Cabinet Meeting

Grand Jury Room, Town Hall, High Street, Colchester, CO1 1PJ
Wednesday, 01 February 2017 at 18:00

The Cabinet deals with the implementation of all Council services, putting into effect the policies agreed by Full Council and making recommendations to Full Council on policy issues and the budget.

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COLCHESTER BOROUGH COUNCIL
Cabinet
Wednesday, 01 February 2017 at 18:00

Members:

Leader and Chairman	Councillor Paul Smith (Liberal Democrats)
	Councillor Tina Bourne (Labour)
	Councillor Mark Cory (Liberal Democrats)
	Councillor Annie Feltham (Liberal Democrats)
	Councillor Dominic Graham (Liberal Democrats)
	Councillor Mike Lilley (Labour)
	Councillor Beverley Oxford (The Highwoods Group)
	Councillor Tim Young (Labour)

AGENDA - Part A
(open to the public including the press)

Members of the public may wish to note that Agenda items 1 to 5 are normally brief.

1 **Welcome and Announcements**

a) The Chairman to welcome members of the public and Councillors and to remind all speakers of the requirement for microphones to be used at all times.

(b) At the Chairman's discretion, to announce information on:

- action in the event of an emergency;
- mobile phones switched to silent;
- the audio-recording of meetings;
- location of toilets;
- introduction of members of the meeting.

2 **Urgent Items**

To announce any items not on the agenda which the Chairman has agreed to consider because they are urgent, to give reasons for the urgency and to indicate where in the order of business the item will be considered.

North Essex Garden Communities - Kerslake Peer Review 7 - 36

The Chairman has agreed that the item below should be considered as a matter of urgency, in accordance with the undertaking given at the Cabinet meeting of 30 November 2016 that the Kerslake Peer Review be reported at the earliest

opportunity.

See report by the Strategic Director - Commercial and Place

3 Declarations of Interest

The Chairman to invite Councillors to declare individually any interests they may have in the items on the agenda. Councillors should consult Meetings General Procedure Rule 7 for full guidance on the registration and declaration of interests. However Councillors may wish to note the following:-

- Where a Councillor has a disclosable pecuniary interest, other pecuniary interest or a non-pecuniary interest in any business of the authority and he/she is present at a meeting of the authority at which the business is considered, the Councillor must disclose to that meeting the existence and nature of that interest, whether or not such interest is registered on his/her register of Interests or if he/she has made a pending notification.

- If a Councillor has a disclosable pecuniary interest in a matter being considered at a meeting, he/she must not participate in any discussion or vote on the matter at the meeting. The Councillor must withdraw from the room where the meeting is being held unless he/she has received a dispensation from the Monitoring Officer.

- Where a Councillor has another pecuniary interest in a matter being considered at a meeting and where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the Councillor’s judgement of the public interest, the Councillor must disclose the existence and nature of the interest and withdraw from the room where the meeting is being held unless he/she has received a dispensation from the Monitoring Officer.

- Failure to comply with the arrangements regarding disclosable pecuniary interests without reasonable excuse is a criminal offence, with a penalty of up to £5,000 and disqualification from office for up to 5 years.

4 Minutes

To confirm as a correct record the minutes of the meeting held on 20 December 2016.

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5 **Have Your Say!**

a) The Chairman to invite members of the public to indicate if they wish to speak or present a petition at this meeting – either on an item on the agenda or on a general matter relating to the terms of reference of the Committee/Panel not on this agenda. You should indicate your wish to speak at this point if your name has not been noted by Council staff.

(b) The Chairman to invite contributions from members of the public who wish to Have Your Say! on a general matter relating to the terms of reference of the Committee/Panel not on this agenda.

6 **Call-In Procedure**

To consider any items referred by the Scrutiny Panel under the call-in procedure. At the time of the publication of this agenda, there were none.

7 **Strategy/Resources**

7(i) **2017/18 Revenue Budget, Council Tax and Medium Term Financial Forecast** 45 - 128

See report by the Assistant Chief Executive

8 **Housing and Public Protection**

8(i) **Housing Revenue Account Estimates 2017/18** 129 - 152

See report by the Head of Commercial Services

8(ii) **Housing Investment Programme 2017/18** 153 - 162

See report by the Head of Commercial Services

9 **Culture and Regeneration**

9(i) **Half Yearly Performance Report Including Progress on Strategic Action Plan** 163 - 192

See report by the Assistant Chief Executive and minute 100 from the Scrutiny Panel meeting of 13 December 2016.

10 **Resources**

10(i) **Appointment of External Auditor** 193 - 194

See report by the Assistant Chief Executive

10(ii) **Member Charter Status** 195 - 216

See minute from the Member Development Group meeting on 26 January 2017.

The report to the Member Development Group on 26 January 2017 is attached as background.

11 **General**

11(i) **Progress of Responses to the Public** 217 - 220

To note the contents of the Progress Sheet

12 **Exclusion of the Public (Cabinet)**

In accordance with Section 100A(4) of the Local Government Act 1972 and in accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 to exclude the public, including the press, from the meeting so that any items containing exempt information (for example 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)

Cabinet		**Item** **2**
1 February 2017		
Report of	**Strategic Director – Commercial and Place**	**Author: Chris Outtersides** **Tel: 07867 578 548**
Title	**North Essex Garden Communities – Kerslake Peer Review**	
Wards affected	All	

This report concerns the Peer Review led by Lord Bob Kerslake into the North Essex Garden Communities Project

1. Decision(s) Required

1.1 To note the Kerslake Review Report provided at Appendix A; and

1.2 To note the North Essex Garden Communities' partnership initial response provided at Appendix B and the intention of the partnership to draw up actions to address the Report's recommendations.

2. Reasons for Decision(s)

2.1 Cabinet has previously supported the programme to investigate the potential of Garden Communities across North Essex. The purpose of this report is to brief Cabinet on the outcome of the Lord Kerslake led Peer Review, to note the partnership's initial response and the next steps in responding to the recommendations of the Review.

3. Alternative Options

3.1 No alternative options are presented.

4. Supporting Information

4.1 A Peer Review process was instructed by the NEGC Programme in November 2016. This review was led by Lord Bob Kerslake. Lord Kerslake is the Chair of Peabody, Chair of the IPPR London Housing Commission and Chairman of King's College Hospital NHS Foundation Trust.

4.2 In addition to Lord Kerslake, the review team comprised the following members:

- Lord Jamie Borwick, Chairman of Countryside Properties (Bicester) Ltd, developer of the Kinsmere scheme of 2,600 houses in Bicester and an investor in property in the UK;
- Trudi Elliott CBE, Chief Executive of the Royal Town Planning Institute;
- Eugene Dreyer: founder of *y*studio ltd, masterplan and design consultancy;
- Malcolm Sharp MBE, Planning and Local Government consultant advising on all aspects of delivering planning services; and

- Graham Hughes, Executive Director of Economy, Transport and Environment at Cambridgeshire County Council.

The Brief

4.3 The Review Brief was agreed by the Shadow Delivery Board at its meeting on the 3rd November and included the following:

- Are we ambitious enough (place shaping);
- How do we maintain quality and pace of build development;
- Are we maximising our position with Government in terms of support and funding;
- Are we positioned to exploit any commercial income streams which could come from the development;
- What's the best vehicle for managing the opportunity; and
- Do we have the capacity and capability to oversee the developments effectively?

4.4 A Self-Assessment was undertaken by the lead Directors from the partnership in advance of the review commencing.

Review Process

4.5 Members of the review team met with the lead Directors from the partnership on the 9th November. This meeting involved a tour of the three Garden Community sites and a presentation. Lord Kerslake then met with the four authorities' Leaders and Chief Executives on the 10th November 2016.

4.6 Following these initial meetings, follow up sessions were held between members of the review team and various members of the project team to discuss specific issues including Local Plan process and infrastructure. In addition, Lord Kerslake also spoke with one of the landowners involved.

Review Report

4.7 A copy of the final report prepared by Lord Kerslake is provided at Appendix A of this report.

4.8 In summary, the report commended the partnership on the following:

- The councils' ambition for this project is impressive;
- This is an excellent example of cooperation between councils;
- Considerable progress has been made; and
- The initiative could be of strategic national importance.

4.9 In terms of the key challenges, the report recommends the following items for action:

- There are significant differences between the three sites which have implications for the pace of delivery. So the councils should look at the phasing of the development and be prepared to differentiate their strategy for each site.
- The timetable for the Local Plan is ambitious given the scale and complexity of the garden communities. The councils should take action to ensure local plans can have the best chance of being found 'sound' in an appropriate timescale
- The project team needs to build capacity and increase its development expertise in order to deliver the councils' ambitions
- The councils are committing to a significant level of exposure and should explore ways to spread their risk that do not sacrifice their ambitions for these communities
- The councils should maintain some flexibility on the delivery model for each site.

- The three sites for these communities are dependent on some major infrastructure commitments. It is important to be very clear about these dependencies.
- The councils will need to raise the profile of North Essex Garden Communities with government - and be clear what they need from government - to deliver development on this scale. Councils acknowledge the project has not been sufficiently on the radar of senior government officials and ministers.
- The councils need to be able to articulate a strong strategic narrative for these developments

4.10 The report concludes with the following recommendations:

- Develop a clear, differentiated strategy for each site
- Resource up accordingly. You need a full time Director and a dedicated project team
- Explore development partners and finance partners
- Build a much stronger, high level conversation with government
- Revisit the delivery timetable
- Revisit the Local Plans timetables with the aid of the 'PAS toolkit' to ensure the Plans are likely to be found 'sound' and discuss implications with The Planning Inspectorate and Highways Agency.
- Clarify the position on local plan timetabling with DCLG.

Partnership Response

4.11 The Review Report has been placed on each of the partner Council's websites. To accompany the review, the partnership has prepared an initial response. This is provided at Appendix B and, in summary, sets out the following in relation to the recommendations:

- **Develop a clear, differentiated strategy for each site -** Work is already underway on an individual 'concept framework' for each of the potential new communities, and we will continue to engage with local bodies and various groups and residents to bring out the individual characteristics of each proposed location. This initial stage is expected to be complete by the end of March and will be followed by further consultation on the ideas.

  We recognise there is a need to strengthen the narrative across North Essex within which this Garden Communities programme would fit. We welcome the initial exploration by the review team of an example of how such a strategic narrative could be framed. We will now be looking to advance this work ourselves over the early part of this year.

- **Resource up accordingly. You need a full time director and a dedicated project team -** We have secured substantial funding from Government for this project and have each added additional sums. While recognising the substantial cost of developing this programme it is paramount that we apply the right resources at each stage to deliver quality schemes. It is recognised that at this next stage a dedicated director and more resource within the programme team is likely to be required and this is being taken forward.

- **Explore development and finance partners -** There have been initial conversations with a range of partners and it is envisaged that the Local Delivery Vehicles, who will be responsible for developing the plans for the individual communities, will want to continue these with a view to identifying the right partners which share the long term buy-in and are committed to achieving our shared vision.

While the current delivery strategy involves a Local Delivery Vehicle structure for each community, there is flexibility within this approach to allow different delivery strategies should they be considered appropriate. In addition, and in part due to the unique nature of each of the negotiations with the respective landowners, the programme team representing each of the council partners are open to other delivery strategies and opportunities across the three communities.

- **Build a much stronger, high level conversation with government -** We welcome the acknowledgement that the project is potentially of national significance and recognise that success depends upon the delivery of timely infrastructure. This is something we have committed to, and the recognition that we should be doing more to engage Government at the highest levels in order to get government resources to help deliver on a significant part of their national housing strategy is supported.

- **Revisit the delivery timetable -** It is recognised that individual schemes will deliver at a different pace over time, although one advantage of this work is it should allow 'smoothing' of delivery rates across North Essex over coming years. The North Essex Garden Communities (NEGC) body has been set up specifically to monitor delivery and ensure that action is taken by the Delivery Vehicles to achieve their timetables.

- **Revisit the Local Plans timetables to ensure the Plans are likely to be found 'sound' and discuss implications with The Planning Inspectorate -** We have quickly moved to review Local Plan timetables as suggested by the review, and rescheduled the timetables to allow more time to collect the appropriate evidence and to carry out the necessary analysis.

  We are committed to ensuring the best position is presented at Inquiry to enable the Planning Inspector to find our Local Plans sound. We have formally now scheduled respective Local Plans so that consultation on the Submission Draft Local Plans will be in June 2017.

- **Clarify the position on local plan timetabling with DCLG -** Conversations have been held with DCLG and the Planning Inspectorate and these will continue over coming months. Focused discussions with the DCLG Local Plans team will continue to ensure that both the Planning Inspector and DCLG are aware and supportive of the proposed Local Plan timings.

Action Plan

4.12 In addition to the public response, a more detailed Action Plan is being prepared by the partnership.

Next Steps

4.13 Following further consideration of the final Peer Review report and the Action Plan, the partnership will prepare an Annual Plan setting out key deliverables and milestone dates.

5. Strategic Plan References

5.1 The Strategic Plan Action Plan includes a commitment to make Colchester a vibrant, prosperous, thriving and welcoming place. The consideration of Garden Communities forms part of the new Local Plan process which, in turn, will contribute to the attainment of this commitment through new development, conservation and regeneration.

6. Publicity Considerations

6.1 The partnership's public response provided at Appendix A has been uploaded to each of the partnership's websites. In addition, a press release setting out the Review recommendations was released before Christmas.

7. Financial implications

7.1 The Peer Review was undertaken pro bono.

8. Equality, Diversity and Human Rights implications

8.1 No direct implications.

9. Risk Management Implications

9.1 The NEGC Programme Team maintains a Risk Register. The recommendations of the Peer Review, along with those set out in the public response and the proposed Action Plan will be added to the register. Risk management will continue to be considered by the partnership as the programme is developed.

North Essex Garden Communities Peer Review

Lord Bob Kerslake

Published: January 2017

Contents

Background and scope of the peer review

In October 2016 the Leaders and Chief Executives of Braintree, Colchester, Tendring and Essex Councils asked me to lead a peer review to look at their approach to delivering Garden Communities in North Essex.

The guiding questions were:

- Are we ambitious enough (place shaping)?
- How do we maintain the pace and quality of build development?
- Are we maximising our position with Government in terms of support and funding?
- Are we positioned to exploit any commercial income streams which could come from the development?
- What is the best vehicle for managing the opportunity?
- Do we have the capacity and capability to oversee the developments effectively?

The members of the review team were selected on the basis of their relevant experience and expertise. In addition to me, they were:

- **Lord Jamie Borwick**, Chairman of Countryside Properties (Bicester) Ltd, developer of the Kinsmere scheme of 2,600 houses in Bicester and an investor in property in the UK.
- **Trudi Elliott CBE**, Chief Executive of the Royal Town Planning Institute
- **Eugene Dreyer**, founder of ystudio ltd, masterplan and design consultancy.
- **Malcolm Sharp MBE**, Planning and Local Government consultant advising on all aspects of delivering planning services
- **Graham Hughes**, Executive Director of Economy, Transport and Environment at Cambridgeshire County Council

The review was not a Local Government Association Peer Challenge as such, although it adopted many of the principles in the approach to the review. A peer review is neither an inspection nor an inquiry. It is normally tailored to the needs of the council subject to the review and is designed to complement the council's own performance and improvement processes. Crucially, it is an opportunity for a council to obtain informed, external feedback on key areas of their work. In this case the four councils wanted a short, focused, independent review of their approach to delivering Garden Communities in North Essex.

The review took place in November 2016. The review team reviewed a range of background documents provided by the Garden Communities project team and visited the three proposed locations. They met with the lead Directors of the four Councils who explained the background and the reasoning behind the approach the Councils are taking towards the proposals. The Directors also submitted a self-assessment against the six questions. The Review Team subsequently spoke with the council planning teams, key advisors, land owners, developers and officials at the Department for Communities and Local Government (DCLG) to clarify and explore specific areas of interest in more depth. The review was able to take account of evidence submitted by local groups, including CAUSE, although in the time available it was not possible for the review team to engage directly with local communities.

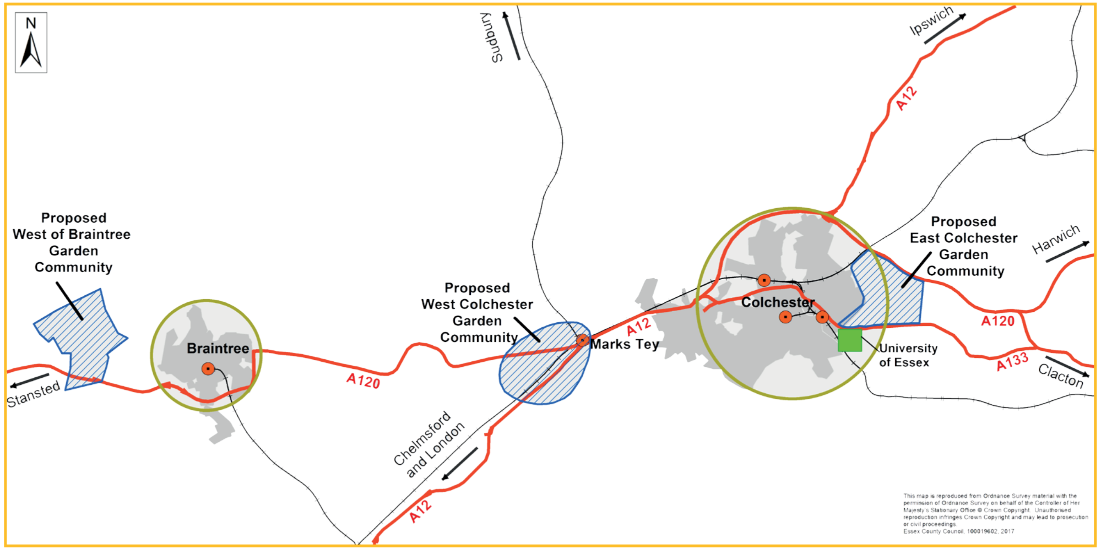
The review team presented its findings to the Leaders and Chief Executives of the four councils in early December 2016. This report sets out those findings

Context for the review

Braintree, Colchester and Tendring and Essex Councils have been working together to explore the delivery of Garden Communities across three main locations in North Essex.

The project has the potential to deliver up to 40,000 homes over a 30 year period in mixed use new communities. Areas of search for three new garden communities were contained within the Local Plan Preferred Options consultations of all three local planning authorities in 2016. Specific sites and boundaries have not yet been determined but will be refined through the Local Plan decision-making process.

In common with many areas of the UK, Essex faces a significant challenge to deliver the required number of homes to sustain both its economic aspirations and the needs of its population. Traditional approaches to housing development have led to problems with delivery and sustainability. The four councils have entered into a collaborative partnership to deliver a significant proportion of the housing required for this part of Essex on Garden Community principles, together with the economic and employment opportunities and the transport and community infrastructure to support these new communities.



Tendring/Colchester could deliver 7,000 to 9,000 homes, which makes it the smallest of the three sites. It would require improved transport connections with Colchester and a link road to the A120. The University of Essex, which is one of the UK's fastest growing universities, and the Knowledge Gateway would provide business and employment opportunities for the community.

West Colchester/Marks Tey is the largest and most complex development proposed and could deliver up to 20,000 homes, or more depending upon the site option chosen. The existing community of Marks Tey is divided by major roads and the railway and the new community would depend upon a significant upgrade to the A120.

West Braintree could deliver up to 13,000 homes. It is predominantly rural and sited on farmland. It benefits from proximity to Stansted Airport. It would need good transport links to the strategic road network and improved rail links.

Key strengths

The review team noted some particular strengths in this project.

The project could deliver as many as 40,000 homes, housing around 92,000 people.

The councils' ambition for this project is impressive.
In 2014 the Department for Communities and Local Government issued a prospectus "Locally-led Garden Cities", which invited expressions of interest from councils interested in developing new Garden Settlements. Many councils have talked about developing a garden community but there are few as well advanced as North Essex in actually putting their aspirations into effect. There are even fewer attempting to develop a garden community on this scale. Across the three areas the project could deliver as many as 40,000 homes, which could house around 92,000 people. That is equivalent to a small city the size of Bath.

It is also clear that this is not just a housing project. The project team have the ambition to create the community infrastructure, economic and employment opportunities that a new community will need, and to explore new technologies and approaches to managing community assets. This is place-making in its widest sense.

This is an excellent example of cooperation between councils
The importance of councils working together is rightly a major theme of public policy. This project is a superb example of such co-operation in practice. Braintree, Colchester and Tendring councils have been working with Essex County Council since 2014 to develop plans for Garden Communities across three main locations in North Essex. It is clear that there is very strong collaboration between the four councils regardless of political affiliation. There are good working relationships between those involved and a strong partnership has been established. We were impressed by the degree of unity between the councils and evidence that they are thinking strategically about joint interests.

It is natural that in the early phases of developing this partnership the councils have focused on identifying the goals, objectives and principles that underpin their partnership and building a consistent approach across the three areas of search with shared management arrangements, project structures and programme of activities. In order to move forward to the next phase focused on delivering the communities, the partnership now needs to further invest in their working relationship and develop the distinctive characteristics of each place, which will involve differentiating between them.

There are no winners or losers in this process – all four councils have something to gain from working together on this initiative. Some may be able to move ahead faster than others but all will achieve their individual objectives over time if they continue to work together as well as they have done so far.

Considerable progress has been made
In the space of two years a significant amount of detailed analysis has been done for all three areas. The councils are currently working on the production of Local Plans covering the period 2017 to 2033 and have made good use of DCLG funding to support feasibility work and commission expert advice in relation to the proposed Garden Communities. A detailed feasibility study has identified the opportunities and constraints, capacity, infrastructure requirements and potential viability for each place. Work is also well advanced to develop approaches to delivering the communities including detailed proposals for a delivery model. The potential Garden Communities are being developed in line with the Town and Country Planning Association Garden City principles. The councils have also drawn up their own Garden Communities Charter that adapts these principles to the local context and articulates their ambition for these communities. This represents a powerful statement of principles to guide the proposals.

The initiative could be of strategic national importance
This project represents an opportunity to design a 21st century community that goes beyond the immediate imperative to deliver the number of homes required to support the population of North Essex. There are opportunities to put new thinking to the test about sustainable communities and how new communities are developed.

The project also offers huge potential beyond North Essex. The councils are clear about the links to wider infrastructure and economic development and there is scope to develop this as part of the wider Stansted – Colchester – Harwich corridor in a way that reinforces links between the East and West of the country, strengthening national infrastructure and developing the country's economic capability.

The importance of councils working together is rightly a major theme of public policy. This project is a superb example of such co-operation in practice.

Key challenges and recommendations for action

The review team has drawn on its collective knowledge and experience of housing, planning and local government to highlight the challenges faced by the project, and make recommendations for action.

Plans for the communities have reached a stage where it is now important to establish a distinct identify for each place.

There are significant differences between the three locations which have implications for the pace of delivery. So the councils should look at the programme for delivering these communities and be prepared to differentiate their strategy for each place.

Tendring/Colchester would be the most straightforward of the three communities to deliver and would lend itself to alternative delivery approaches such as a partnership with another developer, finance or business partner, for example. It is capable of being delivered on a shorter timescale than the other two. **West Braintree** is quite different in character, but presents an opportunity to establish a distinct character for the Garden Community. There are infrastructure requirements but these are relatively achievable. **West Colchester/Marks Tey** would be a large and complex project to deliver on its own, quite apart from the other two. It is absolutely dependent on upgrading the A120, and has complex land ownership. As a result it may take longer for the councils to deliver this development than the other two sites.

Plans for the communities have reached a stage where it is now important to establish a distinct identity for each place – and choose a name for each of these new communities. Up to this stage it is understandable that the councils have needed to use objective criteria to analyse the potential capacity and the viability of the three areas of search but from here on they need to develop each site as an individual community.

The timetable for the Local Plan is ambitious given the scale and complexity of the garden communities. The councils should take action to ensure local plans can have the best chance of being found 'sound' in an appropriate timescale.
The complexity of the evidence base required to underpin a local plan is substantial, and there are detailed interdependencies between the delivery of different infrastructure and homes on sites. There is also the assessment of reasonable alternatives, sustainability assessment and viability issues, to list a few of the necessary elements. As a result the current local plan timetable is ambitious.
It is particularly important to look at the infrastructure dependencies and clearly identify their impact on the Local Plan. The councils should also review their own timetables to make sure that they can deliver a sound Local Plan. We strongly recommend that they complete the Planning Advisory Service Toolkit to evaluate their readiness. Then it is important to ensure that the planning teams have sufficient capacity and resources to deliver the Local Plans to that timetable. The planning teams should strengthen their connections with DCLG to make sure that the Department understands the scale of what the councils are trying to do and explore the implications in respect of their preferred timetable in the context of Ministerial pronouncements concerning intervention in local plan preparation.

The delivery team needs to build capacity and increase its development expertise in order to deliver the councils' ambitions.
The existing team working on the project is highly committed with a wide range of relevant experience and expertise for the work completed to date. However, the current team is too small to deliver the next stage of the project; all but two staff deliver this project alongside other work. The next delivery stage of the project will require greater experience of housing development than exists within the dedicated team.

As a result, the formation of a dedicated, full time delivery team should be a priority led by a full time Director with appropriate authority to take operational decisions. For settlements of this scale, significant development resource will be needed over a long period. Comparisons with other developments suggest that for a community of a scale comparable to these proposals, the resourcing from start to planning approval might typically take 7 years, and would cost in the region of £5m for the team, consultants and consultations. The team can be kept quite small in number but would require people with specific development expertise, including programme management, financial modelling, legal, planning, quantity surveying and community engagement led by an experienced, dedicated management team in addition to specialist consultants. Attracting people with the right skills and experience will need to reflect the market for these roles.

There is also a need to act quickly and whilst transparency remains important normal local authority procurement procedures may prove to be restrictive. The recruitment of an experienced leader, or the creation of a collaborative partnership with others, is absolutely vital for the successful delivery of this project.

The councils are potentially committing to a significant level of exposure and should explore ways to spread their risk that do not sacrifice their ambitions for these communities.
On current plans, which involve delivering all three communities to the same timescale, it is estimated that peak debt could reach £481m with build starting in 2022 and no net positive position until 2053. In part this is a consequence of the delivery model in which the councils take on the lead developer role. These are illustrative figures and the councils recognise the scale of the commitment and the need to explore options to mitigate this. We recommend that the councils explore alternative models and funding options. One or more of the communities could be delivered as a collaborative venture with a strategic partner who supports the principles that the councils want to promote. A partnership with a developer or strategic finance partner would reduce the councils' exposure and increase the capacity and resource available to the project.

The councils should maintain some flexibility on the delivery model for each community.
The overarching body for the North Essex Garden settlements helps bind the councils together in a joint endeavour. The rationale for the model that the councils are proposing to adopt for the three separate locations is based upon their desire to maintain some control over the developments and to provide mechanisms to manage issues that cross local authority boundaries. The current model also aims to give landowners confidence and support conversations with government and infrastructure bodies.

However, given the differences between the land ownership, viability, deliverability and location of the three communities, it could make sense to adapt the site-based delivery model for one or more of the communities. The councils should ensure that they maintain the flexibility to do this and consider the opportunities and risks of alternative models.

The formation of a dedicated, full time delivery team should be a priority.

The project has scope to contribute to a range of other national agendas, including infrastructure, economic growth, employment, technology and sustainability.

The three locations proposed for these communities are dependent on some major infrastructure commitments. It is important to be very clear about these dependencies.
Major investment is required to deliver the new communities in full, including substantial improvements to parts of the A120 and A12. The councils need to be clear on the phasing of the delivery of each piece of infrastructure that will unlock aspects of sites for housing in each of three major new settlements. The project team should map these dependencies in order to develop a detailed understanding of what they need to deliver this development and in what order. This includes being very clear about who is responsible for funding or delivery of each element, in particular of infrastructure.

The councils will need to raise the profile of North Essex Garden Communities with government – and be clear what they need from government – to deliver development on this scale. Councils acknowledge the project has not been sufficiently on the radar of senior government officials and ministers.
The councils need to be clear about what infrastructure they can deliver themselves and what investment they need from government. Delivering the Garden Communities will require significant investment from government in major infrastructure to underpin the housing elements. Senior officials and ministers in Whitehall will need to champion the communities when making investment decisions. In our conversations we found that DCLG were interested and positive but need a clearer understanding about what is needed to unlock delivery of these proposals. We found there was limited knowledge of the project outside the immediate team in DCLG responsible for providing exploratory funding.

The need to deliver houses at pace is one major reason for undertaking this project, and against the background of the current housing agenda, Government's main interest will be in the pace of the delivery. This means it is important that the councils are clear about what it is possible to deliver within the first five years, then each subsequent phase, and crucially, what they need to unlock each phase. Further, the opportunity should be seized to accelerate delivery of the houses in these schemes, which may take further government investment, innovative structures or ideas.

The project has scope to contribute to a range of other national agendas, including infrastructure, economic growth, employment, technology and sustainability. The councils need to raise their profile with ministers and senior officials in Whitehall and government agencies, and to broaden their links with departments other than DCLG and public bodies responsible for delivering infrastructure, which may have an interest in the opportunities presented by these developments. Having built a strong local partnership, the four councils now need to build and consolidate their partnerships with government and its agencies, including bodies such as Highways England and Network Rail.

The councils need to be able to articulate a strong strategic narrative for these developments.
The councils have done a great deal of detailed, technical work to identify the scope, capacity, requirements and viability of each area of search and drawn up a Charter articulating a clear set of principles to guide delivery of the communities . However, the project lacks a narrative that puts the three communities into a regional and national context. It is vital that they now develop an overarching narrative that communicates the aims of the project, the unique contribution that the communities can make to the region as a whole and beyond and the individual identity of each place. They will need this strategic narrative in order to articulate what they are trying to do to government, potential partners and the wider community and to establish a clear vision to guide the work of the delivery team.

A strategic narrative should articulate what is proposed, including what a garden community is in this context and how the proposals will contribute to North Essex and beyond this to the Eastern region and the country as a whole. The settlements need to be positioned within the context of a wider growth story about Essex in relation to both Cambridge and London and how the underlying infrastructure will build upon the wider transport network across the South East. Eugene Dreyer produced an outline of what a strategic narrative for the North Essex Garden Communities should cover and a summary of this is provided in the Appendix to this report.

Summary of Recommendations

To summarise, we believe that the following seven actions will enable the councils to strengthen their approach and make progress on this development:

1. Develop a clear, differentiated strategy for each place
2. Resource up accordingly. You need a full time Director and a dedicated delivery team
3. Explore development partners and finance partners
4. Build a much stronger, high level conversation with government
5. Revisit the delivery timetable
6. Revisit the timetables of the Local Plans with the aid of the “PAS toolkit’ to ensure the Plans are likely to be found ‘sound’ and discuss implications with The Planning Inspectorate and Highways England.
7. Clarify the position on local plan timetabling with DCLG.

The four councils will want to reflect on these findings and recommendations and draw up an implementation plan. In the Review Panel’s view forming a dedicated delivery team with a full time Director should be an immediate priority. This will create the capacity for the partnership to take a more individualised approach to each community. Individual members of the review team would be happy to provide further information and advice to support your thinking and build upon this review.

Appendix A:
The need for a strategic narrative

The Peer Review team believes that the North Essex Garden Communities initiative needs a powerful strategic narrative. This will allow all partners to communicate ambitions clearly to Government and to all stakeholders. A strategic narrative is needed for North Essex as a whole, and a unique narrative is needed for each place.

Eugene Dreyer of **ystudio ltd** prepared the presentation below for the Councils to show what a strategic narrative for the North Essex Garden Communities should involve.

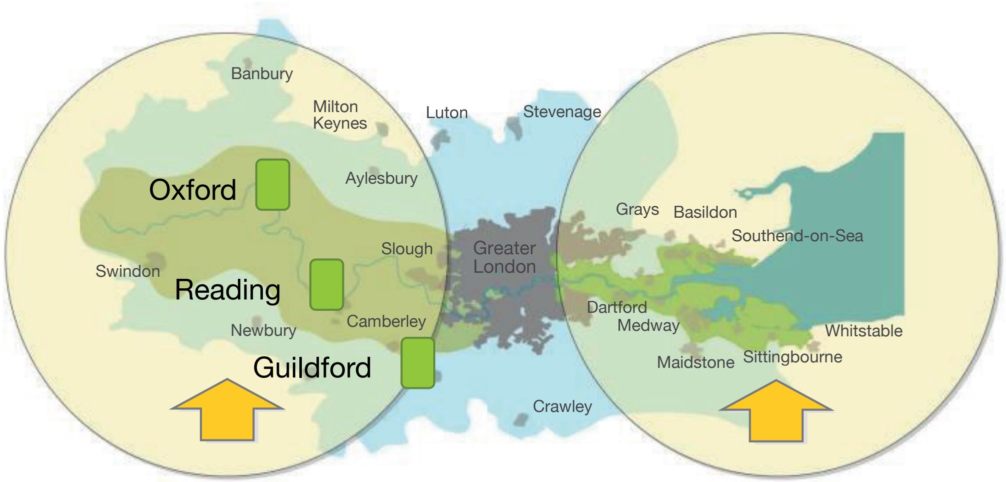
The presentation began by referring Councils to the example of the Thames Gateway, for which a strategic narrative was developed by Eugene Dreyer on behalf of Lord Kerslake, then Chief Executive of the Homes and Communities Agency.

At recent peer review meeting it was agreed that the North Essex Garden Communities initiative needs a powerful strategic narrative.

The strategic narrative needs to communicate the project ambitions to a range of audiences. A five stage outline of what should be included in a narrative was presented. This is summarised on the slide below. It was pointed out that a narrative should set out an ambitious and compelling vision but that it should also describe the practicalities of overcoming challenges to bring the initiative successfully to fruition.

A narrative is needed for North Essex as a whole...

...and a narrative is needed for each place.

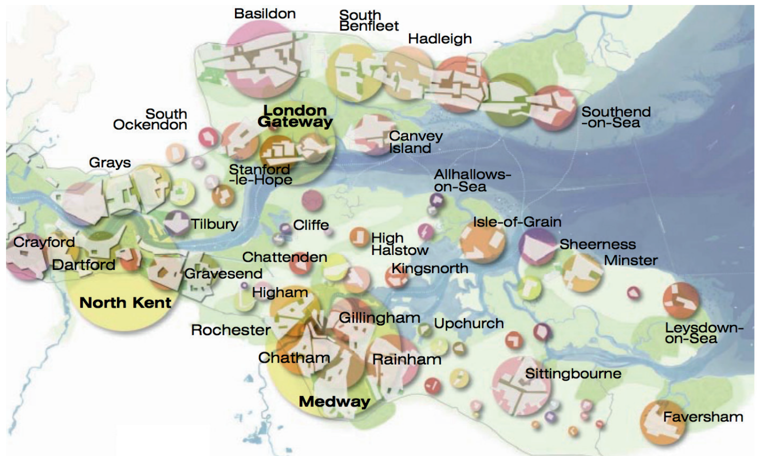


Success in the Thames Valley was planned for in 1971 **based on high tech industry**

Thames Valley

Plan for success in the Thames Estuary in the **based on a high quality environment**

Thames Estuary



FARRELLS with ystudio ltd

The strategic narrative needs to describe the initiative to a range of audiences – it should:

1. Describe **project aims** – explain why the initiative is needed.
2. Outline the main **issues and challenges** that need to be addressed.
3. Paint a **portrait of place** describing its potential as a major growth area.
4. Communicate the **vision** for North Essex as a whole and each new garden community.
5. Describe **the way forward** and provide a timeline for the short, medium and long term.

The North Essex Garden Communities initiative is a very ambitious proposal for a large area of the county. In addition to providing headlines describing the initiative, the narrative should also provide a strong rationale for the choice of the three sites. It should provide answers about key details, such as the proposed densities put forward for each place and the number of jobs being proposed.

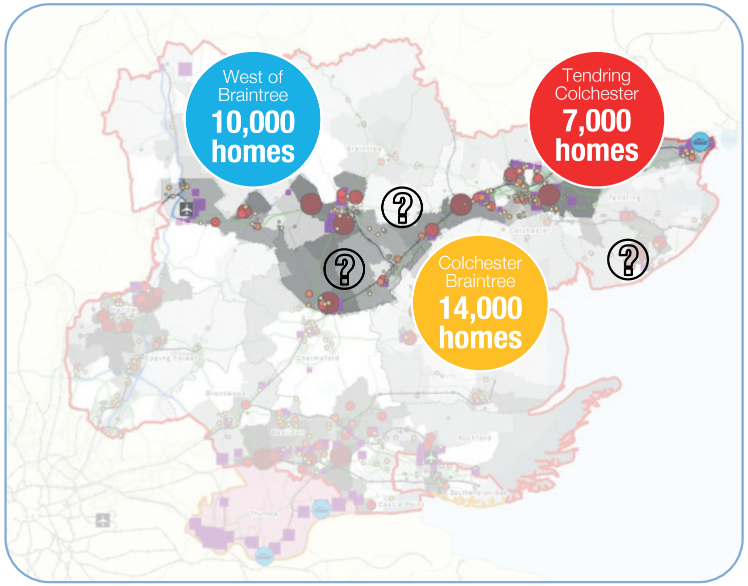
① PROJECT AIMS
The strategic narrative should explain why the initiative is necessary and what is proposed.

FARRELLS with ystudio ltd

The proposed garden communities in North Essex will add over 80,000 to the existing population – that is equivalent to the City of Bath. The narrative should explain how this increase will be successfully integrated with existing places.

- Why is **major housing growth** being considered in North Essex?
- What is a **garden community**?
- **Why have the three sites been chosen?**
- How do the new garden communities relate to other allocated sites?
- What are the **appropriate densities** in each case?
- How does growth **strengthen the network of existing places** in North Essex?
- Can growth help tackle the area's challenges such as **coastal deprivation**?

The strategic narrative should clearly set out the challenges and explain what is needed to overcome these. It should explain the infrastructure investment required – specifically investment in rail infrastructure, the A12 and the A120 - as well as investment in education, health, social and cultural facilities.



Population **80,000**

Homes **32,000**

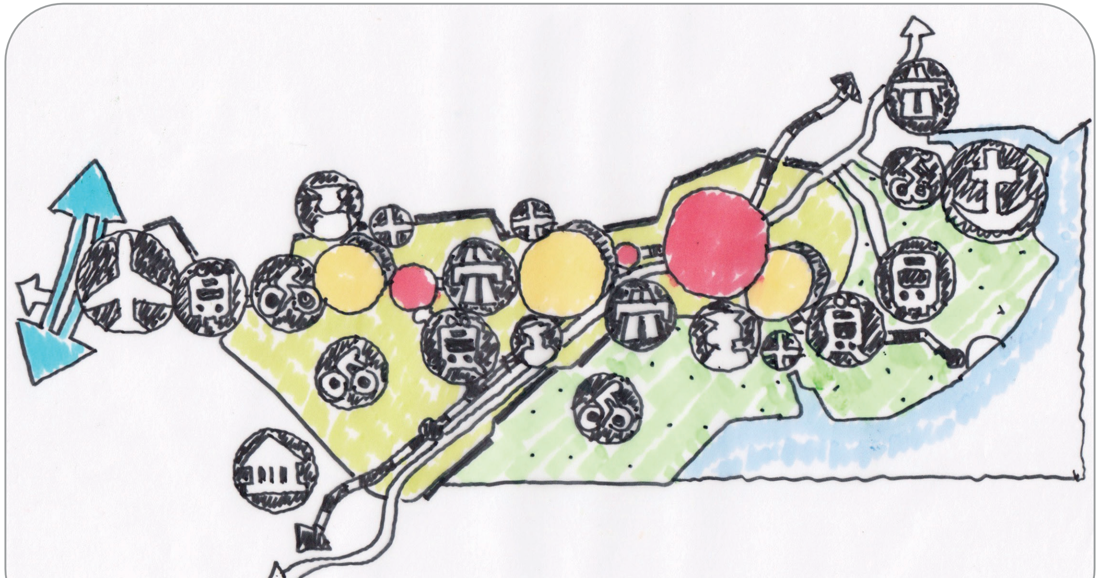
No. of Jobs **9,200**

2 THE CHALLENGES

The strategic narrative should clearly set out the challenges and explain what is needed to overcome these.

- How will growth affect **existing** places?
- What is the **strategic approach to employment, education, health provision?**
- What **new infrastructure** is needed to meet this growth need?
- **How will it all be paid** for and **when** does the money need to be spent?

The strategic narrative should provide a portrait of place that describes North Essex's unique potential. This should include how it contributes to the region and how it relates to London, Cambridge and the M11 growth corridor. It was pointed out that the North Essex Garden Communities initiative is potentially of national significance. The strategic narrative will help to communicate its importance more effectively to key audiences.



The narrative should explain what infrastructure investment is needed as well as education, health, social and cultural facilities

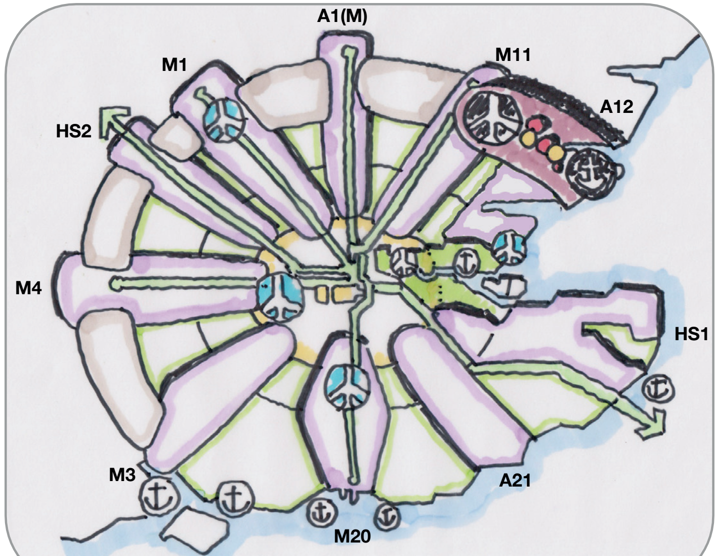
FARRELLS with ystudio ltd

③ A PORTRAIT OF PLACE

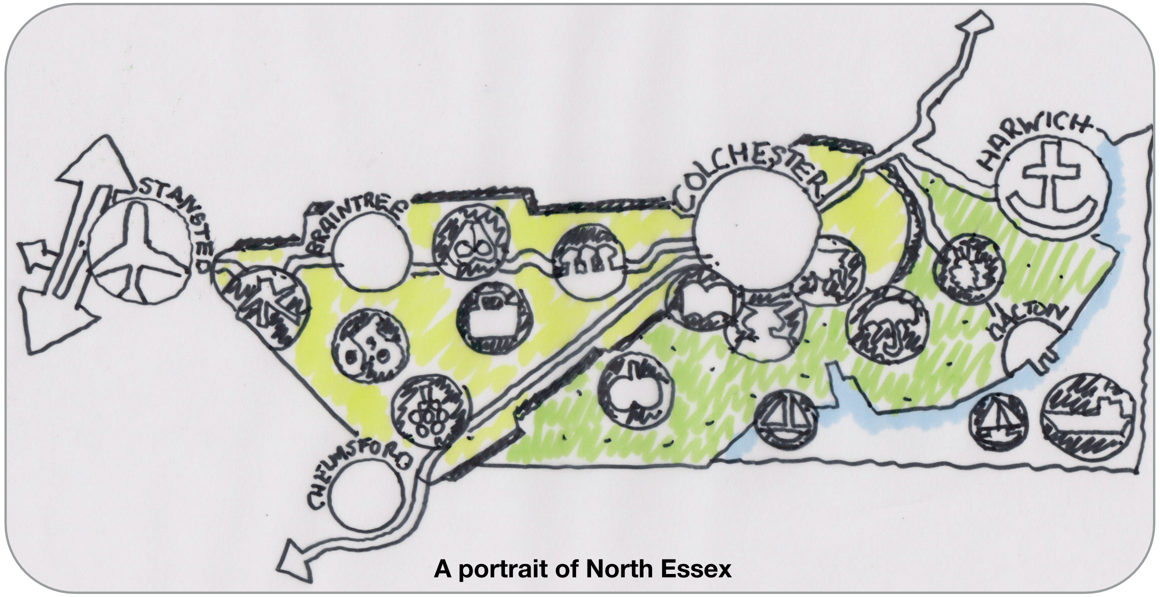
The strategic narrative should provide a portrait of place that describes North Essex's unique potential.

- What does North Essex contribute to the **metropolitan region**?
- How does it relate to London, Cambridge, and the M11 growth corridor?
- What is its **unique role** – What is the area's **unique growth potential**?

The strategic narrative should put forward a compelling vision for the North Essex Garden Communities initiative. This provides the context for the three new garden communities. It should clearly show how the three new places complement and enhance the network of existing places. It should also show how infrastructure investment contributes to future success.



Metropolitan context



A portrait of North Essex

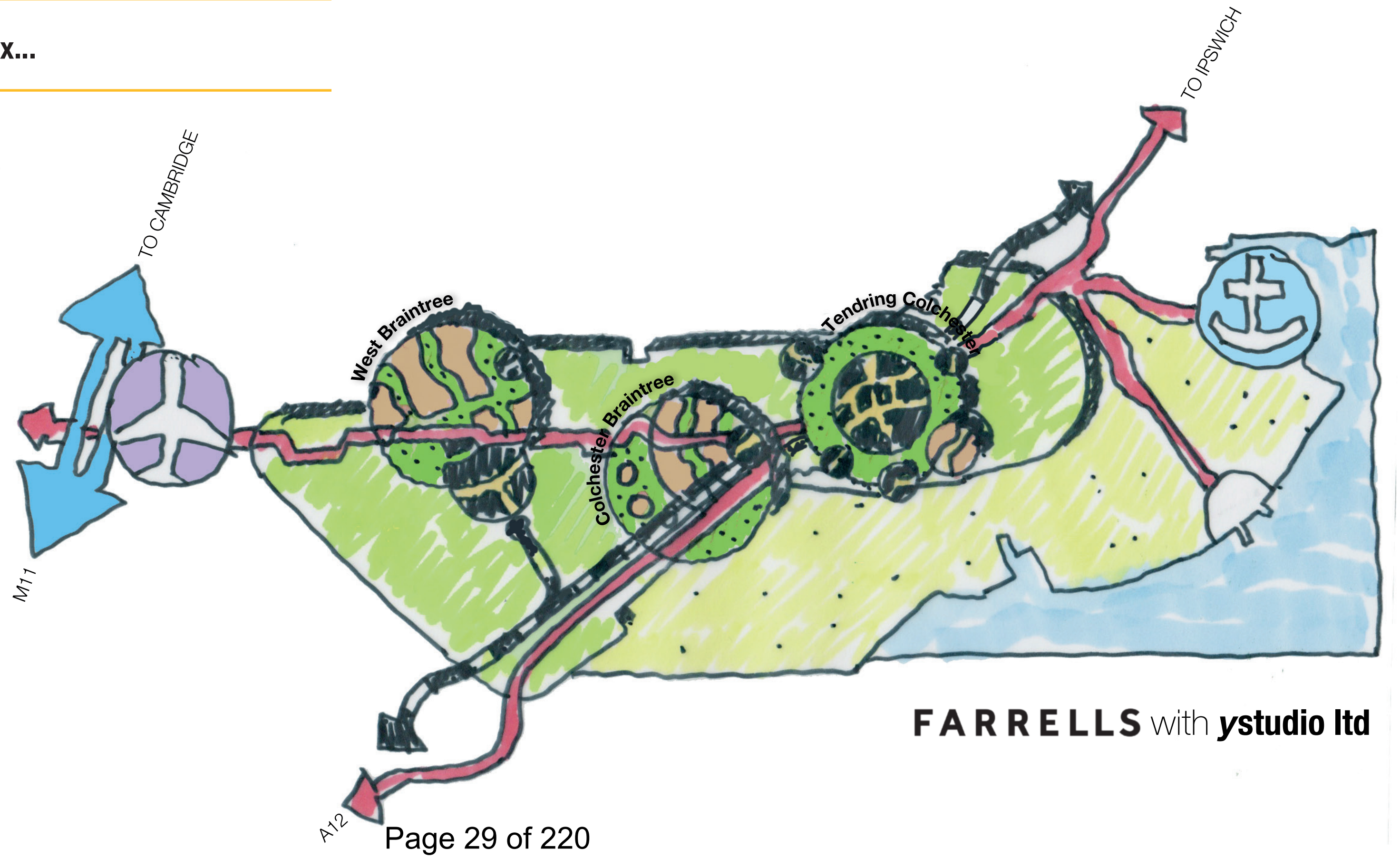
FARRELLS with ystudio ltd

4 THE VISION
The vision should provide an illustration of project ambition – and indicate how individual sites fit in within the big picture.

A 'picture on the box' for North Essex...

- An **illustrated vision** for North Essex which provides the 'picture on the box'.
- An **integrated approach** to growth which talks about housing delivery and employment need – but also the **needs of each place**.
- A **vision for North Essex** within the metropolitan region which builds on North Essex's **distinctiveness** – and the **uniqueness of each place**.
- A **vision for each place**.

The strategic narrative should also show how each of the three places is unique. It should provide a high level overview of each new place's character, its function or functions, the development densities that are being proposed, and other key metrics.



FARRELLS with ***ystudio ltd***

4 THE VISION

The vision should provide an illustration of project ambition – and indicate how individual sites fit in within the big picture.

...and a vision for each place

- An **illustrated vision** for North Essex which provides the 'picture on the box'.
- An **integrated approach** to growth which talks about housing delivery and employment need – but also the **needs of each place**.
- A **vision for North Essex** within the metropolitan region which builds on North Essex's **distinctiveness** – and the **uniqueness of each place**.
- A **vision for each place**.

FARRELLS with ystudio ltd

5 THE WAY FORWARD
The strategic narrative should describe the way forward.

Finally, the strategic narrative should describe the way forward and how growth unfolds in the short, medium and long term.

This includes an institutional framework that explains how the public and private sectors will work together. It also requires a development framework that outlines how the process will be managed and how the growth process will unfold in the short, medium and long term. This will involve addressing the issue of whether the different places are treated the same or using different models.

- A **development framework** – explain how **public and private** sectors will work together.
- Do different sites need **different models**?
- A **development framework** – how will the process be managed?
- Describe the growth process in the **short, medium,** and **long term**.

FARRELLS with ***ystudio ltd***

Response on findings

We are very grateful for the time Lord Kerslake and his team provided to us to take stock of what is one of the biggest projects of this type in the country.

That he was willing to give his time and undertake this review on a pro-bono basis demonstrates the significance and importance of the scheme and the principles of Garden Communities.

Within the report Lord Kerslake commends the scale of ambition and strength of co-operation between the councils in developing the proposed North Essex Garden Communities and we welcome his praise of the progress made and his comments that the initiative has “huge potential on a national scale".

The report also highlights a number of recommendations as follows:

1. Develop a clear, differentiated strategy for each site
Work is already underway on individual ‘concept framework’ for each of the potential new communities, and we will continue to engage with local bodies and various groups and residents to bring out the individual characteristics of each proposed location. This initial stage is expected to be complete by spring and will be followed by further consultation on the ideas.

We recognise there is a need to strengthen the narrative across North Essex within which the Garden Communities programme would fit. We welcome the initial exploration by the review team of an example of how such a strategic narrative could be framed. We will now be looking to advance this work ourselves over the early part of this year.

2. Resource up accordingly. You need a full time director and a dedicated project team

We have secured funding from Government for this project and have each added additional sums to begin the first stages of the programme. This has allowed us to make substantial process.

However we recognise there is a need to resource appropriately in the future, both in terms of finance and the experience required in the team as the programme progresses, and we will ensure the right resources are applied at each stage.

We recognise that at this next stage a dedicated director and more resource within the programme team is likely to be required and this is being taken forward.

3. Explore development and finance partners
There have been initial conversations with a range of partners and it is envisaged that the Local Delivery Vehicles, who will be responsible for developing the plans for the individual communities, will want to continue these with a view to identifying the right partners which share the long term buy-in and are committed to achieving our shared vision.

While the current delivery strategy involves a Local Delivery Vehicle structure for each community, there is flexibility within this approach to allow different delivery strategies should they be considered appropriate. In addition, and in part due to the unique nature of each of the negotiations with the respective landowners, the programme team representing each of the council partners are open to other delivery strategies and opportunities across the three communities.

4. Build a much stronger, high level conversation with government
We welcome the acknowledgement that the project is potentially of national significance and recognise that success depends upon the delivery of timely infrastructure. This is something we have committed to, and the recognition that we should be doing more to engage Government at the highest levels in order to get government resources to help deliver on a significant part of their national housing strategy is supported.

5. Revisit the delivery timetable
It is recognised that individual schemes will deliver at a different pace over time, although one advantage of this work is it should allow 'smoothing' of delivery rates across North Essex over coming years. The North Essex Garden Communities (NEGC) body has been set up specifically to monitor delivery and ensure that action is taken by the Delivery Vehicles to achieve their timetables.

6. Revisit the Local Plans timetables to ensure the Plans are likely to be found 'sound' and discuss implications with The Planning Inspectorate.
We have quickly moved to review Local Plan timetables as suggested by the review, and rescheduled the timetables to allow more time to collect the appropriate evidence and to carry out the necessary analysis.

We are committed to ensuring the best position is presented at Inquiry to enable the Planning Inspector to find our Local Plans sound. We have formally now scheduled respective Local Plans so that consultation on the Submission Draft Local Plans will be in June 2017.

7. Clarify the position on local plan timetabling with DCLG.
Conversations have been held with DCLG and the Planning Inspectorate and these will continue over coming months. Focused discussions with the DCLG Local Plans

team will continue to ensure that both the Planning Inspector and DCLG are aware and supportive of the proposed Local Plan timings.

Councils in this document refers to: Braintree District Council, Colchester Borough Council, Tendring District Council and Essex County Council.

CABINET
20 December 2016

Present: - Councillor Smith (Chairman)
Councillors Bourne, Cory, Feltham, Graham, Lilley, B. Oxford and T. Young

Also in attendance: - Councillors Davies, Harris, Hazell, Lissimore, Warnes and Willetts

127. Minutes

RESOLVED that the minutes of the meeting held on 30 November 2016 be confirmed as a correct record.

128. Have Your Say!

Nicholas Bown addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1). The role of Councillors was to speak for the people, to make a difference and provide community leadership. Councillors needed to consider whether they fulfilled this role and whether they did all they could to help their residents. In particular Councillors needed to consider how they could help the homeless and remember the plight of the homeless over the Christmas period.

In response, Councillor Smith, Leader of the Council and Portfolio Holder for Strategy, explained that many Councillors across all parties worked very hard. They received their mandate via election by their constituents. Each Councillor was provided with a community budget of £2000 to spend in their ward. In terms of homelessness, the Council had introduced policies to help those in housing need or threatened with homelessness such as the rent deposit scheme and a scheme to help with furniture and white goods. However, the best way of addressing homelessness was to build more housing, particularly social rented housing. The Council was prevented from building Council housing by government policies.

129. Colchester Waste Collection Strategy

The Chief Operating Officer submitted a report a copy of which had been circulated to each Member together with minute 96 from the Scrutiny Panel meeting of 12 December 2016.

David Kent addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1). The survey on which the proposals were based had only reached 2% of residents of the borough. In Stanway this would equate to a very small number of households. It was unclear how these households had been selected and whether this was this was a representative sample. Wheeled bins were not wanted as they were an eyesore and were difficult for the elderly or disabled to move. Concern was also expressed about the reduction in the size of white garden waste sacks.

Former Councillor Peter Thompson addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1). When addressing the Scrutiny Panel he had highlighted the lack of public involvement in recycling and waste management issues. The Council's proposals demonstrated that a combined system of black bag and wheeled bins methods of collection alongside each other was possible. Residents should be able to simply choose which method they preferred. Such a system would be cheaper and would have the advantage of pleasing all residents. The Council needed to approach the issue seriously, with an open mind and put ideas out to open consultation.

Councillor Harris attended and, with the consent of the Chairman, addressed the Cabinet to express concern that some of those who opposed the introduction of wheeled bins were accused of being opposed to recycling. He had conducted his own survey within Berechurch ward which had shown only 20% in favour of wheeled bins and therefore he did not feel able to support the proposals. A number of streets within the ward were not suitable for wheeled bins so a flexible approach needed to be taken, despite the intention to introduce them across the ward. The introduction of wheeled bins also needed to be tempered to take into account the needs of residents who would be unable to manage them.

Councillor Lissimore attended, and with the consent of the Chairman, addressed the Cabinet. A number of the questions she had raised at the Scrutiny Panel remained unanswered. It was unclear how the three bag limit per household for residual waste would be policed. If more sacks were put out, would these be left on the street? In addition, Councillor Lissimore queried how the stocks of white sacks would be monitored. Instead of providing white sacks without charge, it would be more sensible to build in sufficient time on the rounds for white sacks to be properly returned to their properties. No details were provided about the properties that would be receiving wheeled bins. How would the Council deal with those bins that were permanently left out in front of properties?

Councillor Lissimore asked how the changes would increase recycling. Wheeled bins made it easier to hide the fact that households were not recycling. Residents needed more information and better education on how to recycle properly. The consultation had shown that 82% of residents were happy with the existing service and the Council should seek to build and develop this service. No other Council provided the service in this way.

Councillor Warnes attended and, with the consent of the Chairman, addressed the Cabinet. He had consulted widely within Berechurch ward on the proposals in the time available. A wide range of views had been expressed. There were a number of residents who were opposed to wheeled bins per se. They were perceived by some as unsightly, smelly and difficult to move. A number of residents were also opposed to the move to fortnightly collections. However, two views recurred throughout the consultation:-

- Black refuse sacks were smelly, vulnerable to animals, unsightly and were put out early by some residents;

- Many of those who supported wheeled bins did so on the basis that they would help them increase recycling.

Wheeled bins would effectively “design out” the faults inherent in black bags. The exemptions policy would accommodate those who found wheeled bins difficult to manage.

Councillor G. Oxford attended and, with the consent of the Chairman, addressed the Cabinet. Education was key to help residents increase recycling, in particular through schools. One of the main incentives to increase recycling was to reduce landfill tax charges. The scope of the exemptions policy was noted. Facilities to house wheeled bins need to be incorporated into the design of future housing.

Councilor Davies attended and, with the consent of the Chairman, addressed the Cabinet. The extensive scale of the changes proposed was highlighted. Not all of these were required to meet the aims of increasing recycling and reducing the amount of residual waste sent to landfill. This was compared with the simple “Keep it to 3” campaign run by Swansea Council which had significantly improved its recycling performance. An education campaign was needed. It was the amount of waste that was allowed to be collected, rather the receptacle it was collected from that was key. She suggested that the introduction of the following programme of changes would achieve the Council’s objectives at a cost of £300,000, which was a saving of £566,000 on the administration’s proposals:-

- A limit of 3 black bags of residual waste per household;
- Residual waste to be collected fortnightly;
- 60 litre black sacks printed with recycling information to be provided free;
- Charging to continue for white garden waste sacks;
- The introduction of a second green box for the separation of glass and cans.

In response, Councillor Graham, Portfolio Holder for Waste and Sustainability, responded to the speakers and made the following points:-

- A significant number of responses had been received to the consultation. The number of responses was in line with that received for other major consultations. The administration had also taken account of the views of local ward councillors in their role as community leaders.
- The smaller white sacks was a result of a manufacturing error. The Council would receive some recompense and any resident that wished to exchange the smaller sacks should contact the Council.
- It was not accepted that the involvement of the public on waste issues had been non-existent. A comprehensive communications plan was in place and considerable public engagement was ongoing. This would include engagement with schools to ensure that behaviour change began at the earliest opportunity.
- The views of those who opposed wheeled bins were respected. He did not accept that residents who opposed wheeled bins did not support recycling.
- Wheeled bins would be provided for the property/household, not for the individual resident.
- In terms of concerns about how the implementation of the changes collections would be policed and monitored, the zones teams and collection staff would be responsible. There would be a 6 month soft launch which would give an opportunity for issues and problems to be addressed as they arose.

- Detailed work on the exact properties that would receive wheeled bins and the collection routes would begin once the proposals had been agreed. It would be premature to begin such time consuming work in advance of this.
- There would be no change to way that stocks of white sacks were monitored.
- The Exemptions Policy would be a flexible document which would evolve over time.
- The need to reduce landfill charges through reducing the amount of residual waste was an important driver behind the proposed changes to the service. Equally important were environmental factors and the need to reduce residual waste sent to landfill to protect the environment.

Councillor Graham also explained that the financial implications of the changes had been looked at very carefully, especially in view of the settlement from central government. As a consequence it was proposed to provide a second green box only to those residents who requested it. Many residents either already had a second box or did not require one. This would reduce the cost of introducing the changes by £150,000.

Councilor Graham thanked the officers involved in developing the proposals. The proposals would reduce the amount of residual waste sent to landfill and increase recycling significantly.

Councillor T. Young, Portfolio Holder for Culture and Regeneration, expressed his support and commended the work of Councillor Graham, together with officers, previous Portfolio Holders and the members of the Waste and Recycling Options Task and Finish Group. Whilst the proposals were a compromise, they would be successful. The administration was keen to improve its performance in recycling and all the best performing authorities had introduced wheeled bins. He was confident that residents who livened in the areas where wheeled bins would be introduced would rise to the challenge and use them effectively. Those who found wheeled bins difficult to manage would be able to request an assisted collection.

Councillor Smith, Leaser of the Council and Portfolio Holder for Strategy, thanked all officer and Councillors for their work in developing the proposals. These were the most significant changes to the waste collection arrangements in a generation. As far as was possible, the system was being adapted to meet the wishes of local residents. The proposals also needed to be considered in the context of the cuts to local government funding imposed by central government.

RESOLVED that:-

(a) The following changes to the way in which the Council collects waste and recycling be agreed:-

(i) End the provision of free black sacks;
(ii) Residual waste to be collected fortnightly;
(iii) A limit of three black sacks for residual waste for areas that do not have wheeled bins;
(iv) The introduction of a second green box so that glass and cans are separated at the request of the resident;
(v) Provision of free white garden sacks in areas that will not have wheeled bins from

the date of the introduction of the changes;
(vi) The introduction of wheeled bin collections for specific areas of the Borough; one for residual waste and a second optional bin for garden waste;
(vii) The continued provision of free clear sacks for recycling materials as at present.

(b) The exemptions policy that will allow households who are unable to reduce their residual waste for example because of the size of the household, to put out additional residual waste and provision of a weekly collection of medical waste be agreed.

(c) The revenue implications set out in the Chief Operating Officer's report be included in the 2017/18 budget and Medium Term Financial Forecast.

(d) As part of the final budget report it be agreed to recommend to Council the inclusion in the capital programme of the capital budget requirements set out in Chief Operating Officer's report.

(e) Subject to appropriate budget provisions being agreed, authority be delegated to the Chief Operating Officer, in consultation with the Portfolio Holder for Waste and Sustainability, for the procurement of the appropriate number of wheeled bins, green boxes and other capital expenditure as outlined in section 12 of the Chief Operating Officer's report to be funded from the capital programme

REASONS

A waste vision was adopted by the Council in 2015 which sets out how decisions relating to waste management will be reviewed:

- Waste is managed in accordance with the waste hierarchy, so that waste is prevented and minimised where possible
- Reuse activity is encouraged in households and businesses
- Recycling activity increases the quantity of recyclable material and produces high quality materials that are required by re-processors
- The environmental impacts of the whole system of waste management are minimised
- The recycling and waste collection service provided by the Council provides value for money for its customers

The key aims of the proposals are:-
- To improve our performance, in particular reducing residual waste and increasing recycling
- To provide a waste and recycling collection service requested by residents

ALTERNATIVE OPTIONS

To retain the current collection methods and to accept inability to improve recycling or further reduce residual waste.

To introduce wheeled bins across the whole Borough

There are a variety of other options around some of the detail, but the decisions proposed, following careful consideration and analysis, are believed to be those that

- most closely meet the views of the public
- deliver the most benefit in terms of improving performance
- provide the best value for money
- meet the priorities set out in the Waste Vision

130. Colchester and Ipswich Museums application to the Arts Council England (ACE) National Portfolio Investment Programme (NPO) 2018/19 to 2021/22

The Head of Community Services submitted a report a copy of which had been circulated to each Member.

Councillor T. Young, Portfolio Holder for Culture and Regeneration, explained that the Arts Council had extended the National Portfolio Investment Programme Funding to museums. The Arts Council had encouraged Colchester and Ipswich Museums to make an application for Band One funding, which was up to £250,000. Given Colchester and Ipswich Museums record of success, he was confident that it could make a successful application.

RESOLVED that:-

(a) The submission of an Arts Council England (ACE) four year National Portfolio Investment Programme (NPO) 2018/19-2021/22 bid for Band 1 funding by Colchester Borough Council in respect of our Joint Museum Service with Ipswich Borough Council be approved.

(b) Authority be delegated to the Head of Community Services, in consultation with the Portfolio Holder for Culture and Regeneration to sign off and submit the bid in line with Arts Council England deadlines.

REASONS

CIMS is not currently in receipt of NPO funding and competition will be strong. While there is no guarantee that the submission of a bid will result in an award, continuous improvements and investment in Colchester's heritage is a key part of our Strategic Plan and of importance to residents and visitors. As such the Council feels it is important to seek out and respond to funding opportunities.

Delegated authority to the Head of Community Services provides the maximum time and opportunity for input and work on the final bid submission which is subject to a tight timescale and online portal process.

ALTERNATIVE OPTIONS

To not proceed with an application to ACE for NPO funding 2018/19-2021/22

131. Asset Management Strategy

Minute 140 from the Trading Board meeting of 23 November 2016 was submitted to the Cabinet for consideration, together with the draft Asset Management Strategy dated November 2016.

The Cabinet received a presentation from Fiona Duhamel, Economic Growth Manager, and Elizabeth Simpson, Estates Manager, setting out the Council's property assets and how these were managed to reflect the Council's key strategic objectives.

Councillor Cory, Portfolio Holder for Resources, thanked officers for the work involved in developing the Strategy. The Strategy would help bring business to Colchester, develop community assets, increase inward investment and develop income streams for the Council. The Strategy would be supported by an Action Plan.

Councillor Smith, Leader of the Council and Portfolio Holder for Strategy, Councillor B. Oxford, Portfolio Holder for Customers and Councillor Feltham, Portfolio Holder for Business, Leisure and Opportunities, all expressed their support for the Strategy highlighting in particular how the Strategy impacted positively on residents and linked up with the Council's Community Development, Environmental and Events Strategies.

RESOLVED that the Asset Management Strategy dated November 2016 be approved.

REASONS

The previous Asset Management Plan covered the period 2010-2013 and needs to be updated to set out a strategy for how Colchester Borough Council will manage its assets over the next 5 years.

ALTERNATIVE OPTIONS

Not to approve the Asset Management Strategy, or approve it with amendments.

132. Calendar of Meetings 2017-18

The Assistant Chief Executive submitted a report a copy of which had been circulated to each Member together with a revised copy of the draft calendar of meetings on the Supplementary Agenda.

RESOLVED that:-

(a) The draft Calendar of Meetings for the municipal year from May 2017 to April 2018 be approved

(b) Authority to cancel meetings be delegated to the Chairman of the relevant Committee/Panel in conjunction with the Assistant Chief Executive.

REASONS

The Calendar of Meetings needs to be determined so that decisions for the year can be timetabled into the respective work programmes and the Forward Plan.

Advance notice of the Calendar of Meetings needs to be made available to external organisations, parish councils and other bodies with which the Council works in partnership and to those members of the public who may wish to attend meetings of the council and make representations.

The meeting rooms also need to be reserved as soon as possible so that room bookings can be made for private functions by private individuals, external organisations and internal Council groups.

A formal arrangement needs to be in place for the cancellation of meetings that no longer need to be held.

ALTERNATIVE OPTIONS

The proposals in the Assistant Chief Executive's report have largely been devised on the current meeting structure and frequency, it would be possible to devise alternative proposals using different criteria.

Colchester

Cabinet

Item 7(i)

1 February 2017

Report of	**Assistant Chief Executive**	**Author**	**Sean Plummer** ☏ **282347**
Title	**2017/18 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast**		
Wards affected	n/a		

This report requests Cabinet to recommend to Council:
- **The 2017/18 General Fund Revenue Budget**
- **Colchester's element of the Council Tax for 2017/18**
- **The Medium Term Financial Forecast**
- **The Capital Programme**
- **The Prudential Indicators and Treasury Management Strategy and Annual Investment Strategy**

1. Decisions Required

1.1 To note that for the purpose of assessing the impact on balances the outturn for the current financial year is forecast to be an overspend of £240k. (paragraph 3.4.).

1.2 To note the provisional Finance Settlement figures set out in Section 4 showing a cut to the Settlement Funding Assessment of £980k.

1.3 To note the figures for the business rates retention scheme and the arrangements for completion of the required return of estimated business rates income as set out at paragraph 4.8.

1.4 To note the changes made to the New Homes Bonus scheme and that there is a grant reduction in 2017/18 of £931k as set out in section 4 with further reductions in the grant in later years.

1.5 To approve the cost pressures, growth items, proposed use of New Homes Bonus, savings and increased income options identified during the budget forecast process as set out at in section 5 and detailed in Appendices C, D and E.

1.6 To consider and recommend to Council the 2017/18 Revenue Budget requirement of £25,911k (paragraph 5.16) and the underlying detailed budgets set out in summary at Appendix F and Background Papers subject to the final proposal to be made in respect of Council Tax.

1.7 To recommend to Council, Colchester's element of the Council Tax for 2017/18 at £180.18 per Band D property, which represents an increase of £4.95 (2.8%) from the current rate noting that the formal resolution to Council will include Parish, Police, Fire and County Council precepts and any changes arising from the formal Finance Settlement announcement and final completion of the business rates NNDR 1. This will be prepared in consultation with the Leader of the Council.

1.8 To agree the Revenue Balances for the financial year 2017/18 as set out at Appendix J and agree that the:-

- the minimum level be set at a minimum of £1,900k
- £499k of balances, including sums carried forward from 2016/17, be applied to finance items in the 2017/18 revenue budget

1.9. To note the updated position on earmarked reserves set out in section 8 and agree the release of:-
£20k from the S106 monitoring reserve
£489k from the business rates reserve.
£325k use of capital expenditure reserve for ICT strategy
£150k use of parking reserve

1.10. To agree to use £3.173m from a combination of General Fund balances and reserves to fund the one off pension fund payment and that provision be made within the budget in 2018/19 and 2019/20 to reinstate these balances as set out in section 8.

1.11. To agree and recommend to Council that £100k of Revenue Balances be earmarked for potential unplanned expenditure within the guidelines set out at paragraph 9.3.

1.12. To note the Medium Term Financial Forecast for the financial years 2017/18 to 2020/21 set out in section 11.

1.13. To note the position on the Capital Programme shown at section 12 and agree to recommend to Council the inclusion in the Capital Programme of:-

- £857k for changes to the waste service as agreed by Cabinet.
- £500k to deliver new social housing funded from the HRA Right to Buy Reserve

1.14 To note the comments made on the robustness of budget estimates at section 13.

1.15. To approve and recommend to Council the 2017/18 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out in the background paper at Appendix N.

2. Background Information and Summary

2.1 The 2017/18 Revenue Budget and the Capital Programme have been prepared in accordance with a process and timetable agreed at Cabinet and endorsed by the Scrutiny Panel (Appendix A).

2.2. The Revenue Budget for 2017/18 has been prepared against a background of meeting the Council's Strategic Plan objectives whilst continuing to face significant financial pressures from the reductions in core Government funding. Every effort has been made to produce a balanced budget that includes a deliverable level of savings and income and provides for investment in key services. This has been achieved through a budget strategy that has resulted in:-

- the delivery of savings through the service review process including delivering channel shift
- making efficiencies through specific budget reviews and business plans
- maximising new and existing income streams
- recognising cost pressures and making decisions on budget changes where necessary

2.3. The budget includes savings or additional income of almost £3m. This compares to £1.5m included within the 16/17 budget. A large proportion of savings are based on proposals to work more efficiently and to maximise opportunities to increase income. As part of this year's budget an "outturn review" was again carried out which reviewed spending and income compared to the 2016/17 budget. This helped to identify areas where spending regularly falls below current budget levels, including some 'contingency' areas.

2.4. Core Government funding for 2017/18 is being reduced by £1m which follows a reduction in 2016/17 of £1.2m. Further reductions have also been confirmed as part of the 4 year settlement. However, these cuts alone are not the only pressures the Council has needed to address in the budget. Costs from general inflation and pay assumptions, additional business rates costs as a result of the revaluation exercise and additional employer pension costs have also added to the budget pressures.

2.5. The methodology for the New Homes Bonus is changing in 2017/18 which has resulted in a cut in the grant of £0.9m (16%). The Council has been taking steps to reduce the level of New Homes Bonus which is used to support the base budget. This means that there is still £3.1m available to support new investment. Some proposals are included in this report and further allocations will be made later in the year.

2.6. The financial outlook set out within the Medium Term Financial Forecast (MTFF) shows that further reductions in core Government funding and cost pressures faced by the Council show a cumulative budget gap of £6.5m over the next three years. Planned savings, including a significant reduction in funding for new projects from the New Homes Bonus mean that this gap has reduced to £2.5m.

2.7. The 4 year Settlement figures show that Revenue Support Grant will end by 2019/20. The Government's spending power figures also illustrate that the importance of the Council's own income through Council Tax and business rates are expected to increase to help to mitigate this cut.

2.8. The Settlement confirms that legislation to allow 100% of business rates to be retained by local government will be delivered by the end of this parliament. This will not mean that Colchester will keep 100% of the business rates collected, however, it may provide the potential to keep a greater share of business rates, alongside possible changes in responsibilities and risks.

2.9. These changes mean that it is important for the Council to fully consider the budget and medium term plans in light of the new funding arrangements.

2.10. Further information on the budget is provided in the following paragraphs.

2.11. This report should be read and considered alongside the report in respect of the Housing Revenue Account and Housing Investment Programme to provide a full assessment of the Council's financial position and plans.

3. Current Year's Financial Position

3.1 In order to inform the 2017/18 budget process and forecast level of reserves it is useful to first review the current year's financial position. Revenue budgets are monitored on a monthly basis with regular reports to Senior Management Team and the Scrutiny Panel.

3.2. It was reported to Scrutiny Panel on 8 November that the current year's budget position showed a forecast net overspend £240k. This reflected some one off cost pressures and a number of positive and negative budget variances. There remain some outstanding risks and changes that are likely to be made to the forecast. For the purpose of considering the impact on balances it is considered prudent and appropriate to assume that the end of year position is in line with the last reported figure.

3.3 The position continues to be monitored, and Governance and Audit Committee will receive a report setting out a detailed position in March. As is common there are a number of budgeted costs that may not be fully spent in the financial year. The report to Scrutiny Panel will include details of any such changes, and this will be used when considering the end of year position.

3.4 **Cabinet is asked to note that the forecast outturn position for the current year is expected to be a net overspend of £240k and that this be used as part of the assessment of balances. The position will continue to be monitored.**

4 Finance Settlement (Government Funding)

4.1. The provisional Local Government Finance Settlement was announced in Parliament on 15 December 2016. The Settlement includes a number of funding arrangements, concepts and terminology introduced in 2013/14. This section of the budget report provides a summary of the key issues including:-

- Settlement Funding Assessment (SFA) including Revenue Support Grant (RSG)
- Business Rates Baseline and tariffs and top-ups, levies and safety net
- New Homes Bonus
- Core Spending Power

4.2. The SFA which comprises our RSG and business rate baseline figure has been cut by **£0.98million (17%).** This reduction is in line with the 4 year funding settlement which the Council applied for and which has been agreed by Government.

	16/17	17/18	Change	
	£'000	£'000	£'000	%
RSG	1,978	920	(1,058)	-53%
Business Rates Baseline	3,960	4,038	78	2%
Settlement Funding Assessment (SFA)	5,938	4,958	(980)	-17%

4.3. The split of the settlement funding is important. The Revenue Support Grant element is a non ring-fenced fixed grant. The baseline funding level is used as part of the retention of business rates scheme as explained below.

Business Rates Baseline and tariffs and top-ups

4.4. The SFA includes the Council's baseline funding level for the Business Rates Retention scheme. This is based on our historic business rates collection, adjusted by a 'tariff' payment. A local authority must pay a tariff if its individual authority business rates baseline is greater than its baseline funding level. Conversely, a local authority will receive a top-up if its baseline funding level is greater than its individual authority business rates baseline.

4.5. The following table sets out a summary of the baseline position for Colchester for 2017/18 showing the *indicative* required tariff payment of £20.5m.

	£'000
Billing Authority Baseline	30,691
CBC Individual Baseline (80%)	24,553
Less Tariff	(20,515)
Baseline funding	**4,038**
Safety Net threshold (92.5%)	3,735

4.6. It should be noted that the above figures **do not** take into account any impact of the 2017 revaluation exercise on the Business Rates Retention scheme. The 2017 revaluation will impact average bills, the baseline figure, top up/tariff adjustments and the level of losses through appeals. However, it is currently projected that the impact on the 2017/18 budget will be broadly cost neutral. This final position will be updated in the final budget report to Full Council.

4.7. The business rate retention scheme includes a degree of protection against reduction in business rates collected (the Safety Net), which means that 92.5% of the baseline funding in year is guaranteed. It also includes a method for ensuring that any growth above the baseline is shared with Central Government, the County Council and Fire Authority (the Levy). The Council keeps 40% of any additional income.

4.8. The arrangements for business rate retention require the Council to agree an estimate of business rates income for the coming year (the NNDR 1) by 31 January. This return includes a number of key assumptions in respect of collection rates, growth and an allowance for the impact of revaluation appeals. Based on initial projections it is anticipated that the NNDR 1 will show additional income above the baseline funding level, of which the Council's share is forecast to be in the region of £900k. This takes into account the estimated Section 31 grant due to the Council in relation to business rates relief provided to small businesses and retailers, which forms part of the Levy and Safety Net calculation. This will remain a risk and one which will be considered in the final paper for Full Council and within updates to the MTFF, alongside any impact of the 2017 revaluation.

Business Rates Pooling

4.9. Under the business rates retention scheme local authorities are able to come together, on a voluntary basis to pool their business rates receipts and then agree collectively how these will be distributed between pool members.

4.10. Pooling provides the opportunity to keep a greater share of business rates within Essex that would otherwise be paid to Government as a 'Levy', providing that districts experience growth above their baselines. However the protection each authority receives under the safety net arrangements in the event of a shortfall is removed, with the 7.5% safety net only applying to the overall pool.

4.11. In 2016/17 Colchester is one of nine District Councils together with the County Council and Fire Authority in a pooling agreement. All authorities in the pool have agreed it will continue into 2017/18 in its current form.

4.12. It should be noted that the information set out in this report in respect of business rates reflects the arrangements for business rate retention as an individual authority and not in a pool. However, based on indicative forecasts it is projected that pooling in 2017/18 would be beneficial to the Council, and the final decision will be considered in future year's budget reports and updates to the MTFF.

4.13. The Settlement is provisional and subject to consultation which ended on 13 January 2017. Traditionally, there has been very little change between the provisional and actual Settlement. Any marginal change to the Council's entitlement will be reflected in the final budget recommendation to Council.

4.14. In addition to the Settlement funding figures other grants have been announced. The key grant for Colchester is the New Homes Bonus.

New Homes Bonus (NHB)

4.15. The 2017/18 grant has been announced and reflects changes to the methodology of the scheme. The Government published a consultation paper on changes to the New Homes Bonus: "New Homes Bonus: Sharpening the Incentive".

4.16. The final figure is a total grant for 2017/18 of £4.783m, a reduction of £931k. The detailed breakdown of the grant is set out at Appendix B and is summarised below:-

	2016/17	**2017/18**	**Change**
	£'000	**£'000**	**£'000**
Basic NHB	*5,426*	4,506	(920)
Affordable homes bonus	*288*	277	(11)
Total New Homes Bonus	**5,714**	**4,783**	**(931)**

4.17. There are two main changes made to the scheme in 2017/18:-

- From 17/18 payments are made over 5 years rather than 6. From 18/19 this will reduce further to payments being for 4 years.
- In addition from 17/18 the scheme has introduced a national baseline of 0.4%. NHB is only paid above this level.

4.18. In total these changes to the NHB scheme have reduced the grant that this Council would otherwise have received in 17/18 by £1.16m. The following table sets out the forecasts for basic element of the New Homes Bonus for the next four years following the changes showing that this part of the grant is forecast to reduce from £5.4m this year to c£2m by 2020/21 :-

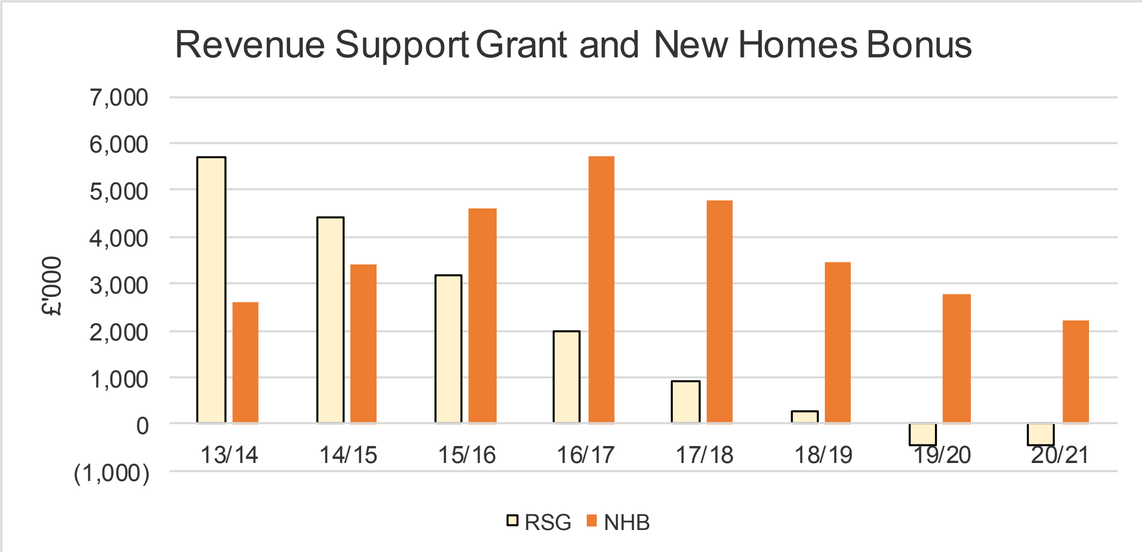
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Growth re 09/10	724	*nil*	*nil*	*nil*	*nil*	*nil*
Growth re 10/11	749	*nil*	*nil*	*nil*	*nil*	*nil*
Growth re 11/12	986	986	*nil*	*nil*	*nil*	*nil*
Growth re 12/13	757	757	*nil*	*nil*	*nil*	*nil*
Growth re 13/14	1,185	1,185	1,185	*nil*	*nil*	*nil*
Growth re 14/15	1,025	1,025	1,025	1,025	*nil*	*nil*
Growth re 15/16		553	553	553	553	*nil*
Growth re 16/17 (est)			500	500	500	500
Growth re 17/18 (est)				500	500	500
Growth re 18/19 (est)					500	500
Growth re 19/20 (est)						500
Total basic NHB	5,426	4,506	3,263	2,578	2,053	2,000

4.19. As stated earlier, the Settlement, including the New Homes Bonus proposals, is subject to consultation. The Council has responded to comment on the changes, principally in respect of the deadweight' baseline level of 0.4%. This level was not included in the original consultation and does not appear to form part of the responses made to the original consultation and could not have been predicted by authorities. The Government is asking if consideration should be given to implementing transitional measures to limit the impact of reforms to the New Homes Bonus and we have replied to say this should be looked at.

4.20. The Council has recognised the risk that the New Homes Bonus was likely to reduce in 2017/18 and also in future years. As such the budget strategy has assumed that the level of New Homes Bonus supporting the base budget will reduce and the budget proposes a reduction of £150k. The following table sets out a summary of how the total 2017/18 New Homes Bonus is being used showing that now just over one third is supporting the base budget.

	£'000	%
Contribution to RIF	250	5%
Affordable housing allocation	277	6%
Support for one-off schemes	2,623	55%
Base Budget	1,633	34%
Total Grant	**4,783**	**100%**

4.21. The announced changes to the New Homes Bonus and the 4 year funding settlement have provided a degree of certainty over the extent of cuts to our future Government grant funding. The following graph sets out the changes to Revenue Support Grant and New Homes Bonus since 2013/14 including projections up to 2020/21.



Core Spending Power

4.22 This term relates to the Government's assessment of the "expected" available revenue for local government spending through to 2019/20. It includes the announced SFA and New Homes Bonus and an assumed level of income from Council Tax. This takes account of an *assumed* increase in the taxbase and a Council Tax rate increase of £5 on the Band D tax rate.

4.23 For 2017/18 the change in the spending power as per Government figures is shown as a reduction of £1.3m or 6% as shown below.

4.24. It is important to stress that spending power figures include the Government's assumption in respect of an increase in Council Tax income and the taxbase. The following sets out the Government's spending power assessment along with the Council's actual Council Tax income, showing a reduction in spending power of 7%.

	16/17	17/18	Change	
	£'000	£'000	£'000	%
SFA	5,938	4,958	(980)	-17%
NHB	5,714	*4,783*	(931)	-16%
Transition grant	88	*88*	0	0%
Government grants	*11,740*	*9,829*	*(1,911)*	*-16%*
Council Tax (**Gov't assumed** £5 tax rate increase and 3.1% taxbase increase)	10,601	11,237	636	6%
Core Spending Power	**22,341**	**21,066**	**(1,275)**	**-6%**

Government grants (as above)	*11,740*	*9,829*	*(1,911)*	*-16%*
*Council Tax (**actual** £4.95 tax rate increase and 1.1% taxbase increase)*	*10,601*	*11,015*	*414*	*4%*
Core Spending Power	***22,341***	***20,844***	***(1,497)***	***-7%***

5. 2017/18 Budget Changes

Revenue Cost Pressures

5.1. Appendix C sets out revenue cost pressures of £1.7m, over the 2016/17 base, which have been identified during the budget process. This includes an inflation allowance and some specific service cost pressures.

5.2. Many of the cost pressures have been considered by Cabinet. However there are a number of changes to assumptions and details are set out.

5.3. Whilst not shown within the list of specific cost pressures the budget includes proposals totalling £402k in respect of carry forward items. The main items relates to costs of the ICT strategy and some other smaller cost of resources in Professional Services and project funding carried forward between years. This is reflected in the use of balances and reserves set out later in this report.

Pension Fund deficit

5.4. The budget strategy had included an allowance for an increase in pensions contributions including and the pension fund deficit following the actuarial review. The cost pressures include the additional cost of £206k in respect of employer contributions rising from 13.7% to 15.1%. The separate budget issue is the pension fund deficit. The revised figures provided for this based on the actuarial review show a reduced annual cost of £144k.

5.5. Currently, the Council make one annual payment to the Essex Pension Fund to provide for the agreed deficit repayment plan. An option exists to make one payment to cover 3 years (2017/18 to 2019/20) which covers the period until the next actuarial review. The table below shows the figures provided by the Essex Pension Fund for this option compared to the current arrangement showing a cash saving of £283k over three years:-

	17/18 Cost	Cost over 3 years
	£'000	£'000
Option - Annual payment	1,937	5,811
Option - One payment for 3 years	5,528	5,528
Cost / (saving)	**3,591**	**(283)**

5.6. Making a one off payment in 2017/18 will have a cashflow impact, however, given current and forecast low interest rates the cost in terms of reduced interest earned will still mean there is a saving from agree the one off payment option and therefore this approach has been assumed in this report. A proportion of the deficit payment is charged to the Housing Revenue Account (HRA) and therefore the increased cost in year to the General Fund is estimated at £2.9m

5.7 **Cabinet is asked to approve inclusion within the 2017/18 Revenue Budget of the cost pressures set out at Appendix C.**

Growth Items

5.8. Appendix D sets out revenue growth items totalling £362k which are recommended for inclusion in the budget. This includes an allocation of £110k in the base budget to provide investment to support delivery of strategic plan priorities.

5.9. As shown earlier the New Homes Bonus grant has been cut in 2017/18. The Council uses a large part of the grant to provide one-off investment into both capital and revenue projects. In 2017/18 £2.6m is being invested and as shown in the table below decisions have already been made amounting to £587k meaning that £2.036m remains uncommitted:-

	£'000
Total funds available	2,623
Allocated to:-	
Mercury Theatre	500
Waste Review	87
Balance available	2,036

5.10. The consultation process on the New Homes Bonus closed in March 2016. There were a number of potential changes suggested and therefore until details of the new scheme was announced it was not clear how much the Council would have to invest in new projects until the announcement in December. Therefore, there has been little time to formulate detailed plans to use this grant.

5.11. There is now a clear expectation that income from the New Homes Bonus will reduce in future years with an estimate that the grant will drop by a further £2.6m by 2020/21. It is therefore essential that the Council carefully considers how this grant might be used in the coming year as well as future years including whether the opportunity exists to consider using some of the New Homes Bonus to support future borrowing costs. It is therefore proposed to allocate £2.036m in the 2017/18 budget to help deliver projects which support strategic plan priorities and also those which can deliver income to assist with managing future budget pressures. This will include:-

- reviewing resources required to deliver a number of strategic projects such as the creation of a housing company and other key schemes currently within the RIF including infrastructure.
- consideration of how funding might be used to invest in assets
- an assessment of opportunities to provide one-off investment in services to help deliver cost reductions or new income
- continuing to consider projects that support communities. For example, the Council has already allocated £200k in year to support to support a campaign to reduce the inequalities which exist in some of our communities.

5.12 **Cabinet is asked to approve inclusion within the 2017/18 Revenue Budget of the growth items shown at Appendix D and the use of the New Homes Bonus for new projects as set out at paragraph 5.9 and 5.11.**

Revenue Saving / Increased Income / Technical Items

5.13. Appendix E sets out budget reductions, savings and increased income totalling £2.968m.

5.14. All proposals are set out within the appendix, the majority of which were reported and in some specific cases agreed at the last Cabinet meeting. The savings include the reduced one-off investment arising from the cut in the New Homes Bonus.

5.15 **Cabinet is asked to approve inclusion of the savings / increased income items set out at Appendix E within the 2017/18 Revenue Budget.**

Summary Total Expenditure Requirement

5.16. Should Cabinet approve the items detailed above, the total expenditure requirement for 2017/18 is as follows:

	2017/18	Note / para
	£'000	
Base Budget	24,047	
15/16 One-off items	(563)	
Cost Pressures	1,696	Appendix C
Pensions one off increase	2,935	
Growth Items	362	Appendix D
Savings	(2,968)	Appendix E
Budget c/f items	402	Para 5.3.
Forecast Base Budget	**25,911**	

Notes:-

A summary of the 2017/18 budget is set out at Appendix F.

A more detailed summary of service group expenditure is attached at Appendix G with a graph showing net expenditure by service at Appendix H.

Further detailed service group expenditure is available.

5.17 **Cabinet is asked to agree and recommend to Council the net revenue expenditure requirement for 2017/18 and the underlying detailed budgets set out in Appendix F.**

6. Council Tax, Collection Fund and Business Rates

Council Tax Rate.

6.1. The Localism Act introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax, including proposed limits. From 2013 onwards, any council that wishes to raise its Council Tax above the limits that apply to them will have to hold a referendum. The result of the referendum will be binding.

6.2. In 2016/17 and for the coming year the Secretary of State has proposed that district councils such as Colchester can increase their Council Tax by the higher of £5 or 2%. For Colchester the limit is therefore £5.

6.3. The 2017/18 budget forecast and MTFF has reflected the planning assumption of an increase in Band D Council Tax and the proposal within this report is for a Band D Council Tax Rate of £180.18, an increase of £4.95 (2.8%).

6.4. The Local Government Act 2003 gave local billing authorities the ability to vary the discounts on second and empty homes. More recently local authorities were also given the opportunity to use new powers within the Finance Bill to reduce the level of discounts currently granted in respect of second homes and some classes for empty properties. No changes are proposed to the existing arrangements and it is recommended to Council that the Council Tax setting report includes these discounts.

Collection Fund

6.5. As part of the formal budget setting process, the Council is required to estimate each year the estimated surplus or deficit arising from Council Tax and Business Rates collection. These Collection Fund calculations include an assessment of the forecast surplus / deficit position for the current year, together with the variance between the 2015/16 forecast and actual outturn position.

6.6. The budgeted Council Tax surplus of £48k has arisen as a result of the combined impact of higher growth in the number of properties in the borough than had been forecast in 2015/16, together with further expected growth during the current year.

6.7. The Business Rates retention arrangements have brought a number of new risks, with perhaps the most significant of these arising from changes to the rateable value of properties following appeals. In addition to this, there are complex accounting arrangements, which mean that many of the outturn figures reflect the NNDR1 estimates that are made prior to the financial year commencing.

6.8. The budgeted deficit of £537k has occurred largely as a result of the requirement to make a significant increase to the Business Rates appeals provision at the end of 2015/16, and reflects the difference between the NNDR1 estimate and actual outturn. This is mitigated by surpluses in 2014/15 and 2015/16 resulting from differences between the outturn and the baseline position, which have been added to the Council's Business Rates earmarked reserve.

6.9. The movement on the Business Rates reserve as a result of the net 2017/18 budget pressure is summarised in the following table and reflected in budget proposals within this report:

Collection Fund (C'Tax & NNDR)	**£'000**
Council Tax – surplus	(48)
NNDR deficit	537
Net budget pressure in 17/18	**489**
NNDR reserve – @ 1st April 16	3,290
Forecast 16/17 movement (estimate)	(1,537)
Forecast balance on reserve @ 31 March 17	1,753
Use of reserve in 17/18 (see above)	(489)
Forecast balance on reserve	**1,264**

7 Revenue Balances

7.1 The Local Government Act 2003 places a specific duty on the Chief Financial Officer to report on the adequacy of the proposed financial reserves of an Authority when the budget is being considered. This section and section 13 address this requirement.

Minimum level of balances

7.2. Each year the assessment of the recommended level of balances is reviewed. The assessment for 2017/18 is summarised at Appendix I and shows that the recommended level continues to be set at £1.9m.

7.3. In considering the level at which Revenue Balances should be set for 2017/18, Cabinet should note the financial position the Council is likely to face in the medium term.

7.4. The analysis of the business rates retention scheme and specifically the operation of a safety net shows that there is a risk to the Council's budget. The Council is including forecast additional income from the retention of business rates which means that the budget risk is not only limited to the level of the safety net arrangement in place. This remains an area of budget risk considered in the assessment of balances.

7.5. Based on the assumptions built into the budget, it is proposed to hold balances at a minimum of £1.9m. The ongoing impact of the various local government reforms will be assessed as part of the budget strategy for 2017/18 and the level of balances can be reviewed at that time.

Level and use of balances

7.7. The use of balances to support the budget can be considered where there is scope and it is prudent to do so. Our normal approach is to consider the use of balances to fund one-off items, however, funding one-off costs through the normal budget resources does ease budget pressures in future years.

7.8. There are a number of proposals to use balances to support the 2017/18 budget as follows:-

	£'000
Use of balances for c/f items	77
General use of balances	98
Use for waste review (one off)	72
Use agreed in previous years (one off)	252
	499

7.9. The forecast position in respect of Revenue Balances is set out at Appendix J and shows balances at c£2.2m, £0.3m above the recommended minimum balance as set out in the risk analysis. The level at which balances are held above the recommended minimum level is a matter for Cabinet and Council to consider. It should be noted that the Council will continue to face significant budget pressures over the coming years and that it may be necessary to use balances to support future budgets especially to fund any one-off costs. With future budget gaps, increasing risk and uncertainty and a requirement to deliver already stretching savings targets maintaining uncommitted or allocated balances at c£2.3m is considered appropriate.

7.10. Consideration has been given to a number of existing allocations held within balances and future calls on funds. These are reflected in the figures shown at Appendix J and include changes to certain allocations including the removal of sums against risks in respect of land charges and taxi licensing which are no longer required and an increase in the allocation in respect of housing benefit risks.

7.11. Following the 2016/17 accounts closure it will be necessary to review all balances and the risk assessment to ensure allocations remain appropriate. This will be done as part of the 18/19 budget strategy and updated MTFF.

7.12 **Cabinet is recommended to approve Revenue Balances for the financial year 2017/18 be set at a *minimum* of £1.9m and to approve the use of £499k to support the revenue budget.**

8. Reserves and Provisions

8.1. In addition to General Fund balances, the Council holds a number of earmarked reserves. These are held for specific purposes or against specific risks and may be held to:-

- manage costs that do not fall evenly across financial years (such as renewal and repair costs)
- where the timing of any payments is not certain. (such as insurance reserve)
- as a result of statutory accounting arrangements / changes (such as the revenue grants and right to buy reserves.)

8.2. Cabinet at its meeting on 30 November 2016 considered the Council's earmarked reserves. As part of the budget process a review was undertaken into the level and appropriateness of earmarked reserves and provisions for 2017/18. The review concluded that the reserves and provisions detailed were broadly appropriate and at an adequate level, however, it was stated that a further review would be done as part of this final report.

8.3. Appendix K sets out an updated position on these earmarked reserves and provisions. The table below summarises the total position showing the forecast level of the reserves at the end of March 2017, the split between General Fund and HRA and how much is 'committed'.

	Committed / allocated		Uncommitted / unallocated		
	£'000	(%)	£'000	(%)	£'000
Reserves:-					
General Fund	10,226	85%	1,781	15%	12,007
HRA	7,692	100%	-	0%	7,692
Total Reserves	**17,918**	**91%**	**1,781**	**9%**	**19,699**
Provision	4,349		-		4,349

8.4. The earmarked reserves figures uncommitted / unallocated simply means that whilst the reserve is required there are no specific spending plans for the coming year. The main item uncommitted relates to the business rates reserve of £1.3m. As shown at paragraph 8.8 this is required to be held and may be required to be used to fund similar pressures relating to business rates retention scheme.

8.5. The proposed budget includes some changes to releases from reserves from those reported previously.

Renewals and Repairs (R&R) Fund / Building Mtce. Programme

8.6. The building maintenance programme has been based on in-depth condition surveys of all Council building assets. The 2017/18 budget includes the proposal to continue to add £150k to support the cost of future repairs. New releases are possible for next year and will be reported to Cabinet as required.

S106 Monitoring Reserve – release of £20k

8.7. This reserve was set up to provide funds to support the future monitoring of Section 106 agreements. It is proposed to continue to use £20k from this reserve.

NNDR Reserve – release of £489k

8.8. As set out in section 6 there is an estimated deficit on the combined collection fund for Council Tax and NNDR. As explained earlier this is mainly as a result of the need to provide for business rates appeals as part of the 2015/16 closure of accounts. It is proposed to fund this from the business rates reserve. As reported earlier, this will leave an estimated balance on the reserve of over £1.3m.

Capital Expenditure Reserve – release of £325k for ICT Strategy

8.9. The ICT strategy was agreed by Cabinet last year and was funded through the capital programme and New Homes Bonus. As the detailed project costs become clearer it is considered that the majority of costs should be charged to the revenue budget. The proposal to use the revenue backed capital expenditure reserve provides a mechanism to ensure that the ICT costs can be funded from revenue reserves whilst not impacting on the capital programme.

Parking Reserve – release of £150k

8.10. As set out in the budget there is a budget pressure within the parking account as ECC no longer provide a contribution towards TRO work. In 2017/18 it is proposed that this is mitigated by using reserves.

8.11. **Cabinet is recommended to agree the:**

- **release of £20k from S106 monitoring reserve towards the costs of carrying out this function**
- **release from the NNDR reserve of £489k towards the deficit on the collection fund.**
- **Release of £325k from the Capital Expenditure Reserve in respect ICT strategy**
- **Release of £150k from the parking reserve.**

Funding one-off pensions payment

8.12 As outlined earlier it is proposed to make the required pensions deficit contribution in respect of the period 2017/18 to 2019/20 in a one-off payment in 2017/18. We are required to show this full payment in our 2017/18 budget and has therefore been shown in the cost pressures.

8.13 To facilitate this arrangement and to reflect the equivalent annual costs in the budget requires a use of balances / reserves in 2017/18 of £3.2m. This will then be paid back over each of the next two years. As such the use of balances / reserves is only temporary and required to manage the accounting requirements for this transaction.

8.14. There remain a number of sufficient allocations within general fund balances and earmarked reserves which will enable this to be achieved. For example, sums in the Capital Expenditure Reserve are committed to projects which will span the next years. Also, in any year there are always a significant level of budget carry forwards which means that balances contain sums which are not spent until the next financial year. It should be noted that in April 2018 we will therefore pay back half the use of balances (£1.6m).

8.15. Several Essex councils already pay the pension payment in one amount and adopt a similar approach to using balances / reserves to 'smooth' the annual impact.

8.16. **Cabinet is recommended to agree to use balances and earmarked reserves of £3.173m in 2017/18 and to include in the budget strategy for each of the next two years a contribution to reinstate balances.**

9. Contingency Provision

9.1 The Council's Constitution requires that any spending from Revenue Balances not specifically approved at the time the annual budget is set, must be considered and approved by full Council. This procedure could prove restrictive particularly if additional spending is urgent.

9.2 It is recommended that £100k of Revenue Balances be specifically earmarked for potential items of unplanned expenditure. It should be noted that based on current estimates if this sum was used during the year it would not take revenue balances below the recommended level of £1,900k, although if this were to be the case the Council would need to consider steps to reinstate balances at a later date.

9.3 **Cabinet is asked to agree and recommend to Council that £100k of Revenue Balances be specifically earmarked for potential items of unplanned expenditure which are:**

- **The result of new statutory requirements or**
- **An opportunity purchase which meets an objective of the Strategic Plan or**
- **Is considered urgent, cannot await the next budget cycle and cannot be funded from existing budgets**

Authorisation being delegated to the Leader of the Council.

10. Summary of Position

10.1 Summary of the Revenue Budget position is as follows:

	£'000	Note / para
Revenue expenditure requirement for 2017/18	25,911	Para. 5.16
Collection fund deficit	489	Para 6.9.
New Homes Bonus	(4,783)	Para 4.16.
Transition grant	(88)	Second year of grant
Use of balances	(499)	Para. 7.8.
Use of balances / reserves for pensions payment	(3,173)	Para. 8.13
Release of earmarked reserves	(984)	Para . 8.11
Budget Requirement	**16,873**	
Funded by:		
Revenue Support Grant	(920)	Para. 4.2
NNDR Baseline Funding	(4,038)	Para. 4.2.
NNDR Improvement	(900)	Para. 4.8
Council Tax Payers requirement (before Parish element) see below*	(11,015)	Para. 6.3.
Total Funding	**(16,873)**	

Council Tax*	
Council Tax Payers requirement (before Parish element)	11,015,000
Council Tax Base – Band D Properties	61,132.2
Council Tax at Band D	**£180.18**

10.2 **Cabinet is asked to agree and recommend to Council Colchester's element of the Council Tax for 2017/18 at £180.18 per Band D property, which represents an increase of £4.95 (2.8%) from the current rate noting that the formal resolution to Council will include Parish, Police, Fire and County Council precepts and any changes arising from the formal Finance Settlement announcement and final completion of the business rates NNDR 1.**

11. Medium Term Financial Forecast – 2017/18 to 2020/21

11.1. This Council, in common with most other local authorities, faces an ongoing difficult position in the medium term due to a range of pressures including providing statutory services, ongoing pressures caused by maintaining several sources of fees and charges and potential revenue implications of strategic priorities. However, the most significant factor that will impact on the budget will be the level of Government funding support including the ongoing uncertainty in respect of changes to financing arrangements

11.2. The Medium Term Financial Forecast (MTFF) is attached at Appendix L showing that the Council faces a continuing budget gap over the next three years from April

2018. The following table summarises the position showing a cumulative gap over the period from 2018/19 to 2020/21 of c£2.5m

	2017/18	2018/19	2019/20	2020/21	See para
	£'000	£'000	£'000	£'000	
Net Budget	25,911	21,621	21,620	21,885	
SFA	(4,958)	(4,432)	(3,844)	(3,844)	11.4
NNDR Growth	(900)	(1,000)	(1,000)	(1,000)	11.14
New Homes Bonus	(4,783)	(3,438)	(2,753)	(2,228)	11.7
Transition Grant	(88)				
Council Tax	(11,015)	(11,434)	(11,860)	(12,293)	11.22
Reserves / Collection Fund	(4,167)	(120)	(20)	(20)	
Cumulative Gap	0	1,197	2,143	2,500	
Annual increase	0	1,197	946	357	

11.3. To formulate the MTFF it is necessary to make a number of assumptions. Generally, these do not represent decisions but are designed to show the impact of a set of options for planning purposes. The key assumptions and savings required are set out in the Appendix and summarised below:-

Government Funding and Business Rates

11.4. The SFA which comprises our RSG and baseline NNDR figure has been cut by **£0.98million in 17/18.** The reduction in RSG is in line with the 4 year funding settlement which the Council applied for and which has been agreed by Government. The following table sets out the remaining figures in the 4 year settlement which ends in 2019/20 and a planning assumption of a standstill position in 20/21. These show reduction in grant of showing a total reduction of £2.1million (35%) and specifically for the MTFF a further reduction in funding from April 2018 of £1.1m.

	Actual	**4 year settlement**				
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue Support Grant	(1,978)	(920)	(275)	446	446	
Business Rates Baseline	(3,960)	(4,038)	(4,157)	(4,290)	(4,290)	
Settlement Funding Assessment (SFA)	*(5,938)*	*(4,958)*	*(4,432)*	*(3,844)*	*(3,844)*	
Reduction (£'000)		980	526	588	0	2,094
Reduction (%)		-17%	-11%	-13%	0%	-35%

11.5. As has been previously reported the Government proposes to allocate funding on the basis of the core resources available to local authorities, taking into account councils' business rates and council tax, as well as their Revenue Support Grant. It follows that some councils with less Revenue Support Grant in later years will need to **contribute** funding from the other elements of their settlement core funding in order to meet the overall reductions to local government funding set in the Spending Review. Where this is the case, the Government proposes to adjust the relevant councils' tariff or top up under the business rates retention scheme. The table shows that by 2019/20 there will be no more RSG and that a contribution of almost £446k will be required to be made.

11.6. As set out within this report the New Homes Bonus is a key element of the financial support for local authorities and the Government has announced changes to the scheme that will reduce the grant in 2017/18 with further reductions in later years

11.7. The MTFF includes projections based on the changes proposed for the New Homes Bonus and is based on an 'average' level of growth for future years. The MTFF assumes that the New Homes Bonus will continue to be used to support the base budget, however, this will be reduced year on year to limit the risk of future changes to this grant. It is also assumed that the annual contribution of £250k to the RIF will continue and that the bonus paid for affordable housing will continue to be earmarked for housing. These assumptions are set out in the following table.

	2017/18	**2018/19**	**2019/20**	**2020/21**
	£'000	**£'000**	**£'000**	**£'000**
New Homes Bonus	**4,783**	**3,438**	**2,753**	**2,228**
Allocated to:-				
Contribution to RIF	250	250	250	250
Affordable housing allocation	277	175	175	175
Base Budget	1,633	1,483	1,333	1,183
Support for one-off schemes	2,623	1,530	995	620
Total allocation	**4,783**	**3,438**	**2,753**	**2,228**

11.8. The table shows that the level of NHB grant the Council receives is expected to be cut by £2.5m by 2020/21 on top of the cut of £0.9 million in 17/18. The Government has said it will consult on further possible changes to the NHB which could result in further reductions in grants.

11.9. Further changes in Government funding over the course of the MTFF are likely with potential reductions in grants for benefit administration for example. These are not yet factored in to the MTFF and will be considered alongside other grant changes.

Business Rates – 100% retention

11.10. The Department for Communities and Local Government's consultation on 'Self-sufficient local government: 100% Business Rates Retention', was published in July. Alongside this consultation a discussion paper on 'Fair Funding Review: Call for evidence on Needs and Redistribution' was published. Both documents are available here: https://www.gov.uk/government/consultations/self-sufficient-local-government-100-business-rates-retention.

11.11. The proposals in the consultation set out that by the end of this Parliament, local government will retain 100 per cent of taxes raised locally. In order to ensure that the reforms are fiscally neutral, councils will gain new responsibilities, and some Whitehall grants will be phased out.

11.12. To achieve such radical reform, the Government wants councils, business and people to take the initiative and shape the design of the new system. The consultation was reported to Cabinet in September and a response was provided.

The Government has not yet set out detailed plans for how the changes will be implemented.

11.13. The MTFF makes no allowance for any changes arising from the reforms and as more detailed announcements are made we will update forecasts.

11.14. The 2017/18 budget includes the assumption that we will achieve an increase above the business rates baseline of £900k. In the MTFF it has been assumed that this will continue and an increase of a further £100k for the following year is shown. This assumption will need to be reviewed in future updates of the MTFF and will be revised to reflect the emerging detail of the changes to the retention of business rates.

Pay, Inflation and costs

11.15. The 2017/18 budget includes an allowance for a pay award. For 2017/18 and beyond a sum is included for planning purposes to cover this and other inflationary pressures.

11.16. The next actuarial review of the pension fund will take place in 2019. No allowance has been included for any impact from this review, however, this will be considered in future updates. An allowance for the full year impact of pensions 'auto enrolment' which is due in 2017 is included. This assumption will be reviewed later in the year when the impact can be assessed.

Forecast savings

11.17. The MTFF includes forecast savings for 2018/19 and beyond. These include:-

- The anticipated savings and income from the ongoing sport and leisure review
- The revised projections for commercial services, including the events business case
- The forecast income arising from assets included within the RIF
- The ongoing digital challenge programme.

11.18. It will be necessary to closely track the delivery of these projects during the life of the MTFF and to account for any changes.

Fees and charges income

11.19. It is evident that there has been a fluctuation in some income budgets over recent years and a number of budgets have been changed to reflect these revised assumptions. On this basis the MTFF assumes a broadly neutral position over the next three years, other than additional income assumed within business cases, and this will need to be reviewed annually to ensure income targets are reasonable.

Specific Cost Pressures

11.20. The MTFF reflects that the government grant being used to support the costs of food waste collection will run out in the next two years. In addition an allowance is included for the potential change in the stadium rent and the inclusion of the revenue implication of the ICT strategy.

11.21. There remain a number of potential risks and pressures for which no allowance is currently made. These include:-

- an increase in interest costs which are currently being minimised through internal borrowing

- demands on services including those arising from growth in the Borough.
- an assessment of the potential revenue and capital impact of major projects such as Garden Communities and Northern Gateway.

Council Tax

11.22. The Government's Spending Power forecasts assume an annual increase in Council Tax of £5 for Band D properties. The MTFF has been updated to reflect this assumption, however, this does not represent a proposal. An allowance for an increase in Council Tax income through growth in the tax base of 1% pa is also included.

Summary

11.23. A realistic approach has been taken to the MTFF and it is evident that it will be necessary to revise a number of the assumptions set out. The funding changes to local government will continue with further grant reductions the move to 100% business rates retention and the Council needs to be able to respond to the impact of these changes.

11.24. In the 2017/18 budget savings and reductions of £3m have been identified which, when looked at alongside almost £12m plus identified in the budgets since 2011/12, represents a significant level of budget savings found. The MTFF shows that whilst anticipated savings from the current plans will make a significant contribution to reducing future budget gaps, further budget changes will be necessary. Whilst we will continue to look for other areas of savings and efficiencies it will be increasingly hard to balance budgets without considering variations to current services.

11.25 **Cabinet is asked to note the medium term financial forecast for the Council.**

12. Capital Programme

12.1. The current capital programme is detailed in Appendix M. It should be noted that this shows only those schemes that are currently in the approved capital programme, and as such excludes the proposals within this report and potential future schemes that have been included in the medium term capital forecast.

12.2 The latest monitoring report highlights that there is a small net underspend on the Capital Programme of £0.6k against completed schemes and it is proposed that these funds are reallocated.

12.3. A review of resources available to support the Capital Programme in the medium term has been carried out, and the following table provides a summary of the projected position for 2016/17. This shows a surplus that is available to support potential schemes in subsequent years.

Detail	**£'000**
Surplus brought forward	(576)
Capital receipts projection for 2016/17	(450)
New schemes	242
Balance available	**(784)**

12.4. There are two new items recommended for inclusion in the capital programme:

Waste Collection Strategy - £857k

12.5 Cabinet of 20 December 2016 agreed as part of the final budget report the recommendation to Council of the inclusion of this scheme in the Capital Programme. The capital expenditure requirements of the Strategy will include the costs of vehicle adaptation, the purchase of bins and green boxes and routing software. It is estimated that this will require capital expenditure of £857k based on eight rounds.

12.6 The medium term forecast of projected capital receipts and spending plans is shown in the table below reflecting the proposals within this report. This separately identifies the forecast position for the General Fund Capital Programme as well as the Revolving Investment Fund (RIF) Committee. It can be seen that the overall programme is in balance.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
GENERAL FUND						
Shortfall / (Surplus) B/Fwd	(576)	(784)	(984)	(1,184)	(1,384)	(1,584)
New schemes	242	0	0	0	0	0
Capital receipts	(450)	(200)	(200)	(200)	(200)	(200)
Shortfall / (Surplus) C/Fwd	(784)	(984)	(1,184)	(1,384)	(1,584)	(1,784)
REVOLVING INVESTMENT FUND						
Shortfall / (Surplus) B/Fwd	(2,401)	2,491	2,548	10,487	5,850	3,081
New schemes	8,523	6,333	17,032	1,632	0	0
Capital receipts	(3,631)	(6,276)	(9,093)	(6,269)	(2,769)	(2,519)
Shortfall / (Surplus) C/Fwd	2,491	2,548	10,487	5,850	3,081	562
Overall Shortfall / (Surplus) C/Fwd	**1,707**	**1,564**	**9,303**	**4,466**	**1,497**	**(1,222)**

Use of 1-4-1 Right To Buy Receipts - £500k

12.7 In June 2012, the Council entered into a retention agreement with DCLG for the use of "1-4-1" Right To Buy receipts to part fund new housing for affordable or social rent. Under the terms of the agreement, any receipts not used within three years from the quarter of their generation will need to be repaid with interest. As a reminder, a proportion of these receipts were used to part-fund the building of 34 new Council House dwellings on former garage sites, funded through the Housing Revenue Account.

12.8 Opportunities are now arising where Registered Providers (RP) are approaching the Council to access this funding to help them deliver new social housing, which we would provide to them in the form of a grant. In return, the Council would receive nomination rights to the new accommodation.

12.9 Therefore, to enable these opportunities to progress, a budget needs to be included in the Capital Programme from which the grant payments can be made. A provisional sum of £500k has been included within this report, with a corresponding amount of resource to fund it, which is from the earmarked 1-4-1 receipts reserve. There is therefore no net cost to the Council.

13. Robustness of Estimates

13.1 The Local Government Act 2003 placed a specific duty on the Chief Financial Officer to report on the robustness of estimates in the budget proposals of an

Authority when the budget is being considered. This section addresses this requirement.

13.2 As set out in this paper a rigorous process and timetable has been followed throughout the budget setting activity this year involving the Cabinet, Leadership Team, Scrutiny Panel, Senior Management Team, the Budget Group and budget holders. All key assumptions used have been reviewed and scrutinised as part of this process. The result of this process has been a budget which is, in my view, challenging but deliverable.

13.3. This latest review of the budget for this financial year, 2016/17, has shown that broadly speaking most budgets have been achieved, although some one off pressures in year and also some budget variances have contributed to a forecast overspend for the year. Steps have been taken over recent years and also in 2017/18 to revise some expenditure and income budgets and in general budget targets are felt to be realistic. We have continued to see variations in some key income budgets, both positive and negative, and the monitoring of these is important to ensuring that budget variations are identified and any necessary action taken.

13.4. The savings and new income proposed in the budget have all been risk assessed. It should be noted that some of the savings shown for 2017/18 are additional savings or income following budget decisions taken already. These savings include areas identified through the outturn review and include increasing some income targets and making the assumptions that further general savings will be identified by services in year. It is reasonable to say that these and other changes have continued to reduce ‘contingencies’ within budgets and to take a slightly more optimistic view in certain areas. As such I believe service budgets are achievable but include less scope to deal with unexpected items and as such the level of balances and any corporate risk allocations remains important.

13.5. All Heads of Service have completed an exercise to identify the key assumptions and risks to their budgets and these have been reviewed as part of the balances assessment.

13.6. Whilst I consider that reasonable assumptions have been made to account for the pressures being faced there remains a degree of risk with the key areas being:-

- Meeting ongoing, and in some cases increasing, income levels in particular in respect of sport and leisure, planning, car parks and commercial services.
- Delivery in the year of certain corporate savings such as those that form part of the digital challenge and also some areas through the outturn review.
- Collection rates of Council Tax and changes in demand levels following the implementation of the LCTS scheme and other Council Tax changes
- Collection rates and level of business rates (including the impact of appeals)
- Impact on budgets relating to homelessness and other demand pressures.

13.7. The budget risks will be managed during 2017/18 by regular targeted monitoring and review at Senior Management Team and Scrutiny Panel. The Revenue Balance Risk Analysis considered these areas in establishing a minimum level of required balance of £1.9m.

13.8. The External Auditor has commented that the Council has a good track record of delivering budget targets and responding to budget pressures.

13.9 Delivery of the budget will continue to require financial discipline led by SMT in terms of a number of budget reviews and by budget holders, ensuring expenditure is not incurred without adequate available budget and that income targets are achieved. Budget managers will continue to be supported through training and advice to enable them to do this.

13.10. Regular updates on forecast expenditure will also be important to ensure the budget is managed within the expenditure constraints set out and the Council continues to develop systems to provide better financial information through greater use of our commitments system and focused monitoring of key risk areas.

13.11 **Cabinet is asked to note the comments on the robustness of budget estimates.**

14. Treasury Management and Prudential Code Indicators

14.1. The proposed Treasury Management Strategy Statement (TMSS) including the Minimum Revenue Provision Policy Statement and Annual Investment Strategy is included at **Appendix N**. The follow paragraphs contain a summary of the strategy for 2017/18, which covers the following issues:

- the capital plans and the prudential and treasury indicators;
- the Minimum Revenue Provision (MRP) Policy;
- the current treasury position;
- the economic background and prospects for interest rates;
- the borrowing strategy;
- the investment policy and strategy, and credit worthiness policy; and
- the policy on use of external service providers.

14.2. The Council's Prudential and Treasury Indicators for 2017/18 through to 2019/20 have been produced to support capital expenditure and treasury management decision making, and are designed to inform whether planned borrowing and the resultant revenue costs are affordable and within sustainable limits. The indicators take into account all the economic forecasts and proposed borrowing and investment activity detailed in the report, as well as the latest medium term revenue and capital forecasts.

14.3. The Minimum Revenue Provision (MRP) Policy Statement for 2017/18 states that the historic debt liability will continue to be repaid on an equal instalment basis over a period of 50 years, with the charge for more recent capital expenditure being based on the useful life of the asset and charged using the equal annual instalment method.

14.4. The UK bank rate was cut from 0.50% to 0.25% in August 2016, having been at the previous historical low since March 2009. The current view from the Council's treasury advisers is that the Bank Rate is now expected to remain unchanged until quarter 2 of 2019. **Appendix A to the TMSS** draws together a number of current forecasts for short term and longer term interest rates.

14.5. The Council is currently maintaining an under-borrowed position. The borrowing strategy is to reduce the difference between gross and net debt by continuing to 'borrow internally', which is primarily due to investment rates on offer being lower than long term borrowing rates. This has the advantages of maximising short-term savings and reducing the Council's exposure to interest rate and credit risk. However, against this, the long term saving resulting from borrowing at very low rates should be considered. Consequently this approach will be kept under review during the year.

14.6. Investment instruments identified for use in 2017/18 are detailed in **Appendix B to the TMSS**. It should be noted that whilst this table includes a wide range of investment instruments, it is likely that a number of these will not be used. However, their inclusion enables the required credit controls to be stated if their use is to be considered.

14.7. The investment policy reflects the Council's low appetite for risk, emphasising the priorities of security and liquidity over that of yield. The main features of the policy are as follows:

- The Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties, which also enables diversification and avoidance of concentration risk.
- The Council applies the creditworthiness service provided by Capita Asset Services, which combines ratings and other data from credit rating agencies with credit default swaps and sovereign ratings.
- The Council will only use approved counterparties from countries with a minimum credit rating of 'AA-', based on the lowest available rating (**Appendix C to the TMSS**). However, this policy excludes UK counterparties.
- The suggested budgeted return on investments placed for periods up to 100 days during the year is 0.25%.

14.8 **Cabinet is asked to agree and recommend to Council the 2017/18 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out in the paper at Appendix N**

15. Strategic Plan References

15.1. The 2017/18 budget and the Medium Term Financial Forecast is underpinned by the Strategic Plan priorities and will seek to preserve and shift resources where needed to these priorities.

15.2. Appendix O provides an assessment of the links between the Strategic Plan and budget strategy.

16. Financial Implications

16.1 As set out in the report.

17. Publicity Considerations

17.1 Arrangements will be made to publish the approved tax levels in the local press in accordance with the legal requirements.

18 Human Rights Implications

18.1. None

19. Equality and Diversity

19.1. Consideration has been given to equality and diversity issues in respect of budget changes proposed as part of the budget process. This has been done in line with agreed polices and procedures including production of Equality Impact Assessments where appropriate.

20. Community Safety Implications

20.1 None

21. Health and Safety Implications

21.1 There are possible implications with removal of resources and some of the proposed savings, but each case has been reviewed and dealt with individually to mitigate or ensure risk is minimised.

22. Risk Management Implications

22.1 Risk management has been used throughout the budget process and specific consideration has been given to the Council's current risk profile when allocating resources. This is reflected in the corporate risk register.

23. Consultation

23.1. The budget will be scrutinised by Scrutiny Panel on 31st January 2017. The statutory consultation with NNDR ratepayers takes place in early February 2017 and notes of the meeting will be provided in due course.

Background Papers
Budget reports to Cabinet – 30 November 2016

2017/18 Budget Timetable	
Budget Strategy	
March – June (SMT and Budget Group)	Budget Group Meetings Agreed Update MTFF /Budget Strategy Review potential cost pressures, growth and risks Consider approach to budget Initial budget reviews started
Cabinet – 13 July 16	• Review 15/16 outturn • Report on updated budget strategy / MTFF • Timetable approved
Scrutiny Panel – 19 July 16	Review Cabinet report
Detailed Budget preparation and Budget Setting Consultation	
Budget Group / Leadership Team regular sessions on progress / budget options now - December	Review budget tasks Consider delivery of existing budget savings Complete outturn review
Cabinet – 7 September 16 and /or 12 October 16	• Budget Update • Consider "4 year settlement" • Review of capital resources / programme
Cabinet – 30 November 16	• Budget update • Reserves and balances • Agree fees and charges / budget changes • Government Finance settlement (if available) • Review in year budget position
Scrutiny Panel – 31 January 17	Budget position (Detailed proposals)
Cabinet – 1 February 17	Revenue and Capital budgets recommended to Council
Council – 22 February 17	Budget agreed / capital programme agreed / Council Tax set

Appendix B

2017/18 New Homes Bonus

	Actual						Provisional
	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Basic NHB							
Growth re 09/10	724	724	724	724	724	724	nil
Growth re 10/11		749	749	749	749	749	nil
Growth re 11/12			986	986	986	986	986
Growth re 12/13				757	757	757	757
Growth re 13/14					1,185	1,185	1,185
Growth re 14/15						1,025	1,025
Growth re 15/16							553
Total basic NHB	***724***	***1,473***	***2,459***	***3,216***	***4,401***	***5,426***	***4,506***
Affordable Housing element							
re 10/11 delivery		52	52	52	52	52	nil
re 11/12 delivery			105	105	105	105	105
re 12/13 delivery				37	37	37	37
re 13/14 delivery					20	20	20
re 14/15 delivery						74	74
re 15/16 delivery							41
Total affordable homes bonus	*0*	*52*	*157*	*194*	*214*	*288*	*277*
Total New Homes Bonus	**724**	**1,525**	**2,616**	**3,410**	**4,615**	**5,714**	**4,783**

APPENDIX C

2017/18 Revenue Cost pressures

Heads of Service / Portfolio Holders have been asked to contain cost pressures within existing budget allocations wherever possible. The following are specific areas where budget allocations have been increased. Changes since the report to Cabinet on 30th November 2016 are highlighted in the updated allowance column.

	Current allowance	Updated Allowance	
	£'000	**£'000**	**Comment**
General Inflation	640	389	The revised inflation allowance reflects the latest assumption in respect of pay and prices. The allowance is less in part due to some specific cost pressures being identified separately.
Pensions – actuarial review impact	250	206	The cost pressure shown relates an increase in the employer contribution rate set as part of the actuarial review. The issue of the deficit position is considered separately within the report.
Pensions auto-enrolment	200	50	The allowance for the impact of pensions 'auto enrolment' which is due in 2017 has been reduced. At this stage there is no certainty as to the extent to which more employees will decide to stay in the scheme after auto enrolment. Therefore, it is proposed to reduce the provision for this in the budget and to consider the implication of the actual cost when it is known in the Autumn.
Welfare reform	26	26	Incremental cost for additional resources agreed by Cabinet in November 2015. Funding in part from allocation from balances.
Benefit payments		85	There is a forecast net pressure of £85k of benefit costs in respect of assumptions in respect of additional benefit costs relating to homelessness offset by other benefit subsidy changes.

	Current allowance	Updated Allowance	
	£'000	£'000	**Comment**
Net interest		120	It has been highlighted during the year that interest earned would be lower following reductions in interest rates. This also includes an allowance for the cashflow impact of the one off pensions payment.
Business rates revaluation		100	The revaluation has resulted in a net increase in business rates paid by the Council. The main increases relate to Council car parks, with some reductions including Colchester Leisure world.
Apprenticeship levy		120	The Apprenticeship Levy starts from April 2017 and requires employers operating in the UK with a pay bill over £3 million each year to invest in apprenticeships via an apprenticeship levy charged at a rate of 0.5% of the annual pay bill. For CBC, this means we will be required to set aside £120k in the first year which CBC will be able to draw down to pay for apprenticeship training only. The levy cannot be used to pay for the salaries, however it can also be used to train and develop existing CBC staff who do not have a degree. CBC will lose the levy if it is not spent within a year.
Staff costs		188	As part of the detailed budget exercise there are a number of pressure from temporary roles that are continuing and require funding. These include positions linked to income, such as resources to maximise business rate income and to deliver the business broadband project. In addition, there is the continuation of resources to support the delivery of the northern gateway project. It is proposed to use some balances to support these roles.
Other service pressures		177	There are a number of cost pressures within Commercial Services. These include increased rent and service charge costs for Rowan House (£62k), Town Hall car park costs and loss of income (£51k) and other costs and income pressures within Estates and facilities management.

	Current allowance	Updated Allowance	
	£'000	**£'000**	**Comment**
Waste Review - one off costs		72	One off costs of waste review implementation (excl. costs met from grant).
NEPP - removal of funding from ECC		150	Essex County County are no longer providing an annual contribution of £150k towards TRO (Traffic Regulation Order) work. This will be absorbed within NEPP budgets from 18/19 but it is proposed that earmarked parking reserves in 17/18 are used to provide transitional funding.
Technical items		13	There are a number of miscellaneous net cost pressures arising from changes in charges between the General Fund, HRA and the NEPP.
Total	**1,116**	**1,696**	

APPENDIX D

2017/18 Growth Items

The following are growth items included in budget proposals. Changes since the report to Cabinet on 30th November 2016 are highlighted.

	Current allowance	Updated Allowance	
	£'000	£'000	Comment
Locality budgets	102	102	An allowance has been built into the budget forecast to continue the locality budgets of £2,000 for Ward Councillors in 2017/18.
Reduced use of NHB in base budget	150	150	It is proposed that the Council continue to reduce the level of New Homes Bonus supporting the base budget.
Allocation for recurring investment in Strategic Plan priorities		110	As part of the budget, proposals have been made to deliver savings in order to reallocate resources to invest in strategic plan priorities. Specific decisions will be made in future reports.
	252	**362**	

Appendix E

Savings and Income – 2017/18

Service	**Opportunity**	**2017/18**	**Comments**
		£'000	
Efficiencies, Income and Service Reviews			
All Services	Outturn Review / income	580	A review of last year's outturn position and earlier years alongside progress to date this year has identified the potential to revise certain budgets assumptions. These relate to savings in employee budgets through increasing the 'vacancy factor' and changes to the car park and planning income budgets.
Operational Services	Sport & Leisure Business Case	94	First year savings as shown in report to Cabinet. A further £50k saving is shown within the reduced allocation for inflation.
Commercial Services	Commercial income	113	Updated forecast to reflect assumed additional income and savings within commercial trading services.
Commercial Services	Assets	154	Additional income arising from activities agreed from the Revolving Investment Fund (RIF).
Operational Services	Waste review	38	Cabinet has agreed the waste review which identified net savings in 17/18 or £38k (excluding one off costs which are considered separately in this report.
Various Services	LACM	50	Cost reductions are expected through various carbon management savings identified in the Local Authority Carbon Management (LACM) Plan.
Operational Services	Butt Road car park	42	The current budget includes provision for the rent for the Butt Road car park, however, following negotiations a 'peppercorn rent' has now been agreed resulting in a budget saving.

Service	Opportunity	2017/18	Comments
		£'000	
All Services	Digital Challenge	570	Forecast savings and income arising from activities included in the digital challenge programme. This includes:- • £320k of savings within service budgets such as income through the agreed ultra high speed broadband project. • £250k of corporate savings through identification of savings through 'smarter working' and also through reduced costs of postage and printing.
Corporate & Financial Management	Reduced implementation resources	80	Following consideration of resources to deliver the changes set out in the digital challenge it is considered possible to reduce the allowance previously allocated from £150k to £70k.
Commercial Services	Reduced resources within Commercial Services	35	Resources were originally allocated as part of Universal Customer Contact FSR to support reviews of commercial / trading services. It is now considered to be the right time to review and reduce these resources to deliver a saving.
Professional Services	Reduced resources within Land Charges as part of restructure following retirement of staff.	10	Reduced resources are not expected to impact on service or income target.
Community Services	Restructure of some specific roles within Zone team.	15	Consideration has been given to absorbing certain duties within the zone teams.
Total income & efficiencies		**1,781**	**60%**
Budget Reductions			
Corporate & Financial Management	Parish Grants re: LCTS scheme	13	Reduction in grants as approved by Cabinet.
Total reductions		**13**	**0%**

Service	Opportunity	2017/18	Comments
		£'000	
Corporate / technical items			
Technical	Minimum Revenue Provision (MRP)	93	Reduced cost following change in policy agreed by Cabinet in September 2016 in respect of MRP on capital expenditure incurred before April 2008.
Technical	Council Tax Sharing Agreement	150	Income from the agreement with ECC, Essex Police and Crime Commissioner and Essex Fire Authority has exceeded the budget in the last two years and therefore it is proposed to increase the 2017/18 budget. There is a risk to this target, however, we have been carrying forward surplus income in the last two years which therefore provides a degree of comfort that this income will be achieved.
Various Services	Reduction in investment funded from New Homes Bonus	921	As set out in this report the New Homes Bonus methodology has been reviewed and has resulted in a cut to the grant which means that the funding allocated for one off projects has been reduced.
Commercial Services	Reduction in affordable homes investment funded from New Homes Bonus	10	As above, but specifically in respect of the bonus paid for delivering affordable homes.
Total corporate / technical items		**1,174**	**40%**
Total		**2,968**	

Appendix F

Summary Budget 20017/18

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 17/18 Budgets
		£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	227						227
Corporate & Financial Management	6,202	(19)	445			(67)	6,561
Executive Management Team	605		17				622
Community Services	6,191	(147)	179	102		(150)	6,175
Commercial Services	1,665	(50)	420			(422)	1,613
Customer Services	2,375	(70)	263			(78)	2,490
Operational Services (excl. NEPP)	1,166		260			(352)	1,074
Professional Services	2,250	(142)	156			(244)	2,020
Total General Fund Services	**20,681**	**(428)**	**1,740**	**102**	**0**	**(1,313)**	**20,782**
Technical Items							
Corporate Items / sums to be allocated to services							
Procurement Savings	(15)						(15)
Investment Allowance funded by New Homes Bonus	3,573	70		150		(921)	2,872
Business Rates revaluation	0		100				100
Apprenticeship Levy	0		120				120
Waste Review	0		56			(38)	18
Strategic Plan (funded by 15/16 NHB)	205	(205)					0

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 17/18 Budgets
		£'000	£'000	£'000	£'000	£'000	£'000
Allocation to support Strategic Plan	0			110			110
Digital Challenge implementation	150					(80)	70
Smarter Working	0					(200)	(200)
Digital Challenge - Post & Print	(50)					(50)	(100)
Inflation Reduction	0		(100)				(100)
Additional Service Savings	0					(60)	(60)
LACM	0					(50)	(50)
Non-Service Budgets							
Parish Council Grants / LCTS	91					(13)	78
Net interest Budget	418		120				538
Repair & Renewals Contribution	150						150
Minimum Revenue Provision (MRP)	653					(93)	560
Pensions	2,136		2,985				5,121
Council Tax Sharing Agreement	(650)					(150)	(800)
Heritage Reserve & Gosbecks Reserve	3						3
GF/HRA/NEPP Adjustment	(3,298)		12				(3,286)
Total Below the Line	3,366	(135)	3,293	260	0	(1,655)	5,129
Total incl. Below the line	**24,047**	**(563)**	**5,033**	**362**	**0**	**(2,968)**	**25,911**
Funded by:-							
Use of balances: re carry forwards	(426)	426			(77)		(77)
General use of balances	(462)	462			(422)		(422)

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 17/18 Budgets
		£'000	£'000	£'000	£'000	£'000	£'000
Use of balances for one-off Pension costs funding	0				(3,173)		(3,173)
Use of other Earmarked Reserves	0				(475)		(475)
Use of Business Rates Reserve	(1,537)	1,537			(489)		(489)
Use of S.106 Reserve	(20)						(20)
Revenue Support Grant	(1,978)		1,058				(920)
Business Rates Baseline	(3,960)		(78)				(4,038)
Transition Grant	(88)						(88)
NNDR Growth above Baseline	(800)				(100)		(900)
Council Tax	(10,599)				(416)		(11,015)
Collection fund Transfer	(353)	353			(48)		(48)
New Homes Bonus	(5,714)				931		(4,783)
NNDR Deficit / (Surplus)	1,890	(1,890)			537		537
Total	**(24,047)**	**888**	**980**	**0**	**(3,732)**	**0**	**(25,911)**

Appendix G

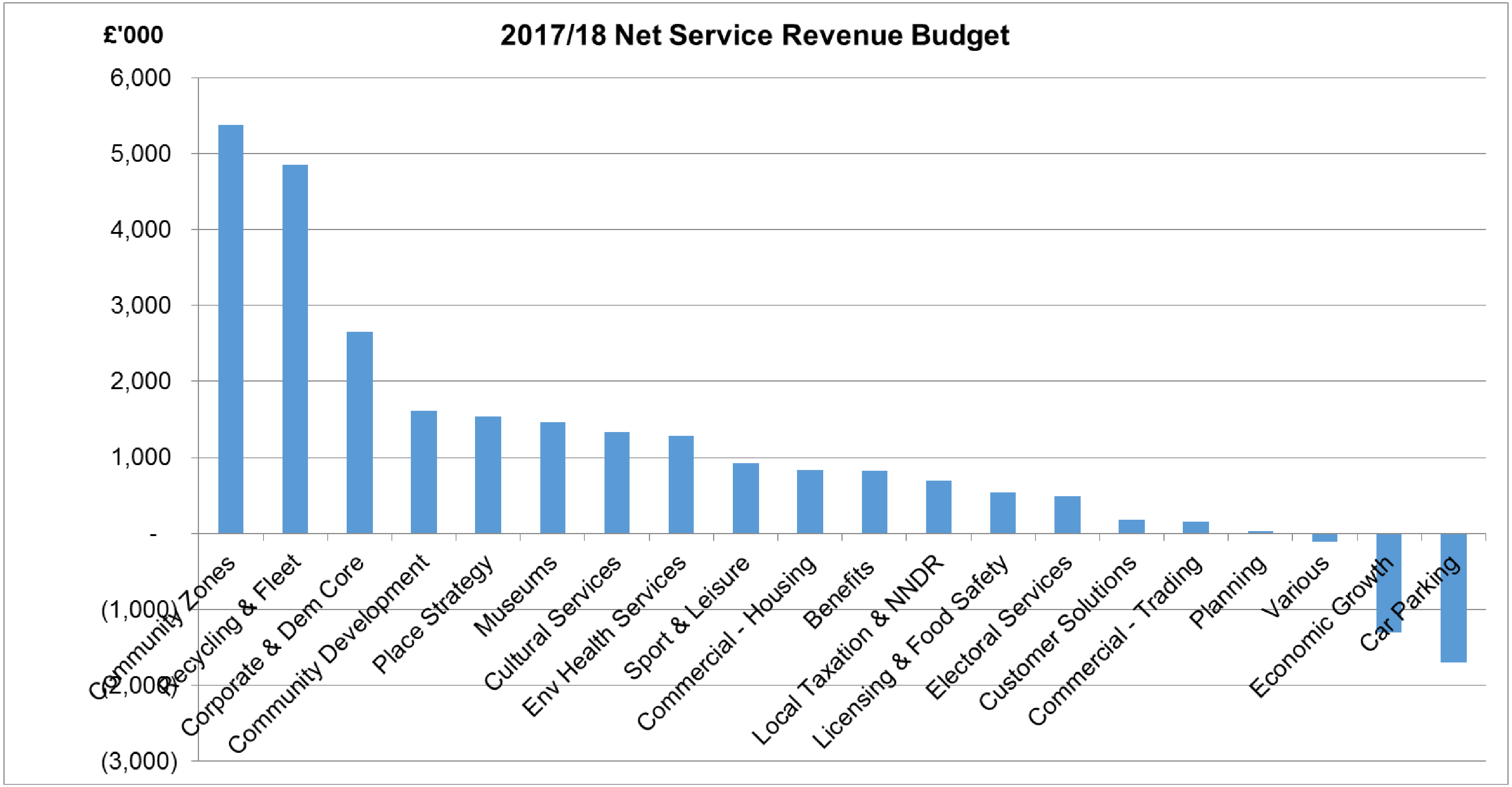
Detailed General Fund Service Budgets 2017/18

	Direct Budgets				Non-Direct Budgets	
Area	**Spend**	**Income**	**Net**		***Net***	**Total**
	£'000	**£'000**	**£'000**		***£'000***	**£'000**
Corporate & Democratic Core	227	-	227		*2,430*	2,657
Total	**227**	**-**	**227**		***2,430***	**2,657**
Corporate & Financial Management						
Assistant Chief Executive	156	-	156		*(156)*	-
Finance	805	(17)	788		*(788)*	-
ICT and Communications	2,606	(186)	2,420		*(2,420)*	-
People and Performance	536	(14)	522		*(522)*	-
Governance	2,937	(262)	2,675		*(2,624)*	51
Total	**7,040**	**(479)**	**6,561**		***(6,510)***	**51**
Executive Management Team						
EMT	622	-	622		*(622)*	-
Partner Projects	-	-	-		-	-
Total	**622**	**-**	**622**		***(622)***	**-**
Community Services						
Head of Community Services	136	-	136		*(136)*	-
Cultural Services	709	(122)	587		*753*	1,340
Community Zones	4,518	(804)	3,714		*1,663*	5,377
Community Development	1,214	(156)	1,058		*556*	1,614
Colchester Museums	51	(449)	(398)		*3*	(395)
Subtotal	**6,628**	**(1,531)**	**5,097**		***2,839***	**7,936**
Colchester & Ipswich Museums	2,098	(1,020)	1,078		*781*	1,859
Total	**8,726**	**(2,551)**	**6,175**		***3,620***	**9,795**
Commercial Services						
Head of Commercial Services	28	-	28		*(28)*	-
Place Strategy	1,599	(138)	1,461		*83*	1,544
Economic Growth	1,447	(3,563)	(2,116)		*811*	(1,305)
Corporate Asset Management	2,022	(99)	1,923		*(1,884)*	39
Commercial - Trading	2,682	(3,350)	(668)		*821*	153
Commercial - Housing	1,914	(929)	985		*(151)*	834
Total	**9,692**	**(8,079)**	**1,613**		***(348)***	**1,265**
Customer Services						
Head of Customer Services	43	-	43		*(43)*	-
Customer Operations	1,679	-	1,679		*(1,679)*	-

	Direct Budgets				Non-Direct Budgets	
Area	**Spend**	**Income**	**Net**		***Net***	**Total**
Customer Demands & Research	522	(25)	497		*(497)*	-
Customer Solutions	1,343	(452)	891		*(708)*	183
Local Taxation & NNDR	459	(635)	(176)		*874*	698
Subtotal	**4,046**	**(1,112)**	**2,934**		***(2,053)***	**881**
Benefits - Payments & Subsidy	56,602	(57,046)	(444)		*1,262*	818
Total	**60,648**	**(58,158)**	**2,490**		***(791)***	**1,699**
Operational Services						
Head of Operational Services	28	-	28		*(28)*	-
Sport & Leisure	4,457	(4,930)	(473)		*1,400*	927
Recycling & Fleet	6,988	(2,661)	4,327		*528*	4,855
Car Parking	880	(3,838)	(2,958)		*1,251*	(1,707)
Subtotal	**12,353**	**(11,429)**	**924**		***3,151***	**4,075**
Parking Partnership (NEPP)	3,071	(2,871)	200		*(31)*	169
Total	**15,424**	**(14,300)**	**1,124**		***3,120***	**4,244**
Professional Services						
Head of Professional Services	38	-	38		*(38)*	-
Licensing & Food Safety	560	(468)	92		*451*	543
Environmental Health Services	863	(105)	758		*526*	1,284
Electoral Services	279	(29)	250		*235*	485
Prof Support Units	1,842	(214)	1,628		*(1,678)*	(50)
Land Charges	149	(349)	(200)		*49*	(151)
Planning	609	(1,155)	(546)		*575*	29
Total	**4,340**	**(2,320)**	**2,020**		***120***	**2,140**
Adjustment for NEPP use of balances	-	**150**	150		-	150
Total (excl. NEPP)	**103,648**	**(82,866)**	**20,782**		***1,050***	**21,832**

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

Appendix H


£'000
2017/18 Net Service Revenue Budget
6,000
5,000
4,000
3,000
2,000
1,000
-
(1,000)
(2,000)
(3,000)
Community Zones
Recycling & Fleet
Corporate & Dem Core
Community Development
Place Strategy
Museums
Cultural Services
Env Health Services
Sport & Leisure
Commercial - Housing
Benefits
Local Taxation & NNDR
Licensing & Food Safety
Electoral Services
Customer Solutions
Commercial - Trading
Planning
Various
Economic Growth
Car Parking

Appendix I

General Fund Balances – Risk Assessment

A risk assessment has been undertaken to determine the prudent level of general fund balances as part of the 2017/18 budget process. This has been carried out with reference to specific risk allocation sums held within balances

Historically we have maintained a strong level of balances and these have been used to:-

- Support the annual budget - particularly to fund one off items.
- Fund new initiatives identified during the year.
- Provide cover for cashflow and emergency situations.
- Provide flexibility and a resource for change management.

Risk Assessment

The results of the current assessment are summarised below.

	Assessed Risk			Comment
Factor	**High**	**Med**	**Low**	
	£'000	**£'000**	**£'000**	
Cash Flow	1,000			
Inflation		100		
Investment Income	75			
Trading Activities and fees and charges		200		
Benefits		200		Separate allocation also held in balances
New legal commitments			100	
Litigation		150		
Partnerships			100	
VAT Exemption Limit			450	Increased to £450k in 16/17 representing current impact.
Budget Process		150		Increased in 16/17by £50k to reflect removal of contingency sums
Revenue impact of capital schemes			150	
Impact of Local Government Finance reforms	300			Maintained, given funds held in earmarked reserve and balances
	1,375	800	800	

	Risk	%	Minimum provision
High Risks	1,375	100	1,375
Medium Risks	800	50	400
Low risks	800	10	80
Sub total			**1,855**
Unforeseen factors			45
Recommended level			**1,900**

This shows the minimum level of balances be maintained at £1.9 million. It is then a matter of judgement whether it would be desirable to hold any further level of balances beyond this, or to seek to rebuild balances above this level to provide for future flexibility.

The main issues to mention concerning the assessment are: -

- The key reason for proposing to increase balances in 2013/14 was the new risks associated with major Local Government reforms such as the creation of a Local Council Tax Support Scheme and the local retention of business rates. This remains a key risk area.

- While the possible requirement to meet capital spending from revenue resources a potential risk it is no longer shown in the assessment as it is classed as "nil" because of the current level of funds held in the capital expenditure reserve and the introduction of the Prudential Code.

- Net investment income has been identified as a risk area. In last year's risk assessment this was classified as a "high risk" and due to the continuing uncertainty in the world economy this has been maintained.

- The assessment includes the risk that the VAT exemption limit will be exceeded with a consequent loss of recoverable VAT. Regular monitoring and active management of new schemes minimises this risk.

Implications

The risk assessment will be carried out at least annually as part of the budget process. While the current assessment indicates a minimum level it is important to recognise that there are implications of operating at this level. As noted above we have traditionally had a level of balances that have provided flexibility and enabled new initiatives to be considered outside the annual budget process. Operating at the minimum level requires an approach and a discipline to: -

- Ensure all spending aspirations for the coming year are assessed as part of the annual budget process. The continued development of the Medium Term Financial Forecast will assist in this.
- Recognise that it will not be possible to draw on balances to fund new discretionary initiatives identified in the year, however desirable they may be; an alternative source of funding would need to be identified.
- Realise future assessments could identify a need to rebuild balances
- Accept that the potential for interest earnings on balances will change depending on the level of balances held. (This will be reflected in the budget accordingly).
- Acknowledge that any balances desired for future flexibility/change management will need to be built up over and above the prudent level identified.

In addition it is acknowledged that it may be necessary for balances to fall below the recommended level. Balances are provided to mitigate unbudgeted cost pressures and as such at times they may be used to provide temporary support to the Council's budget.

Appendix J

General Fund Balances Position

Balances						
	Allocated	Risk allocations	Unallocated	Total		Note
	£'000	£'000	£'000	£'000		
Opening balance 1/4/16	**(6,985)**	**(863)**	**(2,514)**	**(10,362)**		per 15/16 accounts
Budget Carry Forwards:-						
Service Budget c/fs	1,475			1,475		
New Homes Bonus	1,008			1,008		
New allocations agreed Cabinet	128			128		Agreed by Cabinet – November 2015
Colchester & Ipswich Museum Service (CIMS)	188			188		Use of balances subject to decisions made by joint Committees.
North Essex Parking Partnership (NEPP)	179			179		
Council Tax Sharing agreement	271			271		Includes carry forward sum from previous years.
Funding allocation for Borough Investment For All	143			143		Agreed by Cabinet in 15/16, some funding c/f and some reallocated.
Funding allocations held in balances						
Allocations in previous years c/f	350			350		Allocations against specific projects. This has been reviewed as part of the final budget report and certain allocations are no longer required.
Redundancy costs	473			473		Includes pension strain costs. Cost more likely in later years.
Right to challenge - Gov't funding	46			46		

Balances					Note
	Allocated	Risk allocations	Unallocated	Total	Note
	£'000	£'000	£'000	£'000	
Agreed use of balances in 16/17:-					
Use of earmarked balances for welfare reform	76			76	Agreed by Cabinet November 15
Use of balances to support budget	386			386	Agreed by Cabinet November 15
Funding budget carry forwards	426			426	Agreed by Cabinet November 15
Funding previously held for Street Lights	185			185	Agreed by Cabinet March 16
Garden communities	250			250	Agreed by Cabinet in July 2016
Building Control	101			101	Agreed by Cabinet in July 2016, however, as project is now not going ahead this may not all be required, but held at this stage.
Use of allocation for planning appeals	170			170	Spend in year from risk allocation.
Underspends in year to be c/f	(32)			(32)	
Change in use of grants in previous years	(48)			(48)	
Potential use of balances in year			**240**	240	Based on last reported outturn forecast.
Total use in 16/17	**5,775**	**0**	**240**	**6,015**	
Proposed use in 17/18					
NNDR / Welfare reform	102			102	Use of balances agreed arising from reforms.
Support for digital challenge in 17/18	150			150	
Use for waste review	72			72	Balance of funding for one off costs.
General budget support	98			98	As set out in this report
Carry forwards	77			77	
Total proposed use in 17/18	**499**	**0**	**0**	**499**	

Balances						
	Allocated	Risk allocations	Unallocated	Total		Note
	£'000	£'000	£'000	£'000		
Use of balances in later years or risk allocations						
Community Stadium - rent adjustment	500			500		Provision for one-off reduction in rent
NNDR / Welfare reform	50	172		222		Provision for impact arising from reforms.
Support for 18/19 budget	50			50		
Planning appeals, legal, HR etc- risk allocation		241		241		£170k spent in 16/17. Balance held against other risks.
Housing benefit - risk allocation		300		300		Agreed in 15/16 budget and proposed to be increased by £170k to reflect increased risk relating to benefits.
Collection Fund - risk allocation		150		150		Agreed in 15/16 budget
Think Global, Act Local	180			180		Agreed by Cabinet 12 October 2016. Some costs may be incurred in 16/17. £20k of this assumed to be used to support staff resource in 17/18 budget
Total later years allocations	**780**	**863**	**0**	**1,643**		
Uncommitted / unallocated Balance	**69**	**0**	**(2,274)**	**(2,205)**		
Recommended level			(1,900)	(1,900)		Proposed level
Surplus above recommended level	**69**	**0**	**(374)**	**(305)**		

Appendix K

Earmarked Reserves and Provisions

Reserve	Amount at 31/03/16	Transfers - In	Transfers - Out	Estimate at 31/03/17	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
Renewals and Repairs (incl Building Maintenance Programme): Maintained for the replacement of plant and equipment and the maintenance of premises.	1,791	500	(400)	1,891	1,891	-
Insurance: To cover the self-insurance of selected properties.	384	25	(10)	399	-	399
Capital Expenditure: Revenue provision to fund the capital programme. The reserve is fully committed to funding the current capital programme.	1,851	3,200	(700)	4,351	4,351	-
Asset Replacement Reserve: A reserve for the future replacement of vehicles and plant. The vehicle replacement policy has been reviewed. Revenue contributions to this reserve have now ceased and the funding is now sourced from the Council's Capital Programme.	104	-	-	104	-	104
Gosbecks Reserve: Maintained to provide for the development of the Archaeological Park. The main source of funding was a 'dowry' agreed on the transfer of land.	225	2	(26)	201	201	-

Reserve	Amount at 31/03/16	Transfers - In	Transfers - Out	Estimate at 31/03/17	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
Heritage Reserve: This represents balance held of museums donations and as such represents a small element of the Council's support to heritage schemes.	11	5	(2)	14	-	14
Hollies Bequest: Provision for the upkeep of open space.	2	-	(2)	-	-	-
Section 106 Monitoring: Required for future monitoring of Section 106 agreements. From 2015/16 it was set at £20k per year.	35	20	(20)	35	35	-
Revenue Grants Unapplied: Under new accounting rules any grant received where there are no clear conditions that the grant is repayable if not spent now have to be transferred to this reserve. For all these grants proposals for use of the money exist and the funds are held in the reserve until the money is spent.	2,217	-	(600)	1,617	1,617	-

Reserve	Amount at 31/03/16	Transfers - In	Transfers - Out	Estimate at 31/03/17	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
Parking Reserve: As part of the existing 'on street' parking arrangements there is requirement to keep any surplus funds separate from the General Fund. With the North Essex Parking Partnership (NEPP) there is also a requirement to hold separately funds provided to support TRO (Traffic Regulation Order) work and also initial funding provided by Essex County Council	694	-	-	694	694	-
Building Control: The Building (Local Authority Charges) Regulations came into force on 1 April 2010. The new charges allow Building Control to more accurately reflect the cost of chargeable services. In any year there is therefore the likelihood of a balance on this account that must be assessed as part of ongoing charges.	-	-	-	-	-	-
Heritage Mersea Mount: Funding received from English Heritage towards costs relating to Mersea Mount.	11	-	-	11	11	-

Reserve	Amount at 31/03/16	Transfers - In	Transfers - Out	Estimate at 31/03/17	Allocated / Committed	Unallocated
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Mercury Theatre: Provision for the building's long term structural upkeep. Accumulated funds have been used to support roof repairs to the Mercury Theatre.	46	25	(10)	61	61	-
Business Rates Reserve: Maintained to cover the risk of any residual issues resulting from the introduction of the Local Business rates Retention scheme.	3,290		(1,537)	1,753	489	1,264
Revolving Investment Fund Reserve: Maintained as a way to deliver income-producing development schemes and regeneration/economic growth projects. The three main sources of funding into the RIF are existing capital programme allocations, capital receipts and revenue funding. Revenue funding will be held in this reserve until it is required for future capital schemes or revenue expenditure as necessary.	1,026	250	(400)	876	876	-
Total General Fund	**11,687**	**4,027**	**(3,707)**	**12,007**	**10,226**	**1,781**

Reserve	Amount at 31/03/16	Transfers - In	Transfers - Out	Estimate at 31/03/17	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
HRA Retained Right To Buy (RTB) Receipts - Debt: Reserve following Government changes to the RTB scheme. From 2012/13 the Council can retain a proportion of RTB receipts to offset debt taken on by the HRA Self-Financing settlement. The reserve must be used for HRA purposes.	2,492	1,400	-	3,892	3,892	-
HRA Retained Right To Buy (RTB) Receipts - Replacement: Reserve following Government changes to the RTB scheme. From 2012/13 the Council can retain a proportion of RTB receipts to fund affordable housing development. Receipts held within the reserve must be used within 3 years for this purpose; otherwise they must be repaid to the Government.	1,750	2,250	(200)	3,800	3,800	-
Total HRA	**4,242**	**3,650**	**(200)**	**7,692**	**7,692**	**-**
Total	**15,929**	**7,677**	**(3,907)**	**19,699**	**17,918**	**1,781**

Provision	Amount at 31/03/16	Transfers - In	Transfers - Out	Estimate at 31/03/17	Allocated / Committed	Unallocated
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Insurance: This element of the fund is specifically set aside as a provision to meet the cost of identified claims including subsidence. It also includes a contingency for liable costs if a previous insurer, which has gone into administration, is unable to remain solvent.	438	60	-	498	498	-
NNDR Appeals: The Council has created a provision to meet the financial impact of successful appeals made against rateable values as defined by the Valuation Office as part of the Business Rates Retention scheme introduced from 1 April 2013.	2,989	862		3,851	3,851	-
Total	**3,427**	**922**	**-**	**4,349**	**4,349**	**-**

APPENDIX L

Medium Term Financial Forecast				
2017/18 to 2020/21				
	2017/18	**2018/19**	**2019/20**	**2020/21**
	£'000	**£'000**	**£'000**	**£'000**
Base Budget	24,047	25,911	21,621	21,620
15/16 One-off items	(452)			
Cost Pressures	5,033	(2,395)	812	640
Growth Items	362	454	354	150
Savings	(2,968)	(2,349)	(1,167)	(525)
Carry forward items	(111)			
Forecast Base Budget	**25,911**	**21,621**	**21,620**	**21,885**
Funded By:				
Revenue Support Grant	(920)	(275)	446	446
Business Rates Baseline	(4,038)	(4,157)	(4,290)	(4,290)
SFA	*(4,958)*	*(4,432)*	*(3,844)*	*(3,844)*
Increase in NNDR / taxbase above baseline	(900)	(1,000)	(1,000)	(1,000)
New Homes Bonus	(4,783)	(3,438)	(2,753)	(2,228)
Transition Grant	(88)			
Total Gov't grants	***(10,729)***	***(8,870)***	***(7,597)***	***(7,072)***
Council Tax	(11,015)	(11,434)	(11,860)	(12,293)
Collection Fund Deficit / (Surplus)	(48)	0	0	0
Business Rates Deficit / (surplus)	537	0	0	0
Use of Reserves	(4,656)	(120)	(20)	(20)
Total Funding	**(25,911)**	**(20,424)**	**(19,477)**	**(19,385)**
Budget (surplus) / gap before changes (cumulative)	**0**	**1,197**	**2,143**	**2,500**
Annual increase	**0**	**1,197**	**946**	**357**

	2017/18	2018/19	2019/20	2020/21
	£'000	**£'000**	**£'000**	**£'000**
Cost Pressures				
General Inflation	389	640	640	640
Pensions actuarial review	206			
Pensions actuarial review - impact of one off payment	2,935	(2,935)		
Elections		105		
Pensions - auto enrolment	50	150		
Budget Carry forwards	402	(402)		
NEPP - reduction in income from ECC for TROs	150			
ICT strategy - ongoing cost			200	
Stadium rent		128	22	
Benefit payments	85			
Interest	120			
Business rates revaluation	100			
Apprenticeship levy	120			
Staff resources	188			
Various Service pressures	177	43		
Waste Review -one-off (excl. transition grant)	72	(72)		
Various technical items	13			
Welfare reform	26	(52)	(50)	
Total	**5,033**	**(2,395)**	**812**	**640**
Growth Items				
Food Waste (net impact of loss of grant)		304	204	
Locality budgets	102			
Reduced use of NHB in base budget	150	150	150	150
Strategic Plan growth	110			
Total	**362**	**454**	**354**	**150**
Savings (incl. one off adjustments)				
Council Tax sharing agreement	(150)	250		
LCTS grant to parishes	(13)	(7)	(7)	
LACM	(50)			
Butt Road car park	(42)			
Minimum Revenue Provision (MRP)	(93)			
Waste Review	(38)	(59)		
Outturn review	(580)			
Sport & leisure	(94)	(198)	(50)	
Assets	(154)	(395)	(200)	

	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
Commercial Income	(113)	(190)	(150)	
Digital Challenge				
Corporate Savings	(250)	(50)		
Service Savings	(320)	(255)	(75)	
New service savings	(60)	(30)		
Reduced investment from NHB - affordable homes	(10)	(102)		
Reduced investment from NHB	(921)	(1,243)	(685)	(525)
Digital Challenge / ICT strategy - implementation	(80)	(70)		
Total	**(2,968)**	**(2,349)**	**(1,167)**	**(525)**

Use of / contribution to Reserves				
Funding c/f				
S106 monitoring reserve	20	20	20	20
Use of balances for welfare reform and digital challenge	252	50		
Use of balances (incl. supporting staff resources)	98	50		
Waste review one off	72			
Use of balances - pensions	3,173			
Use of Capital Expenditure Reserve - ICT Strategy	325			
Use of NEPP reserve	150			
Funding budget carry forwards	77			
NNDR Reserve	489			
Total	**4,656**	**120**	**20**	**20**

New Homes Bonus Grant				
Basic NHB	(4,506)	(3,263)	(2,578)	(2,053)
Affordable Homes Bonus	(277)	(175)	(175)	(175)
Total Grant	**(4,783)**	**(3,438)**	**(2,753)**	**(2,228)**

Addressing the Budget Gap
The MTFF shows a budget gap of circa £2.5m over the three years from 2018/19. This should also be seen in the context of the risks and variables set out below and also in terms of reduced budgets and more efficient services resulting in savings that will be increasingly hard to deliver.

Risk Areas / Comments
The key risk areas to the forecast are:-

Risk / Area of uncertainty	
Impact of EU referendum 'leave' result.	At this early stage any impact from the "leave" decision is unclear. However, the uncertainty and risks include:- • Any changes to the announced public sector funding levels including NHB • Any impact on the Council's business rates 'taxbase' • Any impact on the Council's treasury management costs arising from interest rate changes. • Any impact of economic climate on Public Sector funding
Government Funding / Business Rate Retention Scheme	The MTFF includes the reduction in the 'SFA' for 2017/18 of 17% with further reductions thereafter in line with figures included in the 4 year settlement. From 2013/14 a proportion of the Council's core income that used to be provided by Government grant is now funded by the Council keeping a share of business rates income. This poses a new risk as well as a potential reward. The budget includes an assumption that in 2017/18 we will retain an extra £900k of NNDR income above our baseline figure, with some increases in later years. The business rates revaluation takes effect in 2017/18 and the risk and impact of business rate appeals remains an area of concern. With the planned move to 100% business rates retention this remains a risk area for the Council's budget.
Welfare Reform (including Local Council Tax Support - LCTS)	Budget papers have previously set out some of the key risks associated with the implications of the Council having approved the LCTS scheme. The combined impact of the Government's welfare reforms and demands on Council services will need to be considered during the period of the MTFF. Resources have been released to provide additional staffing to support residents with funding provided from balances.
Government grants and partnership funding	The Council's budget has changed over recent years with a greater emphasis on funding from both partner organisations and Government bodies. These funding streams can rarely be guaranteed and can therefore add to our cost pressures. Provision has been made in the 2017/18 budget for the New Homes Bonus based on the notified grant. Thereafter the MTFF assumes the grant will reduce based on proposals made by the Government. These grant reductions will reduce the funds available for one-off investment and this is assumed within the MTFF.

Risk / Area of uncertainty	
Pensions	In the 17/18 budget an allowance has been built in for an increase in pensions costs based on the results of the actuarial review. In addition the budget assumes we will pay the deficit payment for the next three years. An allowance has been made for the impact of 'auto enrolment' in 17/18 and 18/19. This may need to be revised depending on actual numbers joining the pension scheme.
Fees and charges and other income	As has been seen in the past few years we have experienced a number of pressures arising from changes in income levels. Looking ahead to 2017/18 and beyond it is difficult to estimate how income levels may continue to be affected. Some targets have been increased to reflect performance in recent years and there is also additional income forecast from agreed business plans.
Inflation	An allowance for general inflation including pay has been built into the 17/18 forecast and MTFF. Council's cost inflation is in general not directly linked to RPI and therefore we will continue to monitor the impact of inflation on all Council costs. Some of the main risk areas include energy, fuel costs and pay assumptions.
Use of reserves	The budget position for 2017/18 includes proposals to use certain reserves included some general use of balances to support the budget. The MTFF includes some proposals to use reserves in future years.
Legislation	There are likely to be several items of new legislation over the life of the MTFF for which any available funding may not cover costs or which may impact significantly on the Council e.g. Universal Credit.
Impact of regeneration programme e.g. staff resources	The 2017/18 budget included continuing additional resources to support work in the Northern Gateway. Furthermore, the recently established Revolving Investment Fund (RIF) provides a framework for managing potential pressures.
Property review	A review of our assets was carried out and a 5-year Building Repairs and Maintenance Plan produced. There will continue to be financial implications arising from this for both the revenue budget and capital programme and these will be considered in detail and included in the on-going updates of the MTFF. The 2017/18 budget forecast maintains the additional allocation of £150k in respect of planned repairs.
Impact of growth in the Borough and demand for services	A number of Local Authority services are directly impacted by the increase of population in the Borough, such as waste services, planning, benefits etc. As part of future budgets it will be necessary to consider whether there is a need for additional resources in these or other areas in order to maintain levels of service. A financial assumption has been made that the Council's programme of service reviews will assist in identifying efficiencies to cope with changes in demand.

Risk / Area of uncertainty	
Delivery of budget savings	The 2017/18 budget includes c£3m of savings or increased income. These items have been risk assessed and all are considered deliverable, however, the budget report considers the risk to delivering some of the income targets and if these cannot be achieved there is the risk in the MTFF of the ongoing impact. The MTFF includes further savings from the ongoing budget and service reviews and whilst these are currently considered to be on track to be delivered these will be reviewed as part of the 18/19 budget.
Net Interest earnings and investments	The budget is influenced by a number of factors including interest rates and cashflow movements. The treasury management strategy for 2017/18 highlights the outlook for interest rates in the medium-term which points to continuation of unprecedented low levels into 2017/18. The Council's strategy of internal borrowing has helped minimise our interest cost, however, it is recognised that this is not a long term approach and therefore there may be future cost pressures from any need to borrow externally. This is currently not reflected in the MTFF but will be considered as part of future budget updates.

All these issues will remain as risks to be managed over the course of the MTFF.

Appendix M

Capital Programme

Service / Scheme	Total Programme £'000	Projected Expenditure 2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	(Surplus) / Shortfall £'000
SUMMARY						
Operational Services	3,082.8	2,115.8	967.0	0.0	0.0	0.0
Professional Services	2,166.0	980.0	912.5	273.5	0.0	0.0
Commercial Services (excluding RIF)	502.0	305.1	196.9	0.0	0.0	0.0
Community Services	3,045.6	1,805.5	1,240.1	0.0	0.0	0.0
Revolving Investment Fund (RIF)	33,239.7	8,548.2	6,128.1	16,931.4	1,632.0	0.0
Completed Schemes	348.6	348.0	0.0	0.0	0.0	(0.6)
Capitalised Maintenance Schemes	236.4	236.4	0.0	0.0	0.0	0.0
Total (General Fund)	**42,621.1**	**14,339.0**	**9,444.6**	**17,204.9**	**1,632.0**	**(0.6)**
Housing Revenue Account	12,460.4	12,374.9	85.5	0.0	0.0	0.0
Total Capital Programme	**55,081.5**	**26,713.9**	**9,530.1**	**17,204.9**	**1,632.0**	**(0.6)**
OPERATIONAL SERVICES						
Shrub End Depot - new baler and shed	840.5	840.5	0.0	0.0	0.0	0.0
Priory Street Car Park	534.4	534.4	0.0	0.0	0.0	0.0
LWC - Health & Fitness Extension	994.0	27.0	967.0	0.0	0.0	0.0
LWC - Aqua Springs Refurbishment	250.0	250.0	0.0	0.0	0.0	0.0
LWC - Leisure Pool Refurbishment	270.0	270.0	0.0	0.0	0.0	0.0
LWC - Coffee Shop Extension	80.0	80.0	0.0	0.0	0.0	0.0
St Johns Car Park	90.0	90.0	0.0	0.0	0.0	0.0
Shrub End Pitch Replacement	23.9	23.9	0.0	0.0	0.0	0.0

Service / Scheme	Total Programme £'000	Projected Expenditure 2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	(Surplus) / Shortfall £'000
TOTAL - Operational Services	**3,082.8**	**2,115.8**	**967.0**	**0.0**	**0.0**	**0.0**
PROFESSIONAL SERVICES						
Mandatory Disabled Facilities Grants	1,973.5	900.0	800.0	273.5	0.0	0.0
Private Sector Renewals - Loans and Grants	192.5	80.0	112.5	0.0	0.0	0.0
TOTAL - Professional Services	**2,166.0**	**980.0**	**912.5**	**273.5**	**0.0**	**0.0**
COMMERCIAL SERVICES						
Assistance to Registered Housing Providers	91.9	0.0	91.9	0.0	0.0	0.0
CCTV Monitoring	115.0	100.0	15.0	0.0	0.0	0.0
Local Authority Carbon Management (LACM)	190.0	100.0	90.0	0.0	0.0	0.0
Cemetery Extension	43.7	43.7	0.0	0.0	0.0	0.0
Cemetery Exterior Lighting	50.0	50.0	0.0	0.0	0.0	0.0
Replacement of Cremators	11.4	11.4	0.0	0.0	0.0	0.0
TOTAL - Commercial Services	**502.0**	**305.1**	**196.9**	**0.0**	**0.0**	**0.0**
COMMUNITY SERVICES						
Improving Life Opportunities	38.3	0.0	38.3	0.0	0.0	0.0
Oak Tree Community Centre Roof	50.0	0.0	50.0	0.0	0.0	0.0
Lion Walk Activity Centre	40.0	0.0	40.0	0.0	0.0	0.0
Garrison Gym Rebuild	88.2	88.2	0.0	0.0	0.0	0.0
Mersea Pontoon	10.6	10.6	0.0	0.0	0.0	0.0
Castle Park Sensory Garden S106	60.6	60.6	0.0	0.0	0.0	0.0
Cook's Shipyard Playsite Wivenhoe S106	11.6	11.6	0.0	0.0	0.0	0.0

Service / Scheme	Total Programme £'000	Projected Expenditure 2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	(Surplus) / Shortfall £'000
Old Heath Recreation Ground Improvements	132.1	132.1	0.0	0.0	0.0	0.0
Wivenhoe Adult Gym	21.0	21.0	0.0	0.0	0.0	0.0
Market Development	2.7	2.7	0.0	0.0	0.0	0.0
Mile End Rec Playground	40.0	40.0	0.0	0.0	0.0	0.0
Tiptree P C - Store & WCs	83.0	83.0	0.0	0.0	0.0	0.0
Walls - new merged scheme	521.8	410.0	111.8	0.0	0.0	0.0
Mercury Theatre Redevelopment	1,430.7	430.7	1,000.0	0.0	0.0	0.0
Relocation of Museum Resource Centre	515.0	515.0	0.0	0.0	0.0	0.0
TOTAL - Community Services	**3,045.6**	**1,805.5**	**1,240.1**	**0.0**	**0.0**	**0.0**
REVOLVING INVESTMENT FUND						
Northern Gateway North	445.2	445.2	0.0	0.0	0.0	0.0
CNGN - Mile End Cricket	200.0	0.0	200.0	0.0	0.0	0.0
CNGN - Sports Hub	17,078.0	0.0	3,559.0	11,887.0	1,632.0	0.0
Northern Gateway South	493.2	118.2	375.0	0.0	0.0	0.0
Town Centre	6,547.6	1,466.6	240.0	4,841.0	0.0	0.0
Creative Business Centre	1,286.5	1,286.5	0.0	0.0	0.0	0.0
Jacks - St Nicholas St	1,015.6	100.0	915.6	0.0	0.0	0.0
Sheepen Road	3,492.3	3,292.3	200.0	0.0	0.0	0.0
District Heating Project North	26.8	26.8	0.0	0.0	0.0	0.0
District Heating Project East	10.0	10.0	0.0	0.0	0.0	0.0
East Colchester Enabling Fund	285.0	50.0	235.0	0.0	0.0	0.0
Breakers Park	75.0	25.0	50.0	0.0	0.0	0.0
Surface Water Flooding - Distillery Lane/Haven Road	77.4	10.0	67.4	0.0	0.0	0.0
Site Disposal Costs	4.8	4.8	0.0	0.0	0.0	0.0
Moler Works Site	40.7	0.0	40.7	0.0	0.0	0.0

Service / Scheme	Total Programme £'000	Projected Expenditure 2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	(Surplus) / Shortfall £'000
CMP Phase 3 - PV Systems	95.4	0.0	95.4	0.0	0.0	0.0
Business Broadband	362.8	362.8	0.0	0.0	0.0	0.0
Land Acquisition	1,703.4	1,350.0	150.0	203.4	0.0	0.0
TOTAL - RIF	**33,239.7**	**8,548.2**	**6,128.1**	**16,931.4**	**1,632.0**	**0.0**
HOUSING REVENUE ACCOUNT						
Housing Improvement Programme	8,752.9	8,752.9	0.0	0.0	0.0	0.0
Adaptations to Housing Stock	604.0	604.0	0.0	0.0	0.0	0.0
Sheltered Accommodation Review	2,818.0	2,818.0	0.0	0.0	0.0	0.0
Housing ICT Development	285.5	200.0	85.5	0.0	0.0	0.0
TOTAL - Housing Revenue Account	**12,460.4**	**12,374.9**	**85.5**	**0.0**	**0.0**	**0.0**
COMPLETED SCHEMES (OR WHERE RETENTION ONLY OUTSTANDING)						
Town Hall DDA Sensory Project	0.6	0.0	0.0	0.0	0.0	(0.6)
Leisure World Skatepark	112.8	112.8	0.0	0.0	0.0	0.0
Wivenhoe Pontoon	25.0	25.0	0.0	0.0	0.0	0.0
Jet Washer	102.0	102.0	0.0	0.0	0.0	0.0
Abberton Community Fund S106	10.0	10.0	0.0	0.0	0.0	0.0
Town Station Square	42.8	42.8	0.0	0.0	0.0	0.0
Castle Museum - Castle Bridge	1.0	1.0	0.0	0.0	0.0	0.0
Moot Hall Organ	39.0	39.0	0.0	0.0	0.0	0.0
ICT Strategy	15.4	15.4	0.0	0.0	0.0	(0.0)
TOTAL - Completed Schemes	**348.6**	**348.0**	**0.0**	**0.0**	**0.0**	**(0.6)**

Service / Scheme	Total Programme £'000	Projected Expenditure 2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	(Surplus) / Shortfall £'000
CAPITALISED MAINTENANCE						
Crematorium - Gutters & Fascias	13.4	13.4	0.0	0.0	0.0	0.0
Colchester Leisure World - Dryside Changing Rooms	48.0	48.0	0.0	0.0	0.0	0.0
Town Hall - Bell Tower Repairs	135.0	135.0	0.0	0.0	0.0	0.0
Colchester Business Centre	40.0	40.0	0.0	0.0	0.0	0.0
TOTAL - CAPITALISED MAINTENANCE	**236.4**	**236.4**	**0.0**	**0.0**	**0.0**	**0.0**

Appendix N

Treasury Management Strategy Statement
Minimum Revenue Provision Policy Statement and
Annual Investment Strategy
2017/18

1 Introduction

Background

1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure 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.

1.2 The second main function of the treasury management service is the funding of the Council's capital plans. 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 any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 CIPFA defines treasury management as: "The management of the local authority's 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."

Reporting requirements

1.4 The Council is required to produce three main reports each year, which incorporate a variety of polices, estimates and actuals. These reports are all required to be scrutinised and reviewed. This role is undertaken by the Council's Scrutiny Panel and Governance and Audit Committee.

1.5 **Prudential and Treasury Indicators and Treasury Strategy** (This report) – The first, and most important report is recommended to Full Council following consideration by the Scrutiny Panel. It covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

1.6 **Mid-Year Treasury Management Report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

1.7 **Annual Treasury Report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.8 Members will also be kept informed of any other significant matters that may occur as part of the quarterly Capital Monitoring reports to Scrutiny Panel and Audit and Governance Committee.

Training

1.9 The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management or scrutiny receive adequate training in treasury management. Training has previously been undertaken by members and further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

Treasury Management Strategy for 2017/18

1.10 The strategy for 2017/18 covers the following Capital and Treasury Management issues:

- the capital plans and the prudential and treasury indicators;
- the Minimum Revenue Provision (MRP) Policy;
- the current treasury position;
- the economic background and prospects for interest rates;
- the borrowing strategy;
- the investment policy and strategy, and credit worthiness policy;
- the policy on use of external service providers.

1.11 These elements cover the requirements of the Local Government Act 2003, the CIFPA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

Treasury management consultants

1.12 The Council uses Capita Asset Services Treasury Solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

1.13 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 The Capital Prudential Indicators 2017/18 – 2019/20

2.1 The Council’s capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans 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, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital Expenditure £'000	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
General Fund	6,401	14,417	10,974	18,520	1,632
HRA	13,663	11,199	11,288	11,860	10,898
Total	**20,064**	**25,616**	**22,262**	**30,380**	**12,530**

2.3 The table below summarises how the above capital expenditure plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).

Capital Expenditure £'000	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Total Expenditure	**20,064**	**25,616**	**22,262**	**30,380**	**12,530**
Financed by:					
Capital receipts	1,318	9,782	7,786	17,787	2,132
Capital grants	3,238	3,068	1,399	1,137	0
Reserves	11,172	7,750	7,239	5,381	5,305
Revenue	646	3,902	3,814	3,433	2,527
Finance leases	877	78	0	0	0
Net financing need	**2,813**	**1,036**	**2,024**	**2,642**	**2,566**

The Capital Financing Requirement

2.4 The second prudential indicator is the Council’s Capital Financing Requirement (CFR). The CFR 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 underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

2.5 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset’s life.

2.6 The CFR includes any other long term liabilities (e.g. finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council’s borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council had £3.3m of such schemes within the CFR as at 31 March 2016. The Council is asked to approve the CFR projections below:

£'000	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
CFR – general fund	25,630	24,520	23,342	23,415	22,251
CFR - housing	127,933	128,969	130,993	132,320	134,886
Total CFR	**153,563**	**153,489**	**154,335**	**155,735**	**157,137**
Movement in CFR	2,395	(74)	846	1,400	1,402
Movement in CFR represented by:					
Net financing need	2,813	1,036	2,024	2,642	2,566
Assets acquired under finance leases	877	78	0	0	0
Less MRP	1,295	1,188	1,178	1,242	1,164
Movement in CFR	**2,395**	**(74)**	**846**	**1,400**	**1,402**

Minimum revenue provision (MRP) Policy Statement

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

2.8 CLG Regulations have been issued which require the full Council to approve an MRP 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 MRP Statement:

2.9 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will allow for the borrowing need (CFR) to be repaid on an equal instalment basis over a period of 50 years with effect from the 2016/17 financial year. 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 MRP is eventually completely repaid.

2.10 From 1 April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be the Asset Life Method (option 3) – MRP 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 approximately the asset's life. Repayments included in finance leases are applied as MRP.

2.11 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

2.12 The Accountancy team will keep the Council's MRP Policy under review to ensure that it remains fit for purpose in relation to its borrowing requirements.

Affordability Prudential Indicators

2.13 The previous paragraphs 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. The Council is asked to approve the following indicators:

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.

%	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
General Fund	8.06%	7.46%	7.85%	8.74%	8.84%
HRA	18.06%	18.58%	18.88%	19.24%	19.21%

2.15 The estimates of financing costs include current commitments and the proposals in this report.

2.16 **Incremental impact of capital investment decisions on council tax**. This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

£	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Council Tax - Band D	0	0	0

2.17 **Incremental impact of capital investment decisions on housing rent levels**. Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels. This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

£	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Weekly housing rents	0	0	0

3 Treasury Management Strategy

3.1 The capital expenditure plans set out in Section 2 provide 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. 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 positions and the annual investment strategy.

3.2 The Council's treasury portfolio position at 31 March 2016, with forward projections are summarised below. The table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
External debt at 1 Apr	136,094	136,094	137,130	139,154	141,796
New borrowing	0	1,036	2,024	2,642	2,566
Other long-term liabilities	2,700	2,074	1,383	770	447
Gross debt at 31 Mar	**138,794**	**139,204**	**140,537**	**142,566**	**144,809**
CFR	153,563	153,489	154,335	155,735	157,137
Under / (over) borrowing	**14,769**	**14,285**	**13,798**	**13,169**	**12,328**
Investments at 31 Mar	37,406	36,370	34,346	31,704	29,138
Net Debt	**101,388**	**102,834**	**106,191**	**110,862**	**115,671**

3.3 Within the prudential indicators there are a number of 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 CFR in the preceding year plus the estimates of any additional CFR for 2017/18 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 purposes.

3.4 The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

Treasury Indicators: Limits to Borrowing Activity

3.5 The **Operational Boundary** is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary £'000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Debt	137,130	139,154	141,796	144,362
Other long term liabilities	2,074	1,383	770	447
Total	**139,204**	**140,537**	**142,566**	**144,809**

3.6 The **Authorised Limit** for external debt represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and 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.

3.7 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. 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. The Council is asked to approve the following Authorised Limit:

Authorised limit £'000	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**
Debt	166,515	168,252	170,465	172,390
Other long term liabilities	2,074	1,383	770	447
Total	**168,589**	**169,635**	**171,235**	**172,837**

3.8 Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA Debt Limit £'000	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**
HRA debt cap	140,275	140,275	140,275	140,275
HRA CFR	128,969	130,993	132,320	134,886
HRA headroom	11,306	9,282	7,955	5,389

HRA Debt Ratios £'000	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**
HRA debt	128,969	130,993	132,320	134,886
HRA revenues	30,181	29,807	29,355	29,534
Ratio of debt to revenues	4	4	5	5
Number of HRA dwellings	6,002	5,952	5,912	5,872
Debt per dwelling (£'000)	21	22	22	23

4 Economic Outlook

4.1 The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. **Appendix A** draws together current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Capita Asset Services central view:

	Bank Rate	PWLB Borrowing Rates			
		5 year	10 year	25 year	50 year
Mar-17	0.25%	1.60%	2.30%	2.90%	2.70%
Jun-17	0.25%	1.60%	2.30%	2.90%	2.70%
Sep-17	0.25%	1.60%	2.30%	2.90%	2.70%
Dec-17	0.25%	1.60%	2.30%	3.00%	2.80%
Mar-18	0.25%	1.70%	2.30%	3.00%	2.80%
Jun-18	0.25%	1.70%	2.40%	3.00%	2.80%
Sep-18	0.25%	1.70%	2.40%	3.10%	2.90%
Dec-18	0.25%	1.80%	2.40%	3.10%	2.90%
Mar-19	0.25%	1.80%	2.50%	3.20%	3.00%
Jun-19	0.50%	1.90%	2.50%	3.20%	3.00%
Sep-19	0.50%	1.90%	2.60%	3.30%	3.10%
Dec-19	0.75%	2.00%	2.60%	3.30%	3.10%
Mar-20	0.75%	2.00%	2.70%	3.40%	3.20%

4.2 The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip in economic growth. During the two-year period when the UK is negotiating the terms for withdrawal from the EU, it is unlikely that the MPC will do anything to dampen growth prospects, which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in until quarter 2 2019, after those negotiations are expected to have been concluded. However, if strong domestically generated inflation were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

4.3 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments. The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

4.4 PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently.

4.5 Borrowing interest rates were on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically low levels after the referendum and then even further after the MPC meeting of 4th August, when a new package of quantitative easing purchasing of gilts was announced. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when the Council may not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt.

5 Borrowing Strategy

5.1 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 still an issue that needs to be considered.

5.2 At 31 March 2016 the Council's Capital Financing Requirement was £153.5m and, net of finance lease liabilities, the underlying borrowing requirement was £150.3m. The Council's external borrowing totalled £136.1m, which meant under-borrowing totalled £14.2m.

5.3 There would be a cost of carry to any new long-term borrowing that causes an increase in cash balances, as this position will incur a revenue loss between borrowing costs and investment returns. However, against this, the long term saving resulting from borrowing at very low rates should be considered. Assuming current rates increase in accordance with the above forecast, if borrowing were delayed for two years it would lead to the cost of borrowing being significantly higher over the life of a 50 year loan.

5.4 Against this background and the risks within the economic forecast, caution will be adopted with the 2017/18 treasury operations. The Chief Financial 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.

5.5 Any decisions will be reported to the Scrutiny Panel or Governance and Audit Committee at the next available opportunity.

Treasury Management Limits on Activity

5.6 There are three debt related treasury activity limits. The purpose of these are 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;

- 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.

5.7 The Council is asked to approve the following treasury indicators and limits:

Interest rate Exposures £'000	2017/18	2018/19	2019/20
Upper limit on fixed interest rates based on net debt	106,200	110,900	115,700
Upper limit on variable interest rates based on net debt	53,100	55,400	57,800

Maturity Structure of fixed interest rate borrowing	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%	30%
20 years to 30 years	0%	30%
30 years to 40 years	0%	40%
40 years to 50 years	0%	40%
Over 50 years	0%	10%

Policy on Borrowing in Advance of Need

5.8 The Council will not borrow more than or in advance of its needs purely in order 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

5.9 As short term borrowing rates will be 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 and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

5.10 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.

5.11 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

5.12 It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Council will consider making use of this new source of borrowing as and when appropriate.

HRA borrowing

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

5.14 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 HRA borrowing during the year, using the PWLB 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 HRA and General Fund, and can be reasonably forecast from early on in the financial year. This approach will be reviewed annually in conjunction with the TMSS and projected investment returns.

6 Annual Investment Strategy

Investment Policy

6.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second and then return.

6.2 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.

6.3 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 this end 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.

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

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

6.6 Specified Investments are sterling denominated investments of not more than 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. 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

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

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

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

- Yellow 5 years (UK Government debt or equivalent)
- Dark Pink 5 years Enhanced money market funds (1.25 credit score)
- Light Pink 5 years Enhanced money market funds (1.5 credit score)
- Purple 2 years
- Blue 1 year (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

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

6.10 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.

6.11 All credit ratings will be monitored on a monthly basis. 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.
- a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.
- 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 Capita Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

6.12 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

6.13 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 **Appendix C**. This list will be amended by officers should ratings change in accordance with this policy.

6.14 In addition no more than £10m will be placed with any non-UK country at any time.

Investment strategy

6.15 The Council will manage all of its investments in-house. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

6.16 The Bank Rate is forecast to remain at 0.25% before starting to rise from quarter 2 of 2019, and not to rise above 0.75% by quarter 1 2020. Investment rates are likely to remain low during this period. The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

- 2016/17 0.25%
- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%
- 2020/21 0.75%
- 2021/22 1.00%
- 2022/23 1.50%
- 2023/24 1.75%
- Later years 2.75%

6.17 The overall balance of risks to these forecasts is currently slightly to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace.

6.18 For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

Investment treasury indicator and limit

6.19 The limit for the total principal funds invested for greater than 364 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 the treasury indicator and limit.

£'000	2017/18	2018/19	2019/20
Max. principal sums invested > 364 days	5,000	5,000	5,000

End of year investment report

6.20 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.

Interest rate forecasts 2017 - 2020 **APPENDIX A**

PWLB rates and forecast shown below take into account the 20 basis point certainty rate reduction effective as of 1 November 2012.

Capita Asset Services Interest Rate View													
	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank Rate View	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB Rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB Rate	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Bank Rate													
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%
5yr PWLB Rate													
Capita Asset Services	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
Capital Economics	1.60%	1.70%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.70%	2.80%	2.90%	3.00%
10yr PWLB Rate													
Capita Asset Services	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
Capital Economics	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	3.10%	3.20%	3.30%	3.40%
25yr PWLB Rate													
Capita Asset Services	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
Capital Economics	2.95%	3.05%	3.05%	3.15%	3.25%	3.25%	3.35%	3.45%	3.55%	3.65%	3.75%	3.95%	4.05%
50yr PWLB Rate													
Capita Asset Services	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Capital Economics	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.60%	3.70%	3.80%	3.90%

Appendix B

Specified Investments – All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

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.

A variety of investment instruments may be used that will fall into one of the above categories, subject to the credit quality of the institution. The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Organisation	Min. Credit Criteria	Money Limit	Maturity Limit
Banks and Building Societies (including term deposits, CDs or corporate bonds)	Yellow	£7.5m	5 years
	Purple	£7.5m	2 years
	Orange	£7.5m	1 year
	Blue	£7.5m	1 year
	Red	£5.0m	6 months
	Green	£2.5m	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 year
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
Property Funds	AAA	£5m	

Notes:

- Non U.K. country limit of £10m
- 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 Capita Asset Services credit worthiness service.

AAA Australia
Canada
Denmark
Germany
Luxembourg
Netherlands
Norway
Singapore
Sweden
Switzerland

AA+ Finland
Hong Kong
U.S.A.

AA Abu Dhabi (UAE)
France
Qatar
U.K.

AA- Belgium

Appendix O

Impact of Budget Strategy 201718

The budget for 2017/18 has been prepared in continuing difficult financial conditions. This is alongside the bedding in of changing local government financial arrangements.

There continue to be reductions in the amount of money we receive with a cut in combined funding of £1m (17%). In addition the changes to the New Homes Bonus has been cut by £0.9m.

Our programme of service reviews and development of an increase in commercial efficiencies and income continues to identify resources to meet our cost pressures. In addition a review of previous years spending and income has helped to identify areas where both expenditure and income budget can be reviewed to deliver a saving.

These various approaches and reductions to the budgets available for investment from the New Homes Bonus have helped to identify almost £3m of savings, extra income and budget reductions. This strategic approach to delivering savings minimises the need to ask services to deliver percentage reductions which may impact on service delivery or any significant budget reductions

In broad terms the savings identified and prudent use of balances has enabled the Council to address the cost pressures faced without the need for cuts to services.

The “base budget” includes an allowance of £110k for investment to assist in the delivery of the Strategic Plan. Proposals for using this will be made in future reports.

The New Homes Bonus remains one of the main ways in which the Council is able to identify funds for investment to support the delivery of the Strategic Plan. In the 2017/18 budget the amount of New Homes Bonus being used to support the ‘base budget’ has been reduced to under £1.6m and is a third of the total grant being received next year. There is £3.1m being invested in projects or programmes. These include:-

- Providing funding to support ambitious plans for development of the Mercury Theatre
- Allocating funds to support affordable housing
- An allocation of £250k to support the RIF
- Just over £2m to invest in projects that support Strategic Plan objectives and / or help deliver income to close future budget gaps.

Cabinet		**Item 8(i)**
1st February 2017		

Report of	**Head of Commercial Services**	**Author**	**Darren Brown ☎ 282891**
Title	**Housing Revenue Account Estimates 2017/18**		
Wards affected	**All**		

This report presents the Housing Revenue Account (HRA) estimates for 2017/18, the Medium Term Financial Forecast (MTFF) for 2017/18 to 2021/22, and the 30 Year HRA financial model

1. Decision Required

1.1 To approve the 2017/18 HRA revenue estimates as set out in Appendix A.

1.2 To approve dwelling rents as calculated in accordance with central Governments rent policy (set out in paragraph 4.7).

1.3 To approve the HRA revenue funded element of £6,747,300 included within the total management fee for Colchester Borough Homes (CBH) (set out in paragraph 4.13).

1.4 To note a revenue contribution of £3,614,000 to the Housing Investment Programme is included in the budget (paragraph 4.28).

1.5 To note the HRA balances position in Appendix B.

1.6 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.

2. Reasons for Decision

2.1. Financial Procedures require the Head of Commercial Services to prepare detailed HRA estimates for approval by the Cabinet, setting the new rent levels for the new financial year.

3. Supporting Information

Key Issues for 2017/18

3.1 There are a number of key issues relating to the HRA budget for 2017/18, with further details being included within the main body of the report. However, in summary they are as follows;

- This is the second year of the Government's imposed rent reduction of 1%.
- This is the fourth HRA budget to be set under the terms of the new management agreement with CBH. The management fee consequently contains a larger range of budgets, and the budget is set with an emphasis on the medium term, to provide more stability and meet the governance arrangements within the new management agreement.
- This is the fourth HRA budget to be set in the context of the new 30 year HRA Business Plan, which was approved by Cabinet at its meeting on the 27th November 2013. The budget therefore reflects the strategic priorities identified within the HRA business plan.

- This is the sixth year of HRA Self-Financing, which radically altered the funding of Council Housing, and the increase in investment in the housing stock and other projects is reflected in this report and the Housing Investment Programme report included elsewhere on the agenda.

3.2 The Government made some key announcements in The Housing and Planning Act, which will continue to have a significant impact on our HRA budget for 2017/18, as well as our Medium Term Financial Forecast (MTFF) and 30 year Business Plan. Further information is contained within the following paragraphs;

Housing Rents

3.2.1 Members will be aware that the Chancellor of the Exchequer announced in the budget on 8th July 2015, that there will be an annual decrease of 1% in social housing rents from 2016/17 for four years. The budget for 2017/18 therefore reflects the second year of this change. At the time of setting the 2016/17 budget, it was assumed that the Government's rent reduction applied to all properties. However, the Government then stated after the budget had been set, that it was their intention that temporary accommodation would be subject to a permanent exception, whilst sheltered housing accommodation would benefit from a one year exception whilst the Government are carrying out a review of supported accommodation. The Government have now confirmed the 1% reduction will apply to sheltered accommodation from 2017/18 to 2019/20. The assumption within the MTFF and 30 year Business Plan is that rents will revert to increasing in line with the Consumer Price Index (CPI) + 1% from 2020/21, but there has been no information to confirm or deny this will be the case. Rents will still be able to be moved to target rent when a property becomes empty, although the target rent will also be reduced annually by 1% over the next three years.

Housing Futures Programme

3.2.2 As previously reported, the current Government introduced a number of changes during 2015 and 2016, including the Housing & Planning Act and the 1% rent reduction announcement, which has changed the viability of the HRA Business Plan. The rent reduction resulted in removing £143million of assumed rental income over the life of the 30 year business plan, significantly impacting our capacity to deliver on the plan's objectives. At the end of 2015 a joint CBC/CBH project team looked at ways of addressing the loss of income of £9.7 million over the first four years, and it identified and planned a number of ways of increasing income and reducing expenditure, which were included as part of the 2016/17 HRA budget setting cycle and which are currently part way through being delivered.

3.2.3 The business plan also faces further constraints following the announcement of the enforced 'Sale of Higher Value Assets'. This legislation forms part of the Housing & Planning Act 2016 which means that the Council will be required to pay a levy calculated on the number of empty properties and the worth of its higher value properties. Recently the introduction of the levy, as well as the announcement of the exact amount the Council will be required to pay, has been delayed from the current financial year until 2018/19.

3.2.4 The Council and CBH have been working together under the Housing Futures Programme to determine the effect of this regulation on the Business Plan, continue with delivering the outputs of the HRA Budget Project and to ensure that we also are compliant with the other areas of legislation introduced by the Housing and Planning Act 2016 and the future Homelessness Reduction Bill. The Housing Futures Programme will enable officers to provide the Portfolio Holder and Cabinet with vital information to allow the necessary decisions on the Council's future priorities and objectives, so that the Business Plan can be remodelled and the Asset Management Strategy reviewed.

Sale of "Higher Value voids"

3.2.5 This is the forced sale of Local Authority Higher Value assets to fund the voluntary Right To Buy scheme for housing associations. It was the Government's original intention that this would come into effect from 1st April 2016. However, in the November 2016 Autumn Statement, the Government stated that they will fund the expanded pilot and that they will not be requiring Higher Value Asset payments from local authorities in 2017/18. But given there is no indication of how much the levy that we will have to pay will be, capital work programmes for 2017/18 have been reviewed and a reduction has been made which has been ring-fenced within the Housing Investment Programme for payment of the levy when it is implemented. This is reflected in the Housing Investment Programme report elsewhere on the agenda.

"High Income" Social Tenancies (Pay to Stay)

3.2.6 The Housing and Planning Act 2016 required local authorities to set higher rents for higher income Council tenants (households earning £40k in London, and £31k elsewhere). However, following consultation the Government have decided not to make the implementation of this mandatory, and instead make it voluntary to implement this policy. A formal decision has not been made yet as to whether we will adopt this locally, therefore for the purposes of the 2017/18 budget it has been assumed that this will not be implemented for the next financial year.

3.3 As part of the process for setting the 2017/18 HRA budget, it is necessary to revisit the 2016/17 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.

2016/17 Revised Housing Revenue Account

3.4 Appendix A shows the Revised Housing Revenue Account (HRA) estimates for 2016/17. There have been some amendments to the original budget for 2016/17 during the course of the current financial year. A reconciliation is therefore provided in the following table between the Original and Revised budget for 2016/17:-

Reconciliation between Original and Revised 2016/17 HRA Budget

	Budget 16/17	***Commentary***
	£'000	
Original Budget Deficit	**-**	Agreed 27th January 2016
2015/16 Budgets c/fwd	178	Agreed by Assistant Chief Executive/Head of Commercial Services
Revised Budget Deficit	**178**	

2016/17 Forecast Outturn Position

3.5 When considering the financial position of the HRA, in addition to the adjustments to the 2016/17 original budget shown in the above table, it is important to note the 2016/17 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 16/17
	£'000
Rental & Tenants Service Charge Income	(230)
One-off/Technical Items	
Revenue Contribution to Capital (RCCO)	230
Forecast 2016/17 Outturn Variance	**-**

- It is forecast that we will receive more rental and tenants service charge income of £230k. This primarily reflects the amendment to those properties that the 1% rent reduction would apply to for 2016/17, as referred to in paragraph 3.2.1. The extra income also reflects the net impact of less rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the number/timing of Right To Buy sales this year.

- As a direct result of the additional income forecast this financial year, there will be additional revenue resources available for an increased Revenue Contribution to Capital of £230k to fund the Housing Capital Programme in 2016/17.

3.6 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 and our HRA headroom can be maximised to deliver our strategic priorities should be taken. To this extent it is planned to use the forecast net underspend in 2016/17 to fund more of our Housing Capital Programme through an increased RCCO and minimise new borrowing, enabling us to meet our significant asset management priorities.

HRA Reform

3.7 Members will be aware of the implementation of the national reform of the Housing Revenue Account from April 2012. The 2017/18 budget therefore reflects the sixth year of the new financial regime for the HRA, with commentary included on the medium and long-term outlook in this report.

3.8 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 6, 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.

4. 2017/18 Housing Revenue Account Budget

4.1 Appendix A shows the Housing Revenue Account (HRA) estimates for 2017/18. This shows a break-even budget for the year, meaning there is no planned contribution to or use of uncommitted HRA balances.

4.2 It should be noted that the MTFF included within the 2016/17 HRA budget cycle and considered by Cabinet on 27th January 2016 estimated a break-even budget for 2017/18. However, following the rent reduction announcement, we are not able to make as large an RCCO to the capital programme as originally planned. This means there are less HRA revenue resources available to fund the 2017/18 Housing Capital Programme, and we are therefore having to use more of our borrowing headroom than originally planned, alongside reviewing investment and work programmes.

Balances

4.3 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. Provision is also made within the level of HRA balances for any potential additional revenue implications of our Sheltered Accommodation review. Whilst there is now some certainty around interest rates given we have secured long-term fixed rates on our HRA Reform settlement debt, the risk surrounding welfare reform continues to be recognised in our assessment of HRA balances, as does provision for a change to our assumptions on the high value voids levy should they require funding in 2017/18.

4.4 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.

4.5 The estimated balances for the HRA are set out in Appendix B. The anticipated level of the uncommitted HRA balance as at 31st March 2017 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 will directly impact on the use of our borrowing headroom.

4.6 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, thus incurring additional borrowing costs and using available borrowing headroom. This fits with the prioritising of resources indicated in this report and in the Housing Investment Programme elsewhere on the agenda. From 2017/18 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.

<u>Income</u>

Housing Rents

4.7 By following the rent reduction announcement, we are continuing to set **dwelling rents within Communities and Local Government (CLG) guidelines and so the annual changes in rents paid by tenants are set by reference to national Government policy.** The average rent proposed for 2017/18 is £86.31 per week compared to a current average of £87.17, a decrease of £0.86 (1.0%) per week. It is difficult to anticipate future rent increases after 2019/20, 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, and the assumption that we revert to CPI + 1% from 2020/21.

4.8 Sales of council houses under the Right to Buy (RTB) scheme could reach 50 in 2016/17 (34 sold in 2015/16 and 39 sold in 2014/15), which is higher than the number expected in the 2016/17 HRA budget. The level of sales is increasing in the current financial year, presumably due to the Governments changes to the RTB scheme (which primarily focused around increasing RTB discounts to tenants). The 2017/18 budget has been set assuming the sale of 50 properties, being broadly in line with historical levels. The MTFF and longer term modelling assume a reduction in the number of sales after 2017/18. However, these assumptions will be reviewed annually as part of our future budget setting.

4.9 The budget for 2017/18 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 2016/17 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.

Other Income

4.10 The rents for garages are included in the fees and charges report agreed by the Portfolio Holder for Housing and Public Protection. The increase proposed for 2017/18 is in line with September 2016 CPI.

4.11 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 for Housing. The budget for 2017/18 assumes that the demand for these services will remain the same as the current financial year, unless mentioned otherwise.

4.12 The de-pooling of service charges to individual tenants was implemented in 2008/09. There have not been any new service charges introduced for 2017/18, only an update of existing charges to reflect the actual cost of the services provided.

<u>Expenditure</u>

Colchester Borough Homes Management Fee

4.13 As part of the new management agreement which commenced in August 2013 between the Council and CBH, the management fee has been expanded to reflect the wider range of services CBH now provides on behalf of the Council. The fee incorporates the day to day repairs and maintenance budgets and associated overheads, along with the fee for managing the capital programme, as a result of the new housing arrangements. The management fee 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 2017/18 CBH Management Fee

	Budget 17/18	***Funding Source***
	£	
CBH Management costs	3,463,300	CBH Ltd Management Fee at Appendix A
R&M Management Fee	503,800	Included in Repairs & Maintenance at Appendix A
R&M Works	2,780,200	Included in Repairs & Maintenance at Appendix A
Sub-Total: HRA	**6,747,300**	
Capital Fee	1,328,000	Included within the 2017/18 Housing Investment Programme
Sub-Total: HIP	**1,328,000**	
Anti-Social Behaviour Team	47,000	Included within the 2017/18 General Fund Budget
Professional Support Unit	119,800	Included within the 2017/18 General Fund Budget
Housing Options Team	615,900	Included within the 2017/18 General Fund Budget
Facilities Management/ Engineering Team	492,900	Included within the 2017/18 General Fund Budget
Sub-Total: General Fund	**1,275,600**	
Total Management Fee	**9,350,900**	

4.14 The base management fee for 2017/18 includes an allowance for pay inflation, and some transfers of HRA delegated budgets into the CBH management fee.

4.15 Members will be aware that at its meeting on the 27th November 2013, Cabinet approved the Council's 30 year HRA Business Plan. The 2017/18 budget and management fee include the continuation of a number of service enhancements, which reflect the strategic priorities identified by Cabinet and which are included within the business plan. 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

4.16 The 2017/18 HRA budget includes £6,642,300 for management costs, an increase from 2016/17 (£6,144,200). 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 2016/17 budget is given in the following paragraphs;

4.17 The budget for Premises costs has decreased by £6,300 for 2017/18. A number of budgets have been reviewed, the net effect of which is a small reduction overall.

4.18 The budget for Supplies and Service costs has decreased by £87,200. This primarily relates to the transfer of HRA delegated budgets into the CBH Management Fee, as referred to in paragraph 4.14.

4.19 The budget for Removal and Disturbance payments has been increased by £40,000 to provide for the costs associated with tenants moving home in 2017/18 as a result of the sheltered housing accommodation project.

4.20 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 2017/18 has increased by £545,900 from 2016/17. This primarily relates to an additional cost of £538,000, which reflects the approach of paying 3 years pension deficit funding contributions "up-front", which will result in an overall saving over 3 years. This is the same approach adopted within the Councils General Fund budget for 2017/18, which is considered elsewhere on the agenda. The budget will reduce for 2018/19 & 2019/20, delivering the saving in those years. The table below shows the figures provided by the Essex Pension Fund for this option compared to the current arrangement showing a cash saving of £44k over three years:-

	17/18 Cost	Cost over 3 years
	£'000	£'000
Option - Annual payment	291	873
Option - One payment for 3 years	829	829
Cost / (saving)	**538**	**(44)**

Repairs and Maintenance

4.21 The 2017/18 Housing Investment Programme has been drafted and is included elsewhere on the agenda for approval. In respect of revenue works £4,983,400 has been included in the budget for repairs and maintenance (compared to £5,048,900 in 2016/17), of which £3,284,000 is specifically for works and associated overheads included within the CBH Management Fee. A provision of £1,405,000 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

4.22 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. The 2017/18 budget for interest costs has decreased compared to the 2016/17, which reflects the lower level of opening debt than assumed in the budget, as a result of the 2015/16 overall HRA outturn position. It is worth noting that new borrowing to fund the overall Housing Investment Programme next year will be borrowed internally from the Councils General Fund, 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 will 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.

4.23 No provision has been made at this point in time for the repayment of any HRA debt, as there is no statutory duty to provide for it. However, the Council now has circa £130million of housing debt, 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 rent reduction announcement by the Government.

4.24 Members will be aware that the Government's announcement of the rent reduction for four years has had a considerable impact on the HRA Business Plan model. The financial modelling undertaken as part of this year's budget setting cycle currently indicates that there will be no surplus resources generated over the next 30 years which could be used to provide for the repayment of debt, and in fact after 2022/23 (Year 6), there is a deficit in resources meaning that we are unable to generate the resources required to meet the existing spending plans within the current financial model. However, it should be noted that the extent of this is based upon assumptions around inflation etc, which could increase/decrease the amount of resources available by the time this point is reached.

4.25 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 2017/18 budget or MTFF at this point in time.

Revenue Contributions to Capital Outlay (RCCO)

4.26 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.

4.27 The revenue contribution included in the estimates is £3,614,000. The majority of this budget is to support the capital work programmes to the housing stock in 2017/18, which are included within the Housing Investment Programme report elsewhere on the agenda. However a provision of £140,000 has been included for ICT, which is intended to support various projects.

Risk areas and budget review process

4.28 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 last year.
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.
Revenue Contributions to Capital (RCCO) / Prudential Borrowing	Capital Resources have been provisionally allocated for 2017/18 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 HRA borrowing subject to the HRA debt cap. 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.
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 in recent years, there is a risk that prices could rise, the cost of which would have to be funded from existing resources or HRA balances.
2016/17 Outturn	An underspend of £230k is currently predicted for this year, which is planned to be used to fund a greater proportion of our Housing Capital Programme instead of new borrowing. Any variance on the forecast will result in a higher or lower RCCO, which will have a knock-on impact on the use of our borrowing headroom.

4.29 As shown in paragraph 4.28 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 2017	Updated outturn forecast.
July 2017	Provisional pre-audit outturn / current year issues etc.
September 2017/ October 2017	Mid-year review.
December 2017 / January 2018	Outturn review / Budget 2018/19.

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

5.1 As part of the budget process for 2017/18 a MTFF has been produced for the HRA. This sets out the indicative budget position for the period 2017/18 to 2021/22. Although we are operating under the new HRA Finance 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.

5.2 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 4.6 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***

Rent forecasts reflect the rent reduction announcement by the Government. Prior to the announcement, rental income forecasts were particularly dependent upon assumptions on future inflation levels. However, whilst causing a significant reduction on our rental income, the announcement brings some degree of certainty for the next three years. The MTFF currently assumes that the Government will return to the rent increase formula of CPI + 1% in 2020/21, but there has been no indication from central Government as to whether this will be the case or not. 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 2016/17 going forwards, with the level of provision being reviewed annually as part of the budget setting process.

- ***Sheltered Housing Accommodation Review***

At its meeting on the 12th October 2011, Cabinet considered a number of recommendations relating to making improvements to the Councils sheltered housing stock. The MTFF makes provision for the revenue impact of these decisions, whilst the Housing Investment Programme report elsewhere on the agenda reflects an estimated planned capital reinvestment of £3.414million in sheltered accommodation over the next 3 years. The revenue budget makes provision for home loss & disturbance payments plus the potential interest costs that would be incurred if additional borrowing is undertaken to fund capital works at future schemes due for improvement.

- ***Higher Value Voids***

As previously stated, the Government have not given any indication of how much the levy that we will have to pay will be. However, in anticipation the capital work programmes for 2017/18 to 2021/22 have been reviewed and a reduction has been made which has been ring-fenced within the Housing Investment Programme for payment of the levy when it is implemented. This is reflected in the Housing Investment Programme report elsewhere on the agenda. Potentially the HRA will need to manage the impact of any loss of future rental income (net of marginal cost savings), and any difference between payments we have to make to the Government and capital receipts actually realised, should we dispose of dwellings to fund the levy. No assumptions for these are currently reflected in the budget and MTFF, but will be considered in future budget setting cycles as and where appropriate.

- ***High Income Social Tenancies (Pay to Stay)***

The assumption within the 2017/18 budget and MTFF is that this voluntary policy will not be adopted locally, although a formal decision has yet to be made. If this assumption subsequently proves incorrect, then the financial implications will be considered in future budget setting cycles as and where appropriate.

5.3 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.

6. Supporting Information – 30 Year Financial Modelling

6.1 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 approved the Councils 30 year HRA Business Plan at its meeting on 27th November 2013. This included a 30 year financial model which set out the long-term position of the Councils HRA, using 2013/14 as the base year. As part of the 2017/18 budget setting process, this model has been refreshed and updated. 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.

6.2 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.

6.3 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 6.25.

Income Assumptions

6.4 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.

6.5 It has been assumed that the Government will only implement the 1% rent reduction for four years, and that in 2020/21 there will be a return to their rent formula of increasing tenants rents by CPI + 1.0%, for the duration of the 30 year model. There is currently no indication to suggest that this is going to alter. 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 has not occurred. 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 has now clearly changed.

6.6 Assumptions have been made within the model for loss of stock, primarily from Right to Buy sales. These are consistent with those made in the budget and MTFF. The Council has entered into agreement with DCLG to retain additional RTB receipts to deliver new affordable housing, and a proportion of these have been used to contribute to the cost of delivering the 34 units of new build accommodation on our garage sites. However, given the impact the rent reduction has had on our available borrowing headroom and subsequent potential to undertake further new build within the HRA, there is the possibility we will have to repay retained RTB receipts commencing in 2017/18, although officers are currently exploring alternative delivery options which could utilise them.

6.7 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.

6.8 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.

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

Expenditure Assumptions

6.10 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), although the assumption that rents will increase by CPI + 1% means inflation on expenditure will be at the same rate as assumed for income.

6.11 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.

6.12 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

6.13 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

6.14 The priority of how resources are used to fund the HIP is contained within that report for 2017/18, 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 utilising any available headroom 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.

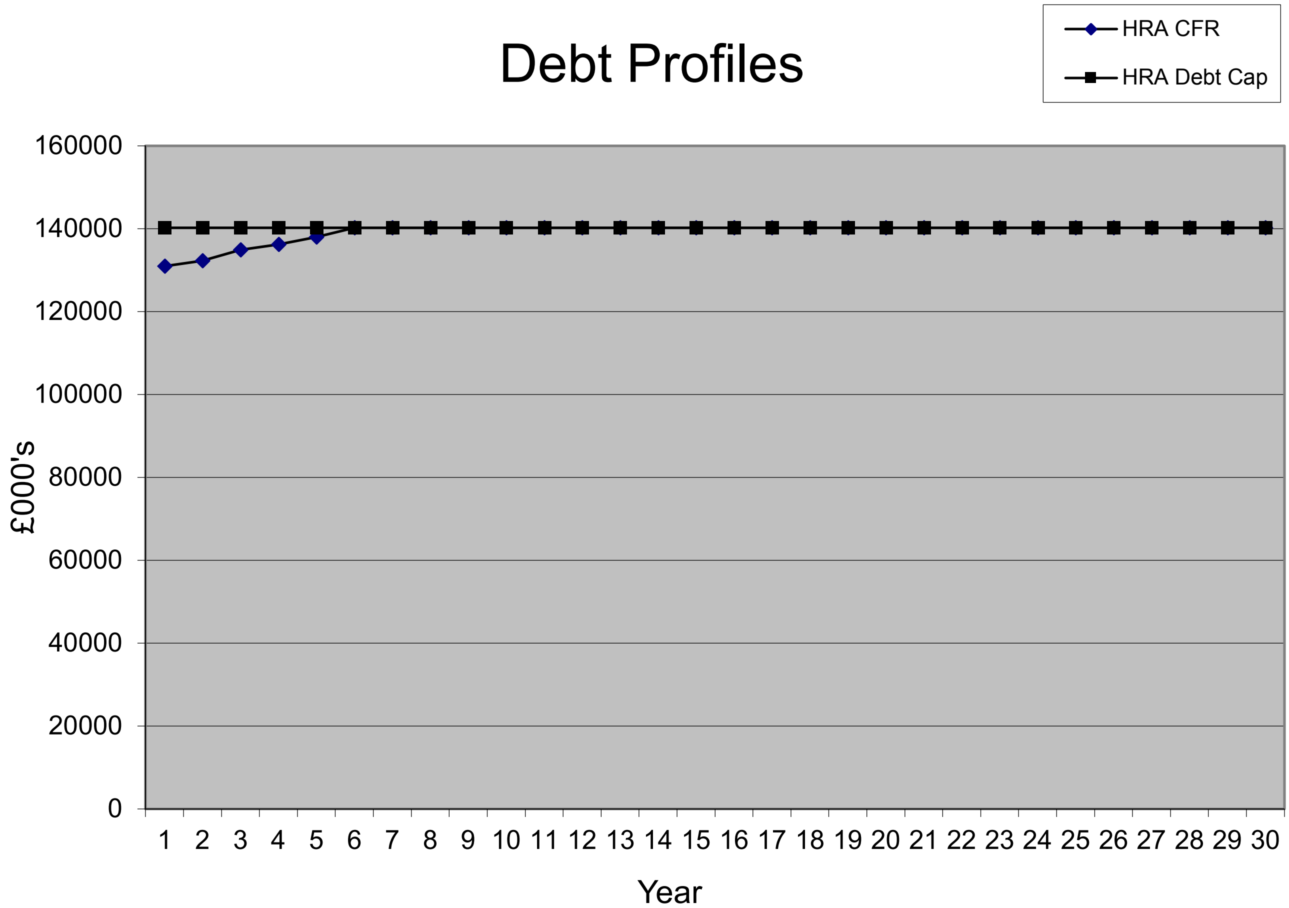
6.15 Under HRA Reform, the primary source of funding the Housing Capital Programme, especially in the early years, is a charge to the HRA which reflects the cost of depreciation to the housing stock. This is calculated locally, with reference to our actual stock condition and asset management strategy.

6.16 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 4.5% 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 £157k (based on the maximum amount of borrowing headroom currently unused).

Debt

6.17 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 2017 is expected to be £128.969million. We have a debt cap of £140.275million, which is the limit the Government have imposed to control public sector borrowing under HRA Reform.

6.18 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.



6.19 The above debt curve shows that due to the reduction in social housing rents for four years, we are now having to use our borrowing headroom to deliver the capital investment requirements of the housing stock as set out in the current Asset Management Strategy. It is currently projected that we will have used all our available headroom by Year 6, and will reach our debt cap. The current modelling also shows that our debt will remain at the level of the debt cap for the remainder of the 30 years based on current assumptions and investment plans, meaning there is no borrowing headroom available for further investment. In fact, Appendix E shows a shortfall in resources on the Capital Account when compared to the investment requirements in all years after 2021/22.

6.20 The difference between the HRA Debt Cap and the HRA CFR is known as the "borrowing headroom", and represents the amount of additional resources the Council can generate through further borrowing. This is set to decrease as time progresses (and we will eventually hit the debt cap), as given the rent reduction has reduced our rental income over the life of the plan, there are no surplus resources being generated within the model which we can use to repay debt (or set aside to repay debt if it is not able to be repaid at that point in time). The following table shows the predicted level of available headroom over the first 10 years of the current financial model, after taking into account the potential borrowing that may be undertaken to fund the Housing Investment Programme and any provision for the repayment of debt;

Year	Available Borrowing "Headroom" £000's
2017/18	9,282
2018/19	7,955
2019/20	5,389
2020/21	4,076
2021/22	2,268
2022/23	-
2023/24	-
2024/25	-
2025/26	-
2026/27	-

6.21 The above table shows that there is available headroom in each of the next 5 years, after which it is **projected** we will reach our debt cap. This projection 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 headroom figures in the table above should be viewed entirely as indicative.

6.22 If, as projected, the headroom figures reduce to the point that they reach zero, or in other words we reach our debt cap and no longer have any headroom available, then to accommodate any further cost pressures/reductions in income that could occur, we would need to reduce our expenditure plans on either our Housing Capital Programme or revenue budgets, or a combination of both. Consideration needs to be given to this possibility when setting this and future years' budgets, and when considering any further plans for the use of borrowing headroom.

6.23 As stated in paragraph 4.7, the assumption is that rents will return to increasing by CPI + 1% from 2020/21. However, to illustrate an alternative scenario, the following table shows the level of available headroom we would have over the next 10 years, using the assumption that the Government froze rents over this period of time.

Year	Available Borrowing "Headroom" £000's
2017/18	9,282
2018/19	7,955
2019/20	5,389
2020/21	3,307
2021/22	-
2022/23	-
2023/24	-
2024/25	-
2025/26	-
2026/27	-

6.24 The above table shows that after the end of the rent reduction, we would have used all of our available headroom by year 5 if rents were frozen from 2020/21 onwards

Outlook Summary

6.25 The Government's rent reduction for four years has had a major impact on the HRA financial model. As members will be aware, this change in policy has resulted in a reduction in forecast rental income of circa £143million. This means we are predicting that we will reach our debt cap in 2022/23 (6 years' time), and not be able to reduce our debt over the remaining 24 years of the plan, meaning we will not be able to undertake any further borrowing to fund capital investment. In fact, Appendix E is showing that there is a shortfall in capital funding from year 6 onwards, based on existing investment plans and our current Asset Management Strategy.

6.26 Given the current projected 30 year position, officers will continue to progress the work being undertaken within the Housing Futures Programme referred to in paragraph.3.2.4, looking for opportunities where income can be maximised, and expenditure savings can be achieved.

Sensitivity Analysis

6.27 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 effect 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 6-30	Year 6-30	Year 6-30	Year 7-30	Year 5-30
Year Debt Repaid	-	-	-	-	-
Capital Investment affordable over 30 Years	£367.0million	£312.5million	£430.7million	£295.9million	£383.3million
Surplus HRA Balance at Year 30	£3.3million	£2.6million	£4.3million	£0.2million	£1.0million

6.28 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.

6.29 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.

7. Strategic Plan References

7.1 The revenue estimates presented here link to the following areas of the Councils strategic plan:

- **Welcoming -** a place where people can grow and be proud to live.
- **Vibrant -** Develop a strong sense of community across the Borough by enabling people and groups to take more ownership and responsibility for their quality of life.
- **Prosperous -** Provide opportunities to increase the number of homes available including those that are affordable for local people and to build and refurbish our own Council houses for people in significant need

8. Consultation and Publicity

8.1 With the potential consideration of service improvements that would lead to new service charges for tenants, it is anticipated that an appropriate amount of consultation will be undertaken during the course of the financial year. Furthermore, extensive consultation has been undertaken with tenants regarding future works programmes, including those within the Housing Investment Programme, which have a resultant impact upon this budget report.

8.2 On the 18th November 2015, Colchester Borough Homes facilitated an independent focus group of engaged residents (Task and Finish Group) to discuss the specific impact of the Governments rent reduction announcement over the next four years, and the main measures of the Housing and Planning Bill 2015, During this consultation CBH were able to determine residents views about priorities for the customer base, and consider areas where CBH should seek to make savings.

8.3 At the beginning of 2016, Colchester Borough Council and Colchester Borough Homes jointly commissioned a survey looking at levels of tenant and leaseholder satisfaction with CBC as a landlord and CBH as its management organisation. A full report on the outcomes of the survey can be found on the CBH website. The overall result showed an increase in tenant satisfaction from the previous survey in 2014.

9. Financial Implications

9.1 Are set out in this report.

10. Equality, Diversity and Human Rights Implications

10.1 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.

11. Community Safety Implications

11.1 This report has no significant community safety implications

12. Health and Safety Implications

12.1 This report has no significant Health and Safety implications

13. Risk Management Implications

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

Appendices

- Appendix A - Housing Revenue Account Estimates 2017/18
- 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 2017/18		
	Housing Revenue Account		
	Summary		
2015/16		**2016/17**	**2017/18**
Actuals	**Expenditure & Income Analysis**	**Revised**	**Original**
		Budget	**Budget**
£000's		**£000's**	**£000's**
	INCOME		
(27,282)	Dwelling Rents (Gross)	(26,728)	(26,264)
(776)	Non-Dwelling Rents (Gross)	(853)	(899)
(2,659)	Charges for Services and Facilities	(2,509)	(2,553)
(106)	Contributions towards Expenditure	(91)	(91)
(30,823)	**Total Income**	**(30,181)**	**(29,807)**
	EXPENDITURE		
5,015	Repairs and Maintenance	5,059	4,984
3,434	CB Homes Ltd Management Fee	3,395	3,463
6,130	Management Costs	6,262	6,642
189	Rents, Rates and Other Charges	195	202
258	Increased provision for Bad or Doubtful Debts	250	250
5,589	Interest Payable	5,629	5,616
8,190	Depreciation and Impairments of Fixed Assets	5,581	5,000
92	Amortisation of Deferred Charges	92	66
69	Debt Management Costs	68	68
28,966	**Gross Expenditure**	**26,531**	**26,291**
(1,857)	**Net Cost of Services**	**(3,650)**	**(3,516)**
1,356	Net HRA Income from the Asset Management Account	(92)	(66)
(22)	HRA Investment Income (including mortgage interest and interest on Notional Cash Balances	(32)	(32)
(523)	**Net Operating Expenditure**	**(3,774)**	**(3,614)**
645	Revenue Contribution to Capital Expenditure	3,952	3,614
122	**Deficit/(Surplus) for the Year**	**178**	**-**
(2,510)	Deficit/(Surplus) at the Beginning of the Year	(2,388)	(2,210)
122	Deficit/(Surplus) for the Year	178	-
(2,388)	Deficit/(Surplus) at the End of the Year	(2,210)	(2,210)

Housing Revenue Account - Estimated Balances

	£'000
Balance as at 1 April 2016	**(2,388)**
Committed - Capital Spending in 2016/17 and onwards	610
Less budgeted deficit/use of balances in 2016/17	178
Plus Forecast underspend in 2016/17	-
Unallocated balance at 31st March 2017	**(1,600)**
Less Proposed Use of balances in 17/18 Budget	-
Estimated uncommitted balance at 31st March 2018	**(1,600)**
Recommended level of Balances	**(1,600)**
Forecast balances above prudent level at 31st March 2018	**-**

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 16/17*	*Budget 17/18*	*Budget 18/19*	*Budget 19/20*	*Budget 20/21*	*Budget 21/22*
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***
Income						
Housing Rents	(26,728)	(26,273)	(25,814)	(25,873)	(25,988)	(26,629)
Other Income	(3,453)	(3,534)	(3,541)	(3,660)	(3,748)	(3,859)
	(30,181)	**(29,807)**	**(29,355)**	**(29,533)**	**(29,736)**	**(30,488)**
Expenditure						
Repairs & Maintenance	5,059	4,983	5,133	5,544	5,711	5,882
Running Costs	10,102	10,558	9,897	10,150	10,769	11,049
Interest Payable	5,629	5,616	5,689	5,953	5,319	5,381
Depreciation	5,581	5,000	5,150	5,305	5,464	5,628
Other Capital Financing	36	36	53	55	58	60
RCCO	3,952	3,614	3,433	2,527	2,414	2,488
Contribution to Balances	0	0	0	0	0	0
Other	0	0	0	0	0	0
	30,359	**29,807**	**29,355**	**29,534**	**29,735**	**30,488**
Budgeted (Surplus)/Deficit	**178**	**0**	**0**	**1**	**(1)**	**0**
Forecast 2016/17 underspend	0	0	0	0	0	0
Revised (Surplus)/Deficit	**178**	**0**	**0**	**1**	**(1)**	**0**

Opening Balance	**(2,388)**	**(1,600)**	**(1,600)**	**(1,600)**	**(1,599)**	**(1,600)**
Committed Balance	**610**	**-**	**-**	**-**	**-**	**-**
(Surplus)/Deficit	**178**	**-**	**-**	**1**	**(1)**	**-**
Uncommitted Closing Balance	**(1,600)**	**(1,600)**	**(1,600)**	**(1,599)**	**(1,600)**	**(1,600)**

* It should be noted that it is currently forecast the HRA will be underspent by £230k in 2016/17, which will be used to increase the RCCO in the year. Clearly, if this level of underspend 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 use of our borrowing headroom.

Review of Housing Revenue Account Balances 2017/18

Risk Management Assessment

Factor	Assessed Risk		
	High £'000	Medium £'000	Low £'000
Cash flow (1% of £56m)	560		
Interest Rate (3% on £16m)		480	
Inflation (Decrease of 1%)		250	
Emergencies		100	
Right To Buy Sales		100	
Litigation			50
Welfare Reform	200		
Sheltered Accommodation Project	100		
High Value Voids Levy	250		
	1,110	930	50

	Minimum Provision £'000
High Risk – 100%	1,110
Medium – 50%	465
Low – 10%	5
Sub Total	**1,580**
Other - say	20
Recommended Prudent Level	**1,600**

Housing Revenue Account – 30 Year Financial Model

Appendix E

	Year 1 2017/18 £000's	Year 2 2018/19 £000's	Year 3 2019/20 £000's	Year 4 2020/21 £000's	Year 5 2021/22 £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	(29,807)	(29,355)	(29,533)	(29,736)	(30,488)		(164,856)	(187,386)	(212,994)	(243,679)	(277,856)
Expenditure	29,807	29,355	29,534	29,735	30,488		164,601	187,090	212,651	243,282	277,395
(Surplus)/Deficit	0	0	1	(1)	0		(255)	(296)	(343)	(397)	(461)
Opening HRA Balance (Surplus)	(1,600)	(1,600)	(1,600)	(1,599)	(1,600)		(1,600)	(1,855)	(2,151)	(2,494)	(2,891)
Closing HRA Balance (Surplus)	(1,600)	(1,600)	(1,599)	(1,600)	(1,600)		(1,855)	(2,151)	(2,494)	(2,891)	(3,352)
Capital Account											
Investment:											
Stock Investment Programme	9,378	9,289	8,442	8,446	9,141	44,696	68,959	75,800	81,383	87,081	158,468
Sheltered Accommodation Review	770	1,397	1,247	0	0	3,414	0	0	0	0	0
High Value Assets Levy	1,140	1,174	1,209	1,246	1,283	6,052	0	0	0	0	0
New Build	0	0	0	0	0	0	0	0	0	0	0
Total	**11,288**	**11,860**	**10,898**	**9,692**	**10,424**	**54,162**	**68,959**	**75,800**	**81,383**	**87,081**	**158,468**
Funded By (Resources):											
Depreciation	(5,000)	(5,150)	(5,305)	(5,464)	(5,628)	(26,547)	(32,620)	(39,956)	(48,802)	(59,451)	(72,255)
Revenue Contribution	(3,614)	(3,433)	(2,527)	(2,414)	(2,488)	(14,476)	(11,626)	(11,988)	(11,666)	(11,895)	(10,332)
Capital Receipts	(650)	(1,950)	(500)	(500)	(500)	(4,100)	0	0	0	0	0
Grant	0	0	0	0	0	0	0	0	0	0	0
HRA Reserves	0	0	0	0	0	0	0	0	0	0	0
New Borrowing	(2,024)	(1,327)	(2,566)	(1,314)	(1,808)	(9,039)	(2,268)	0	0	0	0
Total	**(11,288)**	**(11,860)**	**(10,898)**	**(9,692)**	**(10,424)**	**(54,162)**	**(46,514)**	**(51,945)**	**(60,468)**	**(71,346)**	**(82,587)**
Debt:											
HRA Debt at Year End	130,993	132,320	134,886	136,199	138,007		140,275	140,275	140,275	140,275	140,275
Debt Cap	140,275	140,275	140,275	140,275	140,275		140,275	140,275	140,275	140,275	140,275
Available Headroom	9,282	7,955	5,389	4,076	2,268		0	0	0	0	0

	Cabinet		*Item* **8(ii)**
	1st February 2017		
Report of	**Head of Commercial Services**	**Authors**	**Darren Brown** **Lynn Thomas** **Tel: 282891**
Title	**Housing Investment Programme (HIP) 2017/18**		
Wards affected	All		

This report concerns the Housing Investment Programme for 2017/18

1. Decision(s) Required

1.1 To approve the Housing Investment Programme for 2017/18.

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

2. Reasons for Decision(s)

2.1 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.

2.2 Members will be aware that following the Cabinet meeting on the 30 November 2011 it was agreed in principle to accept a proposed 5 year Housing Investment Programme (HIP) as the framework for procuring housing related planned works, improvements, responsive and void works and cyclical maintenance, subject to overall budget decisions in January 2012 and annually thereafter.

2.3 It was also agreed that the proposed 5 year investment programme would be linked to the Asset Management Strategy (AMS) and reviewed annually in the light of available resources and for each annual allocation to continue to be brought to Cabinet for approval as part of the overall HIP report.

2.4 The Colchester Borough Homes (CBH) Board has been apprised of the content of the Cabinet report submitted on the 30 November 2011 and is now seeking approval for the 2017/18 Capital programme.

2.5 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.

3. Supporting Information

Key Issues for 2017/18

3.1 There are a number of key issues relating to the HIP budget for 2017/18, with further details being included within the main body of the report. However, in summary they are as follows. This is the sixth year of HRA Self-Financing and the continued increase in investment in the housing stock and other projects is reflected in this report. As part of the Sheltered Housing refurbishment programme, construction works continues at Enoch House and is due for completion in summer 2017, whilst the feasibility and scope of the next two schemes is appraised.

3.2 Members will be aware of the forced sale of Local Authority High Value assets to fund the voluntary Right To Buy for housing association tenants, which was announced in the Housing and Planning Act 2016. This requires local housing authorities to make a payment to the Government equivalent to the market value of a proportion of high value vacant housing owned by the authority (165 stock retaining local authorities who maintain a housing revenue account). Government announced in the recent autumn statement that this has been delayed and will not be implemented in 2017/18. However, given there is no indication of how much the levy that we will have to pay will be, work programmes for 2017/18 have been reviewed and a reduction of £1.140million has been made which has been ring-fenced for payment of the levy when it is implemented. An equivalent sum has been provisionally included in futures years as shown in the CMTFF at Appendix A.

3.3 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.

3.4 In recognition of the need to define future trends and changes influencing the needs of the housing assets, a 30 year investment model was established to support the HRA business planning process. This was undertaken as part of the Councils response to the proposal from the Government to disband the Housing Subsidy system and to introduce self-financing from April 2012.

3.5 Members will be aware of the announcements made in the Chancellor of the Exchequer's Budget on 8th July 2015 regarding the proposal to decrease social housing rents by 1% annually from 2016/17 for four years, and the resultant projected loss of rental income within the HRA business plan over the next 30 years. Therefore it is necessary to review the Housing Revenue Account (HRA) current budgets and investment plans to ensure that these can operate within the limits of the Business Plan and do not exceed the peak debt limit.

3.6 The outcome of the review will provide the Council, as part of its budget setting process, alternative options on existing HRA budgets to mitigate the impact of the imposed reduction in income through these changes without detrimentally impacting service to residents in the Borough.

3.7 It is now the sixth year of this programme which is being recommended as the framework for procuring housing related planned works and improvements.

4. Funding the Housing Investment Programme

4.1 2017/18 is the sixth 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 2017/18 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 2017/18 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

4.2 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.

4.3 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 subject to the debt cap which applies under the self-financing regime. Should this be breached, or 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.

5. 2017/18 Programme of Works

5.1 The requested budget allocation for the 2017/18 programme is £11.288million. This continues to represent a substantial increase in investment compared to the years spent operating under the now-abolished HRA Subsidy system, which members will recall was replaced on 1st April 2012 by the HRA Self-Financing regime. A further breakdown of the areas of work that are planned to be undertaken is shown at paragraph 8.

5.2 As part of the new management agreement which commenced in August 2013 between the Council and CBH, the management fee has been expanded to reflect the wider range of services CBH now provides on behalf of the Council, so it now incorporates the fee for managing the capital programme. Members are therefore asked to note that the requested budget allocation in paragraph 5.1, and the budget sums included in paragraph 8 and Appendix A all include the fee for managing the capital programme, which for 2017/18 totals £1,328,000. A further breakdown of the management fee is included in the HRA Revenue Estimates report elsewhere on the agenda.

5.3 Cabinet are also asked to note that provision has been made within the 2017/18 programme to provide funding for the Sheltered Housing review agreed by Cabinet on 12th October 2011. The sixth year of the programme (2017/18) will see the completion of the refurbishment of Enoch House.

6. HRA Capital Medium Term Financial Forecast - 2016/17 to 2020/21

6.1 As previously stated, on the 30th November 2011 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 the early years being completed and new updated year's being introduced. As previously stated there is a significant increase in capital investment in the housing stock compared to previous years. Members will be aware that the Government introduced the Decent Homes Standard in 2010 which required all social housing within England to be brought up to and maintained to this standard, and therefore our on-going investment reflects what is required to ensure our housing stock continues to meet the decent homes standard as a minimum. The HIP also includes investment in other work programmes identified in the AMS for which the resources had not been available under the previous HRA subsidy system. It should be noted that the figures for 2018/19 onwards are indicative at this stage, and will be subject to confirmation and agreement by Cabinet in their appropriate year's budget setting cycle. This is primarily because the main source of increased resources under HRA Self-Financing is the retention of 100% of tenant's rental income locally. However, as previously stated, the Government has announced a decrease in social rents over four years rather than the anticipated inflationary increase, and we are awaiting more detail from the Government on these proposals and what might happen at the end of the four year reduction. It should also be noted that the assumed level of resources available to fund the HIP is not only influenced by future inflation levels, but also by other income and expenditure requirements within the HRA.

6.2 At its meeting on the 12th October 2011, Cabinet considered a number of recommendations relating to making improvements to the Councils sheltered housing stock. It was agreed that any capital receipts relating to disposals would be ring-fenced to the HRA, and that the financial implications of the in-principle decisions taken are modelled and reflected in the overall budget setting process. It was also indicated in the report that additional borrowing would be likely to be required to fund the programme of works, which would be via the use of the available borrowing headroom arising under HRA Reform. It is worth reminding Members that the 30 year AMS already made provision for investment in the sheltered housing stock, therefore the borrowing required is as a result of bringing these works elements forward, rather than any shortfall in funding in the overall business plan. Therefore the 2017/18 budget, and the capital medium term financial forecast at Appendix A, show the indicative expenditure requirements relating to the review of sheltered accommodation, and have been taken into account when determining the sources of funding available and required.

6.3 The estimated RCCO in 2017/18 is £3.614million, which is broadly in-line with the assumptions in the business plan. In the years prior to HRA Self-Financing, the RCCO has been used to fund non-works programmes, such as Housing ICT and the capitalisation of costs associated with the Housing Client team. However, as indicated in the HIP report agreed by Cabinet on 25th January 2012, RCCO's have been required 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. However, following the rent reduction announcement by the Government in July, these resources will now be much lower than indicated in previous year's budget reports, which will have an impact on the level of capital investment in the housing stock that we are able to afford in the medium to long-term.

6.4 Members will be aware that the Council entered into agreement with DCLG in 2012 to retain additional RTB receipts to deliver new affordable housing. The Capital Medium Term Financial Forecast considered by Cabinet at its meeting on 28th January 2015 assumed that we would be able to use retained RTB receipts to contribute to the funding of the next phase of new build. However, given the impact the rent reduction announcement has had on our available borrowing headroom and the resultant putting on hold of phase 2 of our new build programme, there is the likelihood that we will not be able to use any more of our retained receipts as a source of funding via this method of delivery, and we would be required to repay any unused receipts to the Government plus interest, unless alternative delivery options can be found which utilise them. The latest projection is that this would occur in 2017/18 onwards, however officers are currently exploring alternative schemes to prevent repayment being necessary where possible. As a reminder, retained receipts can only be used on delivering new additional units of accommodation, not on refurbishing existing schemes.

6.5 The Medium Term financial forecast shows a requirement to undertake additional borrowing in the next 5 years. Prior to the rent reduction announcement, this virtually all related to the funding of new Council House building and the proposed sheltered accommodation improvements discussed at paragraph 6.2. However, we are now having to use borrowing to fund the requirements of our housing stock contained within the AMS, as our ability to use RCCO's to fund the capital programme have diminished due to there being less rental income available as a result of the rent reduction announcement.

7. Priorities for the Council

7.1 To implement the Colchester Housing AMS that was revised and adopted by Cabinet in April 2015 as the basis for long term planning, provision and sustainability of Colchester Borough Council's housing assets.

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

7.3 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.

7.4 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.

7.5 To note that the overall and general Building Cost Inflation Indices (BCIS) used within the HIP contracts is showing significant increases, and also the tenders returned on newly contracted works are significantly higher, reflecting the current building market conditions. Both of these are used as a major consideration in producing and delivering the intended programmes of work.

8. Proposals

8.1 The report sets out below a summary of the proposed allocation of new resources for 2017/18 as defined by the AMS with the following comments setting out the basis of the allocation.

8.2 ***Capital Investment Programme - £5.275million –*** This allocation supports the AMS and acknowledges the work required to allow the decency standard to be maintained, therefore this substantial proportion of the overall allocation is recommended.

8.3 ***Aids & Adaptations - £0.600million -*** 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 also meet the high priority that Members place on this service.

8.4 ***Emergency Failures (statutory obligation) and Voids - £0.693million –*** 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.

8.5 ***Emergency failures structural works - £0.581million –*** 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.

8.6 ***Environmental Works - £1.125million -*** This allocation supports the AMS by continuing to address the improvements to the overall estate living environment. It will include door entry systems, boundary works and PVC installations to continue to reduce the revenue reliance on painting programmes.

8.7 ***Asbestos, Legionella, Fire Safety and Overall Contingency - £0.589million –*** 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 and the potential to Buy Back properties offered back to the Council through the Right to Buy legislation.

8.8 ***Non-Works Programmes - £0.140million*** – This is for the further development of the Capita Housing system and various other one off projects.

8.9 ***Sheltered Accommodation Improvements - £0.770million*** – This allocation supports the continuation of the overall refurbishment programme and a feasibility and appraisal of the next two schemes. Individual delivery contracts will be reported to Cabinet as tenders are returned.

8.10 ***Garages - £0.375million*** – This investment in the garage stock is intended to secure additional revenue income that will support the business plan in future years. We have already seen a return on the investment made in the last financial year by increased garage tenancies and fewer empty garages on the sites that have been refurbished.

8.11 ***Higher Value Voids Levy - £1.140million*** – This allocation is setting resources aside to meet the estimated impact of the disposal of higher value voids levy, which the Government are using to fund the extension of the Right To Buy for Registered Provider tenants introduced as part of the Housing and Planning Act 2016.

9. Strategic Plan References

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

- **Welcoming -** a place where people can grow and be proud to live.
- **Vibrant -** Develop a strong sense of community across the Borough by enabling people and groups to take more ownership and responsibility for their quality of life.
- **Prosperous -** Provide opportunities to increase the number of homes available including those that are affordable for local people and to build and refurbish our own Council houses for people in significant need

10. Consultation

10.1 The Council conducted the bi-annual STAR survey through ARP Research in April 2016 with the specific aim of obtaining customer feedback through a sample survey of general needs tenants (1600), and all sheltered tenants and leaseholders. Questions were centred on Colchester Borough Homes performance, tenant satisfaction with their homes, neighbourhood and services. The survey also attempted to identify tenants' priorities on where we focus the provision of non-statutory services.

10.2 As a result of the Cabinet report submitted on the 30th November 2011 members will be aware of the extensive consultation process which has been undertaken to arrive at a position where it has been possible to recommend this report and budget allocation.

10.3 Further consultation will be undertaken as part of the process to review spending plans given the impact of the Governments rent reduction announcement referred to in paragraph 3.5.

10.4 It should also be noted that thorough consultation will be carried out with tenants and leaseholders affected by any works to properties or areas as a result of the works programmes proposed within this report.

11. Publicity Considerations

11.1 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.

12. Financial implications

12.1 As set out in the report.

13. Equality, Diversity and Human Rights implications

13.1 An impact assessment has been prepared and can be viewed through the following link http://www.colchester.gov.uk/article/12743/Commercial-Services

14. Community Safety Implications

14.1 These are taken into consideration in delivery of the HIP programme.

15. Health and Safety Implications

15.1 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.

16. Risk Management Implications

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

HRA Capital Medium Term Financial Forecast – 2017/18 to 2021/22

Appendix A

Expenditure	Notes	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Stock Investment Programme		8,638	8,528	7,645	7,603	8,280
Adaptations		600	617	648	690	703
Sheltered Accommodation Review		770	1,397	1,247	-	-
Stock Investment Sub - Total		**10,008**	**10,542**	**9,540**	**8,293**	**8,983**
Higher Value Assets Levy		1,140	1,174	1,209	1,246	1,283
ICT		140	144	149	153	158
Other Works Sub - Total		**1,280**	**1,318**	**1,358**	**1,399**	**1,441**
Total Programme		**11,288**	**11,860**	**10,898**	**9,692**	**10,424**

Resources	Notes	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Major Repairs Reserve		5,000	5,150	5,305	5,464	5,628
Revenue Contribution to Capital		3,614	3,433	2,527	2,414	2,488
Capital Grant		-	-	-	-	-
Capital Receipts	Disposal of Assets/Stock Rationalisation	650	1,950	500	500	500
Retained RTB Receipts Reserve		-	-	-	-	-
New Borrowing		2,024	1,327	2,566	1,314	1,808
Total Funding		**11,288**	**11,860**	**10,898**	**9,692**	**10,424**

Cabinet		**Item 9(i)**
1 February 2017		

Report of	**Assistant Chief Executive**	**Author**	**Matthew Sterling ☏ 282577**
Title	**Half yearly Performance Report including progress on Strategic Plan Action Plan**		
Wards affected	Not applicable		

This report summarises performance for the first half of 2016-17 towards achieving the Council's key performance measures and the Strategic Plan Action Plan.

1. Action required

The Cabinet is asked to consider and comment on the performance update for the Council's key performance measures for the period to the end of September 2016 and on the progress update of the Strategic Plan Action Plan to the end of September 2016.

The Scrutiny Panel reviewed the report on 13 December 2016, and Cabinet is also asked to consider any comments as shown in the minutes from that meeting.

2. Background information

The Council has agreed a number of key performance areas which it uses as part of its Performance Management Framework to help monitor progress and improvement. This report provides an update of our indicators along with a half-yearly review of progress against our Strategic Plan Action Plan.

3. Performance Summary

- The Council adopted a new Strategic Plan last year which describes its ambitions for making the borough a prosperous, thriving, vibrant and welcoming place.
- The actions within our Strategic Plan Action Plan show that there is a considerable amount of positive activity being undertaken across the Council and with our partners to achieve our Strategic Priorities.
- Progress towards achieving our overall set of organisational performance measures shows that 10 (72%) of our measures are on track to be achieved (or 'Green'), 2 (14%) are not meeting expectations to date but with improvement likely ('Amber'), and 2 (14%) are currently not meeting expectations and are unlikely to do so by the year-end ('Red').
- The Council has also received a number of awards and accreditations.

4. Strategic Plan references

This report provides an update of progress against the Strategic Plan Action Plan, developed to support the delivery of the Council's agreed Strategic Plan Priorities.

5. Consultation

The report's contents do not have any direct implications with regard to consultation. However, the Strategic Plan and priorities were agreed following public consultation.

6. Publicity considerations

The performance report contains key measures for our key performance indicators and our Strategic Plan Action Plan. Many of these are used to monitor the performance of our services, and as such these may be of public interest. The report and related information is published on the Performance and Improvement section of the Council's website.

7. Financial implications

The financial implications of the action plans to deliver the indicators form part of the budget setting process.

8. Equality, Diversity and Human Rights implications

Progress and improvement of these and many of the actions within the Strategic Plan Action Plan support our aims of improving both services and the lives of everyone in the borough. Where required, specific Equality Impact Assessments will exist for policies and activities rather than for individual performance indicators or actions. Progress on the Council's Equality Objectives are included within the Strategic Plan Action Plan Update.

9. Community Safety implications

There are performance measures and actions within the Strategic Plan Action Plan which aim to improve community safety and as such this report provides progress updates in this area.

10. Health and Safety implications

This report has no direct implications with regard to Health and Safety.

11. Risk Management implications

We aim to deliver against performance indicators and the Strategic Plan Action Plan Actions, as both form a key part of our performance framework and expectations around delivery of our priorities to the residents of Colchester borough.

Background Papers

Not applicable.

Strategic Plan Action Plan - Half Year Report covering 1 April – 30 September 2016

Vibrant

- Enhance the diverse retail and leisure mix supporting independent business opportunities valued by residents and visitors
- Develop a strong sense of community across the Borough by enabling people and groups to take more ownership and responsibility for their quality of life
- Make more of the great culture and heritage in Colchester so that more visitors can enjoy the history and passion of Colchester
- Create the right environment for people to develop and flourish in all aspects of life both business and pleasure

Action	Half Year update
Work with development partners to bring exciting new retail and leisure to the eastern part of Colchester town centre.	Curzon cinema: Awaiting the exchange of legal documents to complete the deal. Work expected to begin on site during October. The rest of the former bus depot/station site is under negotiation with lawyers; with design work on a new hotel, student accommodation and restaurant / café uses continuing. Vineyard Gate: The Council's purchase of land previously owned by Caddick in Osborne Street is completed, alongside other smaller purchases of properties in Osborne St.
Support communities to develop their own Neighbourhood Plans.	Colchester has the first two neighbourhood plans in Essex to pass the referendum stage. Boxted and Myland and Braiswick Neighbourhood Plans were subject to independent examination earlier in the year. Both plans passed their respective referendums held on 15 September and will now be adopted by the Council at its meeting on 8 December. Work is ongoing to support Wivenhoe, West Bergholt, Eight Ash Green, Marks Tey, Stanway and Tiptree. Officers have also attended meetings with other Parish councils to discuss preparation of neighbourhood plans.
Work with our residents, the third sector and other service providers to implement the Community Enabling Strategy to enable communities to influence, own or co-design services.	Some good examples of Community Enabling are emerging: • Litter Warriors – residents organisations and individuals coming forward volunteering to keep their streets and areas clean by removing litter with CBC provided litter clearance kits. • Goodgym – independent organisation encouraging local residents to participate in regular exercise whilst providing some community beneficial work as part of their organised run. Weekly runs start from Colchester Leisure World and group runs to a location to carry out a joint community activity such as cleaning, decorating weed and litter removal. Close working with Park Run. Befriending arrangements are also part of the Goodgym delivery which is still to be delivered with referral arrangements being managed by CCVS. Set up funds provided by CBC Community Enabling Fund.

	• Colchester in Bloom activity days arranged with local residents to improve dilapidated areas and to carry out riverside maintenance. River Colne and Middleboro drinking fountain are examples. Also maintenance of High Street planters, barrier planters and hanging baskets. • Big Garden at High Woods Country Park – horticultural therapy project funded from Community Enabling. Encouraging volunteers working with less able members of the community to improve their life opportunities by improving their health, mental and social skills. • The Recreation Ground Community Café project – working with Go4 to provide new facilities within the Recreation Ground at Old Heath Road creating a new hub/focus for community use and interest. Assisting customers to self-serve and 'Go-Online' initiatives continue to help people do more for themselves. Community digital events and surgeries are expanding with nine local areas (including rural communities) now included as well as Essex County Council's mobile library. This has enabled 90 people to have one to one support to go online since April. In addition community events have enabled a further 80 people help in accessing online services. Local groups such as CCVS, Signpost and Beacon house have been trained to provide support and act as 'Online Champions'. Our Digital Skills For Life Course (DS4L) course run by Signpost, using our model, trains an average of ten people a month in basic digital skills. This includes assisting minority groups, digitally isolated younger people and older people to go online. This involved over 90 participants. A participatory appraisal exercise (community engagement method) was undertaken in the Library and Community Hub to allow residents to co-design the space on the ground floor. £200k was invested into The Big Choice funding scheme that gave residents the say in who received significant amounts of money for local projects and that called for communities to demonstrate their commitment to enabling and doing more for themselves.
Make more of our culture and heritage with initiatives such as the Friends of the Colchester Roman Wall and by attracting Heritage grants.	Ongoing activities include grants to Arts organisations and Festivals, the provision of Visitor Information Services, core promotional marketing, the heritage building maintenance programme and a refreshed Visitor Information Website. In addition, the Council has also invested £100,000 into promoting Colchester which has included campaigns that showcase the great heritage in the Borough, including the I-spy campaign, new poster and wider marketing campaigns. A further £60,000 investment into Castle attractions and £33,000 additional investment into the Roman Circus is being realised during 2016. A project to highlight the location of the Roman Gates is underway along with the recent lighting of Balkerne Gate and planned lighting of part of the Roman Wall in Priory Street Car Park.

Ensure sufficient land is allocated in the right places to attract and retain businesses, supply homes and identify the infrastructure that is needed by developing a Local Plan for the borough.	The existing Local Plan allocates sufficient land in the borough for housing and employment up to 2023. The emerging Local Plan will identify land for the period to 2033. Public consultation on Preferred Options for achieving this took place between July and September 2016 and approximately 2200 responses were received. These are now being logged and analysed to inform the Local Plan to be submitted to the Planning Inspectorate in 2017.
Co-ordinate partners and funding streams in the Northern Gateway and the Hythe to generate a wide range of jobs and facilities.	The Northern Gateway project aims to create an exciting leisure and sporting destination with a mixture of commercial leisure and community and club sports. Sites to the south of the A12 and close to the Stadium are coming forward with new leisure proposals; David Lloyd Leisure is about to open and sites adjoining the stadium are undergoing planning assessment for a regional cinema, refreshments and indoor leisure activity uses. The Mill Road rugby club site will be re-developed to create a major community open space, family and specialist housing with employment uses close to the Northern Approach Road. The sports and leisure uses currently at Mill Road will relocate to the northern side of the A12, funded in large part by the new residential development. The sports complex will provide modern and expanded facilities for most traditional sports, and particularly for rugby, indoor cricket, badminton and table tennis. It will have a specialist cyclo gym and large cafe with viewing area. A regional cycling centre will be created to include a 1.6km racetrack and BMX course. In August, Members endorsed the revised Master Plan that structures the development of this area with a central pedestrian and cycle-only boulevard as its linking east/west feature. A public realm strategy recommending an approach to landscape and design of the public areas is nearing completion. The Business model has been developed and was endorsed by Cabinet in March 2016. Cabinet will receive a report in November, identifying how the scheme will be funded, and the financial implications for the council, procurement options and with a recommendation for the management of the complex. The project is supported in principle by the clubs and sports governing bodies including Sport England and British Cycling. Once the planning application is submitted in early 2017 the funding application process can be progressed. Additional funding is sought from other external sources including central government.
Create more independent business opportunities by providing trading units in new large developments across the borough.	42 units have been provided in the new creative business centre. Opportunities are being sought to incorporate into plans coming forward in north Colchester and where appropriate in the town centre.

Prosperous

- Promote Colchester to attract further inward investment and business relocation, providing greater and more diverse employment opportunities
- Support people to develop the skills needed by employers in the future to take advantage of higher paid jobs being created
- Provide opportunities to increase the number of homes available including those that are affordable for local people and to build (& renovate) our own Council houses for people in significant need
- Ensure transport infrastructure keeps pace with housing growth the keep the Borough moving

Action	Half Year update
Deliver an inward investment campaign in key employment sectors.	An Inward investment website is in development, due to complete the Autumn of 2016. Also for imminent release are an Annual Economic Report 2015/16 and an Inward investment guide.
Work with the Town Team and other partners to promote Colchester to attract inward investment.	A partnership has been established with Invest Essex and UKTI. Enquiries have been received and proposals developed for relocating companies. Invest Essex is featuring Colchester on social media and arrangements have been agreed for business-sector visits.
Review the Better Colchester Town Centre website to promote Colchester. (Please note this website is for the promotion of the Town Centre projects).	Much work on the town centre has taken place over this year to identify what action needs to be taken in the town centre using the following initiatives: • Completing a Town Centre Mystery Shopping Benchmarking Research comparing the experience of Colchester with Chelmsford and Ipswich. • Facilitating a workshop with members of the Town Centre Steering Group to consider the results of the Mystery Shopping research and adding new items to it. • Presenting these results and developing a draft action plan which included short, medium and long term actions. The next steps will be to prioritise these actions prior to the Town Centre Steering Group reviewing the website.
Secure increased funding and support for skills initiatives particularly in growth or emerging sectors.	Funding has enabled an increase in apprenticeships in Colchester from 1,430 in 2013/14 to 1,580 in 2014/15. A high proportion of these apprenticeships were in growth sectors such as Health, Retail, Business Administration, Engineering and Manufacturing Technologies. Colchester Borough Council allocated funding of £20,000 to be used to encourage new entrants into the Construction sector working on local projects in partnership with industry. Meetings scheduled with Construction Industry Training Board (CITB), Essex County Council Skills Representative and local construction companies to ascertain level of match funding and agreed joint initiatives to take forward – this would likely include a Schools Engagement Programme for the sector.

	Colchester and Ipswich Museums Service successfully secured £222,000 annually for three years to develop a Training Museum initiative that is in its second year. It has included skills development of the workforce, a schools programme for Children and created traineeship posts within the service for young people to gain new skills.
Provide local economic data to education providers to help ensure that the skills that Colchester businesses need are provided.	'Colchester Skills Report 2016' was provided to local education providers in July 2016. The report gives details and data on employment, education and skills needs. Providers include 10 secondary schools, one General Further Education College, one Sixth Form College and one Higher Education Institution based in the Borough. In terms of post- 16 education and skills participation 13,340 Colchester residents were participating in further education and skills provision in 2013/14 (excluding those attending School Sixth Forms). 8,900 of these were aged 19 or over.
Ensure there is an ongoing five-year supply of housing sites and the provision of sufficient numbers, types and tenure of housing to meet local need.	The Council continues to maintain a 5 supply of developable and deliverable housing sites. This is reviewed on an annual basis. The emerging Local Plan will identify additional sites to ensure there is adequate supply for the period to 2033.
Deliver 205 new affordable homes in the borough by 2018.	As at the end of September 2016, 28 new affordable homes had been delivered. Along with the 106 homes built in 2015/2016, this means Colchester is well on target to deliver 205 homes by 2018.
Seek 20% of new homes on qualifying sites to be affordable homes.	During April 2016 to September 2016, a total of 3 qualifying sites had legal agreements settled which specified the affordable housing contribution to be built. The total affordable housing contributions are set out below and show that all three sites are set to deliver more than the 20% affordable housing required by our Planning Policy. Over the 3 sites, 30% of the total homes being built will be affordable homes.

Total number of homes due on the 3 qualifying sites	Number of affordable homes due if 20% affordable policy applied	Number of affordable homes actually secured
93	19	28

Work with Colchester Borough Homes to increase the quality of council housing by refurbishing these properties and using new technologies to ensure they are energy efficient.	The revenue and capital programme of works continue, they are on course and in line with the budget. Work on our major refurbishment of Enoch House is now in phase three and four. The tenants that have moved into their new homes in the first two phases have expressed high levels of satisfaction. Energy Efficient technology has been used at Enoch House and some grant funding obtained, although grants for energy efficiency have been reduced across the sector we continue to apply for those that remain. CBH continue to monitor the introduction and progression of new technologies.
Work with statutory and voluntary sector partners to prevent homelessness and rough sleeping in the borough.	The Homelessness Strategy Delivery Plan contains actions to continue to prevent homelessness in Colchester and these will be updated at year end. The Homelessness Strategy Progress report for 2015/2016, which sets out actions undertaken and progress on preventing homelessness and rough sleeping in 2015/2016, has also been completed. The Delivery Plan and Evidence base have also been updated.
Articulate Colchester's transport needs to influence the development of new infrastructure by the Highway Authority and developers.	Transport modelling work has been undertaken and published as part of the Local Plan consultation. Further work is underway to develop the mitigation and infrastructure package for the Plan. Local information has been supplied for the Essex Growth Infrastructure Framework. A specific piece of work has been undertaken on Rapid Transit to support potential growth in east Colchester. As part of the principals of Garden Communities, accommodate growth in east Colchester, link together the Garden Community, the University, the Town Centre and station the study shows that there are considerable benefits in investing in a rapid transit system. The Council has responded to various ECC consultations such as Lexden Road; Parking Standards, and Development Management policies. Officers continue to work closely with ECC to develop proposals for future investment in road and public transport operation in Colchester.
Support the delivery of improvements to the strategic road and rail network.	Colchester has representation at various levels on the A120/A12 Member, Community, Economic and Environment fora being led by ECC and Highways England. Essex County Council, Highways England and Network Rail are involved in the development of the Local Plan. The award of the new Greater Anglia franchise includes investment and changes to services such as better quality, more capacity, faster trains and improved connectivity which CBC requested in response to the franchise process and the regional campaign.
Allocate developer funding to sustainable transport projects in the borough which improve the balance between different modes of transport.	Requests are made at Development Team and in response to applications to ensure new developments are well served by sustainable transport modes. A travel Planning 'App' for the University and Maltings student accommodation was launched at the October Freshers Fayre.

	Funding has been secured from Sainsbury's to fund an extended 61 bus service and service to Greenstead. A Community Bus service to Tollgate is being developed using developer funding. Funding has been secured from the University to develop improvements to the bridge over the rail-line and to make improvements to internal cycle routes. Improvements for walking, cycling and public transport have been secured by conditions attached to applications including for the Cowdray Centre, Magdalen Street Student accommodation and Curzon Cinema.
Improve the walking and cycling links between Colchester North Station and the town centre through initiatives such as ‘Fixing the Link’.	Events have included cycle training for all, community walks, a health referral programmes, and organised local cycle rides. Additionally, a "Best Foot Forward" travel planning programme was launched in Mile End in late May. Work is underway with the Fixing the Link partners to enhance the initiative. The first tranche of work included improving the Middleborough area but had to wait whilst ECC completed the work for the changes to allow for the Park and Ride bus stop. The original feasibility study included ideas for the Albert Roundabout area which is a “gap” in the Fixing the Link Route. Design consultants will shortly be appointed. CBC has approved the ECC planning application to widen the bridge over Balkerne Hill to allow cycling and walking to the west side of the town.

Thriving • Provide Colchester's heritage and wide ranging tourism attractions to enhance our reputation as a destination • Be recognised as a centre of learning with excellent schools and educational opportunities for young people to make the most of their potential • Be clear about the major opportunities to work in partnership with public, private and voluntary sectors to achieve more for Colchester than we could on our own • Cultivate Colchester's green space and opportunities for health, wellbeing and the enjoyment of all	
Action	**Half Year update**
Provide positive experiences for visitors and residents by promoting Colchester's key leisure, visitor attractions and events venues.	Purple Flag accreditation has been re-secured for Colchester's evening and night time economy. New hotels opening have brought additional bed spaces enabling the Borough to be promoted as a short break destination. New arrangements to make it easier for coaches to pick up/drop off have been introduced to welcome coach visitors from September 2016. £100k additional funding for promotion of Colchester and £33k investment into the Roman Circus have been secured. The Council has organised or supported a number of events promoting the town including the Big Screen in Castle Park; a Heritage Open Weekend, the Cricket Festival, Food Festival, Slow Food Festival and a host of other more local community celebrations.
Support and help market a range of cultural festivals for local people and visitors.	The Festival Support Fund has supported 22 festivals and events across the Borough since May 2016, many of them with a cultural focus, including multi date festivals like the Roman River Music Festival, The Colchester Comedy Festival and Open Studios, and one day events like the Big Sunday, Colchester Carnival, the Little Scarlet Festival in Tiptree and the Art Sea Music Festival in Wivenhoe. These have been promoted via the Visit Colchester website and social media channels.
Enhance Colchester's heritage attractions with initiatives such as integrating attractions, identifying trails around the town, and lighting the Roman walls.	The Ancient Colchester app was re-launched in August. Previously the Castle App, and funded as part of the Castle Redevelopment project by the HLF this has been updated to provide a self-guided tour around Roman and Norman heritage sites in the town centre, including the Roman Circus. Further content covering Gosbecks, Lexden Mount and Mersea Barrow will be added by the end of the year. Recording Colchester's Heritage Project is progressing well with volunteers producing detailed analysis of early buildings in the town centre with dendro-dating revealing some interesting dates for their construction. This data will feed into an app or on-line data to enhance the experience and appreciation of the town centre.
Promote what Colchester has to offer to residents, visitors, and new businesses.	A new www.visitcolchester.com website has been launched with new functionality and capability, supported by ongoing search engine optimisation which has substantially increased traffic to the website (visitors to the website were up by 47% in Aug 2016 compared to Aug 2015).

	£100k additional funding for the promotion of Colchester is being invested in a yearlong programme including to date resourcing activity such as the Treasures of Colchester poster campaign in stations and bus stops across major towns in East Anglia and in East London around school holidays; ads in the Guardian and other supplements; the I spy Colchester social media engagement campaign; reengagement with the Group Travel Industry via ads and offers the travel trade press; and engagement with local tourism businesses to encourage participation in the ispy and upcoming campaigns. The re-named Castle App, has been developed and funded by the Castle Redevelopment project and now extended to include a heritage trail around Colchester key sites. Familiarisation events have been held for local taxi drivers to help them promote Colchester and new arrangements making it easier for coaches to pick up/drop off have been introduced to welcome coach visitors September 2016. A number of key events took place promoting the town including Big Screen in Castle Park; Heritage Open Weekend and the Council have supported a range of key Festivals and activities this year so far, including The Cricket Festival, Food Festival, Slow Food and a host of other more local community festivals.
Establish an effective apprenticeship programme to provide career and learning opportunities for young people.	The number of apprenticeships in 2014/15 was 1,580 – an increase of over 9% in 2013/14. The introduction of the Apprenticeship Levy in Spring 2017 will apply to companies and organisations with an annual pay bill in excess of £3m. The Council's plans to increase in own apprenticeship opportunities in response to the Levy are being developed. Partnerships have been developed with the business community, education providers and Essex County Council to ensure Apprenticeship Levy and training funding is channelled to Colchester's growth sectors (see Colchester Skills Report 2016). New apprenticeships such as a rotational health apprenticeship (exposure to a broad range of sector skills) and Advanced Digital Skills will scheduled to commence in 2016. New apprenticeship opportunities are advertised daily on the Colchester Institute website.
Work with the third sector to deliver Colchester's Environmental Sustainability Strategy.	CBC continues to work with and develop its network of community groups and third sector organisations. These partnerships are formed on the basis of a joint aim to support work in environmental sustainability and to support communities to build resilience. During the first 6 months of 2016/2017, the Council worked with third sector partners to: • Promote energy efficiency and reduce fuel poverty, through the delivery of a Big Energy Week in Colchester Market and disseminating information about the Big Community Switch to our own tenants and registered social housing providers. CBC secured external funding from DECC to help a third sector partner deliver an alternative switching scheme for vulnerable people unable to use computers. Colchester residents were helped to save on their fuel bills by signing up to the Big Community Switch which provided participating households with an average annual saving of £244.

	• Support external grant funding applications; encourage partnership approaches to fill gaps in provision and actively promote new rural skills training courses at CBC led events.
Make the most of our parks and open spaces by managing them well and offering a range of activities and events.	Colchester's Parks have seen one of the busiest Summers on record with thousands of visitors daily and lots of Pokémon Go hunters! A new Grounds Maintenance Contract has come into action at the start of the growing season. This new contract, combined with excessive rainfall presented considerable challenges which have now been overcome. Colchester's Parks have once again had a successful Anglia In Bloom campaign with Colchester winning a Gold award in the City Category and High Woods Country Park being the overall winner and receiving gold for the best park over 10 acres in the Anglia region.

Welcoming

- Ensure Colchester is a welcoming and safe place for residents, visitors and businesses with a friendly feel that embraces tolerance and diversity
- Improve the cleanliness and health of the place by supporting events that promote fun and wellbeing
- Create a business friendly environment, encouraging business start-ups, support to small and medium sized enterprise and offer development in the right locations
- Make Colchester confident about its own abilities, to compete with the best of the towns in the region to generate a sense of pride

Action	Half Year update
Work with partners to fund and deliver streetscape improvements to support economic vitality.	The Council is working with ECC to include bids for funding to the SELEP to improve the streetscape from the Mercury theatre through to First Site via St Nicholas Square.
Work with partners in the Safer Colchester Partnership to deliver support, promotion and regulation in order to make Colchester even safer and for it to feel safer.	The Safer Colchester Partnership continues to work effectively together to deliver campaigns such as Crucial Crew and Days of Action across the Borough. Ongoing support is provided for a range of safety related initiatives including the SOS bus. The Partnership has agreed new priorities for 2016 onwards to address current community safety priorities and has launched a new website and dedicated social media along with progressing the new Safer Colchester Hub which will see all partners spending time working together in one location in the future. The Licensing Enforcement Group continues to co-ordinate multi agency enforcement of licensed premises to achieve shared community safety objectives.
Improve street cleansing and enforcement in Colchester town centre, and in Stanway, Tiptree, West Mersea, and Wivenhoe.	A new deep clean service for the High Street has been introduced. This has included a protective coating being added, and the procurement of a new Hot Wash machine which has been used in the town centre, our car parks and at several other locations around Colchester. We have had two very successful behaviour change campaigns in 'Love Essex' – Litter Campaign and 'We are Watching You' Dog Fouling Campaign. Both seeing a significant reduction in problems in the hot spot areas put forward by residents and wardens. Additional Enforcement activity is also taking place, balanced with trying to re-educate those guilty of enforcement offences. After the introduction of Litter Warriors nearly a year ago, we are now celebrating our 200th volunteer! We are working with Keep Britain Tidy to look at a Fly Tipping Campaign given the increase in this type of offence across the Borough.
Work with health partners to contribute towards delivering effective outcomes for individuals and their families, with	We successfully recruited a new Public Health Improvement Coordinator who has been in post for four months. The post is joint funded with Essex County Council for a period of two years.

particular focus on prevention and intervention to improve health outcomes and to tackle health inequalities.	The new resource enables us to better coordinate activities across all Council services and to work more effectively with partners to deliver improved health and wellbeing outcomes for residents. We have launched a new 'Making Every Contact count' tool for front line staff and are working with the NHS organisation 'Provide' to deliver opportunistic advice to customers and refer individuals to free services based on five key lifestyle areas; healthy eating, physical activity, smoking cessation, alcohol and mental wellbeing. Preventative initiatives are also being developed with Colchester Hospital University Foundation Trust, North East Essex Clinical Commissioning Group, Anglian Community Enterprise and ECC to expedite discharge from hospital back in to the community and prevent avoidable admissions to hospital in the first place.
Lead and develop the Active Colchester Network to co-ordinate programmes and activities to increase participation.	The Active Colchester Network has been successful in securing £11,000 funding via Active Essex for a range of activities in Colchester. All the activities aim to increase participation in sport and physical activity and to encourage healthy and active lifestyles. Active Colchester partners are delivering: Football activities including "Super sixes", Street Sport, Women and Girls' Come and Play & Walking Football as well as Grassroots Football Club Workshops to up skill and develop local club coaches. Funding will also contribute to start-up cost of a second Colchester based park run at Mersea Island with an anticipated start date in December and a workshop for local sports clubs to highlight potential funding streams and how to apply. Weekly indoor cricket sessions for adults with disabilities and weekly netball sessions for women are currently being stage at Leisure World centres. Active ageing events are also planned for later in the year.
Work with Colchester Borough Homes, housing providers, private landlords, residents and partners to create cleaner, greener and safer communities.	In the first five months of the year we have worked with landlords to improve twenty three Houses in Multiple Occupation in Colchester. Informal and formal enforcement has resulted in the removal of 123 serious hazards from dwellings, and the lifting of 23 families from fuel poverty. We utilised a successful Residential Property Tribunal case upholding the Council's decision to take action against a prominent local Letting Agent to issue a press release via the local media on the Councils role in providing a safe home environment. We are working closely with Colchester Borough Homes, Housing Providers and private landlords to ensure that accommodation in the Borough accessed via the various available rehousing schemes such as the new private sector leasing scheme and temporary accommodation is safe for vulnerable families and individuals. We continue to manage the Bus Emission project. Early results from First Essex are good with the ten retrofitted buses demonstrating a 96% reduction of Nitrogen Dioxide from tailpipe emissions. The Council has provided residents, businesses and healthcare providers with an air quality forecasting service & alert system (air TEXT). We have been actively trying to promote the service, most recently at the University and with health colleagues.

Enhance the offer from Colchester Business Enterprise Agency to deliver a ‘one-stop-shop’ for business start-ups and survival.	The Service Level Agreement in place with Colchester Business Enterprise Agency (COLBEA) in 2015/16 and 2016/17 has ensured an increased offer from COLBE. This has resulted in increasing the number of business start-ups, improving business support, advice and mentoring. COLBEA have secured additional funding from the Department of Business, Innovation and Skills to run a series of business critical workshops covering key issues affecting SME's such as web presence, cash flow and recruitment. A tender for further funding of £39k is pending.
Deliver the Creative Business Centre in the town centre to support fledgling businesses.	Renovation of the former Police Station building is due for completion in mid-October 2016. A centre operator, 'Space', is now in place and interest in units is high. Ultra-fast broadband will be available at the centre.
Launch a new destination marketing campaign to raise Colchester’s profile and to encourage pride in the borough.	The Treasures of Colchester advertising campaign was launched in June 2016 with billboard and national press ads. July saw the launch of the social media campaign i-spy. A closer working relationship with Visit Britain/England has been created. New relationships are being forged with local attractions, hoteliers and businesses to be part of the campaign. An incentive has been identified with the Museum service and the promotion of this in trade press has just begun.

Corporate Indicator Set Year Half Year Performance April – September 2016						
Indicator	**Result 2015/16**	**Target 2016/17**	**RAG**	**Half Year Result 2015/16**	**Half Year Result 2016/17**	**Comments**

Planning Key Indicators

KI P1 Processing of planning applications	**Majors** 88%	80%	G	75%	93%	Despite another increase in application numbers and a vacant post (which has now been filled), application determination speeds remain a priority for the teams and are high.
	Minors 90%	85%	G	90%	95%	
	Others 96%	90%	G	96%	96%	
KI P2 Planning appeals allowed against our decision to refuse	27.9%	30% maximum	R	15.4%	37.5%	Our performance has declined in the past month following a spate of decisions by the PINs including 2 upheld appeal at one site in Stane Park. Detailed analysis has been undertaken of the 9 allowed appeals, with no consistent patterns found. It is arguable that 2 of the 9 were avoidable, but this would not alter the overall RAG status. Some changes have been made to internal sign off processes in response but these will take at least a few months to filter through to appeals.

Corporate Indicator Set Year Half Year Performance April – September 2016

Indicator	Result 2015/16	Target 2016/17	RAG	Half Year Result 2015/16	Half Year Result 2016/17	Comments
Benefits Key Indicators						
KI B1 Time to process housing benefit new claims and changes	10 days Housing Benefit	13 days Housing Benefit	G	12 days Housing Benefit	11 days Housing Benefit	Performance for September has remained consistent. In respect of Housing Benefit there has been no change at 11 days. LCTS continues to improve with a further reduction from 15 to 14 days. We are in a good position and expect to come in either on, or under, the target by year end.
	14 days LCTS	16 days LCTS		14 days LCTS	14 days LCTS	
Housing Key Indicators						
KI H1 Net additional homes provided	943	830	A	150	167	House building in Colchester during the first half of the year was below target however some slow-down in delivery was expected following the EU referendum in June.
KI H2 Affordable homes delivered (gross)	106	205 delivered over three years	G	74	28	As at the end of September 2016, 28 new affordable homes had been delivered. Along with the 106 homes built in 2015/2016, this means Colchester is well on target to deliver 205 homes by 2018.

Indicator	Result 2015/16	Target 2016/17	RAG	Half Year Result 2015/16	Half Year Result 2016/17	Comments

Corporate Indicator Set Year Half Year Performance April – September 2016

Housing Key Indicators delivered by Colchester Borough Homes (CBH)

KI H3 Homelessness cases prevented	58%	45%	G	47%	49%	163 applicants were supported to remain in their home or supported into alternative accommodation to prevent homelessness.
KI H4 Rent Collected	98.85%	98%	G	97%	97%	Rent collection levels continue to remain on target despite the difficult economic climate for tenants.
KI H5 Average time to re-let council homes	General 16.81 days	28.5 days 17 days	G	General 18.5 days	(New) 20.67 days (Old) 13.01 days	During the last six months there has been a significant drop in the number of empty Council homes.

Corporate Indicator Set Year Half Year Performance April – September 2016						
Indicator	**Result 2015/16**	**Target 2016/17**	**RAG**	**Half Year Result 2015/16**	**Half Year Result 2016/17**	**Comments**

Waste and Recycling Key Indicators

KI W1 Residual household waste per household	415 kg	400 kg	R	200 kg	210.9 kg	Current performance for this indicator is below target. A monthly target equates to 33.3 kg current performance is averaging 35kg. Across Essex Authorities the quantities of residual waste being collected is increasing. This will be monitored closely and there are a variety of communications through the Essex Waste Partnership to minimise residual waste alongside the education provided by zones teams.
KI W2 Household waste reused, recycled and composted	45.19%	48%	A	48%	47.31%	Performance is slightly lower than target. The performance in the next quarter will give a better indication as to whether the target will be met as this includes Christmas collections where more waste and recycling is generated. This will continue to be monitored closely against the profile of previous performance throughout the year.
KI W3 Number of weekly missed collections	82 a week	95 a week	G	85 a week	82 a week	Performance on missed bins in relation to the target remains very positive, currently we are indicating an improvement on the level of performance that we achieved the previous year.

Corporate Indicator Set Year Half Year Performance April – September 2016						
Indicator	**Result 2015/16**	**Target 2016/17**	**RAG**	**Half Year Result 2015/16**	**Half Year Result 2016/17**	**Comments**

Resources and Organisational Key Indicators

KI R1 Council Tax collected	97.6%	97.5%	G	57.19%	57.29%	Collection is above previous year. Furthermore considerable tax base growth noted. The team is focused on initiatives to further increase collection. Collection remains on track to meet target.
KI R2 Business Rates (NNDR) collected	98.3%	97.8%	G	57.29%	57.45%	Collection is above last year. A number of proactive initiatives are in progress within the team to further develop our collection position. Collection remains on track to meet target.
KI R3 Sickness rate in working days	6.86 days	7.5 days	G	6.12 days	6 days	Sickness absence continues to be managed robustly within services using the Bradford Factor absence triggers to inform discussions. Indications are that absence is within target at the half yearly point. The transition to the new Midland HR and Payroll system means that we are currently collating the data manually and it will need to be verified once the new system goes live.

Other performance news

- **Awards and accreditations**

The highlights are summarised here and are also shown on www.colchester.gov.uk in the achievements section

Achieved April to September 2016:	
Anglia in Bloom	Winners included High Woods Country Park *(*winner of *Parks [Large Over 10 Acres]* and gold award); the Big Garden at High Woods Country Park (winner of *Best Garden for Special Needs*); Castle Park *(Parks [Large Over 10 Acres])* gold award*;* the Castle Park 'three bees' (winner of *best local authority floral display*) - and Colchester earned a gold award in the city category. Colchester Cemetery was awarded silver-gilt (*cemeteries over 10 acres*). The 'Cub Scouts Bee Project' won the Bill Webster Award (*Best Young People's Project aged 12 years and under).* The New Town Community Garden was nominated *('grow your own' category*). Colchester in Bloom is key through its mission to "generate community involvement in making our town a more beautiful place to live and work and contribute towards social and economic vitality".
The Geography of Creativity in the UK	A national report highlighted a boom in the growth and significance of creative industries in Colchester. NESTA and Creative England launched a new report 'The Geography of Creativity in the UK'. The report ranks Colchester as 8th in the country for Creative Industries' Importance in terms of drawing people in to work in the sector from a wider area. Colchester also ranks 20th in the UK for high concentration and growth - beating places such as Brighton and Newcastle.
Green Flag Awards	Castle Park has received its fourteenth consecutive Green Flag, with High Woods receiving its thirteenth. Green Flags set a benchmark of standards for management and maintenance of publicly accessible urban and countryside parks, and promotes the community value of green spaces.
Chartered Institute of Public Finance and Accountancy (CIPFA)	Successfully reassessed as being a CIPFA Continuing Professional Development (CPD) Accredited Employer for best practice.
Newquest's North Essex Business Awards	The Council won the Environmental Awareness category for its Environmental Sustainability Strategy and related work. The strategy outlines its approach to environmental issues and identifies what it is aiming to achieve by 2020, setting out how Colchester will be a prominent sustainable borough by being a leading example in the community and helping communities become more resilient to climate change.
Adult Learners Awards	The Training Museum is a three-year project by the Colchester + Ipswich Museums Service, set up in 2015 with funding from Arts Council England to develop the next generation of museum staff. Seven full-time trainees on this course scooped the Arts and Cultural Learning prize.

Charter Status for Elected Member Development	The Council passed its interim reassessment in June 2016. This award recognises that the Council has achieved best practice in the way it provides learning and development opportunities for its elected members (councillors). This helps ensure that elected members have the necessary skills and knowledge to effectively represent the community.
Tripadvisor certificate of excellence	Awarded to High Woods Country Park for the first time - joining the Castle Museum, Hollytrees Museum and the Castle Park – for consistently achieving outstanding reviews from visitors.
LEXCEL	Legal Services were re-accredited against this Law Society standard. Lexcel is the Law Society's legal practice quality mark for excellence in legal practice management and excellence in client care.
GeoPlace – national Exemplar Gold award	Gold Performance Award for Address Data - for consistently maintaining the highest level of data quality. The Exemplar Awards recognise excellence in local authority business-critical data creation of Address data, known as a Local Land and Property Gazetteer (LLPG) and Street data, known as a Local Street Gazetteer (LSG).Only 15 authorities in the east of England achieved this Gold standard.
Essex Digital Awards	These awards recognise the online achievements of businesses, charities and public bodies from across the county. • The Parking Blog of 'Anna Tendant', a Civil Enforcement Officer working for the North Essex Parking Partnership (NEPP), won the Gold Awards in the 'Business Blog' category, for its weekly updates with 7,000 views to April 2016. As a Gold Award Winner, the Partnership will now be competing to be named the overall Champion for the Business Blog category in the Digital Award Champions 2016. The public vote for this award opens in November - Champions are announced in February 2017. • Pritchard's Point of View' won the Bronze Award in the 'Blog: Entertainment' category. Since its launch in February 2015, this has become a regular platform for Adrian's sometimes serious, sometimes quirky musings on issues, projects and important matters concerning Colchester and the work of the Council from his viewpoint as Chief Executive. • CBH was shortlisted in the 'use of video for business' category.
Financial Sustainability: new essential guide	The Council features as a case study in this best practice guide from the Local Government Information Unit (LGiU)."*Colchester is currently involved in projects which will see increased business rates and rental income for the Council, and improve transport in their area"* (page 10 for full item).

- **Other performance news for April to September 2016**

Annual reports – the Council produces annual reports on its performance in various areas. These reports are brought into one place on the website here for ease of reference, and to make it easier for the public to find which annual reports are available.

Performance Reporting Timetable 2016 - 2017

The deadlines for the monthly performance reports are shown here along with the meetings this data will be reported to:

Monthly Performance Statistics April - June 2016			
Data Deadline to People & Performance (P&P)	26 May 2016 (April statistics)	30 June 2016 (May statistics)	28 July 2016 (June statistics)
SMT Chat (Mondays)	6 June 2016	4 July 2016	1 August 2016

Monthly Performance Statistics July - September 2016			
Data Deadline to People & Performance (P&P)	25 August 2016 (July statistics)	29 September 2016 (August statistics)	27 October 2016 (September statistics)
SMT Chat (Mondays)	5 September 2016	3 October 2016	31 October 2016

Half Year Performance Report April – September 2016 Strategic Plan Action Plan, Monthly Performance Statistics and Award and Accreditations				
P&P	**PMB (less KPIs)**	**Leadership**	**Scrutiny Panel**	**Cabinet**
29 September 2016	20 October 2016	21 November 2016	13 December 2016	1 February 2017

Monthly Performance Statistics October - December 2016			
Data Deadline to People & Performance (P&P)	1 December 2016 (October statistics)	29 December 2016 (November statistics)	26 January 2017 (December statistics)
SMT Chat (Mondays)	5 December 2016	9 January 2017	30 January 2017

Monthly Performance Statistics January - March 2017			
Data Deadline to People & Performance (P&P)	2 March 2017 (January statistics)	30 March 2017 (February statistics)	27 April 2017 (March statistics)
SMT Chat (Mondays)	6 March 2017	3 April 2017	8 May 2017

Year End Performance Report April 2016 – March 2017 Strategic Plan Action Plan, Monthly Performance Statistics and Award and Accreditations				
P&P	**PMB (less KPIs)**	**Leadership**	**Scrutiny Panel**	**Cabinet**
6 April 2017	May 2017	June 2017	July 2017	September 2017

Note: Single Data List Indicators – Service to continue to reporting direct to the relevant Government Department

Agenda item 9(i)

SCRUTINY PANEL
MINUTE EXTRACT
13 DECEMBER 2016

100. Half-Yearly Performance Report including progress on Strategy Plan Action Plan

Matthew Sterling, Assistant Chief Executive, and Councillor Young, Portfolio Holder for Culture and Regeneration introduced the report. The report requests the Scrutiny Panel to review and comment on the Half Yearly Performance Report including progress on the Strategic Plan Action Plan ahead of the Cabinet meeting on 1 February 2017.

Matthew Sterling provided the Panel with a half-year update on the key performance indicators. This included highlighting two previously difficult targets that are currently on track; the staff sickness in number of days and the level of rent collected. With regard to the amber schemes, which could still end the year at its target, this included the amount of household waste reused, recycled and composted, and the number of net additional homes provided. There are two schemes that are categorised as red, which are the number of planning appeals allowed against Colchester Borough Council's decision to refuse and the amount of residual household waste per household.

With regard to the Strategic Plan Action Plan, Matthew Sterling highlighted that the lease had been signed with Curzon Cinema's, and that two neighbourhood plans had been adopted. In addition to this, Matthew Sterling highlighted the £100,000 invested in promoting Colchester; this has led to campaigns that showcase heritage in the town centre and the hot washer that has been used to clean the streets in the Town Centre. The Panel were also informed that the Creative Business Centre had now been opened, with all vacancies filled and a waiting list established.

The following questions were raised by Councillors;

- Councillor Hogg – Questioned whether it is possible to compare the sickness rate level with other authorities.
- Councillor Coleman – Questioned whether the new grounds maintenance contract had improved.
- Councillor Arnold – Asked for further information about the planning applications that were overturned at appeal; in addition Councillor Arnold requested information on the performance of other authorities.

- Councillor Coleman – Requested further information on the fixing the link scheme.
- Councillor Arnold – Questioned the progress on developments in the eastern part of Colchester.
- Councillor Scordis –Welcomed the litter warrior scheme and requested further information on regeneration plans for the Hythe area.
- Councillor Coleman – Suggested that it would be advantageous to publicise the twenty nine fixed penalty notices that had been issued.

Matthew Sterling and Councillor Tim Young, provided the following responses to the queries by Councillors;

- In response to Councillor Hogg, Matthew Sterling stated that it is possible to compare with other local authorities, but this depends on the way in which the sickness rate is reported by that authority; full comparisons can be provided at the end of year. The target of 7.5 days would ensure that Colchester Borough Council is one of the better performing authorities in Essex.
- Matthew Sterling confirmed that the performance of the grounds maintenance contract had improved; Ann Hedges confirmed that the issues at the start of the contract were a result of the handover period taking place during the busiest time of the year as the previous contractor did not wish to continue until a quieter period. Following this, the contractor has been performing as required.
- In response to Councillor Arnold, Matthew Sterling stated that there were a total of nine applications that were overturned, of which seven were officer decisions and two were Planning Committee decisions. Councillor Young confirmed that there was no pattern with the appeals that were overturned, but officers are examining the appeal decisions as the planning inspectorate is allowing for the appellant more often. Advice will be provided to the Committee following analysis of the decisions. Further information on how the performance compares with other local authorities can be provided.
- With regard to the fixing the link scheme, Matthew Sterling stated that is relates to the walking link between the train station and the centre of town which provides improved signage to direct people to both locations. The first stage of the link has been implemented, and further information on the next stages can be provided following the meeting.
- In response to Councillor Arnold, Councillor Young stated that Colchester Borough Council are seeking out and being approached by developers for that area. Negotiations will continue and information will be shared with Councillors when an agreement is near. Councillor Young stated that progress on this is expected in the New Year.
- Matthew Sterling welcomed the comments regarding litter warriors and highlighted that enforcement has also been taking place during the year with 29

Fixed Penalty Notices being issued since April. With regard to regeneration further information can be provided after the meeting. Councillor Young stated that the work undertaken by Hythe Forward and Hythe Business Network, which Councillors are aware of will be the most up to date information. Councillor Young also stated that it should be possible to share news about the car breaking site in the near future.

RESOLVED that the Half-yearly Performance Report including progress on Strategic Plan Action Plan be noted.

Cabinet			**Item 10(i)**
1 February 2017			
Report of	**Assistant Chief Executive**	**Author**	**Steve Heath** ☏ **282389**
Title	**Appointment of External Auditor**		
Wards affected	Not applicable		

This report concerns the appointment of the Council's External Auditor for work on the audit of the accounts for 2018/19

1. Decision Required

1.1 To recommend to Full Council that the Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

2. Reasons for Decision

2.1 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertook by ourselves or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement.

2.2 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council. To comply with this regulation Cabinet is asked to make the above recommendation to Council.

3. Alternative Options

3.1 To establish an auditor panel and conduct our own procurement. This would be a far more resource intensive process and, without the bulk buying power of the sector led procurement, would be likely to result in a more costly service.

4. Supporting Information

4.1 As part of closing the Audit Commission, the Government novated external audit contracts to PSAA on 1 April 2015. The audits were due to expire following conclusion of the audits of the 2016/17 accounts, but could be extended for up to three years by PSAA, subject to approval from the Department for Communities and Local Government.

4.2 In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. This meant that for the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own procurements or to opt in to the appointed person regime.

4.3 There was a degree of uncertainty around the appointed person regime until July 2016 when PSAA were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The appointing person is sometimes referred to as the sector led body and PSAA has wide support across most of local government. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission, and is owned by the Local Government Association's Improvement and Development Agency (IDeA).

4.4 The PSAA sent invitations to Authorities to opt in on 27 October and a response is required by 9 March 2017. Subject to Cabinet's agreement, the recommendation to opt in to the appointing person arrangements will be considered by Council on 22 February.

4.5 The main advantages of using PSAA are set out in its prospectus and are copied below; these can also be viewed as the disadvantages if the Council was to decide to undertake its own procurement:

- Assure timely auditor appointments
- Manage independence of auditors
- Secure highly competitive prices
- Save on procurement costs
- Save time and effort needed on auditor panels
- Focus on audit quality
- Operate on a not for profit basis and distribute any surplus funds to scheme members.

5. Proposals

5.1 That the Council submit to the PSAA formal notice of acceptance of the invitation to become an opted-in authority for the purposes of the appointment of our external auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

6. Strategic Plan References

6.1 The objectives and priorities of the Strategic Plan inform all stages of the budget process.

7. Financial implications

7.1 If PSAA is not used, some additional resource may be needed to establish an auditor panel and conduct our own procurement. Until either procurement exercise is completed it is not possible to state what additional resource may be required for audit fees for 2018/19, although it is anticipated that any increase will be minimised through using PSAA.

8. Risk Management Implications

8.1 As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.

9. Standard References

9.1 There are no publicity or consultation considerations; or equality, diversity and human rights; community safety or health and safety implications.

Background Papers
PSAA Prospectus
PSAA – Appointing Person – Frequently Asked Questions

Extract from the minutes of the Member Development Group meeting of 26 January 2017

Member Charter Status

The Group considered a report from the Assistant Chief Executive inviting the Committee to consider whether it should commit to seeking reaccreditation for Charter Status for Elected Member Development and if so, at what level.

The Council had originally been awarded Member Charter Status in July 2011 and was successful in being reaccredited in January 2015. Charter Status is awarded for a period of three years with an interim reassessment after 18 months. This was successfully passed in June 2016. The full reassessment was due in January 2018. The Council therefore needed to decide whether to commit to the full reassessment and seek reaccreditation.

The Group noted the criteria for Charter Status and that the Charter requirements largely reflect existing practice. It also noted the outcome of an informal survey of a sample of members about the value and benefits of Charter Status. This had revealed that whilst awareness of Charter Status was not universal across members, members clearly felt that the member development brought tangible benefits and there was support for continued accreditation. A number of improvements to member development procedures had also been suggested in the course of the survey.

The Group considered that a recommendation should be made to Cabinet that the Council seek reaccreditation for Charter Status. It considered that the Charter Status requirements ensured that the Council's member development procedures and processes would continue to meet best practice. It would ensure that members were supported and given the necessary skills and knowledge to fulfil their role and the Council's strategic priorities.

The Group noted the requirements of the higher level of accreditation, Charter Plus. After careful consideration of the evidential requirements for both Charter and Charter Plus status, and given the likely resource necessary for Charter Plus, it considered that accreditation should be sought at Charter Status level. However, work should continue towards Charter Plus status in the long term, so that the higher accreditation could be sought in the future.

RECOMMENDED to Cabinet that the Council recommit to the Charter and seek reaccreditation for Charter Status for Elected Member Development in January 2018.

Member Development Group		**Item**
26 January 2017		

Report of	**Assistant Chief Executive**	**Author**	**Richard Clifford 507832**
Title	**Member Charter Status**		
Wards affected	Not applicable		

This report is about the outcome of the Council's interim assessment for Charter Status and the next steps for Charter Status

1. Decision(s) Required

1.1 To consider whether to recommend to Cabinet that the Council should commit to seeking re-accreditation for Charter Status for Elected Member Development

1.2 To consider the criteria for Charter Plus and consider whether the Council should seek accreditation at this level.

2. Reasons for Decision(s)

2.1 This report seeks a decision from the Member Development Group about whether to recommit to Charter Status for Elected Member Development, and at what level, in line with the Group's Terms of Reference.

3. Alternative Options

3.1 No alternative options are proposed.

4. Supporting Information

4.1 The Council was originally award Member Charter status in July 2011 and was successful in being reaccredited in January 2015. Charter Status is awarded for a period of three years with an interim reassessment after 18 months. This was successfully passed in June 2016.

4.2 The full reassessment will be due in January 2018. The Council will need to indicate in early 2017 if it wishes to commit to the full reassessment and seek reaccreditation.

4.3 At Appendix 1 is the latest framework for Member Charter Status. This sets out the main criteria and then breaks these down into more detailed guidance about what is required to meet each of the criteria.

4.4 Since the Council achieved Charter Status in 2015, the criteria against which Charter Status is judged have changed slightly. There are now three key elements of the criteria:-

- A clear commitment to councillor development;
- The Council has a strategic approach to councillor development;
- Learning and development is effective in building capacity.

There is no longer a separate criterion on “Supporting Councillors” although some of the requirements remain and are included under the other criteria. The key elements of the Charter remain in that Council has to demonstrate that member development is member led and that structures and processes are in place to deliver development that meets members needs and the Council’s corporate objectives. In addition strategies must be in place to evaluate the benefits development brings, both individually and to the Council as a whole.

4.5 The Charter requirements largely reflect our existing practice. There is a requirement around the evaluation of member training needs that specifies that 60% of Councillor’s complete a Training Needs Analysis or Personal Development Plan over a three year period. As the Group will know we have in the past had some challenges in meeting requirements around evaluation of training need, although this appears a bit more flexible than previously

4.6 If the Group is of the view that the Council should seek reaccreditation it is suggested that the Group should make a recommendation to Cabinet that it endorse the bid. This would help enable the Council to demonstrate the commitment of the political leadership of the Council in line with the requirements of the Charter.

Charter Plus

4.7 There is a higher level of accreditation, known as Charter Plus. There are no additional criteria for Charter Plus, but the Council is required to meet a higher standard and demonstrate further r evidence in respect of each criteria. The additional requirements are set out at Appendix 1. In addition it is worth noting that the requirements for Charter and Charter Plus are not prescriptive – it is for each authority to demonstrate how it believes it meets the criteria.

4.8 An assessment for Charter Plus will first of all confirm that the Council has met the requirements of the Charter and then go onto assess whether the Council has met the requirements of Charter Plus. If it fails to meet the requirements for Charter Plus, it would still be awarded Charter Status (provided it met that level) and the assessment report would indicate the areas the Council needed to address to gain charter Plus.

4.9 Looking at the Charter Framework at Appendix 1 the requirements that may be challenging to achieve given the level of resources the Council is able to devote to member development are:-

- Member development budget set by all party councillor development task group;
- All Councillors offered PDPS and 60% of councillors take them up.
- Council has process for individual reviews for Councillors to reflect on strengths and support progression.
- A programme to develop the next generation of leaders is in place as part of the Council’s approach to succession planning.
- Impact assessment of member development at community level

4.10 The Group may wish to consider whether it wishes to seek accreditation at Charter Plus level.

4.11 At the last meeting of the Group, it was suggested that the views of a number of Councillors on the value and benefits of Charter Status be sought. These will reported verbally at the meeting.

5. Strategic Plan References

5.1 There are no direct Strategic Plan references. However the provision of high quality member development would indirectly help support all the priorities in the Strategic Plan.

6. Financial Implications

6.1 The cost of seeking reaccreditation is £2500, which would be due at the time of committing to reaccreditation (ie January 2017) although this can be split over two municipal years. This would be met from the member development budget. The other resource is officer and Councillor time. Seeking Charter Status can be quite resource intensive particularly in the lead up to the assessment and in order to be successful requires a significant input from members.

7. Equality, Diversity and Human Rights implications

7.1 An EQIA for the member development policy has been completed and can be found on the Council's website via the pathway Colchester Borough Council / Policies, Strategy and Performance/ Equality and Diversity/ Equality Impact Assessment/ Corporate Management. It can be accessed via the link below:-

Councillor Development Policy EQIA

8. Standard References

8.1 There are no particular references to publicity or consultation considerations; or community safety; health and safety or risk management.

The Member Development Charter and Charter Plus

Supporting continuing professional development for councillors

Produced in conjunction with the following organisations

Foreword

The environment in which we work is ever changing and if we're to continue to meet our residents' expectations we've got to keep pace with it. That means recognising that the role of the councillor is different to what it was five, 10, even 20 years ago.

We're wardens of places, leaders who represent the interest of our residents, protectors who mitigate the impact of funding constraints, facilitators who help partners and communities work together and develop new possibilities for their local areas.

Our roles are being redefined and we need to make sure we have the skills and expertise to continue delivering for our communities.

The Member Development Charter and Charter Plus has provided councils with a robust framework and has encouraged member development across the sector. This year we've reviewed the charter to make sure we're capturing current and future challenges so that councillors are able to shape debate whilst continuing to fulfil their role as the community representatives.

I would strongly encourage local areas to adopt the Member Development Charter and Charter Plus as a guide and a benchmark as part of your improvement journey. Every profession has continuing professional development at the heart of their improvement and so should we. The Member Development Charter and Charter Plus supports this continuing professional development for councillors by being a contract between the council and its councillors that commits to invest in councillors' growth and development.

Lord Gary Porter
LGA Chairman

Guidelines

There are three essential criteria to achieving the charter:

1. There is a clear commitment to councillor development and support
2. The council has a strategic approach to councillor development
3. Learning and development is effective in building councillor capacity.

Within each of these there are a number elements and requirements to demonstrate that the criteria are being met. These do not dictate what should be in the strategy, the nature of the content or the delivery mechanisms that should be used. The emphasis is on ensuring that all councillors are appropriately developed and supported so that they can be effective in their roles.

The following lists are intended to indicate the sorts of evidence that can be used to show that the council's approach to member development meets the charter criteria. Note that:

- There is no need to show all the evidence listed.
- This does not preclude the use of other evidence that may not be listed. The emphasis is on a local approach to a national framework.
- Some are likely to be stronger indicators than others.
- Some pieces of evidence may be applicable to more than one element and criteria.

Member Development Charter and Charter Plus: examples of evidence

	Elements	Requirements for Charter	Requirements for Charter Plus	Examples of evidence
Criterion 1. There is a clear commitment to councillor development and support				
1.1.	**Political and managerial leadership is committed to the development of councillors**	• Clear commitment from the top political and managerial leadership • Established cross party councillor development task group (CDTG) that meets regularly • There is a clear councillor development strategy which is embedded into practice and regularly reviewed • Named councillor(s) and officer(s) responsible for councillor development	• Clear commitment from top political and managerial leadership to share development opportunities across local government tiers (including with parish and town councils) • Of a strategic approach to forward planning of councillor development	• Signed commitment to achieving the charter • Councillors are included in any IiP Award questioning process • Strategies are in place to support councillor development • Cross party councillor development task group showing active involvement of councillors in the learning and development process

Criterion 1. There is a clear commitment to councillor development and support				
	Elements	Requirements for Charter	Requirements for Charter Plus	Examples of evidence
1.2	**The council actively encourages citizenship and publicises the role of councillors as community leaders as part of promoting local democracy so as to encourage under-represented groups to become a councillor**	• The council holds a range of activities and events to encourage people to become councillors	• The council takes action to encourage people to become councillors, particularly from under-represented groups and evaluates the impact and success of the activities • Council provides information on the electoral process • The council builds links with local businesses and employers to promote the role of the councillor	• Local democracy week action plan, programme of activities and review • Youth council • Supports the LGA "Be a Councillor" campaign • Citizenship links with local schools, colleges and universities • Presentations at community forum events, and targeting under-represented groups, to promote the role of councillors • Prospective councillor events, materials, role descriptions – recruitment packs • 'Day in the life of a councillor' feature in newsletters

Criterion 1. There is a clear commitment to councillor development and support

	Elements	Requirements for Charter	Requirements for Charter Plus	Examples of evidence
1.3	**The council is committed to ensuring equal access to learning and development for all councillors**	• Statistical analysis of cultural and personal circumstances • Timing of councillor development takes account of cultural and personal circumstances • All councillors have equal access to councillor development • The development programme includes a range of delivery methods to meet the different learning styles of councillors • Councillors are regularly updated on councillor development activities	• Impact of analysis of access is monitored, reviewed and actioned	• Statistical evidence of attendance • A range of learning and development options to meet individual needs are provided and promoted • A range of communication methods eg internet/ intranet/ social media is used to inform of development opportunities • Councillors confirm that action is taken to respond and to accommodate diversity of need • The councillor development plan evidences flexibility and consideration of the timing of development events
1.4	**The council has a designated budget for councillor development which is adequate to meet priority development needs**	• Budget is explicit and clearly identified and monitored	• The budget is properly reviewed, set and prioritised by the cross party councillor development task group	• Budget reports • Information that informs councillors of the existence of the budget • Minutes of meetings that shows councillors' involvement in setting and monitoring the budget • Councillors confirm that the budget is sufficient to meet priority current and future development needs

Criterion 1. There is a clear commitment to councillor development and support				
	Elements	Requirements for Charter	Requirements for Charter Plus	Examples of evidence
1.5	**Designated officer/s of the council have responsibility for coordinating councillor development**	• Appropriate and adequate officer resources are in place to support councillor development	• Councillor development and support staff have their own skills development programme • Councillor development and support staff are involved in regional and national learning networks to support CPD	• Officer/s job descriptions • Named officer/s in councillors' handbook or other information source that is distributed to councillors and officers • Councillors are able to name the officer who supports their learning and development • Those responsible for planning learning and development activities for councillors are able to demonstrate their understanding of learning and development in a political context • Cross party member development task group terms of reference and active involvement of councillors in the learning and development process demonstrated

Criterion 2. The council has a strategic approach to councillor development				
	Elements	Requirements for Charter	Requirements for Charter Plus	Examples of evidence
2.1	**The council has a councillor development strategy in place**	• The strategy is developed and monitored by the cross party member development task group • Strategy identifies priority development needs and makes stated and clear links with council's corporate/strategic objectives • The strategy is regularly reviewed (at least once every three years) by the cross party member development task group • The strategy includes an induction process that is evaluated after each election	• The cross party member development task group leads the evaluation of the strategy and implements improvements	• A strategy is in place • Notes of member development meetings showing monitoring and evaluation of the strategy • Member development task group demonstrates their involvement in formulating the strategy • Overview and scrutiny review of the effectiveness of the strategy • Those involved in formulating the strategy can demonstrate how it links to the corporate/strategic objectives and the rationale behind stated priorities
2.2	**The council has a structured process for regularly assessing councillors' individual learning and development needs based on focused objectives**	• A process exists to identify individual development needs in the form of a Training Needs Analysis (TNA) or Personal Development Plans (PDPs) and is working effectively	• All councillors are offered PDPs and more than half of councillors take them up • Council has a process for individual councillor reviews to reflect on strengths and support progression	• Councillor role descriptions • Training needs analysis • Personal development plans • Use of the LGA Political Skills Framework

Criterion 2. The council has a strategic approach to councillor development				
	Elements	Requirements for Charter	Requirements for Charter Plus	Examples of evidence
2.3	**The various councillor roles are clearly defined and outline how they contribute to the achievement of community, political and council objectives**	• Councillors demonstrate an understanding of the skills and knowledge required in their ward and council wide roles • Councillor role descriptions exist and are maintained for all key roles including the ward councillor • Councillors are clear about what the council is trying to achieve and the key role they play in this as councillors	• Role descriptions are used for the recruitment and selection of candidates and to identify and prioritise development needs • Role descriptions are used to support succession planning • Evidence that councillors are clear about: ◦ the role of partner bodies ◦ the role of other stakeholders ◦ their own role on partner bodies ◦ their own role in relation to other stakeholder bodies	• Systems are in place to identify individual development and support needs • Learning styles and training needs analysis • Personal Development Plans link to function and corporate objectives • Councillors are able to describe how learning and development activities have helped them to carry out their role and contribute to the achievement of the council's objectives

Criterion 2. The council has a strategic approach to councillor development				
	Elements	Requirements for Charter	Requirements for Charter Plus	Examples of evidence
2.4.	**The council has a structured process for assessing current and future leadership and executive team development needs**	• Structured process to assess current and future leadership development needs • A development plan is in place that supports the top political and management teams in learning about each other and working effectively together • Leadership development is used to support future succession planning	• Leaders, cabinet members and chairs have identified and undertaken development appropriate to their responsible area • A programme to develop the next generation of leaders is in place as part of the council's approach to succession planning	• Process in place to identify leadership requirements • Leadership Development Plans • 360 Degree Leadership Audits • Political leadership development programmes eg LGA Leadership Academy • Events that support councillor/officer team building • Joint events with executive and senior management • Succession planning strategies • Community leadership development programmes • The political leadership can describe actions taken to develop political leadership capacity • The political and managerial leadership can give examples of how they work together as a team

Criterion 2. The council has a strategic approach to councillor development				
	Elements	Requirements for Charter	Requirements for Charter Plus	Examples of evidence
2.5	**There is a corporate councillor learning and development plan in place**	• Councillor learning and development plan links to council's corporate objectives and the development of councillors • The councillor learning and development plan includes individuals, committees and political leadership needs	• The councillor development plan clearly prioritises learning and development that supports the corporate objectives	• Corporate councillor learning and development plan • The cross party councillor development task group are able to explain how learning and development activities are prioritised

Criterion 3. Learning and development is effective in building capacity				
	Elements	Requirements for Charter	Requirements for Charter Plus	Examples of evidence
3.1	**Investment in learning and development is regularly evaluated in terms of the cost benefit and impact**	• Evaluation strategy is in place to analyse the cost and benefits of councillor development • Political and managerial leadership display a good understanding of both the costs and benefits of development activities • Councillors can describe why they did certain activities, what they learnt and what difference it has made to them carrying out their various roles as councillors	• Evaluation strategy is in place to analyse the impact of councillor development activities • Some form of impact assessment at the corporate and community level exists and is used to evaluate the impact of development (eg feedback from partners is actively sought) • Case studies of how learning and development has impacted on individual and corporate performance	• Evaluation strategy is in place and is effective • Analysis of costs and benefits to the council from councillor learning and development • Case studies of how learning and development has impacted on individual and corporate performance • Notes of meetings, focus groups, questionnaires or interviews involving councillors evaluating the impact of their development on overall performance • Political and managerial leadership display a good understanding of both the costs and benefits of development activities • Political and managerial leadership can provide examples and evidence of the impact and benefits of councillor development

Criterion 3. Learning and development is effective in building capacity				
	Elements	Requirements for Charter	Requirements for Charter Plus	Examples of evidence
3.2	**Learning is shared with other councillors and where appropriate, with officers and stakeholders to encourage capacity building in the council and a learning organisation culture**	• Knowledge and learning is shared with councillors' peers, officers and others	• There is an effective process in place for disseminating, sharing and exchanging knowledge and learning	• Examples of reports, briefing sessions, and information exchange systems used to capture and disseminate learning programmes of joint learning exchanges • Councillor formal/informal mentoring arrangements • Hosting case study visits • Developing councillor champions for topic areas • Councillors can give examples of how they have supported and learned from the development of others

Criterion 3. Learning and development is effective in building capacity				
	Elements	Requirements for Charter	Requirements for Charter Plus	Examples of evidence
3.3	**The council demonstrates a commitment to an effective councillor learning and development programme by implementing improvements to learning and development activities as they are identified**	• Continuous improvement in the approach to developing councillors is identified and implemented	• There are links to an evaluation strategy • Evaluation outcomes inform change and drive continuous improvement • A quality assurance process is in place	• Written reviews of learning and development activities with recommendations for change • Notes of meetings, reports, personal statements providing examples of improvements to learning activities • Changes to development programmes and a rationale for the changes made • Councillors can describe what has been done to improve the development activities • Quality assurance process is in place and is effective

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REF 11.31

Agenda item 11(i)

PETITIONS, PUBLIC STATEMENTS, QUESTIONS

(i) Have Your Say speakers

Date of Meeting	Details of Members of the Public	Subject Matter	Form of Response	Date Completed
Cabinet, 30 November 2016	Lee Parker, Honey and Bluebelle Parker	The eviction of the Parker family	Verbal response provided by Councillor Smith, Leader of the Council and Portfolio Holder for Strategy, and Councillor Bourne, Portfolio Holder for Housing and Public Protection	30 November 2016
Cabinet, 30 November 2016	Mark Goacher	The use of glysophates by the Council	Verbal response provided by Councillor Feltham, Portfolio Holder for Business, Leisure and Opportunities	30 November 2016
Cabinet, 30 November 2016	Rosie Pearson, CAUSE	Garden Communities	The points raised were addressed in the debate by Cabinet	30 November 2016
Cabinet, 30 November 2016	John Akker, Stop 350	Development in West Mersea and Garden Communities	The points raised were addressed in the debate by Cabinet	30 November 2016
Cabinet, 30 November 2016	Councillor Alan Walker, Chairman of Marks Tey Parish Council	Garden Communities	The points raised were addressed in the debate by Cabinet	30 November 2016

Council, 8 December 2016	Marcus Harrington	Garden Waste Sacks	Verbal response provided by Councillor Graham, Portfolio Holder for Waste and Sustainability	8 December 2016
Council, 8 December 2016	Lee Parker, Autumn Parker, Amanda Kirk, Diane Stevens	Housing issues and the eviction of the Parker family	Verbal response provided by Councillor Smith, Leader of the Council and Portfolio Holder for Strategy	8 December 2016
Council, 8 December 2016	Rosie Pearson and William Sunnocks, CAUSE	Garden Communities	The points raised were addressed in the debate by Council	8 December 2018
Council, 8 December 2016	Mark Goacher	Garden Communities	The points raised were addressed in the debate by Council	8 December 2016
Cabinet, 20 December 2016	Nicholas Brown	Community leadership by Councillors, homelessness	Verbal response provided by Councillor Smith, Leader of the Council and Portfolio Holder for Strategy	20 December 2016
Cabinet, 20 December 2016	David Kent	Waste collection strategy	Verbal response provided by Councillor Graham, Portfolio Holder for Waste and Sustainability	20 December 2016
Cabinet, 20 December 2016	Peter Thompson	Waste collection strategy	Verbal response provided by Councillor Graham, Portfolio Holder for Waste and Sustainability	20 December 2016

(ii) Petitions

Date petition received	Lead Petitioner	Subject Matter	Form of Response	Date Completed
No valid petitions received.				