Cabinet Meeting

Grand Jury Room, Town Hall, High Street, Colchester, CO1 1PJ
Wednesday, 30 January 2019 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, 30 January 2019 at 18:00

The Cabinet Members are:

Leader and Chairman	Councillor Mark Cory (Liberal Democrats)
	Councillor Nick Barlow (Liberal Democrats)
	Councillor Tina Bourne (Labour)
	Councillor Martin Goss (Liberal Democrats)
	Councillor David King (Liberal Democrats)
	Councillor Mike Lilley (Labour)
	Councillor Beverley Oxford (The Highwoods Group)
	Councillor Tim Young (Labour)

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

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

1 **Welcome and Announcements**

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

2 **Urgent Items**

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

3 **Declarations of Interest**

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

4 **Minutes of Previous Meeting**

The Councillors will be invited to confirm that the minutes are a correct record of the meeting held on 21 November 2018. .

5 **Have Your Say!**

The Chairman will invite members of the public to indicate if they wish to speak or present a petition on any item included on the agenda or any other matter relating to the terms of reference of the meeting. Please indicate your wish to speak at this point if your name has not been noted by Council staff.

6 **Decisions Reviewed by the Scrutiny Panel**

The Councillors will consider the outcome of a review of a decision by the Scrutiny Panel under the call-in procedure. At the time of the publication of this agenda, there were none.

7 **Housing and Communities**

Cabinet will consider a report setting out how the Council is now seeking to use additional Housing Revenue Account borrowing on viable projects that will deliver additional affordable housing.

Cabinet will consider a report that sets out how Colchester can utilise new borrowing capacity to secure Council ownership of the affordable housing units from the 4 sites soon to be developed by Colchester Amphora Housing Ltd at Military Road, Creffield Road, St. Runwald Street and Mill Road.

Cabinet will consider a report setting out the Housing Revenue Account (HRA) estimates for 2019/20, the Medium Term Financial Forecast (MTFF) for 2019/20 to 2023/24, and the 30 Year HRA financial model.

Cabinet will consider a report containing a summary of the proposed allocation of over £20 million of new resources to the Housing Investment Programme for 2019/20, along with details about the sources of funding.

8 **StrategyResources**

8(i) **2019/20 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast** 79 - 170

Cabinet will consider a report inviting Cabinet to consider the proposed 2019/20 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast and to make recommendations on the budget to Full Council.

9 **Commercial Services**

9(i) **Northern Gateway Heat Network Project: Revised Delivery Structure to Retain Assets in Council Ownership** 171 - 178

Cabinet will consider a report setting out the recommended revised delivery and governance structure for the Northern Gateway Heat Network and outlining the financial and risk implications for the Council arising from the new proposals.

10 **Business and Culture**

10(i) **Great Jobs** 179 - 180

Cabinet will consider the motion on Great Jobs, which was referred from the meeting of Full Council on 6 December 2018.

10(ii) **Recommendation from Heritage and Tourism Task and Finish Group: First Capital of Roman Britain/Britain's First Roman City** 181 - 182

Cabinet will consider a recommendation from the Heritage and Tourism Task and Finish Group meeting on 20 November 2018 about branding and the importance and wording of a tourism brand/strapline.

11 **Resources**

11(i) **Central Support Futures Review** 183 - 204

Cabinet will consider a report outlining the proposed service changes and financial savings following a review of Central Support Services

11(ii) **Half Year 2018-19 Performance Report including progress on 2018-21 Strategic Plan Action Plan** 205 - 244

The Cabinet is invited to consider the performance half year for April 2018 – September 2018. This includes progress of the

Council's performance measures and an update on the Strategic Plan Action Plan (SPAP).

12 **Waste, Environment and Transportation**

12(i) **Colchester High Street Pedestrianisation** 245 - 252

Cabinet will consider the recommendation contained in the draft minute from the Policy and Public Initiatives Panel meeting of 9 January 2019.

13 **General**

13(i) **Nomination for Deputy Mayor 2019-20**

Cabinet will consider the nominations for the Deputy Mayor of the Borough of Colchester for 2019-20 municipal year and make a recommendation to Full Council.

13(ii) **Progress of Responses to the Public** 253 - 256

Cabinet will consider a report setting out the progress of responses to members of the public at meetings of Cabinet and Full Council.

14 **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)

15 **Minutes (Part B)**

Cabinet will be invited to approve the not for publication extract from the minutes of the meeting on 21 November 2018.

16 Housing and Communities - Part B

16(i) Potential Housing Projects Using Housing Revenue Account Borrowing - Part B

The Cabinet will consider a report that adds some more detail regarding the development schemes outlined in the report on Part A of the agenda.

CABINET
21 November 2018

Present: - Councillor Cory (Chairman)
Councillors Barlow, Bourne, Goss, King, Lilley, B. Oxford* and T. Young

**Not present for items at minutes 305 - 319*

Also in attendance: - Councillors Barber, Davies, Fox, Laws, Luxford Vaughan, Willetts

300. Minutes

RESOLVED that the minutes of the meeting held on 10 October 2018 be confirmed as a correct record.

301. Have Your Say

Neil Gilbranch addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1). He argued that there was a statutory process for the Local Plan, and there was no need for an unaccountable quango to deliver it. There was no role for the North Essex Garden Communities Ltd NEGC at present. There was particular concern that it proposed spending £130,000 on public engagement, rather than public consultation. Local residents wanted proper consultation and to be involved in developing a proper plan that would deliver services in the right areas. Whilst previous Cabinet decisions may have committed the Council to the NEGC, it was premature to commit more funding to it at this point. None of the costs that would be incurred were required at this stage.

Dorian Kelly addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1) about the proposed land transfer at Queen Street. This had been engineered to give Alumno some relief even though no planning permission had been granted. Changing the footprint of the building should require a fresh planning application. The proposals in the report looked like the planning application had been pre determined. The costs involved in the deal would be irrecoverable should the deal fall through. The receipt from the sale of the land would be invested in the Revolving Investment Fund and would not be used to fund services to residents,

Councillor King, Portfolio Holder for Resources, responded that the proposals in the report were usual commercial practices. Any agreements that were being entered into were conditional and were completely separate from the planning process.

Rosie Pearson addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1) to express her concern that further funding was being given to NEGC. This was a waste of money. NEGC had been set up to deliver three Garden Communities, but it was possible now that something different may be the outcome of the Local Plan process. NEGC was looking to spend £3 million, including on public relations and legal costs. What communities needed was infrastructure and affordable housing. NEGC was seeking further funding on the basis of inconsistent and out of date information. A private sector organisation could take on the town planning role. A petition against the use of further taxpayer's money for garden communities had already garnered 1000 signatures in a short period.

Helen Hogan addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1) and highlighted a number of comments made by signatories to the petition. These demonstrated public concern over further public funding of NEGC, particularly in view of the comments of Panning Inspector. The needs of local communities were being ignored and there was support for other use uses for the funding, such as to support Parish Councils to prepare Neighbourhood Plans.

John Akker addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1) to seek clarification about the implications of the Local Plan for Mersea. The Local Plan had allocated 200 new homes for Mersea, and the local infrastructure could only support this level of development. However, under the provisions of the National Planning Policy Framework this number could double. The West Mersea Neighbourhood Plan Ggroup wanted to prepare a plan on the basis of 200 extra homes, but it was unclear whether this was the correct number. However Mersea would not be able to cope with more than 200 homes. A meeting between representatives of Mersea and the Council would help provide clarity on the position.

Councillor T. Young, Portfolio Holder for Business and Culture, indicated that this was a matter that needed to be raised with the Local Plan Committee. Councillor Cory, Leader of the Council and Portfolio for Strategy explained that he had met with the Housing Minister and stressed the need for policies to take account of emerging plans. Councillor Goss, Portfolio Holder for Waste, Environment and Transportation, explained that he had raised the issue of infrastructure for Mersea with Essex County Council. There were no further plans to improve the highways infrastructure in East Mersea but it had been suggested that a bid be made for funding through the Local Highway Panel.

Sir Bob Russell addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1) to express his concern about the proposed agreement with Alumno whilst there was a live planning application. This would raise suspicions that the planning department was being pressured into recommending that the application be approved. It would also put the Planning Committee in a difficult decision. He requested information on the length of the long lease, the value of the capital receipt the Council would receive and whether there were any annual rights in addition to the capital receipt. He had made a freedom of information request for details of the financial and legal consequences for the Council should planning permission not be granted, and Cabinet needed to understand this before it reached any decision on the agreement.

Councillor Cory, Leader of the Council and Portfolio Holder for Strategy, stressed that there would no cost to the Council if planning permission was not granted, unless there was a successful appeal. Councillor King, Portfolio Holder for Resources, stressed that the proposals in the report on the land transfer at Queen Street were in the line with standard commercial practice. These decisions were completely separate from the planning poetess and would ensure that a proper legal agreement was in place and would build confidence between the parties. It did not bind planning officers or the Planning Committee in any way.

Alan Short addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1). He noted that the 2014 agreement for the development at Queen Street made no mention of student housing. The covenant for the site was incentivised for the benefit of Essex County Council and he understood that they would be requesting a very significant payment to vary the covenant. He queried whether the agreement would indemnify the Alumno against any further claim from Essex County Council on the covenant. He also queried whether the site would be leased in its current condition and whether the lease would be published. Meetings with developers should be minuted and made available in accordance with the Planning Procedures Code of Conduct.

Councillor Cory, Leader of the Council and Portfolio Holder for Strategy, explained that the publication of the report ensured that there was openness about the agreement with Alumno. The lease would be published once the deal was completed. Councillor T. Young, Portfolio Holder for Business and Culture, explained that negotiations with Essex County Council on the covenant were ongoing but he did not believe that the costs would be as significant as was being claimed. Adrian Pritchard, Chief Executive, was invited to clarify the position on the minuting of the meetings with developers and explained that this had been checked and this did not apply to the meetings with Alumno on this development.

Ali Wilkin addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1). She had raised issues about the obstacles people with disabilities faced in accessing the town centre and local communities with the Borough Council under Have Your Say at a different Committee and with the Essex County Council Portfolio Holder. She was pleased by the positive response to the suggestion at the Council take part in Purple Thursday which sought to highlight the difficulties faced by those with disabilities. For young people with conditions such as autism and global delay access to the necessary support, such as that provided at Market Field School was crucial. Market Field School needed to be found a site to expand within the A120 corridor. Newcastle City Council had adopted a Disability Charter, which helped drive better access to support for disabilities and helped turn good intentions into action.

Councillor Cory Leader of the Council and Portfolio Holder for Strategy, Councillor Lilley, Portfolio Holder for Planning, Public Safety and Licensing and Councillor Bourne, Portfolio Holder for Housing and Communities, responded. The concept of the disability charter was welcomed and would be looked at although it was noted that Newcastle City Council would have greater control over the services necessary to make such a charter work effectively. The Council would work with Essex County Council and with partners such as Livewell to address these issues.

Jackie White addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1) to stress the importance of finding a site for Market Field School to expand within the A120 corridor. Young people with special educational needs were often failed and written off by the educational system and it was difficult to get their conditions recognised and treated, and for the necessary educational support to be put in place. Therefore, the services provided by Market Field School were vital. She would look to work with local councillors to set up a clinic where these issues could be addressed and provide better opportunities for young people. If Councillors supported Market Field School in finding a site then this would help make Colchester a better place for its young people.

Councillor Cory, Leader of the Council and Portfolio Holder for Strategy, and Councillor T. Young, Portfolio Holder for Business and Culture, responded and expressed their support. There needed to be a change in mindset at a national level on these issues and it was important to lobby members of parliament to put pressure on national government.

Councillor G. Oxford attended and with the consent of the Chairman addressed Cabinet to express his support for the Centurion newsletter, which would help keep residents informed of the work of the Council in a non-partisan way. He also explained that the first batch of signs recording that Colchester was Britain's first city, would be unveiled soon.

Councillor Laws attended and with the consent of the Chairman addressed Cabinet and thanked them for the additional resource that had been found for cleaning the town centre. It was noted that the grouting on the pavements on the High Street needed to be repaired and hoped this would be raised with Essex County Council. He also thanked Cabinet for their support on heritage issues. However, the introduction of the Centurion newsletter, soon after the adoption of the Breaking Point motion, was disingenuous.

Councillor Cory, Leader of the Council and Portfolio Holder for Strategy, explained that the Centurion newsletter was part of a wider initiative to ensure that residents were better informed and to help instil civic pride. Councillor Goss, Portfolio Holder for Waste, Environment and Transportation, explained that he had raised the issue of grouting with Essex County Council but that it would require significant funding.

302. Strategic Plan Spending Priorities

The Strategic Director submitted a report a copy of which had been circulated to each Member.

Councillor Willetts attended and with the consent of the Chairman and addressed Cabinet. The purpose of the spending priorities had been to deliver radical change for residents and increase local control of services. The plan had evolved into something less ambitious and over a longer timescale. It was now made up of a number of minor projects. This was a significant scaling back of the original plan. For example, the Council had not taken back any powers from Essex County Council and no progress had been made on a number of the priorities or key projects.

Councillor Cory, Leader of the Council and Portfolio Holder for Strategy, explained that the spending priorities had not been scaled back. Significant progress had been made on a number of priorities and there had been a new emphasis on listening and engaging. Essex County Council had not engaged in the way the administration had hoped, but progress was being made on transport issues and the Council had invested in the Local Highway Panel.

Councillor King, Portfolio Holder for Resources, stressed that significant progress had been made in relation to each of the priorities. He was pleased with the cooperation the administration had received from the opposition on a number of issues.

RESOLVED that:-

(a) The progress and further detail against the eight priority themes be noted.

(b) The amended funding allocations set out in section 10 of the Assistant Director's report be agreed.

REASONS

These priorities reflect those set out in the Strategic Plan and the allocation of resources will enable them to be moved forward more quickly.

ALTERNATIVE OPTIONS

A different set of actions could be agreed however it is felt that these are of the highest importance.

No additional actions could be instigated however there is a significant amount of one-off money available that should be put to use for the benefit of Colchester.

303. 2019/10 Revenue Budget, Fees and Charges and Financial Reserves

The Assistant Director Policy and Corporate submitted a report a copy of which had been circulated to each Member.

Councillor Barber attended and with the consent of the Chairman addressed the Cabinet. He believed that businesses were not always aware of the support available to them and it would be sensible to bring all that information together in one place on the Council's website. The Council needed a clearer Economic Strategy. He expressed concern about the risks of borrowing and would welcome the opportunity to discuss with the Portfolio Holder for Resources. He also sought clarity on whether there were plans for a further rollout of wheeled bins within the borough.

Councillor King, Portfolio Holder for Resources, Councillor T. Young, Portfolio Holder for Business and Culture, and Councillor Goss Portfolio Holder for Waste, Environment and Transportation, responded. There were no plans for a further roll out of wheeled bins at present but it was open to ward councillors to survey residents and if there was support within their ward, this could be considered. The administration would look to see if it could better signpost business to the support available.

Councillor King, Portfolio Holder for Resources, introduced the report. He explained that he was confident that he would be in a position to bring forward a balanced budget in January 2019 and that whilst the position for 2019.20 was challenging the level of services could be maintained.

RESOLVED that:-

(a) The current 2019/20 revenue budget forecast which at this stage shows a budget gap of £213k and the forecast variables and risks be noted.

(b) The updated savings be included in the 2019/20 budget forecast.

(c) The action being taken to finalise the budget be noted.

(d) The 2019/20 taxbase be agreed by the Section 151 Officer in consultation with the Portfolio Holder for Resources.

(e) The distribution of revenue grants to Parish, Town and Community Councils for 2019/20 as set out at Appendix C of the Assistant Director's report be approved.

(f) All fees and charges as set out in Appendix F of the Assistant Director's report be agreed and to continue to delegate to Assistant Directors the authority to vary fees and charges in-year as set in section 13 of the Assistant Director's report.

REASONS

The Council is required to approve a budget strategy and timetable in respect of the year 2019/20.

The Assistant Director's report relates to the budget update. This report also includes decisions in respect of fees and charges and certain specific budget changes to ensure that these can be reflected in the final budget.

ALTERNATIVE OPTIONS

There are different options that could be considered and as the budget progresses. Changes and further proposals will be made and considered by Cabinet and in turn Full Council. The separate appendices showing specific decisions include alternative options where relevant.

Councillor T. Young (in respect of his position as Director of North Essex Garden Communities Ltd) and Councillor King In respect of his position as substitute Director of North Essex Garden Communities Ltd) declared a non-pecuniary interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(5).

304. North Essex Garden Communities Ltd – Shareholder Approvals and Updates

The Strategic Director Policy and Place, Section 151 Officer and Monitoring Officer submitted a report a copy of which had been circulated to each Member.

Paul Griffith addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1). He sought clarification as to whether it would be prudent if Councillor T. Young, as a member of the NEGC Board, did not vote on this item. There was a lack of transparency as it was not clear how NEGC spent the funding it received. In view of the risks that were outlined in the Strategic Director's report, it would be more sensible to for the Cabinet to pause and reflect before providing further funding to NEGC. At the very least it should await a response from the Inspector to the authorities' joint letter.

The Monitoring Officer explained that as the Council's appointee to the NEGC Board, Councillor T. Young had a non-pecuniary interest in this matter was therefore able to participate and vote on the proposals.

Councillor T. Young, Portfolio for Business and Culture, explained that an infrastructure first approach to delivering housing had been agreed and NEGC was the delivery vehicle to ensure this would happen. NEGC would be needed no matter where the garden communities were delivered. It was doing a good job and had the relevant expertise. All its directors were democratically elected so it was accountable.

Councillor Cory, Leader of the Council and Portfolio Holder for Strategy, explained that he supported the proposals in the report but considered it was premature to commit further money until the Inspector had responded to the authorities' joint letter and indicated that work could continue on garden communities principles. He proposed a caveat that no further funding would be provided to NEGC until a response had been received from the Inspector to the authorities' joint letter. He had discussed this with the other authorities and they were content with this approach.

Councillor Laws attended and with the consent of the Chairman addressed the Cabinet and welcomed the caveat proposed by the Leader of the council.

Councillor Willetts attended and with the consent of the Chairman addressed the Cabinet, and expressed his concern that the risks set out at paragraph 9.1 of the Business Plan was hazy. It did not did not acknowledge the possibility of optimism bias, which was identified in Treasury guidance as a potential risk in such large scale projects. In addition the risk of a change in political control in one of the Councils on the project had also not been evaluated.

Councillor King, Portfolio Holder for Resources, explained that he believed the NEGC business plan had identified the risks appropriately. The loss of political support had been identified. The Council's risk register would be reviewed and amended if necessary.

Councillor Luxford Vaughan attended and with the consent of the Chairman addressed the Cabinet. Further funding should not be provided NEGC as there had been no response to from the Inspector to the letter from the authorities. In addition an objective Sustainability Appraisal was to be completed, and until this was done and sites identified no detailed work could be done. The support for Garden Communities was predicated on infrastructure funding, and the position on that would not be clear until early 2019. Therefore there was no need to provide further funding, and decisions on this should await the resolution of these issues. It was noted that £130,000 was proposed for engagement work, but that a public relations firm had been commissioned to conduct this. The funding would be used to try and sell an unsound strategy. At this stage work should be concentrated on gathering the evidence base.

Councillor Barber attended and with the consent of the Chairman addressed the Cabinet. The proposed caveat to the decision was welcomed. In terms of the public engagement, he asked whether this could be done more economically and effectively by the Councils. There needed to greater opportunity for oversight by the Local Plan Committee of the work it had requested on the evidence base.

Councillor T. Young, Portfolio Holder for Business and Cultured stressed that NEGC was working very effectively. It was securing funding from government. The Councils needed to retain their expertise. No other realistic method of delivering the required housing numbers had been brought forward. By necessity not all the information could be brought into the public domain at this stage, but if members wanted further information they should approach the Leader or Local Plan Committee members. Councillor King, Portfolio Holder for Resources, stressed that importance of the professional expertise in NEGC. If funding was not provided it would destroy relationships and with partners and would stall momentum on the Local Plan. The greater risk would be in not proceeding with the funding.

Councillor Cory, Leader of the Council, and Portfolio Holder for Strategy proposed that the recommendations in the report by approved, subject to a caveat that no further funding would be provided to NEGC until a response had been received from the Inspector to the authorities' joint letter that confirmed that he was content for the authorities to continue in accordance with garden communities principles.

RESOLVED that:-

(a) The implementation of an Interim Business Plan (subject to confirmation of government funding) for NEGC Ltd for 2018/19, including the associated Budget as set out in Appendix A of the Strategic Director's report be approved;

(b) The Financial Procedure Rules for NEGC Ltd as set out in Appendix B of the Strategic Director's be approved;

(c) The Section 151 Officers be authorised to agree any future allocation of the project funds held by Colchester Borough Council between NEGC Ltd and the North Essex Authorities;

(d) £100k be committed from the Garden Communities Budget upon a formal request by way of a NEGC Board resolution, subject to the receipt of a response from the Planning Inspector to the authorities' joint letter confirming that he was content for the authorities to continue in accordance with garden communities principles.

(e) It be noted that a report will be considered at a future Cabinet meeting in respect of funding assumptions for 2019/20; and

(f) The preparation of a full options appraisal of the Garden Communities delivery options be agreed to enable members to take future decisions on potential Development Corporation proposals, with linked oversight arrangements between the North Essex Authorities.

REASONS

To seek Cabinet's on-going support, working together with Braintree District Council, Essex County Council and Tendring District Council, to progress the concept of 'garden communities' and to approve the interim business plan for 2018/19 for NEGC Ltd and governance arrangements for the project.

ALTERNATIVE OPTIONS

No further options are being presented within the context of this report, as the alternative decision would be not to approve the Interim Business Plan, Budget and Financial Procedure Rules.

305. Matters relating to Land Transfer at Queen Street

The Strategic Director Policy and Place submitted a report a copy of which had been circulated to each Member.

Councillor King, Portfolio Holder for Resources, introduced the proposals, which formalised the position on the agreement with Alumno. This was absolutely normal practice and provided openness and transparency. This was entirely separate to the planning process. In view of the concerns that had been expressed the Chief Executive, Adrian Pritchard was invited to address Cabinet. He confirmed that in any such development, the Council would meet and negotiate with commercial developers. This was always subject to planning permission and if the developer failed to obtain planning permission, the agreement would fall.

RESOLVED that:-

(a) The long leasehold disposal of the site, as identified outlined red on the site plan at Appendix A to Strategic Director's report be agreed.

(b) To approve the amendments to the terms of the transaction since the Cabinet Decision on 5th March 2014 be approved, which include the "preferred developer" Building Partnerships taking on a development management function for the project and Alumno Group Limited and Alumno Student (Essex) Limited becoming long leaseholders of the scheme. The not for publication Appendix B sets out the revised terms of the transaction in detail.

(c) Authority be delegated to the Strategic Director, Policy and Place in conjunction with the Portfolio Holder for Resources to conclude legal documentation for the long leasehold sale of the site substantially in accordance with the approved heads of terms

REASONS

To complete the next phase in the regeneration of the St Botolph's area and in particular bring this derelict site back in to economic use with a new development comprising a new hotel, a mix of retail, restaurant and studio uses, along with purpose built student accommodation.

The proposed development will complement the new Curzon Cinema development at Roman House, the Creative Business Centre at 37 Queen Street and the Firstsite gallery.

To provide a capital receipt to the Council to support schemes within the Revolving Investment Fund.

ALTERNATIVE OPTIONS

The Council could conclude that the financial terms or regeneration objectives offered are not satisfactory and seek to remarket the site. However, as a site in the heart of the town centre, the land has many constraints to development including ground conditions, archaeology and a challenging retail and restaurant market so when taking these into account and considering previous marketing exercises, it has been demonstrated market value is being obtained and the proposals meet the Council's vision for the site.

306. Local Council Tax Scheme 2019-20

The Assistant Director Customers submitted a report a copy of which had been circulated to each Member together with minute 184 of the Scrutiny Panel meeting of 16 October 2018.

Councillor King, Portfolio Holder for Resources, introduced the proposals. The Local Council Tax Support Scheme provided support to the most vulnerable residents of the borough. It was one of the most generous schemes in the county. The scheme was largely unchanged from the previous year, and would provide some stability in benefit provisions whilst Universal Credit was introduced. The scheme would be reviewed again for the following financial year when the impact of Universal Credit would be taken into consideration.

RESOLVED that the Local Council Tax Support Scheme for 2019-2020 be agreed

RECOMMENDED TO COUNCIL that the Local Council Tax Scheme 2019-20 be adopted.

REASONS

Legislation requires that the scheme, effective from 1 April 2019, is agreed by March 2019.

The only amendments from the current scheme being the prescribed regulations and mandated national legislative amendments. It is recommended that current working age entitlement is maintained for the fiscal year effective from 1 April 2019.

ALTERNATIVE OPTIONS

Changes could be made to the scheme. However stability to the scheme is being recommended due to the introduction of Universal Credit from 4 July 2018. This will provide residents with some consistency within the context of a fundamental change to other forms of benefit and support.

Stability of scheme entitlement will also allow for a review of banded income schemes, and other alternatives ahead of the fiscal year 2020/21

307. Officer Pay Policy Statement 2019-20

The Assistant Director Policy and Corporate submitted a report a copy of which had been circulated to each Member.

Councillor King, Portfolio Holder for Resources, introduced the report. This provided transparency to residents and staff about the Council's pay structure. It also demonstrated the Council's commitment to good working practices, such as apprenticeships and the payment of the Living Wage to staff and contractors.

RECOMMENDED TO COUNCIL that the Officer Pay Policy Statement 2019/20 be approved ad adopted.

REASONS

The Localism Act requires "authorities to prepare, approve and publish pay policy statements articulating their policies towards a range of issues relating to the pay of its workforce, which must be approved by full Council annually. An authority's pay policy statement must be approved by a resolution of that authority before it comes into force".

ALTERNATIVE OPTIONS

The only alternative would be to not recommend the approval of the Pay Policy Statement, but that would be contrary to the requirements of the Localism Act.

308. Colchester Northern Gateway Sports Park – Appointment of Contractor

The Assistant Director Policy and Corporate submitted a report a copy of which had been circulated to each Member.

Councillor Barlow, Portfolio Holder for Commercial Services, stressed that these proposals were a key step in the delivery of this major project. It would deliver a 76 acre site and would cost in the region of £20million. It would contribute to a number of council priorities. He thanked officers and the previous portfolio holder, Annie Feltham, and it was a testament to their work that it had reached this stage major controversy. Work had begun onsite. The Council would retain control of the sports hub which would ensure the site was run for the benefit of the residents of Colchester.

RESOLVED that:-

(a) The decision on part B of the agenda for this meeting paper to appoint the contractor to deliver the main sports park contract be noted.

(b) The review of the scheme costs, revised funding decision and financial details of the scheme and associated decisions as set out in the Assistant Director's report and the report on part B of the agenda be noted.

(c) The revised scheme cost be approved and to *RECOMMEND TO COUNCIL* its inclusion at this level in the capital programme.

(d) The release of the Section 106 funds received as set out in Assistant Director's report be approved and that the remaining expected sums be used for this project.

(e) The long term borrowing of this project of £2.827m be agreed and this sum be included within the Treasury Management Strategy and Prudential Indicators.

(f) The potential revenue implications of this scheme arising from the borrowing and cashflow position be noted and these be reflected in the 2019/20 budget and Medium Term Financial Forecast.

REASONS

This is an important milestone in the delivery of the Northern Gateway Sports Hub and is a major step in creating a destination of regional significance for sport. The appointment of contractor and acceptance of the revised budget requirement and funding package will enable the 76 acre sports hub project to progress and allow the buildings, civils and infrastructure elements of the project to commence.

The advance pitch works contract for the grass pitches was let ahead of the main contract to ensure they were completed and allowed enough growing time. These have now been completed three weeks ahead of schedule.

This contract will see the buildings, the civils, the cycle track and all remaining works to the site completed, as well as improvements to the highway.

To appoint a contractor who can deliver a high quality scheme within the defined programme.

As the scheme has progressed through the design stages and has achieved planning consent the budget requirement has increased, and the funding package has changed, these are set out in the financial section of the Assistant Director's report.

ALTERNATIVE OPTIONS

Not to appoint a contractor; however, this would mean the project could not be delivered within the required timeframe and the project would have to be re-tendered, meaning a delay of at least 6 months. By not appointing a contractor at this time the wider Northern Gateway project including moving the Rugby Club from Mill Road would be delayed and a number of other external funding opportunities and linked projects, including substantial forecast capital receipts could be put at risk.

Not to accept the revised budget requirement and funding package; however, this would also mean that the project as in its current form could not be delivered within the current programme. In addition a new scheme and a new funding strategy would have to be devised.

309. Northern Gateway Sports Park – Financial Operational Plan

The Assistant Director Policy and Corporate submitted a report a copy of which had been circulated to each Member.

RESOLVED that:-

(a) The financial update and forecast of the Northern Gateway be noted and appropriate provision be made in the 2019/20 budget for the net costs.

(b) The additional opportunities be noted and the continued pursuance of these possible funding streams be approved.

(c) The estimated net costs and income be included within the Medium Term Financial Forecast it be noted that an update on these projections will be provided alongside the 2020/21 budget strategy.

REASONS

As the capital construction project has commenced it is vital that the Council have a good understanding of the running costs of this brand new facility for Colchester.

Work will continue to further refine the operating model up until opening of the Sports Park and Cabinet need to be aware of the different future income streams which are currently being pursued.

ALTERNATIVE OPTIONS

The financial plan has been produced based on a number of assumptions that are considered to be realistic. There are limited opportunities to improve the position further by reducing costs or increasing income within the current scope of the model.

Cabinet has previously considered the options in respect of operating the new facility and it was agreed that the in house model should be pursued, so other options are not examined in the Assistant Director's report.

310. Increasing the Supply of Affordable Housing through the use of Right to Buy Receipts

The Assistant Director Policy and Corporate submitted a report a copy of which had been circulated to each Member.

Councillor Bourne, Portfolio Holder for Housing and Communities explained that that the Council lost approximately 40 council houses a year through the Right to Buy scheme. This scheme would allow the purchase of up to 20 properties through the use of right to buy receipts. The Council would have full allocation rights for these properties and they would be exempt from Right to Buy so would be a permanent addition to the Council's housing stock.

Councillor T. Young, Portfolio Holder for Business and Culture, paid tribute to the work of Councillor Bourne in bringing forward the scheme. The Council would rather develop and build its own Council housing and there could be an opportunity to do this through the lifting of the cap, but in interim this was a valuable scheme.

RESOLVED that:-

(a) The use of up to £1.2 million from the Council's reserve of retained right to buy receipts for the purchase of up to 20 properties to deliver additional affordable housing, in partnership with Heylo Housing, be approved.

(b) To approve expenditure of £200,000 for other costs associated with this scheme be approved, which represents the proportion (70%) of costs such as repairs and legal costs associated with the purchased which are not funded from the retained right to buy receipts and which will be met from other Housing Revenue Account resources.

(c) The financial implications of this proposal ne included in the Housing Revenue Account estimates report which will be considered by Cabinet at its January 2019 meeting.

(d) Authority be delegated to the Assistant Director Policy and Corporate, in consultation with the Portfolio Holder for Housing and Communities, to negotiate the terms and purchase price of individual properties and to enter into the shared ownership lease for these properties.

(e) Affordable rents be charged on the properties that are purchased in order to ensure the viability of the project.

(f) The properties be let to tenants for an initial period of ten years on a fixed term tenancy.

(g) The viability and potential out-right purchase, disposal of the properties or continuation of the Council as a shared owner no later than 9 years after purchase be reviewed.

REASONS

There are over 4,000 households on the Council's Housing Register seeking affordable housing. The Council continues to seek new and innovative ways to increase the supply of affordable housing and provide good quality, affordable and stable homes for Colchester's residents who are in housing need.

In August 2012 the Council entered into an agreement with the Government to allow the Council to retain receipts arising from the right to buy. The agreement requires an undertaking from Colchester Borough Council that retained right to buy receipts will be spent on replacement affordable homes. Retained RTB receipts should not make up more than 30% of total spend on replacement stock. The Council has three years from the time the receipt was received to spend it, any unused receipts must be repaid to the Government along with interest at 4% above base rate.

The recommended decisions contained within this report will enable the Council to deliver an additional 20 affordable homes and spend up to £1.2 million of RTB receipts, which are due to be paid back to the Government in 2019/2020 along with the estimated £180,000 in interest.

ALTERNATIVE OPTIONS

The Council can decide to not proceed with the proposals in this report is option but will then risk of repaying up to £1.2 million in right to buy receipts and having to pay an estimated £180,000 in interest to the Government. The opportunity to secure additional affordable housing using this money will also be lost.

311. Request to delegate the responsibility for agreeing the award of the Void properties and Insurance works contract to the Portfolio Holder for Housing & Communities

The Assistant Director Policy and Corporate submitted a report a copy of which had been circulated to each Member.

RESOLVED that authority be delegated to the Portfolio Holder for Housing and Communities for agreeing the interim arrangements and, in due course, the award of a new voids properties and insurance works contract.

REASONS

The current contractor has given contractual notice to terminate the contract.

In order to maintain a service to return empty residential properties (voids) to a lettable condition and to carry out works resulting from insured events, interim arrangements need to be put in place while re-procuring the contract.

The sudden nature of the contractor giving notice, the relatively short timescales involved and the need to return voids to a lettable condition in a minimum timescale indicate that delegating authority to the Portfolio Holder for Housing and Communities is the most suitable approval process to ensure the best chance of mobilising a new contract with a smooth transition.

ALTERNATIVE OPTIONS

An alternative option is not to put in place any interim back-up arrangements. However, it is clear from the contract that large insurance jobs will not be undertaken if there is any likelihood that they will not be completed by 12 April 2019. There is the same clarity over voids works not being started. Consequently, this option is not considered to be prudent.

There is an option to wait to progress new contract procedures; but there may be delays in the public sector procurement processes that would mean a new contract would not start immediately after the expiry of the existing contract. Failure to put in place interim measures, and to procure a new contract, would result in increased losses in rental and service charge income and a failure to tenant vacant properties. This option is not considered a prudent way forward.

312. Contract Award for Highways Repairs to Unadopted Roads

The Assistant Director Policy and Corporate submitted a report a copy of which had been circulated to each Member.

RESOLVED that:-

(a) Henderson & Taylor (Public Works) Limited be appointed to deliver the highways repairs to unadopted roads.

(b) The Council enter into a 3 + 1 year JCT Standard Form of Intermediate Building contract 2016 with the successful contractor.

REASONS

The procurement approach agreed was one with the Council acting as the awarding body for any contracts placed and Colchester Borough Homes (CBH) acting as the employer's agent (Contract Administrator).

Out of this exercise, 2 contractors submitted bids following issue of the invitation to tender for the works. Tenders were returned and opened by officers on 8 October 2018 an evaluation exercise took place based on the criteria set out in the tender documents which included assessment of price and quality (method statement and references); out of this a final recommendation was concluded.

The procurement approach agreed by Cabinet on 1st December 2010 as part of the Asset Management Strategy is to let a JCT Form of Contract for this and similar types of work.

ALTERNATIVE OPTIONS

Not to accept the tender of the proposed contractors. This would impede the delivery of service to residents.

313. Air Quality in Colchester

Cabinet considered draft minute 16 of the Policy and Public Initiatives Panel meeting of 7 November 2018.

RESOLVED that:-

(a) Air Quality initiatives, such as AirText, be further publicised to members of the public.

(b) Research be conducted as to whether there is Section 106 money available for use on provisions to assist cyclists, such as shelters and infrastructure.

(c) Local Schools be contacted through Essex County Council to highlight the importance of using sustainable transport to travel to school and to suggest that additional facilities are provided for cyclists.

REASONS

The reasons for the recommendations from the Panel were set out in draft minute 16 from Panel.

ALTERNATIVE OPTIONS

It was open to Cabinet not to approve the recommendations from the Policy and Public Initiatives Panel.

314. Appointment of the Deputy Mayor 2019-20

The Chairman announced that this item had been deferred until the next meeting of the Cabinet.

315. Progress of Responses to the Public

The Assistant Director, Policy and Corporate submitted a progress sheet a copy of which had been circulated to each Member.

RESOLVED that the contents of the Progress Sheet be noted.

REASONS

The progress sheet was a mechanism by which the Cabinet could ensure that public statements and questions were responded to appropriately and promptly.

ALTERNATIVE OPTIONS

No alternative options were presented to the Cabinet.

The Cabinet resolved under Section 100A(4) of the Local Government Act 1972 and the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 to exclude the public from the meeting for the following item as it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

316. Matters relating to Land Transfer at Queen Street

This minute is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (information relating to the financial or business affairs of a particular person, including the authority holding the information).

The Cabinet resolved under Section 100A(4) of the Local Government Act 1972 and the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 to exclude the public from the meeting for the following item as it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

317. Colchester Northern Gateway Sports Park – Appointment of Contractor

This minute is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (information relating to the financial or business affairs of a particular person, including the authority holding the information).

The Cabinet resolved under Section 100A(4) of the Local Government Act 1972 and the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 to exclude the public from the meeting for the following item as it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

318. Northern Gateway Sports Park – Financial Operational Plan

This minute is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (information relating to the financial or business affairs of a particular person, including the authority holding the information).

The Cabinet resolved under Section 100A(4) of the Local Government Act 1972 and the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 to exclude the public from the meeting for the following item as it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

319. Contract Award for Highways Repairs to Unadopted Roads

This minute is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (information relating to the financial or business affairs of a particular person, including the authority holding the information).

Cabinet			**Item 7(i)**
30 January 2019			
Report of	**Assistant Director Policy & Corporate**	**Author**	**Andrew Tyrrell** ☏ **282390**
Title	**Potential New Housing Projects Using HRA Borrowing**		
Wards affected	All Wards		

1. Executive Summary

1.1 The Council has an established and clear ambition to provide more new affordable homes for our community; however, Colchester was one of over 50% of Councils in the UK that were restrained from building any properties in 2017/18 after the housebuilding programme was drastically halted by a Government-induced "debt cap" and "rent reduction" policy. The 2015 rent reduction announcement, introducing a 1% rent reduction for 4 consecutive years, removed around £140m of rental income from the Housing Revenue Account (HRA) 30-year Business Plan at the time. The existence of the debt cap then provided an insurmountable barrier, as it placed a limit on how much additional money we could borrow within these limitations.

1.2 After 3 years since the rent reduction came into force, the Government has now recognised the role that local authorities have in helping to solve the housing crisis, and has abolished the HRA debt cap (through the Budget announcements at the end of October 2018). The abolition of this HRA borrowing limit means that the Council is once again able to build new affordable homes (and improve the existing stock) through the HRA.

1.3 Since the Budget announcement, the Council has used the 3 months to explore some initial ways to use of the new borrowing capabilities to provide much-needed affordable housing without delay. Potentially viable schemes have been identified, with some possible sites earmarked. This report (and the accompanying confidential paper that provides estimated financial information) sets out the potential new affordable housing schemes that have been identified to date, and that the Council would now require some budget provisions in order to evolve. These schemes could be a first new wave of projects that would later be expanded, and will provide 100% affordable housing that could, based on provisional estimates, result in anything up to 350 new properties.

1.4 Part of this concept would be to rekindle the previous affordable housebuilding programme that was halted in 2015. However, other opportunities also exist that need further investigation and feasibility work to complete proper due diligence. Even revisiting previous sites, construction has changed even within this short time (and more feasibility work would be required anyway), but new opportunities have arisen such as the use of modular construction for an emerging rooftop development trend known as "Airspace". The Council has also, in the intervening years, formed a wholly-owned company, Colchester Amphora Homes Limited (CAHL), so that it could deliver some affordable housing on mixed tenure sites and the projects will require collaborative partnership working with both (CAHL) and Colchester Borough Homes (CBH).

2. Recommended Decision

2.1 To agree that the Council should continue to explore further options, but will now actively pursue viable development opportunities that are set out in this report, from feasibility through to the completion of the relevant viable projects.

2.2 To appoint Colchester Amphora Housing Ltd (CAHL) and Colchester Borough Homes (CBH) to help the Council progress the projects as set out in the report, and advance the viable schemes through to completed delivery.

2.3 To note that the Housing Revenue Account (HRA) budget and Housing Investment Programme (HIP) for 2019/20, as reported elsewhere on this Agenda, have been prepared with the inclusion of financial provisions to continue to actively progress these projects over the 2019/20 financial period.

2.4 To agree that these budgets should, in subsequent years, continue to include further provisions in order to continue to drive forwards the proposals that are set out in the report for the short and medium term projects, that remain viable once the necessary due diligence is completed.

3. Reason for Recommended Decision

3.1 There is a national housing crisis and Colchester is no different to anywhere else in requiring more homes, especially with regard to affordable homes. This decision is required in order to make any further progress in advancing schemes and take the first decisive steps, following the abolition of the HRA debt cap, to deliver more affordable homes. To do so, a budget provision now needs to be made for the next financial year, within which time the feasibility works would be completed, consultation and engagement would need to take place, planning applications would be submitted, contractors appointed and possibly even commencement of some sites. This means that the Council needs to decide whether or not to commit to the exploration of this programme of development, which could see up to 350 homes delivered in total over the next 5 or 6 years (subject to how feasibility works evolve), in order that it is not avoidably delayed as schemes can progress.

3.2 Whilst these may not be the only steps that are taken over the next few years, a decision to pursue these does not prejudice further development opportunities coming forward and would allow for new affordable homes to be provided without delay, so that the community can benefit from them as soon as possible. The programme as set out includes short, medium and long term ambitions; making a sustainable programme of new affordable housing that can be further developed over time. It is an early statement of intent to deliver a significant number of affordable homes moving forwards.

3.2 There is an acute need for more affordable home in Colchester. “Affordable housing” is a term that includes social rented, affordable rented and intermediate housing. This is provided to eligible households whose needs are not met by the open housing market and whose eligibility is determined with regard to local incomes and house prices. The definition now originates from the National Planning Policy Framework (2018). Rents for affordable housing should be set in accordance with the Government’s rent policy for social rent or affordable rent, at least 20% below local market rents (including service charges where applicable). Affordable housing should also include provisions to remain at an affordable price for future eligible households, or for any subsidy to be recycled for alternative affordable housing provision.

3.3 The homes that the Council creates will be used to accommodate people from our housing needs register. This means that the new homes address local need. The demand for this new affordable housing, and an illustration of why not acting is not an option, is demonstrated by the figures on the housing needs register as shown in Table 1 below:

Table 1

Households on the register according to number of bedrooms required

Number of bedrooms required	Number of households on the register
One	1111
Two	1671
Three	1079
Four or more	258
Total	4119

Gateway to Homechoice, 30 September 2018

4. Alternative Options

4.1 The Council could decide not to pursue any of the projects at all; however this would not make the maximum use of the borrowing capacity that the Council has now been given, consequently missing an excellent opportunity to provide affordable housing for those most in need; which is a key priority of the Council as set out in the Strategic Plan. It would also mean that the Council may not be able to use the retained 1-4-1 Right To Buy receipts it holds, which must be returned plus interest to the Treasury if they are not spent within 3 years; whereby these developments should ensure that the Council would not need return any receipts for the foreseeable future due to the increased opportunities to reinvest them in new affordable homes, if delivered as planned.

4.2 The Council could decide not to pursue some of the individual projects identified in this report. However, at this time it is considered that all of the projects should be explored further and that the shorter term projects are all expected to be deliverable.

4.3 The Council could seek to identify alternative projects to those in this report. However, the project set out herein are those that have been identified as the most appropriate at this time. This decision does not rule out seeking further opportunities in due course and the additional borrowing, which under the prudential code must be affordable, would not prejudice any further borrowing for additional schemes that are identified in due course.

4.4 The Council could pursue the Airspace scheme without using HRA borrowing; however the "traditional" delivery model used by modular construction companies who build airspace schemes would return only a smaller percentage of the units to the Council to use as affordable housing, whilst most of the properties (which would be built by the developers at their cost) would be retained by the partnering company for them to sell or lease. As this does not provide as many affordable homes for the council it is not recommended during the few suggested pilot schemes, but could be revisited should a larger roll out follow. Whilst risk and cost is taken on by the Council from using the proposed 100% affordable housing model, this risk is being managed by use of a “pilot” to minimise implications until the chosen schemes can demonstrate their potential.

5. Background Information

5.1 The Council previously utilised HRA borrowing to undertake housebuilding by delivering 34 units on garage sites that were completed in 2015. These were the first Council built homes for over 2 decades and the Council had always intended to continue to deliver more new homes (and refurbishment projects) until it was halted by the Government policy changes (in 2015) that saw rent reduced by 1% per annum for 4 years. This national policy change removed around £140m of rental income from the 30-year HRA business plan when it was introduced. It meant that the Council could no longer build new affordable homes for local people, and would return, like most Councils, to a reliance on homes delivered via s106 planning agreements, that secure a percentage of affordable units on major sites (those over 10 dwellings) that were developed by private housebuilders.

5.2 The significant change in Government policy with the announcement of the abolition of the HRA debt cap, gave a clear signal that Councils should undertake new housebuilding funded from within their HRA. Prime Minister Theresa May stated, at her 2018 party conference, that housing was “the biggest domestic policy challenge of our generation”, unexpectedly announcing that “local authorities were being held back from building by fiscal rules” that would be removed. That was immediately followed by the Budget announcement (at the end of October), that the Government had indeed decided to abolish the HRA borrowing restrictions placed upon all Councils, with an unexpected “immediate effect”. Chancellor Philip Hammond stated during his Budget speech that the Government “are giving councils greater control over the money they raise…by removing the Housing Revenue Account cap so that councils can help to build the homes this country needs”.

5.3 Prudential borrowing, which is now the only constraint on HRA borrowing, means that the total amount of debt the HRA can hold is no longer subject to a cap. Instead, the Council’s borrowing must conform to the Prudential Code; that borrowing must remain “affordable”. This is covered in more detail within the related Housing Revenue Account and Housing Improvement Programme Budgets, and Treasury Management Strategy, as reported elsewhere on this Agenda, but simplistically it means that the amount borrowed to build will be affordable over the long-term.

5.4 The Council now has an exciting and valuable opportunity to re-start and expand its Council housebuilding programme in order to provide for local people on our housing needs register. There are numerous other benefits to the Council building new affordable homes that include:

- making the most effective use of the Councils assets, and maximising their benefit to the community;
- the potential to deliver sites that other developers would not be willing to deliver (e.g. small infill plots, garage sites) because they have social value as well as economic sustainability; and
- helping to fulfil planning policies aimed at improving the quality of life for residents, and assisting the supply of land for residential development that meets specialist demands.

5.4 Indeed, the Council would fulfil a leadership (and enabling) role through delivery of the identified affordable housing projects. As with the wholly-owned company (formed to continue to deliver housing including 30% affordable homes), by building more new affordable housing stock using HRA borrowing we are ensuring that the provision of affordable rented housing is high on the local agenda; bringing together housing, planning and regeneration activities. It demonstrates that the Council is committed to taking proactive steps to address the shortfall in supply of affordable homes, and is investing resources in neighbourhoods that may otherwise see limited amounts of development by private developers.

5.5 The Council housebuilding projects outlined below seek to create homes that meet local needs and in particular those of households with mobility needs and disabilities; provide energy efficient housing that can deliver affordable energy bills, and involving existing tenants and communities in the process.

Projects That Can Be Completed Within 1-3 Years

5.6 The “Phase 2” Garage Sites

5.6.1 The Council has already demonstrated that building on garage sites that are under-used releases land for a better use, and makes more efficient and effective use of assets that the HRA already owns. Small infill sites and disused garage sites have been demonstrated to make a valuable contribution to communities, improving neighbourhoods, reducing anti-social behaviour and providing much needed affordable housing. The Council demonstrated the success of “Phase 1”, with a proven track record for “Phase 2”.

5.6.2 Some early desk-top exploration work has already been undertaken, though more detailed work is required to progress the schemes. Some sites have been identified but more feasibility, such as searches, surveys, design concepts and other work would need to be completed in order to refine their potential. This work, if agreed herein, could be completed in a relatively short time; with preliminary scheme layouts that could be provided for planning advice (prior to making formal applications), and other due diligence work to be undertaken as the next step.

5.6.3 It is currently anticipated that the garage sites could deliver approximately 35 new affordable homes, including the potential for the Council to proactively provide some Part M compliant adaptable properties, which are adaptable, as well as a proportionate mix of 1, 2 and 3 bed properties that reflects our local affordable housing needs. Should these schemes progress smoothly (without unexpected complications from the feasibility work, delay in the planning process, or issues during procurement) it is expected that they would be commenced within the next financial year (2019/20). Therefore, the budget (also on this Agenda) reflects this possibility.

5.6.4 It is proposed that the Council instructs CAHL to act as lead development manager on the new garage site projects, working in partnership with CBH project management services (and alongside the Councils own services). The combination of these two Council owned companies, working on behalf of the Council, brings together staff experienced in delivering garage site development, and will see a wide range of services provided including; concept scheme design and costings for the development, developing planning applications alongside our own planning service expertise, managing construction on site and working with the Councils tenant services teams to ensure local consultation is undertaken.

5.6.5 The scope of services that CAHL would provide reflect a role acting as development management agent and will lead the programme across the various stages of the development process from RIBA stage 1 to 7. The Council will act as client, monitoring the progress of the development and working in partnership with CAHL as well as with CBH.

5.7 Purchasing Affordable Housing on the Colchester Amphora Homes Ltd (CAHL) Sites

5.7.1 As set out in an accompanying paper on this Cabinet Agenda, it is proposed that the HRA borrowing should be used to purchase all of the affordable housing units delivered from the 4 forthcoming development sites being built by Colchester Amphora Homes Ltd (CAHL). More detail is set out in the report specifically on that proposal elsewhere to this Agenda.

5.7.2 The HRA budget paper, also on this Agenda, includes the purchase of these properties by the Council. The sites are expected to start on site this year, and the next step would be to finalise the transactions and agreements that have been agreed, prior to the commencement of the developments.

5.8 Using the Right to Buy Back (RTBB)

5.8.1 In order to increase the supply of affordable housing in Colchester as part of the "Action to tackle homelessness" initiative, the Council agreed to purchase up to 10 properties using the "Right to Buy Back" (RTBB) in 2018/2019. The Right to Buy is a government scheme that enables council tenants to buy their home but, since 2005, any tenant who has bought their council home has to give the Council first refusal to buy it back if they wish to sell it within the first 10 years (in typical property covenants).

5.8.2 It is now proposed to continue this project as a rolling programme in order to increase the supply of affordable rented homes in Colchester. The programme is kept at a modest level as it relies on properties coming forward from owners who wish to sell, and that those properties provide good value for money to the Council. This will require budget provision for 2019/20, as set out elsewhere on this Agenda.

5.8.3 The next steps would be to allocate budget for this to continue and implement this continues programme. In the medium term, it is proposed that the programme runs for 5 years with an annual review to consider if it still delivers in terms of value for money compared to other options.

5.9 Purchasing (Non-RTBB) Former Council Homes

5.9.1 In order to increase the supply of temporary affordable housing in Colchester as part of the "Action to tackle homelessness" initiative, the Council successfully purchased former Council homes sold under the right to buy that were not subject to the right of first refusal clause (RTBB), as this had expired. It is proposed that HRA capital resources are used to purchase up to 20 former Council properties via the open market, to be used as permanent homes.

5.9.2 As with the above proposal on RTBB, the programme is kept at a modest level as it relies on properties coming forward that are viable for the Council; this includes considerations that they contain elements that can be sustained within the Council's asset management strategy.

5.9.3 The next step would be to allocate further budget for this to continue during 2019/20 and continue to explore forthcoming opportunities throughout the next financial year. There is no "lead in" time for this project as it was already running as a pilot within 2018/19 and will simply expand and continue now there is more borrowing capacity available.

5.10 Utilising “Airspace” Above Existing Buildings

5.10.1 There are some recent, and emerging, examples of modular construction that has created an additional storey in unused “airspace”, on the roofs of existing occupied buildings, to add additional homes. This has been used to effect in London, and has even received specific reference in the Government’s 2018 revisions to the National Planning Policy Framework, in paragraph 118(e), that states that Local Planning Authorities should:

> *“support opportunities to use the airspace above existing residential and commercial premises for new homes. In particular, they should allow upward extensions where the development would be consistent with the prevailing height and form of neighbouring properties and the overall street scene, is well-designed (including complying with any local design policies and standards), and can maintain safe access and egress for occupiers.”*

5.10.2 From initial research, the usual business operating model is for such companies to purchase “airspace rights” from a Council to develop (at their own risk) rooftop apartments. The majority of the units created are normally retained by the company to generate their financial returns for the works, but as the owners of the host property (sometimes a partnering Council) is usually given some of the completed units as affordable housing. However, whilst this is the typical delivery model, the Council would seek to draw on the specialist expertise of an airspace company to act as a means to deliver a scheme with 100% affordable housing provision; funded by the Council with the partnering-company acting solely as a contractor/developer. Whilst this model would see cost and risk remain with the Council, it would utilise the partnering company’s experience to manage that risk whilst creating more affordable homes in total. CBH would also partner within this project, which would require consultation and engagement with residents, and be on properties that they manage for the Council.

5.10.3 It is recommended that a pilot is pursued, at locations with fewer constraints (e.g. parking pressures, etc). This would allow the model to be tested prior to any larger roll out because, although it is well-tried in other areas (such as London), it is new to Colchester. The pilot would be required to deliver 100% affordable housing schemes to maximise the affordable homes provided from the risk-limiting pilot scheme, as first-hand experience is gained.

5.10.4 Based on an initial assessment of rooftops and unit sizes on other schemes, the pilot scheme would achieve approximately 32 new affordable homes, provided as 2-bed flats, over existing Council properties. Subject to a successful consultation with residents, it is anticipated that a potential scheme could be delivered in 2020. From case studies, there are benefits to existing residents, as the developments also add value to the whole building through refurbishment of worn facades and other improvements, such as entrances and communal areas. The existing residents would benefit from these enhancements, at no cost to them, which has been demonstrated to help gain support. It also benefits the HRA, which would usually fund repair and improvement works, as the buildings’ lifecycle is generally improved as a result.

5.10.5 As the project utilises modular construction, the Council may look to use the experience gained on other sites; potentially making marginal or difficult sites more viable opportunities. The schemes can also be installed within a single day (as the units are built offsite); minimising disruption to tenants (who do not need to move out) and neighbours. The associated improvement works to the existing building are typically, according to case studies, completed in 50% less onsite build time and 90% fewer vehicle journeys to and from the site (compared to traditional constructions).

Projects That Can Be Completed Within 3-5 Years

5.11 "Fit for the Future": Reinvigorating the Sheltered Housing Improvement Programme

5.11.1 The Council, in partnership with CBH, previously undertook a programme of works to make our sheltered housing stock "fit for the future". The refurbishment of previous sheltered housing properties saw the accommodation converted into self-contained flats with fitted kitchens and bathrooms that are fully adapted to Part M accessibility requirements. The schemes also incorporated energy efficiency measures that benefitted residents; including photovoltaic electrical generation systems, solar hot water heating systems and triple glazed windows and doors.

5.11.2 With the 1% rent reduction the sheltered housing refurbishment programme was scaled back and then halted. The removal of the borrowing restriction on the HRA now gives the Council the opportunity to reconsider how best to use its sheltered housing stock and make it "fit for the future". The priority will be to pursue a modernisation and improvement programme with all options having been considered

5.11.3 Such schemes have demonstrated that the consultation period for this can take time. Therefore, it is anticipated that any preliminary work, consultation and engagement will need to be factored into any development aspirations, and that, even if work was started soon to initiate this, any finished works may not be completed until 2022 or 2023.

5.12 Continued Programme for the RTBB and Purchasing Former Council Houses

5.12.1 As set out above, in paras 5.8.3 and 5.9.3, the Council would continue to buy back former Council properties. In the medium term this would have established as a rolling programme (with annual review).

5.13 "Phase 3" Garage Sites and Other "Incidental Spaces"

5.13.1 As soon as the Phase 2 sites have been advanced, the Council could progress the third phase of garage sites. Initial desk top work to identify the potential of sites may also be possible at the same time, or overlapping with Phase 2. These are sites that were previously considered to be more difficult sites, and will take longer to get delivery "on the ground" even if they are started at the same time. It would also be prudent to revisit some of them and check that conditions have not changed on the ground, whether positively or negatively.

5.13.2 The Council can utilise the continued learning from both phases 1 and 2 of the garage sites, alongside that which will be gained from use of modular construction on the "Airspace" pilot. This should allow time to overcome (and ways to reduce) some of the challenges previously forecast by utilising innovative solutions that may increase feasibility of some of the more difficult sites and provide better quality outcomes.

5.13.3 The Council could also evaluate and progress some of the incidental sites that it owns. These are primarily left over parcels of open spaces or smaller/irregular shaped plots on estates that may be possible to put to more effective and efficient use. This poses more challenges, but work could be undertaken to identify feasible sites in due course. Although work on this will start as soon as possible, it is forecast as a medium term delivery due to the additional challenges that need to be explored, and will follow on behind phase 2 (which can be advanced to delivery without delay).

5.14 Purchase of Properties for Conversion

5.14.1 The Council could monitor the market for properties that become available that are suitable for small-scale conversions, potentially using permitted development rights for changes from office to residential, retail to residential, and or other flexible uses allowed under national planning legislation. A quick market assessment of current opportunities for office/retail conversion to housing presented only one property. This was considered to be too large for a pilot 100% affordable housing scheme, and would have resulted in the loss of office space near to the town centre that was undesirable. However, it is possible that opportunities may arise that would be suitable for consideration; this opportunity will be market-led.

5.14.2 Increasingly flexible permitted development rights introduced over the last few years (and expected to broaden further in future) allow for more types of properties to be converted into housing. The Council could consider using these rights, which are available to any developer, where this would not be detrimental to the localities and would accord with our other policies (e.g. the Local Plan, etc). The Council would continue to keep a watching brief on the availability of units that could be converted without causing any harm to their local areas, or the town as a whole, such as single units that have not been let very successfully for commercial uses in the past, but could enhance areas by bringing disused or under-used property back in beneficial purposes.

5.15 Further Colchester Amphora Homes Development Sites

5.15.1 The Council would look to use HRA funds to secure ownership of the affordable housing as part of future CAHL developments. This would continue to see development where the Councils HRA-funded house building forms a part of a larger mixed-tenure schemes. This would continue to encourage social cohesion and integration at the completed sites.

5.16 Large Regeneration Site

5.16.1 There is potential for a large mixed-use regeneration scheme to evolve over the next few years. This will not be coming forward immediately, and it not at a detailed stage yet, but as it evolves the scheme could provide further opportunities for Council-owned housing utilising the prudential borrowing and right to buy receipts. This will need to be explored in more detail at a later, suitable, date.

Projects with Longer Term Delivery Timetables

5.17 Subject to a successful pilot explored over the next few years, the ”Airspace” project detailed above would have more potential to be rolled out across a wider area, and a larger number of properties, to provide affordable homes. There was potential for up to 250 properties to be provided through a large roll out but this requires more feasibility that is not proposed until the pilot demonstrates some early success. Depending on the pilot, this could be brought forward faster, but would need to be monitored based on the first phase, as well as the individual complexities of the wider potential sites (which needs more feasibility work before its potential is more predictable).

5.18 The Council would continue development using HRA funds in conjunction with housebuilding by CAHL to create mixed-tenure schemes as set out above. The Council could also continue to buy back former Council properties over a longer period. It could also review the use of incidental spaces, garage sites, and other property that it owns. All of these longer term projects will need to be reviewed in due course, and will be subject to further papers at more appropriate times.

5.19 Finally, as the Garden Communities evolve it will present opportunities to acquire land for affordable housing provision. The HRA could also purchase properties, or be used in partnership with other providers. There would be a number of opportunities that would arise from Garden communities in the longer term. This would be a potentially significant opportunity in the longer term, for delivery beyond 5 years.

6. Equality, Diversity and Human Rights implications

6.1 The proposals are considered to have an overall positive impact on protected groups and they will have a positive impact on the availability of housing in Colchester, especially the availability of affordable housing. Maximising the supply of new homes is part of the Council's commitment to improving communities and our town as a place to live. In implementing the recommendations the Council will have due regard to its Public Sector Duty and will continue to work to tackle discrimination and inequality and help to create a fairer society, improve housing choice and social mobility (including for protected groups). The proposals will help to improve the housing conditions and life chances of people with protected characteristics, including homeless people, low-income households, people with disabilities and families on the housing needs register. They will therefore have a positive impact on Equality and Diversity.

6.2 Further Equality Impact Assessment information can be found here

7. Strategic Plan References

7.1 The following Strategic Plan References are relevant:

Growth: Ensuring all residents benefit from the growth of the borough
- Help make sure Colchester is a welcoming place for all residents and visitors

Responsibility: Encouraging everyone to do their bit to making our borough even better
- Promote responsible citizenship by encouraging residents to get involved in their communities and to identify solutions to local issues

Wellbeing: Making Colchester an even better place to live and supporting those who need most help
- Encourage belonging, involvement and responsibility in all the borough's communities
- Create new social housing by building Council homes and supporting Registered Providers
- Target support to the most disadvantaged residents and communities

8. Consultation

8.1 The required planning applications for most (if not all) of these projects would be subject to public consultation with residents at, adjacent or nearby to any individual sites involved. All of the new build projects would be subject to planning consultation requirements.

8.2 Other consultation and engagement would be undertaken in regard to the individual projects as appropriate. On previous garage redevelopment sites additional consultation was undertaken and this would be continued over future sites.

8.3 Sheltered housing projects would require consultation with tenants as early as possible. The Council has legal duties to consult that would be met. Similarly, for the "Airspace" projects there would be legal duties to consult tenants and leaseholders. Consultation would also involve residents and businesses adjacent and nearby the sites.

9. Publicity Considerations

9.1 None specific to this report. Individual schemes will require different consultation once progressing.

10. Financial implications

10.1 The proposals in this report have a combination of capital and revenue implications which are set out in the following paragraphs.

10.2 The main capital considerations of the proposals revolve around capital expenditure and funding. These can be summarised as:

- Capital expenditure on purchasing/building dwellings (for example Phase 2 garage sites, purchase of Buybacks)
- Capital expenditure on converting dwellings/remodelling
- Undertaking prudential borrowing to fund capital expenditure
- Use of 1-4-1 retained Right To Buy reserve to partially fund expenditure
- On-going capital improvements to additional properties (for example kitchens/bathrooms etc)

10.3 The main revenue considerations of the proposals revolve around the day to day running of the dwellings, and servicing of any additional borrowing undertaken. These can be summarised as:

- Additional rental income from properties built or purchased.
- Additional management and maintenance costs
- Interest cost resulting from any additional borrowing undertaken

10.4 It is proposed that the approach taken is consistent with that previously, which is to seek approval from Cabinet for the indicative proposals, and then include detailed financial implications in the Housing Revenue Account (HRA) estimates and Housing Investment Programme (HIP) reports agreed by Cabinet in January each year (see other Agenda items). This approach has the benefit of being able to see the impact of the proposals on the overall financial position of the 30 year HRA model, determine affordability and ensure the long-term sustainability of the HRA.

10.5 It should also be noted that given the scale of some of the projects set out in this report, it is likely that we will fully utilise our retained 1-4-1 RTB receipts reserve, which means it would be unlikely that we would continue repaying receipts plus interest to the Government in the future. Indeed, there is the potential that we could need to borrow up to 100% of scheme costs in future years (receipts would currently cover 7% of the estimated/assumed costs). As previously indicated, this would be considered annually as part of Cabinets approval of the Housing Revenue Account (HRA) estimates and Housing Investment Programme (HIP).

11. Health, Wellbeing and Community Safety Implications

11.1 There are no specific implications but generally the proposal aim to promote positive health and well-being for our residents.

12. Health and Safety Implications

12.1 There are no specific concerns related to proposals outlines herein.

13. Risk Management Implications

13.1 There are two broad categories of risks; local and national. Local risks offer some degree of control and influence, revolving around prioritising HRA spending in a period of change. National risks relate to Government policies the Council cannot control, but that can have a major impact.

13.2 Locally, prioritising new council housebuilding should not be at the cost of current stock modernisation and repair. HRA finances and resources are used for maintaining and improving the existing stock, as a priority, and therefore new council housebuilding needs to be achieved without harm to current or future maintenance programmes. This risk is being managed by a coordinated and collaborative approach between key stakeholders, considering the budget implications over short, medium and long term periods.

13.3 Another locally managed risk will be development process issues. For example, skills, land supply, site development, funding, planning, commissioning and construction costs. There are some obstacles to overcome in undertaking housebuilding but the Council would mitigate these risks by working with CAHL and CBH as we evolve and develop an expanding housebuilding programme.

13.4 Sites are often small, neglected, vacant or constrained sites held in the HRA account. They may have issues that affect the viability of development (for example clearance and decontamination costs, size and shape, surroundings) that affects the achievable numbers and design of new units. This is why further feasibility work is proposed to identify the issues and costs involved to develop sites, and why it is important that a decision is taken to undertake this work without delay. Until feasibility work is complete, and sometimes beyond, there remain hidden risks that we cannot uncover until we start to progress concepts through to design and build.

13.5 For reasons related to the above, obtaining planning permission can be challenging, especially if there are objections from the local community. This can be mitigated as far as possible by early engagement with our Planning Services, and consultation with affected residents. Again, this is why a decision is required, because that will allow exploration with tenants and residents to be planned andundertaken.

13.6 Similarly, commissioning and procuring construction can be difficult. Some sites may not be attractive to builders and, in addition, construction costs have been rising over recent years. It may not be possible to receive satisfactory prices to build the schemes once approved. However, the proposals herein will seek to attract interest by evolving attractive and exciting schemes.

13.7 Nationally, the Government is known to be rethinking the right-to-buy policy, and contemplating other ideas, so the future is uncertain. The cumulative effect of numerous welfare changes in policies that affect the HRA are still becoming apparent too. Recent years have shown how much things can change with the ‘bedroom tax’, the benefits cap, direct payment of benefits to claimants, the roll-out of universal credit and the freezing of benefit rates for 4 years from 2016/17 before the more recent positive changes through the debt cap abolition and move away from further rent reduction. There is a recent rhetoric that changes would not seek to obstruct Council housebuilding, but this reality is that this remains uncontrollable, and increasingly unpredictable the further ahead you try to look. This is even more true with the additional “Brexit” considerations.

Cabinet			**Item 7(ii)**
30 January 2019			
Report of	**Assistant Director Policy & Corporate**	**Author**	**Andrew Tyrrell** ☏ **282390**
Title	**Ownership of the New Affordable Housing Delivered by Colchester Amphora Homes Ltd (CAHL)**		
Wards affected	Mile End, Highwoods, Castle, New Town and Christ Church		

1. Executive Summary

1.1 Against a backdrop of changing Government policies that halted most Local Authority housebuilding in 2015, the Council has remained clear on its ambitions to continue to deliver new affordable homes. Colchester Amphora Homes Ltd (CAHL) was created as a wholly-owned company that could deliver these new homes, and in October 2018 it was agreed that they would complete the purchase of 4 sites from the Council, then develop over 300 new homes, and over 100 affordable homes, on those sites.

1.2 However, as highlighted in the October Cabinet Report, financial advice highlighted that there would be less favourable financial implications if CAHL were to retain the completed affordable units that they delivered. Simplistically, this is because a development company operates differently to a holding company and developing to sell has different taxation rules to a company developing to rent. Consequently, it was agreed by the Council that CAHL would not hold the completed homes and that an alternative option for the transfer of the affordable rental properties would be sought, with the priority of retaining all of the new affordable housing within Council control or ownership. This paper sets out how the Council will achieve this aim, and secure over 100 new Council-owned affordable homes from the 4 sites being developed.

1.3 Under these proposals, Colchester Borough Council will be the landlord (owner) of the newly built affordable units. The new affordable properties will then be let to households already waiting for suitable homes from the Council's housing needs register according to the allocations policy (see Gateway to Homechoice).

2. Recommended Decision

2.1 To use "prudential borrowing" now available to the Housing Revenue Account (HRA) to purchase all of the completed affordable housing units that are delivered from the first programme of development by Colchester Amphora Housing Ltd (CAHL).

2.2 To enter into a Development Agreement with CAHL which will see all of the affordable housing units on their 4 sites be transferred to the Council, upon completion, at an appropriate market value for affordable housing.

2.3 To delegate authority to the Assistant Director Policy and Corporate, in conjunction with the Portfolio Holder for Housing and Communities, to conclude the final legal agreements and financial matters in respect of all of the above.

2.4 To note that completion of the Development Agreement shall be simultaneous with the conditional contract CAHL will enter into with the Council for the initial sale of the sites to the company that was agreed by Cabinet in October 2018.

2.5 To note that provision for the acquisition of the first affordable homes has been incorporated into the 2019/20 Housing Revenue Account budget also on this agenda, and would then be included in subsequent budget setting processes in following years, as the new homes are delivered.

3. Reason for Recommended Decision

3.1 The Council has an established desire to build new affordable homes. CAHL, as a development company, is the delivery vehicle that will build new homes in the Borough including over 100 new affordable homes on behalf of the Council. However, due diligence as part of the Company set up has shown it is not economically beneficial if CAHL hold any of the completed stock once the developments are built..

3.2 The Council already owns affordable housing stock, but was unable to borrow more money within the HRA due to policies that the Government introduced in 2015, and the Government imposed HRA debt cap. That meant that the Council could not finance development of affordable homes. However, there was a fundamental change in Government policy in October 2018; with the Government's Autumn Budget providing a sudden announcement that the HRA debt cap was to be abolished with immediate effect, a response to recent feedback from Councils across the country (including Colchester) regarding the biggest barriers to affordable housing development. This significant relaxation on the restriction of HRA borrowing means that the Council can now utilise a new capacity to borrow so that it can purchase the completed stock as new Council-owned affordable homes.

4. Alternative Options

4.1 The Council could set up a new wholly-owned rental holding company that would acquire the affordable housing units. The newly established subsidiary company would secure the properties under Council control, although the stock would be owned by the company rather than the Council. Following the abolition of the HRA debt cap, this would now be a more complicated option that is now likely to be more expensive than a direct purchase by the Council. More detail is set out further below.

4.2 The Council could agree that CAHL could sell the rental units to a Registered Provider (RP) and generate a capital receipt. The Council would receive 100% nomination rights upon first let and a minimum of 75% on second let. However, the Council would not own the properties and has no control over the future disposal of them (one of the key aims from developing these sites), so it is not explored further herein.

4.3 The Council could agree that CAHL should retain the completed stock, but this would adversely affect the financial model for the development for both the company and, subsequently, to the Council.

5. Background Information

5.1 The Council previously built 34 affordable homes (2012-2015) and had always intended to continue to build new affordable homes until the plans were halted by the Governments 2015 decision that there would be a 1% rent reduction for 4 consecutive years. This removed around £140m of rental income from the 30-year HRA Business Plan, meaning the HRA could no longer afford to build new homes.

5.2 As a proactive response, the Council set up CAHL as a wholly-owned company, with the aim to continue to build new affordable homes (cross-subsidised by private market homes for sale). The initial consultant advice for creating a new company included assumptions that the housing development company would develop market homes for sale, and hold affordable property for rent. The advice highlighted that the financial implications of this were complicated and would require further detailed exploration.

5.3 Since that time, further due diligence work identified that is it not economically beneficial for CAHL to hold the rental stock. As a development company, the development of properties for sale is zero rated for VAT purposes; no VAT is charged on selling price, whilst the VAT incurred on purchasing land or during construction is recoverable. However, if a development company retains stock for rental purposes then it will not be able to recover any VAT incurred on the attributable costs.

5.4 The financial considerations were set out in the Cabinet reports of 10 October 2018, alongside details that the company had worked to finalise schemes for 4 housing sites at Military Road, Creffield Road, St. Runwald Street and Mill Road. These sites would deliver over 300 new homes, including over 100 much needed affordable homes. Consequently, the Council agreed the sale of the sites and agreed that options for the transfer of the affordable rental properties would be explored further. The options to be explored had the core objective of securing the affordable homes within the Council's ownership or control, for the benefit of our communities.

5.5 Following that decision, came the fundamental change in Government policy, with the announcement of the abolition of the HRA debt cap. The combination of the changes to the financial model of the Council's company, and unexpected change in the borrowing capability for the Council, mean that it is now more favourable for the Council to own the affordable homes itself; securing the future of the new affordable homes for the residents on our housing needs register who will benefit from these new homes.

5.6 To do so, the Council will borrow money within the Housing Revenue Account (HRA) through the new relaxed rules under "prudential borrowing" (for example through the Public Works Loan Board), in the same way that the General Fund is able to. The prudential borrowing code states that the borrowing must be "affordable", so that the financing costs of any new borrowing can be met over the long term. This is now the only limitation on HRA borrowing.

5.7 The HRA budget report on this Agenda expands upon this, but in effect the Council can afford to borrow more based on its "Loan To Value"(LTV) and the assumptions on future income and expenditure. The Council already owns nearly 6,000 social housing units, so adding to the existing stock would be a continuation of a well-practiced affordable housing model. The Council can continue to lead in its strategic role and legal duties as the local housing authority, where the Council has a responsibility to assess and meet housing need, and duties to homeless households.

5.8 In practice, this would now mean that CAHL will now progress the agreed sites through the planning phase, develop the sites, and then sell all of the homes delivered (the private market properties to homeowners and the affordable homes to the Council). In order to formalise this arrangement, the Council will enter into a Development Agreement with CAHL. The Development Agreement acts, essentially, as an early decision and legal commitment to secure the transfer of the built homes (from CAHL to the Council) that removes risks and enables financial efficiency throughout the process. The Development Agreement will give the Council more certainty about the purchase timings, specifications and costs. In turn it will provide CAHLthe assurance of a secure capital receipt for the affordable homes.

5.9 The Council will take legal ownership as units are completed to a previously agreed specification. In terms of other details, the Agreements normally set out development timings and milestones, payments, requirement to carry out the particular development in line with agreed plans and specifications, measures to ensure the quality of the development and a longstop date for completion. This also fits with the financial modelling previously agreed by the Council at Cabinet in October, which assumed sales upon completion. The properties will then be managed by Colchester Borough Homes (CBH), the Council's ALMO, as is the management arrangement for the Council's existing affordable housing stock.

5.10 This is now a better option than those available before the HRA debt cap abolition. Prior to the Government policy changes the best option was to set up a new Council-owned rental holding company. That new wholly-owned company would have been registered to hold assets rather than build them, so could have bought the homes from CAHL. It would have required equity to do this, which would need to be borrowed (or invested) from the Council. The company would have to demonstrate that, as a company, it could afford the borrowing based on a return on investment so it was a sustainable company in economic terms. However, the loans from the Council would have to be set at a commercial interest rate (under the Market Economic Investor Principles) to comply with state aid rules. This would be higher than the rate at which the Council can borrow, and adds more complexity, in order to purchase the same properties that the Council would now be purchasing.

5.11 In addition, it is understood that whilst a rental company benefits from certain taxation exemptions for income, it is likely that the management services, future maintenance and any necessary refurbishments are not exempt for a rental company, which would become an additional cost. The Council benefits from "non-business" tax relief through the VAT Act s.33, and can reclaim some comparable exemption on such activities through the de minimis regime that is applicable to some of its taxable activities.

6. Equality, Diversity and Human Rights implications

6.1 The proposals are considered to have a positive impact. Mixed-tenure sites, which will be the outcome of the CAHL development, include all elements of our communities together in an integrated approach. There is a wealth of research that highlights the many benefits this can bring. This also includes the advantages to those within protected groups that benefit from the availability of affordable housing. Provision of greater choice and supply of affordable housing contributes to tackling social inequality and helps to create a fairer society. The homes will help to improve the living conditions for lower-income households, people with disabilities and families on the housing needs register.

6.2 Further Equality Impact Assessment can be found here

7. Strategic Plan References

7.1 The following Strategic plan References are met:

Growth: Ensuring all residents benefit from the growth of the borough
- Help make sure Colchester is a welcoming place for all residents and visitors
- Ensure residents benefit from Colchester's economic growth with skills, jobs and improving infrastructure

Opportunity: Promoting and improving Colchester and its environment
- Promote initiatives to help residents' live healthier lives

Wellbeing: Making Colchester an even better place to live and supporting those who need most help
- Encourage belonging, involvement and responsibility in all the borough's communities
- Create new social housing by building Council homes and supporting Registered Providers
- Target support to the most disadvantaged residents and communities

8. Consultation

8.1 There is no specific need for consultation related to these decisions. The individual sites will undergo public consultation during the planning application process and some have been subject to consultation during the Local Plan process to date.

9. Publicity Considerations

9.1 There are no specific publicity considerations directly related to the decision(s).

10. Financial implications

10.1 Modelling has been undertaken using the Councils existing 30 year HRA business plan model, which Cabinet will be aware forms part of the annual budget setting process presented in January each year (and found elsewhere on this Agenda). Assumptions have been made, which include:
- The cost of purchasing the rental units from CAHL;
- Rental income and void loss;
- Management & maintenance costs;
- Future capital costs (e.g. kitchens / bathrooms etc); and
- Financing costs (e.g. interest payable on the borrowing to purchase the units).

10.2 The modelling shows that the interest costs (relating to the additional borrowing to purchase the properties) and estimated running costs can be met from the additional annual rental income. The model demonstrates that there is the likelihood that a proportion of the additional borrowing can be repaid over a 30 year period, which is consistent with the existing HRA stock and associated debt. However, this projection is over a 30 year period and is derived from a number of assumptions in the financial model, many of which are out of our direct control, for example inflation. Therefore this projection should be viewed entirely as indicative.

10.3 It is also anticipated that retained 1-4-1 Right to Buy receipts would be able to be used to partially fund the purchase costs of the units. Right to Buy receipts can only be used to help provide “additional” affordable homes that would otherwise not be provided. The current Local Plan policy is to provide 20% affordable housing so Right to Buy receipts can only be used to fund the additional 10% of the properties being provided, above that. The exception to that is Military Road and Creffield Road, which are small sites that would not normally be required to provide any affordable housing; so all of the units in these schemes will qualify as ”additional” affordable homes and can be part-funded through Right to Buy receipts.

10.4 It should be noted that tenants will be able to exercise their “Right to Buy” to purchase the new property. However, the current cost floor rules apply for an initial period, which means that the Council would not sell any new property for an amount which is less than the cost to the Council of purchasing and maintaining the home for the first 15 years of its lifecycle. Nationally Right to Buy has been decreasing, and this has been observed in Colchester, but the above consideration would also reduce the probability of losing the new properties in this manner. Additionally, if a new home was sold, the authority would be able to retain the whole receipt with no conditions (provided it is spent on affordable housing, regeneration, or paying down housing debt). Those receipts could then be reinvested in replacement affordable housing.

10.5 Wider financial implications on the HRA budget are also included in the Housing Revenue Account Budget estimates and Housing Investment Programme reports, also being considered on this Agenda.

11. Health, Wellbeing and Community Safety Implications

11.1 Health, wellbeing and community safety would be positively influenced by the provision of new affordable housing that help improve the quality of life for future occupants. Mixed-tenure communities, integrating affordable homes with private home-ownership, encourages community cohesion and there are strong links between improving housing and reducing health inequalities. Energy efficient homes which are easier and cheaper to heat are likely to have a positive influence on the health and wellbeing of occupants.

11.2 New, well-designed, affordable homes within mixed-tenure sites has been shown to influence the rate of crime and disorder when people feel part of their community. Additionally, under-used sites, such as Military Road can sometimes attract anti-social behaviour. The future development of these sites will improve such neighbourhoods by reducing crime and the fear of crime.

12. Health and Safety Implications

12.1 There are no concerns regarding the impact on the health and safety of the general public.

13. Risk Management Implications

13.1 A summary of the main risks and mitigation measures for the overall development of the 4 sites was outlined in the confidential part of the report on 10 October 2018 (Appendix A). These primarily related to the assumptions made by CAHL in assessing costs and income from the proposed development and their sensitivity testing for some of these key assumptions. This report has been based on the same assumptions to consider the ownership of the affordable rental properties. However, the assumptions are based on a number of variables, over time, and will inevitably be subject to changes. Housing development is an inherently complex business with a number of different, interrelated risks, such as build costs, construction delays, market forces etc. This will affect the price at which the properties are purchased at the time that they are completed.

13.2 If the development of Creffield Road and Military Road did not proceed it will impact on the Asset Management Strategy which has previously been approved. The agreed Strategy aims to balance the economic value of assets with the social and economic needs of residents given the long term viability of properties. Creffield Road requires investment to meet standards; which does not represent best value for money to the HRA and resulted in the previous agreement for disposal. If these sites did not proceed the HRA would need to fund alternative developments and make amendments to the business plan, but there would, as a minimum, be a significant delay to realising any potential from these assets.

Colchester

Cabinet

Item 7(iii)

30th January 2019

Report of	**Assistant Director of Policy and Corporate**	**Author**	**Darren Brown** ☎ **282891**
Title	**Housing Revenue Account Estimates 2019/20**		
Wards affected	**All**		

This report presents the Housing Revenue Account (HRA) estimates for 2019/20, the Medium Term Financial Forecast (MTFF) for 2019/20 to 2023/24, and the 30 Year HRA financial model

1. Executive Summary

1.1 This report sets out the Housing Revenue Account budget for 2019/20, including proposals for changes to tenants rents for the coming financial year, and the management fee payable to Colchester Borough Homes. It includes at Appendix C a forecast of the potential expenditure requirements and income projections for the HRA for the next 5 years, and the updated 30 year HRA financial model at Appendix E.

2. Recommended Decision

2.1 To approve the 2019/20 HRA revenue estimates as set out in Appendix A.

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

2.3 To approve the HRA revenue funded element of £6,723,000 included within the total management fee for Colchester Borough Homes (CBH) (set out in paragraph 5.14).

2.4 To note a revenue contribution of £2,448,500 to the Housing Investment Programme is included in the budget (paragraph 5.30).

2.5 To note the HRA balances position in Appendix B.

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

3. Reasons for Decision

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

4. Supporting Information

Key Issues for 2019/20

4.1 There are a number of key issues relating to the HRA budget for 2019/20, with further details being included within the main body of the report. However, in summary they are as follows;

- The Government announced in October 2018 that the HRA Debt Cap would be removed, enabling Councils to build more homes.
- The Government published the Social Housing Green paper in August 2018 which confirmed the high value asset levy would not go ahead.
- This is the fourth and final year of the Government's imposed rent reduction of 1%.
- To mitigate the impact of the Governments rent reduction, members will recall that officers from CBC and CBH have worked together on the Housing Futures Programme, which established a set of principles to ensure the investment required within the stock maintained lettable properties, whilst working to a reduced budget over the next 5 years.
- A revised Asset Management Strategy has been produced as a result of the Housing Futures Programme, and the outputs have been included in this report and the Housing Investment Programme report elsewhere on the agenda.
- This is the sixth 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 sixth 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 eight year of HRA Self-Financing, which radically altered the funding of Council Housing, and the investment in the housing stock and other projects is reflected in this report and the Housing Investment Programme report included elsewhere on the agenda.

4.1.1 This report and the 2019/20 Housing Investment Programme included elsewhere on the agenda reflect significant capital spending plans over the next 5 years, reflecting the clear signal and expectation from Government that Councils will increase the supply of Council housing through new build etc, following the abolition of the HRA debt cap. For information, the Councils housing stock at 1st April 2018 totalled 5,945 dwellings, with a balance sheet value of £355.2million.

Housing Rents

4.2.1 Members will be aware that the Chancellor of the Exchequer announced in the budget on 8th July 2015, that there would be an annual decrease of 1% in social housing rents from 2016/17 for four years. The budget for 2019/20 therefore reflects the fourth and final year of this change. The Government has announced that when the 4 year period of rent reductions ends, rents will revert to the previous formulaic increase for a period of 5 years. Therefore, rents will increase by Consumer Price Index (CPI) + 1% from 2020/21 to 2024/25.

4.2.2 There is no information to suggest what will happen to rents after 2024/25, but the assumption within the MTFF and 30 year Business Plan is that rents will continue to increase in line with the Consumer Price Index (CPI) + 1%. 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 year.

4.3 As part of the process for setting the 2019/20 HRA budget, it is necessary to revisit the 2018/19 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.

2018/19 Revised Housing Revenue Account

4.4 Appendix A shows the Revised Housing Revenue Account (HRA) estimates for 2018/19. There have been some amendments to the original budget for 2018/19 during the course of the current financial year. A reconciliation is therefore provided in the following table between the Original and Revised budget for 2018/19:-

Reconciliation between Original and Revised 2018/19 HRA Budget

	Budget 18/19	***Commentary***
	£'000	
Original Budget Deficit	**-**	Agreed 31st January 2018
2017/18 Budgets c/fwd	189	Agreed by Assistant Director of Policy and Corporate
Revised Budget Deficit	**189**	

2018/19 Forecast Outturn Position

4.5 When considering the financial position of the HRA, in addition to the adjustments to the 2018/19 original budget shown in the above table, it is important to note the 2018/19 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 18/19
	£'000
Rental & Tenants Service Charge Income	(282)
One-off/Technical Items	
Revenue Contribution to Capital (RCCO)	282
Forecast 2017/18 Outturn Variance	**-**

- It is forecast that we will receive more rental and tenants service charge income of £282k. This primarily 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 £282k to fund the Housing Capital Programme in 2018/19.

4.6 To provide a further explanation of the forecast outturn position, the funding of the Housing Investment Programme considered elsewhere on the agenda is derived from a number of sources. After firstly taking into account depreciation, grants and capital receipts etc, the remaining sources of funding are revenue resources from the HRA as detailed in this report, then finally borrowing in the form of new loans. Any opportunity to forego new borrowing so that interest costs can be minimised should be taken. To this extent it is planned to use the forecast net underspend in 2018/19 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

4.7 Members will be aware of the implementation of the national reform of the Housing Revenue Account from April 2012. The 2019/20 budget therefore reflects the eighth year of operating within this financial regime for the HRA, with commentary included on the medium and long-term outlook in this report.

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

5. 2019/20 Housing Revenue Account Budget

5.1 Appendix A shows the Housing Revenue Account (HRA) estimates for 2019/20. This shows a break-even budget for the year, meaning there is no planned contribution to or use of uncommitted HRA balances.

5.2 It should be noted that the MTFF included within the 2018/19 HRA budget cycle and considered by Cabinet on 31st January 2018 estimated a break-even budget for 2019/20. Following the work undertaken by the Housing Futures Programme, we are able to make an RCCO to the capital programme broadly at the levels originally planned.

Balances

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

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

5.5 The estimated balances for the HRA are set out in Appendix B. The anticipated level of the uncommitted HRA balance as at 31st March 2019 is £1,600k, which is equal to the recommended prudent level. This means we are now running the HRA at the minimum prudent level of revenue balances, and any additional cost or saving that might arise could impact on the amount of any new borrowing undertaken.

5.6 The budget at Appendix A shows that we are using as much of our revenue balances as possible to make a Revenue Contribution to fund the Housing Investment Programme. This is because it is deemed to be a more economical use of resources, rather than fund the capital programme by undertaking additional borrowing and thus incurring additional borrowing costs. This fits with the prioritising of resources indicated in this report and in the Housing Investment Programme elsewhere on the agenda. From 2019/20 thereafter, the assumption is that where required, revenue contributions to the capital programme will be made up to the point that the minimum recommended level of balance is reached.

Income

Housing Rents

5.7 By following the rent 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 2019/20 is £84.95 per week compared to a current average of £85.81, a decrease of £0.86 (1.0%) per week. It is difficult to anticipate future rent increases after 2020/21, given the potential for the rate of inflation to vary in the short to medium term and also for any further changes in Government rent policy. However, modelling within the MTFF and 30 year financial modelling has been undertaken using reasonable estimates of inflation rates.

5.8 Sales of council houses under the Right to Buy (RTB) scheme have slowed down this year, but could reach 30 (46 sold in 2017/18 and 51 sold in 2016/17), which is less than the number included in the 2018/19 HRA budget. The level of sales has levelled out in recent years, therefore the 2019/20 budget has been set assuming the sale of 30 properties, being broadly in line with the current year. The MTFF and longer term modelling does not assume a reduction in the number of sales until 2021/22. However, these assumptions will be reviewed annually as part of our future budget setting.

5.9 The budget for 2019/20 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 2018/19 budget and is intended to provide for any additional void loss that may arise as a result of the various changes being undertaken within the housing stock.

5.10 As detailed in reports elsewhere on the agenda, given the abolition of the debt cap it is intended to continue with plans to increase our Council Housing stock, through a combination of new build and acquisitions. The 2019/20 budget includes an estimate for the additional rental income these measures will generate. Also, rental income from the HEYLO Housing scheme agreed by Cabinet at its meeting of 21st November 2018 has been included in the budget.

Other Income

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

5.12 There are a range of other fees and charges for services which are made to Tenants and Leaseholders, which are agreed by the Portfolio Holder. The budget for 2019/20 assumes that the demand for these services will remain the same as the current financial year, unless mentioned otherwise.

5.13 The de-pooling of service charges to individual tenants was implemented in 2008/09. There have not been any new service charges introduced for 2019/20, only an update of existing charges to reflect the actual cost of the services provided.

Expenditure

Colchester Borough Homes Management Fee

5.14 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 2019/20 CBH Management Fee

	Budget 19/20	***Funding Source***
	£	
CBH Management costs	3,508,600	CBH Ltd Management Fee at Appendix A
R&M Management Fee	518,300	Included in Repairs & Maintenance at Appendix A
R&M Works	2,696,100	Included in Repairs & Maintenance at Appendix A
Sub-Total: HRA	**6,723,000**	
Capital Fee	1,343,000	Included within the 2019/20 Housing Investment Programme
Sub-Total: HIP	**1,343,000**	
Anti-Social Behaviour Team	48,100	Included within the 2019/20 General Fund Budget
Professional Support Unit	122,600	Included within the 2019/20 General Fund Budget
Housing Options Team	630,500	Included within the 2019/20 General Fund Budget
Facilities Management/ Engineering Team	505,800	Included within the 2019/20 General Fund Budget
Housing Systems Team	79,200	Included within the 2019/20 General Fund Budget
Sub-Total: General Fund	**1,386,200**	
Total Management Fee	**9,452,200**	

5.15 The base management fee for 2019/20 includes an allowance for pay inflation, and transfer of funding for a horticultural officer post from an HRA delegated budget into the CBH management fee. Furthermore, a one-off allowance that had been made in the 2018/19 fee for the increased employer pension contributions CBH now have to pay following the schemes actuarial review has fallen out in 2019/20.

5.16 Members will be aware that at its meeting on the 27th November 2013, Cabinet approved the Council's 30 year HRA Business Plan. The 2018/19 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

5.17 The 2019/20 HRA budget includes £5,993,300 for management costs, an increase from 2018/19 (£5,490,600). Management costs form a substantial part of the HRA annual expenditure, and they consist of budgets managed directly by the Council, as well as those which are managed on behalf of the Council by CBH. Further information along with an explanation for any material changes from the 2018/19 budget is given in the following paragraphs;

5.18 The budget for Premises costs has increased by £173,200 for 2019/20. A provision of £114,000 has been made for the revenue costs of the HEYLO Housing scheme agreed by Cabinet at its meeting of 21st November 2018. There has also been an increase in the budgets for utilities, reflecting an update on usage and pricing.

5.19 The budget for Supplies and Service costs has increased by £252,200. A provision of £250,000 has been included to commence the replacement of our Housing Management system with a solution that meets the Councils ICT strategy, can be fully supplier hosted and also meets the current and future business needs of CBH and our customers.

5.20 The budget for Removal and Disturbance payments has been increased by £50,000 as provision has been made for any recommencement of the sheltered housing refurbishment programme that was stopped as a result of the Governments rent reduction, and given the debt cap has now been abolished.

5.21 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 2019/20 has decreased by £19,900 from 2018/19.

Repairs and Maintenance

5.22 The 2019/20 Housing Investment Programme has been drafted and is included elsewhere on the agenda for approval. In respect of revenue works £5,156,400 has been included in the budget for repairs and maintenance (compared to £4,913,400 in 2018/19), of which £3,214,400 is specifically for works and associated overheads included within the CBH Management Fee. A provision of £1,727,600 is included in the budget for those works which are managed by CBH on behalf of CBC, such as external decorating and gas servicing, but where CBC still hold the contract. The balance of the budget is for works to sewage pumping stations, temporary accommodation and other CBH delegated areas. The revenue budget provides for repairs that are undertaken on a responsive basis, as well as works to void properties, and maintenance which is carried out under a planned programme such as external decorating and gas servicing.

Capital Financing Costs

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

5.24 No provision has been made at this point in time for the annual repayment of any HRA debt, as there is no statutory duty to provide for it. The Council though is statutorily responsible for self-managing its long-term indebtedness. The Council 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 Governments rent reduction policy, the investment requirements of the housing stock, and the clear message from Government that local authorities are expected to increase their Council housing stock to help address the housing crisis.

5.25 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 2019/20 budget or MTFF at this point in time.

5.26 The 2019/20 Housing Investment Programme report included elsewhere on the agenda contains significant capital spending plans over the next 5 years, directly as a result of the Governments abolition of the HRA debt cap and the clear signal and expectation that Councils will increase the supply of Council housing through new build etc. This expenditure will be funded through a combination of using our retained 1-4-1 Right To Buy receipts, and prudential borrowing. The Councils General Fund is already able to borrow using prudential borrowing, so the HRA is simply now being treated consistently.

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

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

17/18 Actual	18/19 Estimate	19/20 Estimate	20/21 Estimate	21/22 Estimate	22/23 Estimate	23/24 Estimate
1.54	1.66	1.50	1.53	1.64	1.62	1.59

Revenue Contributions to Capital Outlay (RCCO)

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

5.30 The revenue contribution included in the estimates is £2,448,500. The majority of this budget is to support the capital work programmes to the housing stock in 2019/20, 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

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

Area	**Comment**
Rental Income	The budget makes assumptions on the future level of Right To Buy sales and void levels. These are to a certain extent demand led and due to the significance of Rental Income within the HRA, can have a significant effect on the level of the HRA balance. Furthermore, the risk exists that the Government could change rent policy unexpectedly, as demonstrated by the rent reduction announcement in 2015.
Governments Welfare Reform	The budget includes an estimate of the impact of Welfare Reform. As well as providing for transaction costs etc, the budget also includes an estimate of the potential impact upon rent arrears and consequently the level of bad debts provision we would need to maintain.
New Build	The budget makes assumptions on the numbers of new properties being built, the amount and timing of expenditure, and the amount of borrowing required. These factors can all change as schemes progress.
Revenue Contributions to Capital (RCCO) / Prudential Borrowing	Capital Resources have been provisionally allocated for 2019/20 within the Housing Investment Programme report contained elsewhere on the agenda. If these resources prove insufficient, then options exist to either finance capital expenditure from revenue, or undertake additional HRA borrowing. Clearly, if one of these options was pursued, then there will be a requirement to find additional resources from the HRA.
Repairs and Maintenance	Historically, this is an area where pressure has existed on budgets such as Responsive and Void repairs, given that they are demand-led. However, in recent years this has become less of a risk. These budgets now form part of the CBH Management Fee, and the terms of the management agreement specify that CBH will be liable for any overspend up to a maximum of £200k per year, but also that they may retain any underspend up to £100k per year. Therefore, there could be a reduced impact on the HRA of variations in expenditure.
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.
2018/19 Outturn	An underspend of £282k 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 amount of any new borrowing undertaken.

5.32 As shown in paragraph 5.31 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 2019	Updated outturn forecast.
July 2019	Provisional pre-audit outturn / current year issues etc.
September 2019/ October 2019	Mid-year review.
December 2019 / January 2020	Outturn review / Budget 2020/21.

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

6.1 As part of the budget process for 2019/20 a MTFF has been produced for the HRA. This sets out the indicative budget position for the period 2019/20 to 2023/24. 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.

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

- ***Capital financing***

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

- ***Debt Repayment***

As a result of the Governments “Re-invigorating the Right To Buy” policy in 2012, Councils are selling more properties than Government assumed as part of the original HRA Reform debt settlement in April 2012. The Government therefore introduced a system which shares capital receipts. Part of this sharing enables Councils to re-invest capital receipts in the replacement of these additional sales (namely 1-4-1 RTB receipts). It also allows Councils to retain a proportion of capital receipts to reduce HRA debt, which are held in a separate reserve. The logic being that each property in the HRA supports the overall level of HRA debt through its net rental income (excess of rental income over running costs). Therefore, if we didn't reduce debt, it would mean our HRA Business Plan would have debt but without the necessary number of dwellings to service that debt as a result of their sale. Therefore by reducing debt, we would reduce our interest costs payable and be able to maintain existing levels of services to tenants and leaseholders. Put another way, if we did not reduce our debt, an increasing proportion of tenants rental income would be spent on interest costs, with a decreasing proportion being spent on existing services.

The next opportunity to repay debt is in May 2020, when a £17.6million loan matures. It is prudently assumed that there will be circa £4.2million in the debt repayment reserve at that point in time. Therefore, at the time of maturity, it is assumed that we will re-finance and use the resources in the reserve so we can borrow a lower figure. Using these figures, it would mean we would take out a new loan of £13.4million. Hence our overall level of debt would reduce by £4.2million and there would be a saving to the HRA as interest costs payable would be lower, due to the lower level of debt and the projected borrowing rate being considerably lower than that of the current loan.

- ***Rental income***

Rent forecasts reflect the Governments rent reduction for the remaining year. 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 certainty for the next year. From 2020/21, the MTFF reflects the Governments announcement that rent increases will return to the previous formula of CPI + 1% up until 2024/25. There has been no indication from Government what rent policy would be after that year. 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 2018/19 going forwards, with the level of provision being reviewed annually as part of the budget setting process.

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

7. Supporting Information – 30 Year Financial Modelling

7.1 The implementation of HRA Reform in 2012 brought the expectation that Councils will take a greater business planning role when managing their Housing Revenue Account. Cabinet 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 2019/20 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.

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

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

Income Assumptions

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

7.5 The Government announced that when the 4 year period of rent reductions ends, rents will revert to the previous formulaic increase for a period of 5 years. Therefore, rents will increase by Consumer Price Index (CPI) + 1% from 2020/21 to 2024/25. For the purposes of Business Planning, it has been assumed this formulaic increase will continue from 2024/25 for the remaining 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 clearly changed.

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

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

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

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

Expenditure Assumptions

7.10 Similarly to income, inflation can have a significant impact upon expenditure levels within the 30 year financial model. It has been assumed that the Retail Price Index (RPI) will be 1% higher than the Consumer Price Index (CPI), although the assumption that rents will increase by CPI + 1% means inflation on expenditure will be at the same rate as assumed for income.

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

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

Funding & Financing Assumptions

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

7.14 The priority of how resources are used to fund the HIP is contained within that report for 2018/19, which in summary is aimed at using specific grants and capital receipts first, then reserves, with the intention of preserving revenue resources as far as possible as they offer the greatest funding flexibility. Should there be no or insufficient revenue resources available, then additional borrowing would be the final approach. This is because borrowing carries a cost of doing so; therefore it is treated as the last option to gain the maximum use of revenue resources available.

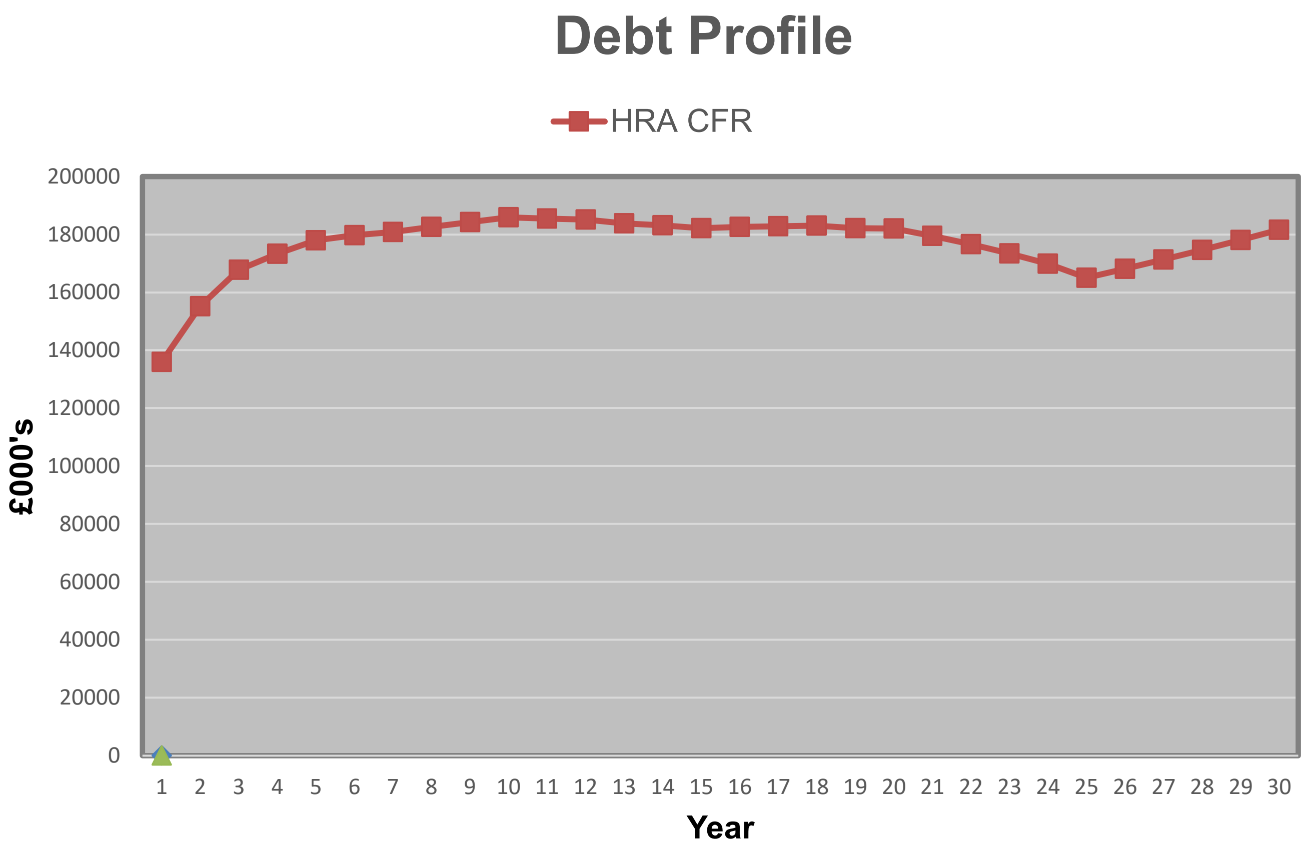
7.15 Under HRA Reform, the primary source of funding the Housing Capital Programme, especially in the early years, is a charge to the HRA which reflects the cost of depreciation to the housing stock. This is calculated locally, with reference to our actual stock condition and asset management strategy.

7.16 We are able to plan with certainty for the borrowing costs relating to the HRA Reform debt settlement, given that we entered into a number of long-term fixed rate loans. We are currently assuming a rate of 3.5% on any future borrowing undertaken to support the Housing Capital Programme, which will be reviewed annually as part of the budget cycle. However, it should be noted that the impact of interest rates can be significant, given any 1% change in interest rates would result in an annual cost of circa £150k (based on current levels of borrowing).

Debt

7.17 The measure of an authority's debt under self-financing is the HRA Capital Financing Requirement (HRA CFR). Our opening HRA debt on 1st April 2018 is expected to be £127.933million. As previously stated, the HRA debt cap has been abolished by Government, therefore the only constraint on borrowing now is that it is affordable under the prudential borrowing code.

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



7.19 The above debt curve is consistent with a business plan for the HRA where a significant level of new build/stock acquisitions etc are being undertaken. In the early years, debt increases and then levels out around mid-way through the plan, then starts to reduce in the second half of the plan as rents have increased sufficiently to enable repayment of debt. The graph also shows that in Years 25 to 30, further borrowing will be required to fund the work from the 2003-2008 decent homes programme re-entering the asset management plan.

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

Year	Forecast HRA Debt £000's
2019/20	135,984
2020/21	155,188
2021/22	167,840
2022/23	173,304
2023/24	178,004
2024/25	179,720
2025/26	180,871
2026/27	182,589
2027/28	184,275
2028/29	185,909

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

Outlook Summary

7.22 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. Given the debt cap has now been abolished, the issue we faced in the past (hitting the debt cap and having to curtail investment plans) has now been removed. However, we will be increasing our debt significantly to deliver the proposals set out in the Housing Investment Programme and other reports elsewhere on this agenda.

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

Sensitivity Analysis

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

		Variation to Base Position			
		Scenario 1	Scenario 2	Scenario 3	Scenario 4
	Base Position	Reduction in Inflation of 1% over 30 Years	Increase in Inflation of 1% over 30 Years	Decrease in Inflation of 1%, Increase in RTB's by 10,Decrease in Mgt Costs by £200k in every Year	Increase in Inflation of 1%, Increase in RTB's by 10, Increase in Mgt Costs by £200k in every Year
Peak Debt Year	Year 10	Year 30	Year 10	Year 0	Year 10
Debt at Year 30	£181.6million	£220.5million	£135.9million	£216.6million	£170.4million
Capital Investment affordable over 30 Years	£584.7million	£505.2million	£681.6million	£503.9million	£679.7million
Surplus HRA Balance at Year 30	£2.6million	£2.6million	£2.6million	£2.6million	£2.6million

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

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

8. Strategic Plan References

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

Growth

- Ensuring all residents benefit from the growth of the borough.
- Help make sure Colchester is a welcoming place for all residents and visitors.
- Ensure residents benefit from Colchester economic growth with skills, jobs and improving infrastructure.

Opportunity

- Promoting and improving Colchester and its environment
- Ensure a good supply of land available for new homes through our local plan.
- Promote initiatives to help residents live healthier lives.

Wellbeing

- Making Colchester an even better place to live and supporting those who need most help
- Encourage belonging, involvement and responsibility in all the boroughs communities.
- Create new social housing by building Council homes and supporting Registered Providers.
- Target support to the most disadvantaged residents and communities.

9. Consultation and Publicity

9.1 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.

9.2 The Council conducted the bi-annual STAR survey through ARP Research in April 2018 with the specific aim of obtaining customer feedback through a survey of general needs tenants, all sheltered tenants and leaseholders. There was an increased response rate from tenants and leaseholders on previous surveys. 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. It is planned to repeat the STAR survey during 2020 and the report of the results will be made available to Cabinet and Members.

9.3 Consultation has been undertaken as part of the process to review spending plans given the impact of the Governments rent reduction announcement referred to within this report. A task and finish group was held with a number of tenants and leaseholders on the Asset Management investment plans of the Housing Futures Programme. One of the outcomes of this was that the views of tenants and leaseholders were generally in line with the proposed investment programme.

10. Financial Implications

10.1 Are set out in this report.

11. Equality, Diversity and Human Rights Implications

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

12. Community Safety Implications

12.1 This report has no significant community safety implications

13. Health and Safety Implications

13.1 This report has no significant Health and Safety implications

14. Risk Management Implications

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

Appendices

- Appendix A - Housing Revenue Account Estimates 2019/20
- 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 2019/20		
	Housing Revenue Account		
	Summary		
2017/18 Actuals £000's	**Expenditure & Income Analysis**	**2018/19 Revised Budget £000's**	**2019/20 Original Budget £000's**
	INCOME		
(26,355)	Dwelling Rents (Gross)	(25,736)	(26,176)
(912)	Non-Dwelling Rents (Gross)	(1,002)	(1,124)
(2,608)	Charges for Services and Facilities	(2,639)	(2,611)
(75)	Contributions towards Expenditure	(76)	(55)
(29,950)	**Total Income**	**(29,453)**	**(29,966)**
	EXPENDITURE		
4,727	Repairs and Maintenance	5,017	5,156
3,509	CB Homes Ltd Management Fee	3,453	3,509
6,145	Management Costs	5,577	5,993
190	Rents, Rates and Other Charges	193	192
(49)	Increased provision for Bad or Doubtful Debts	250	250
5,660	Interest Payable	5,667	5,884
(10,278)	Depreciation and Impairments of Fixed Assets	6,000	6,500
57	Amortisation of Deferred Charges	57	52
79	Debt Management Costs	63	64
10,040	**Gross Expenditure**	**26,277**	**27,600**
(19,910)	**Net Cost of Services**	**(3,176)**	**(2,366)**
18,882	Net HRA Income from the Asset Management Account	(57)	(52)
(1,802)	Disposal of Fixed Assets	-	-
(51)	HRA Investment Income (including mortgage interest and interest on Notional Cash Balances	(32)	(31)
(2,881)	**Net Operating Expenditure**	**(3,265)**	**(2,449)**
1,922	Revenue Contribution to Capital Expenditure	3,454	2,449
(959)	**Deficit/(Surplus) for the Year**	**189**	**-**
(2,946)	Deficit/(Surplus) at the Beginning of the Year	(3,905)	(3,716)
(959)	Deficit/(Surplus) for the Year	189	-
(3,905)	Deficit/(Surplus) at the End of the Year	(3,716)	(3,716)

Housing Revenue Account - Estimated Balances

	£'000
Balance as at 1 April 2018	**(3,905)**
Committed - Capital Spending in 2018/19 and onwards	2,116
Less budgeted deficit/use of balances in 2018/19	189
Plus Forecast underspend in 2018/19	-
Unallocated balance at 31st March 2019	**(1,600)**
Less Proposed Use of balances in 19/20 Budget	-
Estimated uncommitted balance at 31st March 2020	**(1,600)**
Recommended level of Balances	**(1,600)**
Forecast balances above prudent level at 31st March 2020	**-**

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 18/19*	*Budget 19/20*	*Budget 20/21*	*Budget 21/22*	*Budget 22/23*	*Budget 23/24*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Income						
Housing Rents	(25,736)	(26,176)	(26,884)	(28,234)	(29,333)	(30,307)
Other Income	(3,717)	(3,790)	(3,768)	(3,846)	(3,926)	(4,049)
	(29,453)	**(29,966)**	**(30,652)**	**(32,080)**	**(33,259)**	**(34,356)**
Expenditure						
Repairs & Maintenance	5,017	5,156	5,254	5,358	5,471	5,642
Running Costs	9,472	9,944	10,788	10,089	10,296	10,908
Interest Payable	5,667	5,884	5,395	6,146	6,662	6,860
Depreciation	6,000	6,500	6,796	6,989	7,146	7,360
Other Capital Financing	32	33	34	35	36	37
RCCO	3,454	2,449	2,385	3,463	3,648	3,549
Contribution to Balances	0	0	0	0	0	0
Other	0	0	0	0	0	0
	29,642	**29,966**	**30,652**	**32,080**	**33,259**	**34,356**
Budgeted (Surplus)/Deficit	**0**	**0**	**0**	**0**	**0**	**0**
Forecast 2018/19 underspend	0	0	0	0	0	0
Revised (Surplus)/Deficit	**189**	**0**	**0**	**0**	**0**	**0**

Opening Balance	**(3,905)**	**(1,600)**	**(1,600)**	**(1,600)**	**(1,600)**	**(1,600)**
Committed Balance	**2,116**	**-**	**-**	**-**	**-**	**-**
(Surplus)/Deficit	**189**	**-**	**-**	**-**	**-**	**-**
Uncommitted Closing Balance	**(1,600)**	**(1,600)**	**(1,600)**	**(1,600)**	**(1,600)**	**(1,600)**

* It should be noted that it is currently forecast the HRA will be underspent by £282k in 2018/19, 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 amount of any new borrowing required.

Review of Housing Revenue Account Balances 2019/20

Risk Management Assessment

Factor	Assessed Risk		
	High £'000	**Medium £'000**	**Low £'000**
Cash flow (1% of £53m)	530		
Interest Rate (1.5% on £62m)		930	
Inflation (Decrease of 1%)		250	
Emergencies		100	
Right To Buy Sales		200	
Litigation			50
Welfare Reform	300		
	830	1,480	50

	Minimum Provision £'000
High Risk – 100%	830
Medium – 50%	740
Low – 10%	5
Sub Total	**1,575**
Other - say	25
Recommended Prudent Level	**1,600**

Housing Revenue Account – 30 Year Financial Model **Appendix E**

	Year 1 2019/20 £000's	Year 2 2020/21 £000's	Year 3 2021/22 £000's	Year 4 2022/23 £000's	Year 5 2023/24 £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	(29,966)	(30,652)	(32,080)	(33,259)	(34,356)		(187,446)	(215,569)	(248,069)	(285,460)	(327,824)
Expenditure	29,966	30,652	32,080	33,259	34,356		187,279	215,385	247,867	285,234	327,578
(Surplus)/Deficit	0	0	0	0	0		(167)	(184)	(202)	(226)	(246)
Opening HRA Balance (Surplus)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)		(1,600)	(1,767)	(1,951)	(2,153)	(2,379)
Closing HRA Balance (Surplus)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)		(1,767)	(1,951)	(2,153)	(2,379)	(2,625)
Capital Account											
Investment:											
Stock Investment Programme	8,785	9,004	8,383	9,115	11,215	46,502	68,578	70,053	89,895	92,657	146,288
Property Acquisitions	7,400	6,090	6,151	6,214	6,277	32,132	0	0	0	0	0
New Build	4,666	20,138	10,982	2,875	0	38,661	0	0	0	0	0
Total	**20,851**	**35,232**	**25,516**	**18,204**	**17,492**	**117,295**	**68,578**	**70,053**	**89,895**	**92,657**	**146,288**
Funded By (Resources):											
Depreciation	(8,163)	(6,796)	(6,989)	(7,146)	(7,360)	(36,454)	(40,043)	(46,006)	(52,892)	(60,803)	(70,015)
Revenue Contribution	(2,449)	(2,385)	(3,463)	(3,648)	(3,549)	(15,494)	(20,630)	(24,047)	(36,135)	(31,854)	(59,634)
Capital Receipts	(250)	(250)	(250)	0	0	(750)	0	0	0	0	0
HRA Reserves	(1,937)	(2,387)	(2,162)	(1,945)	(1,883)	(10,314)	0	0	0	0	0
New Borrowing	(8,052)	(23,414)	(12,652)	(5,465)	(4,700)	(54,283)	(7,905)	0	(868)	0	(16,640)
Total	**(20,851)**	**(35,232)**	**(25,516)**	**(18,204)**	**(17,492)**	**(117,295)**	**(68,578)**	**(70,053)**	**(89,895)**	**(92,657)**	**(146,288)**
Debt:											
HRA Debt at Year End	135,984	155,188	167,840	173,304	178,004		185,909	182,130	181,998	165,004	181,643

Colchester	**Cabinet**		**Item 7(iv)**
	30th January 2019		
Report of	**Assistant Director of Policy and Corporate**	**Authors**	**Darren Brown ☏ 282891 Geoff Beales ☏ 506514**
Title	**Housing Investment Programme (HIP) 2019/20**		
Wards affected	All		

1. Executive Summary

1.1 This report sets out a summary of the proposed allocation of **£20.851million** of new resources to the Housing Investment Programme for 2019/20, along with the sources of funding. It also includes at Appendix A an indication of the potential expenditure requirements and funding sources for the years 2020/21 to 2023/24.

2. Recommended Decision

2.1 To approve the Housing Investment Programme for 2019/20.

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

3. Reasons for Decision

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

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

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

3.4 The Colchester Borough Homes (CBH) Board have considered the content of the Cabinet report submitted and is now seeking approval for the 2019/20 Capital programme.

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

4. Supporting Information

Key Issues for 2019/20

4.1 The main issue relating to the HIP budget for 2019/20 is the announcement by Government in November that the Housing Revenue Account (HRA) debt cap has been abolished. The debt cap, alongside the 1% rent reduction from 2016/17 for 4 years, were the factors which prevented the Council from continuing with its new build plans, significantly impinging on our capacity to deliver on the original AMS's objectives and undermined the viability of the HRA Business Plan. The abolition of the debt cap now means there is no limit on the amount of HRA debt the Council can hold, but as is the case with the General Fund, the debt must be affordable and managed in accordance with the prudential borrowing code. The Council is statutorily responsible for self-managing its long-term indebtedness.

4.2 This is the eighth year of HRA Self-Financing, and the continued investment in the housing stock and other projects is reflected in this report. A report elsewhere on the agenda sets outs proposals for new projects using HRA borrowing, such as re-commencing new build plans and increasing Council housing stock through acquisitions.

4.3 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.

5. Funding the Housing Investment Programme

5.1 2019/20 is the eighth 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 2019/20 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 2019/20 HIP budget and financial forecasts are as follows;

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

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

5.3 Finally, should there be insufficient revenue resources to fund the overall programme the assumption is that the Council will undertake HRA borrowing to fully fund the HIP.

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

6. 2019/20 Programme of Works

6.1 The requested budget allocation for the 2019/20 programme is £20.851million. A further breakdown of the areas of work that are planned to be undertaken is shown at paragraph 9.

6.2 As part of the management agreement which commenced in August 2013 between the Council and CBH, the management fee was expanded to reflect the wider range of services CBH now provides on behalf of the Council, so it incorporates the fee for managing the capital programme. Members are therefore asked to note that the requested budget allocation in paragraph 6.1, and the budget sums included in paragraph 9 and Appendix A all include the fee for managing the capital programme, which for 2019/20 totals £1,343,000. A further breakdown of the management fee is included in the HRA Revenue Estimates report elsewhere on the agenda.

6.3 Cabinet are also asked to note that a report elsewhere on the agenda sets outs proposals for new projects using HRA borrowing, such as re-commencing new build plans and increasing Council housing stock through acquisitions. These have been reflected in the Housing Investment Programme, with further information provided in the following paragraphs.

7. HRA Capital Medium Term Financial Forecast - 2019/20 to 2023/24

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

New Build

7.2 The budget for 2019/20 includes a provision of £3.907million to commence works on Phase 2 of the re-development of garage sites, and undertake Phase 3 feasibility work. It also includes a provision of £0.459million to purchase properties developed by Colchester Amphora Homes for the Council, and £0.3million for planning, surveys and procurement costs for the Airspace project. It should be noted that a number of assumptions have to be made on the timing and cost of these projects, but the budgets will be monitored and revised as part of the annual budget setting and capital monitoring processes. Further estimated provision has been made in subsequent years for these schemes in the CMTFF.

Acquisitions

7.3 A provision of £2million has been made to continue the programme of buying back properties (up to 10) offered back to the Council through the Right to Buy legislation. A provision of £4million has been made to purchase up to 20 former Council properties via the open market. Further estimated provision has been made in subsequent years for these schemes in the CMTFF.

7.4 At its meeting of 21st November 2018, Cabinet agreed a proposal to enter into partnership with Heylo Housing to purchase 20 former Council properties sold under the statutory Right To Buy. Therefore, a provision of £1.4million has been included in the 19/20 budget.

7.5 A provision of £0.3million has been made to support the re-commencement of the sheltered housing refurbishment programme, which Members will recall was halted as a result of the Governments 1% rent reduction. Now that the debt cap has been abolished, it is possible to continue these plans. The budget is for initial feasibility studies, site surveys, design and planning fees.

7.6 The estimated RCCO in 2019/20 is £2.449million, 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 2015, these resources have been much lower than indicated in previous year's budget reports, which has impacted on the level of capital investment in the housing stock.

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

8. Priorities for the Council

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

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

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

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

9. Proposals

9.1 The report sets out below a summary of the proposed allocation of new resources for 2019/20 as defined by the AMS, aswell as those outlined in this report, with the following comments setting out the basis of the allocation.

9.2 ***Capital Investment Programme - £4.811million –*** 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.

9.3 ***Aids & Adaptations - £0.722million -*** 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.

9.4 ***Emergency Failures (statutory obligation) and Voids - £0.782million –*** This allocation supports the AMS and the experience gained through the management controls being exercised. It reflects the necessity to recognise capital works in the voids process along with emergency failures.

9.5 ***Emergency failures structural works - £0.301million –*** As with the previous allocation this reflects the AMS and the experience gained through the management controls being exercised. The work is generally associated with premature failure of structural elements.

9.6 ***Environmental Works - £0.421million -*** 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.

9.7 ***Asbestos, Legionella, Fire Safety and Overall Contingency - £0.797million –*** This allocation recognises the need to continue to proactively manage our statutory obligations in the defined areas and provides a general contingency to cover the whole of the programme together with survey work

9.8 ***Garages - £0.511million*** – This investment in the garage stock is intended to secure additional revenue income that will support the business plan in future years. We have seen a return on the investment made in previous financial years by increased garage tenancies and fewer empty garages on the sites that have been refurbished.

9.9 ***Sheltered Accommodation Improvements - £0.300million*** – This allocation supports the continuation of the overall refurbishment programme, which is now possible as a result of the abolition of the debt cap. It will include feasibility studies, site surveys, design and planning fees.

9.10 ***Non-Works Programmes - £0.140million*** – This allocation is for capital costs linked to the further development of the Capita Housing system.

9.11 ***Acquisitions - £7.400million*** – As set out in the main body of the report, this allocation supports the potential to Buy Back properties offered back to the Council through the Right to Buy legislation, purchasing properties on the open market, and the HEYLO scheme. This allocation provides the opportunity to use funding through retained 1-4-1 Right To Buy receipts (up to 30% of total cost), with the balance of 70% coming from prudential borrowing.

9.12 ***New Build - £4.666million*** – As set out in the main body of the report, this allocation supports the plans to continue with Phase 2 of garage site redevelopment, the purchase of properties developed by Colchester Amphora Homes for the Council, and the pilot of the Airspace project.

10. Strategic Plan References

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

Growth

- Ensuring all residents benefit from the growth of the borough.
- Help make sure Colchester is a welcoming place for all residents and visitors.
- Ensure residents benefit from Colchester economic growth with skills, jobs and improving infrastructure.

Opportunity

- Promoting and improving Colchester and its environment
- Ensure a good supply of land available for new homes through our local plan.
- Promote initiatives to help residents live healthier lives.

Wellbeing

- Making Colchester an even better place to live and supporting those who need most help
- Encourage belonging, involvement and responsibility in all the boroughs communities.
- Create new social housing by building Council homes and supporting Registered Providers.
- Target support to the most disadvantaged residents and communities

11. Consultation

11.1 The Council conducted the bi-annual STAR survey through ARP Research in April 2018 with the specific aim of obtaining customer feedback through a survey of general needs tenants, all sheltered tenants and leaseholders. There was an increased response rate from tenants and leaseholders on previous surveys. 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.

11.2 Consultation has been undertaken as part of the process to review spending plans given the impact of the Governments rent reduction announcement referred to in paragraph 4.1.

11.3 In April 2018, the Council introduced a new Asset Management Strategy for the period 2018-22. Consultation with tenants and leaseholders took place around the priorities for this new strategy.

11.4 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.

12. Publicity Considerations

12.1 Any housing investment has a significant impact on the quality of life for local people. As a consequence the targeting and effectiveness of the programme has huge interest for members and the public as a whole. It is recognised that ongoing publicity will need to be conducted particularly as existing programmes continue and new capital programmes are introduced. Updates will be publicised to the customers in the areas to receive work during the year.

13. Financial implications

13.1 As set out in the report.

14. Equality, Diversity and Human Rights implications

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

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

15. Community Safety Implications

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

16. Health and Safety Implications

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

17. Risk Management Implications

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

HRA Capital Medium Term Financial Forecast – 2019/20 to 2023/24

Appendix A

Expenditure	Notes	2019/20 £’000	2020/21 £’000	2021/22 £’000	2022/23 £’000	2023/24 £’000
Stock Investment Programme etc		7,623	8,131	7,521	8,246	10,346
Sheltered Accommodation Review		300	-	-	-	-
Adaptations		722	730	758	763	760
Stock Investment Sub - Total		**8,645**	**8,861**	**8,279**	**9,009**	**11,106**
New Build		4,666	20,138	10,982	2,875	-
Acquisitions		7,400	6,090	6,151	6,214	6,277
ICT		140	143	104	106	109
Other Works Sub - Total		**12,206**	**26,371**	**17,237**	**9,195**	**6,386**
Total Programme		**20,851**	**35,232**	**25,516**	**18,204**	**17,492**

Resources	Notes	2019/20 £’000	2020/21 £’000	2021/22 £’000	2022/23 £’000	2023/24 £’000
Major Repairs Reserve		8,163	6,796	6,989	7,146	7,360
Revenue Contribution to Capital		2,449	2,385	3,463	3,648	3,549
Capital Receipts	Stock Rationalisation	250	250	250	-	-
Retained RTB Receipts Reserve		1,937	2,387	2,162	1,945	1,883
New Borrowing		8,052	23,414	12,652	5,465	4,700
Total Funding		**20,851**	**35,232**	**25,516**	**18,204**	**17,492**

	Cabinet		**Item 8(i)**
	30 January 2019		
Report of	**Assistant Director Policy and Corporate**	**Author**	**Sean Plummer ☏ 282347**
Title	**2019/20 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast**		
Wards affected	n/a		

This report requests Cabinet to recommend to Council:
- **The 2019/20 General Fund Revenue Budget**
- **Colchester's element of the Council Tax for 2019/20**
- **The Medium Term Financial Forecast**
- **The Capital Programme and Capital Strategy**
- **The Prudential Indicators and Treasury Management Strategy and Annual Investment Strategy**

1. Executive Summary

1.1. This report provides the Cabinet with the recommended 2019/20 revenue budget including all proposed savings and the Council's Council Tax Rate for 2019/20.

1.2. The report provides a summary of the local government finance settlement, which included a £275k reduction in Revenue Support Grant (RSG) meaning that the Council will receive no RSG in 2019/20.

1.3. The report sets out the Council's Capital Programme and Capital Strategy and Treasury Management Strategy for 2019/20.

1.4. Finally, the report sets out the updated Medium Term Financial Forecast (MTFF) for the period up to 2022/23. This includes an assessment of the Council's balances and reserves.

1.5. Specifically the report includes the following:-
- A proposal that Council's Council Tax rate for 2019/20 should be set at £190.62 per Band D property, which represents an increase of £5.49 (2.97%) from the current rate.
- Savings proposals totalling £1.5m
- A proposed allocation of just over £2.4m to support investment in line with the Council's Strategic Plan including funding previously agreed for the Northern Gateway sports scheme.
- A continuing challenging financial positon over the next three year's showing a budget gap of £2.3m with a high level of uncertainty in respect of local government funding.
- The Council's general fund balances remain close to our recommended level.
- Proposals for investment through the capital programme

2. Recommended Decisions

2.1. To note that for the purpose of assessing the impact on balances the outturn for the current financial year is assumed to be on budget. (paragraph 6.4.).

2.2. To note the provisional Finance Settlement figures set out in Section 7 showing a cut to Revenue Support Grant of £275k meaning that there is no RSG in the 19/20 budget.

2.3. 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 7.8.

2.4. To note the reduction in the New Homes Bonus grant and that further reductions in later years are expected as set out in section 7.

2.5. To approve the cost pressures, proposed use of New Homes Bonus, savings and increased income options identified during the budget forecast process as set out at in section 8 and detailed in Appendices C and D.

2.6. To consider and recommend to Council the 2019/20 Revenue Budget requirement of £20,206k (paragraph 8.24) and the underlying detailed budgets set out in summary at Appendix E and available background papers subject to the final proposal to be made in respect of Council Tax.

2.7. To recommend to Council, Colchester's element of the Council Tax for 2019/20 at £190.62 per Band D property, which represents an increase of £5.49 (2.97%) 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.

2.8. To recommend to Council the following changes to Council Tax discounts and premiums:-

- To introduce a 28 day exemption of 100% Council Tax for empty and substantially unfurnished properties (Class C Dwellings)
- To increase the long term empty premium to the maximum amounts as stated in Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

2.8. To agree the Revenue Balances for the financial year 2019/20 as set out at Appendix J and agree that the minimum level be set at a minimum of £1,900k

2.9. To note the updated position on earmarked reserves set out in section 10 and agree the following:-

- Release of £185k use of parking reserve
- Contribution to balances in respect of redundancy costs.
- Contribution to the business rates reserve of £406k

2.10. To agree the reinstatement of balances in respect of the pensions deficit payment made in 2017/18 as set out in section 8.22

2.11. To agree and recommend to Council that £100k of Revenue Balances be earmarked for potential unplanned expenditure within the guidelines set out at paragraph 12.3.

2.12. To note the Medium Term Financial Forecast for the financial years 2019/20 to 2022/23 set out in section 14.

2.13. To note the position on the Capital Programme and approve and recommend to Council the Capital Strategy set out at Appendix O

2.14. To recommend to Council the inclusion the increased capital allocations sets out at paragraphs 15.5 to 15.7.

2.15 To note the comments made on the robustness of budget estimates at section 16.

2.16. To approve and recommend to Council the 2019/20 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out in the background paper at Appendix P.

3. Reason for Recommended Decision

3.1. The Council is required to approve an annual budget.

3.2. This report sets out supporting information and also statutory commentary about the robustness of the budget and the level of balances.

4. Alternative Options

4.1 There are different options that could be considered as part of the budget within the constraints set out in this report

5. Background Information and Overview

Budget Process

5.1. The timetable for the 2019/20 budget process (see Appendix A) was agreed at Cabinet on 11 July 2018.

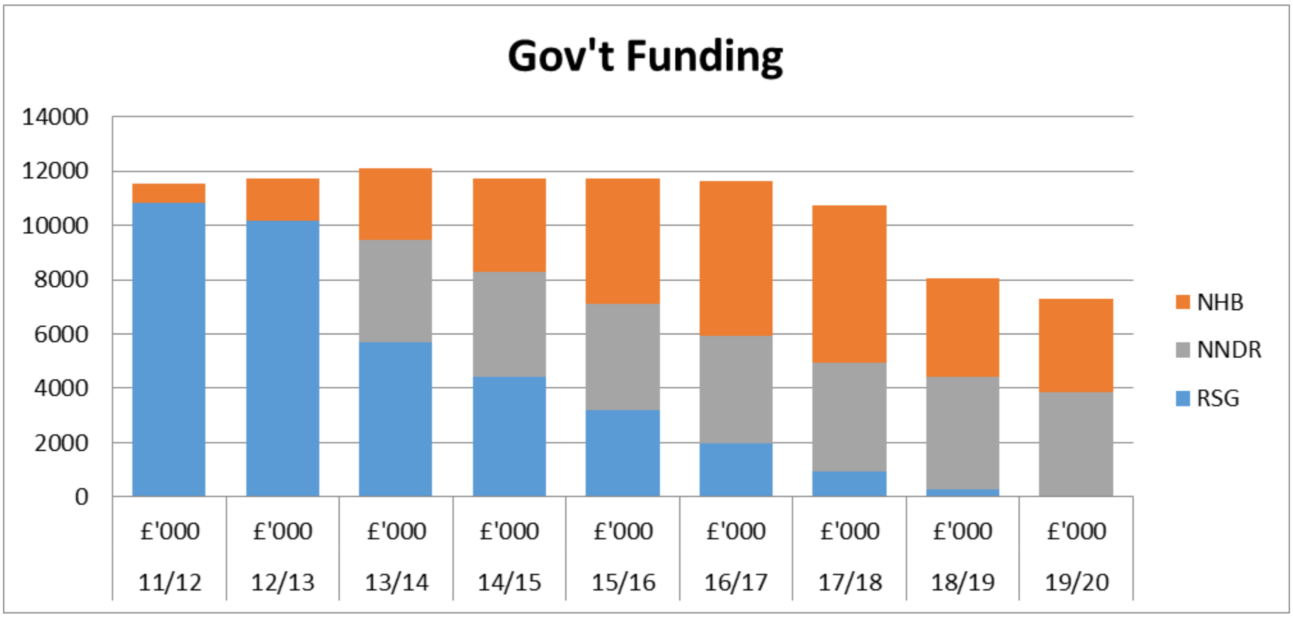
5.2. The Revenue Budget for 2019/20 has been prepared against a background of meeting the Council's Strategic Plan objectives whilst continuing to face significant financial pressures from the reductions in core Government funding. Every effort has been made to produce a balanced budget that includes a deliverable level of savings and income and provides for investment in key services. This has been achieved through a budget strategy that has included:-

- The budget process being led by Budget Group comprising all of Cabinet and senior officers
- "Service Futures" Reviews to ensure that service areas are designed to meet demands and take advantage of new ways of working to deliver efficiencies and income.
- Assessment of in year budget pressures to ensure that these are considered in budget proposals
- All detailed budgets produced and signed off by budget managers

- Consideration of the future impact of decisions
- Providing funds for investment
- Reviewing reserves and balances to ensure they remain appropriate for the risks the Council faces

Summary of Budget Position and Proposals

5.3. 2019/20 is the last year of the 4 year settlement and means that from 2019/20 the Council receives no Revenue Support Grant (RSG). The following graph shows how RSG has reduced from over £10m in 2011/12 to nil next year. It also shows how the Council is now keeping a share of business rates (NNDR) and also the level of funding from New Homes Bonus (NHB) has changed. Importantly, both these sources of funding come with risks and uncertainty.



Other cost pressures

5.4. The Council faces other cost pressures. These include:-

- ***Inflation / price related*** (almost £0.8m). Energy costs have increased significantly and there is an agreed pay award of 2%. In addition, changes in the market for plastics has increased costs.
- ***Meeting on-going costs*** from ICT investment (£0.2.m)
- ***Changes to external funding.*** The food waste grant has now all been used leaving a funding gap of £0.2m and the Essex Council Tax sharing agreement has reduced resulting in a budget reduction of over £0.2m
- ***Demand pressures***. The budget includes £0.2m to fund additional investment in the waste and recycling service to provide capacity to deal with a growing borough.
- ***Maintaining assets and investing in new facilities***. The budget includes an extra £0.15m to provide more investment in maintain council assets and £0.14m to meet the setup and initial running costs of the new Northern Gateway sports scheme.

Balancing the budget

5.5. Council funding comes from our own income through fees and charges, keeping a share of business rates and Council Tax. The proposal within this report is to increase Council Tax by £5.49 a year for a Band D property. The increase in the tax rate brings in an extra £0.35m with the growth in the borough bringing in just over £0.25m, resulting in an increase in Council Tax income of c£0.6m. When looked at alongside the inflation pressures alone of £0.8m shows that that given the reductions in Government funding Council Tax cannot cover some of the basic pressures.

5.6. The budget therefore includes savings or additional income of almost £1.5m. This compares to £2.8m included within the 18/19 budget. A large proportion of savings continue to be based on proposals to work more efficiently and to maximise opportunities to increase income. These include forecast additional income from the Council's commercial companies of £0.1m. It also includes agreed reductions in some grants of over £0.1m.

Investment

5.7. The New Homes Bonus remains one of the Council's main sources of funding new one off investment. The grant has reduced next year and the future of this grant remains uncertain. About 30% of this grant is still being used to support the base budget with the balance being used to support investment. In 2019/20 almost £2.4m is being invested. This includes the final agreed contribution towards the Northern Gateway Sports scheme, supporting investment in the Revolving Investment Fund (RIF), supporting housing and a number of new and emerging proposals to support strategic plan priorities.

Outlook and Resilience

5.8. The current year's outturn is expected to be within the agreed budget. A number of in year pressures in year have been managed and savings and income identified to contain risks. The budget has been adjusted for some of these main issues.

5.9. Balances remain above the recommended minimum level. In addition reserves are held for known expenditure commitments and also in respect of some specific risks.

5.10 The medium term outlook remains challenging with a gap of £3.4m over the next three years. Steps are already in place to deliver savings and income to reduce this reduce this.

5.11. Proposals are emerging for changes to local government funding as part of the fair funding review and increased localisation of business rates. This is likely to see removal of business rates growth as part of a "reset" of the system and potentially other changes to funding such as New Homes Bonus. In comparative terms the Council has benefited from business rate retention and NHB. Therefore, looking ahead beyond 2019/20 to future budgets with no more RSG and reductions in other external funding it is essential that the Council ensures that reserves and balances are maintained to provide flexibility to respond to budget pressures.

5.12. Further detailed information on the budget is provided in the following paragraphs and appendices.

5.13. 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.

6. Current Year's Financial Position

6.1. In order to inform the 2019/20 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.

6.2. It was reported to Scrutiny Panel on 27 November that the current year's budget position showed a forecast net overspend £288k. This reflected various budget variances with the main area being waste and recycling. A review at the end of December has identified some further changes to this forecast (both positive and negative). One of the main changes is a one off-income receipt which has provided confidence that the year-end position will be 'on budget'.

6.3 The position continues to be monitored, and the 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 Governance and Audit Committee will include details of any such changes, and this will be used when considering the end of year position.

6.4 **Cabinet is asked to note that the forecast outturn position for the current year is expected to be 'on budget' and that there will be no call on balances. The position will continue to be monitored.**

7 Finance Settlement (Government Funding)

7.1. The provisional Local Government Finance Settlement was announced in Parliament on 13 December 2018. 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

7.2. The SFA which comprises our RSG and business rate baseline figure has been cut by **£0.180million (4%)** as shown in the following table. This is the last year of the agreed 4 year settlement and it was confirmed in the settlement that there would be no negative RSG. The business rates baseline figure has increased in line with inflation.

	18/19	19/20	Change	
	£'000	£'000	£'000	%
RSG	275	0	(-275)	-100%
Business Rates Baseline	4,162	4,257	95	2.3%
Settlement Funding Allocation (SFA)	*4,437*	*4,257*	*(-180)*	*-4.1%*

7.3. The baseline funding level is used as part of the retention of business rates scheme as explained in the following paragraphs.

Business Rates Baseline and tariffs and top-ups

7.4. 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.

7.5. The following table sets out a summary of the baseline position for Colchester for 2019/20 showing the required tariff payment of £19m.

	£'000
CBC Individual Baseline	23,235
Less Tariff	-18,978
Baseline funding	**4,257**
Safety Net threshold (92.5%)	3,938

7.6. It should be noted that the above tariff figure has been reduced by £320k. This is an 'adjustment' representing the difference between the tariff that was set out in the 2017/18 local government finance settlement, and a revised 2017/18 tariff that reflects the impact of the 2017 revaluation exercise on the Business Rates Retention scheme.

7.7. 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.

7.8. 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 income above the baseline funding level, of which the Council's share is forecast to be in the region of £1.6m. This takes into account of the tariff position and 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.

Business Rates Pooling

7.9. 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. 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. In 2018/19 Colchester is part of the Essex business rates pool which comprises all Essex councils and the Fire authority with the exception of Thurrock.

7.10. It was reported to Cabinet last year that the Government had invited local authorities to pilot 75% business rate retention in 2019/209. Following an assessment of what a pilot might mean for Colchester and discussions between all Essex authorities a bid was submitted to be a pilot. The bid was made by all Essex authorities, again with the exception of Thurrock.

7.11. Alongside, the Settlement it was reported that the Essex bid to be a pilot had not been accepted. The pooling arrangement will continue for 2019/20 and is forecast to generate additional income for Colchester based on current business rates forecasts.

7.12. 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 2019/20 would be beneficial to the Council.

7.13. Cabinet has previously agreed to allocate £200k from the gain received last year to support the 19/20 budget. Given that a gain of at least £200k is currently expected in this financial year it is proposed that a similar arrangement can be made to support the 20/21 budget. This proposed approach will need to be reviewed based on any future pooling opportunities.

7.14. The Settlement is provisional and subject to consultation which ended on 10 January 2019. 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. 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)

7.15. The 2019/20 grant has been announced and reflects the continuation of the changes to the methodology of the scheme introduced in 2017/18. It had previously been reported to Cabinet that the Government were consulting on a possible increase to the national baseline of 0.4%. The Settlement has confirmed that this baseline will remain in place for 2019/20 at 0.4%. NHB is only paid on housing growth above this level. It is still worth noting that the change to only pay NHB above a 0.4% threshold has reduced the grant we received by £0.4m in respect of last year's housing growth.

7.16 The final figure is a total grant for 2019/20 of £3.415m, which is a reduction of £28k The detailed breakdown of the grant is set out at Appendix B and is summarised below:-

	2018/19	2019/20	Change
	£'000	**£'000**	**£'000**
Basic NHB	3,296	3,252	(44)
Affordable homes bonus	147	163	16
Total New Homes Bonus	**3,443**	**3,415**	**(28)**

7.17. Changes to the NHB scheme have reduced the grant that this Council would otherwise have received in 19/20. Appendix B also sets out forecasts for NHB in later years, however, these figures should be treated with caution given the uncertainty over the future of NHB.

7.18. The Council has recognised the risk that the New Homes Bonus would change and has been reducing how much of the grant is used to support the base. Given the scale of reduction in grant and the continuing uncertainty about this funding source it is proposed that from 2019/20 the use of NHB to support the base budget be reduced by £200k pa over the life of the MTFF. In 2019/20 this would mean that £1.033m will be used to support the base budget.

7.19. Cabinet has already agreed to allocate £500k from next year's New Homes Bonus towards the Northern Gateway Sports Project and it is proposed that the annual contribution of £250k to the RIF (Revolving Investment Fund) is maintained and that the bonus received in respect of affordable housing continues to be earmarked for housing purposes. Based on this it would mean that there could be a further c£1.469m available to support new 2019/20 budget decisions which is considered later in the report.

	£'000	
Contribution to RIF	250	7%
Affordable housing allocation	163	5%
Allocation to CNG Sports Project	500	15%
Support for one-off schemes	1,469	43%
Base Budget	1,033	30%
Total Grant	**3,415**	**100%**

Core Spending Power

7.20 This term relates to the Government's assessment of the "expected" available revenue for local government spending. It includes the announced SFA and New Homes Bonus and income from Council Tax. This takes account of an *assumed* increase in the taxbase and a Council Tax rate increase.

7.21. For 2019/20 the change in the spending power as per Government figures is shown as an increase of £411k or 2.11% as shown below.

7.22. 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 showing an increase in spending power of 2.11%.

	18/19	19/20	Change	
	£'000	£'000	£'000	%
RSG	275	0	(275)	-100%
Business Rates	4,162	4,257	95	2.28%
Settlement Funding Allocation (SFA)	*4,437*	*4,257*	*(180)*	*-4.06%*
NHB	3,443	3,415	(28)	-0.81%
Business Rates (under indexing)	95	139	44	46.32%
Total SFA and NHB etc	*7,975*	*7,811*	*(164)*	*-2.06%*
Council Tax	11,471	12,046	575	5.01%
Spending Power	**19,446**	**19,857**	**411**	**2.11%**

8. 2019/20 Budget Changes

Revenue Cost Pressures

8.1. Appendix C sets out revenue cost pressures of £2.2m, over the 2018/19 base, which have been identified during the budget process. This includes an inflation allowance and some specific service cost pressures.

8.2. Many of the cost pressures have been considered by Cabinet. However there are a number of changes to assumptions and details are set out. These include an allowance for additional waste vehicles and crew to meet increased demand. A number of issues that have impacted on the current year budget have been allowed for in next year's budget.

8.3. **Cabinet is asked to approve inclusion within the 2019/20 Revenue Budget of the cost pressures set out at Appendix C.**

Growth Items

8.4. The main source of revenue investment for the Council remains the New Homes Bonus. The total grant is £3.415m and £1.033m is used to support the base budget, leaving £2.38m for projects. The following table sets out the proposed use of the NHB in 19/20:-

Area	£'000	Comment
Contribution to RIF	250	Annual contribution to support a number of regeneration and commercial projects.
Affordable housing allocation	163	Annual contribution to support housing projects.
Allocation to CNG Sports Project	500	Agreed final contribution as part of £2m investment from NHB.
Support for one-off schemes	1,469	Investment to support strategic plan priorities
Total Grant	**2,382**	

8.5. As shown in the MTFF in this report future income from the New Homes Bonus is uncertain and is expected to reduce in future years. It is therefore essential that the Council carefully considers how this grant might be used in the coming year as well as future years.

8.6. In the current year funding from the New Homes Bonus and other funding sources is being used to support strategic plan priorities as part of the “Better Colchester” campaign. In total £1.95m was made available for projects and initiatives that would continue into 2019/20 and funding will be carried forward for these schemes.

8.7. Cabinet agreed some revised allocations of this in year funding in November and it was shown that £439k was unallocated. For example, £37k of this has already been agreed to support the Fixing the Link project. This project, already supported by Greater Anglia, Essex County Council and Colchester Borough Council, looks to encourage visitors and residents to walk and cycle into Colchester.

8.8. The balance of £402K remains available for strategic spending priorities but it is recommended that £100k of this be held as a contingency against existing proposals meaning that £302k is available to allocate plus £65k available by way of a Government grant that returns the surplus on the business rates levy account.

8.9. In total, this £367k means that there is £1.836m available that can be used to help deliver projects which continue to support strategic plan priorities as part of the Better Colchester campaign, to address one off service pressures and to support schemes which can deliver income to assist with managing future budget pressures.

8.10. Proposed Allocations of £1.1m are set out in the table below:

	£'000	
Funding Available:-		
Funding c/f	302	Para 8.8
New Homes Bonus	1,469	Table at 8.4
Business Rates levy grant	65	Para 8.8
	1,836	
Proposed Allocations:-		
Fighting Crime and Community Safety	150	Para 8.11
Local Highways Panel	100	Para 8.12
Cleaner Streets (Zone teams)	100	Para 8.13
Better Colchester and Communication	150	Para 8.14
Local Plan work	450	Para 8.15
Rural Projects (including Colchester Orbital)	150	Para 8.16
Total Proposed allocations	**1,100**	
Balance for other investment	736	

8.11. **Fighting crime and improving community safety:** The Council will continue funding for additional police resource, which includes 'Team Ten' and the Town Centre Action Plan, as well as resources to support the 'Street Weeks' programme. The funding has already been put in place for policing of £330k covering a two-year period. The proposed additional funding of £150k will also aid partnership work with the Community Safety Partnership to address security of our car parks and the effectiveness of town wide CCTV.

8.12. **Local Highways Panel additional investment:** Comprehensive proposals are being drawn up for priorities already declared in 2018/19 such Transport for Colchester. As such they will include an allocation of £100k to continue additional funding of Local Highways Panel (LHP) in 2019/20, as well as funding, to terms to be agreed with Essex County Council, on other improvements to town centre or other infrastructure and in further exploration of the benefits and scope for pedestrianisation. Further funding for this work remains unallocated until further clarity from partners is agreed.

8.13. **Cleaner Streets:** The Council will also continue to invest as required in projects that further enhance the look, condition and cleanliness of the town centre, which will include £100k to retain the additional improvement capacity of the 3 operative roles created in 2018/19.

8.14. **Better Colchester and Communications:** Building on the success of 'Better Colchester' projects in 2018/19, for example the 'Gum Blows' Gumdrop Campaign, 'Better Colchester' communication projects and other work to increase public engagement will continue, to increase public understanding of our services. This will include funding of the Colchester Centurion newsletter.

8.15. **Local Plan Work:** A key objective for the Council is to get a new Local Plan adopted. Local Plan and the Section 1 Garden Communities analysis and engagement will continue through the coming year, in support of the submissions to the Inspector, but the issues and possible next steps are still in the process of debate and review with detailed analysis, submissions and proposals being currently worked on. A commitment of this Council is to ensure the community is engaged in the work going forward and the Council needs to assign resources to a programme of engagement with various communities. Decisions will be made when required on the use of the funding.

8.16. **Rural Projects:** Fulfilling the aspirations for the Council to work with other partners, including local businesses and parish/community councils, this Council will look to support projects that help residents in rural as well as urban areas, including the Colchester Orbital. The Colchester Orbital projects re-affirms the strategic aim of improving connectivity and encouraging awareness and use of our invaluable green spaces, parks and walking and cycling routes. An allocation of £150K will enable such partnership and connectivity work.

8.17. If agreed this would leave c£0.7m to allocate to further schemes and proposals to be brought forward to Cabinet. Funding will be allocated in line with key strategic plans priorities not referenced above such as: Highlighting Heritage, Reducing Rough Sleeping, 'Live Well' Sport, Health and Wellbeing for All, Enterprising Colchester.

8.18 **Cabinet is asked to approve inclusion within the 2019/20 Revenue Budget of the use of the New Homes Bonus for new projects as set out in the table at 8.10**

Revenue Saving / Increased Income / Technical Items

8.19. Appendix D sets out budget reductions, savings and increased income totalling £1.486m.

8.20. 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.

8.21. **Cabinet is asked to approve inclusion of the savings / increased income items set out at Appendix D within the 2019/20 Revenue Budget.**

Pension Fund Contributions

8.22. As part of the 2017/18 budget it was agreed to make the required pensions deficit contribution in respect of the period 2017/18 to 2019/20 in a one-off payment. We were required to show this full payment in the 2017/18 budget.

8.23. To facilitate this arrangement, and to reflect the equivalent annual costs in the budget, required a use of balances / reserves in 2017/18 of £3.2m. Given this approach the 2019/20 budget continue to shows a contribution to balances of £1.6m. This is reflected in the summary budget requirement and the contribution to balances.

Summary Total Expenditure Requirement

8.24. Should Cabinet approve the items detailed above, the total expenditure requirement for 2019/20 is as follows:

	2019/20	
	£'000	
Base Budget	19,695	
One-off items	(456)	
Cost Pressures	2,216	See para 8.3.and Appendix C
Growth Items	65	See Section 8
Savings	(1,486)	See para 8.21 and Appendix D
Change in use of NHB for one off investment	172	Impact of reducing use of NHB on base budget less reduction in grant.
Forecast Base Budget	**20,206**	

Notes:-

A summary of the 2019/20 budget is set out at Appendix E.

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

Further detailed service group expenditure is available.

8.25 **Cabinet is asked to agree and recommend to Council the net revenue expenditure requirement for 2019/20 and the underlying detailed budgets set out in Appendix E.**

9. Council Tax, Collection Fund and Business Rates

Council Tax Rate.

9.1. 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.

9.2. For 2019/20 the Secretary of State has again proposed that district councils such as Colchester can increase their Council Tax by the higher of £5 or 3%. This means that the Council can increase Council Tax by up to 3%.

9.3. The 2019/20 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 £190.62, an increase of £5.49 (2.97%). Based on the taxbase for next year this results in estimated Council Tax income for the Council of £12.072m, an increase of £601k on the current year.

9.4. 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. Furthermore, the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 allows councils to make further changes in respect charging empty house premiums.

9.5. The opportunity has been taken to review all these powers and certain changes are proposed. This is summarised below with more some provided at Appendix H:-

Exemption from Council Tax for a dwelling which is unoccupied for up to 6 months and is substantially unfurnished

9.6. The Council is able to provide a 100% exemption for up to six months where properties are empty and substantially unfurnished. Currently there is no exemption in Colchester. Introducing an exemption for 28 days will help to significantly reduce administration within the Council Tax Team as well as making a more fair and simple process for residents simply moving property.

Long Term Empty Premium

9.7. The Council has been given powers to extent the long term empty property premium by:

- From April 2019 properties empty for over 2 years may be charged a 100% premium (making total liability 200%).
- From April 2020 properties empty for over 5 years may be charged a 200% premium (making total liability 300%).
- From April 2021 properties empty for over 10 years may be charged a 300% premiums (making total liability 400%).

Introducing these premium charges will help the Council to further encourage homes being brought back into use as quickly as possible.

9.8. No further changes are proposed to the existing arrangements and it is recommended to Council that the Council Tax setting report includes these discounts and premiums.

Collection Fund

9.9. 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 2017/18 forecast and actual outturn position.

9.10. The budgeted Council Tax surplus of £306k 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 2017/18, together with further expected growth during the current year.

9.11. 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.

9.12. The budgeted surplus of £298k has occurred largely as a result of changes to business rates forecast in previous years and changes to appeals.

9.13 It is proposed that surplus is added to the business rate reserve along with part of the forecast growth in business rates income. The proposed contribution of £406k would result in a balance on the reserve of £1.859m as summarised in the following table:

Collection Fund - Business Rates Reserve	**£'000**
NNDR reserve – @ 1st April 18	**853**
Forecast 18/19 movement (estimate)	600
Forecast balance on reserve @ 31 March 19	**1,453**
Contribution to reserve in 19/20	406
Forecast balance on reserve	**1,859**

10 Revenue Balances

10.1 The Local Government Act 2003 places a specific duty on the Chief Financial Officer (Section 151 Officer) to report on the adequacy of the proposed financial reserves of an Authority when the budget is being considered. This section and section 16 address this requirement.

Minimum level of balances

10.2. Each year the assessment of the recommended level of balances is reviewed. The assessment for 2019/20 is summarised at Appendix I and shows that the recommended level continues to be set at £1.9m. Whilst the risk assessment remains unchanged there are two issues that should be highlighted.

- *Commercial company arrangements*

Last year the Council agreed to transfer certain services and functions to new commercial companies owned by the Council. Whilst these have transferred some of the budget risk to the company no changes were made to the Council's recommended level of balances and this continues to be the case.

- *VAT Partial exemption*

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. However, potential changes to VAT treatment, such as those relating to sport and leisure services, means this is an increasing area of concern. Whilst no increase in balances is proposed this should be kept under review in the current year.

10.3. In considering the level at which Revenue Balances should be set for 2019/20, Cabinet should note the financial position the Council is likely to face in the medium term.

10.4. 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. A separate reserve is also maintained to mitigate any pressures.

10.5. 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 2020/21 and the level of balances should be reviewed again as part of this process.

Level and use of balances

10.6. 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. There are no proposals to use balances to support the 2019/20 budget other than the agreed uses of £200k from the business rate pooling gain in 17/18.

10.7. Within balances we are holding an allocation to meet redundancy costs including pension strain payments. During the current year over £200k is expected to be used from this budget. Given the ongoing series of reviews for which anticipated savings are included within the budget and MTFF it is considered prudent to reinstate this allocation by contributing £200k for this purpose.

10.8. It should also be highlighted that certain sums are held in balances against specific risks. These include funds for welfare reform, planning appeals, housing benefits and any negative impact on the collection fund. The allocation of these funds has been considered when setting the minimum level of balances.

10.9. The forecast position in respect of Revenue Balances is set out at Appendix J and shows balances at c£2.167m, £0.267m 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£2.167m is considered appropriate.

10.10. Following the 2018/19 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 2020/21 budget strategy and updated MTFF.

10.11 **Cabinet is recommended to approve Revenue Balances for the financial year 2019/20 be set at a *minimum* of £1.9m and to approve the allocation of £200k into balances to provide for future redundancy costs.**

11 Reserves and Provisions

11.1. 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.)

11.2. Cabinet considered the Council's earmarked reserves at its meeting on 21 November 2018. As part of the budget process a review was undertaken into the level and appropriateness of earmarked reserves and provisions for 2018/19. 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.

11.3. 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 2019, the split between General Fund and HRA and how much is 'committed'.

	Committed / allocated		Uncommitted / unallocated		Total
	£'000	(%)	£'000	(%)	£'000
Reserves:-					
General Fund	8,166	80%	2,098	20%	10,264
HRA	11,334	100%	-	0%	11,334
Total Reserves	**19,500**	**90%**	**2,098**	**10%**	**21,598**
Provision	2,265	100%	-	0%	2,265

11.4. 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. This is required to be held and may be required to be used to fund pressures relating to the business rates retention scheme and in particular to help to balance any changes in funding that may emerge from the Government's local government finance reforms.

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

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

11.6. The building maintenance programme has been based on in-depth condition surveys of all Council building assets. The 2019/20 budget includes the proposal to increase the contribution to the continue to the BMP by £150k to £300k to support the cost of future repairs. New releases are possible for next year and will be reported to Cabinet as required.

Business Rates Reserve – contribution to reserve of £406k

11.7. As set out in section 9.12. there is an estimated surplus on the collection fund for business rates. It is recommended that this is transferred to the business rate reserve to reinforce the sum held. Business rates remains an area which is subject to risk and variability and as such maintaining the reserve provides some protection against a number of changes.

Parking Reserve – release of £185k

11.8. As ECC no longer provide a contribution towards TRO work, the NEPP (North Essex Parking Partnership) agreed to use earmarked parking reserves to mitigate this pressure. This is the third year of this arrangement and it is proposed that £185k be used for this purpose.

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

- **Release of £185k from the parking reserve.**
- **£200k be added to balances and held for potential redundancy costs**
- **£406k be transferred to reinstate the business rates reserve.**

Funding one-off pensions payment

11.10. As part of the 2017/18 budget it was agreed 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 were required to show this full payment in the 2017/18 budget.

11.11 To facilitate this arrangement and to reflect the equivalent annual costs in the budget required a use of balances / reserves in 2017/18 of £3.2m. It was agreed that this would 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.

11.12 **Cabinet is recommended to agree to reinstate balances of £1.6m in 2019/20**

12. Contingency Provision

12.1 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.

12.2 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.

12.3 **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.

13. Summary of Position

13.1 Summary of the Revenue Budget position is as follows:

	£'000	Note / para
Revenue expenditure requirement for 2019/20	20,206	Para.8.24
Collection fund surplus (business rates and Council Tax)	-604	Section 9
New Homes Bonus	-3,415	Para 7.16
One off grant	-65	Para 8.8
Contribution to balances / Reserves:-		
Contribution to balances / reserves for pensions payment	1,586	Para 8.23.
Contribution to Business Rates Reserve	406	Para 9.13
Contribution towards redundancy costs	200	Para 10.7
Use of Balances / reserves		
Use of Business Rates Pooling gain	-200	Para 7.13
Release of earmarked reserves	-185	Para. 11.8
Budget Requirement	**17,929**	
Funded by:		
Revenue Support Grant	0	Para 7.2
Business Rates Baseline Funding	-4,257	Para 7.2
Business Rates Improvement	-1,600	Para 7.8
Council Tax Payers requirement (before Parish element) see below*	-12,072	Para 9.3 and table below
Total Funding	**-17,929**	

Council Tax*	
Council Tax Payers requirement (before Parish element)	12,072
Council Tax Base – Band D Properties	63,331
Council Tax at Band D	**£190.62**

13.2 **Cabinet is asked to agree and recommend to Council Colchester's element of the Council Tax for 2019/20 at £190.62 per Band D property, which represents an increase of £5.49 (2.97%) 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 NNDR 1.**

14. Medium Term Financial Forecast – 2019/20 to 2022/23

14.1. 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

14.2. 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 2020. The following table summarises the position showing a cumulative gap over the period from 2020/21 to 2022/23 of c£2.3m.

	2019/20	**2020/21**	**2021/22**	**2022/23**	See para
	£'000	**£'000**	**£'000**	**£'000**	
Net Budget	20,206	20,175	20,673	21,009	
SFA (includes allowance for reduction)	(4,257)	(3,354)	(2,897)	(2,440)	11.6
NNDR Growth (incl. pooling gain)	(1,800)	(1,800)	(1,800)	(1,800)	11.13
New Homes Bonus	(3,415)	(2,890)	(2,837)	(2,304)	11.9
Other Grants	(65)	0	0	0	
Council Tax	(12,072)	(12,556)	(13,062)	(13,588)	11.21
Reserves / Collection Fund	1,403	1,401	1,401	1,401	
Cumulative Gap	**0**	**976**	**1,478**	**2,278**	
Annual increase	**0**	**976**	**502**	**800**	

14.3. 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

14.4. The SFA which comprises our RSG and baseline NNDR figure has been cut in 19/20 and we will receive no RSG. In the Settlement the Government removed the so called 'negative RSG'. However, it is assumed that this represents a one off adjustment and that the agreed reduction in resources will still be made as part of the fair funding review and business rates retention plans. There is no certainty as to the level of funding beyond 2019/20 as there will be a new spending review and consideration of the other changes being examined in respect of local authority funding. For planning purposes a further reduction of £500k has been allowed for each year.

14.5. As set out within this report the New Homes Bonus is a key element of the financial support for local authorities and the Government announced changes to the scheme that reduced the grant in 2017/18. In 2019/20 the grant has reduced again but by less than expected due to the level of housing growth. The future for NHB remains uncertain and whilst it was welcomed that the Government did not make certain changes to NHB in 2019/20 (such as increasing the baseline figure) the potential for changes in the future appears likely.

14.6. The MTFF includes projections based on the existing New Homes Bonus scheme and assumes 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 by £200k 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.

	2019/20	**2020/21**	**2021/22**	**2022/23**
	£'000	**£'000**	**£'000**	**£'000**
New Homes Bonus	**3,415**	**2,890**	**2,837**	**2,304**
Allocated to:-				
Contribution to RIF	250	250	250	250
Affordable housing allocation	163	163	163	163
Base Budget	1,033	833	633	433
Allocation to CNG Sports Project	500			
Support for one-off schemes	1,469	1,644	1,791	1,458
Total allocation	**3,415**	**2,890**	**2,837**	**2,304**

14.7. As has been reported earlier the Essex bid to be a pilot for 75% business rates retention was not successful. Further retention pilots were agreed which it is intended will enable aspects of the retention system to continue to be tested. Colchester remains in an Essex Business Rates Pool and we expect to receive additional income in this year and next year from this arrangement. The budget assumes we will use £200k to support the budget in each year. This is included in the 2019/20 budget and we are confident that funding will continue to be available to continue this arrangement in 2020/21 and 2021/22.

14.8. Alongside the local government finance settlement, the Government confirmed that it is looking to implement the Fair Funding Review in April 2020 and published a further consultation on its progress. The deadline for responses is 21 February 2019. This consultation covers all three key strands of the Review. In particular, it:

- Sets out the Government's preferred options on the structure of the relative needs assessment, including tier-specific foundation formulas and formulas to assess specific services, the leading cost drivers for inclusion in these formulas, and analytical techniques to weight cost drivers;

- Sets out the Government's preferred options on measuring the council tax base, in particular treatment of mandatory and discretionary council tax discounts, and the choice of council tax level to be used when calculating the resources adjustment; and

- Outlines options on high level principles that could underpin the choices of transition mechanism, and the definition and measurement of ‘baseline’ and ‘target’ between which the transition mechanism would be applied to.

14.9. The Secretary of State confirmed his aim to introduce 75 per cent Business Rates Retention for all in 2020/21 and published a consultation document on possible changes to the system. The main proposals relate to balancing risk and reward; resets, the safety net, the levy, tier splits within areas, incentivising pools, central and local rating lists, including inviting proposals for properties that should change lists, There is also consideration of the best way of dealing with appeals and an alternative model of business rates retention. The deadline for responses is also 21 February 2019.

14.10. These issues are important for the Council as they will inform how baseline funding is established. It is proposed that a response be made to the proposals following consideration of how these reforms are likely to affect Colchester.

Pay, Inflation and costs

14.11. The 2019/20 budget includes an allowance for the agreed pay award. For 2020/21 and beyond a sum is included for planning purposes to cover this and other inflationary pressures.

14.12. 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. On the assumption that the Council again pays the 3 year deficit in one payment it will be necessary to show the use of reserves in that year with the subsequent repayment over the next two years. For ease and planning purposes the MTFF simply shows an annual cost / contribution to reserve as a ‘marker’.

Forecast savings

14.13. The MTFF includes forecast savings for 2020/21 and beyond. These include:-

- The Northern Gateway Sports scheme business plan assumptions.
- The second year savings from the proposed Waste and Zones review.
- The projections for the dividend from CCHL (Colchester Commercial Holdings Ltd)
- The forecast income arising from assets included within the RIF.
- Assumed income from HMO licencing

14.14. The MTFF does not include the anticipated revenue gains from on-lending investment in the Colchester’s companies. This will be updated when the budget strategy for 2020/21 is produced in the summer. These gains will need to be viewed alongside the temporary borrowing costs for the Northern Gateway Sports scheme.

14.15. 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

14.16. 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

14.17. The MTFF includes an allowance for additional resources to support the waste and recycling service. This includes the full year cost of additional vehicles and staff included in the 2019/20 budget as well as an allowance for further resources in 2021/22 and 2022/23. An allowance has also been made for a potential reduction in the Council Tax sharing agreement in 2020/21. The current agreement has been extended into 2019/20 and it is understood that a new agreement will be developed during the next year with all relevant Essex authorities.

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

- an increase in interest costs which are currently being minimised through internal borrowing
- Any increase in pensions contributions arising from the actuarial review
- Any contribution towards supporting garden communities

Council Tax

14.19. The MTFF assumes that Council Tax will increase by 3% each year 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

14.20. A realistic approach has been taken to the MTFF and it is evident that it will be necessary to review and revise a number of the assumptions set out. The funding changes to local government will continue with further grant reductions, the changes to business rates retention arrangements and any impact of the Government's wider review of local government funding.

14.21. In the 2019/20 budget savings and reductions of £1.5m have been identified which, when looked at alongside about £17m 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 contribution to reducing future budget gaps, further budget changes will be necessary. The area of most uncertainty remains the nature and extent of Government funding changes.

14.22. The budget group has considered some savings area beyond 2019/20 and certain service reviews are planned to help to identify savings to close the budget gap for 2020/21 and beyond. 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.

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

15 Capital Programme

15.1 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.

15.2. The latest monitoring report highlighted that there was a small net underspend on the Capital Programme and it is proposed that this is reallocated as shown.

General Fund position		
Open Spaces Provision (funded by New Homes Bonus)	(43)	The purchase of land included within the project is no longer required as it has been provided for through a S106 agreement.
Completed schemes – Garrison Gym Rebuild	25	Additional works required for completion of the scheme.
Relocation of Museum Resource Centre	18	
Subtotal	**0**	

15.3. 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 2018/19. This shows a surplus that is available to support potential schemes in subsequent years.

Detail	£'000
Surplus brought forward	(321)
Capital receipts projection for 2018/19	(771)
New schemes (see below)	200
Balance available	**(892)**

15.4. There are a number of items to report for inclusion in the capital programme:

Waste Fleet – Increase of £0.9m from £4m to £4.9m

15.5 The Council agreed to purchase new waste fleet once the current leasing arrangements expired. An options appraisal exercise found that external borrowing from the Public Works Loan Board was the most competitive funding option. The initial allocation of £4m was an indicative figure. The proposed increase represents revised costings and proposals for additional vehicles for which provision has been made in the revenue budget for borrowing costs.

Shrub End Depot – Increase of £200k from £840k to £1,040k.

15.6. The Shrub End Depot is no longer fit for purpose and requires significant re-investment to provide the facilities and space to operate effectively now, and in the future. It is anticipated that an additional £200,000 is required to redevelop the current site although further detailed work is underway to establish an accurate estimate. It is therefore, proposed to invest £200,000 of one-off additional capital funding in 2020/21 for redevelopment of Shrub End Depot. This proposal forms part of the Waste and Zones review which will be reported to Cabinet in March.

Revolving Investment Fund (RIF) – Reallocation of £1.275m

15.7. RIF Committee agreed a number of changes to the programme at the meeting on 16 January 2019. This included the following changes.

	£'000	Note
Sport and Leisure Asset review	120	New opportunities are being explored to support growing Sport and Leisure in the Borough with a focus on the Colchester Leisureworld site.
Vineyard Gate feasibility	15	CBC continues to explore a new set of proposals for the Vineyard Gate area
Grow-on former Queen St Bus Depot	19	Work is underway to explore the development of new grow on space units in the town centre following on from the success of the 37 Queen Street incubator
Public Realm - St Nicholas Square	20	This project will develop new designs for a public square
Broad Lane Sports Ground Wivenhoe	10	Feasibility work to explore options for the Sports Group at Wivenhoe
Pre development / feasibility funds	250	Allocation to fund initial feasibility studies for emerging income generation or regeneration opportunities.
Current Shortfall on programme	841	
Total costs (incl. shortfall)	**1,275**	
Funded by :-		
Town Centre - uncommitted balance	(1,275)	

15.8. As a result of changes to the Prudential Code and statutory requirements in relation to Non-Treasury Management investments (for example Commercial and retail investments not related to local economic development), the Council is required to prepare, give due consideration to and approve as part of the budget process and long term financial planning; a Capital Strategy. The proposed strategy is set out at Appendix O.

15.9. In summary this sets out that the Council's approach to the capital programme is to support deliver of Strategic Plan priorities. The Council has established the Revolving Investment Fund (RIF) as a way to invest in schemes that support economic growth through regeneration and also more commercial schemes. Importantly, these schemes are all within the Borough, and there are no plans for commercial investment outside the Borough.

15.10. The Council has agreed to provide financial support to the Amphora commercial companies by way of equity and loan finance. This has been supported by business plans and will continue to be monitored and scrutinised to ensure the risks to the Council are managed.

15.11. The Capital Strategy will be developed over the course of the year and agreed annually.

16. Robustness of Estimates

16.1 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.

16.2 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.

16.3. This latest review of the budget for this financial year, 2018/19, has shown that there are a number of budget pressures across the Council. Outturn reviews in previous years have been undertaken to ensure that budgets reflect best estimates and do not contain “contingencies”. This has meant that services have less scope to absorb unforeseen budget pressures and any requests for new spending that may arise in-year. Steps taken through the 2018/19 budget process, such as reducing income targets for planning, helpline and broadband helped to set achievable budget targets. The final outturn position for 2018/19 is expected to be within budget, however, there have been a number of cost pressures.

16.4. As part of the 2019/20 budget exercise attention has been given to these and other in year budget pressures. As a result of this some of the main budget changes have been in respect of waste and recycling. This has been informed by the Waste and Zones review which will be reported to Cabinet in March.

16.5. This budget again includes significant new or increased savings and income targets across the Council totalling £1.5m. Most of these items have been identified through budget reviews and assumptions have been checked to ensure that there are reasonable and achievable. They comprise a mix of spending reductions and efficiencies and additional income most of which have already been considered by Cabinet. They also include the Corporate Services review which is subject to a separate report on this agenda and the Waste and Zones review which, as already stated, will be considered in detail by Cabinet in March.

16.6. All Assistant Directors have reviewed their detailed budgets and various changes have been incorporated into their individual budgets. Allowance have been made for a number of costs pressures such as reducing some income targets (e.g land charges) and allowing for additional costs some of which are one-off (e.g. an allowance for ICT costs relating to risks to delivery of various projects).

16.7. The 2019/20 budget contains measures to ensure that the Council is looking beyond day to day issues. For example, there is an increase in funds set aside for the maintenance and upkeep of assets and balances have been added to ensure that funds are set-aside for any potential redundancy costs to ensure that saving targets can be met in year.

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

- Meeting ongoing, income levels in particular in respect of sport and leisure where income is below current budget targets. Targets for 19/20 and 20/21 have now been reduced but remain challenging.

- The delivery of business plan for the new Northern Gateways Sports Park.
- Delivery in the year of certain agreed savings, for example, the £500k for the Waste and Zones review.
- Collection rates of Council Tax and changes in demand levels following the implementation of the LCTS scheme and other Council Tax changes. In particular there is a risk that income will be lower due the proposal in respect of the 28 day exemption period for empty properties.
- Collection rates and level of business rates (including the impact of appeals)
- Cost of benefits payments and ensuring that the Council receives the expected subsidy income to pay for these.
- Impact on budgets relating to homelessness and other demand pressures.
- Asset rental income assumptions, in particular income from Northern Gateway and other investment properties
- Assumptions within the Council's commercial company arrangements, including borrowing levels.
- Impact of Council borrowing on interest costs / income.

16.9. The budget risks will be managed during 2019/20 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.

16.10. The External Auditor has previously commented that *"the Council has a strong history of delivering savings targets……and taking effective steps to address future budget gaps".* As part of the 2017/18 audit of accounts the external auditor reported that the Council *"did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."* As part of the in-year budget monitoring action has been taken to mitigate pressures and as commented earlier, adjustments have been made in respect of the 2018/19 budget proposals.

16.10. 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.

16.11. 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.

16.12. This report highlights that balances remain above our recommended level and we have confidence that there will be no call on balances in this year. In addition, the Council has made allowance for a number of specific risks, either within balances or earmarked reserves.

16.13. Looking ahead beyond 2019/20 the future financial position is more uncertain with the prospect of significant changes to local authority funding. In particular, it will be necessary to review the use of business rates income and the New Homes Bonus. The Council has benefited from the income received from these sources and this has been used to support one off investment. If the local government funding review provides clarity and certainty on these funding sources it may be necessary to consider how this income is used in the future.

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

17. Treasury Management and Prudential Code Indicators

17.1. The proposed Treasury Management Strategy Statement (TMSS) for 2019/20, including the Minimum Revenue Provision Policy Statement and Annual Investment Strategy, is included at **Appendix P**. The following paragraphs contain a summary of the strategy for 2019/20, which covers the following issues:

- the capital plans and the prudential indicators;
- the Minimum Revenue Provision (MRP) Policy;
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- the economic background and prospects for interest rates;
- the borrowing strategy;
- the policy of borrowing in advance of need;
- debt rescheduling;
- the investment policy and strategy, and credit worthiness policy;
- the policy on use of external service providers.

17.2. The Council's Prudential and Treasury Indicators for 2019/209 through to 2021/22 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.

17.3. The Minimum Revenue Provision (MRP) Policy Statement for 2019/120 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.

17.4. The strategy sets out that the Council's borrowing requirement over the coming years. The Council has agreed long term borrowing to support the Northern Gateway Sports scheme and purchase of waste vehicles. In addition separate reports on this agenda set out proposals relating to Council housing which include borrowing. The Council continues a policy of 'internal borrowing' to support the capital programme where it is possible. However, during the coming year it is likely that it will be necessary to borrow some funds externally. Given some of this is expected to cover temporary borrowing it is expected that most new borrowing will be for short periods to take advantage of lower interest rates.

17.5 Cabinet is asked to agree and recommend to Council the 2019/20 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out in the paper at Appendix P.

18. Strategic Plan References

18.1. The 2019/20 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.

18.2. Appendix N provides an overview of the links between the Strategic Plan and budget strategy.

19. Financial Implications

19.1 As set out in the report.

20. Publicity Considerations

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

21 Human Rights Implications

21.1. None

22. Equality and Diversity

22.1. 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.

23. Community Safety Implications

23.1 None

24. Health and Safety Implications

24.1 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.

25. Risk Management Implications

25.1 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.

26. Consultation

26.1. The budget will be scrutinised by Scrutiny Panel on 28th January 2019. The statutory consultation with NNDR ratepayers takes place in early February 2019 and notes of the meeting will be provided in due course.

Background Papers
Budget reports to Cabinet – 21 November 2018

Appendix A

2019/20 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 – 11 July 18	• Review 17/18 outturn • Report on updated budget strategy / MTFF • Timetable approved
Scrutiny Panel – 17 July 18	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 – 5 September 18	• Budget Update • Review of capital resources / programme
Cabinet – 21 November 18	• Budget update • Reserves and balances • Agree fees and charges / budget changes • Government Finance settlement (if available) • Review in year budget position
Scrutiny Panel – 29 January 19	Budget position (Detailed proposals)
Cabinet – 30 January 19	Revenue and Capital budgets recommended to Council
Council – 20 February 19	Budget agreed / capital programme agreed / Council Tax set

Appendix B

2019/20 New Homes Bonus

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£’000	£’000	£’000	£’000	£’000	£’000	£’000
Growth re 09/10	724	*nil*	*nil*	*nil*	*nil*	*nil*	*nil*
Growth re 10/11	749	*nil*	*nil*	*nil*	*nil*	*nil*	*nil*
Growth re 11/12	986	986	*nil*	*nil*	*nil*	*nil*	*nil*
Growth re 12/13	757	757	*nil*	*nil*	*nil*	*nil*	*nil*
Growth re 13/14	1,185	1,185	1,185	*nil*	*nil*	*nil*	*nil*
Growth re 14/15	1,025	1,025	1,025	1,025	*nil*	*nil*	*nil*
Growth re 15/16		553	553	553	553	*nil*	*nil*
Growth re 16/17			533	533	533	533	*nil*
Growth re 17/18				1,141	1,141	1,141	1,141
Growth re 18/19 (est)					500	500	500
Growth re 19/20 (est)						500	500
Growth re 20/21 (est)							500
Total basic NHB	**5,426**	**4,506**	**3,296**	**3,252**	**2,727**	**2,674**	**2,641**
Affordable Homes Bonus	288	277	147	163	163	163	163
Estimated NHB	**5,714**	**4,783**	**3,443**	**3,415**	**2,890**	**2,837**	**2,804**

APPENDIX C

2019/20 Revenue Cost pressures

Assistant Director / 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 21st November 2018 are highlighted in the "final" column.

	Previous	Final	
	£'000	**£'000**	
Cost Pressures			
General Inflation	540	595	The budget allowance is mainly to cover the agreed pay award of 2% and other inflationary increases. The total has increased to allow for general increases in energy costs and other miscellaneous cost increases.
Food Waste (net impact of loss of grant)	204	204	The Government grant has been used for a number of years to support the roll out of food waste collection. This grant has now been fully spent.
Stadium rent	22	52	Assumed reduced rent arising from change in methodology. Pressure has been updated to reflect a rent of £120k pa.
IT costs	150	225	Ongoing costs relating to ICT strategy. This allowance has been increased to reflect potential one-off costs relating to server costs and also the potential risk that other licence fees may need to be paid for a longer period than previously assumed.
C-Tax Sharing Agreement	250	250	Changes have been made to the sharing agreement which reduce the payment to CBC. In addition the budget has been reduced to reflect current estimates.
BID levy	29	29	The Council pays the levy on properties within the BID area.
Building Maintenance Plan		150	To meet ongoing costs of building maintenance it is necessary to increase the annual budgetary contribution from £150k to £300k.
Northern Gateway Sports		140	Cabinet agreed the Northern Gateway sports project. This represents start-up costs and the initial period of operation.

	Previous	Final	
	£'000	**£'000**	
HMO (Homes in Multiple Occupation) Licensing		90	Upfront costs of new HMO licencing requirements have been funded. Income from new licences will eventually cover the costs and this has been allowed for in the MTFF.
Plastics (income / costs)		100	Market prices for recycled plastics are lower and expected to continue into next year.
Sport and leisure - energy and business rates		93	There has been a significant increase in energy costs which will affect the 19/20 budget. In addition, there is an increase in business rates arising from the extension of the gym.
Land charges income		32	Income was increased for 18/19 however, income targets were becoming harder to achieve due to competition and the fact that paid for searches were being overtaken by the availability of free searches under EIR's (Environmental Information Services)
Procurement Hub		23	We have opted not to renew our membership of the Essex Procurement Hub due reduced income and increasing pressures forecast for future years. There will still be a budget pressure associated with the TUPE transfer of one member of staff tbc.
Refuse vehicles and crew		188	The Waste and Zones Futures Review identified the need for extra refuse and recycling collection vehicles to respond to housing growth. This cost represents 2 new vehicles with crews being provided.
Review of budget targets		30	The 18/19 budget included assumptions regarding additional income and savings from carbon management investment and some other budget changes. These have all been reviewed in setting detailed budgets and therefore these targets now need to be removed.
Allowance to comply with statutory accounting changes		15	In the coming year it will be necessary to prepare for a number of accounting changes in respect of accounting for leases. This will require external specialist support and a one-off allowance is therefore proposed in the budget.
Total cost pressures	**1,195**	**2,216**	

Appendix D

Savings and Income – 2019/20

	November Position	Final Position	
	£'000		
Efficiencies, income and service reviews			
Service Reviews:-			
• Sport & Leisure	150	100	Additional £100k from Sport and Leisure Futures Review as reported to Cabinet in November. Savings and additional income from sport and leisure business case have now been removed given pressure on income levels in current year.
• Customer Futures 2	228	228	Final year savings from agreed review
• Environment & Communities	150	150	Review agreed by Cabinet incudes cost reductions and additional income.
• Corporate Services Review		150	Review subject to report on this agenda
• Waste and Zones Review		500	Review reported to Scrutiny Panel in January with recommendations to be submitted to Cabinet in March.
• Museums Review		29	Savings have been achieved from a change in a management role, and reduced costs for deep storage. There is also additional income forecast for 2019/20 from the Castle retail which has been performing well.
Income:-			
• Commercial Company assumptions	107	107	Forecast increase in dividend from Colchester Commercial Holdings Ltd.
• Commercial Assets	50	50	Due to revised profile of delivery of commercial asset income an increase of £50k is forecast. This will be reviewed alongside detailed budgets in this area.
• Temporary housing income		40	This represents the revenue implications as set out in the January 2018 Cabinet report, where it was agreed to purchase up to 16 homes to be used as temporary accommodation for homeless households.

Budget reductions			
Arts Grant	50	50	Reduction agreed as part of package of 2 year grant reductions.
LCTS grant to parishes	7	7	Reduction in line with 4 year Settlement.
Economic Development Grants	75	75	Proposed savings set out within report.
Total	**817**	**1,486**	

Appendix E

Summary Budget 2019/20

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 19/20 Budgets
		£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	(503)	0	250	0		(7)	(260)
Executive Management Team	686	0	10	0		0	696
Community	2,779	(31)	210	0		(201)	2,757
Customers	3,354	(18)	98	0		(195)	3,240
Environmental (excl NEPP)	5,321	0	462	0		(185)	5,598
Policy & Corporate	7,870	(407)	595	16		(495)	7,578
Total General Fund Services	**19,507**	**(456)**	**1,625**	**16**	**0**	**(1,083)**	**19,609**
Technical Items							
Corporate Items / sums to be allocated to services							
Investment Allowance funded by New Homes Bonus	2,062	0	0	221	0	0	2,283
NNDR Revaluation / Inflation Index	(10)		10			0	0
Futures Reviews	0	0	188			(511)	(323)
Northern Gateway Sports Project	0		140			0	140
PV Panels / LACM	(20)		20			0	0
IT Server costs	0		75			0	75
Leasing Changes Advice	0		15			0	15
Non-Service Budgets							

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 19/20 Budgets
		£'000	£'000	£'000	£'000	£'000	£'000
CLIA (net interest)	432		0			65	497
R&R Contribution	150		150				300
Min Revenue Provision	561		0			58	619
Pensions	366		0				366
GF/HRA/NEPP Adjustment	(3,353)		(7)		0	(15)	(3,375)
Total Below the Line	188	0	591	221	0	(403)	597
Total incl Below the line	**19,695**	**(456)**	**2,216**	**237**	**0**	**(1,486)**	**20,206**
Funded by:-							
Use of balances: re carry forwards	(63)	63	0		0		0
Use of balances	(73)	73	0		0		0
Contribution to balances	2,186	(2,186)	0		1,786		1,786
Contribution to Business Rates Reserve	0	0	0		406		406
Use of other Earmarked Reserves	(485)	485	0		(185)		(185)
Revenue Support Grant	(275)		275				0
Business Rates Baseline	(4,162)		(95)				(4,257)
NNDR Levy Surplus	0	0	0		(65)		(65)
NNDR Growth above Baseline	(1,100)		0		(500)		(1,600)
Business Rates Pooling	(200)		0		0		(200)
Council Tax	(11,471)		0		(601)		(12,072)
Collection fund Transfer	(609)	609	0		(604)		(604)
New Homes Bonus	(3,443)		0		28		(3,415)
Total	**(19,695)**	**(956)**	**180**	**0**	**265**	**0**	**(20,206)**

Appendix F

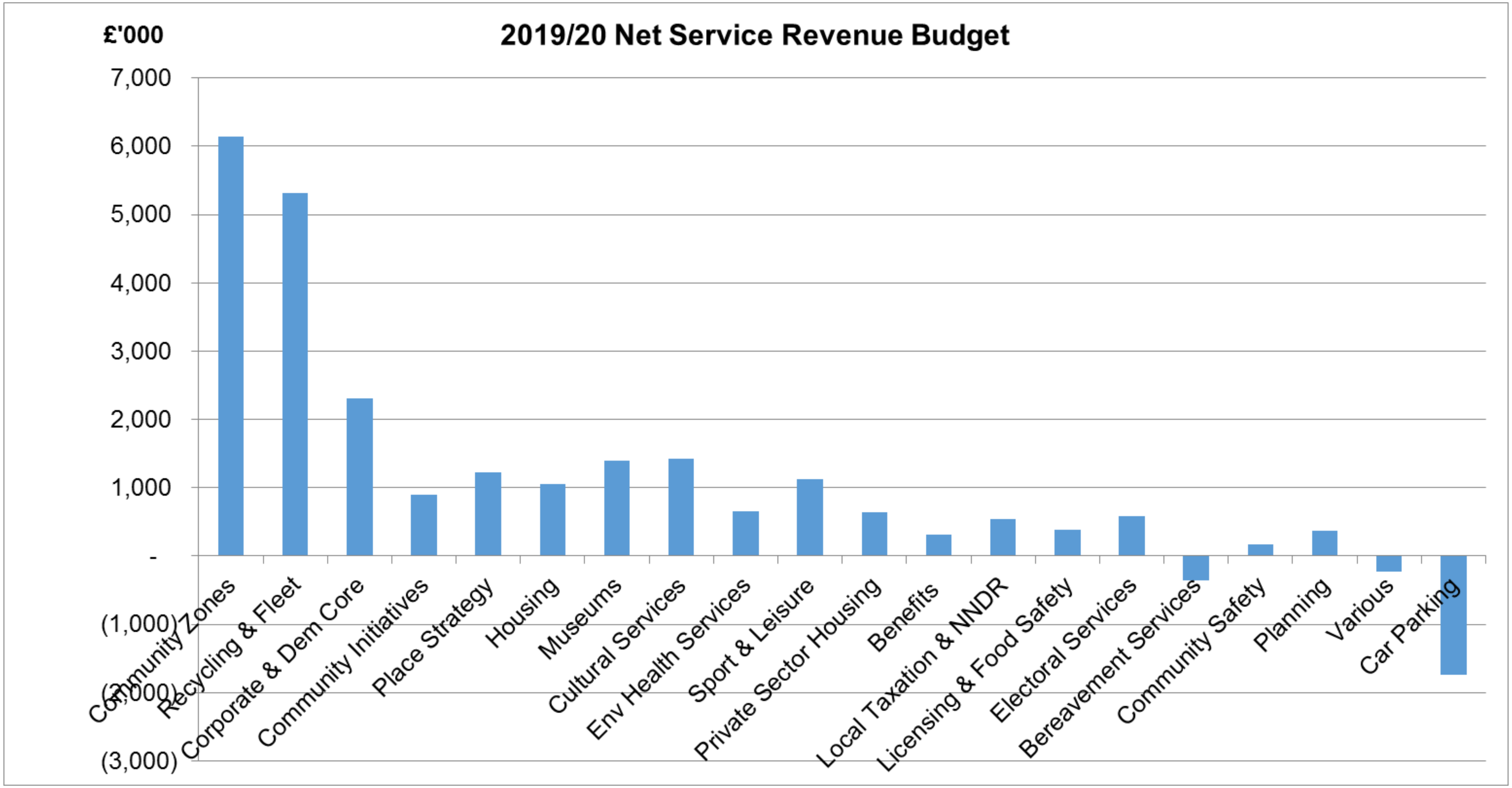
2019/20 General Fund Budgets

	Area	Direct Budgets Spend £'000	Direct Budgets Income £'000	Direct Budgets Net £'000		*Non-Direct Budgets Net £'000*	Total £'000
	Corporate & Democratic Core	290	(550)	(260)		*2,566*	2,306
	Total	**290**	**(550)**	**(260)**		***2,566***	**2,306**
	Executive Management Team						
	EMT	696	-	696		*(696)*	-
	Total	**696**	**-**	**696**		***(696)***	**-**
	Community						
	Assistant Director	140	-	140		*(140)*	-
	Licencing, Food & Safety	496	(538)	(42)		*431*	389
	Community Safety	96	-	96		*80*	176
	Environmental Health Services	514	(62)	452		*206*	658
	Building Control	405	(400)	5		*202*	207
	Community Initiatives	696	(50)	646		*256*	902
	Private Sector Housing	550	(167)	383		*262*	645
	Cultural Services	595	(112)	483		*934*	1,417
	Colchester Museums	70	(502)	(432)		*22*	(410)
	Subtotal	**3,562**	**(1,831)**	**1,731**		***2,253***	**3,984**
	Colchester & Ipswich Museums	2,118	(1,092)	1,026		*775*	1,801
	Total	**5,680**	**(2,923)**	**2,757**		***3,028***	**5,785**
	Customer						
	Assistant Director	139	-	139		*(139)*	-
	Customer Business	979	(497)	482		*(414)*	68
	Local Taxation & NNDR	467	(660)	(193)		*737*	544
	Customer Solutions	1,134	(3)	1,131		*(1,128)*	3
	Customer Experience	2,349	(376)	1,973		*(2,101)*	(128)
	Electoral Services	438	(3)	435		*150*	585
	Subtotal	**5,506**	**(1,539)**	**3,967**		***(2,895)***	**1,072**
	Benefits - Payments & Subsidy	48,862	(49,589)	(727)		*1,040*	313
	Total	**54,368**	**(51,128)**	**3,240**		***(1,855)***	**1,385**
	Environment						
	Assistant Director	142	-	142		*(142)*	-
	Recycling & Fleet	6,987	(2,429)	4,558		*759*	5,317
	Zones	4,979	(897)	4,082		*2,056*	6,138
	Bereavment Services	905	(1,498)	(593)		*236*	(357)
	Car Parking	1,094	(3,870)	(2,776)		*1,030*	(1,746)
	Subtotal	**14,107**	**(8,694)**	**5,413**		***3,939***	**9,352**

	Direct Budgets			***Non-Direct Budgets***	
Parking Partnership (NEPP)	3,339	(3,223)	116	*116*	232
Total	**17,446**	**(11,917)**	**5,529**	***4,055***	**9,584**
Policy & Corporate					
Assistant Director	145	-	145	*(180)*	(35)
Finance	847	(100)	747	*(747)*	-
ICT and Communications	2,358	(392)	1,966	*(1,966)*	-
People and Performance	802	(184)	618	*(673)*	(55)
Governance	2,985	(302)	2,683	*(2,633)*	50
Place Strategy	1,152	(31)	1,121	*105*	1,226
Planning	991	(1,177)	(186)	*561*	375
Housing	2,032	(818)	1,214	*(165)*	1,049
Subtotal	**11,312**	**(3,004)**	**8,308**	***(5,698)***	**2,610**
Company Related:-					
Client - Commercial Company	1,941	(393)	1,548	*(1,941)*	(393)
Corporate Asset Management	2,194	(265)	1,929	*(1,874)*	55
Commercial & Investment	248	(3,770)	(3,522)	*2,572*	(950)
Sport & Leisure	4,488	(5,173)	(685)	*1,810*	1,125
Total	**20,183**	**(12,605)**	**7,578**	***(5,131)***	**2,447**
Adjustment for NEPP use of balances	-	**185**	185	-	185
Total (excl. NEPP)	**95,324**	**(75,715)**	**19,609**	***1,851***	**21,460**

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

Appendix G


£'000
2019/20 Net Service Revenue Budget
7,000
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 Initiatives
Place Strategy
Housing
Museums
Cultural Services
Env Health Services
Sport & Leisure
Private Sector Housing
Benefits
Local Taxation & NNDR
Licensing & Food Safety
Electoral Services
Bereavement Services
Community Safety
Planning
Various
Car Parking

Appendix H

Council Tax

Background Information

The Local Government Finance Act 2012 introduced powers for Local Authorities to:

- **Remove the Class C Exemption**
  - *(A Class C Exemption provides an exemption from Council Tax for a dwelling which is unoccupied for up to 6 months and is substantially unfurnished)*
- **Introduce a long term empty property premium charge of 50%**
  - *(This is an additional 50% premium for dwellings that are empty for over two years, making the total liability 150% of Council Tax)*

From 1st April 2013, the Council agreed that there would be no empty property exemption, therefore removing the 6 month exemption previously given. In addition it was agreed that the full premium charge would be introduced.

Class C Exemption for Council Tax

The Council Tax (Exempt Dwellings) Order 1992 provided a Council Tax exemption for Class C properties. Class C properties are defined as:
'A dwelling which is unoccupied and has been for a period of less than 6 months since the last occupation day and which is substantially unfurnished and has been throughout that period.'
The proposals set out in this report to introduce a 28 day exemption will help to reduce administration for the Council as well as not unfairly penalising residents who are simply moving property.

Long Term Empty Premium

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 introduced powers for Councils to increase the premium levels as follows:

- From April 2019 properties empty for over 2 years may be charged a 100% premium (making total liability 200%).
- From April 2020 properties empty for over 5 years may be charged a 200% premium (making total liability 300%).
- From April 2021 properties empty for over 10 years may be charged a 300% premiums (making total liability 400%).

The proposals set out in this report seek to introduce to higher premiums in order to encourage homes being brought back into use as quickly as possible.
It is noted that the long term premiums can in some situations penalise property owners who are unable to sell or use a property. As such the government provided guidance which expects Council's to consider the reasons why a property is unoccupied or unfurnished. In order to ensure that the premium is administered fairly the Council will develop a key principles document that will take into account individual circumstances when applying the charge.

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 2019/20 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 and no changes are proposed.

	Assessed Risk			Comment
Factor	**High**	**Med**	**Low**	
	£'000	**£'000**	**£'000**	
Cash Flow	1,000			No change to current level
Inflation		100		
Investment Income	75			
Trading Activities and fees and charges		200		No change made for new company arrangements.
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 16/17 by £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. However, separate provision is also being made through the business rates reserve and without this it might be necessary to consider increasing the recommended minimum level.

- 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.

- 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 1/4/18	**(2,575)**	**(844)**	**(2,167)**	**(5,586)**	per 17/18 accounts
Reallocations				0	
Revised opening position	**(2,575)**	**(844)**	**(2,167)**	**(5,586)**	
Budget Carry Forwards and sums held in balances:-					
17/18 Service Budget c/fs (incl. NHB)	803			803	As reported to Scrutiny Panel June 18
Previous pooling gain c/f (contr'n to reserve)	216			216	
Business rates c/f	982			982	
17/18 Business rates pooling c/f	634			634	As reported to Scrutiny Panel June 17 and being used to support Better Colchester investment. In addition £200k is being used to support 2019/20
Use of balances for Better Colchester plan	253			253	Agreed by Cabinet 11 July 2018
Carry forwards held in balances	475			475	Agreed budget sums, such as New Homes Bonus, which have not yet been moved to service budgets. These items have been reviewed and unused balances transferred to the redundancy allocation

Balances					
	Allocated	Risk allocations	Unallocated	Total	Note
	£'000	£'000	£'000	£'000	
Allocations in previous years c/f	143			143	Allocations against specific projects. This has been reviewed as part of closure and certain allocations no longer required have been transferred to the redundancy allocation.
Colchester & Ipswich Museum Service (CIMS)	38			38	Use of balances subject to decisions made by joint Committees. Some of this is being used in 18/19 and some may be c/f to 19/20.
North Essex Parking Partnership (NEPP)	223			223	
Redundancy costs	528			528	Costs of over £200k incurred this year. It is proposed to add £200k to balances to reinstate this allocation.
Council Tax Sharing agreement	271			271	Carry forward sum from previous years. Currently expect some of this to be used in current year to support expected shortfall. The balance will be c/f as a risk for this budget.
Right to challenge - Gov't funding	46			46	Funds held against any issues.
Startwell	100			100	Agreed by Cabinet 12 October 2016. Remaining funds committed in year.
Use of pooling gain to support budget	200			200	As agreed in budget report 18/19
Funding LDF etc	43			43	As agreed in budget report 18/19
Funding c/f (PSU post, startwell post & comms post)	93			93	As agreed in budget report 18/19
Community Stadium - rent adjustment	500			500	Provision for one-off reduction in rent. Paid out in 2018/19.
Total contribution to reserves in 18/19 and 19/20	(1,586)	0	0	(1,586)	Reinstatement of reserves to fund one off cost.

Balances					
	Allocated	Risk allocations	Unallocated	Total	Note
	£'000	£'000	£'000	£'000	
Total carry forwards and allocations	**3,962**	**0**	**0**	**3,962**	
Agreed use in 2019/20 Budget					
Use of pooling gain to support budget	200			200	As proposed in 19/20 budget
Contribution to reserves in 19/20	(1,587)			(1,587)	Reinstatement of reserves to fund one off cost.
	(1,387)	**0**	**0**	**(1,387)**	
Risk allocations held in balances					
Business rates / Welfare reform		172		172	Provision for impact arising from reforms.
Planning appeals, legal, HR etc- risk allocation		222		222	Some spend possible in year, however, most expected to be held.
Housing benefit - risk allocation		300		300	Agreed in 15/16 budget
Collection Fund - risk allocation		150		150	Agreed in 15/16 budget

Total use in 19/20 and later years allocations	**(1,387)**	**844**	**0**	**(543)**	
Uncommitted / unallocated Balance	**0**	**0**	**(2,167)**	**(2,167)**	
Recommended level			(1,900)	(1,900)	Proposed level
Surplus above recommended level	**0**	**0**	**(267)**	**(267)**	

Appendix K

Earmarked Reserves and Provisions

Reserve	Amount at 31/03/18	Transfers - In	Transfers - Out	Estimate at 31/03/19	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.	1,973	454	(527)	1,900	1,900	-
Insurance: To cover the self-insurance of selected properties.	432	110	(7)	535	-	535
Capital Expenditure: Revenue provision to fund the capital programme. The reserve is fully committed to funding the current capital programme.	3,615	750	(2,565)	1,800	1,800	-
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.	69	-	(69)	-	-	-
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.	189	1	(16)	174	174	-
Heritage Reserve: This represents balance held of museums donations and as such represents a small element of the Council's support to heritage schemes.	113	7	-	120	-	120
Section 106 Monitoring: Funds allocated for future monitoring of Section 106 agreements.	10	-	(10)	-	-	-

Reserve	Amount at 31/03/18	Transfers - In	Transfers - Out	Estimate at 31/03/19	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
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.	3,389	1,000	(1,940)	2,449	2,449	-
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	1,199	-	(185)	1,014	1,014	-
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	-
Mercury Theatre: Provision for the building's long term structural upkeep. Accumulated funds have been used to support roof repairs to the Mercury Theatre.	84	25	-	109	109	-

Reserve	Amount at 31/03/18	Transfers - In	Transfers - Out	Estimate at 31/03/19	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
Business Rates Reserve: Maintained to cover the risk of any residual issues resulting from the introduction of the Local Business rates Retention scheme.	843	600		1,443		1,443
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.	1,202	257	(750)	709	709	-
Total General Fund	**13,129**	**3,204**	**(6,069)**	**10,264**	**8,166**	**2,098**
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.	4,975	800	-	5,775	5,775	-
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.	5,859	2,500	(2,800)	5,559	5,559	-
Total HRA	**10,834**	**3,300**	**(2,800)**	**11,334**	**11,334**	**-**

Reserve	Amount at 31/03/18	Transfers - In	Transfers - Out	Estimate at 31/03/19	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
Total	**23,963**	**6,504**	**(8,869)**	**21,598**	**19,500**	**2,098**

Provision	Amount at 31/03/18	Transfers - In	Transfers - Out	Estimate at 31/03/19	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.	322	-	(27)	295	295	-
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.	2,306	-	(336)	1,970	1,970	-
Total	**2,628**	**-**	**(363)**	**2,265**	**2,265**	**-**

Medium Term Financial Forecast 2019/20 to 2022/23				
	2019/20	**2020/21**	**2021/22**	**2022/23**
	£'000	**£'000**	**£'000**	**£'000**
Base Budget	19,695	20,206	20,175	20,673
One-off items	(456)	0	0	0
Cost Pressures	2,216	597	653	669
Growth Items	65	0	0	0
Savings	(1,486)	(303)	(302)	0
Change in use of NHB for one off investment	172	(325)	147	167
Pensions contribution				
Forecast Base Budget	**20,206**	**20,175**	**20,673**	**21,509**
Funded By:				
Revenue Support Grant adjustment	446	446	446	446
One-off negative RSG adjustment	(446)			
Allowance for financing changes		500	1,000	1,500
Business Rates Baseline	(4,257)	(4,300)	(4,343)	(4,386)
SFA	***(4,257)***	***(3,354)***	***(2,897)***	***(2,440)***
Increase in NNDR / taxbase above baseline	(1,600)	(1,600)	(1,600)	(1,600)
Business Rates Pooling	(200)	(200)	(200)	(200)
New Homes Bonus	(3,415)	(2,890)	(2,837)	(2,804)
One-off Gov't grant	(65)			
Total Gov't grants & business rates	***(9,537)***	***(8,044)***	***(7,534)***	***(7,044)***
Council Tax	(12,072)	(12,556)	(13,062)	(13,588)
Collection Fund Deficit / (Surplus)	(306)	0	0	0
Business Rates Deficit / (surplus)	(298)	0	0	0
Contribution to / (Use of Reserves)	2,007	1,401	1,401	1,401
Total Funding	**(20,206)**	**(19,199)**	**(19,195)**	**(19,231)**
Budget (surplus) / gap before changes (cumulative)	**0**	**976**	**1,478**	**2,278**
Annual increase	**0**	**976**	**502**	**800**

	2019/20	2020/21	2021/22	2021/22
	£'000	**£'000**	**£'000**	**£'000**
Cost Pressures				
Inflation and specific cost pressures:-				
General Inflation	595	640	640	640
Food Waste (net impact of loss of grant)	204			
Stadium rent	52			
ICT costs	225	(75)		
Council Tax Sharing Agreement	250	100		
BID levy	29			
Building Maintenance Plan	150			
Northern Gateway Sports	140	(25)	(82)	(56)
HMO Licensing	90	(90)	(30)	(40)
Plastics	100			
Sport and Leisure (energy and business rates)	93			
Land charges income	32			
Procurement Hub	23			
Refuse vehicles and crew	188	62	125	125
Review of budget targets	30			
Allowance to comply with statutory accounting changes	15	(15)		
Total cost pressures	**2,216**	**597**	**653**	**669**
One-off adjustments:-				
Budget Carry forwards	(348)			
LDF	(30)			
CBH Inflation	(13)			
Wiring costs	(20)			
Additional Comms and marketing	(45)			
One-off adjustments	**(456)**	**0**	**0**	**0**
Total	**1,760**	**597**	**653**	**669**
Growth Items				
Affordable homes				

Contribution to Strategic plan priorities	65			
Total	**65**	**0**	**0**	**0**

Savings (incl. one off adjustments)				
Efficiencies, income and service reviews				
Sport & leisure	(100)			
Commercial Assets	(50)	50	(142)	

	2019/20	2020/21	2021/22	2021/22
	£'000	**£'000**	**£'000**	**£'000**
Commercial Company assumptions	(107)	(135)	(130)	
Customer Futures 2	(228)			
Waste and Zones Review	(500)	(218)	(30)	
Central Services Review	(150)			
Environment & communities	(150)			
Museums	(29)			
Temporary housing	(40)			
Budget reductions				
Arts Grant	(50)			
LCTS grant to parishes	(7)			
Business grants	(75)			
Total	**(1,486)**	**(303)**	**(302)**	**0**

Change in use of New Homes Bonus for one off investment				
Reduction due to falling grant	(28)	(525)	(53)	(33)
Increase due to change in use for base budget	200	200	200	200
Total saving	**172**	**(325)**	**147**	**167**
Reduced investment from NHB - affordable homes				
Total reduced one off investment funded by NHB	**172**	**(325)**	**147**	**167**

Use of / contribution to Reserves				
One offs	(200)			
Use of balances - pensions	(1,586)	(1,586)	(1,586)	(1,586)
Use of NEPP reserve	185	185	185	185
Business Rates Reserve	(406)			
Total	**(2,007)**	**(1,401)**	**(1,401)**	**(1,401)**

New Homes Bonus Grant				
Basic NHB	(3,252)	(2,727)	(2,674)	(2,641)
Affordable Homes Bonus	(163)	(163)	(163)	(163)
Total Grant	**(3,415)**	**(2,890)**	**(2,837)**	**(2,804)**

Addressing the Budget Gap
The MTFF shows a budget gap of circa £2.3m over the three years from 2020/21. 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.	The likely impacts from the 'leave' decision are unclear. However, as the 29 March withdrawal deadline approaches, the likelihood of a 'no deal' Brexit is increasing. This would mean no transition period and impacts that may increase the level of budgetary risks to the Council. These include: • Any changes to the announced public sector funding levels including New Homes Bonus • Any impact on the Council's business rates 'tax base' • Any impact on the Council's treasury management costs arising from interest rate changes. • Any impact of an economic downturn on public sector funding, the costs of supplies and services, and commercial income • Increased demand on services such as housing and homelessness, emergency planning and community safety
Government Funding / Business Rate Retention Scheme	The MTFF includes the removal of 'RSG for 2019/20. This is the final year of the 4 year settlement and a new spending review is expected. 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 2019/20 we will retain an extra £1,600k of business rates income above our baseline figure. The business rates revaluation took effect in 2017/18 and the risk and impact of business rate appeals remains an area of concern. The Government's Fair Funding review and plan to move to 75% business rate retention could result in significant funding changes for CBC. The MTFF allows for:- • The reduction in funding assumed in the 4 year settlement (the negative RSG) • A further £500k reduction in funding in 20/21 and each year thereafter. These planning assumptions will need to be updated as more detailed information is released during the year.
Welfare Reform (including Local Council Tax Support -	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

Risk / Area of uncertainty	
LCTS)	welfare reforms and demands on Council services will need to be considered during the period of the MTFF.
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 2019/20 budget for the New Homes Bonus based on the notified grant.
Pensions	In the 17/18 budget an allowance was built in for an increase in pensions costs based on the results of the actuarial review. In addition the budget allowed for the payment of the deficit for the next three years in one payment. This was partly funded from reserves which are being repaid in 18/19 and 19/20. In 20/21 it will be necessary to reflect the deficit costs resulting from the next actuarial review which is due to be reported in the Autumn. The assumption in the MTFF is that this is again funded in the same way as it has been in 17/18, however, this will need to be considered as part of the 20/21 budget.
Fees and charges and other income	In the past few years we have experienced a number of pressures arising from changes in income levels. In 2018/19 the main pressure has been in respect of sport and leisure. Targets in respect of parking and planning are broadly expected to be on budget. Looking ahead to 2019/20 some changes have been made to income targets. For example, the planned additional income from sport and leisure has been removed in 19/20 and from the MTFF. With the planned new Northern Gateway sports scheme due to open in the next financial year it is necessary to prepare a revised comprehensive business plan to ensure that forecasts made are realistic. The 2019/20 budget includes the assumed dividend payment from Colchester Commercial Holdings Ltd (CCHL). This is an increase on the forecast for the current year with further increases to this assumed for later years in the MTFF. These continue to be reviewed to ensure they remain realistic and achievable.
Inflation	An allowance for general inflation including pay has been built into the 19/20 forecast and MTFF. The pay award has already been agreed for 2019/20 which helps to provide certainty in the budget for next year. Beyond that an allowance has been made for a 2% increase as a planning assumption. 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. An increased allowance has been made for energy prices next year.
Use of reserves	The budget position for 2019/20 includes proposals to use certain reserves mostly for one off items. The MTFF includes some assumptions in respect of reserves but these are mostly

Risk / Area of uncertainty	
	associated with the funding of the pensions deficit payment.
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
Property review	A review of our assets was carried out and a 5-year Building Repairs and Maintenance Plan produced. There 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 2019/20 budget forecast includes an additional allocation of £150k in respect of planned repairs. The adequacy of this arrangement will be kept under review and consideration given to whether this contribution needs to be further increased for future years.
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. It is necessary to consider whether there is a need for additional resources in these or other areas in order to maintain levels of service. The 19/20 includes an allowance for additional resources for waste and recycling services and the MTFF includes further planned investment.
Delivery of budget savings	The 2019/20 budget includes c£1.5m of savings, increased income or budget reductions. The savings and income forecasts 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 20/21 budget. As referred to earlier one of the main areas to consider is the assumptions linked to the Council's commercial companies.
Net Interest earnings and investments	The budget is influenced by a number of factors including interest rates and cashflow movements. 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 continue to be considered as part of future budget updates.
Capital Programme (incl. RIF)	The Council's capital programme (incl. Revolving Investment Fund – RIF) has grown in recent years to reflect significant new schemes such as projects in the Northern Gateway area and lending to the Council's commercial companies. A number of these schemes include complicated funding arrangements that can give rise to short term cashflow costs. The RIF Committee has agreed changes to balance the programme and the Cabinet and Council has agreed funding arrangements in respect of the Northern Gateway Sports Project. However, there remain a number of assumptions in respect of the

Risk / Area of uncertainty	
	delivery of capital receipts and forecast dividends from agreed housing developments which require close monitoring. It is also important to note that there are projects under consideration by the Council for which ongoing funding has not been agreed. As such consideration may need to be given to how new projects may be funded.

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

Capital Programme

Service / Scheme	Total Programme £'000	Spend to Q3 £'000	Projected Expenditure 2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	(Surplus) / Shortfall £'000
SUMMARY							
Communities	10,026.5	760.5	2,153.3	5,922.9	1,650.3	300.0	0.0
Environment	6,401.6	69.0	2,648.9	3,401.5	351.2	0.0	0.0
Policy & Corporate	45,790.4	2,258.4	14,132.6	25,646.6	6,011.2	0.0	0.0
Revolving Investment Fund (RIF)	36,510.3	4,833.8	10,815.7	23,713.2	1,981.4	0.0	0.0
Completed Schemes	231.4	81.3	231.4	0.0	0.0	0.0	0.0
Total (General Fund)	**98,960.2**	**8,003.0**	**29,981.9**	**58,684.2**	**9,994.1**	**300.0**	**0.0**
Housing Revenue Account	12,807.6	5,934.2	12,807.6	0.0	0.0	0.0	0.0
Total Capital Programme	**111,767.8**	**13,937.2**	**42,789.5**	**58,684.2**	**9,994.1**	**300.0**	**0.0**

Service / Scheme	Total Programme £'000	Spend to Q3 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	(Surplus) / Shortfall £'000
COMMUNITIES							
Tiptree P C - Store & WCs S106	89.1	0.0	89.1	0.0	0.0	0.0	0.0
St Luke's Church Hall Tiptree	48.5	2.9	48.5	0.0	0.0	0.0	0.0
Stanway Scout Hut	158.2	41.6	158.2	0.0	0.0	0.0	0.0
Headway Essex S106	10.0	0.0	10.0	0.0	0.0	0.0	0.0
Walls - new merged scheme	126.5	16.6	22.5	60.0	44.0	0.0	0.0
Heritage Lighting	200.0	0.0	0.0	200.0	0.0	0.0	0.0
Mercury Theatre Redevelopment Phase 2	6,390.7	389.1	1,000.0	4,640.7	750.0	0.0	0.0
Cemetery Extension	38.6	0.0	0.0	38.6	0.0	0.0	0.0

Service / Scheme	Total Programme £'000	Spend to Q3 £'000	Projected Expenditure 2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	(Surplus) / Shortfall £'000
Cemetery Exterior Lighting	20.0	0.0	0.0	20.0	0.0	0.0	0.0
Mandatory Disabled Facilities Grants	2,657.3	300.2	700.0	801.0	856.3	300.0	0.0
Private Sector Renewals - Loans and Grants	287.6	10.1	125.0	162.6	0.0	0.0	0.0
TOTAL - Communities	**10,026.5**	**760.5**	**2,153.3**	**5,922.9**	**1,650.3**	**300.0**	**0.0**
ENVIRONMENT							
Shrub End Depot	1,040.5	0.0	0.0	840.5	200.0	0.0	0.0
Waste Collection Strategy	17.7	0.0	17.7	0.0	0.0	0.0	0.0
Shrub End - Fuel Tank	50.0	39.0	50.0	0.0	0.0	0.0	0.0
Waste Fleet Vehicles	4,912.2	0.0	2,200.0	2,561.0	151.2	0.0	0.0
Wivenhoe Adult Gym	16.0	0.0	16.0	0.0	0.0	0.0	0.0
Castle Park Cricket Pavilion Extension S106	125.0	0.0	125.0	0.0	0.0	0.0	0.0
Castle Park Improvements	192.7	11.0	192.7	0.0	0.0	0.0	0.0
Mile End Sports Ground	22.5	19.0	22.5	0.0	0.0	0.0	0.0
Highwoods Country Park - Coffee Shop improvements	25.0	0.0	25.0	0.0	0.0	0.0	0.0
TOTAL - Environment	**6,401.6**	**69.0**	**2,648.9**	**3,401.5**	**351.2**	**0.0**	**0.0**
POLICY & CORPORATE							
Assistance to Registered Housing Providers	36.0	0.0	0.0	36.0	0.0	0.0	0.0
Use of 1-4-1 Right to Buy Receipts	1,346.0	224.7	671.7	522.1	152.2	0.0	0.0

Service / Scheme	Total Programme £'000	Spend to Q3 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	(Surplus) / Shortfall £'000
			Projected Expenditure				
Purchase of properties for temporary accommodation	2,880.0	1,904.6	2,880.0	0.0	0.0	0.0	0.0
Lending to new Council Housing Company	27,886.0	0.0	1,623.0	21,304.0	4,959.0	0.0	0.0
Equity Investment in CCHL	7,300.0	0.0	7,300.0	0.0	0.0	0.0	0.0
District Heating Project North	137.1	25.3	137.1	0.0	0.0	0.0	0.0
Colchester Northern Gateway Heat Network	5,900.0	0.0	1,300.0	3,700.0	900.0	0.0	0.0
CCTV Monitoring	111.1	0.0	111.1	0.0	0.0	0.0	0.0
Charter Hall - improvements	109.7	103.8	109.7	0.0	0.0	0.0	0.0
LWC - Aqua Springs Refurbishment	84.5	0.0	0.0	84.5	0.0	0.0	0.0
TOTAL - Policy & Corporate	**45,790.4**	**2,258.4**	**14,132.6**	**25,646.6**	**6,011.2**	**0.0**	**0.0**
REVOLVING INVESTMENT FUND							
Northern Gateway North	89.5	32.8	89.5	0.0	0.0	0.0	0.0
CNGN - Mile End Cricket	122.2	108.2	122.2	0.0	0.0	0.0	0.0
CNGN - Sports Hub	24,481.4	1,679.9	5,500.0	17,280.0	1,701.4	0.0	0.0
Northern Gateway South	204.0	182.0	204.0	0.0	0.0	0.0	0.0
CNGS - Detailed Planning	923.8	324.2	923.8	0.0	0.0	0.0	0.0
CNGS - Boulevard	3,471.2	0.0	100.0	3,371.2	0.0	0.0	0.0
CNG - Marketing & Branding	11.5	11.5	11.5	0.0	0.0	0.0	0.0
Town Centre	3,480.6	1,018.4	1,076.0	2,124.6	280.0	0.0	0.0
Jacks - St Nicholas St	337.4	52.9	337.4	0.0	0.0	0.0	0.0
St Nicholas Square & Balkerne Gardens	55.0	28.7	55.0	0.0	0.0	0.0	0.0
Sheepen Road	4.0	4.0	4.0	0.0	0.0	0.0	0.0

Service / Scheme	Total Programme £'000	Spend to Q3 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	(Surplus) / Shortfall £'000
			Projected Expenditure				
Sheepen Road Phase 2	2,204.0	1,372.7	2,204.0	0.0	0.0	0.0	0.0
St Botolphs Public Realm	155.0	0.8	50.0	105.0	0.0	0.0	0.0
East Colchester Enabling Fund	217.4	0.0	50.0	167.4	0.0	0.0	0.0
Breakers Park	69.0	0.0	12.0	57.0	0.0	0.0	0.0
Site Disposal Costs	4.8	0.0	4.8	0.0	0.0	0.0	0.0
Moler Works Site	2.5	0.0	2.5	0.0	0.0	0.0	0.0
CMP Phase 3 - PV Systems	95.4	0.0	0.0	95.4	0.0	0.0	0.0
Digital Strategy - feasibility	182.6	17.7	40.0	142.6	0.0	0.0	0.0
Sport & Leisure Asset Review	120.0	0.0	0.0	120.0	0.0	0.0	0.0
Grow-on former Queen St Bus Depot	19.0	0.0	19.0	0.0	0.0	0.0	0.0
Broad Lane Sports Ground Wivenhoe	10.0	0.0	10.0	0.0	0.0	0.0	0.0
Pre development/feasibility funds	250.0	0.0	0.0	250.0	0.0	0.0	0.0
TOTAL - RIF	**36,510.3**	**4,833.8**	**10,815.7**	**23,713.2**	**1,981.4**	**0.0**	**0.0**
COMPLETED SCHEMES (OR WHERE RETENTION ONLY OUTSTANDING)							
Creative Business Centre	0.6	0.0	0.6	0.0	0.0	0.0	0.0
Colchester Business Centre	1.8	1.8	1.8	0.0	0.0	0.0	0.0
LWC - Health & Fitness Extension	16.0	15.7	16.0	0.0	0.0	0.0	0.0
Oak Tree Community Centre Roof	20.5	0.6	20.5	0.0	0.0	0.0	0.0
Lion Walk Activity Centre	1.4	0.0	1.4	0.0	0.0	0.0	0.0
Garrison Gym Rebuild	29.0	28.0	29.0	0.0	0.0	0.0	0.0
Old Heath Recreation Ground Improvements	30.3	0.2	30.3	0.0	0.0	0.0	0.0

Service / Scheme	Total Programme £'000	Spend to Q3 £'000	Projected Expenditure 2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	(Surplus) / Shortfall £'000
Longridge Toddler Play Area	25.0	25.0	25.0	0.0	0.0	0.0	0.0
Relocation of Museum Resource Centre	13.3	11.3	13.3	0.0	0.0	0.0	0.0
Replacement of Cremators	4.8	0.0	4.8	0.0	0.0	0.0	0.0
St Johns Car Park	7.8	0.0	7.8	0.0	0.0	0.0	0.0
Local Authority Carbon Management (LACM)	82.2	0.0	82.2	0.0	0.0	0.0	0.0
Mercury Theatre Redevelopment Phase 1	(1.3)	(1.3)	(1.3)	0.0	0.0	0.0	0.0
TOTAL - Completed Schemes	**231.4**	**81.3**	**231.4**	**0.0**	**0.0**	**0.0**	**0.0**
HOUSING REVENUE ACCOUNT							
Housing Improvement Programme	9,359.0	3,948.0	9,359.0	0.0	0.0	0.0	0.0
Adaptations to Housing Stock	618.0	609.6	618.0	0.0	0.0	0.0	0.0
Sheltered Accommodation	350.0	320.4	350.0	0.0	0.0	0.0	0.0
Housing ICT Development	477.3	1.0	477.3	0.0	0.0	0.0	0.0
Purchase of properties - HRA	2,003.3	1,055.2	2,003.3	0.0	0.0	0.0	0.0
TOTAL - Housing Revenue Account	**12,807.6**	**5,934.2**	**12,807.6**	**0.0**	**0.0**	**0.0**	**0.0**

Appendix N

Impact of Budget Strategy 2019/20

A new Strategic Plan was agreed at full Council in February 2018. During 2019/19 Cabinet agreed to allocate funding for the priorities in this plan across a range of themes. In total additional funding of £1.95m was identified to support the eight themes identified:-
:

- Create Transport for Colchester
- Clean up and promote the Town Centre
- Fight Crime and Improve Community Safety
- Reduce Homelessness
- Enterprising Colchester
- Sports and Health for All
- Reform and Refresh
- Co-operation

Some funding agreed in year will actually be spent during 2019/20. For example, the £0.3 million allocated to jointly funding additional police resources. In addition, other allocations are likely to be spent in 2019/20.

The budget for 2019/20 has been prepared in continuing difficult financial conditions. There continues to be reductions in the amount of money we receive from Government and from 2019/20 the Council no longer receives any core Revenue Support Grant (RSG).

The New Homes Bonus (NHB) 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. Proposals within the budget report for using the NHB include allocation of funds to continue or add to those made during 2018/19. For example, additional funding for community safety and highways and transportation
The NHB is also being used to contribute to funding to build a new sports facility at Northern Gateway with provision also being made for the initial setup and running costs.

Funding is being made available to invest in vehicles and staff to ensure that the waste and recycling service can meet the needs of the growing population. With capital funding identified to invest in depot facilities.

The Revolving Investment Fund (RIF) continues to set out a number of funding allocations to support major projects such as Northern Gateway as well as funding within the Town Centre and East Colchester.

In order to balance the budget whilst still preserving reserves for the future requires savings to be made or additional income to be secured. Where possible these have been identified through service reviews which focus on how the service is delivered and not just how savings can be made.
Reductions to grants to external organisations have been made. However, these needs to be seen in the context of other funding decisions For example, the reductions in arts grants can be viewed alongside the investment being made in capital projects for both the Mercury Theatre and Colchester Arts Centre.

CAPITAL STRATEGY 2019/20 to 2024/25

1. Introduction

1.1. As a result of changes to the Prudential Code and statutory requirements in relation to Non-Treasury Management investments(for example commercial and retail investments not related to local economic development), the Council is required to prepare, give due consideration to and approve as part of the budget process and long term financial planning; a Capital Strategy.

1.2. A Capital Strategy, provides the foundation of robust and effective long-term planning (financial and non-financial) for capital investment by the Council both in its own operational assets, as a partner in economic redevelopment, and in the provision of social care, social housing and community services within its local area.

1.3. In addition, as a result of the 'commercialisation' agenda and the need to close ongoing budget gaps, many Local Authorities are considering 'commercial investments' both within and out with their local boundaries; and investment in other organisations to support public services (for example investment in Local Authority companies to deliver services – 'service investments'). Both these investments are classified as 'Non Treasury Management' Investments

1.4. Under the prudential framework, Local Authorities are required to consider and identify their risk appetite for treasury investment and manage these risks appropriately. The updated prudential framework clarifies that the same evaluation and management of risk should be taken for Non-Treasury Management investments such long term property investment; and that these requirements be set out in the Council's prudential framework and capital strategy. Thus ensuring that investment and associated funding decisions are taken with full knowledge and management of the associated risks and with a view to deliver sustainable long term financial planning.

2. Context

2.1. The Council's operational assets are one of its most valuable resources in delivering services for the benefit of its local community. The Council's Property, Plant and Equipment, Heritage and Intangible assets account for 88.8% of the Council's gross balance sheet value of £608.929m as at 31 March 2018. The most significant Council owned operational assets are the housing stock of 5945 properties, with a net value of £344.203m as at 31 March 2018.

2.2. As at 31 March 2018, the Council held £39.9m in Investment properties (commercial investments); comprising 104 commercial and retail properties, 3 carparks and 18 other sites, all within the district. The total net income from these properties was approximately £2.0m, which reflected 0.01% of the Council's net spend in 2017/18. Providing a yield of return of 5%.This level of non-treasury management investment is not disproportionate to the Council's total income stream; therefore presenting at present minimal risk to long term financial planning and ongoing service delivery were rental incomes for these properties to materially reduce. However, going forward the Council needs to set its risk appetite for these investment and related monitoring requirements to manage potential volatility in income. This becomes more important as the investment portfolio develops to include service investments.

2.3. As yet, the Council has not made any investments in its various Local Authority Companies to support future service delivery. A temporary loan of £0.462m has been made to subsidiaries within Amphora Holdings Ltd, to provide cashflow support in the short term. This loan is repayable on 31 March 2019.

2.4. Effective asset planning ensures that the Council's assets maintain their value, full operational capability and provide maximum income generation where required; supporting the Council's long term service objectives.

2.5. In addition the Council manages external funding (S106 contributions and external funding via grants) of £8.8m as at 31 March 2018 to deliver projects and new assets which support regeneration, facilitate social care requirements and community aspirations.

2.6. After numerous years of rationalising its operational assets and the downturn in council house sales, the Council has limited capacity to generate capital receipts apart from its available land and local commercial holdings. Therefore, in capital investment terms, the Council has become a facilitator in terms of sourcing and managing external public and commercial funds for local investment in line with the Council's Strategic Plan.

2.7. The overarching aim of the 2019/20 to 2024/25 Capital Strategy is to provide a framework within which the Council's capital investment plans are to be delivered. It has been prepared to cover a five year timeframe; however recognising that there are some uncertainties in relation to later years, the Strategy focuses on 2019/20 to 2021/22 in detail.

2.8. To be effective the Capital Strategy needs to link to the Local Plan, the Council's corporate objectives and various strategies; including the Medium Term Financial Strategy, Treasury Management Strategy and Prudential Code, Asset Management Strategy, Economic Development Strategy, Housing Revenue Account Business Plan and Asset Management Plan, etc.

2.9. The draft Local Plan (2017-2033), which was submitted to the Planning Inspector in October 2017 outlines the strategy for growth in the district to 2033 and beyond, setting the vision, long term aims and aspirations for the local area. The key element of the draft Plan is the identification of the ambition for high-quality, strategic scale development in North Essex.

2.10. Given the following factors, the Council has a significant part to play as a key enabler in delivering the Local Plan:

- owner of substantial land and property holdings for economic development,
- enabler for both government and other external funding,
- negotiator for S106 planning contributions and obligations.

2.11. The Council's capital investment plan is driven by the Council's Strategic Plan, which is linked to the Local Plan. The Strategic Plan is the Council's key strategic document and outlines the Council's contribution, both as facilitator and enabler in delivering the Local Plan and local strategic objectives. The Strategic Plan was approved by the Council in February 2018 and identified 8 key themes:

- Create Transport for Colchester
- Clean up and Promote the Town Centre
- Fight Crime and Improve Community Safety
- Reduce Homelessness
- Enterprising Colchester
- Sports and Health for All
- Reform and Refresh – to look at alternative delivery models for services and identify efficiencies in delivering services
- Co-operation – to work with all those wanting to improve life and prospects within the Borough

2.11 In order to prioritise limited capital resources, the capital strategy and associated capital projects need to align and achieve determined outputs in relation to the key themes within the Strategic Plan.

3. The principles of the Capital Strategy

3.1 The overarching principles of the Capital Strategy are detailed below:

- The Council will set and approve the strategic direction of the Council's long term capital investment and funding allocation; by approving an annual capital strategy. The strategy will be approved as part of the budget setting process and considered alongside with:
  - The General Fund budget setting report (including the capital programme) and Medium Term Financial Plan,

- The Housing Revenue Account Business Plan, associated budget report, capital asset management plan and Housing Investment Programme, and
- The Treasury Management Strategy and prudential framework.

- The Housing Revenue Account (HRA) investment Programme (HIP) will be approved by Council annually in conjunction with the HRA business plan and asset management plan and associated budget report. The funding of the five year HIP will be in line with the funding priorities identified at paragraph 5.3.7
- Cabinet (including the Revolving Investment Fund Cabinet Committee) will approve new capital investment and associated funding in line with the principles of the capital strategy and on the basis of a robust business case.
- The priority in delivering the capital strategy will be to support all schemes already approved in the capital programme and contractually committed to enable schemes to proceed and complete.
- Robust review and scrutiny of the capital programmes progress (both in financial and non-financial terms) will be undertaken on a quarterly basis by members of the Audit and Governance Committee and Scrutiny Panel, with any recommendations from these forums being referred to Cabinet. In addition, senior officers undertake internal review and challenge on a quarterly basis through Project Management Board.
- The Council set up and maintains a Revolving Investment Fund (RIF), to improve the commercial management of the Council's disposal of assets, capital investment and drive forward long term income generation projects. The governance of the fund is the responsibility of the RIF Cabinet committee. In line with these objectives the key mechanics of the RIF are:
    - Develop and set reinvestment strategy for a rolling 5 year programme, including the establishment of high rental growth projects and agree annual capital funds to be set aside for capital investment.
    - Ensure robust project management processes are in place to identify and manage projects within the RIF and associated funding requirements, and related risks.
    - Capital receipts generated by RIF projects are to be reinvested in the RIF to fund future projects.
- The Council will maximise the application and community benefit realised as a result of S106 financial and non-financial contributions. Appropriate records will be maintained and action planned to ensure that the Council fulfils its obligations under individual S106 agreements.
- With regards to non-treasury management investments, the Council will formalise the required performance and risk criteria for such investments, which will be required to be met. Ongoing monitoring arrangements will also be formalised, to enable effective due diligence and management of the Council's risk appetite.
- The Council will consider any option for external funding (central government, other public bodies or private sector) of capital investment in line with its strategic objectives. Proposals will be robustly reviewed, with match capital funding being identified and prioritised and long term revenue implications and financial liabilities for the Council, being comprehensively and clearly

identified and included in the Council's Medium Term Financial Plan as appropriate.

4. Priority Areas for Investment

4.1 The priority investment areas identified for the 2019/20 to 2024/25 period are covered below. Future schemes will be taken forward subject to available resources and the approval by Cabinet of a relevant business case.

Existing programme

4.2. There is a requirement for the continued funding on existing key schemes:

- Mercury Theatre redevelopment Phase 2 – Forecast cost of c£6.4m for the period 2018/19 to 2020/21, with external funding totalling c£5m and Council funding of c£1m.
- The first phase of the replacement of the Council's vehicle fleet, including waste and street cleaning vehicles - £4.9m for 2018/19 to 2020/21. A substantial part of the Council's vehicle fleet is leased, a financial review has identified cost savings for the council where the fleet is directly purchased and maintained on a contract basis.
- Disabled Facilities Grants – total budget £2.657m to support private sector tenants to remain in their own homes. Funding over a four year period from 2018/19 of which £1.993m financed from central government grant.
- Financial support to the Council's Commercial companies to deliver investment in housing and regeneration and provide a long term income return for the Council through various commercial undertakings - c£41m
- Various RIF schemes to deliver investment in the local area and generate long term revenue and capital income for reinvestment – c£37m.
- Ongoing investment in the Council's Housing stock and repurchase of Right to Buy properties to add to the housing stock - £12.808m for 2018/19.

4.3 In addition the following new schemes will require approval to progress and consideration for future funding:

- The ongoing replacement of the Council's vehicle fleet,
- Development of sports, leisure and health facilities within the district, supported with external funding,
- Town Centre regeneration,
- The ongoing development of commercial property on Council land to generate long term revenue income, and
- Housing Investment Programme (HIP) 2019/20 to 2024/25 totalling £117.295m, agreed in principle by Cabinet for ongoing stock investment and adaptions, development of new housing stock(including the ongoing redevelopment of garage sites) and acquisitions(including buy back of Right to Buys). A report elsewhere

on this agenda details the 2019/20 HIP to be approved totalling £20.851m and provides details of ongoing investment for the HRA.

5. Capital Resources to Support Capital Investment

5.1 The Council's strategy for deploying resources is to ensure that all resources are utilised effectively to achieve the Council's long term investment objectives in line with the Strategic Plan, even where resources are available through national initiatives.

5.2 Cabinet and the RIF will evaluate and approve all bids for resources and approve any revisions to the capital programme.

5.3 There are a range of methods of funding the Council's capital investment:

5.3.1 Capital Receipts

Apart from Housing Revenue and RIF capital receipts, the Council will ensure that it takes full advantage of the freedom and flexibility arising from the withdrawal of national ring-fencing of capital receipts. In addition, all non ringfenced capital resources will be pooled into a corporate capital resource. This resource will be managed so that only schemes which can demonstrate the attainment of Council capital priorities will be allocated funds.

As the Council has limited capital receipts which are not ringfenced, the Council is unable to make use of MHLG dispensation to use these resources for transformational projects which are expected to deliver future ongoing revenue savings up until 2022. Should this provision become feasible for application locally, the Council will reconsider the use of this government dispensation.

5.3.4 Government and other Public Sector Funding

Government Grants for Capital schemes are usually ringfenced, that is they have restricted use to deliver a particular scheme and outputs. For example Disabled Facilities Grants, Arts Council funding, etc.
Where there is a requirement to make an application for government funding, with the requirement for match funding from Council resources; a business case is required to be prepared and reported to the relevant body responsible for governance. This must justify the bid for resources prior to the application for funding, to ensure that those charged with governance are aware of the terms of funding and the associated risks in delivering the scheme and abiding by the required restrictions.

5.3.3 S106 Contributions

S106 of the Town and Country Planning Act 1990;enables local authorities to negotiate a ‘planning obligation’ to either improve the quality of the development or overcome difficulties which would otherwise result in planning permission being refused. The Council may receive funds to enable it to undertake works arising from these obligations, for example provision of affordable housing, improved transport facilities, provision of additional open space, etc.
The council is bound by the conditions of the funding agreements and failure to deliver the planning obligation in line with the agreement, will result in funding being repaid.

5.3.4 Revenue Contributions

Revenue resources can be used to fund capital investment as long as it can be proven that the revenue budget is not restricted and is within budget.

5.3.5 Capital Expenditure and RIF Reserves

These two revenue reserves can be used to finance future capital investment.

5.3.6 Use of Leasing

Some of the Council’s assets are currently financed by a lease arrangement, for example refuse vehicles and street sweepers. With the reduction in interest rates and the Council’s policy of financing new assets from internal borrowing, this finance option has become more expensive. The Council will consider leasing arrangements which could offer value for money.

5.3.7 Funding Housing Revenue Account Investment

For HRA capital investment, source of resources, and the priority order in which it is assumed they will be used to fund capital expenditure in the 2019/20 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

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.

Finally, should there be insufficient revenue resources to fund the overall programme the assumption is that the Council will undertake HRA borrowing to fully fund the HIP. This is assumed to be the lowest priority source of funding, to minimise the resultant additional interest costs that would be incurred by the HRA. Further borrowing will be undertaken following the Council's Treasury Management Strategy and prudential borrowing code. The Council has a statutory duty to self-manage its external borrowing and ensure that it is affordable in the long term. For the HRA, this has become more important with the removal of the 'debt cap' in the October 2018 Budget announcement.

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.

5.3.8 Private Finance Initiatives

This method of funding can be used to fund major new schemes, such as infrastructure, schools, etc. Such schemes involve partnership between public and private sector, funding public sector capital investment from private capital. The Council has no such schemes at the moment and there is no intention to fund capital investment this this way.

6. Knowledge and skills

6.1 The Council employs qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Where Council staff do not have the knowledge and skills required, use is made of external advisors and consultants that are specialist in their field. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

7. Going Forward

7.1 As the Council's capital strategy develops consideration will be given to criteria for performance and risk management to provide full due diligence for Non-Treasury Management investment.

Treasury Management Strategy Statement

Annual Investment Strategy, Borrowing Strategy and Minimum Revenue Provision Policy Statement 2019/20

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 line with the Treasury Management Policy, which includes the Council's risk appetite for treasury management investments.

1.2 The second main function of the treasury management service is the funding of the Council's capital plans, in line with the Council's Capital Investment Strategy. 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 investment 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 organisations borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.4 The strategy for 2019/20 covers the following Capital and Treasury Management issues:

- the economic background and prospects for interest rates under which the Council's Treasury Management Strategy is set;
- the current treasury position;
- the capital plans and the prudential indicators;
- treasury indicators which limit the treasury risk and activities of the Council;
- the borrowing strategy;
- the policy of borrowing in advance of need;
- debt rescheduling;
- the investment policy and strategy, and credit worthiness policy;
- The Minimum Revenue Provision Policy (MRP);
- reporting requirements;
- training requirements; and
- the policy on use of external service providers.

1.5 The CIPFA Code of Practice for Treasury Management in Public Services (the TM Code), the CIPFA Prudential Code 2017, statutory Investment guidance 2018, and statutory MRP guidance 2018 and various associated guidance regulates the Council's treasury activities.

2 *External Context*

Economic Background

2.1 The UK's progress negotiating its exit from the EU together with future trading arrangements will continue to be a major influence on the Council's Treasury Management Strategy for 2019/20. The markets are assuming that a deal will be struck and some agreement will be reached on transition and future trading arrangements before the UK leaves the EU. There is however still the possibility of a 'no deal' Brexit hanging over economic activity. The risk to the interest rate forecast are considered to be to the downside.

2.2 A full economic outlook as provided by the Council's treasury advisor is detailed at **Appendix P (1**), with the forecast for interest rates included at **Appendix P(2)** A recent Fitch creditworthiness outlook for 2019 is summarised as follows:

i) Global growth is expected to remain positive, however peak growth has clearly passed
ii) Main Global Risks:
   - Global trade – persistent risks due to changing US trade policy
   - Global financial tightening – higher interest rates and an end to Quantative Easing.
   - Government debt levels – remain high in developed markets, growing fast in emerging markets.
   - Geopolitics – populism, Italy, Brexit, elections in key emerging markets (Argentina, Nigeria, S.Africa), Korean peninsula, Middle East.
iii) 2018 stood out as a year where sovereign upgrades outnumbered downgrades, Fitch does not expect this to continue in 2019.

3. Treasury Position

The following table summarise the Council's current Treasury position:

£'000	31 March 2018 Actual	Dec 2018 Position
Investment		
Managed In House		
Call Accounts - Money Market Funds	13,331	12,330
Notice Accounts	10,030	7,500
Temporary Fixed Deposits - Non Local Authorities	11,529	32,000
Temporary Fixed Deposits - Local Authorities	13,010	7,500
Long Term Investment	6	6
Total Investments	**47,906**	**59,336**
Borrowing		
Short Term Borrowing	5,500	5,500
Long Term Borrowing - PWLB	104,594	104,594
Long Term Borrowing - Market Loans	31,000	31,000
Total Borrowing	**141,094**	**141,094**
Net Investment/(Borrowing)	**-93,188**	**-81,758**

3.1 The table shows the position at the start of the financial year and the position as at 31 December 2018. Investment balances increased by £11.4m, primarily due to the reduction in the need to finance capital schemes; this has resulted in the net borrowing reducing by £11.4m since March 2018.

4 Capital Expenditure and Funding

4.1 In order to inform the Council's investment and borrowing strategy, consideration needs to be given to the Council's future capital investment plans. The table below highlights the current approved programme and new bids submitted as part of the capital programme budget included in the budget strategy for 2019/20. The table is split into General Fund and Housing Revenue Account (HRA) capital expenditure.

Capital Expenditure £'000	**2017/18 Actual**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
General Fund	9,038	29,982	56,684	9,994	300	0	0
HRA	7,967	12,808	26,118	29,860	25,516	18,204	17,492
Total	**17,005**	**42,790**	**82,802**	**39,854**	**25,816**	**18,204**	**17,492**

Capital Expenditure £'000	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Total Expenditure	**17,005**	**42,790**	**82,802**	**39,854**	**25,816**	**18,204**	**17,492**
Financed by:							
Capital receipts	2,768	9,405	11,053	4,028	250	0	0
Capital grants	2,928	3,667	14,291	1,106	300	0	0
Reserves	7,865	10,606	12,416	9,183	9,151	9,091	9,244
Revenue	1,923	5,570	2,449	2,288	3,463	3,648	3,549
Finance leases	230	0	0	0	0	0	0
Net financing need	**1,291**	**13,542**	**42,593**	**23,249**	**12,652**	**5,465**	**4,699**

4.2 The funding of the capital programme is in line with the Council's funding principles included in the proposed capital strategy, reported earlier in the agenda.

5 Borrowing Strategy

5.1 The Council has a statutory requirement to self-manage its external borrowing, ensuring that in the long term borrowing is sustainable and affordable, this has become more important with the abolition of the HRA debt cap.

5.2 CFR is lower than the external debt, as cash supporting the Councils reserves, balances and cash flow has been used as a funding temporary measure. This strategy is prudent when there are low returns on investment and counterparty risk is still a material risk.

5.3 Under these circumstances, and the risks within the economic forecast; caution will be adopted for the 2019/20 treasury operations. The S151 Officer will monitor interest rates and adopt a pragmatic approach to changing circumstances:

- If it was felt that there was a significant risk of a sharp fall in long term and short term rates, then long term borrowing would be postponed, and potential rescheduling form fixed funding into short term funding will be considered.
- If it was felt that there was a significant risk of a sharp rise in interest rates in the long and short term, the portfolio position will be reappraised.
- Any decisions will be reported to Cabinet at the next available meeting.

5.4 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of need, purely to profit from the investment of extra sums borrowed. Any decision to borrow in advance of need will be considered carefully to ensure that the associated risks can be managed, the proposal complies with the Council’s Capital Strategy value for money can be obtained and the security of such funds can be maintained in the long term.

5.5 Debt Rescheduling

Where short term borrowing rates are considerably cheaper than long term fixed interest rates, there will be a potential opportunity to generate savings on interest costs by restructuring the Council’s debt. Such savings will need to be considered in light of:

- the cost of repaying the debt early, and
- the potential for running down investment balances to repay debt, as interest income on investments are likely to be lower than the rates for current debt.

5.6 All rescheduling will be reported to Cabinet at the earliest opportunity.

6 Capital Financing Requirement (CFR)

6.1 The CFR represents what the Council has previously borrowed to finance capital expenditure and its ongoing need to borrow for capital purposes The CFR does not increase indefinitely, as the minimum revenue provision (MRP), a statutory annual revenue charge for borrowing over each assets life reduces the CFR. The CFR includes other long term liabilities such as finance leases. For financial management purposes the CFR is split between the General Fund and the HRA.

6.2 The composition of the CFR is detailed below for the 2017/18 Actual and forecast period to 2023/24:

£'000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
CFR – general fund	26,255	39,797	69,071	74,181	74,181	74,181	74,181
CFR - housing	127,933	127,933	141,252	155,179	167,831	173,296	177,995
Total CFR	**154,188**	**167,730**	**210,323**	**229,360**	**242,012**	**247,477**	**252,176**
Movement in CFR	(409)	13,542	42,593	19,037	12,652	5,465	4,699
Movement in CFR represented by:							
Net financing need	1,290	15,521	44,583	21,030	14,645	7,458	6,692
Assets acquired under finance leases	(445)	(234)	0	0	0	0	0
Less MRP	1,254	1,745	1,990	1,993	1,993	1,993	1,993
Movement in CFR	**(409)**	**13,542**	**42,593**	**19,037**	**12,652**	**5,465**	**4,699**

6.3 As detailed in the HRA budget report, the HRA will repay maturing debt of £17.6m in 2020/21; with an estimated £4.212m being funded from the debt repayment reserve; with the estimated balance of £13.388m being refinanced through new debt in 2020/21.

6.4 The table below compares the projections for the Council's outstanding debt to the CFR forecast for the planning horizon. For the majority of the reporting period the Council's will be sustaining an under borrowed position in delivering the current capital programme forecast.

£'000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
External debt at 1 Apr	136,094	142,500	158,194	202,994	224,241	239,103	246,778
New borrowing	5,000	15,521	44,583	21,030	14,645	7,458	6,692
Other long-term liabilities	1,406	173	217	217	217	217	217
Gross debt at 31 Mar	**142,500**	**158,194**	**202,994**	**224,241**	**239,103**	**246,778**	**253,687**
CFR	154,188	167,730	210,323	229,360	242,012	247,477	252,176
Under / (over) borrowing	**11,688**	**9,536**	**7,329**	**5,119**	**2,909**	**699**	**(1,511)**

6.5 The Council will be required to approve the CFR projections above.

7 Limits on Borrowing Activity

7.1 *Operational Boundary*

The Operational Boundary is the limit beyond which external debt is not expected to exceed. The limit may be higher or lower depending on the levels of actual debt and the ability to borrow from other cash resources.

Operational boundary £'000	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt	148,494	161,788	206,415	227,445	242,090	249,548	256,240
Other long term liabilities	2,074	173	217	217	217	217	0
Total	**150,568**	**161,961**	**206,632**	**227,662**	**242,307**	**249,765**	**256,240**

7.2 Authorised Limit for External Debt

This is a key treasury management indictor and represents a control on the maximum level of borrowing. This is a legal limit, beyond which external debt cannot be breached. The limit needs to be set and revised by full Council. The limit is the level of debt which could be afforded in the short term; but not sustainable in the long term.

Authorised limit £'000	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt	168,660	176,788	221,415	242,445	257,090	264,548	271,240
Other long term liabilities	2,074	173	217	217	217	217	0
Total	**170,734**	**176,961**	**221,632**	**242,662**	**257,307**	**264,765**	**271,240**

7.3 HRA Local Indicator – Interest Cover Ratio

In line with Treasury Management Guidance, a local indicator has considered for the HRA as it is a statutory account. Registered Housing Providers use an interest cover ratio to identify the organisations ability to meet interest costs from the net operating surplus. The ratio for the HRA over the period to 2023/24 is between 1.50 to 1.66, as detailed below:

2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
1.54	1.66	1.5	1.51	1.64	1.62	1.59

8 Maturity Structure of borrowing

8.1 Theses 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. The proposed limits for 2019/20 are unchanged from the 2018/19 strategy limits as follows:

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%

9 Minimum Revenue Provision – Policy Statement

9.1 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.

9.2 Government regulations 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:

9.2 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.

9.3 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.

9.4 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.

9.5 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.

10 Investment Strategy

10.1 The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA, through the Treasury Management Code of Practice; have extended the meaning of 'investments 'to include non-treasury investments. The Treasury Management Strategy covers treasury investments only, non-treasury management investments are covered in the Capital Strategy**.**

10.2 The Council's Investment Strategy and supporting practices are required to be compliant with:

- Guidance for Central Government on Local Government Investments, and
- CIPFA Treasury Management in the Public Sector Code of Practice and Cross Sectoral Guidance notes 2017 (the TM code).

10.3 The Council's investment priorities will be security of investment first, portfolio liquidity second and then yield (investment returns).

10.4 This risk appetite will be delivered through the following key investment principles:

- All investments will be in Sterling;
- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. Risk is also managed through diversification of investment. Short term and long term ratings are used to monitor counterparties;
- Counterparties are also monitored through the use of other information, such as the opinion of the markets and information received through its treasury advisors, financial press, etc.;
- The Council applies the credit worthiness service provided by Link Asset Services, which is based on all three credit rating agencies(Fitch, Moody's and Standard & Poor's) and overlaid with credit watches and credit outlooks from credit agencies, CDS spreads and sovereign ratings; the result being that colour code bands are used by the council to determine the duration of the investment with organisations;

10.5 The types of investment instrument which the treasury management team are authorised to use are detailed at **Appendix P(3),** comprising 'specified' and 'non-specified investments;

  - *Specified Investments* are high level credit quality and subject to a maturity limit of less than 365 days.
  - *Non Specified Investments* are less highly credit quality, may be for periods in excess of 365 days and are more complex instruments, requiring greater consideration by officers and members. A limit of £10m or 25% of the investment portfolio will be set for such investments in 2019/20.

- A limit of £5m will be set for principal investments over 365 days;
- Each counterparty will be set a lending limit, through the use of a matrix table as detailed at **Appendix P(3),** these limits will apply to groups of companies;
- In addition, each type of investment will be set a transaction limit to support diversification;
- Investments will only be placed with counterparties from countries with a minimum sovereign rating of AA-(Fitch) based on the lowest available credit rating, this includes UK counterparties; **Appendix P (4)**
- No more than £15m will be placed with any non UK country at any time;
- Credit ratings will be monitored on a monthly basis, with extreme market movements resulting in the downgrade of the institution or removal from the Council's lending list;
- A bench mark return for 2019/20 of 1.00% is proposed for investments with a maturity of up to three months, this is based on a Bank Rate forecast of 1.25% as at March 2020.

- The Council will consider the implications of investment instruments which could result in an adverse movement in the principal investment amount, which will result in a charge to the General Fund; and
- All credit limits will be continuously monitored for appropriateness.

10.6 The following changes have been made to the credit criteria for 2019/20 compared to 2018/19:

- the Non Specified limit has been reduced to a maximum of £10m and 25% of the investment portfolio, to reflect more fully the risk associated with such investments,
- in preparation for a disorderly Brexit and the possible reduced UK sovereignty rating, the minimum sovereignty rating has been applied to all counterparties, including those in the UK.

11 Reporting requirements

11.1 The Council is currently 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.

11.2 *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).

The report includes the forecast for the impact of the capital programme on treasury management over the following five forecasting years.

11.3 *Mid-Year Treasury Management Report* – This will update members with the progress on the capital position, amending prudential indicators as necessary, and whether any policies require revision. The report in addition to reviewing progress in the current financial year, will include the impact on the following three years forecast.

11.4 *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 and the impact in future years.

11.5 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 Governance and Audit Committee.

12 Treasury Management Consultants

12.1 The Council uses Link 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.

12.2 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.

13 Training

13.1 The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management or scrutiny receive adequate training in treasury management. This especially applies to members responsible for scrutiny. 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.

ECONOMIC BACKGROUND

- **GLOBAL OUTLOOK. World growth** has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the eurozone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we have indeed, seen a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.** At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and was likely to cause a recession in the US economy.

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt, (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

- **UK.** The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

- At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.
- It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.
- **Inflation.** The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.3% in November. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.
- As for the **labour market** figures in October**,** unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.0%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.
- In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.
- **USA.** President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in November, However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the rate and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles, of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world

plunging under the weight of fears around the Fed's actions, the trade war between the US and China, an expectation that world growth will slow, Brexit etc.

- The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation if an agreement is not reached soon between the US and China.
- **Eurozone.** Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.
- **China.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.
- **Japan** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.
- **Emerging countries.** Argentina and Turkey are currently experiencing major headwinds
- and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.
- **INTEREST RATE FORECASTS**
- The interest rate forecasts provided by Link Asset Services in paragraph 3.2 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.
- **The balance of risks to the UK**
    - The overall balance of risks to economic growth in the UK is probably neutral.
    - The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.
- One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

- **Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:**
  - **Brexit –** if it were to cause significant economic disruption and a major downturn in the rate of growth.
  - **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
  - A resurgence of the **eurozone sovereign debt crisis**, possibly in **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. The EU rejected the initial proposed Italian budget and demanded cuts in government spending which the Italian government initially refused. However, a fudge was subsequently agreed, but only by *delaying* the planned increases in expenditure to a later year. This can has therefore only been kicked down the road to a later time. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the words and actions of the Italian government and consequently, Italian bond yields have risen – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
  - Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
  - **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018, (a new party leader has now been elected). However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
  - **Other minority eurozone governments.** Spain, Portugal, Ireland, the Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with. The Belgian coalition collapsed in December 2018 but a minority caretaker government has been appointed until the May EU wide general elections.
  - **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while **Italy,** in 2018, also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
  - Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. Throughout the last quarter of 2018, we saw sharp falls in equity markets interspersed with occasional partial rallies. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
  - There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now

rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.

    - **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

- **Upside risks to current forecasts for UK gilt yields and PWLB rates**
    - **Brexit –** if both sides were to agree a compromise that removed all threats of economic and political disruption.
    - **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
    - The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
    - **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Interest Rate Forecasts 2019 – 2022

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

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
Capital Economics	0.75%	1.00%	1.25%	1.50%	1.70%	1.75%	2.00%	2.00%	-	-	-	-	-
5yr PWLB Rate													
Link Asset Services	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
Capital Economics	2.03%	2.15%	2.40%	2.65%	2.70%	2.75%	2.80%	2.85%	-	-	-	-	-
10yr PWLB Rate													
Link Asset Services	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
Capital Economics	2.43%	2.55%	2.80%	3.05%	3.05%	3.05%	3.05%	3.05%	-	-	-	-	-
25yr PWLB Rate													
Link Asset Services	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.96%	3.08%	3.33%	3.58%	3.53%	3.48%	3.43%	3.38%	-	-	-	-	-
50yr PWLB Rate													
Link Asset Services	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	2.78%	2.90%	3.15%	3.40%	3.40%	3.40%	3.40%	3.40%	-	-	-	-	-

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	£10m	5 years
	Purple	£10m	2 years
	Orange	£10m	1 year
	Blue	£10m	1 year
	Red	£7.5m	6 months
	Green	£5.0m	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
Ultra-Short Dated Bond 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 £15m
- Limit in all Building Societies of £10m

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

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

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

- ***Based on lowest available rating***
  - AAA
    - Australia
    - Canada
    - Denmark
    - Germany
    - Luxembourg
    - Netherlands
    - Norway
    - Singapore
    - Sweden
    - Switzerland
  - AA+
    - Finland
    - U.S.A.
  - AA
    - Abu Dhabi (UAE)
    - France
    - Hong Kong
    - U.K.
  - AA-
    - Belgium
    - Qatar

Updated as at 9.1.2019

	Cabinet	Item **9(i)**
	30th January 2019	
Report of	**Assistant Director of Policy and Corporate**	**Author** **Michael Woods**
Title	**Northern Gateway Heat Network Project: Revised delivery structure to retain assets in Council ownership**	
Wards affected	Highwoods & Mile End	

1. Executive Summary

1.1 The Northern Gateway Heat Network is a flagship project for low carbon heat generation of its type in the UK and has the support of the Department of Business, Industry and Industrial Strategy (BEIS) Heat Network Project (HNIP). This report sets out the recommended revised delivery and governance structure for the Northern Gateway Heat Network and outlines any financial and risk implications for the Council arising from the new proposals. The revised structure is recommended as it provides the opportunity for the Council's wholly owned energy company, Colchester Amphora Energy Ltd (CAEL), to be able to claim Renewable Heat Incentive (RHI) from the Office of Gas and Electricity Markets (OFGEM), which will support the financial returns on the project. The revised proposal will enable the project to spend grant money from the Heat Network Investment Project (HNIP) and claim RHI for which two entities is required.

2. Recommended Decision

2.1 To approve the revised delivery structure set out below for the Northern Gateway Heat Network project

2.2 Note that further work will be required to be undertaken to ensure that HNIP grant and RHI funding conditions are fulfilled; minimising the risk to both organisations.

2.3 To note the financial and risk implications for the Council arising from the revised structure.

3. Reason for Recommended Decision

3.1 To allow CAEL, when the project is complete and selling heat, to be able claim the Renewable Heat Incentive (RHI) and still use the BEIS HNIP Grant money in the construction and installation without any State Aid implications arising.

3.2 To ensure the programme of development remains on track to deliver the heat network infrastructure and to meet the BEIS funding milestones

3.3 To benefit from government revenue funding which supports low carbon developments such as the Northern Gateway Heat Network.

4. Alternative Options

4. 1 Various ways of delivering the project in two entities have been explored including setting up a new company for the infrastructure development and using one of the other CBC owned companies, but all other options have been discounted due to financial or risk reasons.

4.2 Not to agree the recommended revised structure would miss the opportunity to provide a sustainable funding stream into the project, which will add to viability of this ultra low carbon scheme.

5. Background Information

5.1 Cabinet approved the full business case for the development of the Colchester Northern Gateway Heat Network on 15 March 2017. This approved the setup of a Company "to develop the infrastructure and manage the project going forward including the billing and maintenance. The Company would therefore manage the build contract and take a lease direct from the Council for the land, paying the Council a modest rental income." Colchester Amphora Energy Limited (CAEL) was subsequently launched on 1st April 2018.

5.2. The Northern Gateway Heat Network is one of 9 pilot schemes funded by Department of Business Energy and Industrial Strategy (BEIS) through HNIP grant funding, across the country and has national significance due to the innovative use of ground water to generate heat. The Council and CAEL have consulted with and will continue to have an ongoing dialogue with BEIS who sees the scheme in Colchester as having the potential to be "rolled" out on a more national basis following the completion of the scheme. Whilst the technology within the scheme is used widely in Scandinavia and is very successful in generating localised heat, its use in the UK is new.

5.3 Since March 2017, in line with the Cabinet report recommendation, further due diligence has been carried out as part of the company set up and to progress the key elements of the project, including the loan from the Council, which is required as match funding for the project. This work has provided more clarity on the ability for CAEL to be able to spend HNIP grant money, and has led to the understanding that with certain conditions, it would be possible to comply with the spend grant money and claim RHI conditions. This is a change from the position stated in the original business case (Paragraph 5, Cabinet report 15 March 2017) as it was previously understood that by claiming full HNIP grant for the project, RHI could not be claimed.

5.4 The ability to claim RHI has now been fully investigated and it is deemed important to try to secure this additional income flow as it would benefit the financial rate of return for the project during the 20 year duration of the RHI accreditation, but will also provide a secure income stream for CAEL in the early years of company operation and make the company more financially sustainable, which will be important to the Council as the sole shareholder.

6. The Due Diligence Process

6.1 The due diligence work has involved the consideration of alternative delivery structures and the development of the proposed delivery structure; including governance compliance for RHI subsidy. Bevan Brittan LLP were engaged to undertake legal advice and Scrutton Bland Ltd were engaged to undertake the review of any tax implications.

6.2. Bevan Brittan has advised that in order to secure the most financial support for the project i.e. HNIP Grant and RHI, the use of two entities to deliver the project is required;

- One entity that deploys the HNIP grant and owns the Energy Centre and the distribution pipe network.
- A second entity which procures the heat pump and associated equipment, leases the Energy Centre, the distribution pipe network from the first entity, operates the scheme and claims the RHI on heat sold.

6.3 The following alternative structures were considered to achieve the two entities:

- Setting up a new sister company to CAEL
- Using one of the companies already set up and owned by the Council.

6.5 The primary reason for this structure is that RHI cannot be claimed where heat has been generated by equipment that has been purchased with grant funding and this must be clearly demonstrated to OFGEM in an RHI application.

7. The Proposed Structure

7.1 Therefore, in summary the proposed structure is:

- The Council will develop the heat network primarily funded from HNIP. On completion of the scheme the Council will own the Heat Centre and associated distribution infrastructure. The assets will be recorded on the Council's balance sheet. The Heat Centre, the backup system and associated distribution network will be leased to CAEL on a commercially viable lease arrangement.
- CAEL will undertake the borehole work and purchase the heat pump and associated equipment, operate the scheme and sell heat to businesses and residential customers, claiming RHI.
- CAEL leases the completed infrastructure from the Council.

7.2 To clarify the revised governance arrangements, a summary of the proposal is detailed below for the two entities:

CAEL	CBC
Construction To design, build, and own the: • Investigation and implementation of the boreholes • Water Source Heat Pump (WSHP) and associated pipework. The development of the scheme will be managed by CAEL for a fee. *Funding of Capital Costs* • Capital Contribution from the Council from the RIF programme, initially identified at £2.5m To manage the HNIP commercialisation grant *Ongoing Operational Arrangements* To design, build, and own the: • WSHP only. To operate and maintain the: • energy centre building; • Water Source Heat Pump; • back-up system; and	*Construction* To design, build and own the: • energy centre building; • Gas boiler back-up system; and • distribution pipe network The development of the scheme will be managed by CAEL for a fee. Funding of Capital Costs • Application of HNIP Grant in line with grant conditions. • Funding support to CAEL initially identified at £2.5m *Ongoing Operational Arrangements* *To lease the Energy Centre, Backup system and the distribution network to CAEL on a commercial rent basis.*

• distribution network. To distribute heat to all customers and collect associated income. To claim RHI subsidy from OFGEM	
CAEL Revenues	**CBC Revenues**
Heat and Electricity Sales to consumers RHI Funding from OFGEM.	Use of system charge from CAEL Rental for use of energy centre space from CAEL.
CAEL Operating Costs	**CBC Operating Costs**
All fuel costs Use of system payment to CBC Rental costs for energy centre space to CBC Costs to operate, maintain, repair and replace entire system (all Assets) Metering and billing Management (general and finance) and audit	Associated borrowing costs for any capital expenditure not funded from government funding. Management and audit

7.3 Agreements will need to be put in place. The primary agreement being for the use of the system / lease agreement between the Council and CAEL, where CAEL will pay a lease payment for use of the Energy Centre, the backup boiler system and the pipe distribution network and allow CAEL to install the heat pump in the Energy Centre.

7.4 Also given the specialist skills retained in CAEL it is proposed that it will manage the work and contracts on behalf the Council for the construction / installation of the Energy Centre, backup boiler system and pipe distribution network in line with the terms of grant funding.

8. Financial implications

8.1 The revenue budget for 2018/19 had assumed that the Council would have incurred borrowing costs and in turn income from the providing loan finance to CAEL. This net income and also assumptions in respect of the lease income are also included in the 19/20 budget and MTFF. The revised structure to delivering the project does not affect the total cost of the capital scheme but as the Council will incur more costs directly it means that the net income from providing loan finance will be lower by c£16k. This has been allowed for in the 19/20 budget.

9. Strategic Plan References

9.1 The project relates directly to the vision, themes and objectives of the Strategic Plan 2018-21 of “Encourage green technologies through initiatives such as SMART Cities” of which district heating with a low carbon heat source is an example, and the emerging Local Plan 2017-2033 Policy CC1: Climate Change which specifically mentions the Northern gateway.

10. Consultation

10.1 To date no public consultation has been carried out but the project will form part of public consultation for planning consent for the Northern Gateway south side development.

11. Equality, Diversity and Human Rights implications

11.1 None

12. Publicity Considerations

12.1 The Heat Network project is part of the wider Northern Gateway development and will be included the “communication plan” for the whole development. Additionally, there will be some primarily B2B publicity communication to companies / groups interest the heat network delivery and particularly those companies who have expressed interested in becoming suppliers of services and equipment to the scheme. When an installation contractor is selected and ground breaking occurs for the Energy Centre a more specific and intense communication programme on the Heat Network will commence.

12.2 There continues to be much interest in the technology being used on a national and international scale, so the scheme features in a number of trade publications and marketing and publicity being disseminated by BEIS.

13. Community Safety Implications

13.1 None

14. Health and Safety Implications

14.1 None – every health and safety standards will be complied with during the construction process regardless of who the client is.

15. Risk Management Implications

15.1 The following risks have been identified in respect of the whole project;

Risk	Consequence	P	I	Total	Mitigation	Action Owner	Start Date
RHI and State Aid issues complexity	Not able to receive RHI & higher financial return with RHI are not met.	2	4	8	Consultation with HNIP and OFGEM, RHI pre-registration. Careful development & monitoring of budget.	MW	May 2018
Complexity of contractual arrangements	Increased administration costs,	2	2	4	Appropriate legal and technical advice, review of	MW	May 2018

Risk	Consequence	P	I	Total	Mitigation	Action Owner	Start Date
	unforeseen contractual issues				other experience, CAEL is ultimately owned by CBC.		
Delay in decision	Unable to claim RHI	2	4	8	Timely decision	MW	Jan 2019

15.2 The risks associated with the recommended procurement strategy to the time, cost and quality of the project have been minimised in this approach but there remains the risk of unforeseen events such as weather or ground conditions that might affect overall progress of the project. There is a contingency budget in the wider project to allow for any budget overspends in this respect. The costs are tightly managed by the consultant and through the contract and on-site supervision will ensure contractors adhere to this.

Agenda item 10(i)

Extract from the draft minutes of the Council meeting on 6 December 2018

Notice of Motion// Great Jobs

It was proposed by Councillor T. Young that:-

”This Council believes that:

Every job should be a great job. For us that means workers in our Borough should be paid fairly; work in a safe and healthy workplace; be treated decently and with respect; have regular hours; have the chance to be represented by trade unions and be consulted on what matters at work; and get the chance to learn and progress at work and get on in life.

This Council resolves to:

1. Support the TUC’s Great Jobs Agenda which sets out the actions employers and the government must take for every job to be a great job;

2. Ensure, as an employer, we continue providing great jobs for our own employees as well as support and opportunities for personal development;

3. Continue to value meaningful workforce engagement and representation through our recognised trade unions;

4. Continue our work with employers in the Borough to influence their employment practices and to ensure that business growth is sustainable and ethical. This includes our proactive work with the digital and creative industries in Colchester as a good example;

5. Make increasing job quality a key part of the conversation when pursuing local economic development opportunities in the Borough;

6. Use our commissioning and procurement processes, where possible, to raise employment standards amongst those suppliers and providers we work with;

7. Where appropriate engage with government and other bodies who hold regulatory powers to tackle issues which local authorities do not have statutory powers to address directly;

8. Write to our Borough’s MPs informing them of our position and encouraging them to support the Great Jobs Agenda too.”

As the motion related to an executive function, it stood referred direct to Cabinet.

EXTRACT FROM THE MINUTES OF THE MEETING OF THE HERITAGE AND TOURISM TASK AND FINISH GROUP HELD ON 20 NOVEMBER 2018

8. First Capital of Roman Britain / Britain's First Roman City

Katharine Sheppard, Communications Business Partner, together with Claire Taylor, Visitor and Cultural Services Manager provided a presentation to the Group on Branding and the importance of a tourism brand/strapline.

Katharine and Claire also assisted the Group in their discussions on a potential change to the current strap line 'Britain's Oldest Recorded Town'. Claire considered that it was important not to narrow down Colchester's appeal given Colchester had a lot to offer beyond its heritage, and many tourism stakeholders with non-heritage related businesses whilst many potential visitors were not engaged by history or the Romans. Katharine was of the view that a strapline shouldn't be too long, and should flow well when written down or read.

The Chairman welcomed the suggestion to test a potential change in strapline by starting an online public consultation and proposed recommending to Cabinet that 'Britain's First Roman City' be adopted for this purpose.

Philip Crummy was of the opinion that a change to the use of the term First Capital would be open to challenge from London but he welcomed the use 'Roman' within any new strapline as he considered it was this characteristic of the town which set it apart from others. He commented on the Visit Colchester use of the term 'More than Britain's Oldest Recorded Town' and was of the view that it would be more appropriate for this term to be 'Britain's Oldest Recorded Town and more'.

Councillor Barton explained that she had exchanged emails with Jonathan Pearsall who had first suggested the idea of a change in strapline, and he had confirmed his support for 'Britain's First Roman City' whilst Councillor Scordis indicated his preference for 'Britain's Oldest Recorded Town and more'.

The Group agreed to recommend to Cabinet that consideration be given to undertaking an online public consultation on a change to Colchester's strapline from Britain's Oldest Recorded Town' to 'Britain's First Roman City and more'.

Cabinet			**Item 11(i)**
30 January 2019			
Report of	**Assistant Director, Policy and Corporate**	**Author**	**Dan Gascoyne** ☏
Title	**Central Support Futures Review**		
Wards affected			

1. Executive Summary

1.1 This report outlines the proposed service changes and financial savings following a review of Central Support Services.

2. Recommended Decision

2.1 Cabinet is asked to agree the proposed changes and the financial savings.

3. Reason for Recommended Decision

3.1 To ensure services are designed to be fit for the future and that adequate financial savings in relation to the services being reviewed are being achieved.

4. Background Information

4.1 The senior management restructure which came into effect on 1 July 2017 included a clear intention to commence a series of service reviews to be known as "Service Futures". These aim to drive out inefficiencies, progress further cultural change and take full advantage of our investment in Information Technology and more flexible ways of working.

4.2 A review of 'Central Support Services' was commenced in June 2018 and services in scope include Finance, ICT & Communications, Legal & Governance and People & Performance.

4.3 The range of services in scope for this review are shown in Appendix A.

4.4 A savings target of £150,000 (minimum) was agreed for this Review. A saving of £50,000 was built into the HR Service Centre element of the Customer Futures 2 Review, which also needs to be found. In addition to this £200,000 savings requirement, the project team has agreed to use the Review process to seek opportunities to balance ongoing pressures to get onto budget of at least £35,000 annually. As such, a working target of £250,000 was agreed to ensure the review provides a sustainable budget for future years.

4.5 A series of staff workshops were undertaken during July and September, which identified the following themes:

- Customer First principles should underpin the way we work
- Implementing robust processes to develop business cases

- Ensuring POCO lead by example in supporting change
- Consistent planning, rollout & support to deliver effective self-serve including Office 365 & Sharepoint
- Finding new ways of delivering services including in partnership
- Better understanding capacity requirements and customer expectations due to workload pressures
- Understanding the full impact of any changes on the organization
- Working together not silos across POCO and CBC
- Introducing appropriate charging for services to recover costs
- Stopping unnecessary activities where possible
- Invest to save approaches to new business case opportunities

4.6 Considerable engagement was also undertaken with other CBC services, Colchester Borough Homes (CBH) and Colchester Commercial (Holdings) Ltd. (CCHL) as customers of Policy and Corporate Services. 121 meetings, GMT discussions and an online survey all contributed to the evidence base about how these services are perceived from a customer perspective. These findings have informed the structural changes proposed.

4.7 Issues arising from engagement with staff and stakeholders can be grouped into five thematic areas:

4.6.1 Workload – across central support services the consultation has revealed examples of increasing workloads, and in places poor resilience affecting peoples' ability to be more proactive.

4.6.2 Customers – feedback has demonstrated high levels of satisfaction across central support services and, with the exception of ICT, strong support for the Business Partner model. There is an expectation and need for ongoing ICT advisor-level support.

4.6.3 Financial – services are tightly managed, lean in terms of resource and delivering well. This review will need to deliver the savings target whilst establishing a more future-proof budget and ways of working that support resilience.

4.6.4 Digital – there is a clear need to consolidate the investment e.g. Office 365 and SharePoint platforms and support the move away from 'legacy' systems that are increasingly unsupported. Full delivery of the i-Trent payroll system will help to achieve savings associated with the HRSC.

4.6.5 Transformation – the review has revealed opportunities to strengthen governance around change and make more effective use of resources across CBC to support a more integrated way of working including exploring shared service opportunities.

<u>Vision for Policy and Corporate Services</u>

4.8 As a result of the engagement undertaken with staff, customers, senior management and members, the following vision is proposed for this review:

"The Central Services Futures Review will provide greater **Workforce Resilience**, make us more **Customer Focussed** and **Financially Sustainable,** and facilitate a **Digital by Default** approach, so we continue to be **Transformation Enabling** for the whole Council."

<u>Outcomes and Proposed Changes to Organisational Structure</u>

4.9 Workforce Resilience

Outcomes
This review will aim to improve wellbeing & productivity; get the right capacity where it's needed, when it's needed with greater flexibility across teams; enable closer working between POCO teams and the rest of CBC services; reduce pressures from additional work and ensure tighter controls on resources.

Proposed Changes
Create a Finance Project Officer role; Senior Communications Business Partner role & Strategic HR Manager roles, additional business support in People & Performance and implement shared payroll service with Braintree and Epping Forest Councils. Review the opportunity to implement establishment controls across CBC.

4.8 Customer Focussed

Outcomes
Leading a 'One Council' approach to organisational development to remove silos; improving customer satisfaction with POCO services; achieving a better understanding of customer needs and expectations; strengthening the links between leadership of communications and marketing SMT/Cabinet.

Proposed Changes
Improve management and coordination of Business Partners across Communications, HR & Finance to support organisational development; manage demand better; move the head of communications to report directly to the AD for POCO; create Senior ICT Advisor post ICT Business Development post; provide fixed-term specialist support for Officer 365 & SharePoint; support increased shift to self-serve across Corporate Services

4.9 Financially Sustainable

Outcomes
A sustainable revenue budget with the ability to scale corporate activity to match Council ambitions; enabling more commercial approach to corporate services through understanding and covering true costs to secure cost recovery/income; reduced spend on external consultancy and better balancing resource pressures across Corporate Services where possible

Proposed Changes
Ensure adequate resources are available to cover corporate costs for significant areas of activity e.g. relating to major projects and the HRA (given the abolition of the borrowing cap); remove vacant roles where possible and adjust other roles to compensate; reduce consultancy spend across Corporate Services; accept certain reduced-hours requests relating to flexible retirement, without backfilling, and review benefits from Essex Procurement Hub going forward to avoid cost pressures and make better use of existing resources.

4.10 Digital by Default

Outcomes
Full delivery of the 2015 – 2028 ICT strategy and consolidation of cloud-based systems approach and support; continue to support migration from legacy

systems; Increased resilience through better data protection; Cyber security; disaster recovery and embedding self Service where this shows an overall efficiency gain for the Council across Corporate Services. Enable Strategic ICT and Communication manager to focus on corporate ICT to support digital transformation.

Proposed Changes
Create fixed term Office 365 resource to support and embed O365 & Sharepoint effectiveness; reduce Support Specialist posts from three to two (recognising move away from legacy systems) with budget to cover residual upgrade costs; include the Data Protection Officer acting-up role as part of the establishment; create Systems Accountant role (see 7.4); align Human Resources Service Centre (HRSC) resources with i-Trent implementation & further self-serve e.g. recruitment and review opportunities for greater self-service e.g. insurance claims.

4.11 Transformation Enabling

Outcomes
Ensure flexible and effective capacity for organisational transformation and change across CBC; improve collaborative working across teams/services; develop clearer governance and accountability for transformation activity and ensure greater resilience and reduced costs in Payroll through partnership with other Councils.

Proposed Changes
Establish a Shared Payroll Service with Braintree and Epping Forest Councils subject to business case; second key staff into ‘shadow’ payroll shared service (19/20 & 20/21); review governance processes and programme reporting for all CBC transformation activity to provide greater oversight and programme management by EMT and SMT; identify ‘virtual’ transformation resources across Central Support and other services to drive future organisational change with greater ownership whilst removing a vacant post and a manager post in the change & performance team.

4.12 Staff Restructuring Proposals

The current and proposed structures are shown in Appendix B and aim to create an organisational structure to deliver against the objectives / outcomes set out above.

The table below summarises the ‘net’ position for each service area in relation to posts proposed to be deleted and created:

Staff Restructuring ‘net position’ with posts proposed to be deleted and created

Service Area	Posts Deleted	Status	FTE reduction	Individuals affected	Posts Created	FTE creation	NET
ICT	ICT Manager ICT Business Partner Support Specialist	Vacant Vacant Occupied	1 3 1	- - 3	Senior ICT Advisor ICT Business Service Co-Ordinator Comms BP 0.6 FTE Senior Comms BP	1 1 0.6 1	
			- 5 FTE			**+3.6 FTE**	**-1.4 FTE**
People & Performance	Change & Performance Manager Prog & Perf Mgr HR Business Partner People & Performance Officer HR Advisor Pension & Payroll Officer	Occupied Vacant Vacant Occupied Occupied Occupied	1 1 1 1 1 1	1 - - 2 5 1	Senior HR Manager HRSC Manager HR Business Assistant (0.5 FTE) Systems & Data Officer	1 1 1 1	
			-6 FTE			**+4 FTE**	**-2 FTE**
Governance	Risk & Insurance Officer (1FTE > 0.5FTE)		**-0.5 FTE**	-			**-0.5 FTE**
			-	**-**			
Finance	Finance Officer				Finance Project Officer Systems Accountant	**+1 FTE**	**+1 FTE**
			-12.5 FTE	**12**		**+9.6 FTE**	**- 2.9 FTE**

5. Equality, Diversity and Human Rights implications

No service reductions are being proposed therefore there are no implications.

6. Strategic Plan References

6.1 The proposed changes recommended in this review will strengthen the ability of POCO services to support the whole organisation to deliver against all themes in the Strategic Plan 2018-21.

7. Consultation

7.1 The development of these proposals has been informed by engagement and consultation with staff in POCO services and other stakeholders including all other CBC services, CBH and CCHL as explained in section 4.

7.2 In addition, a formal 30 day consultation process ran from 21 November until 21 December 2018 to ensure all staff had an opportunity to give their views and to inform this Cabinet report. A total of 17 responses were received, from 14 individuals.

7.3 In general terms, whilst the responses reflected some familiar and important themes, particularly in terms of workload, there were very few specific concerns raised about the proposed structure and some positive comments about the additional capacity, for example the senior Business Partner (BP) in Communications, and the new Finance Project Officer post in Finance.

7.4 Many of the comments in relation to workload reflected weaknesses in the current 'as is' structure rather than concerns about the 'to be' structure, and staff have provided some thoughtful ideas for how our services can work more effectively to address the resilience issues identified throughout the review. The majority of this feedback was from staff in Communications and Marketing where the additional, Senior BP, capacity and the benefits of bringing the Communications and Marketing service directly under the Assistant Director, Policy and Corporate will facilitate changes to working practices.

7.5 Due to feedback received and a new vacancy in the Finance team, the structure for this service has been adjusted to remove one Finance Officer post and create a Systems Accountant role. This will provide greater capability in this vital area to support the upgraded, cloud-based, financial system without putting any additional staff at risk in line with the priority around 'digital by default'.

7.6 A number of comments were received about specific Job Accountability Statements (JASs) which have been incorporated where relevant into the final JASs ready for expressions of interest to be invited through the HR implementation process.

7.7 Responses have been provided to all those who submitted consultation questions and comments and a summary published on the Central Support Futures SharePoint site.

7.8 During the formal consultation period, Scrutiny Panel considered a version of this report including the savings and proposed structure. The draft minute for this item is copied below:

In discussion some questions were raised about the proposals around Change and Performance. In response, it was stressed that change management needed to be led by senior management and was the responsibility of managers across the organisation. This did necessitate a cultural change across the organisation, which was underway. The Panel accepted these arguments but stressed the need for managers to be provided with appropriate training on change management issues. The Panel also explored issues around the resilience of the service.

The Panel also suggested that it would be able to provide more effective scrutiny and better value if it saw proposals for service reviews at an earlier stage, and before formal proposals were made. Whilst it was appreciated that the details were often confidential at an early stage, it could exclude the public if necessary. It was explained that the proposals were currently out for consultation and the Panel's views would be considered as part of the consultation. In addition, the proposals were due to be submitted to Cabinet at its meeting on 30 January 2019 and the Panel could made a recommendation to Cabinet in respect of the proposals, if it saw fit.

A member of the Panel noted the changes proposed to the ICT team and sought a reassurance that the Council had sufficient resources to deal with the ever changing ICT environment. In response it was explained that the Business Partner model had not worked particularly well in ICT so there was a move away from that and towards the use of ICT advisors. Sharepoint and Office 365 should be fully embedded by March 2019, and this should free up additional resource, although support would still be provided for legacy systems. In addition, the revenue requirements for the next stage in the ICT Strategy were being met through the proposed structure in this review.

RESOLVED that:-

(a) The proposed changes in the Central Support Services Review were scrutinised and the Panel's comments be considered when the proposals were referred to Cabinet;

(b) The financial savings proposed in the Central Support Services Review were scrutinised.

8. Publicity Considerations

8.1 There are no publicity considerations.

9. Financial implications

9.1 The table below shows the savings that would be generated from this review as a contribution to the Medium Term Financial Plan. Any savings above the target of £200,000 will be used to offset known cost pressures to help ensure a sustainable budget for these services going forward. Elements in the cost savings / income row are subject to further due diligence, some of which is commercially sensitive, and cannot be guaranteed at this stage.

	2019/20	2020/21	2021/22
	£'000	£'000	£'000
Net staff restructuring	150	150	150
Flexible retirement opportunities	77	77	77
Sub Total	**227**	**227**	**227**
Cost savings/ income	90	90	90
Sub Total	**317**	**317**	**317**
ICT fixed term contract resources (net cost)	52.5	52.5	0
Net savings / income Total	**264.5**	**264.5**	**317**

10. Health, Wellbeing and Community Safety Implications

10.1 'Workforce Resilience' and employee wellbeing are key objectives for this review but there are no wider health, wellbeing and community safety implications.

11. Health and Safety Implications

11.1 There are no health and safety implications.

12. Risk Management Implications

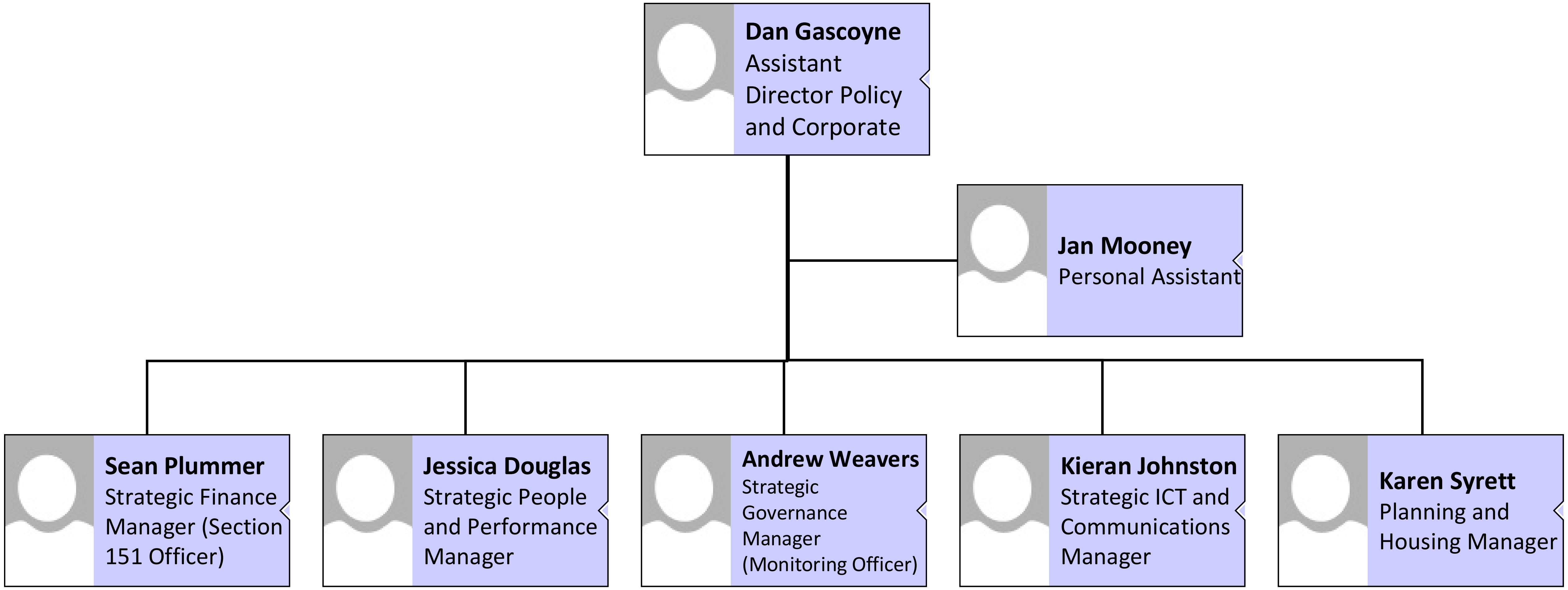
12.1 These proposals and the new structure is designed to provide additional capacity where it is needed to help mitigate risks and achieve better ways of working within POCO services and across the Council, providing a more sustainable budget going forward.

Appendices

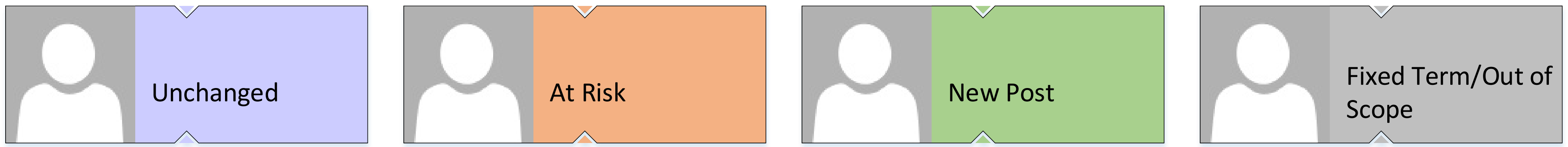
Appendix A – Policy and Corporate Services in Scope for the Central Support Futures Review
Appendix B – 'As Is' and 'To Be' Structure Charts

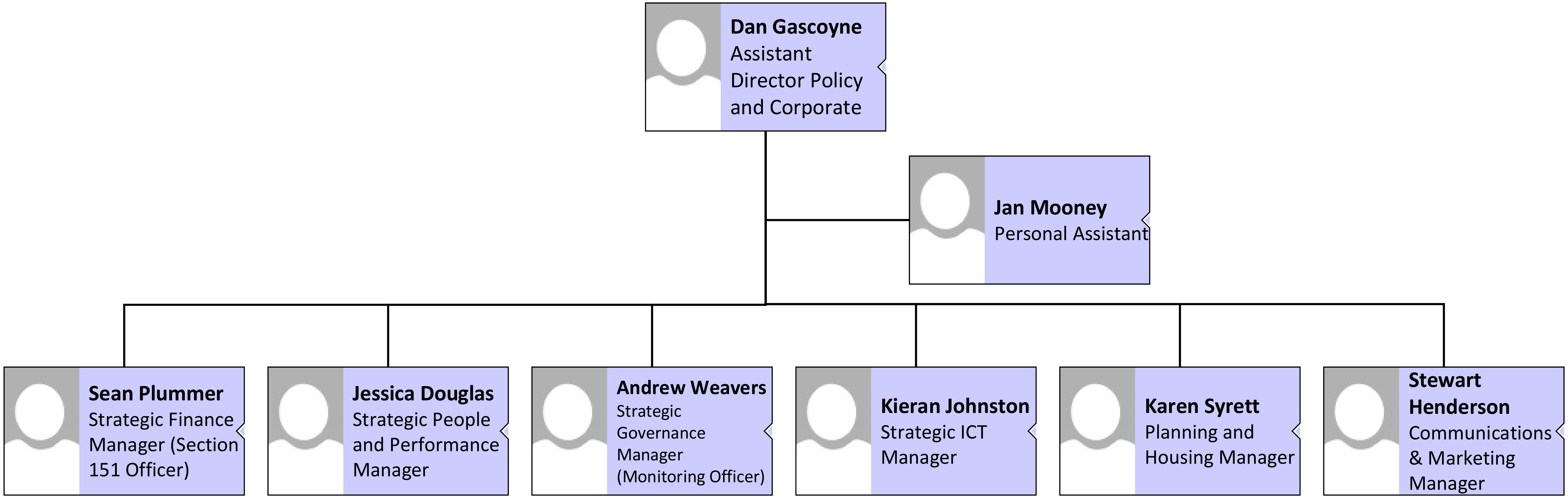
Appendix A : Policy and Corporate Services in scope for the Central Support Futures review

	2018/19 Budget						
	Staff	Non staff	Total Spending	Income	Net	Fte	Summary scope
	£'000	£'000	£'000	£'000	£'000		
Finance	721	115	836	(100)	736	14	• Helps to manage and account for a gross budget of almost £140m and a balance sheet of £500m • Compiles the Council’s annual budget and produces a statement of accounts. Both of which are statutory processes. • Accounts for the 'Collection Fund' including Council Tax income and NNDR. • Manages the Council's reserves, borrowing (£150m) and investment portfolio (c£50m)
ICT and Communications	1,483	1,024	2,507	(382)	2,125	34	• Support the Council's ICT infrastructure, and provide specialist advice on technology • Manages external and internal communications and marketing work • Manages technical functions connected with the Land Gazetteer, mapping and addresses
People and Performance	716	64	780	(183)	597	17	• Provide strategic HR support for the organisation • Provide HR processes through the HR Service Centre • Manage the organisation's Learning and Development Programme • Run 6 payrolls for CBC, CBH, CCH LTD, Colchester Amphora Homes; Trading; and Energy • Support organisation-wide change programmes • Gather and report corporate performance information
Governance	1,078	1,873	2,951	(334)	2,617	25	• The Council's legal service • Officers servicing committee meetings and supporting Cabinet and the Mayor • Specialists managing the Council's health and safety, business continuity, insurance cover, risk management, emergency planning, corporate governance and procurement • The team of Hallkeepers
Subtotal	**3,998**	**3,076**	**7,074**	**(999)**	**6,075**	**90**	


Dan Gascoyne
Assistant Director Policy and Corporate
Jan Mooney
Personal Assistant
Sean Plummer
Strategic Finance Manager (Section 151 Officer)
Jessica Douglas
Strategic People and Performance Manager
Andrew Weavers
Strategic Governance Manager (Monitoring Officer)
Kieran Johnston
Strategic ICT and Communications Manager
Karen Syrett
Planning and Housing Manager

Key


Unchanged
At Risk
New Post
Fixed Term/Out of Scope


Dan Gascoyne
Assistant Director Policy and Corporate
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Personal Assistant
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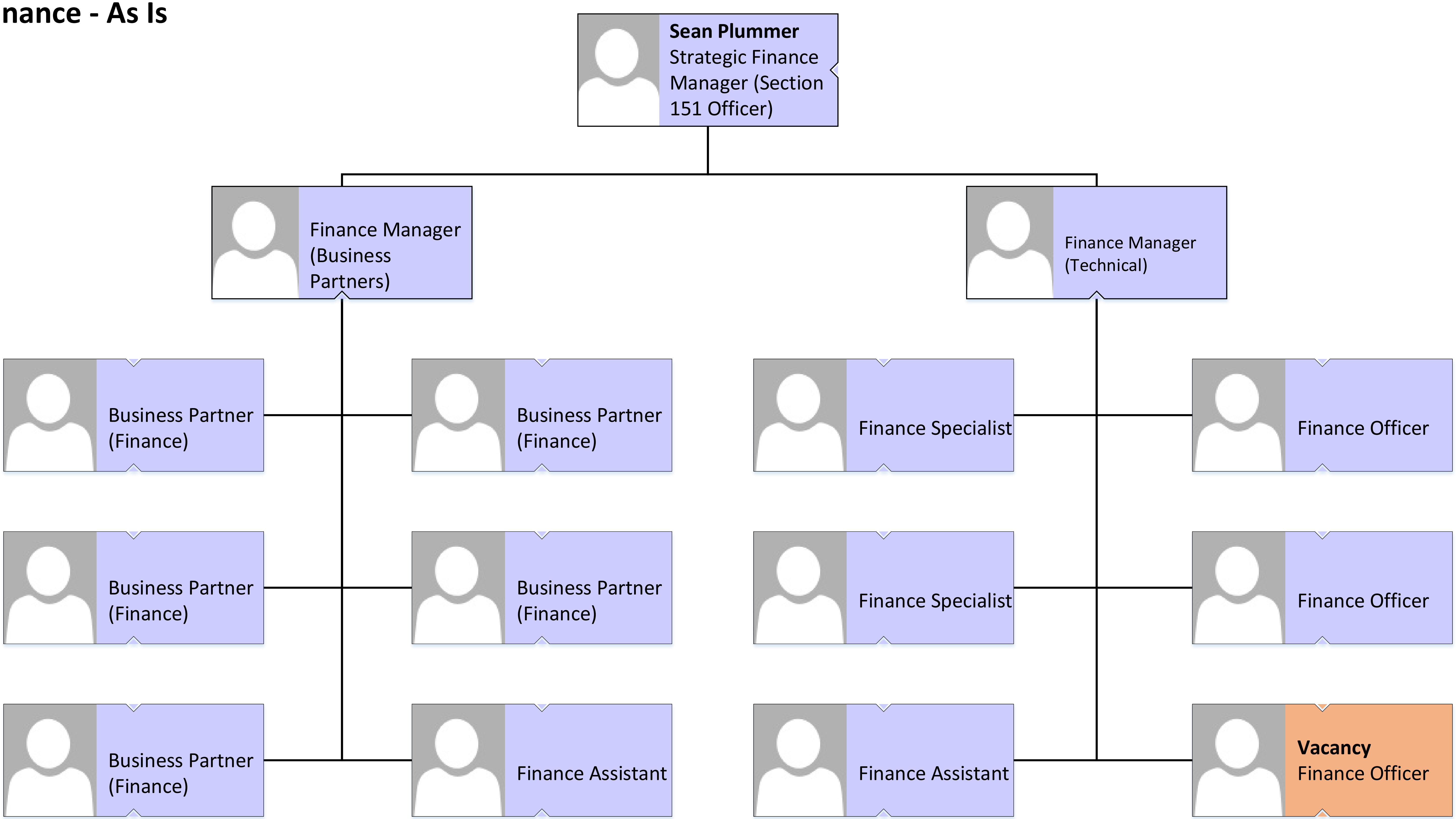
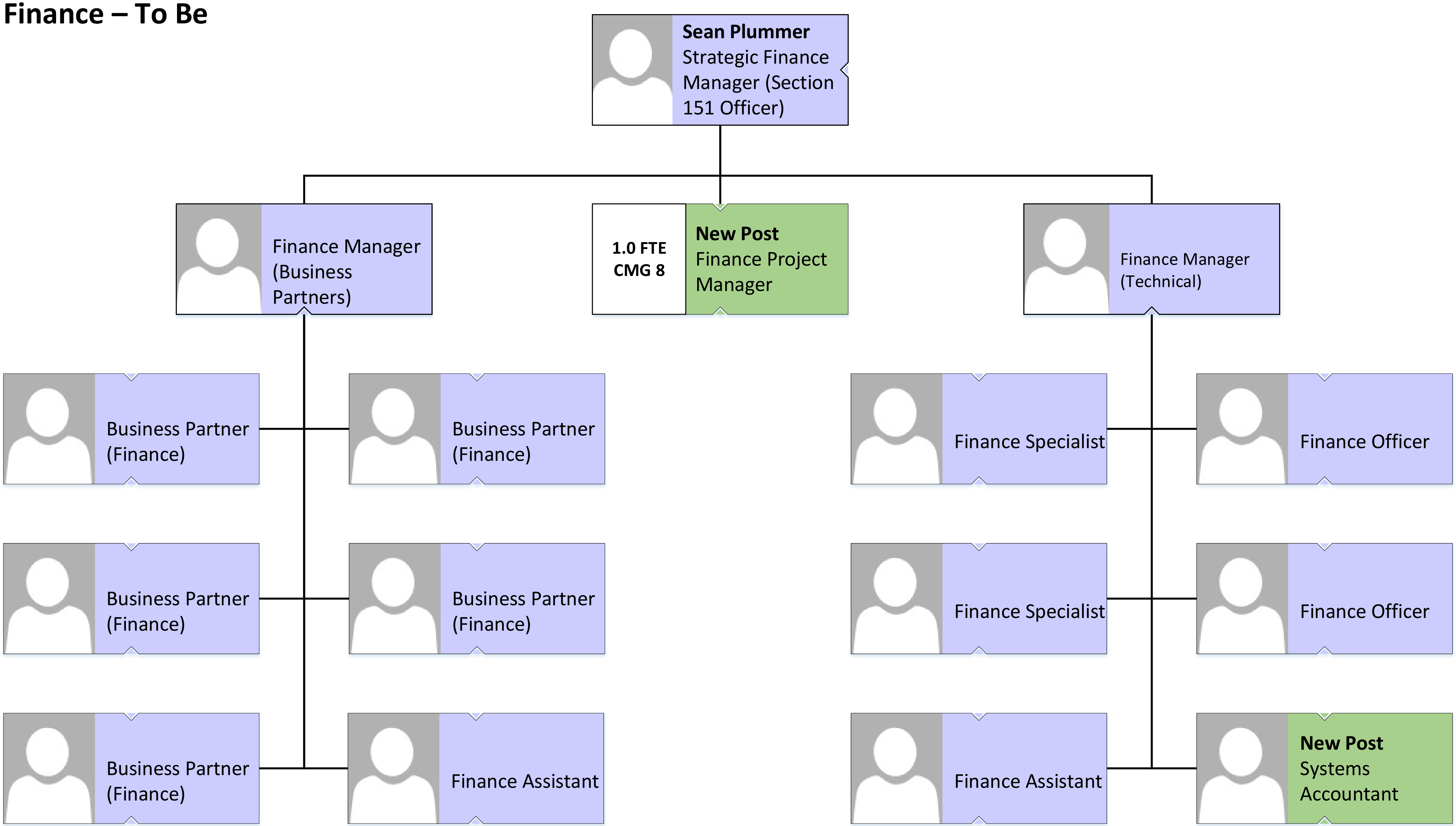
Strategic Finance Manager (Section 151 Officer)
Jessica Douglas
Strategic People and Performance Manager
Andrew Weavers
Strategic Governance Manager (Monitoring Officer)
Kieran Johnston
Strategic ICT Manager
Karen Syrett
Planning and Housing Manager
Stewart Henderson
Communications & Marketing Manager

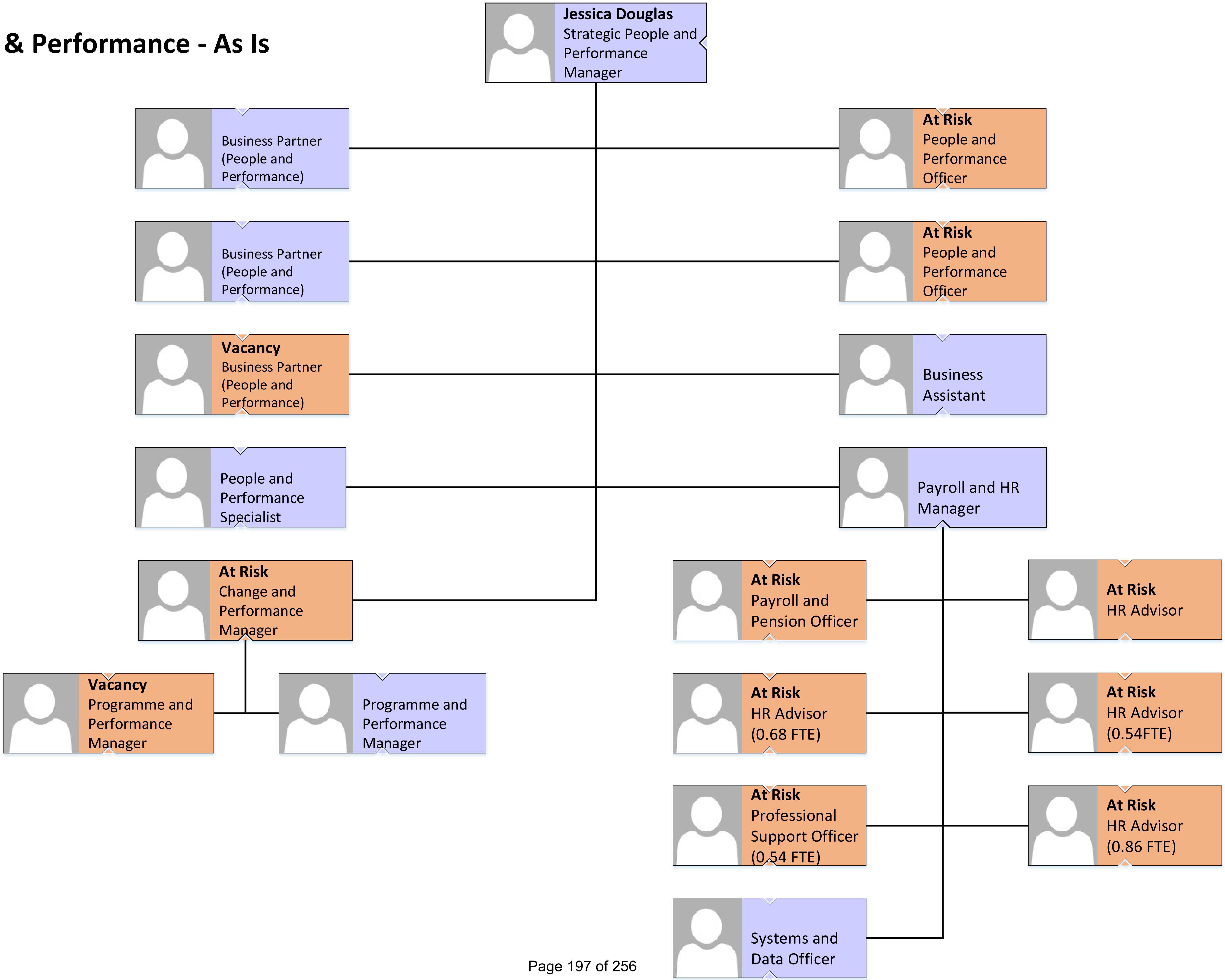
Finance - As Is



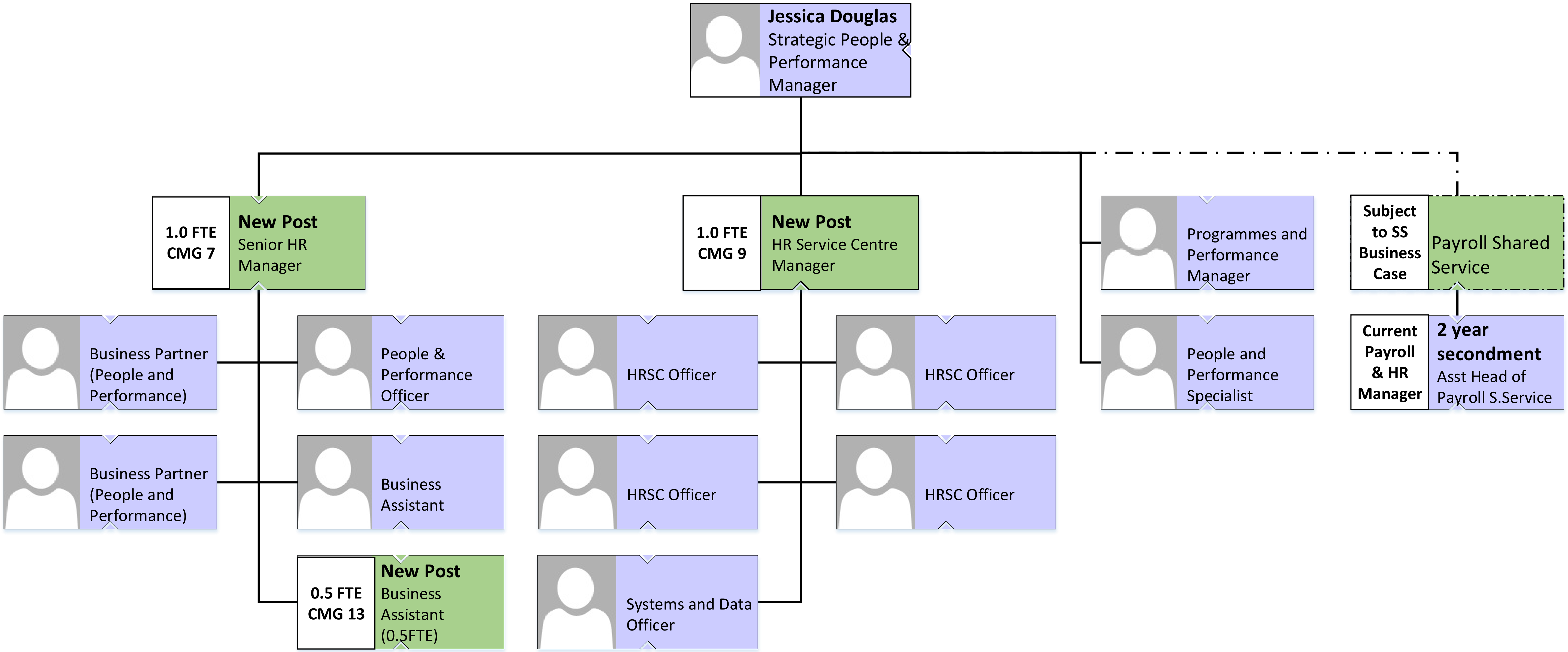
Finance – To Be



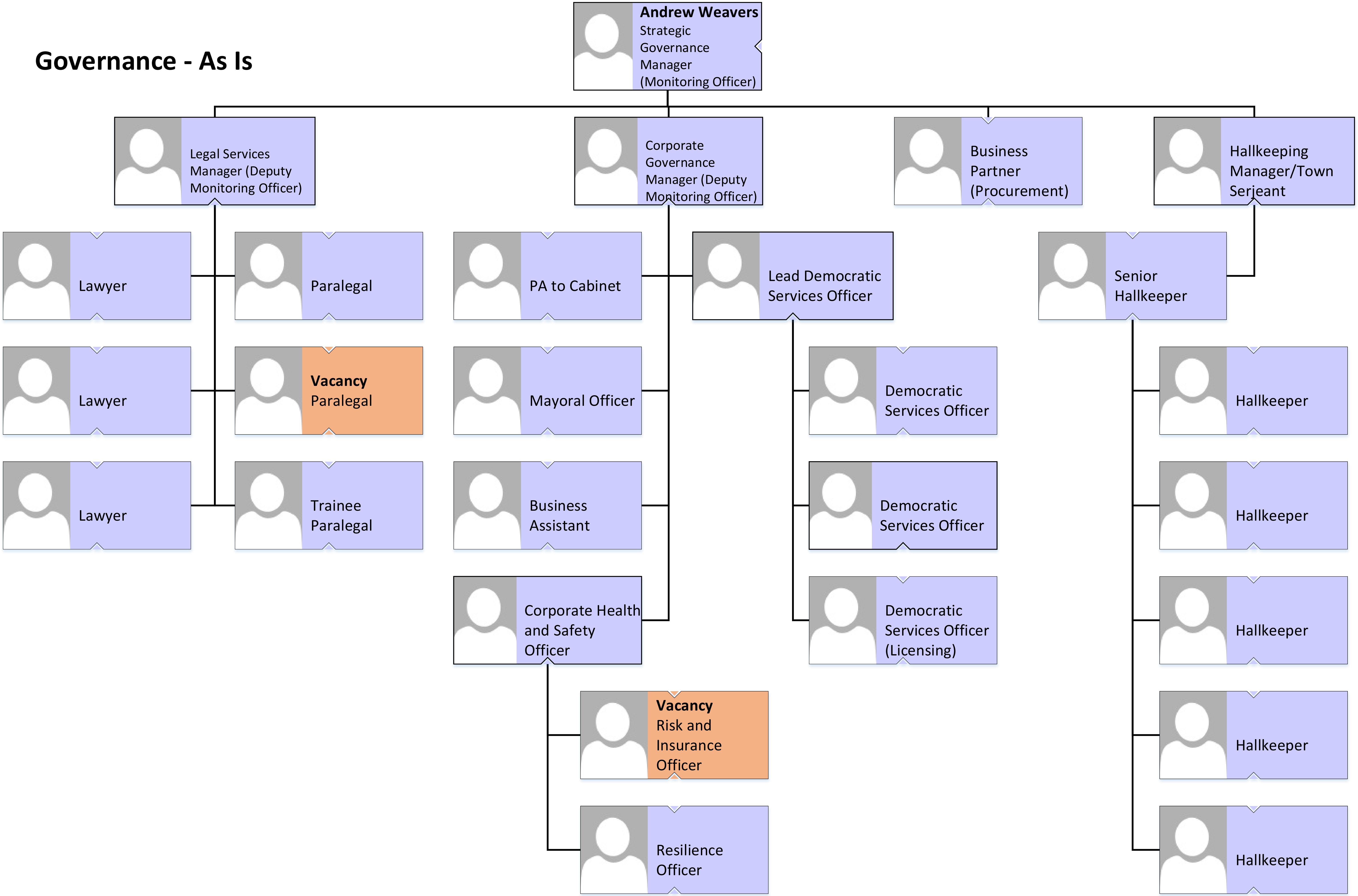
People & Performance - As Is



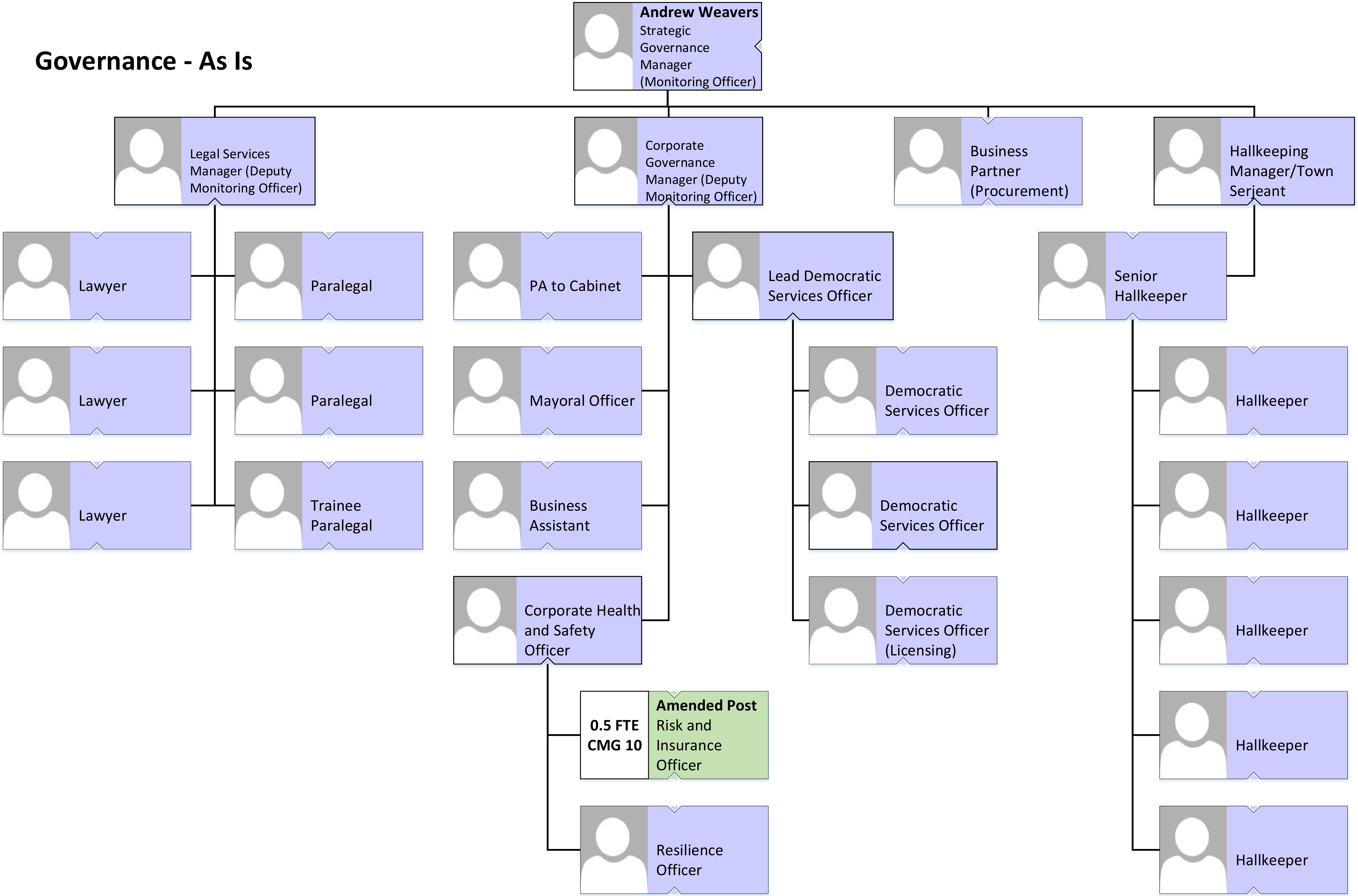
People & Performance – To Be



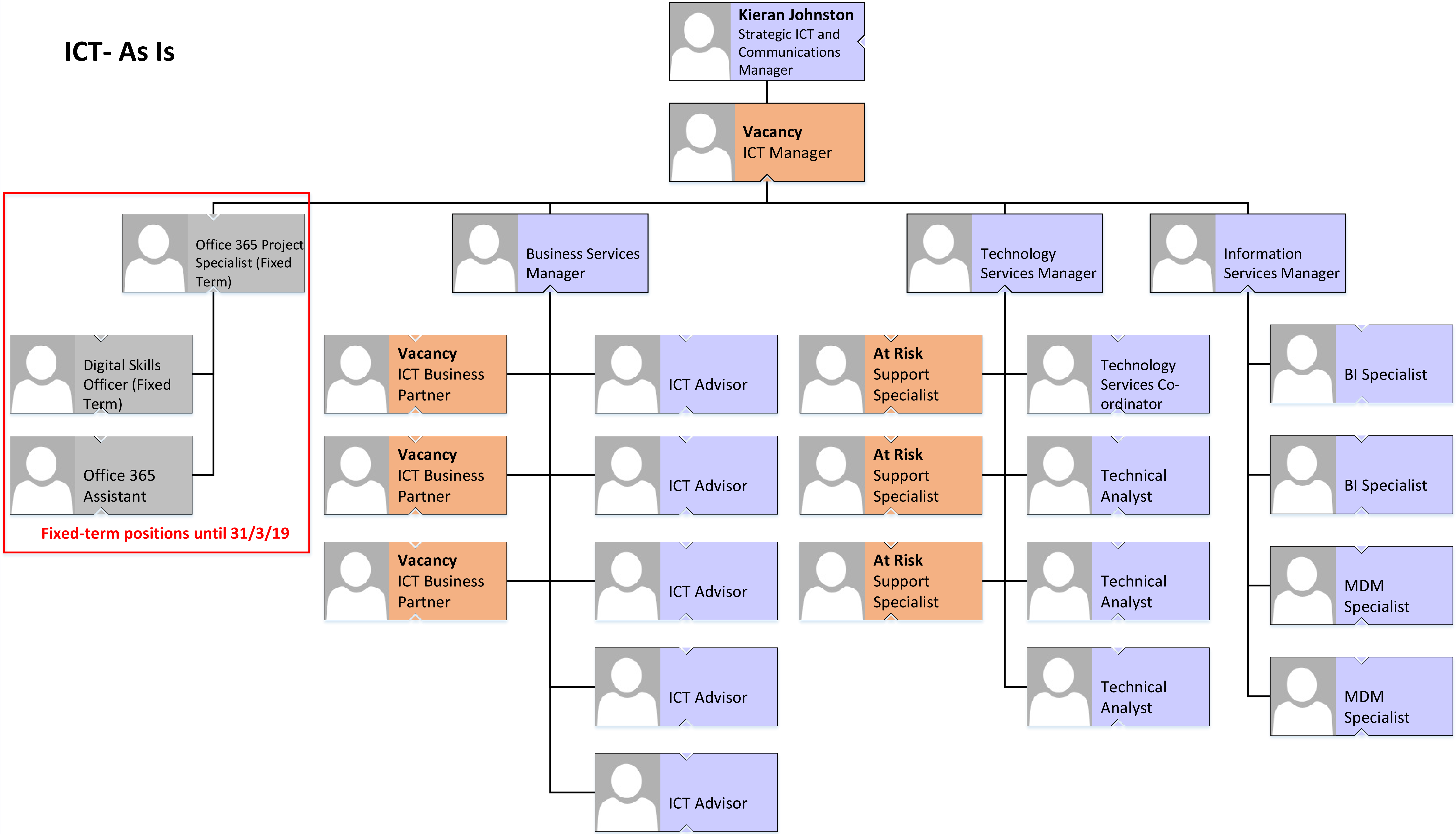
Governance - As Is



Governance - As Is

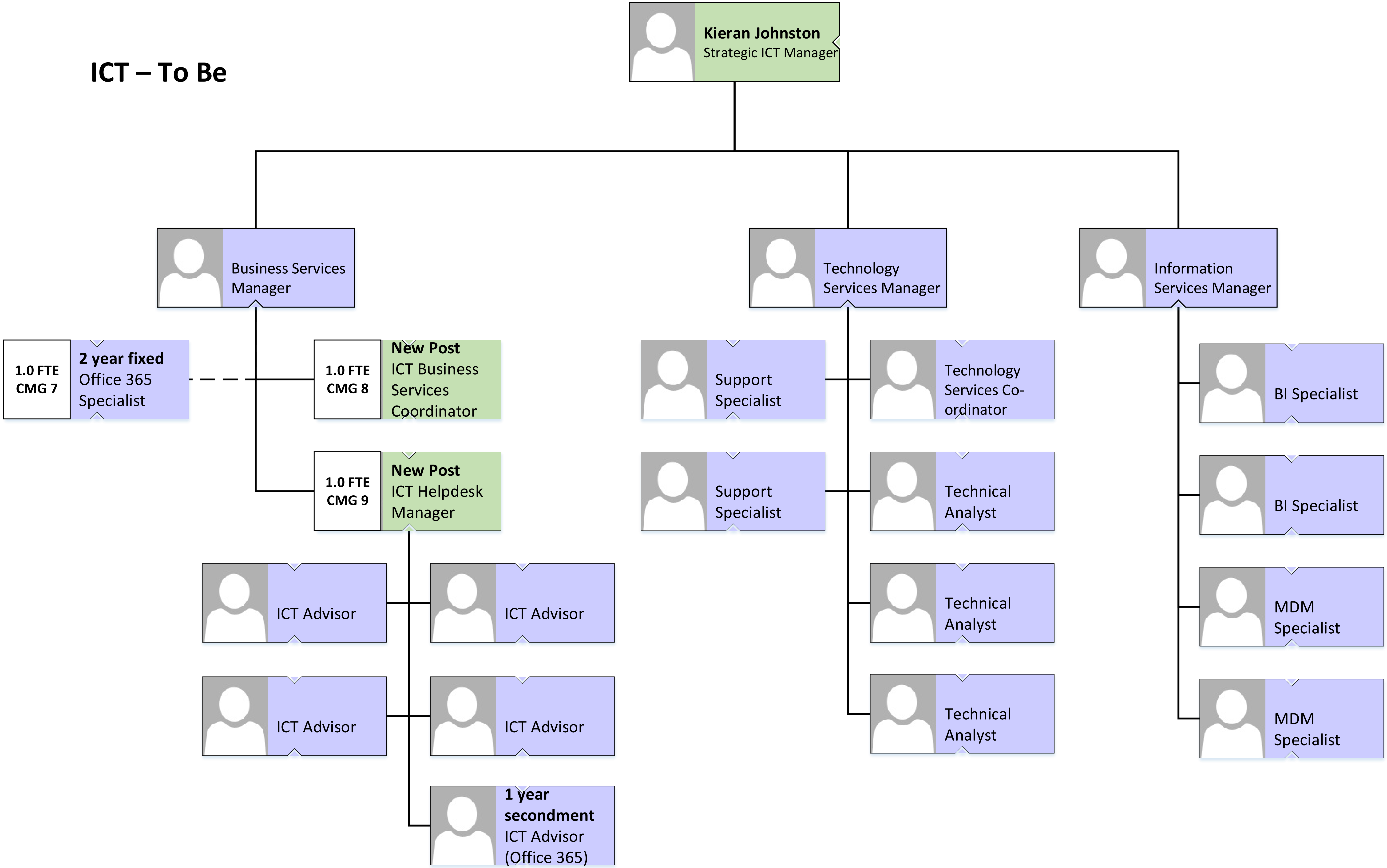


ICT- As Is

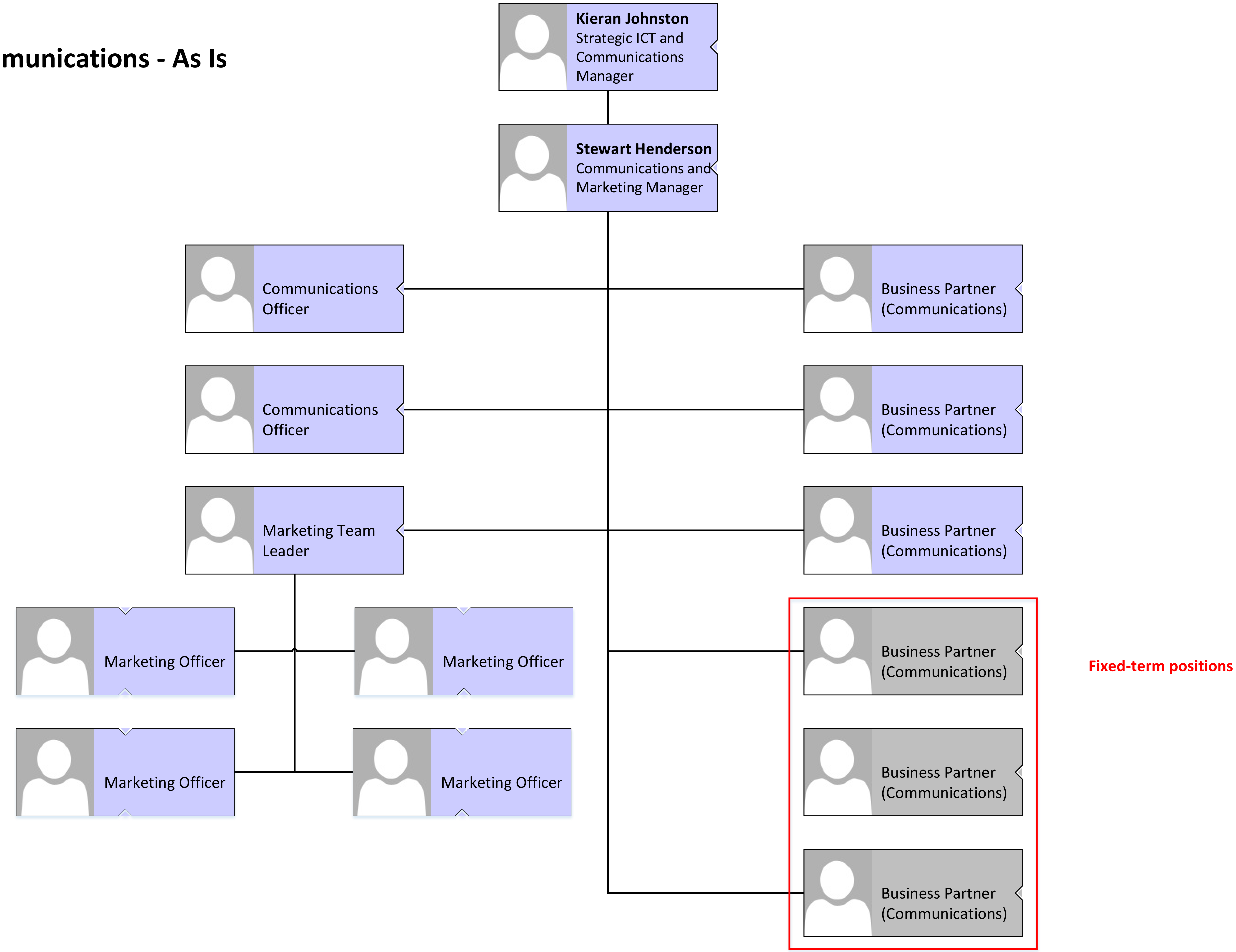


Kieran Johnston
Strategic ICT and Communications Manager
Vacancy
ICT Manager
Office 365 Project Specialist (Fixed Term)
Digital Skills Officer (Fixed Term)
Office 365 Assistant
Fixed-term positions until 31/3/19
Business Services Manager
Vacancy
ICT Business Partner
Vacancy
ICT Business Partner
Vacancy
ICT Business Partner
ICT Advisor
ICT Advisor
ICT Advisor
ICT Advisor
ICT Advisor
Technology Services Manager
At Risk
Support Specialist
At Risk
Support Specialist
At Risk
Support Specialist
Technology Services Co-ordinator
Technical Analyst
Technical Analyst
Technical Analyst
Information Services Manager
BI Specialist
BI Specialist
MDM Specialist
MDM Specialist

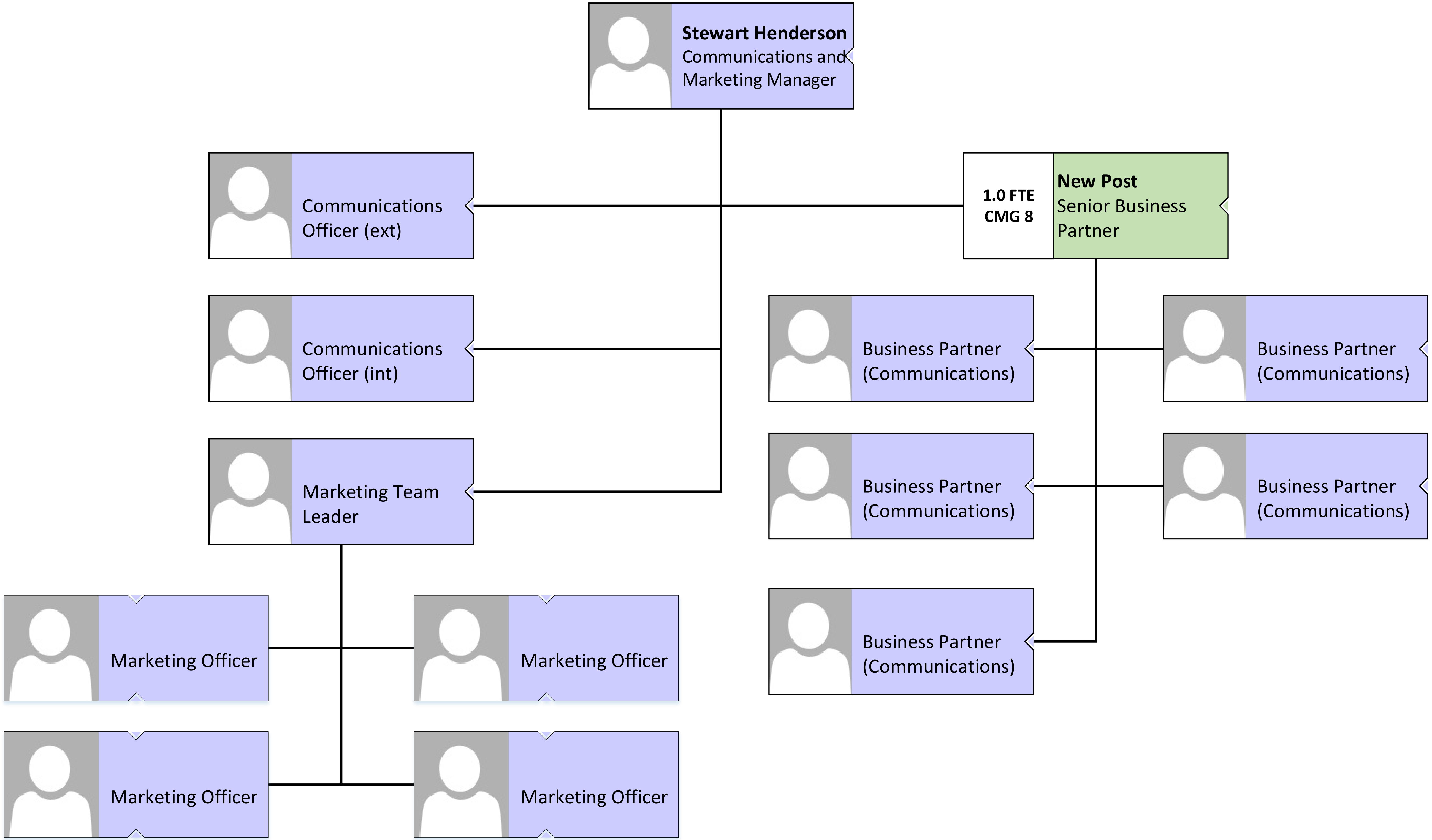
ICT – To Be


Kieran Johnston
Strategic ICT Manager
Business Services Manager
Technology Services Manager
Information Services Manager
1.0 FTE CMG 7
2 year fixed Office 365 Specialist
1.0 FTE CMG 8
New Post ICT Business Services Coordinator
1.0 FTE CMG 9
New Post ICT Helpdesk Manager
ICT Advisor
ICT Advisor
ICT Advisor
ICT Advisor
1 year secondment ICT Advisor (Office 365)
Support Specialist
Support Specialist
Technology Services Co-ordinator
Technical Analyst
Technical Analyst
Technical Analyst
BI Specialist
BI Specialist
MDM Specialist
MDM Specialist

Communications - As Is



Communications – To Be



Cabinet		**Item 11(ii)**
30 January 2019		

Report of	**Assistant Director (Policy and Corporate)**	**Author**	**Dan Gascoyne** ☏ **282577**
Title	**Half Year 2018 - 2019 Performance Report including progress on 2018-2021 Strategic Plan Action Plan**		
Wards affected	Not applicable		

1. Executive Summary

1.1 Cabinet is invited to consider the performance half year for the 2018 – 2019. This includes progress of our performance measures and an update on the Strategic Plan Action Plan (SPAP).

2. Recommended Decision

2.1 To consider the significance of the performance described in the attached reports for the organisation's ability to operate effectively, and achieve its strategic goals.

2.2 To note the Reporting Timetable covering 2018-2019, specifically the dates for setting KPI targets for 2019-2020.

3. Reason for Recommended Decision

3.1 To review 'amber' and 'red' KPI performance for 2018 – 2019.

4. Alternative Options

4.1 No alternative options have been presented to Cabinet.

5. Background Information

5.1 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 and a review of progress against our Strategic Plan Action.

5.2 At the half year point, 30 September 2018, the overall position was that eight of the measures were at or exceeding target (green), three were considered 'at risk' of not meeting their target at year end (amber), and one, the Sickness Rates KPI (K1R3), is not on track to meet the target in full (red). The Homelessness KPI (K1H3) has been adjusted due to legislative changes and therefore, has not been allocated a target at this stage.

5.3 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.

5.4 The Council has also received a number of awards and accreditations highlighted at the end of Appendix C.

.

6. Equality, Diversity and Human Rights implications

6.1 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.

7. Strategic Plan References

7.1 The half year performance reports on the delivery of a number of key aspects of the Council's performance in line with 2018 – 2021 Strategic Plan priorities.

8. Consultation

8.1 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.

9. Publicity Considerations

9.1 The performance report contains 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 section of the Council's website.

10. Financial implications

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

11. Health, Wellbeing and Community Safety Implications

11.1 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.

12. Health and Safety Implications

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

13. Risk Management Implications

13.1 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.

Appendices

A. Strategic Plan Action Plan Year End Report covering April - September 2018.
B. KPI Year End Report covering April - September 2018.
C. Awards and Other Performance News covering April - September 2018.
D. Reporting Timetable covering 2018-2019.

Background Papers

Not applicable.

Our Colchester
2018 – 2021 Strategic Plan Action Plan (SPAP)
Year One Half Year Report

GROW

Growth – Ensuring all residents benefit from the growth of the borough:
G1 - Help make sure Colchester is a welcoming place for all residents and visitors.
G2 - Ensure residents benefit from Colchester's economic Growth with skills, jobs and improving infrastructure.
G3 - Promote inward investment to the borough.
G4 - Develop jobs, homes, infrastructure and communities to meet the borough's future needs by creating new Garden Communities.
G5 - Work with partners to create a shared vision for a vibrant town centre.

G1 Help make sure Colchester is a welcoming place for all residents and visitors.

Action	Achievements
Maintain and Promote Colchester's visitor attractions.	• Business and Annual Marketing Plans are in place for Leisure World and Aqua Springs • Castle Park Management Plan 2018-2020 is agreed by PFH and have undertaken consultation with user groups and Ward members, but not a wider public consultation. The Plan will be published on the website for wider public consultation in January, with a final version in place by February • High Woods Country Parks Management Plan 2017-2020 agreed and in place • Marketing / development plans agreed and in place for Colchester Museums and Parks • Introduction of new Resident Pass and promotion in place. 2,464 Passes sold to 3,508 local residents in the first six months

	• Partnership working with Visit Colchester and Visit Essex and Greater Anglia
Promote Colchester tourism offer.	• Marketing plan in place to capitalise on the success of the tourism campaign • The SKY Adsmart TV ad has received largely positive feedback, it has achieved its target number of views (459,613), and to date has achieved a further 123,000 views across social media • Visit Colchester Website had its highest number of hits ever in August
Develop and implement a business plan for Council owned car parks to ensure they provide an adequate provision of spaces in a welcoming environment at a competitive price.	Project Group established looking at issues such as: car park provision, economic prosperity, customer perception and car parking promotion.
Deliver new and improved Mercury Theatre.	The project is progressing well with a number of funding streams secured including nearly £1m from ERDF. Arts Council funding should be secured shortly. Demolition has begun, and an archaeological survey will follow to allow the main build to commence in the early in 2019. Project on track and budget at this point.
G2 Ensure residents benefit from Colchester's economic Growth with skills, jobs and improving infrastructure.	
Action	**Achievements**
Deliver the Fixing the Link and North Bridge Conservation Enhancement Area (NBCEA) and other Station Travel Plan projects to encourage more people to walk from the station to the town centre.	Fixing the Link 2 designs approved, and funding opportunities being progressed. Plans for NBCEA 'lite' progressing and initial approach made to local group who could partner us with this project. Work progressing with Greater Anglia on the Station Travel Plan and work to improve access to Colchester Station for sustainable modes.

Delivery of Northern Gateway project (Turnstone), United Way and Sports (North of A12) to extend Colchester's offer and sense of arrival.	Approval of planning consent for CNG Sports Hub has been achieved. Main contract works will start on site Jan 19. Master planning is underway for CNG South with an outline planning application scheduled for submission December 18. Turnstone scheme now has planning consent work ongoing to refine scheme detail.
Support Skills Development across Colchester wherever opportunities present themselves within Council Services.	• Delivery of the Heritage Lottery Funded 2018-2022 Skills for the Future programme at the museum service • Museum Trainee assessment days held on 10 and 11 September • Offering placements to veterans through Project Nova and Walking with the Wounded, and placements for wounded.
G3 Promote inward investment to the borough.	
Action	**Achievements**
Ensure there is a supply of employment land and premises to attract new business and allow existing firms to expand and thrive.	Permission granted in August 2018 for Stane Park (Phase 2) - commercial development expected to deliver 400 jobs.
Produce an updated Economic Strategy for the Borough.	Initial work underway. Intern starting in October who will review best practice and relationship to other evidence base documents and Council strategies.
G4 Develop jobs, homes, infrastructure and communities to meet the borough's future needs by creating new Garden Communities.	
Action	**Achievements**

Adoption of a new Local Plan and Development Plan Documents for Garden Communities.	Local Plan Committee agreed to proceed with Local Plan at meeting on 13 September. Updated evidence base and new sustainability work will be submitted to the Inspector following approval and consultation next year. Revised Local Development Scheme to be prepared for Local Plan Committee in November.
Progress and develop options to inform future delivery of Rapid Transit.	Further work on Rapid Transit being undertaken and expected to report later this year. Revised Local Development Scheme to be prepared for Local Plan Committee in November which will identify milestones.
Empowering communities by enabling initiatives (use of section 106), community facilities and open space.	• The Community Enabling team to continue to work with local communities across the borough to initiate community facility projects using S106 funds • Communities are working with Amphora to deliver the facility for the Stanway development which includes a consultation with residents • Parks Officers working with the local community and Ward Cllrs to provide new outdoor gym equipment at Mile End Sports Ground and playground equipment at Longridge Open Space

G5 Work with partners to create a shared vision for a vibrant town centre.	
Action	**Achievements**
Develop a multi-agency night time economy action plan to create a diverse, vibrant and safe town centre at night.	• Night Time Economy (NTE) action plan in place agreed by key partners • Alcohol related NTE preventable crime levels linked to licensed premises remain very low • Continued positive engagement with NTE venues and Pubwatch, and University of Essex

	• Progress made with health partners to share relevant data to aid prevention work to reduce alcohol related harm in NTE • New Taxi Policy ready to go live which includes compulsory vulnerability training for drivers to aid with NTE dispersal
Deliver Vineyard Gate development as a new urban quarter to compliment the town centre and provide an attractive mixed-use development to complement the town wall.	Initial concept design work completed, work ongoing to establish best mix of uses for the site to complement the town centre and provide an attractive mixed-use development and site acquisitions ongoing to support site assembly. Planning working with Amphora to support the project design process.
Improvements to Town Centre during the day.	As part of # Better Colchester, there has been the introduction of Town Centre Action Plan and Monday morning partnership meetings – a partnership approach to tackle issues such as aggressive begging, anti-social behaviour, street drinking and drug use/supply affecting the Town Centre. • Over £300k of additional resources agreed and implemented for town centre cleanliness activities including overnight cleaning • Overnight pavement deep cleaning and chewing gum removal completed in the following locations, High Street, Head Street, St Johns Street, Osborne Street, St Botolph's Street, Queen Street • Team 10 initiative underway with additional PCSO resources agreed • BID support provided and voted YES new advisory board set up and manager recruitment underway • Focussed enforcement underway

Responsibility – Encouraging everyone to contribute to making our borough even better:
R1 - Promote responsible citizenship by encouraging residents to get involved in their communities and to identify solutions to local issues.
R2 - Encourage re-use and recycling to reduce waste to landfill.
R3 - Educate those residents who behave anti-socially about the impact of their behaviour.
R4 - Increase the supply of good quality homes by using legal powers to reduce the number of empty homes and improve standards in the private rented sector.
R5 - Create new routes for walking or cycling and work with partners to make the borough more pedestrian- friendly.

R1 Promote responsible citizenship by encouraging residents to get involved in their communities and to identify solutions to local issues.

Action	Achievements
Encourage belonging, involvement and responsibility in all the borough's communities. Promote responsible citizenship by encouraging residents to get involved in their communities and to identify solutions to local issues. Identify and support the skills, knowledge, connections and capacity within communities to make them more resilient and to reduce inequalities.	A range of initiatives have taken place. These range from small neighbourhood activities to improve the local environment, through to health and wellbeing projects. For example: • Dementia Awareness events for residents highlighting the statistics and support services available • We have several residents that have expressed an interest in becoming one of our Tree Wardens. We are currently liaising with the Tree Council to finalise a launch date for the scheme • Litter warriors supporting and providing a link to residents and community groups including linking into national campaigns like the Great British Spring Clean in April 2018 • Startwell initiatives (see **W4**)
Supporting vulnerable residents or those with complex needs.	The Customer Support Team has received funding from the DWP to deliver employment and support services to those furthest from the labour market.

	In addition, we have been commissioned by the DWP to support residents claiming Universal Credit.
R2 Encourage re-use and recycling to reduce waste to landfill.	
Action	**Achievements**
Continue to promote waste minimisation, reduction and recycling to our residents.	Plastic collections for flats have been introduced. In the first phase of implementation, 6,866 residents, 63% of flat residents in the borough, will benefit from these facilities and be able to recycle their plastics at home. Work continues with management companies to implement in their properties.
R3 Educate those residents who behave anti-socially about the impact of their behaviour.	
Action	**Achievements**
Encourage behaviour change to reduce ASB, including nuisance behaviour and noise.	• Introduction of Town Centre Action Plan and Monday morning Partnership meetings – As G5 • Public Space Protection Order Consultation at Mill Road, with good communications and press coverage. • Litter warriors as **R1**
Deliver a robust enforcement approach across the borough.	• Robust enforcement in licensing delivering compliant premises (zero licencing reviews) in reduced issues/complaints • Successful health and safety prosecutions which will benefit the wider public • Enforcement with increased Zone Warden Patrols in areas which have experienced dog fouling issues • Mill Road Sports Ground Enforcement with Fixed Penalty Notices being issued for breaches of the Public Space Protection Order including failing to pick up after dog fouling and dog not on lead

	• Night time enforcement in the town centre taking place in October
R4 Increase the supply of good quality homes by using legal powers to reduce the number of empty homes and improve standards in the private rented sector.	
Action	**Achievements**
Maximise the opportunities available through Eco-flex and Warm Homes funding to improve energy efficiency of homes in Colchester, out lined in the Home Energy Conservation Act (HECA) Report.	Eco-flex statement of intent signed, agreed and launched on CBC website. Available to private sector households, including owner occupiers and private tenants. Warm Homes project continues to offer emergency heaters scheme which has been utilised by several local residents.
R5 Create new routes for walking or cycling and work with partners to make the borough more pedestrian- friendly.	
Action	**Achievements**
Maximise all opportunities, including through S106, to deliver enhanced cycling and walking routes and infrastructure.	• Colchester Orbital included as an allocation in the emerging Local Plan with commitment to link to new development wherever possible • Presentation to Local Plan Committee in November • Development Team and the Sustainable Transport Team including the Colchester Travel Plan Club continue to deliver solutions that promote sustainable transport solutions through major development proposals and S106 contributions
Work with partners to promote sustainable travel behaviour change, healthier lifestyles and reduce car dependency, by increasing the take up and commitment to workplace Travel	Ongoing work with partners to promote sustainable travel including: • Three new members of the Colchester Travel Plan Club (Cygnet Hospital, The Oaks Hospital and Colchester Borough Homes). Working with new members to roll out travel plan, carry out surveys and offer public transport discounts • Increased engagement with Colchester Institute with focus on student travel

Plans and through Beat the Street legacy work.	• Support provided to Colchester Hospital to help staff explore alternative modes as new parking management system being rolled out • Promotion events at University of Essex including led rides for students which has helped encourage travel behaviour change • Beat the Street final report shows 8% of Beat the Street participants are walking for travel on 5 or more days per week, six months after end of the project. • Commencement of project in Bourne Valley, following Beat the Street project, to co-design a space for local residents to enjoy and regularly access

Opportunity – Promoting and improving Colchester and its environment: O1 - Promote Colchester's heritage and visitor attractions to increase visitor numbers and to support job creation. O2 - Encourage green technologies through initiatives such as SMART Cities. O3 - Help business to flourish by supporting infrastructure for start-up businesses and facilitating a Business Improvement District. O4 - Ensure a good supply of land available for new homes through our Local Plan. O5 - Promote initiatives to help residents live healthier lives.	
O1 Promote Colchester's heritage and visitor attractions to increase visitor numbers and to support job creation.	
Action	**Achievements**
Heritage Explorer Trails for walkers and cyclists across the Borough.	Initial work underway to produce a heritage trail which will promote the borough's historic sites and encourage healthy lifestyles. Phase 1 in progress to produce circular walking routes in the town centre.
Manage, promote and maximise the opportunities of our heritage attractions.	• Marketing / development plans in place for Colchester Museums and Parks • Introduction of new Resident Pass and promotion in place • Partnership working with Visit Colchester and Visit Essex and Greater Anglia • 6,827 people visited the 36 venues that took part in Heritage Open Days in Colchester this year, including 2212 visitors to the Castle on 8 September

	• Draft Town Wall Management Plan circulated to key stakeholders for comment
O2 Encourage green technologies through initiatives such as SMART Cities.	
Action	**Achievements**
Introduce electric vehicle charging points to CBC owned car parks, encourage their introduction across Colchester and encourage electric vehicle use.	New charging point in Priory Street being investigated. Framework and options for procurement identified – currently awaiting connection of three-phase electricity supply.
O3 Help business to flourish by supporting infrastructure for start-up businesses and facilitating a Business Improvement District.	
Action	**Achievements**
Manage, Promote and maximise the opportunity of our Charter Market and Street Trading.	Christmas Market Special Event has been viewed over 600,000 times via Facebook event page, with 24,000 confirmed interested in the event (10 times the exposure and interest of last year's event). Five Street Food Vendors Received Golden Oyster Award at Food & Drink Festival in June. Evening Markets to be considered.
Trial closure of High Street at night time and weekends.	Pedestrianisation was agreed by Cabinet on 11 July as a priority for the Public Policy Initiatives Panel (PPIP) to investigate. The NTE are aware of this potential and welcome the opportunity.
Deliver grow on space for Creative Business at former Queen Street Bus Station.	Funding bid is being submitted for this scheme. Design works, costings and feasibility report now complete. Initial design comments provided by Planning to emerging proposals.

O4 Ensure a good supply of land available for new homes through our Local Plan.	
Action	**Achievements**
Ensure the Council has an adequate supply of land available to meet the housing need within the Borough.	The Local Plan has now reached the examination stage and is progressing. An updated Housing Land Availability Assessment was published in July 2018 which showed there was a 5-year supply of land.

O5 Promote initiatives to help residents live healthier lives.	
Action	**Achievements**
Place air quality and reduction of harmful emissions and at the forefront of Council decision making. Work with Bus operators to implement emission reduction technology to busses operating in Colchester.	To support National Clean Air Day on Thursday 21 June the Council introduced a No Motor Vehicle Idling Policy for the users of CBC vehicles, CBC staff using their own vehicles for business travel and motor vehicles visiting Council offices.
Engagement through the Livewell campaign - communities, families and individuals provided with information and signposting about all that is on offer to improve health and wellbeing in the region.	Livewell branding guidelines are being developed in partnership with Local Authority's across Essex. Communication templates developed to promote CBC interventions and services that contribute to improved wellbeing. Website content and social media promotes activity happening in Colchester including complimentary campaigns such as #Colchesterforfree and #BetterColchester.

Implement changes to internal processes and report templates to embed considerations (and data) about health and wellbeing into decision making.	'Health in all policies' approach introduced, report templates include a requirement to consider health & wellbeing. Equality Impact Assessments also now prompt the consideration of impact on health and wellbeing.

Wellbeing – Making Colchester an even better place to live and supporting those who need most help:
W1 - Encourage belonging, involvement and responsibility in all the borough's communities.
W2 - Work with Essex Police and partners in the Safer Colchester Partnership to make Colchester an even safer place.
W3 - Create new social housing by building Council homes and supporting Registered Providers.
W4 - Target support to the most disadvantaged residents and communities.
W5 - Help residents adopt healthier lifestyles by enabling the provision of excellent leisure facilities and beautiful green spaces.

W1 Encourage belonging, involvement and responsibility in all the borough's communities.

Action	**Achievements**
Work with partners to undertake a new Joint Strategic Needs Assessment for Colchester.	Joint health & wellbeing priorities have been established through the NEE Health & Wellbeing Alliance. Work is ongoing to ensure priorities reflect need locally and tackle the challenges set out in Colchester's published health profiles.
Enable communities to identify priorities and find solutions. Encourage belonging, involvement and responsibility in all the borough's communities. Promote responsible citizenship by encouraging residents to get involved in	Community Services attend regular meetings with Essex Integration and other organisations supporting migrant families in Colchester who continue to support the Syrian Resettlement Programme We have worked with ECC and Home Office colleagues to support migrant families with housing, local community integration, attending driving lessons, gain work experience, and employment.

their communities and to identify solutions to local issues.	Encouraged use of Locality Budgets to enable residents to get involved with community projects and find solutions to problems. Dementia Awareness events have been held for residents highlighting the statistics and support services available in the borough.
W2 Work with Essex Police and partners in the Safer Colchester Partnership to make Colchester an even safer place.	
Action	**Achievements**
Active participation in Safer Colchester Partnerships priorities and outcomes.	Initiatives the Partnership have carried out include: • Introduction of Town Centre Action Plan and Monday morning Partnership meetings • Operation Diss delivered alongside Essex Police to tackle issues of aggressive begging and anti-social behaviour in Town Centre • Street Weeks initiatives delivered to 3 locations across the borough to date (next event planned for October 2018) to tackle issues identified by local communities and encourage/enable residents to become involved/identify solutions • Local Community Meetings take place on a monthly basis across the borough to encourage residents to report issues and engage with partner agencies • Leadership of Safety Advisory Group to ensure all large events in the Town Centre are appropriately risk assessed and public safety is maintained • Information sharing ensuring activities are not duplicated and intervention is immediate and appropriate
Maintain and expand Licensing Enforcement Group to ensure partnership working based on multi agency tasking to jointly tackle problem premises, promote good practice, provide training and encourage the early	• Licensing Enforcement Group continues to deliver joined up management of problem premises • Projects identified and scoped to promote responsible drinking (Drink Less Enjoy More) • Preventable issues related to NTE premises remain low and engagement with trade positive

identification and call in of hidden harms.	• Pubwatch event re hidden harms well received • Group expanded to include University of Essex, Zone Wardens, voluntary sector to maximise knowledge of issues and joint working opportunities • Licensing involvement in Police operations to manage off sales to street drinkers • Licensing, Food and Safety involvement in Street Weeks in May 2018, another planned for October 2018
W3 Create new social housing by building Council homes and supporting Registered Providers.	
Action	**Achievements**
Redesign of Greenstead Centre Tamarisk Way.	Master planning well underway following initial public consultation with the preferred option due for public consultation early 19. Extensive consultation with commercial tenants ongoing, costings and feasibility being developed and work with land owner partners is progressing. The Council's Urban Designer has supported the evolution of the masterplan and work towards an eventual submission.
Work with registered providers and private developers to deliver new affordable housing.	As at the end of September 2018, a total of 74 new affordable homes had been delivered. The Council have paid £224,703 of a total grant of £449,406 to Winnocks and Kendalls Almshouse Charity as their scheme to build 9 additional affordable homes has started on site. The Council has also agreed to provide grant of up to £450,000 to Haig Housing for up to 9 additional affordable homes for ex-service personnel.
Use our own land and resources to deliver new council homes.	• HRA Bid was developed and submitted [since used to create HRA borrowing proposals with a separate paper to be presented to Cabinet in January] • Cabinet approval sought for the disposal of four sites and a number of changes to the financial modelling to allow the development of over 300 new homes including 116 affordable homes

	• Initial feasibility completed on all garage sites
W4 Target support to the most disadvantaged residents and communities.	
Action	**Achievements**
Continue to deliver the Startwell Colchester Programme to Support children, families and young people to get the best start in life.	Outcomes from Startwell interventions include: 75% individuals supported by the crisis housing project report that their education and learning, and their mental health have improved. 100% report that their home and money situation has improved. The end of project report for beat the street identified an increase in participants walking for travel on 5 or more days 6 months after the game and an increase in participants meeting guidelines for 150 minutes exercise per week. The project legacy includes the development of a framework to support community consultation re access to and use of green space in more deprived communities. Two planned Five ways to Wellbeing initiatives delivered in secondary schools reported improved scores on wellbeing measures, and less disruptive behaviour/more engagement from students post intervention.
Provide customer insight and statistics to target support and access for customers appropriately.	• Provided public health data and mosaic likelihoods to support the Winter Warmth campaign • Provided an analysis of the evaluation of participants in workshops run as part of the No Filter project in collaboration with Essex Libraries • Providing data on population health across the borough to help inform the development of Leisure World's Life Enhancing Activity Programme • Provided data for the Visually Impaired (phone) Line working group to get that set up, and continually monitor • Create performance dashboards to monitor effectiveness of interventions made by the Macmillan Welfare Benefits Team

	• Created bespoke reports in Macmillan AIMs database to effectively monitor different customer demographics (e.g. Referral Trust) • Created monthly report to show effectiveness of customer interventions at the Community Hub
Prevent households from experiencing homelessness and tackle rough sleeping.	The way CBH provide advice and assistance to households since the introduction of the Homelessness Reduction Act has fundamentally changed, resulting in homelessness being prevented for 49 households, and 24 households who are homeless have been helped to secure accommodation. The Rough Sleeper Co-ordinator has worked with 28 clients from 1st April until the 30 September. All these rough sleepers have been provided with support/advice/assistance. Five rough sleepers have been housed.
Work with partner and community organisations to help safeguard, and to advance equality of opportunity and access to services for, vulnerable groups.	• We continue to use our robust processes in all equality impact assessments • We have gathered evidence for the annual Equality and Safeguarding report which will be presented to Governance Committee in November • During the period, the Safer Colchester Partnership has continued work on two Domestic Homicide Reviews and has provided relevant information following 'scoping enquiries' on Partnership Learning Reviews, Serious Case Reviews and Domestic Homicide Reviews
Supporting vulnerable residents to stay safe and independent at home	• Recruitment to a new Healthy Homes Manager post to lead a specialist team providing support and access to home adaptations and disabled facilities grants in addition to proactively supporting residents at greater risk of admission to hospital and expediting discharge back home • Pilot of a new specialist in-house CBC based Occupational Therapist to liaise directly with ward based therapists to support swifter hospital discharge
W5 Help residents adopt healthier lifestyles by enabling the provision of excellent leisure facilities and beautiful green spaces.	

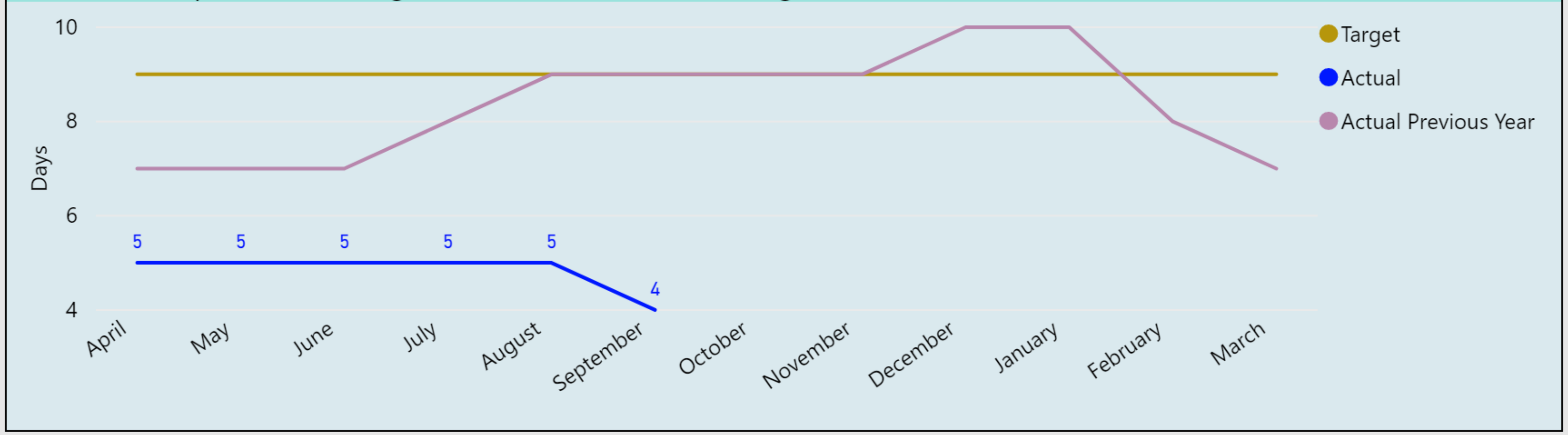
Action	Achievements
Work together with system partners to achieve challenging targets in a small number of key areas that will have a significant impact on major health conditions.	Action Learning has seen a variety of wellbeing interventions receive further funding and evaluation with a view to replicating and scaling approaches to reach a wider audience. Worked with North East Essex Alliance partners to develop system priorities and a framework for delivery.
Work with Sport England, System partners and the community to deliver the Essex Local Delivery Pilot (ELDP).	Initial research, insight gathering, and action learning undertaken in 'Chapter One' of the pilot is coming to an end in October 2018. A new Pilot Coordinator and Community Engagement post has been recruited to with the post holder starting in November 2018.
Protect, enhance and deliver a comprehensive green infrastructure network, including the Colchester Orbital, and seek opportunities from future developments to improve connectivity to the network.	Green infrastructure identified and protected from development within the Local Plan. This achievement is linked to the **R5** action and achievement (Colchester Orbital). New development is expected to incorporate open space in line with policies.
Dementia Friendly Activities at Leisure World Colchester Deliver a range of activities for people living with dementia and their carers Activities include: Fitness Pool swimming available under the guidance of qualified teachers, table tennis, badminton and "Song & Memories" sessions.	Up to 5 September 2018: 67 sessions with 220 attendances in total. The original programme has been extended and the activities will continue to run from September to December 2018. We hope to see attendances increase during this period.

Diabetes Support Programme at Leisure World Colchester Working in partnership with the National Diabetes Prevention Programme and GP Surgeries to deliver a 12-week programme aimed at those who have been diagnosed with diabetes or pre-diabetic health conditions. Develop knowledge of Diabetes and its treatment Build awareness and motivation to exercise. Physical activity sessions & nutrition support. Max 16 people per programme.	The first course in May had 8 attendees who all completed the 12-week programme and are now attending a regular Diabetes class run as part of LEAP Scheme on a Thursday afternoon. The 2nd 12-week course started on the 13 September with 7 attendees.
Provision of access to mainstream physical activity and sporting sessions at Leisure World Colchester	Launched Sport for Confidence Programme at Leisure World Colchester. The programme works with a range of health, social care and community stakeholders who provide support and deliver services to groups and individuals most likely to face barriers to getting active. The scheme places an Allied Health Professional and sports coach alongside each other delivering physical activity sessions designed to bring people who would otherwise not access leisure facilities improved health and wellbeing outcomes.
Develop a Colchester Parks and Green Space Strategy – linking healthier lifestyles, community volunteering, green spaces and new funding streams.	Friends of Castle Park autumn walk schedule in place. Improvement to Castle Park Toilet facilities on schedule to meet deadline April 2019.

Appendix B

Corporate Key Performance Indicators
Half Year Report
Covering April – September 2018
Presented to Cabinet
30 January 2019

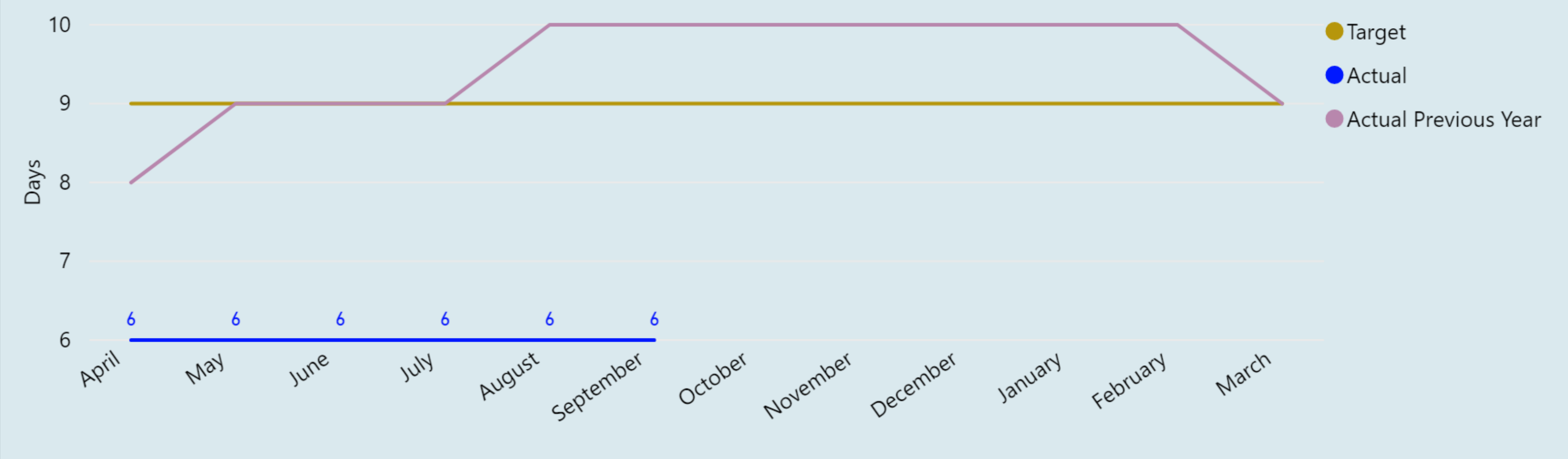
K1B1 Time to process Housing Benefit new claims and changes - GREEN



Performance targets are being exceeded and the team is on track to meet the target and post a year on year performance improvement.

Target	Actual	Actual Previous Year
9	4	9

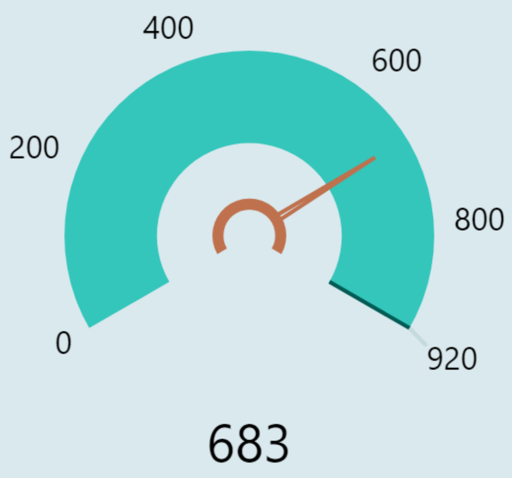
K1B1 LCTS - GREEN



Days taken for Local Council Tax Support assessment is now aligned more with Housing Benefit days taken. The team is focused on eligible benefit being distributed quickly.

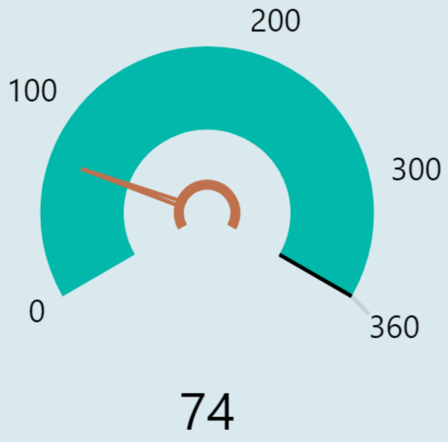
Target	Actual	Actual Previous Year
9	6	10

K1H1 Net Additional Homes Provided - GREEN



The Council is on target to deliver the homes required for the year. This is evidenced by returns from developers and reports generated from building control completions alongside site visits.

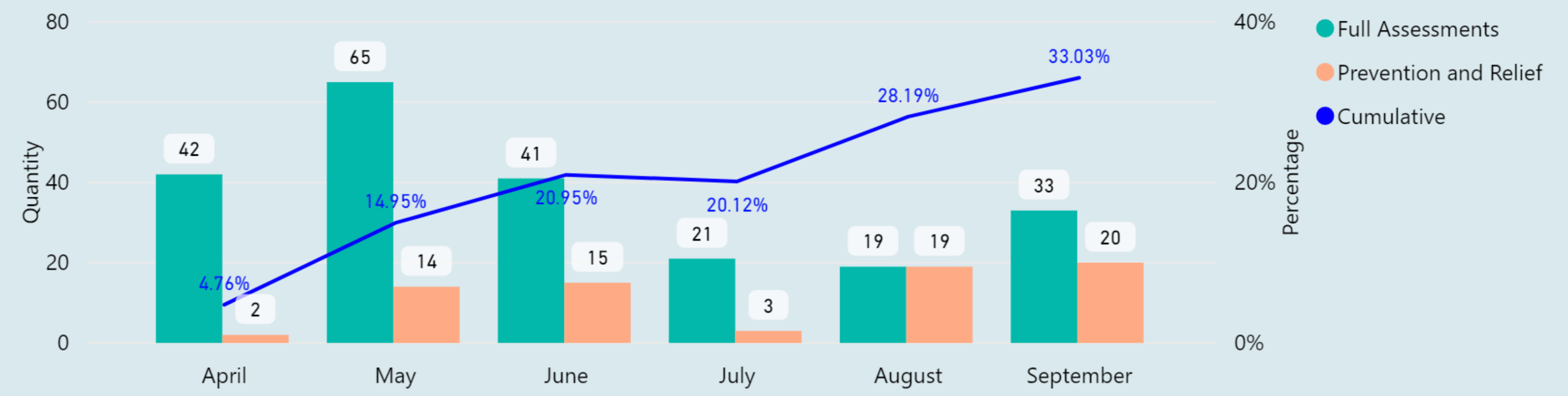
K1H2 Affordable Homes Delivered over Three Years - GREEN



As at the end of September 2018, a total of 74 new affordable homes had been delivered. At this point, we are on track to achieve the three year target.

2017-2018	April	June	August	October	December	February
2018-2019	May	July	September	November	January	March

K1H3 Homelessness Cases Prevented - No RAG Status

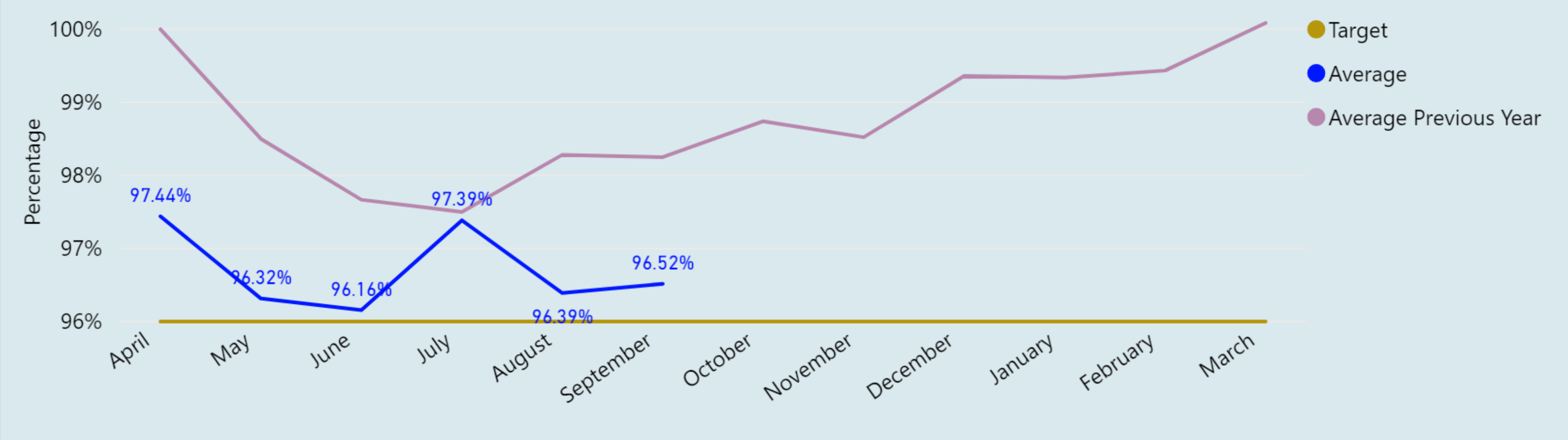


Following the introduction of new homelessness legislation in April 2018, the way homelessness prevention numbers are recorded is different to previous years.

Whilst we wait for guidance on performance information from the Ministry of Housing, Communities and Local Government, the figures show the number of cases where homelessness has been 'prevented' or 'relieved' based on the number of actual housing assessments that have taken place (for which a housing plan would be issued).

Cumulative	Full Assessments	Prevention and Relief
33.03%	33	20

K1H4 Rent Collected - GREEN

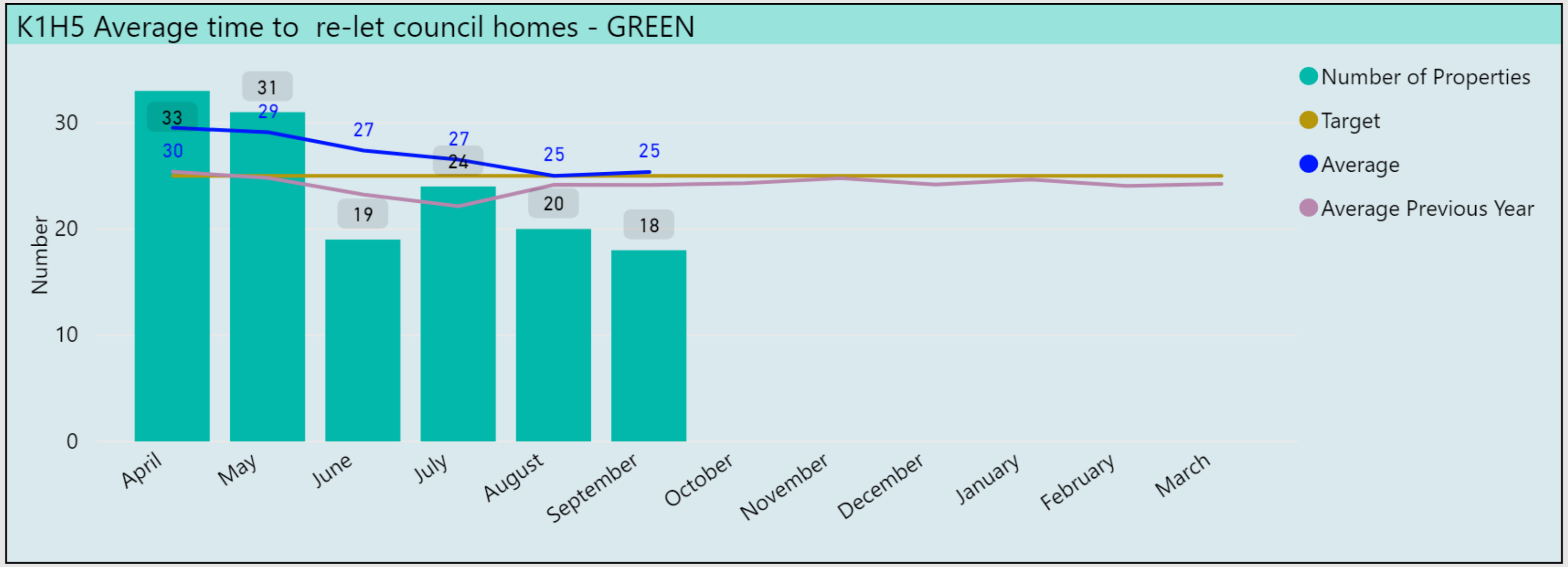


Collection of rent is on target to be achieved by year end.

Target	Average	Average Previous Year
96.00%	96.52%	98.25%

2017-2018	April	June	August	October	December	February
2018-2019	May	July	September	November	January	March

2017-2018	April	June	August	October	December	February
2018-2019	May	July	September	November	January	March

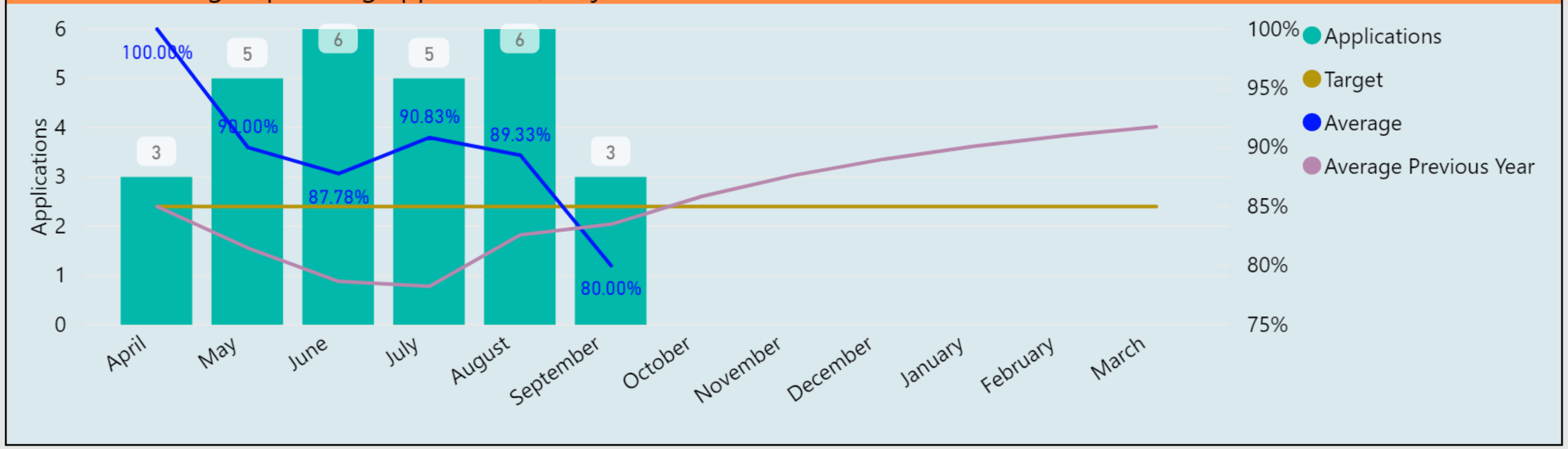


145 void properties have been re-let during the first six months of the year. Although slightly above target we are expecting this to be achieved by year end.

Target	Average	Average Previous Year	Number of Properties
25	25.37	24.15	18

2017-2018 | 2018-2019 | April | May | June | July | August | September | October | November | December | January | February | March

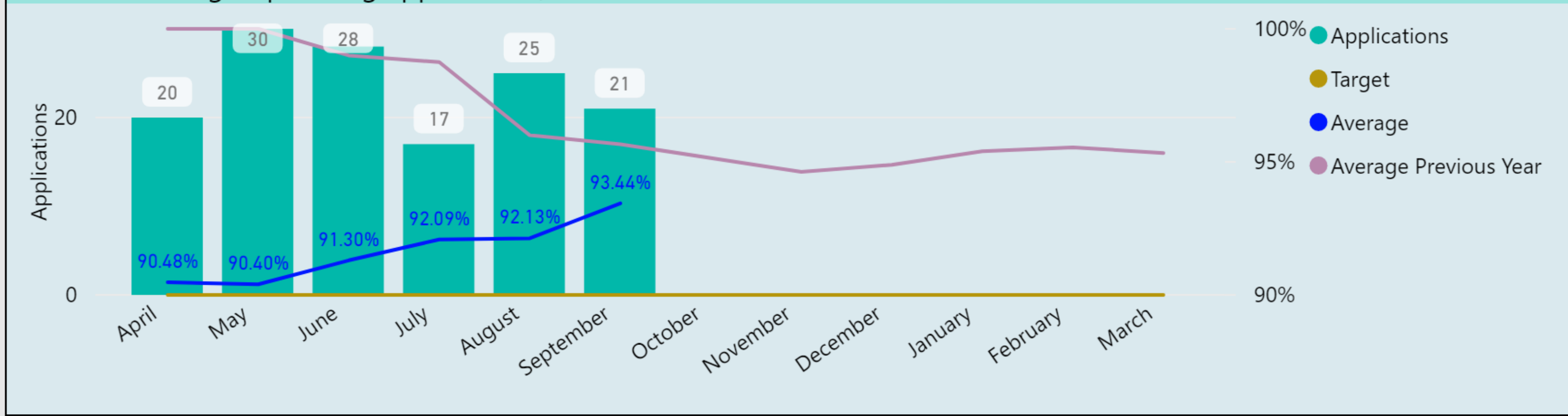
K1P1 Processing of planning applications, Majors - AMBER



Twenty eight majors planning applications have been determined during the first half of the year and five of these were beyond their target dates. Two of these appear to have required legal agreements that took them beyond their target dates with no agreement to extend the target dates to the same period. One application missed the target by 7 days, but was unable to be brought to the planning committee earlier because of the election period, and the gap between meetings that arose at that time. The remaining two were simply determined later than their target date whilst issues were being resolved.

Applications	Target	Average	Average Previous Year
3	85.00%	80.00%	83.50%

K1P1 Processing of planning applications, Minors - GREEN



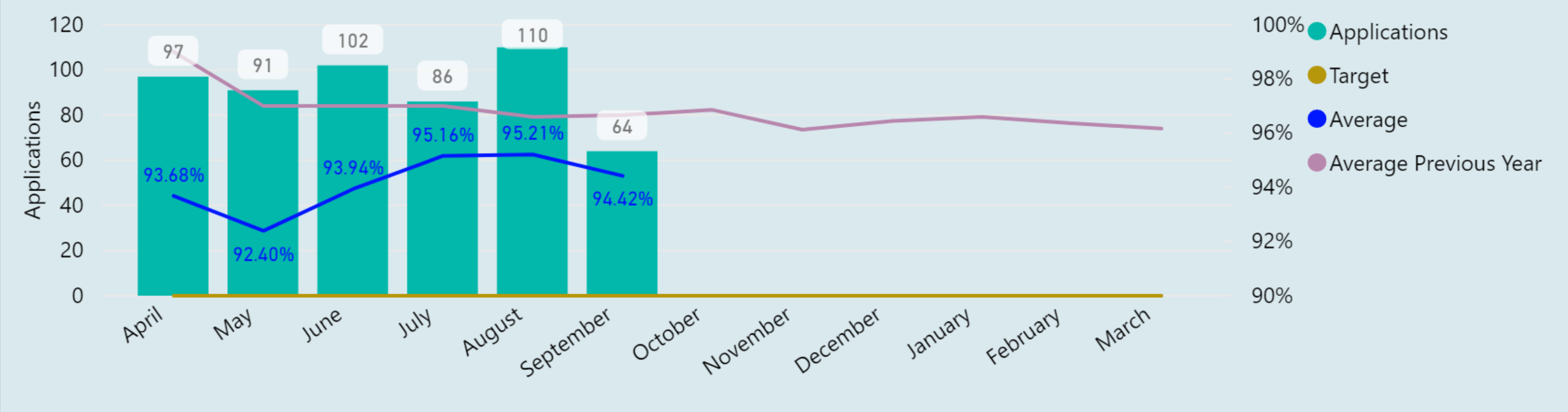
Despite transitional arrangements, and vacant posts during the first half of the year, this target remains on track to be met this year.

Applications	Target	Average	Average Previous Year
21	90.00%	93.44%	95.67%

2017-2018 | 2018-2019 | April | May | June | July | August | September | October | November | December | January | February | March

2017-2018	April	June	August	October	December	February
2018-2019	May	July	September	November	January	March

K1P1 Processing of planning applications, Others - GREEN



Despite transitional arrangements, and vacant posts during the first half of the year, this target remains on track to be met this year.

Applications	Target	Average	Average Previous Year
64	90.00%	94.42%	96.67%

2017-2018 | 2018-2019

April | May | June | July | August | September | October | November | December | January | February | March

K1R1 Council Tax Collected - GREEN

On track to achieve target. Collection is slightly below previous year, however still on track to achieve target. We normally see a boost in collection results during the final quarter taking into account 12 monthly payments.

Target	Actual	Actual Previous Year
48.75%	56.65%	56.82%

K1R2 Business Rates (NNDR) Collected - GREEN

On track to achieve target and exceed previous year collection.

Target	Actual	Actual Previous Year
49.25%	58.62%	58.13%

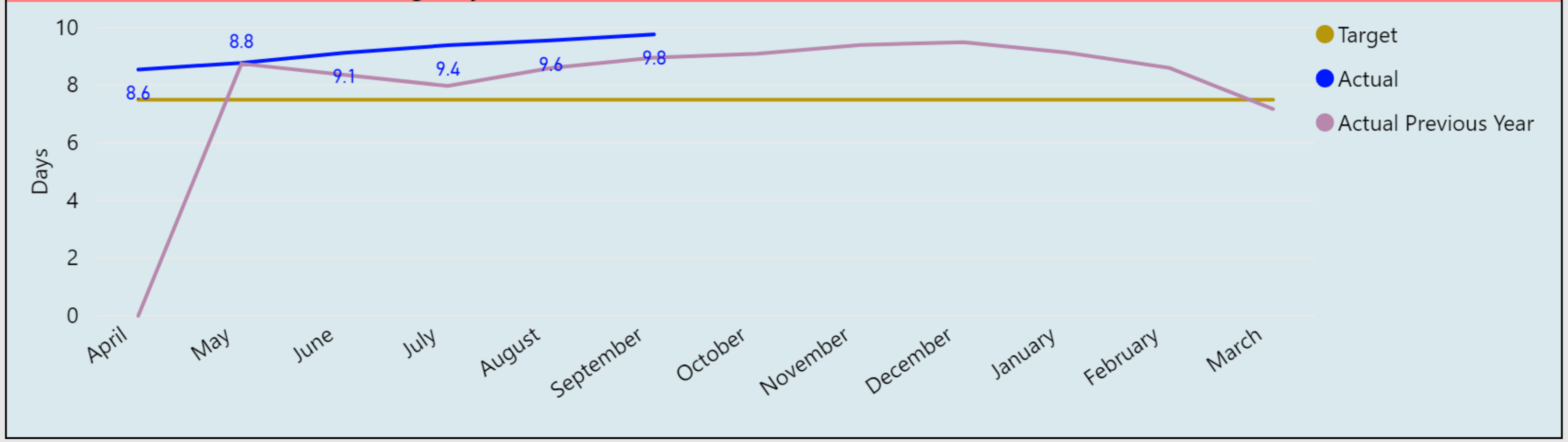
2017-2018 | 2018-2019

April | May | June | July | August | September | October | November | December | January | February | March

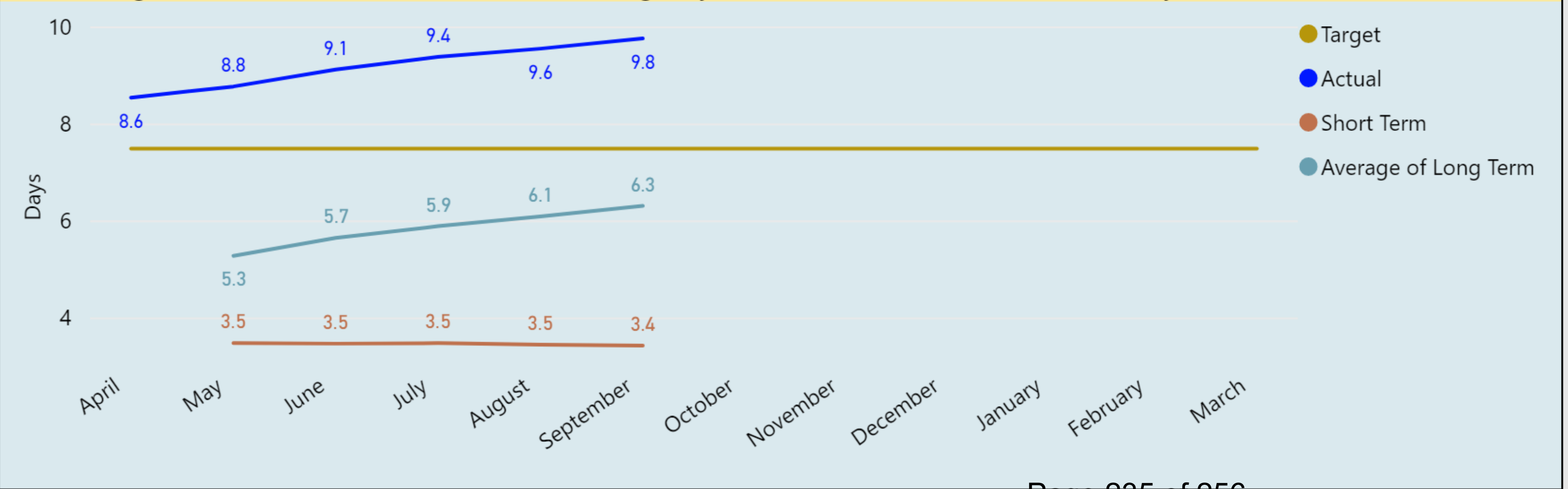
2017-2018 | 2018-2019

April | May | June | July | August | September | October | November | December | January | February | March

K1R3 Sickness Rates in Working Days - RED



K1R3 Long Term and Short Term Rates in Working Days - No RAG Status (Information only)



This is a rolling figure extracted from iTrent and broken down as follows:
Long Term – 6.32
Short Term – 3.44

Absences relating to mental health continues to be a challenge and leads to long term absence. We have implemented a number of initiatives to support staff with mental health issues including the training of Mental Health First Aiders, awareness training for managers and promotion of the Employee Assistance Programme.

Case conferences within services involving Assistant Directors, Group Managers and HR Business Partners are taking place in November with a view to reviewing sickness on a case by case basis and agreeing next steps.

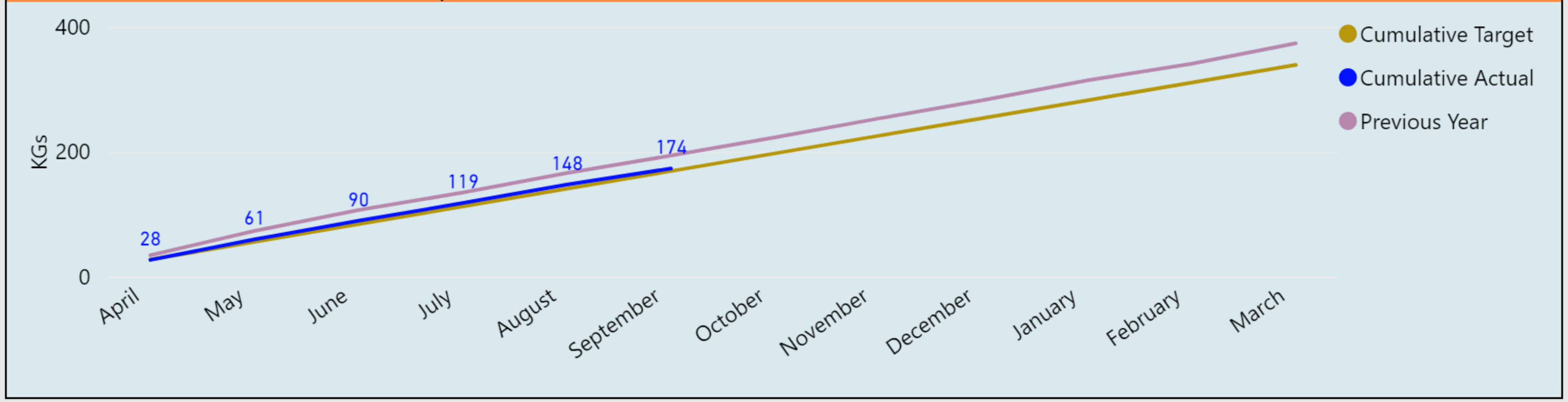
The intention is to review the policy framework for sickness to ensure the policies are fit for purpose and support the effective management and reduction of sickness absence across services.

Actual	Average of Long Term	Short Term
9.77	6.32	3.44

Target	Actual	Actual Previous Year
7.50	9.77	8.96

2017-2018	April	June	August	October	December	February
2018-2019	May	July	September	November	January	March

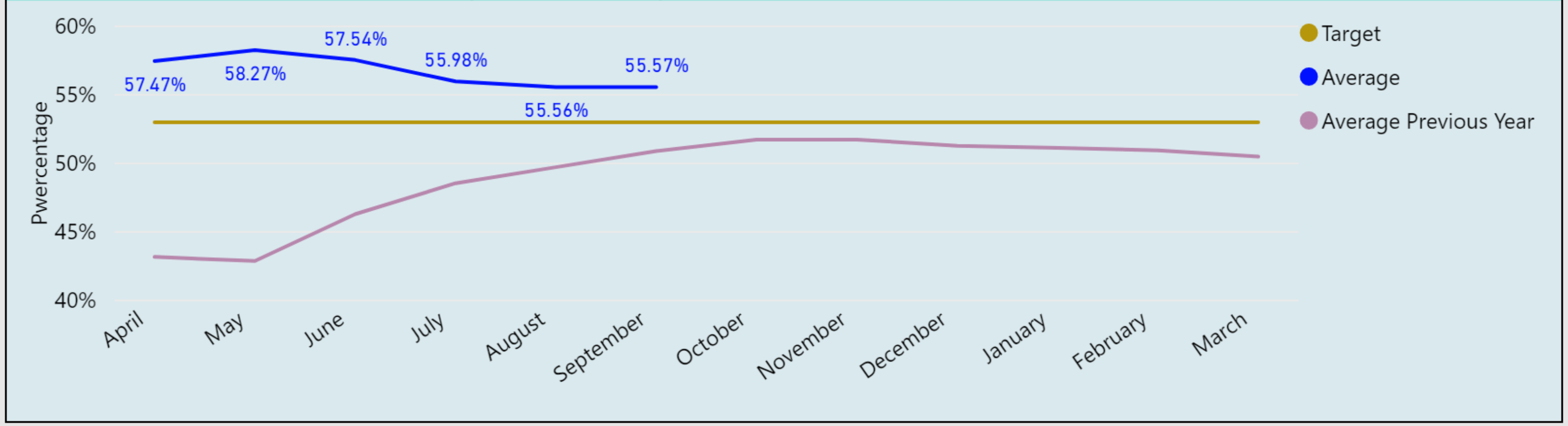
K1W1 Residual household waste per household - AMBER



Following the Waste Service changes made in June 2017 there has been a sustained reduction in the amount of residual waste collected per household. We are on target to achieve the full year target.

Cumulative Target	Cumulative Actual	Previous Year
170.00	174.16	194.74

K1W2 Household waste reused, recycled and composted - GREEN



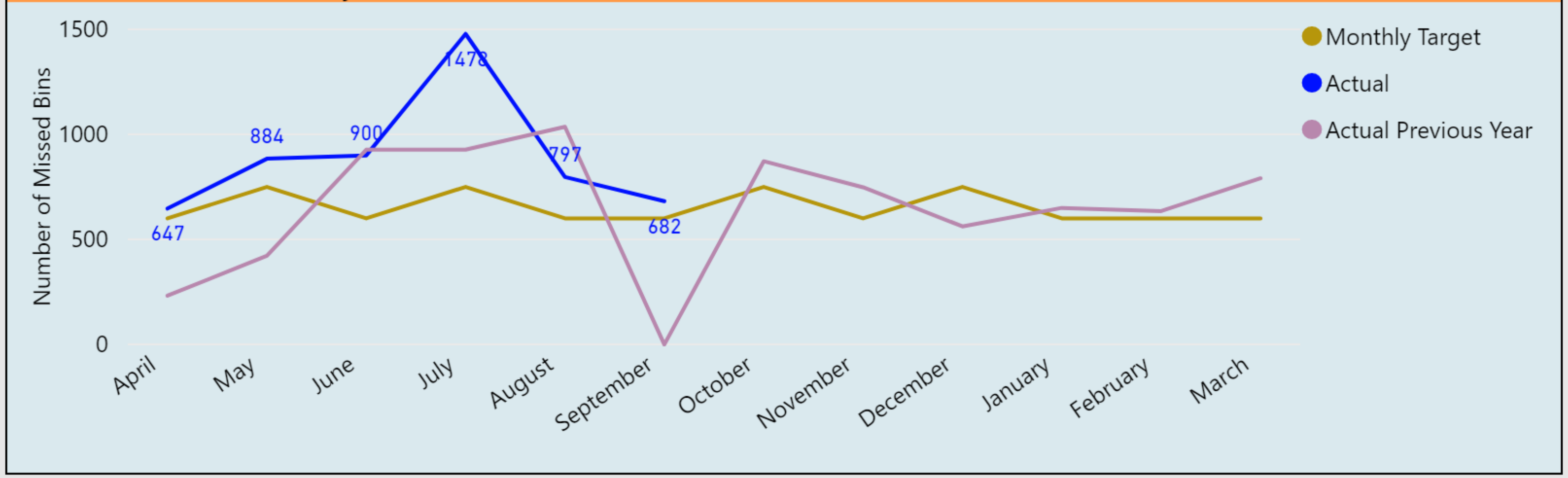
Following the Waste Service changes made in June 2017, recycling rates have continued to be high in the first half of this year resulting in the target being exceeded at the mid- year position. We are on target to achieve the full year target.

Target	Actual Average	Average Previous Year
53.00%	55.57%	50.90%

2017-2018	April	June	August	October	December	February
2018-2019	May	July	September	November	January	March

2017-2018	April	June	August	October	December	February
2018-2019	May	July	September	November	January	March

K1W3 Number of weekly missed collections - AMBER



Monthly Target	Actual	Actual Previous Year	Weekly Target	Weekly Average by FP	Target % Missed by PF	Actual % Missed by FP
600	682	0	150	170.50	0.06	0.05%

The number of missed bin has been just above target but still remains low as an overall percentage of all collections (0.05%). Some of these missed bins were not actually missed but related to recycling/refuse that has not been collected in line with our policy e.g. too many sacks of refuse or contaminated recycling left out for collection.

The system for reporting missed bins has been changed within the period. A number of other steps have also been taken to further reduce the number of actual missed bins. This has resulted in an improvement in performance which we expect to continue for the remainder of the year.

- **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 2018	
Defence Employer Recognition Scheme	Having achieved the Bronze Award in January 2018, CBC received the Silver Award in August. The Ministry of Defence gives these awards as part of its Employer Recognition Scheme, to businesses and organisations which go the extra mile to demonstrate their commitment to aiding and employing members of the military community. CBC aims to maintain and develop this work and is pleased to set an example to others. We are actively working to raise awareness of the Armed Forces Covenant, and encouraging other businesses and organisations in the area to also be Forces Friendly employers. **August 2018.**
Visitor Experience Awards	Colchester Museums' Visitor Services team were winners at the first-ever national Visitor Experience Awards. They were up against the Houses of Parliament, National Museums Liverpool and Cornwall's Regimental Museum in the Visitor Experience Team of the Year category. They were presented with their award a ceremony in London's Welcome Collection. **August 2018.**
Green Flag Awards	Castle Park and High Woods Country Park have again both been awarded Green Flag Awards, recognising them as two of the best parks in the UK. Colchester's Cemetery and Crematorium also achieved Green Flag status. 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. The Castle Park also holds Green Heritage Site status. **July 2018.**
Institute of Revenues, Rating and Valuation (IRRV)	CBC is a finalist in the 2018 IRRV Performance Awards in the Revenues Team of the Year (District Authority) category. The team was shortlisted for its work to transform its collection service. The Revenues team handled 46,000 calls in 2017/18 and completed around 330,000 pieces of work. This not only helped CBC achieve its best results so far with a nearly 98% council tax and more than 99% business rates collection rate, but also a 98% customer service satisfaction rating. The shortlist was announced in **June 2018**; winners are announced in **October 2018**.
Charter for Elected Member Development	This award recognises that the Council has achieved best practice in the way it provides learning and development opportunities for its elected members (councillors). It provides an independent, robust and structured framework designed to help councils enhance and hone member development.

	CBC was first awarded Charter Status for Elected Member Development in 2011 and was reaccredited in 2015. The accreditation lasts for a period of three years, and the Council passed its full reassessment in **July 2018**.
Municipal Journal (MJ) Achievement Awards	CBC was a finalist in the 'Digital Transformation' category for its work to improve its online experience for customers. As well as assessing the Council's digital transformation strategy to increase access to digital services and provide a more intuitive and personalised online experience for customers, judges considered digital innovations which have transformed the way staff work using cloud-based technology and revolutionised the operation of the Waste and Recycling Service. This includes, for example, a redesigned web portal for waste and recycling information, and the use of new in-cab route-planning technology fitted to the waste fleet providing live online navigation updates to officers and customers. **June 2018.**
Disability Confident Employer	'Disability Confident Employer' – CBC achieved this in June 2018. The Disability Confident scheme supports employers to make the most of the talents disabled people can bring to the workplace. **June 2018.**
Gold Travel Plan	CBC's Staff Travel Plan has retained its 'Gold' status as part of Essex County Council's travel plan accreditation awards. **May 2018.**
LEXCEL	Legal Services have been 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. **May 2018.**
Rookie Life Saving Awards	Leisure World Colchester has been awarded the Essex Branch Silver Shield. Leisure World run the Royal Life Saving Society (RLSS) UK Rookie Lifeguard programme, which gives children the skills they need to be confident in the pool or the sea. The Silver Shield Award acknowledges the fantastic pass rate on its Junior Rookie Lifeguard courses held during 2018. **April 2018.**
Creative Industries - Sector Deal	Colchester has been highlighted as a creative hotspot in the Government's latest 'Sector Deal' for the Creative Industries. Recognised for 'high growth and concentration' of the creative industries, Colchester is ranked 20th out of 47 creative places in the UK. This could open a wide variety of opportunities, as the sector deal includes action to support the creative industries with the announcement of a new Creative Development Fund. This £20m fund aims to help creative hot-spots like Colchester to become world-class, unlock growth, encourage investment and create new jobs. Another strand will invest a further £39m in building new research and development partnerships between universities and business via the Industrial Strategy Challenge Fund. **April 2018.**

Extract from the minutes of the Scrutiny Panel meeting of 11 December 2018

195. Half Year 2018-2019 Performance Report including progress on the 2018-2019 Strategic Plan Action Plan

Councillor King, Portfolio Holder for Resources, and Dan Gascoyne, Assistant Director Policy and Corporate, introduced the report setting out the performance for the 2018-10 half year, and an update on the Strategic Plan Action Plan.

Councillor King explained that the Key Performance Indicators (KPIs) had been reviewed in view of the Panel's previous comments that some were insufficiently rigorous. The targets in respect of the time taken to process housing benefit claims and changes, and the time taken for local council tax support assessments had been made more challenging. He thanked the Panel for their comments which had proved beneficial. The presentation of the information about the KPIs had also been changed. It was now presented in graph form showing year to date performance and the previous year's performance and target. It also retained the narrative used in previous reports. This would make it easier for the Panel to identify and review trends in performance.

Dan Gascoyne highlighted the Key Performance Indicators where the performance was amber:-

- Processing of major planning applications: There were a comparatively small number of 'major' planning applications, so a small amount missing their target had a disproportionate impact. It was anticipated that performance against the target would improve and it was noted that performance in respect of processing of 'minor' and 'other' applications, which involved a far greater number of applications, was meeting its target.
- Residual waste per household: Notwithstanding that the performance was amber, performance against the target had improved dramatically. It was felt that the target may need to be amended slightly, but he was satisfied that performance was good and at a consistent level.
- Number of missed collections: Performance against this target was improving and it was anticipated that by year end it would be on track.

The only KPI where performance was red was in respect of sickness rates. Whilst rates of short term sickness were reducing, long term sickness was increasing. This was a matter of concern which was being taken very seriously within the Council. Each case was being looked at and case conferences being held to ensure that the necessary support was in place to facilitate a return to work, and where a return to work was unlikely addressing whether there were better options for the individual and the Council. The trends were not consistent across all the Council service groups and the organisation was looking at those areas where the issues were the most pronounced.

Councillor King stressed the seriousness with which this issue was taken. He was satisfied that the right approach was being taken. It would be difficult to bring the numbers down quickly or easily, in part because the figures were calculated on 12 month rolling period so it takes time for improved performance to be reflected in the figures. The level of change within the organisation and the consequent pressures being put upon staff were likely to be contributing factors. It was important that managers showed empathy and compassion and maintained relationships with those staff who were away from the office because of long term sickness issues and a briefing was being held for managers to reinforce these messages.

The Panel also expressed concern about presenteeism, particularly by those suffering with with mental health, and sought clarification about what training was available to managers to help identify and deal with this. Dan Gascoyne explained that whilst the Council was aware of presenteeism as a potential issue, he did not think it was a major problem partly as a consequence of the Council's flexible working practices. However, the Council was very much aware of the issue of mental health. The Staff Survey was currently being conducted which would provide helpful information about the views and morale of staff.

In discussion on the Strategic Plan Action Plan the Panel raised the following issues:-

- How the information in the report was assessed, amalgamated and reviewed and whether the structure of the report, in concentrating on particular actions, led to an incomplete picture being presented in respect of some issues.
- The timescale for the Economic Strategy Strategic Plan Action Plan report. It was also suggested that that this would be a useful item for pre-scrutiny. Councillor King undertook to provide further information to the Panel about the timescales.
- In respect of theme O5, whether the Council had the ambition to convert all Council vehicles to electric only by a set date, and to make them available to staff via a car share system. It was explained that the conversion of the fleet was being looked at, although it might be more difficult to convert waste collection vehicles.
- In respect of theme W5, why did the Diabetes Support Programme events at Leisure World have a low attendance and whether the Council was pushing

health organisations to address diabetes. Pam Donnelly, Strategic Director for Customers and Partnerships, suggested that there may be some benefit in inviting the North Essex Health and Wellbeing Alliance to present their work to the Panel in the next municipal year.

- In theme R4, clarification was needed about the legal powers referred to and how these related to the legislation specified in the commentary.
- In theme G4, it was suggested the wording of this needed to include a caveat reflecting recent developments in respect of the Local Plan.
- In respect of theme O2, whether the charging points in Priory Street were being pursued given that it was understood that Priory Street would not continue as a car park. There should be a planning policy requiring the installation of charging policies as part of new developments. Councillor King indicated that he would look into these issues.
- In terms of the trial closure of the High Street mentioned at theme O3, the hours of closure were being looked at? Councillor King indicated that he would investigate and respond.

RESOLVED that:-
(i) The performance set out in the Strategic Plan Action Plan Half Year report April – September 2018, the KPI Half Year report covering April – September 2018 and the Awards and other Performance News be noted.
(ii) The Reporting Timetable covering 2018-19, specifically the dates for setting KPI targets for 2019-20, be noted.

Agenda item 12(i)

EXTRACT FROM THE DRAFT MINUTES OF THE MEETING OF POLICY AND PUBLIC INITIATIVES PANEL HELD ON 9 JANUARY 2019

21. Colchester High Street Pedestrianisation

The Panel considered a report by the Assistant Director Policy and Corporate giving details of the background for a discussion of proposals for pedestrianisation or traffic reduction in Colchester High Street.

Rachel Forkin, Transport and Sustainability Manager, presented the report and responded to members questions.

Also in attendance to assist the Panel members in their discussion were Alan Lindsay, Essex County Council's Transportation Planning and Infrastructure Manager, Councillor Kevin Bentley in his capacity as Essex County Council's Cabinet Member for Infrastructure and Councillor Martin Goss, Portfolio Holder for Waste, Environment and Transportation.

The Transport and Sustainability Manager explained that the potential for managing traffic in Colchester High Street had been the subject of discussion for a number of years. Most recently the removal of all non-essential traffic from the High Street had been taken forward in 2013 with experimental traffic regulation orders (TROs) being introduced. The scheme was between the hours of 11am and 6pm, although buses, taxis, private hire vehicles, motor cycles and cycles were allowed to access at all times. A revised version of the scheme was introduced in October 2013 limited to:

- 24 hour bus lane on North Hill (southbound carriageway)
- 24 hour bus lane on Middleborough (right turn to North Hill)
- 24 hour bus lane on High Street (right turn to Queen Street)
- 24 hour vehicle prohibition on Cowdray Crescent.

These elements were later made permanent with the aim of reducing the appeal of the High Street as a through route for general traffic and therefore reduce traffic volume in the High Street.

In advance of agreeing any future scheme for pedestrianisation or traffic reduction objectives, a vision for the High Street would need to be agreed and potential schemes would need to be informed by best practice and further study work. Baseline data, including air quality, footfall, cycling levels, public transport use and public transport journey time, would also need to be collected against which to measure the impact of changes. Potential benefits were:

- Improvements to air quality;
- Improvements to the pedestrian environment:
    - Easier to cross the road;
    - Boost café culture
    - Make the market environment more attractive;
- Improved Public Transport reliability;
- Improved connections for pedestrians and cyclists into and across the town centre;
- Modal shift to more sustainable means of transport;
- Potential increased footfall and spending.

Potential impacts included:

- Difficulty balancing the needs of different users including pedestrians, businesses, deliveries, local residents;
- Providing alternative arrangements for buses and taxis if they can no longer pick up passengers on the High Street;
- Access to and availability of Blue Badge parking;
- Traffic displacement and increased traffic volumes on roads around the town centre;
- Impact on traffic and residents in the Dutch Quarter;
- Impact on deliveries.

It was highlighted that pedestrianisation could take different forms and be implemented in different ways, such as the removal of all vehicular traffic, giving priority to pedestrians, removal of non-essential traffic and traffic reduction. The report included a series of scenarios to aid initial discussion and explore different options. Essex and Colchester Councils were working in partnership to develop a Transport Strategy for Colchester, setting out a vision for Transport to 2033, in line with the Local Plan. Background data was being collected and consultation on objectives and issues was expected for early 2019. It would be important to ensure continuity between the Transport Strategy work and a traffic reduction project.

The next steps for a traffic reduction project were outlined, proposing the appointment of consultants to undertake early public consultation with all those having an interest in access to the High Street, with initial views being sought on whether the High Street could be pedestrianised and options for how this could be achieved as well as prior engagement with interested groups including Transport for Colchester, local businesses and residents, access groups, walking and cycling groups, bus operators and taxi operators. If the consultation indicated support for implementing a project, work would be undertaken with partners and interested groups to carefully plan further details including access rights.

The Transportation Planning and Infrastructure Manager referred to the need to identify the vision and objectives of a project and for the adoption of a partnership approach, not only with interested groups but also across the two local authorities. He gave further details of the previous scheme introduced in 2013 and the impact of the TROs which had been put in place. He referred to the monitoring group which had been established to gather views and feedback, including footfall, public perception, air quality and public transport. He agreed that it was important to establish the objectives early in the project and to learn from previous experiences.

The Chairman explained that the Panel was not a decision making body, its role was to listen to opinions and concerns about the issue and to make recommendations to the Cabinet for consideration.

Sir Bob Russell addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). He explained that he lived close to the town centre area and supported the views expressed by Mr Dean. He urged the Council not to disturb the equilibrium of the town centre. He acknowledged the reported support for a pedestrianisation scheme but was of the view that the many disadvantages would outweigh any benefits. He referred to the difficulties due to the location of the town centre on a hill and within Roman walls with only only two of the four gates allowing vehicular access. He considered 75% of the town centre was already pedestrianised, whilst the High Street had already been reduced to a one lane highway with footways of very generous proportions. He was concerned about detriment to businesses and public services and was of the view that measures to reduce traffic further would have a negative impact on traffic problems on Cowdray Avenue and Magdalen Street.

Sarah Shehadeh addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). She supported the views of Sir Bob Russell in terms of the existing levels of pedestrianisation and the location of the town centre on a hill. She considered the current arrangement in the High Street worked well as it was not difficult to cross, unlike Head Street. She was also concerned about the impact on bus services.

Nick Chilvers addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). He considered the report to be balanced and identified the complexities of the issues. He was of the view that interested groups such as, resident groups, bus operators and taxis, needed to be consulted as well as the independent retailers and national chains. He considered all retailers would be able to cope and manage changes with time but he warned that changes to bus stops would impact on older residents, they may opt to shop elsewhere and this would have a considerable negative impact on trade. He was of the view that consultation needed to include residents living above shops and food establishments and that the market should not be allowed to dominate opinions. He considered the consultation needed to be well publicised, to not include a list of questions and sufficient time needed to be allocated.

Julian Elliott, representing First Essex Buses addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). He acknowledged the aspiration for a strong local economy and concerns about high levels of congestion and air quality issues but he explained that it was important that access for buses into the town centre was maintained. The bus services operated a cross town pattern and if buses were not able to access the High Street this would have a knock on effect on the operation and cost of the services. Experience from High Street closure days had demonstrated that bus patronage decreased with an associated negative effect on traders. He urged consideration be given to buses being permitted to serve the High Street to allow residents to access facilities and support the local economy. He argued that buses were the best use of road space and most efficient mover of people and disturbance to bus access would create a need for infrastructure elsewhere which may prove difficult to accommodate. He confirmed that First Bus was very keen to work constructively with the local authorities to find the most suitable solution to enable to get into the heart of the town centre and were very willing to engage in any part of the process.

The Chairman welcomed the support for the process from Mr Elliott and asked whether bus service punctuality was likely to improve should other vehicles be excluded from the town centre.

In response Mr Elliott confirmed reduced congestion in the town centre had the potential to improve punctuality but this was subject to reduced congestion across the wider area.

Stuart Johnson, on behalf of Colchester Cycling Campaign addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). He explained that Colchester Cycling Campaign welcomed measures to limit the amount of motor traffic in the town centre as it would improve the town centre through the encouragement of more walking, cycling and the use of public transport. He also acknowledged due consideration needed to be made for access to be maintained for people with disabilities. He reported that measures seeking to encourage walking and cycling had been shown to improve commercial outcomes. He was of the view that whatever scheme was adopted in the future it needed to include provision for bi-directional access for cyclists on the High Street. He welcomed the opportunity to participate constructively in future consultation.

Robbie Spence addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). He welcomed the report, supported traffic restrictions rather than outright pedestrianisation with a preference for no private cars and trade vehicles only out of hours only but allowance for buses, taxis, Dutch Quarter residents and two way access for cyclists. He suggested rising bollards with number plate recognition, together with a 5mph speed limit in order to create a more pleasant and safer area for pedestrians.

Alan Short addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). He considered better things could be done with the High Street and cited Durham City centre which was pedestrianised but also built on a hill and surrounded by a river. He was supportive of improvements to the public transport system and vehicle control. He was concerned about the current cost of bus fares and the chaotic system operated by different bus companies and the need for improvements to bring incentives for people to choose not to use their cars. He supported a comprehensive plan including maintained access to the town centre for people with disabilities, the whole town centre becoming as car free as possible and the introduction of congestion zones.

Ken Walker addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). He considered the High Street to be the beating heart of Colchester and fundamental to the future health of the town. He was of the view that the council needed to determine its goals and objectives to support the High Street to ensure that the businesses and communities prospered and that these needed to be set out in a plan alongside one for pedestrianisation. He suggested each step in the process needed to assessed relative to those objectives and that the objectives needed to be formally articulated and shared together with the practicalities and strategies to address issues or problems. He was particularly concerned that resources should not be wasted until these preliminary steps had been taken. He further suggested that measures to assess the success of the process needed to be put in place and adjustments made if things went wrong. He referred to scepticism about other measures such as work at Ipswich Road and considered that objectives needed to be understood by residents and fully publicised using local media.

Robin Webb addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). He explained that he was a Chartered Civil Engineer living in the Dutch Quarter and commended the previous speaker. He had been disillusioned with previous schemes because of lack of feedback and co-ordination. He explained the problem for residents of the Dutch Quarter who could only access the area from the bottom of North Hill and the need for traffic to be spread out. He considered the congestion would be worse if the High Street was pedestrianised. He advocated the determination of an overall objective for the scheme, fully supported and thought out, referring to a previous scheme which had identified accident reduction but with poor evidence to support this.

Brian Lewes addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). He was the proprietor of a cycle shop in St John's Street. He referred to congestion which he attributed to the restriction of traffic through the town centre and the prevention of traffic getting out of the town centre. He advocated the re-introduction of two lanes in the High Street and the widening of Head Street to enable access round buses. He was also concerned about the closure of Queen Street from the High Street and the congestion caused by circuitous routes around the town and the associated air pollution from stationary vehicles. He supported access to the town centre to enable people to get in and out of the town quickly and was of the view that pedestrianisation would kill off the town centre. He also supported the construction of a ring road.

Bodo von Broen addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). He was a resident of the Dutch Quarter and considered it imperative that the High Street was pedestrianised in order to improve safety in the town centre road network. He referred to the pedestrianisation of Chelmsford and Ipswich which had improved business in these town centres. He did not consider there was sufficient footfall in Colchester and the market was suffering detrimentally. He considered it would be easy to achieve by moving deliveries to the early part of the morning and traffic could be diverted as was the case at weekends.

Barbara Patterson addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). She welcomed non-pedestrianisation and referred to people opting to shop out of town due to the cost of car parking. She considering it important to reduce business rates to encourage smaller independent shops and could not see any justification to restrict vehicles in the town centre.

Rowena Macaulay addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). She spoke in support of inclusive access, the impact on blue badge holders, disabled and older users' of public transport and shared spaces. She spoke in a personal capacity and on behalf of Walk Colchester, an organisation concerned with the creation of attractive and safe walking environments for all and to be inclusive. She was not representing Fair Access to Colchester. She was not in principle against full or part pedestrianisation and had followed debates on shared space for some time. She was not sure that it would well in Colchester, particularly in relation to the relocation of disabled parking spaces in close proximity to the town centre. She was of the view that in 2013, discussions had been premised on a decision which had already been taken, which was for the removal of all cars from the High Street. She did not consider this to be a good way to start a meaningful consultation and hoped this would not be repeated. She explained that many people relied on public transport and were, by reason of their disability, from lower socio-economic groups. She acknowledged that buses were poor in terms of emissions and often ran intermittently but they did have capacity to bring large numbers of people right into the town centre. She also acknowledged that shared space was a contentious issue and she referred to a petition to stop all moves towards shared space pending further research being undertaken was being presented to the Government jointly by the National Federation of Disabled People, Transport for All and the Royal National Institute for the Blind.

David Harper addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3). He referred to his former home town of Newport in Monmouthshire which had been a thriving town but had significantly deteriorating following the pedestrianisation of the town centre. He explained his regret at the change to a town he had loved and warned against this happening to Colchester.

Councillor Luxford Vaughan referred to the problem of air pollution, asked about progress with the introduction of electric buses, whether there were any funds to assist bus companies with this and how this impacted the plans for Rapid Transport Systems for new planned developments. She was of the view that the problem of air pollution would only be moved to a different location and that measures needed to be pursued to actively improve vehicle emissions. She was also not convinced that the objectives of a pedestrianisation scheme would adequately assist retailers.

The Chairman suggested that the subject of electric buses might best be deferred to the Panel's discussion on Sustainable Transport which was due to take place at the next meeting.

The Transport and Sustainability Manager acknowledged the need for all modes of transport to be looked at if one of the objectives of a future project was the improvement in air quality. She confirmed that Rapid Transport plans would need to be looked at in conjunction with any pedestrianisation planning. She indicated that she would need to investigate further the issue of subsidies for electric buses.
Councillor Scott-Boutell referred to partnership funding and the ratio of resources which was being allocated to support this project. She asked for consideration to be given to the introduction of electric hopper buses to open up the town centre for all.

Councillor Goss confirmed that there was a budget allocation of £120,000 but the intention was for funds to be allocated in stages, starting with a consultation followed by an assessment of project viability. Any implementation of a scheme would need approval from Essex County Council as Highway Authority and he confirmed that he had been working closely with Councillor Bentley, in his capacity as Essex County Council Cabinet Member for Infrastructure towards the creation of a Transport strategy for Colchester. He acknowledged the need for all interested groups to be involved in the process and that lessons had been learnt from the experience in 2013. He also confirmed that no measures would be taken prior to undertaking a consultation exercise.

Councillor Buston welcomed the report and the contributions made by members of the public. He considered the current traffic restrictions in the town centre had brought problems as well as benefits. He acknowledged the need for the High Street to continue to thrive but did not consider this was entirely dependent on pedestrianisation or otherwise. He agreed with the suggestion for a comprehensive plan to be formulated and acknowledged the specific characteristics of Colchester which made it difficult to compare to other towns. He also acknowledged the references to congestion and the view that the town needed to be opened up rather than closed down to traffic. He was concerned about the cost of any further pedestrianisation proposals and was of the view that additional resources should not be utilised for this purpose at this time.

Councillor Harris strongly welcomed the partnership approach to the project, the intention to consult widely and the intention to work in a staged arrangement. He acknowledged that previous initiatives had not been implemented appropriately and was of the view that wide consultation was imperative. He was concerned about the potential for air pollution problems to be moved rather than eliminated and the additional cost to businesses of out of hours deliveries.

The Chairman invited Councillor Bentley to address the Panel in his capacity as Essex Cabinet member for Infrastructure. Councillor Bentley welcomed the opportunity to hear the views expressed by the public and to participate in the meeting. He referred to the subject of pedestrianisation being considered on numerous occasions over the time he had lived in the Borough and that the population of the town had increased from 94,000 to 190,000 in that time. He considered the matter related to the whole network of roads in the town centre not just the High Street and commented that Colchester High Street was one of very few through High Streets in East Anglia. He did not consider the location of the town on a hill and between Roman walls was a matter of significance. He advocated an approach to the project which sought to identify what was trying to be achieved and what it was that people wanted the town centre and the High Street to be and what it was that people wanted the town centre to look like in 50 years' time. He considered many things to be possible but questioned what things would be acceptable. He also referred to measures to reduce air pollution and improve congestion and advocated involving all interested groups in the process.

The Chairman invited Sam Good, from Colchester Business Improvement District (BID) to address the Panel. Mr Good explained that the BID was a business led body and its boundaries were wider than just the High Street. He acknowledged the need to consider what the future would be for the town centre and for the reasons for part or complete pedestrianisation to be identified. He confirmed that the BID would be very willing to participate in the process on behalf of businesses in the town centre.

The Chairman invited Councillor Cory, Leader of the Council to address the Panel. Councillor Cory attended the meeting and, with the consent of the Chairman addressed the Committee. He explained that he had been encouraged by the representations which had come forward and considered it was the start of a process which would involve many people and interested groups. He acknowledged the need for a framework for the process to be established and welcomed the helpful comments made by Councillors Goss and Bentley. He was very supportive of the Panel accepting responsibility for progressing the project and for work to be undertaken to determine whether poedestrianisation might contribute to the revitalisation of the High Street. He invited Councillor Bentley to clarify the support available from the County Council to address congestion issues and warmly welcomed the work being undertaken towards the creation of a Transport Strategy for Colchester. He also acknowledged the importance of clarifying what people wanted the town centre to look like.

Councillor Bentley explained that the transportation work was not just in relation to the High Street but that it encompassed transportation issues for the whole of Colchester, the focus of the work being in relation to increasing traffic and how the associated congestion issues could be dealt with. This may also involve how the displacement of traffic, by pedestrianisation, is dealt with and how more sustainable alternatives can be considered.

Councillor Goss acknowledged the issues identified by Councillor Bentley. He confirmed that the model identified for Chelmsford was being looked at with a view to producing a masterplan for transport for Colchester. He confirmed that consultation was planned on what the future for transport in Colchester would look like.

Councillor Davies voiced her concern that discussion about potential implementation of a pedestrianisation scheme was premature and that work needed to be undertaken on the options and implications as an initial step in the process.

Councillor Scott- Boutell referred to the items of business contained in the Panel's work programme and suggested that the business encompassing sustainable transport, air quality and pedestrianisation were all inter-related and there were merits in looking at all of these subjects holistically. She supported the proposal that all options and implications for Colchester High Street needed to be given due consideration.

Councillor Harris was also of the view that various opinions had been presented at the meeting and that it was important that consideration be given to the various options.

The Chairman thanked the members of the public for their attendance and their contributions. He referred to the plans for a transport masterplan for Colchester, mentioned by Councillors Goss and Bentley and the need for the process for the High Street to identify what was wanted in the first instance. He agreed that opinions had been expressed at the Panel's meeting but these may not be representative of the reviews of residents of Colchester generally. He welcomed the opportunity for the Panel to undertake, on behalf of the Cabinet, the process of identifying objectives by means of a thorough consultation exercise and determining the next steps on options for the High Street.

Councillor Cory was of the view that the progress made at this meeting had been encouraging but he considered a wider debate needed to be facilitated to ensure the widest spectrum of views could be forthcoming. He welcomed the Panel's willingness to continue with the work, subject to the other work commitments of the Panel, and considered it was likely that support from the Cabinet would be forthcoming for the Panel to progress the next steps of the process.

Dan Gascoyne, the Assistant Director Policy and Corporate, explained that work had commenced with other groups in the town centre on formulating a bid for submission to the Government for the Future High Streets Fund and that, whilst there were other locations which may be more economically challenged, this would assist with the issues discussed at this meeting as well as the wider town centre heritage issues. He confirmed that the submission would be for funding in the order of £3 to £5 million, the deadline for which was towards the end of March 2019 and, as such, it may be possible to update the Panel at its next meeting.

RESOLVED that the report and background information on Colchester High Street, together with the subsequent discussion be noted.

RECOMMENDED to Cabinet that approval be given to the Panel to progress the next steps regarding options for Colchester High Street, including agreeing objectives, gathering baseline data and consultation with all stakeholders and the public.

Agenda item 13(ii)

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, 21 November 2018	Neil Gilbranch, Rosie Pearson, Helen Hogan, Paul Griffith	North Essex Garden Communities	The issues raised were addressed in the debate on the item on North Essex Garden Communities Ltd – Shareholder Approvals and Updates.	21 November 2018
Cabinet, 21 November 2018	Dorian Kelly	Land Transfer at Queen Street	Verbal response provided at the meeting by Councillor King, Portfolio Holder for Resources.	21 November 2018
Cabinet, 21 November 2018	John Akker	The implications of the Local Plan for Mersea	Verbal response provided at the meeting by Councillor Cory, Leader of the Council and Portfolio Holder for Strategy, Councillor T. Young, Portfolio Holder for Business and Culture and Councillor Goss, Portfolio Holder for Waste, Environment and Transportation.	21 November 2018
Cabinet, 21 November 2018	Sir Bob Russell	Painters Yard Planning Application	Verbal response provided at the meeting by Councillor Cory, Leader of the Council and Portfolio Holder for Strategy and Councillor King, Portfolio Holder for Resources.	21 November 2018

Cabinet 21 November 2018	**Alan Short**	**Painters Yard Planning Application**	**Verbal response provided at the meeting by Councillor Cory, Leader of the Council and Portfolio Holder for Strategy, Councillor T. Young, Portfolio Holder for Business and Culture and Adrian Pritchard, Chief Executive.**	**21 November 2018**
Cabinet, 21 November 2018	**Ali Wilkin**	**Accessibility issues in Colchester, expansion of Market Field School**	**Verbal response provided at the meeting by Councillor Cory, Leader of the Council and Portfolio Holder for Strategy and Councillor Bourne, Portfolio Holder for Housing and Communities.**	**21 November 2018**
Cabinet, 21 November 2018	**Jackie Whyte**	**Expansion of Market Field School**	**Verbal response provided at the meeting by Councillor Cory, Leader of the Council and Portfolio Holder for Strategy and Councillor Bourne, Portfolio Holder for Housing and Communities.**	**21 November 2018**
Council, 6 December 2018	**Rosalind Scott, Steven Moseley, Mark Goacher, Sarah Shehadeh and Victoria Weaver**	**Essex County Council Libraries Consultation**	**The issues raised were addressed in the debate on Essex County Council Library Services.**	**6 December 2018**
Council, 6 December 2019	**Trevor Orton**	**Comments by the Leader of the Council, Town centre issues**	**Verbal response provided at the meeting by Councillor Cory, Leader of the Council and Portfolio Holder for Strategy and Councillor Goss, Portfolio Holder for Waste, Environment and Transportation.**	**6 December 2018**

Council, 6 December 2019	**Ali Wilkin**	**Discrimination in the workplace faced by those suffering with poor mental health**	**Verbal response provided at the meeting by Councillor Bourne, Portfolio Holder for Housing and Communities**	**6 December 2018**
Council, 6 December 2018	**Melina Spantidaki**	**Harm to wildlife in Old Heath and Monkwick**	**Verbal response provided at the meeting by Councillor Bourne, Portfolio Holder for Housing and Communities**	**6 December 2018**
Council, 6 December 2018	**Jackie Whyte**	**Accessibility issues in Colchester**	**Verbal response provided at the meeting by Councillor T. Young, Portfolio Holder for Business and Culture**	**6 December 2018**

(ii) Petitions

Date petition received	Lead Petitioner	Subject Matter	Form of Response	Date Completed
No valid petitions received				