. The recommended level of uncommitted balance on a risk based approach is £1,600k. There are several factors which can affect the forecast position, namely:-

- ***Capital financing***

Given the treasury management strategy relating to our HRA Reform debt settlement was to borrow at fixed interest rates, this means we are able to plan with certainty into the long-term surrounding the financing costs of this debt. The MTFF includes assumptions on the interest rate we will have to pay on the further HRA borrowing that would need to be undertaken to support the Housing Investment Programme, included elsewhere on the agenda. Given that any future additional borrowing would be undertaken at the prevailing interest rates at the time, for the purposes of the MTFF a reasonable assumption has been made on what those rates might be. This will be reviewed as part of the annual budget setting process.

- ***Rental income***

From 2022/23, the MTFF reflects the Governments announcement that rent increases will return to the previous formula of CPI + 1% up until 2024/25. There has been no indication from Government what rent policy would be after that year, but we are prudently assuming rents will increase by CPI only from 2025/26. The assumptions on the number of Right To Buy sales and the level of anticipated rent lost through void properties have been updated to reflect recent activity, but once again these are areas which can significantly alter the forecast of Rental Income and are to a certain extent demand led.

- ***Welfare Reform***

Continued provision has been made within the MTFF for the estimated potential effect on levels of rent arrears and bad debts, resulting from the introduction of Welfare Reform by the Government. The contribution to the provision for bad debts has been broadly maintained at the level for 2021/22 going forwards, with the level of provision being reviewed annually as part of the budget setting process.

6.3 The MTFF therefore provides a baseline position against which to make decisions as to the allocation of HRA resources and to determine the budget strategy over the next 5 years. The MTFF will be updated on a regular basis.

7. Supporting Information – 30 Year Financial Modelling

7.1 The implementation of HRA Reform in 2012 brought the expectation that Councils will take a greater business planning role when managing their Housing Revenue Account. Cabinet are being asked to approve the revised HRA Business Plan elsewhere on his agenda. This includes a 30 year financial model which sets out the long-term position of the Councils HRA, using 2022/23 as the base year. This is summarised at Appendix E. This is set out using a standard approach, which is to show each of the first 5 years individually, then group the remainder of the model in 5-year bands. It incorporates expenditure & income for both revenue and capital, along with the HRA balances and debt position.

7.2 The information provided by the model for future years should be viewed as indicative. This is because a number of assumptions have to be made when projecting into the future, and the following paragraphs give some further details on these. Given the potential for these to vary, the impact upon the modelling could result in an improvement or decline in the position shown, dependant on the size of change and the degree of impact upon the plan. However, prudent assumptions are made wherever possible to protect the Councils financial position and to ensure the ongoing viability of the HRA.

7.3 Officers have undertaken sensitivity analysis on the 30 year model to evaluate the impact any change or combination of changes in the assumptions could have. Further information on the work undertaken is provided at paragraph 7.24.

Income Assumptions

7.4 One of the key drivers within the financial model is inflation. This is the factor which determines future annual rent increases for tenants, and it is this income which we are able to retain in the future to meet the increased stock investment and additional borrowing costs resulting from our increased debt arising from HRA Reform.

7.5 The Government announced that when the 4 year period of rent reductions ended, rents would revert to the previous formulaic increase for a period of 5 years. Therefore, rents will increase by Consumer Price Index (CPI) + 1% up to 2024/25 in line with this announcement. There is currently no indication to suggest what is going to happen to rent policy after this date, therefore for the purposes of Business Planning it has been assumed that rents will increase by CPI only from 2025/26 for the remaining duration of the 30 year model. As a reminder to members, a change in rent policy is the example the Government at the time quoted within the HRA Reform debt settlement that would possibly re-open the original debt settlement. However, this did not occur. Therefore, Colchester along with all other housing authorities nationally, entered into the new self-financing HRA arrangements at the time on the basis that the Government was providing certainty on national rent policy, which clearly changed.

7.6 Assumptions have been made within the model for changes in stock numbers, primarily from Right to Buy sales and from the additional stock that will be delivered as part of our new build and acquisition plans. These assumptions are consistent with those made in the budget and MTFF. The Council has entered into agreement with DLUHC to retain additional RTB receipts to deliver new affordable housing, and the proposals already approved by Cabinet should minimise the amount that has to be repaid to Government.

7.7 Assumptions have been made regarding rent lost from void properties and bad debts. An allowance has been made for ongoing operational voids, as well as an ongoing increase to the level of bad debts provision we may need to hold following the introduction of the Governments welfare reforms.

7.8 It has been assumed that income from garages will increase in line with CPI. There is the potential for this to increase, with the improvement to the financial model coming through a combination of reduced void levels as well as an increase in annual charges.

7.9 All other income budgets are assumed to increase in line with inflation.

Expenditure Assumptions

7.10 Similarly to income, inflation can have a significant impact upon expenditure levels within the 30 year financial model. It has been assumed that the Retail Price Index (RPI) will be 1% higher than the Consumer Price Index (CPI). The assumption that rents will increase by CPI + 1% means inflation on expenditure will be at the same rate as assumed for income up until 2024/25, after which there will be a 1% differential between income and expenditure assumptions (due to lack of clarity on Government rent policy after 2024/25).

7.11 Management costs have been assumed to remain at the current base level throughout the life of the 30 year model, subject to inflationary increases. The exception to this is where it is known they will alter, for example tri-annual reviews of the pension scheme by Essex County Council, or where one-off sums have been included within the base budget.

7.12 Maintenance costs have been extracted from the Councils 30 year Asset Management Strategy. Assumptions have been made around future increases in line with general inflation, but these costs are also subject to changes to the BCIS (Building Cost Inflation) and market conditions that impact as contracts are re-tendered.

Funding & Financing Assumptions

7.13 The Council’s Asset Management Strategy includes the expenditure requirements of our housing stock over the next 30 years. This has been reflected in the 30 year financial model. The day to day repairs and maintenance costs are funded from the revenue account, whilst the capital expenditure requirements are funded from a variety of sources which is considered within the Housing Investment Programme (HIP) report elsewhere on the agenda.

7.14 The priority of how resources are used to fund the HIP is contained within that report for 2022/23, which in summary is aimed at using specific grants and capital receipts first, then reserves, with the intention of preserving revenue resources as far as possible as they offer the greatest funding flexibility. Should there be no or insufficient revenue resources available, then additional borrowing would be the final approach. This is because borrowing carries a cost of doing so; therefore it is treated as the last option to gain the maximum use of revenue resources available.

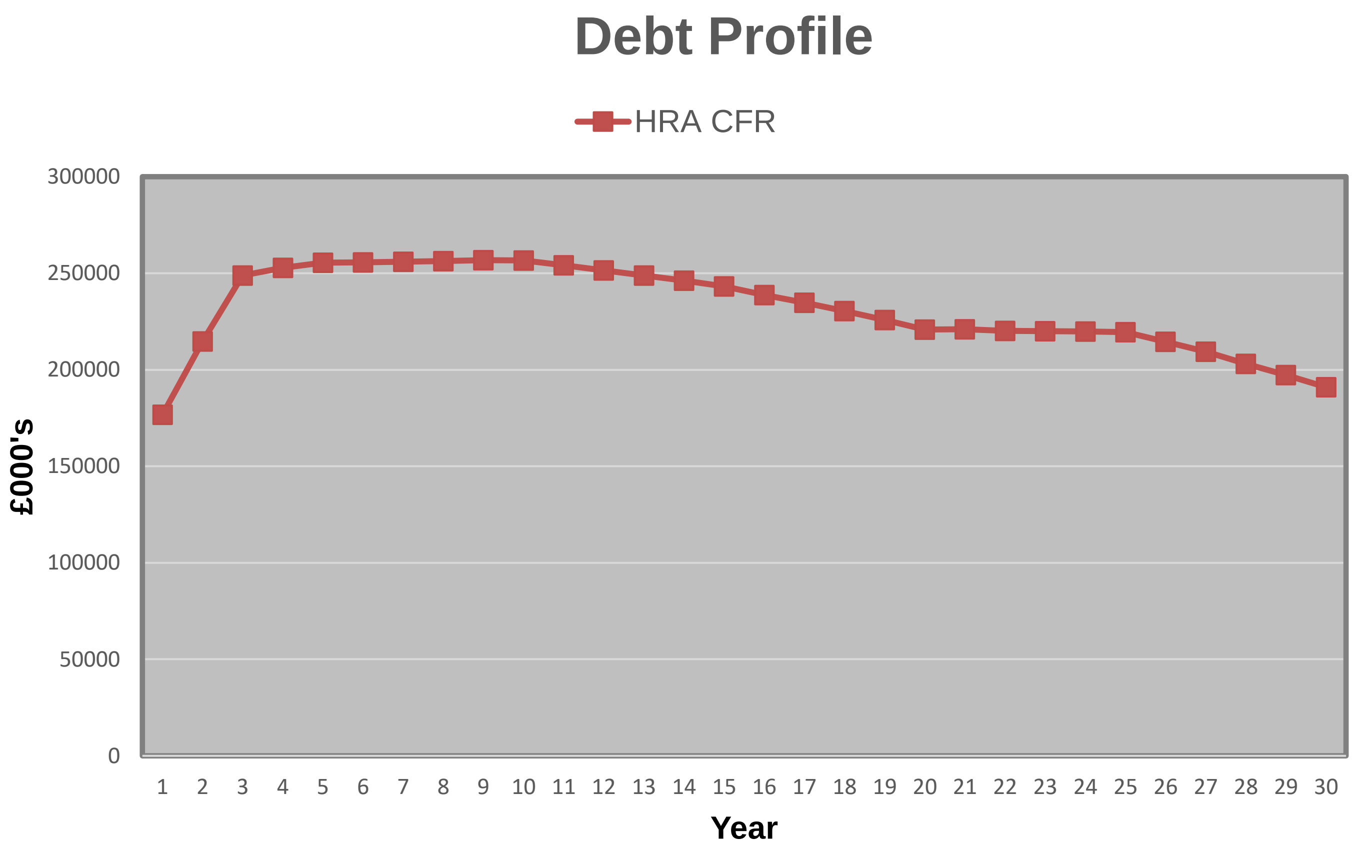
7.15 Under HRA Reform, the primary source of funding the Housing Capital Programme, especially in the early years, is a charge to the HRA which reflects the cost of depreciation to the housing stock. This is calculated locally, with reference to our actual stock condition and asset management strategy.

7.16 We are able to plan with certainty for the borrowing costs relating to the HRA Reform debt settlement, given that we entered into a number of long-term fixed rate loans. We are currently assuming a rate of 2.5% on any future borrowing undertaken to support the Housing Capital Programme, which will be reviewed annually as part of the budget cycle. However, it should be noted that the impact of interest rates can be significant, given any 1% change in interest rates would result in an annual cost of circa £150k (based on current levels of borrowing).

Debt

7.17 The measure of an authority's debt under self-financing is the HRA Capital Financing Requirement (HRA CFR). Our opening HRA debt on 1st April 2021 is expected to be £156.545million. As the HRA debt cap has been abolished by Government, the only constraint on borrowing now is that it is affordable under the prudential borrowing code.

7.18 The following graph shows our current debt profile that is being generated by the 30 year financial model. This works on the principle that once all of the costs of managing & maintaining our housing stock have been met, and the interest costs of our HRA borrowing have been paid, any residual income can be used to repay debt. It is important to state that this is an indication of the ability to repay debt, as what actually dictates whether debt is reduced is where the Council actually repay loans as they mature.



7.19 The above debt curve is consistent with a business plan for the HRA where a significant level of new build/stock acquisitions etc are being undertaken. In the early years, debt increases and then levels out around mid-way through the plan, then starts to reduce in the second half of the plan as rents have increased sufficiently to enable repayment of debt.

7.20 Given the abolition of the HRA debt cap, the Council is planning to undertake additional prudential borrowing to deliver the plans agreed by Cabinet, and as set out in the refreshed HRA Business Plan. The following table shows the predicted level of debt over the first 10 years of the current financial model, taking into account the additional borrowing and any provision for the repayment of debt;

Year	Forecast HRA Debt £000's
2022/23	176,663
2023/24	214,672
2024/25	248,835
2025/26	252,767
2026/27	255,420
2027/28	255,671
2028/29	255,955
2029/30	256,321
2030/31	256,755
2031/32	256,546

7.21 The projection in the above table is derived from a number of assumptions in the financial model, many of which are out of our direct control, for example inflation, Right To Buy numbers etc. Therefore the figures in the table above should be viewed as indicative.

Outlook Summary

7.22 To remind Members, the main test adopted when determining the viability of an HRA business plan is whether the debt is able to be repaid by year 30. This mirrors the process that private funders adopt when considering a stock transfer proposal, as they want to be comfortable that their borrowing is capable of eventually being repaid. However, HRA Reform has put Councils firmly in control of their business plans and it is acknowledged that Councils may wish to retain debt, and in return use those resources which would otherwise have been used to repay debt to provide even greater investment locally, whether it be in relation to the existing housing stock, the provision of new affordable housing and/or improved services to tenants. Therefore, whilst the year by which all debt would be repaid is useful as a measure, it should be considered alongside the Councils overall position on repayment of HRA debt versus the desire to provide maximum investment locally. To this extent, the debt tables in this report reflect Cabinets decisions to deliver the proposals set out in the Housing Investment Programme and plans to increase the supply of Council housing.

7.23 The focus has now moved from managing within the debt cap, to managing our overall level of debt and ensure it is affordable in the long-term. The plans to increase our housing stock should be viewed as growth, and will last beyond the current 30 year modelling. As rents increase beyond year 30, then the ability to repay debt or invest further will increase.

Sensitivity Analysis

7.24 A key part of business planning is understanding the factors that can influence the outputs, and their potential impact. Therefore, a number of sensitivities can be modelled, to see how they affect the base position. The following table sets out some examples of the sensitivity analysis undertaken and their resultant impact upon the 30 year HRA model, compared to the base position shown at Appendix E;

		Variation to Base Position			
		Scenario 1	Scenario 2	Scenario 3	Scenario 4
	Base Position	Reduction in Inflation of 1% over 30 Years	Increase in Inflation of 1% over 30 Years	Decrease in Inflation of 1%, Increase in RTB's by 10,Decrease in Mgt Costs by £200k in every Year	Increase in Inflation of 1%, Increase in RTB's by 10, Increase in Mgt Costs by £200k in every Year
Peak Debt Year	Year 9	Year 10	Year 5	Year 10	Year 9
Debt at Year 30	£191.0million	£238.0million	£134.6million	£251.7million	£184.0million
Capital Investment affordable over 30 Years	£532.2million	£471.7million	£605.2million	£468.2million	£599.9million
Surplus HRA Balance at Year 30	£2.6million	£2.6million	£2.6million	£2.6million	£2.6million

7.25 The sensitivity analysis in Scenarios 1 & 2 above demonstrates the impact that inflation can have on the long-term HRA model. If inflation increases, rental income (following the Governments rent policy) increases at a higher rate than expenditure. Also, a large proportion of our costs are not affected by inflation, such as the fixed rate interest costs on our borrowing. Consequently, rising inflation results in a net gain to the HRA. Conversely though, lower inflation results in a net loss to the HRA, as we receive less rental income than we save in lower costs.

7.26 The sensitivity analysis also demonstrates how a combination of variables can influence the modelling, such as changes in inflation rates, numbers of Right To Buy sales and variations in costs for example. Depending on the scale of these changes, they could either bring a significant benefit to/put pressure on the viability of the current plan, or could actually be broadly neutral. Finally, the analysis above assumes any change would exist for each of the 30 years in the HRA, which is highly unlikely given the long time-scale involved, and also assumes no corrective action would be taken if there were a negative impact, which clearly would not be the case. However, it aims to give an understanding of how changes could impact upon the current base 30 year HRA model.

8. Strategic Plan References

8.1 The revenue estimates presented here link to the following areas of the Councils Strategic Plan 2021 to 2023:

Responding to the Climate Emergency
- Reduce carbon emissions to help achieve a zero-carbon footprint for Council services for 2030
- Environment and sustainability imbedded in all Council decision making and the adaption and recovery from Covid-19

Tackling the causes of inequality and support our most vulnerable people
- Support people to live in healthy homes that meet their needs

Increase the number, quality and types of homes
- Improve existing Council homes to keep them in good repair and improve energy efficiency
- Continue to improve and modernise available housing for older people

Prevent households from experiencing homelessness
- Work with partners to deliver the 2020-23 Homelessness and Rough Sleeping Action Plan
- Intervene early to prevent homelessness and work in partnership with other organisations to sustain people's accommodation
- Tackle rough sleeping in the Borough

Enable economic recovery from Covid 19 ensuring all residents benefit from growth
- Ensure our Borough becomes stronger post Covid 19 by supporting businesses to recover, adapt and build resilience
- Develop opportunities to ensure the new economy is greener, sustainable and more resilient

Create an environment that attracts inward investment to Colchester help businesses to flourish
- Encourage green technologies and innovative solutions to the Climate Emergency
- Maximise the social value benefits derived from third party contracts
- Ensure the Councils assets continue to contribute to economic growth and opportunity

9. Consultation and Publicity

9.1 Both CBC and CBH recognise residents play a central role in future policy setting, with the potential consideration of service improvements that would lead to changes in charges for tenants, it is anticipated that an appropriate amount of consultation will be undertaken during the course of the financial year.

9.2 The Council has conducted a Survey of Tenants and Residents (STAR) with the specific aim of obtaining customer feedback on satisfaction with services through a survey of general needs tenants, all sheltered tenants and leaseholders. CBH will need to develop a resident engagement action plan from this survey to include more consultation with residents to help tenants and leaseholders understand and take responsibility and understand safety of their homes.

9.3 Rent notices will be issued to all tenants and leaseholders in line with the Government standard period covering changes to rents and service charges for the new rent year commencing in April 2022.

10. Financial Implications

10.1 Are set out in this report.

11. Equality, Diversity and Human Rights Implications

11.1 This report has no specific human rights implications. Consideration has been given to equality and diversity issues in respect of any budget changes proposed as part of the budget process. This has been done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

12. Community Safety Implications

12.1 Through the delivery of improvements to our housing assets and the built environment, the Council seeks to achieve improved outcomes for residents across the borough. This contributes to a reduction in the occurrence of anti-social behaviour, and the incidences of crime through investment in external elements of properties, e.g. UPVC windows and doors, and door entry systems.

13. Health and Safety Implications

13.1 This report has no significant Health and Safety implications

14. Risk Management Implications

14.1 These have been taken into account in the body of the report.

15. Environmental and Sustainability Implications

15.1 The Council has clear goals and objectives around tackling the climate challenge. The new Asset Management Strategy includes how these can be supported and delivered over the next 5 years so that within the HRA the Council has a deliverable and affordable plan that will contribute to the net carbon footprint for Council services. The Housing Investment Programme for 2021/22 and 2022/23 includes provision of £4.4m which has already been agreed by Cabinet.

Appendices

- Appendix A - Housing Revenue Account Estimates 2022/23
- Appendix B - HRA Balances Statement
- Appendix C - Medium Term Financial Forecast
- Appendix D - HRA Balances Risk Management Assessment
- Appendix E - 30 Year Financial Model

Background Papers

- None

	COLCHESTER BOROUGH COUNCIL		
	Revenue Estimates 2022/23		
	Housing Revenue Account		
	Summary		
2020/21 Actuals	**Expenditure & Income Analysis**	**2021/22 Revised Budget**	**2022/23 Original Budget**
£000's		**£000's**	**£000's**
	INCOME		
(26,316)	Dwelling Rents (Gross)	(27,019)	(28,064)
(1,049)	Non-Dwelling Rents (Gross)	(1,062)	(1,058)
(2,465)	Charges for Services and Facilities	(2,630)	(2,686)
(55)	Contributions towards Expenditure	(53)	(55)
(29,885)	**Total Income**	**(30,764)**	**(31,863)**
	EXPENDITURE		
4,643	Repairs and Maintenance	5,419	5,748
3,836	CB Homes Ltd Management Fee	3,813	4,061
6,821	Management Costs	6,448	6,248
131	Rents, Rates and Other Charges	165	171
205	Increased provision for Bad or Doubtful Debts	250	250
4,490	Interest Payable	5,243	5,366
16,916	Depreciation and Impairments of Fixed Assets	6,000	6,000
4	Amortisation of Deferred Charges	3	3
64	Debt Management Costs	51	52
37,110	**Gross Expenditure**	**27,392**	**27,899**
7,225	**Net Cost of Services**	**(3,372)**	**(3,964)**
(10,365)	Net HRA Income from the Asset Management Account	(3)	(3)
(1,772)	Disposal of Fixed Assets	-	-
(37)	HRA Investment Income (including mortgage interest and interest on Notional Cash Balances	(16)	(12)
(4,949)	**Net Operating Expenditure**	**(3,391)**	**(3,979)**
4,766	Revenue Contribution to Capital Expenditure	3,790	3,979
(183)	**Deficit/(Surplus) for the Year**	**399**	**-**
(4,306)	Deficit/(Surplus) at the Beginning of the Year	(4,489)	(4,090)
183	Deficit/(Surplus) for the Year	399	-
(4,489)	Deficit/(Surplus) at the End of the Year	(4,090)	(4,090)

Housing Revenue Account - Estimated Balances

	£'000
Balance as at 1 April 2021	**(4,489)**
Committed - Capital Spending in 2021/22 and onwards	2,490
Less budgeted deficit/use of balances in 2021/22	399
Less forecast outturn position in 2021/22	-
Unallocated balance at 31st March 2022	**(1,600)**
Less Proposed Use of balances in 22/23 Budget	-
Estimated uncommitted balance at 31st March 2023	**(1,600)**
Recommended level of Balances	**(1,600)**
Forecast balances above prudent level at 31st March 2023	**-**

Note:

This forecast is on the basis that there are no further calls on balances during the remainder of the year.

Housing Revenue Account – Medium Term Financial Forecast

Area	***Revised Budget 21/22***	***Budget 22/23***	***Budget 23/24***	***Budget 24/25***	***Budget 25/26***	***Budget 26/27***
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***
Income						
Housing Rents	(27,001)	(28,064)	(29,075)	(30,608)	(32,767)	(33,281)
Other Income	(3,763)	(3,799)	(3,821)	(3,895)	(3,971)	(4,049)
	(30,764)	**(31,863)**	**(32,896)**	**(34,503)**	**(36,738)**	**(37,330)**
Expenditure						
Repairs & Maintenance	5,419	5,748	5,753	5,866	5,970	6,076
Running Costs	10,674	10,730	11,068	11,291	11,528	11,823
Interest Payable	5,244	5,366	5,687	6,736	7,290	7,386
Depreciation	6,000	6,000	6,175	6,497	6,824	6,978
Other Capital Financing	36	40	40	40	40	41
RCCO	3,790	3,979	4,173	4,073	5,086	5,026
Contribution to Balances	0	0	0	0	0	0
Other	0	0	0	0	0	0
	31,163	**31,863**	**32,896**	**34,503**	**36,738**	**37,330**
Budgeted (Surplus)/Deficit	**0**	**0**	**0**	**0**	**0**	**0**
Forecast 2021/22 underspend	0	0	0	0	0	0
Revised (Surplus)/Deficit	**399**	**0**	**0**	**0**	**0**	**0**

Opening Balance	**(4,489)**	**(1,600)**	**(1,600)**	**(1,600)**	**(1,600)**	**(1,600)**
Committed Balance	**2,490**	**-**	**-**	**-**	**-**	**-**
(Surplus)/Deficit	**399**	**-**	**-**	**-**	**-**	**-**
Uncommitted Closing Balance	**(1,600)**	**(1,600)**	**(1,600)**	**(1,600)**	**(1,600)**	**(1,600)**

* It should be noted that it is currently forecast the HRA will be overspent by £456k in 2021/22, which will result in a reduced RCCO in the year. Clearly, if this level of overspend is not achieved, then there will be a resultant impact upon the level of RCCO we are able to make, and thus a knock-on impact on the amount of any new borrowing required.

Review of Housing Revenue Account Balances 2022/23

Risk Management Assessment

Factor	Assessed Risk		
	High £’000	**Medium £’000**	**Low £’000**
Cash flow (1% of £57m)	570		
Interest Rate (1.0% on £105m)		1,050	
Inflation (Decrease of 1%)		300	
Emergencies		100	
Right To Buy Sales		100	
Litigation			50
Welfare Reform	250		
	820	1,550	50

	Minimum Provision £’000
High Risk – 100%	820
Medium – 50%	775
Low – 10%	5
Sub Total	**1,600**
Other - say	-
Recommended Prudent Level	**1,600**

Housing Revenue Account – 30 Year Financial Model

Appendix E

	Year 1 2022/23 £000's	Year 2 2023/24 £000's	Year 3 2024/25 £000's	Year 4 2025/26 £000's	Year 5 2026/27 £000's	Year 1-5 Total £000's	Year 6-10 Total £000's	Year 11-15 Total £000's	Year 16-20 Total £000's	Year 21-25 Total £000's	Year 26-30 Total £000's
Revenue Account											
Income	(31,863)	(32,896)	(34,503)	(36,738)	(37,330)		(197,262)	(215,282)	(236,656)	(259,368)	(284,249)
Expenditure	31,863	32,896	34,503	36,738	37,330		197,096	215,097	236,453	259,144	284,000
(Surplus)/Deficit	0	0	0	0	0		(166)	(185)	(203)	(224)	(249)
Opening HRA Balance (Surplus)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)		(1,600)	(1,766)	(1,951)	(2,154)	(2,378)
Closing HRA Balance (Surplus)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)		(1,766)	(1,951)	(2,154)	(2,378)	(2,627)
Capital Account											
Investment:											
Stock Investment Programme	12,005	9,583	10,678	10,862	13,458	56,586	64,624	58,058	61,973	95,246	81,399
Sheltered Accommodation Review	7,715	3,027	7,863	3,125	1,199	22,929	0	0	0	0	0
Property Acquisitions	2,600	11,220	0	0	0	13,820	0	0	0	0	0
New Build	10,674	32,541	31,732	2,587	0	77,534	0	0	0	0	0
Total	**32,994**	**56,371**	**50,273**	**16,574**	**14,657**	**170,869**	**64,624**	**58,058**	**61,973**	**95,246**	**81,399**
Funded By (Resources):											
Depreciation	(6,000)	(6,175)	(6,497)	(6,824)	(6,978)	(32,474)	(36,670)	(40,120)	(43,938)	(48,118)	(52,691)
Revenue Contribution	(3,979)	(4,173)	(4,073)	(5,086)	(5,026)	(22,337)	(26,619)	(17,939)	(18,035)	(47,087)	(28,708)
Grant	0	(4,845)	(3,641)	0	0	(8,486)	0	0	0	0	0
HRA Reserves	(2,897)	(3,168)	(1,900)	(731)	0	(8,696)	0	0	0	0	0
New Borrowing	(20,118)	(38,010)	(34,162)	(3,933)	(2,653)	(98,876)	(1,336)	0	0	(41)	0
Total	**(32,994)**	**(56,371)**	**(50,273)**	**(16,574)**	**(14,657)**	**(170,869)**	**(64,624)**	**(58,058)**	**(61,973)**	**(95,246)**	**(81,399)**
Debt:											
HRA Debt at Year End	176,663	214,672	248,835	252,767	255,420		256,546	243,242	220,879	219,481	191,037

	Appendix B	*Item*
	Cabinet	
	26th January 2022	

Report of	**Assistant Director for Place and Client Services**	**Authors: Darren Brown ☏ 282891 Ernie Gray ☏ 282506**

Title	**Housing Investment Programme (HIP) 2022/23**
Wards affected	All

This report concerns the Housing Investment Programme for 2022/23

1. Executive Summary

1.1 This report sets out a summary of the proposed allocation of **£32.994million** of new resources to the Housing Investment Programme for 2022/23, along with the sources of funding. It also includes at Appendix A an indication of the potential expenditure requirements and funding sources for the years 2023/24 to 2026/27.

2. Recommended Decision

2.1 To approve the Housing Investment Programme for 2022/23.

2.2 To note the Capital Medium Term Financial Forecast (CMTFF) set out at Appendix A.

3. Reasons for Decision

3.1 Each year as part of the process to agree the Council's revenue and capital estimates the Cabinet is required to agree the allocations to the Housing Stock Investment Programme. These allow for work to be undertaken to maintain, improve, and refurbish the housing stock and its environment.

3.2 Members annually agree to accept a proposed 5 year Housing Investment Programme (HIP) in principle as the framework for procuring housing related planned works, improvements, responsive and void works and cyclical maintenance.

3.3 The proposed investment programme is linked to the Asset Management Strategy (AMS) and reviewed annually in the light of available resources and for each annual allocation to be brought to Cabinet for approval as part of the overall HIP report.

3.4 The Colchester Borough Homes (CBH) Board have considered the content of the Cabinet report submitted and is now seeking approval for the 2022/23 Capital programme.

3.5 This report seeks the release of funds under grouped headings as described in the AMS and supported by the Management Agreement dated 9th August 2013, which governs the contractual relationship between Colchester Borough Council (CBC) and CBH.

4. Supporting Information

Key Issues for 2022/23

4.1 This is the eleventh year of Housing Revenue Account (HRA) Self-Financing, and the continued investment in the housing stock and other projects is reflected in this report.

4.2 Cabinet have previously agreed investment in the Councils housing stock for the HIP Climate Emergency Response works, which is reflected in this report.

4.3 The Council is finalising the review of its Asset Management Strategy and refreshed the HRA Business Plan, and the outputs have been included in this report.

4.4 This report is considered as part of agreeing the Housing Revenue Account (HRA) estimates as the funding for the HIP, which covers capital investment in the housing stock, is very much linked to the overall level of resources for housing.

5. Funding the Housing Investment Programme

5.1 2022/23 is the eleventh year of the HRA self-financing regime. This fundamentally changed the way in which Council Housing is financed, and as a consequence a financial model for the HRA has been developed, which forecasts the HRA and HIP for each of the next 30 years, using a range of assumptions on areas such as inflation, stock numbers, future expenditure & income levels etc. This is considered further in the 2022/23 HRA Estimates report elsewhere on the agenda. The source of resources, and the priority order in which it is assumed they will be used to fund capital expenditure in the 2022/23 HIP budget and financial forecasts are as follows;

- Specific Areas of Finance (e.g. Grants),
- Capital Receipts,
- Major Repairs Reserve (Depreciation),
- Revenue contributions to capital (RCCO),
- New Additional Borrowing

5.2 The assumption made when prioritising resources to fund the HIP is that resources specifically designated to the programme will be used first, followed by capital receipts. This is so the receipts can be re-invested in affordable housing and be retained locally and not be clawed back by Central Government under the capital receipts pooling arrangements. The next form of resource to be used is the Major Repairs Reserve, which is the reserve that is built up from the depreciation charge to the HRA. This is the resource that is set aside to maintain the housing stock in its current form & condition. If there are insufficient resources within the Major Repairs Reserve to fund all of the capital works in the year, then the next call on funding is revenue. The amount of this resource will depend on the level of balances within the HRA and the extent to which they are directed to the HIP, as opposed to other budget priorities.

5.3 Finally, should there be insufficient revenue resources to fund the overall programme the assumption is that the Council will undertake HRA borrowing to fully fund the HIP. This is assumed to be the lowest priority source of funding, to minimise the resultant additional interest costs that would be incurred by the HRA. Further borrowing will be undertaken following the prudential borrowing code, which states that it must be affordable. Should the Council decide it does not want to undertake additional HRA borrowing or use revenue resources etc, then the Council would need to re-consider the programme of works proposed and the corresponding budget provision. This could include foregoing works, or re-profiling the year in which they are undertaken.

6. 2022/23 Programme of Works

6.1 The requested budget allocation for the 2022/23 programme is £32.994million. A further breakdown of the areas of work that are planned to be undertaken is shown at paragraph 9.

6.2 As part of the management agreement which commenced in August 2013 between the Council and CBH, the management fee was expanded to reflect the wider range of services CBH now provides on behalf of the Council, so it incorporates the fee for managing the capital programme. Members are therefore asked to note that the requested budget allocation in paragraph 6.1, and the budget sums included in paragraph 9 and Appendix A all include the fee for managing the capital programme, which for 2022/23 totals £1,296,000. A further breakdown of the management fee is included in the HRA Revenue Estimates report elsewhere on the agenda.

6.3 Cabinet have previously considered proposals for new projects using HRA borrowing, such as continuing new build plans and increasing Council housing stock through acquisitions. These proposals continue to be reflected in the Housing Investment Programme, with further information provided in the following paragraphs.

7. HRA Capital Medium Term Financial Forecast - 2022/23 to 2026/27

7.1 As previously stated, Cabinet agreed in principle to accept a proposed 5 year HIP subject to overall budget considerations. As a result, expenditure proposals have been included in the capital medium term financial forecast at Appendix A and updated to take account of previous years being completed and new updated year's being introduced.

New Build

7.2 The budget for 2022/23 includes a provision of £5.200million for works on Phase 3 of the re-development of garage sites, and £3.375m for further Council new build schemes. It also includes a provision of £2.099million to purchase properties developed by Colchester Amphora Homes for the Council. It should be noted that a number of assumptions have to be made on the timing and cost of these projects, but the budgets will be monitored and revised as part of the annual budget setting and capital monitoring processes. Further estimated provision has been made in subsequent years for these schemes in the CMTFF.

Acquisitions

7.3 A provision of £2.600million has been made to continue the programme of buying properties, through a combination of properties offered back to the Council through the Right to Buy legislation, and via the open market. This will be supplemented by the carry forward from 21/22 of unspent resources for property purchases as reported in the Quarter 2 Capital Monitoring report to Governance & Audit committee on 23rd November 2021. Further estimated provision has been made in the CMTFF.

7.4 A provision of £7.200million has been made for the cost of the refurbishment of Elfreda House in 2022/23. Further provision has been made in subsequent years in the CMTFF for the continued investment in the Sheltered Housing refurbishment programme.

7.5 At its meeting on 23rd November 2020, Cabinet agreed to include provision in the 2021/22 budget and subsequent years for "HIP Climate Emergency Response Works", in order to improve energy performance of the Councils housing stock. As a result a provision of £1.286million has been included in the 2022/23 programme.

7.6 The estimated RCCO in 2022/23 is £3.979million, which is broadly in-line with the assumptions in the current business plan. In the years prior to HRA Self-Financing, the RCCO had been used to fund non-works programmes. However, as indicated in the HIP report agreed by Cabinet on 25th January 2012, RCCO's have been available to support the works element of the capital programme for 2013/14 onwards. These increased contributions have been affordable as under HRA Self-Financing the Council retains all rental income.

7.7 Members will be aware that the Council entered into agreement with DCLG in 2012 to retain additional RTB receipts to deliver new affordable housing. As a reminder, retained receipts can only be used on delivering new additional units of accommodation, not on refurbishing existing schemes. The proposals already approved by Cabinet and included in the CMTFF should minimise the amount that has to be repaid to Government.

8. Priorities for the Council

8.1 To implement the Colchester Housing AMS, that has been updated to reflect the revised investment plan, as the basis for long term planning, provision and sustainability of Colchester Borough Council's housing assets.

8.2 To allocate appropriate funding to CBH within the resources that are available to enable stock investment to proceed, improving housing conditions for our tenants.

8.3 To ensure that having achieved delivery of the decent homes' targets in December 2011 that the overall level of decency is maintained at the end of any one financial year but ensure compliance on a five-yearly basis.

8.4 To build upon current monitoring arrangements and ensure programme delivery and the effective targeting of resources particularly in respect of maintaining the value of the asset and providing Adaptations for our customers with disabilities.

9. Proposals

9.1 The report sets out below a summary of the proposed allocation of new resources for 2022/23 as defined by the AMS, aswell as those outlined in this report, with the following comments setting out the basis of the allocation.

9.2 ***Capital Investment Programme - £6.602million –*** This allocation supports the AMS and acknowledges the work required to allow the decency standard to be maintained, in the current existing stock and resulting from the acquisitions programme, therefore this substantial proportion of the overall allocation is recommended.

9.3 ***Aids & Adaptations - £0.643million -*** This continues to support the budget at historic levels. The proposed allocation achieves the requirement to adapt Council dwellings to meet the special needs of our customers and meet the high priority that Members place on this service.

9.4 ***Building Safety - £0.536million -*** This allocation supports the additional requirements that the emerging Building Safety Act 2023 will place on social housing stock providers to provide a robust framework to ensure that building safety works meets the new requirements.

9.5 ***Emergency Failures (statutory obligation) and Voids - £0.375million –*** This allocation supports the AMS, and the experience gained through the management controls being exercised. It reflects the necessity to recognise capital works in the voids process along with emergency failures.

9.6 ***Emergency failures structural works - £0.504million –*** As with the previous allocation this reflects the AMS and the experience gained through the management controls being exercised. The work is generally associated with premature failure of structural elements.

9.7 ***Environmental Works - £0.640million -*** This allocation supports the AMS by continuing to address the improvements to the overall estate living environment. It will include door entry systems, block communal improvements, boundary works and PVC installations to continue to reduce the revenue reliance on painting programmes.

9.8 ***Asbestos, Legionella, Fire Safety and Overall Contingency - £1.145million –*** This allocation recognises the need to continue to proactively manage our statutory obligations in the defined areas and provides a general contingency to cover the whole of the programme together with survey work

9.9 ***Garages - £0.214million*** – This investment in the garage stock is intended to secure additional revenue income that will support the business plan in future years. We have seen a return on the investment made in previous financial years by increased garage tenancies and fewer empty garages on the sites that have been refurbished.

9.10 ***Sheltered Accommodation Improvements - £7.715million*** – This allocation supports the continuation of the overall refurbishment programme. Individual delivery contracts will be reported to Cabinet as tenders are returned.

9.11 ***Non-Works Programmes - £0.060million*** – This allocation is for capital costs linked to the further development of the Housing management system.

9.12 ***Acquisitions - £2.600million*** – As set out in the main body of the report, this allocation supports the potential to Buy Back properties offered back to the Council through the Right to Buy legislation and purchasing properties on the open market. This allocation provides the opportunity to use funding through retained 1-4-1 Right to Buy receipts, with the balance coming from prudential borrowing.

9.13 ***New Build - £10.674million*** – As set out in the main body of the report, this allocation supports the plans previously considered by Cabinet.

9.14 ***Climate Emergency Response - £1.286million*** – As set out in the main body of the report, this allocation supports the plans previously considered by Cabinet.

10. Strategic Plan References

10.1 The HIP links to the following areas of the Councils strategic plan:

10.2 The Better Colchester Strategic Plan 2020-2023 sets out clearly the Councils priorities. The services and projects delivered by CBH contribute directly to the following priority areas and their goals will be overseen through the Asset Management and Capital Monitoring Group(s), using the Asset Management Strategy Action Plan that is in development to track progress against the Strategy and the Business Plan:

Responding to the Climate Emergency

- Reduce carbon emissions to help achieve a zero-carbon footprint for Council services for 2030
- Environment and sustainability imbedded in all Council decision making and the adaption and recovery from Covid-19

Tackling the causes of inequality and support our most vulnerable people

- Support people to live in healthy homes that meet their needs

Increase the number, quality and types of homes

- Improve existing Council homes to keep them in good repair and improve energy efficiency
- Continue to improve and modernise available housing for older people

Prevent households from experiencing homelessness

- Work with partners to deliver the 2020-23 Homelessness and Rough Sleeping Action Plan
- Intervene early to prevent homelessness and work in partnership with other organisations to sustain people's accommodation
- Tackle rough sleeping in the Borough

Enable economic recovery from Covid 19 ensuring all residents benefit from growth

- Ensure our Borough becomes stronger post Covid 19 by supporting businesses to recover, adapt and build resilience
- Develop opportunities to ensure the new economy is greener, sustainable and more resilient

Create an environment that attracts inward investment to Colchester help businesses to flourish

- Encourage green technologies and innovative solutions to the Climate Emergency
- Maximise the social value benefits derived from third party contracts
- Ensure the Councils assets continue to contribute to economic growth and opportunity

11. Consultation

11.1 The Council has conducted a STAR survey with the specific aim of obtaining customer feedback through a survey of general needs tenants, all sheltered tenants and leaseholders. CBH will need to develop a resident engagement action plan to include more consultation with residents to help tenants and leaseholders understand and take responsibility and understand safety of their homes.

11.2 Further engagement will also be required to increase understanding of climate change and net zero carbon, so tenants understand what has to be done and how this will be done to achieve our goals and aspirations in managing our assets.

12. Publicity Considerations

12.1 Any housing investment has a significant impact on the quality of life for local people. As a consequence the targeting and effectiveness of the programme has huge interest for members and the public as a whole. It is recognised that ongoing publicity will need to be conducted particularly as existing programmes continue and new capital programmes are introduced. Updates will be publicised to the customers in the areas to receive work during the year. There also needs to be a communication strategy to ensure that social housing residents develop a greater awareness of issues relating to climate change and how investment in their homes will contribute towards carbon reduction. Updates will be publicised to the customers in the areas to receive work during the year.

13. Financial implications

13.1 As set out in the report.

14. Equality, Diversity and Human Rights implications

14.1 An impact assessment has been prepared and can be viewed through the following link

http://www.colchester.gov.uk/article/12743/Commercial-Services

15. Community Safety Implications

15.1 Through the delivery of improvements to our housing assets and the built environment, the Council seeks to achieve improved outcomes for residents across the borough. This contributes to a reduction in the occurrence of anti-social behaviour, and the incidences of crime through investment in external elements of properties, e.g. UPVC windows and doors, and door entry systems. The impact of HIP works are therefore generally thought to be positive.

16. Health and Safety Implications

16.1 CBH will be responsible for implementing the delivery of this programme in a manner that reflects Health and Safety legislation, although the Council does retain the responsibility to ensure that all procedures are in place and being implemented.

17. Risk Management Implications

17.1 Risk management will be considered as the programme is developed, particularly the issues around the introduction of new programmes of work.

18. Environmental and Sustainability Implications

18.1 The environmental and sustainability implications of individual work programmes will be thoroughly assessed and considered through the procurement process for each contract.

Appendices

- Appendix A – HRA Capital Medium Term Financial Forecast 2022/23 to 2026/27

Background Papers

- None

HRA Capital Medium Term Financial Forecast – 2022/23 to 2026/27 Appendix A

Expenditure	Notes	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Stock Investment Programme etc		11,302	8,837	9,942	10,090	12,674
Sheltered Accommodation Review		7,715	3,027	7,863	3,125	1,199
Adaptations		643	685	674	708	719
Stock Investment Sub - Total		**19,660**	**12,549**	**18,479**	**13,923**	**14,592**
New Build		10,674	32,541	31,732	2,587	-
Acquisitions		2,600	11,220	-	-	-
ICT		60	61	62	64	65
Other Works Sub - Total		**13,334**	**43,822**	**31,794**	**2,651**	**65**
Total Programme		**32,994**	**56,371**	**50,273**	**16,574**	**14,657**

Resources	Notes	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Major Repairs Reserve		6,000	6,175	6,497	6,824	6,978
Revenue Contribution to Capital		3,979	4,173	4,073	5,086	5,026
Grants		-	4,845	3,641	-	-
Retained RTB Receipts Reserve		2,897	3,168	1,900	731	-
New Borrowing		20,118	38,010	34,162	3,933	2,653
Total Funding		**32,994**	**56,371**	**50,273**	**16,574**	**14,657**

Colchester	**Scrutiny Panel**	**Item 13**
	25 January 2022	

Report of	**Assistant Director – Corporate and Improvement Services**	**Author**	**Owen Howell** ☏ **282518**
Title	**Recommendations from the Scrutiny sub-group on Youth Zones**		
Wards affected	Not applicable		

1. Executive Summary

1.1 This report sets out the proposed recommendations put forward by the Panel's sub-group regarding the potential for a Youth Zone to be sited within Colchester Borough.

2. Action Required

2.1 The Panel is asked to consider the recommendations and points raised by the sub-group, as noted at 3.3 of this report, and to consider what recommendations the Panel may wish Cabinet to consider when it considers the draft Budget 2022-23 on 26 January 2022.

3. Background Information

3.1 At the Scrutiny Panel meeting held on 12 October 2021 the Panel recommended to Cabinet that further work be conducted by a sub-group of the Scrutiny Panel, to identify and discuss potential options for providing and funding a future Youth Zone, whilst maintaining a balanced budget for the Council.

3.2 At its meeting on 13 October 2021, Cabinet approved this recommendation, with the addition of the following wording:

> *The sub-group should aim to work towards finding a broad political consensus on an agreed site which meets Onside's criteria, capital financing options and contingency in the annual revenue cost which recognises that £400,000 is Q1 2021 cost based and will experience cost pressure uplift by time of completion.*

3.3 The sub-group met twice and, at its second meeting, compiled the following list of recommendations and points for the Scrutiny Panel to consider and, potentially, put to Cabinet as formal recommendations:

- The sub-group is disappointed at the missed opportunity to provide a Youth Zone for Colchester via the Town Deal but accepts that a Youth Zone will not form one of the Town Deal projects.

- The sub-group recommends that, in the short- to medium-term, the Council cooperates with Essex County Council to boost youth services throughout the Borough, such as those at the Town House, supporting these and an increase in outreach activities.

- It was noted that the aspiration for a Youth Zone had cross-party support in principle. The sub-group recommends that an ambition be maintained for a Youth Zone to be completed in Colchester Borough by 2030.

- It is recommended that the Council continue to engage with Onside to outline the Council's ambitions and expectations, and to understand Onside's criteria for optimum site selection and critical issues for inclusion in a business case for a Youth Zone serving Colchester Borough.

- It is also recommended that the Council engages with the One Colchester Partnership to take the ambition of a Youth Zone from principle to reality, including ways to gain contributions from partners.

- The sub-group is convinced that, for a Youth Zone to successfully serve the whole Borough, the concomitant public or project-specific transport plan for the proposed location must be comprehended, costed and funded to guarantee that a future Youth Zone in the Borough is accessible to all.

4. Standard References

4.1 There are no specific references to publicity or consultation considerations, equality, diversity, human rights, community safety, health and safety, environmental and sustainability or risk management implications. There may however be such considerations related to recommendations which the Scrutiny Panel may wish to put to Cabinet. Officers will assist the Panel in identifying these when potential recommendations are discussed.

5. Financial Implications

There will be direct financial/budgetary implications should the Council look to proceed with pursuing the creation of a Youth Zone within Colchester Borough. The Scrutiny Panel may, at this time, wish to make recommendations to Cabinet which could entail financial implications for the Council.

6. Strategic Plan References

6.1 Scrutiny and challenge is integral to the delivery of the Strategic Plan 2020-2023 priorities and direction for the Borough as set out under the strategic themes of:

- Tackling the climate challenge and leading sustainability
- Creating safe, healthy and active communities
- Delivering homes for people who need them
- Growing a fair economy so everyone benefits
- Celebrating our heritage and culture

6.2 This item relates to the provision of youth services within the Borough and therefore directly falls under the theme of 'Creating safe, healthy and active communities' and specifically the priorities:

- Build on community strengths and assets
- Tackle the causes of inequality and support our most vulnerable people
- Provide opportunities for young people

	Scrutiny Panel		**Item 14**
	25 January 2022		
Report of	**Assistant Director – Corporate and Improvement Services**	**Author**	**Owen Howell** ☏ **282518**
Title	**Work Programme 2021-22**		
Wards affected	Not applicable		

1. Executive Summary

1.1 This report sets out the current Work Programme 2021-2022 for the Scrutiny Panel. This provides details of the reports that are scheduled for each meeting during the municipal year.

2. Action Required

2.1 The Panel is asked to consider and approve the contents of the Work Programme for 2021-2022.

3. Background Information

3.1 The Panel's work programme evolves as the Municipal Year progresses and items of business are commenced and concluded. At each meeting the opportunity is taken for the work programme to be reviewed and, if necessary, amended according to current circumstances. The draft work programme for 2021-22 is appended to this report. This contains the items which are reviewed each year by the Panel.

3.2 The additional meeting agreed for 22 February 2022 has been added to the Work Programme. This meeting will see a scrutiny session with representatives of the local arts organisations which receive Council funding. It will also include a briefing session with Councillor Andrew Ellis, Portfolio Holder for Housing and Planning, and a discussion of proposed Key Performance Indicators for Colchester Borough Homes in 2022-23.

3.3 The Forward Plan of Key Decisions is included as part of the work programme for the Scrutiny Panel, and this is included an **Appendix A.**

4. Standard References

4.1 There are no particular references to publicity or consultation considerations, or financial, equality, diversity, human rights, community safety, health and safety, environmental and sustainability or risk management implications.

5. Strategic Plan References

4.1 Scrutiny and challenge is integral to the delivery of the Strategic Plan 2020-2023 priorities and direction for the Borough as set out under the strategic themes of:

- Tackling the climate challenge and leading sustainability
- Creating safe, healthy and active communities
- Delivering homes for people who need them
- Growing a fair economy so everyone benefits
- Celebrating our heritage and culture

4.2 The Council recognises that effective local government relies on establishing and maintaining the public's confidence, and that setting high standards of self-governance provides a clear and demonstrable lead. Effective governance underpins the implementation and application of all aspects of the Council's work.

Appendices

Appendix A – Scrutiny Panel Work Programme, 2021-22

Appendix B – Forward Plan of Key Decisions: 1 November 2021 – 28 February 2022

Appendix A

Work Programme for 2021/22

Scrutiny Panel meeting **– 8 June 2021**
Scrutiny Panel Chairman's briefing – **3 June 2021**
1. Work Programme 2021-22
Scrutiny Panel meeting **– 20 July 2021**
Scrutiny Panel Chairman's briefing **– 15 July 2021**
1. Year End 2020/21 Performance Report and Strategic Plan Action Plan 2018-21 2. Budget Strategy and Transformation Programme 3. Annual Scrutiny Report 4. Work Programme 2021-22
Scrutiny Panel meeting - **17 August 2021**
Scrutiny Panel Chairman's briefing – **12 August 2021**
1. Town Deal 2. Work Programme 2021-22
Scrutiny Panel (Crime and Disorder Committee) - **14 September 2021**
Scrutiny Panel Chairman's briefing – **9 September 2021**
1. Safer Colchester Partnership (Crime and Disorder Committee) 2. Work Programme 2021-22
Scrutiny Panel – **12 October 2021**
Scrutiny Panel Chairman's Briefing – **7 October 2021**
1. ~~Portfolio Holder Briefing~~ [Apologies given by Cllr Crow] 2. Review of Colchester Borough Homes: 2020-21 Performance 3. Local Council Tax Support – Year 2022/23 4. Budget Strategy for 2022-23 5. Work Programme 2021-22
Scrutiny Panel meeting - **9 November 2021**
Scrutiny Panel Chairman's briefing – **4 November 2021**
1. Portfolio Holder Briefing from Cllr Dundas [Strategy and Leader of the Council] 2. Work Programme 2021-22
Scrutiny Panel meeting - **14 December 2021**
Scrutiny Panel Chairman's briefing – **9 December 2021**
1. Portfolio Holder Briefing from Cllr Lissimore [Resources and Deputy Leader] 2. Half Year 2021-22 Performance Report & Strategic Plan Action Plan progress 3. Budget Strategy for 2022-23 4. Work Programme 2021-22

Scrutiny Panel meeting - **25 January 2022**
Scrutiny Panel Chairman's briefing – **20 January 2022**
1. Portfolio Holder Briefing from Cllr Oxford [Communities] 2. 2022-23 Revenue Budget, Capital Programme, Medium Term Financial Forecast and Treasury Management Investment Strategy 3. Housing Revenue Accounts Estimate and Housing Investment Programme 4. Recommendation from Panel sub-group on Youth Zones 5. Work Programme 2021-22
Scrutiny Panel - **15 February 2022**
Scrutiny Panel Chairman's briefing – **10 February 2022**
~~1. Safer Colchester Partnership (Crime and Disorder Committee)~~ 2. Portfolio Holder Briefing from Cllr Laws [Economy, Business and Heritage] 3. Business cases of Town Deal projects 4. Work Programme 2021-22
Scrutiny Panel - **22 February 2022**
Scrutiny Panel Chairman's briefing – **17 February 2022**
1. Portfolio Holder Briefing from Cllr Ellis [Housing and Planning] 2. Reports from Arts Organisations (Mercury, The Arts Centre, FirstSite) 3. Corporate Key Performance Indicator Targets for 2022-23 4. Colchester Borough Homes: Key Performance Indicator Targets for 2022-23
Scrutiny Panel meeting– **15 March 2022**
Scrutiny Panel Chairman's briefing – **10 March 2022**
1. Portfolio Holder Briefing from Cllr Crow [Environment and Sustainability] 2. One Colchester Partnership/Safer Colchester Partnership [TBC]

COLCHESTER BOROUGH COUNCIL

FORWARD PLAN OF KEY DECISIONS 1 February 2022 – 31 May 2022

During the period from 1 February 2022 – 31 May 2022* Colchester Borough Council intends to take 'Key Decisions' on the issues set out in the following pages. Key Decisions relate to those executive decisions which are likely to either:

- result in the Council spending or saving money in excess of £500,000; or

- have a significant impact on communities living or working in an area comprising two or more wards within the Borough of Colchester.

This Forward Plan should be seen as an outline of the proposed decisions and it will be updated on a monthly basis. Any questions on specific issues included on the Plan should be addressed to the contact name specified in the Plan. General queries about the Plan itself should be made to Democratic Services (01206) 507832 or email democratic.services@colchester.gov.uk

The Council invites members of the public to attend any of the meetings at which these decisions will be discussed and the documents listed on the Plan and any other documents relevant to each decision which may be submitted to the decision taker can be viewed free of charge although there will be a postage and photocopying charge for any copies made. *All decisions will be available for inspection on the Council's website, www.colchester.gov.uk*

If you wish to request details of documents regarding the 'Key Decisions' outlined in this Plan please contact the individual officer identified.

If you wish to make comments or representations regarding the 'Key Decisions' outlined in this Plan please submit them, in writing, to the Contact Officer highlighted two working days before the date of the decision (as indicated in the brackets in the date of decision column). This will enable your views to be considered by the decision taker.

Contact details for the Council's various service departments are incorporated at the end of this plan.

If you need help with reading or understanding this document please telephone (01206) 282222 or textphone users dial 18001 followed by the full number that you wish to call and we will try to provide a reading service, translation or other formats you may need.

*The Forward Plan also shows decisions which fall before the period covered by the Plan but which have not been taken at the time of the publication of the Plan.

KEY DECISION REQUIRED	DOES DECISION INCLUDE EXEMPT INFORMATION (or information defined by the Government as Confidential)	DATE OF DECISION or PERIOD DECISION TO BE TAKEN	DECISION MAKER (title and name, including Cabinet, portfolio holders and officers) – details of decision makers correct at time of publication	DOCUMENTS SUBMITTED OR TO BE SUBMITTED TO DECISION TAKER TO CONSIDER (and from where they are available)	CONTACT DETAILS FROM WHICH DOCUMENTS CAN BE OBTAINED (name of the authors of the reports)
Housing Revenue Account Fees and Charges 2022 – 2023 To agree the Housing Revenue Account fees and charges for 2022-2023	No	January 2022	Portfolio Holder for Housing and Planning, Councillor Ellis Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Portfolio Holder report, including appendices of charges	Geoff Beales Client Services Manager 01206 516504 Geoff.beales@colchester.gov.uk
Approval of Award of Contract for Replacement Windows and Doors	Yes	January 2022	Portfolio Holder for Housing and Planning, Councillor Ellis Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Portfolio Holder report	Ernie Gray Client Asset Manager 01206 282506 ernie.gray@colchester.gov.uk

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Housing Revenue Account Business Plan 2021 - 2051	No	26 January 2022	Cabinet (Cllrs Dundas, Crow, Ellis, Laws, Lissimore and B. Oxford) Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Cabinet report with draft HRA Business Plan	Geoff Beales Client Services Manager 01206 516504 Geoff.beales@colchester.gov.uk
2022/23 General Fund Revenue Budget, Capital Programme and Medium-Term Financial Forecast – **C**abinet will consider the 2022/23 General Fund Revenue Budget and make a recommendation to Council.	No	26 January 2022	Cabinet (Cllrs Dundas, Crow, Ellis, Laws, Lissimore and B. Oxford) Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Cabinet report	Paul Cook Head of Finance 01206 505861 paul.cookx@colchester.gov.uk

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Housing Revenue Account Estimates 2022/23 To approve the HRA Estimates 2022/23	No	26 January 2022	Cabinet (Cllrs Dundas, Crow, Ellis, Laws, Lissimore and B. Oxford) Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Cabinet report	Darren Brown Finance Manager (Business Partners) 01206 282891 darren.brown@colchester.gov.uk
Housing Investment Programme 2022/23 To approve the Housing Investment Programme 2022/23	No	26 January 2022	Cabinet (Cllrs Dundas, Crow, Ellis, Laws, Lissimore and B. Oxford) Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Cabinet report	Darren Brown Finance Manager (Business Partners) 01206 282891 darren.brown@colchester.gov.uk

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Resetting the Capital Programme	No	26 January 2022	Cabinet (Cllrs Dundas, Crow, Ellis, Laws, Lissimore and B. Oxford) Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Cabinet report	Paul Cook Head of Finance 01206 505861 paul.cookx@colchester.gov.uk
Appointment of Contractor for the Development of St Nicholas Square	Yes	26 January 2022	Cabinet (Cllrs Dundas, Crow, Ellis, Laws, Lissimore and B. Oxford) Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Cabinet report	Alison Fogg Development Manager 01206 508906 alison.fogg@colchester.gov.uk

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Award of Contract for Replacement Telephony System	No	February 2022	Portfolio Holder for Resources, Cllr Lissimore, and the Assistant Director for Corporate and Improvement Services, under delegated authority from Cabinet. Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Portfolio Holder report	Kieran Johnston Strategic ICT Manager 07983 164744 Kieran.johnston@colchester.gov.uk
Cultural Strategy	No	9 March 2022	Cabinet (Cllrs Dundas, Crow, Ellis, Laws, Lissimore and B. Oxford) Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Cabinet report	Claire Taylor Visitor and Cultural Services Manager 07506 754279 claire.taylor@colchester.gov.uk

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Business case for an in-house Grounds Maintenance delivery model	No	9 March 2022	Cabinet (Cllrs Dundas, Crow, Ellis, Laws, Lissimore and B. Oxford) Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Cabinet report and business case	Rory Doyle Assistant Director, Environment 01206 507885 rory.doyle@colchester.gov.uk
Request for delegated authority for the award of Housing Revenue Account contracts for the 2022/23 Housing Investment Programme financial year.	No	9 March 2022	Cabinet (Cllrs Dundas, Crow, Ellis, Laws, Lissimore and B. Oxford) Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Cabinet report	Geoff Beales Client Services Manager 01206 516504 Geoff.beales@colchester.gov.uk

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Town Deal Business Cases	No	9 March 2022	Cabinet (Cllrs Dundas, Crow, Ellis, Laws, Lissimore and B. Oxford) Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Cabinet report	Matthew Brown Economic Development Projects Manager 01206 507348 matthew.brown@colchester.gov.uk
Levelling Up Fund	No	9 March 2022	Cabinet (Cllrs Dundas, Crow, Ellis, Laws, Lissimore and B. Oxford) Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Cabinet report	Matthew Brown Economic Development Projects Manager 01206 507348 matthew.brown@colchester.gov.uk

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Award of Contract for Asbestos Surveying	Yes	9 March 2022	Cabinet (Cllrs Dundas, Crow, Ellis, Laws, Lissimore and B. Oxford) Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Cabinet report, including appendix showing tender evaluation	Ernie Gray Client Asset Manager 01206 282506 ernie.gray@colchester.gov.uk
Award of Contract - Stairlifts	No	9 March 2022	Cabinet (Cllrs Dundas, Crow, Ellis, Laws, Lissimore and B. Oxford) Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Cabinet report	Geoff Beales Client Services Manager 01206 516504 Geoff.beales@colchester.gov.uk

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Award of contract for Renewal of Microsoft Licensing agreement	No	April 2022	Portfolio Holder for Resources, Cllr Lissimore, and the Assistant Director for Corporate and Improvement Services, under delegated authority from Cabinet. Please contact via Democratic Services (01206) 507832 email: democratic.services @colchester.gov.uk	Portfolio Holder report	Kieran Johnston Strategic ICT Manager 07983 164744 Kieran.johnston@colchester.gov.uk

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