

# Cabinet Meeting

**Grand Jury Room, Town Hall, High Street,  
Colchester, CO1 1PJ  
Wednesday, 27 January 2016 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, 27 January 2016 at 18:00**

**Members:**

Leader and Chairman      Councillor Paul Smith (Liberal Democrats)  
                                    Councillor Tina Bourne (Labour)  
                                    Councillor Mark Cory (Liberal Democrats)  
                                    Councillor Annie Feltham (Liberal Democrats)  
                                    Councillor Bill Frame (Liberal Democrats)  
                                    Councillor Dominic Graham (Liberal Democrats)  
                                    Councillor Beverley Oxford (Highwoods and Stanway  
                                    Independent)  
                                    Councillor Tim Young (Labour)

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

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

**1      Welcome and Announcements**

- a)    The Chairman to welcome members of the public and Councillors and to remind all speakers of the requirement for microphones to be used at all times.
- (b)   At the Chairman's discretion, to announce information on:
- action in the event of an emergency;
  - mobile phones switched to silent;
  - the audio-recording of meetings;
  - location of toilets;
  - introduction of members of the meeting.

**2      Urgent Items**

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

**3      Declarations of Interest**

The Chairman to invite Councillors to declare individually any interests they may have in the items on the agenda. Councillors should consult Meetings General Procedure Rule 7 for full

guidance on the registration and declaration of interests. However Councillors may wish to note the following:-

- Where a Councillor has a disclosable pecuniary interest, other pecuniary interest or a non-pecuniary interest in any business of the authority and he/she is present at a meeting of the authority at which the business is considered, the Councillor must disclose to that meeting the existence and nature of that interest, whether or not such interest is registered on his/her register of Interests or if he/she has made a pending notification.
- If a Councillor has a disclosable pecuniary interest in a matter being considered at a meeting, he/she must not participate in any discussion or vote on the matter at the meeting. The Councillor must withdraw from the room where the meeting is being held unless he/she has received a dispensation from the Monitoring Officer.
- Where a Councillor has another pecuniary interest in a matter being considered at a meeting and where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the Councillor's judgement of the public interest, the Councillor must disclose the existence and nature of the interest and withdraw from the room where the meeting is being held unless he/she has received a dispensation from the Monitoring Officer.
- Failure to comply with the arrangements regarding disclosable pecuniary interests without reasonable excuse is a criminal offence, with a penalty of up to £5,000 and disqualification from office for up to 5 years.

#### **4 Have Your Say!**

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

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

#### **5 Minutes**

To confirm as a correct record the minutes of the meeting held on 25 November 2015.

**25-11-15**

7 - 16

6	<b>Call-In Procedure</b>	
	To consider any items referred by the Scrutiny Panel under the call-in procedure. At the time of the publication of this agenda, there were none.	
7	<b>Strategy/Business and Resources</b>	
7(i)	<b>2016/17 General Fund Revenue Budget, Council Tax and Medium Term Financial Forecast</b>	17 - 102
	See report by the Assistant Chief Executive.	
8	<b>Housing and Public Protection</b>	
8(i)	<b>Housing Revenue Account Estimates 2016/17</b>	103 - 128
	See report by the Head of Commercial Services	
8(ii)	<b>Housing Investment Programme 2016/17</b>	129 - 136
	See report by the Head of Commercial Services	
8(iii)	<b>Review of Gateway to Homechoice Allocations Policy</b>	137 - 142
	See report by the Head of Commercial Services	
9	<b>Economic Growth and Planning</b>	
9(i)	<b>North Essex Garden Settlements -Project Governance Arrangments</b>	143 - 156
	See report by the Monitoring Officer	
10	<b>Street and Waste Services</b>	
10(i)	<b>Waste Vision</b>	157 - 164
	See report by the Head of Operational Services and the minute from the Scrutiny Panel meeting of 8 December 2015.	
11	<b>Resources</b>	

11(i)	<b>ICT Strategy - Technology 2018</b> See report by the Assistant Chief Executive	165 - 170
11(ii)	<b>Revised Contract Procedure Rules</b> See report by the Monitoring Officer	171 - 172
11(iii)	<b>Request for Delegated Authority in Connection with Procurement of Planned Preventative Maintenance Contracts for Colchester Borough Council and Colchester Borough Homes</b> See report by the Head of Commercial Services	173 - 176
12	<b>Community Safety, Licensing and Culture</b>	
12(i)	<b>Half Yearly Performance Report Including Progress on the Strategic Plan Action Plan</b> See report by the Assistant Chief Executive and the minute from the Scrutiny Panel meeting of 8 December 2015.	177 - 200
13	<b>General</b>	
13(i)	<b>Progress of Responses to the Public</b> To note the contents of the Progress Sheet	201 - 202
14	<b>Exclusion of the Public (Cabinet)</b> In accordance with Section 100A(4) of the Local Government Act 1972 and in accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 to exclude the public, including the press, from the meeting so that any items containing exempt information (for example personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).	

## **Part B**

(not open to the public including the press)

## **CABINET 25 November 2015**

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

*Also in attendance:* - Councillors Harris, Hayes, Hazell, Scott and Willetts

### **41. Minutes**

*RESOLVED* that the minutes of the meeting held on 14 October 2015 be approved as a correct record.

### **42. Urgent Item**

Councillor Frame reported that Colchester's bid to be the host authority for Essex Building Control Shared Service had been successful.

### **43. Have Your Say!**

The High Steward, Sir Bob Russell, addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1). He noted that £100,000 had been allocated for Firstsite and considered that this should be matched with similar funding to the Colchester branch of Age UK. This would enable them to fund their welfare rights team for four years. Over this period, the team would help elderly residents claim £5million of benefits that they were entitled to and much of this money would be spent locally, boosting the local economy. This would help a significant number of elderly residents, many of whom had made a major contribution to the borough and to the nation.

Councillor Smith, Leader of the Council and Portfolio Holder for Strategy thanked the High Steward for his comments and highlighted that a new one off grant fund was being set up to provide funding for Strategic Plan priorities, with the decision on the projects to be decided by a public vote. This would be a suitable scheme to put forward for funding. Councillor T. Young, Portfolio Holder for Community Safety, Licensing and Culture, highlighted that the £100,000 of funding for Firstsite would help lever in £1.6 million of funding from the Arts Council and Councillor Feltham, Portfolio Holder for Communities and Leisure, stressed the administration's commitment to the elderly and vulnerable.

Robert Parkes and Claire Brammers of Welcome Refugees Colchester addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(1). The group gave support to refugees in Europe and had organised a march and petition in support of

Colchester hosting refugees. It was heartening that Colchester had agreed to host five refugee families. In particular, the group was encouraging organisations and individuals to pledge support for refugees and had been inundated with offers. They encouraged Cabinet to consider what it could pledge. This would help reassure the public and dispel fear. They asked the Cabinet:

- What else they could do to assist the Council in welcoming refugees;
- What the Council would do to encourage other authorities to follow its example;
- If the relocation was successful, would the scheme be extended to welcome others to Colchester.

Councillor Bourne, Portfolio for Housing and Public Protection, expressed her support for their work and explained that the group could set up a Go Fund page to enable pledges and support to be given online. In addition it could consider extending the support given through the pledge wider than the five families Colchester had agreed to host. Colchester was keen to encourage other authorities but felt that the example of groups such as Welcome Refugees would be instrumental in persuading them to take action. Should the scheme be successful it was likely that it would be extended.

Councillor Frame, Portfolio Holder for Economic Growth and Planning, pledged to encourage businesses in Colchester to take new employees from refugee families, dependant on their skills.

#### **44. 2016/17 Revenue Budget, Fees and Charges, Capital programme and Financial Reserves**

The Assistant Chief Executive submitted a report a copy of which had been circulated to each Member together with minute 33 of the Scrutiny Panel meeting of 10 November 2015.

Councillor Cory, Portfolio Holder for Resources, introduced the report and highlighted that the budget proposals as they stood would enable the Council to provide responsive and flexible services, whilst still freezing Council Tax for the sixth year running. The review of the current year's budget had showed a net underspend of £167k and additional income of £464k which would be used to support a number initiatives, including the a fund of £200,000 to support projects in line with Strategic Plan priorities, which would be determined by a public vote. The growth items were also highlighted, in particular the SOS Bus, the cross service team established to deal with welfare reform and the waste service.

*RESOLVED* that:-

- (a) The current 2016/17 revenue budget forecast which at this stage shows a budget gap of £94k and the forecast variables and risks be noted.
- (b) The funding proposals for the team to support welfare reform as set out in paragraph 7.8 of the Assistant Chief Executive's report be agreed.
- (c) The action being taken to finalise the budget be noted.

- (d) The current budget forecast for 2015/16 as set out in section 5 of the Assistant Chief Executive's report and £510k be allocated from the forecast outturn position as set out at paragraph 5.2 of the Assistant Chief Executive's report.
- (e) The position on the capital programme be noted.
- (f) The 2016/17 taxbase be agreed by the Section 151 Officer in consultation with the Portfolio Holder for Resources.
- (g) The distribution of revenue grant to Parish, Town and Community Councils for 2016/17 as set out at Appendix C of the Assistant Chief Executive's report be agreed.
- (h) The funding for voluntary welfare organisations and arts grants as set out in Appendix D and E of the Assistant Chief Executive's report be agreed.
- (i) All fees and charges as set out in Appendix H of the Assistant Chief Executive's report be agreed and authority be delegated to Heads of Service the authority to vary fees and charges in-year as set out in section 14 of the Assistant Chief Executive's report.

*RECOMMENDED TO COUNCIL* that the changes to the Treasury Management Strategy set out at paragraph 15.4 of the Assistant Chief Executive's report be approved.

#### *REASONS*

The Council is required to approve a budget strategy and timetable in respect of the year 2016/17.

The Assistant Chief Executive's report relates to the budget update, a review of balances and the capital programme. The 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.

#### **45. Local Council Tax Support 216/17**

The Head of Customer Services submitted a report a copy of which had been circulated to each Member together with minute 29 of the Scrutiny Panel meeting of 10 November 2015.

Councillor Willetts attended and with the consent of the Chairman addressed the Cabinet. The changes proposed to the scheme were useful and helpful. However, it was disappointing that the opportunity had not been taken to include a residential qualification in the scheme so that claimants would need to have been resident for three years in the borough before being eligible to claim. This would limit the assistance given to those who

moved to Colchester just to benefit from the scheme.

Councillor Cory, Portfolio Holder for Resources, explained that Tendring District Council had tried to include such a residential qualification in their scheme, but it had been declared illegal and their scheme was now in difficulties. He commended the scheme to Cabinet. It was the best scheme in Essex and went as far as it could in supporting residents. He thanked officers for their work in bringing the scheme forward.

Councillor Smith, Leader of the Council and Portfolio Holder for Strategy, and Councillor Graham, Portfolio Holder for Street and Waste services, expressed their support for the scheme. It was jobs and economic prosperity that attracted people to Colchester, rather than the opportunity to claim Council Tax support.

*RESOLVED* that the proposals set out in the Head of Customer Services' report in respect of the Local Council Tax Support Scheme for 2016-17 be agreed.

*RECOMMENDED TO COUNCIL* that the Local Council Tax Support Scheme 2016-17 be approved and adopted.

#### *REASONS*

Colchester Borough Council implemented a Local Council Tax Support scheme from 1<sup>st</sup> April 2013.

Legislation requires that following public consultation, amendments to the scheme for 2016/17 need to be agreed by Full Council before 31<sup>st</sup> January 2016.

It is recommended to bring the scheme in line with national legislative amendments and to propose the following changes:

- Limit backdating of working age Local Council Tax Support applications to four weeks
- Increase applicable non dependant deductions from £11 to £12

All other fundamental features of the scheme, other than those described above, are proposed to remain unaltered.

#### *ALTERNATIVE OPTIONS*

(a) The following proposal has been considered but will not be included in the proposed scheme:

Setting a Minimum Income level for Self Employed Persons for working age residents

Consultation proposals included an option to introduce a minimum earned income figure for those who are self-employed which is in line with the United Kingdom minimum wage for 16 hours worked. Modelling indicates this would reduce scheme provision by £148,278.

(b) The alternative option of setting a minimum income floor has not been included,

taking into account the following considerations:

Maintaining the current assessment basis of self-employed persons would provide further stability for this resident basis in terms of burgeoning businesses.

Fundamental changes in the treatment of self-employed persons would lead to a disproportionate burden being placed on this resident base.

#### **46. Officer Pay Policy**

The Assistant Chief Executive submitted a report a copy of which had been circulated to each Member.

Councillor Cory, Portfolio Holder for Resources, introduced the report and highlighted the Council's commitment to pay the National Living Wage, which was higher than the compulsory National Living Wage being introduced in April 2016.

*RECOMMENDED TO COUNCIL* that the Officer Pay Policy for 2015/16 be approved and adopted.

#### *REASONS*

The Localism Act requires "relevant 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 by 31 March 2012 and annually thereafter. 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.

#### **47. Trade Union Bill**

The motion on the Trade Union Bill that stood referred to Cabinet by Council at its meeting on 21 October 2015 was considered by Cabinet. Cabinet had before it a copy of the minute of the debate from Council on 21 October 2015.

Councillor Smith, Leader of the Council and Portfolio Holder for Council, indicated that the Cabinet would determine the motions referred to it at Council in line with the views of Council. It had asked that the Constitution be reviewed so that motions on which Council had expressed a view would no longer need to be referred to Cabinet.

*RESOLVED* that the motion be approved and adopted.

#### *REASONS*

Cabinet determined the motion in line with the views of Council.

#### *ALTERNATIVE OPTIONS*

It was open to Cabinet not to approve the motion.

#### **48. Right to Buy for Housing Association Tenants**

The motion on the Right to Buy for Housing Association Tenants that stood referred to Cabinet by Council at its meeting on 21 October 2015 was considered by Cabinet. Cabinet had before it a copy of the minute of the debate from Council on 21 October 2015.

*RESOLVED* that the motion be approved and adopted.

#### *REASONS*

Cabinet determined the motion in line with the views of Council.

#### *ALTERNATIVE OPTIONS*

It was open to Cabinet not to approve the motion.

#### **49. Cleaning Up Colchester's Air**

The motion on Cleaning Up Colchester's Air that stood referred to Cabinet by Council at its meeting on 21 October 2015 was considered by Cabinet. Cabinet had before it a copy of the minute of the debate from Council on 21 October 2015.

*RESOLVED* that the motion be rejected.

#### *REASONS*

Cabinet determined the motion in line with the views of Council.

#### *ALTERNATIVE OPTIONS*

It was open to Cabinet to approve the motion.

#### **50. Nomination for Deputy Mayor 2016-17**

Consideration was given to the appointment of the Deputy Mayor for the Municipal Year 2015-16.

Councillor Willetts attended and with the consent of the Chairman addressed the Cabinet to propose that Councillor Peter Chillingworth be nominated as Deputy Mayor for the 2016-17 municipal year. The Deputy Mayor was traditionally nominated on the basis of a blend of length of service and party affiliation, with the larger groups taking it in turns to propose their longest standing member who wished to serve. Therefore the Conservative group would look to make a nomination every other year. An exception had been made in 2015-16 to nominate Councillor Julie Young. It should therefore now be the Conservative Groups turn to nominate the Deputy Mayor. Councillor Chillingworth was an excellent

candidate with a long history of service including holding positions as Portfolio Holder and Chairman of Planning Committee and had represented the Council on a number of outside bodies.

Councillor Smith, Leader of the Council and Portfolio Holder for Strategy, stressed that the Mayoralty was not the preserve of any party and was rotated. Now there were four groups on Council, all should be considered equally. There were no nominations from the Liberal Democrats or Labour Groups, but the Highwoods Group had nominated Councillor Gerard Oxford. In the circumstances he believed that length of service should be the deciding factor.

The Monitoring Officer confirmed that the length of service of the two candidates was as follows:-

- Councillor G. Oxford, 15 years service
- Councillor Chillingworth: 13 years service

On that basis, whilst he stressed that both candidates would make excellent Mayors, Councillor Smith proposed Councillor Gerard Oxford be nominated as Deputy Mayor for the 2016-17 municipal year.

Councillor Gerard Oxford thanked Cabinet for his nomination.

*RECOMMENDED TO COUNCIL* that Councillor Gerard Oxford be nominated for appointment as Deputy Mayor for the Borough of Colchester for the 2016-17 Municipal Year.

## **51. Calendar of Meetings 2016/17**

The Assistant Chief Executive submitted a report a copy of which had been circulated to each Member.

*RESOLVED* that:-

- (a) The draft Calendar of Meetings for the next municipal year from May 2016 to April 2017 be approved.
- (b) Authority to cancel meetings be delegated to the Chairman of the relevant Committee/Panel in conjunction with the Assistant Chief Executive.

### *REASONS*

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

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

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

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

#### *ALTERNATIVE OPTIONS*

This proposal has been largely devised based on the current meeting structure and frequency. It would be possible to devise alternative proposals using different criteria.

### **52. Progress of Responses to the Public**

The Assistant Chief Executive submitted a progress sheet a copy of which had been circulated to each Member.

Councillor Graham, Portfolio Holder for Resources, provided an update on the issues raised by Stuart Bond on the reversal of the traffic flow on Priory Street. Despite a number of requests, Essex County Council had not provided reasons or evidence in support of the proposal. Therefore the Borough Council would be responding to the consultation to oppose the reversal of the traffic flow.

*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.**

### **53. Essex Building Control Shared Service Host Bid**

The minute from the Trading Board meeting on 18 November 2015 on the Essex Building Control Shared Service Host Bid was referred to the Cabinet.

Councillor Harris attended in his capacity as Deputy Chairman of Trading Board, to support and endorse the minute from the Trading Board. The Essex Building Control

Shared Service and the bid to be the host authority had been discussed several times by the Trading Board and enjoyed cross party support. He asked the Chief Executive to ensure the Board's thanks were passed on to the relevant officers.

*RESOLVED* that that authority be delegated to the Head of Commercial Services to commit to mobilisation Phase 2 of the Essex Building Control Shared Service Host Bid Project Plan.

#### REASONS

Colchester Borough Council's bid to host the Essex Building Control Shared Service was successful and resources needed to be put in place to move into phase 2 of the project plan.

#### ALTERNATIVE OPTIONS

It was open to Cabinet to decide not to delegate authority for resources to be committed to project.





## Cabinet

Item  
**7(i)**

27 January 2016

<b>Report of</b>	<b>Assistant Chief Executive</b>	<b>Author</b>	<b>Sean Plummer</b> ☎ 282347
<b>Title</b>	<b>2016/17 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast</b>		
<b>Wards affected</b>	n/a		

**This report requests Cabinet to recommend to Council:**

- **The 2016/17 General Fund Revenue Budget**
- **Colchester's element of the Council Tax for 2016/17**
- **The Medium Term Financial Forecast**
- **The Capital Programme**
- **The Prudential Indicators and Treasury Management Strategy and Annual Investment Strategy**

### 1. Decisions Required

- 1.1 To note that the outturn for the current financial year is forecast to be within budget. (paragraph 3.4).
- 1.2 To note the provisional Finance Settlement figures set out in Section 4 including the figures for the business rates retention scheme and the arrangements for completion of the required return of estimated business rates income as set out at paragraph 4.7.
- 1.3 To note the summary of the consultation paper on the New Homes Bonus set out at Appendix C and agree that a response be made by the relevant Portfolio Holder and reported to the next Cabinet meeting.
- 1.4 To approve the cost pressures, growth items, proposed use of New Homes Bonus (including the allocation in 2017/18), savings and increased income options identified during the budget forecast process as set out at Appendices D, E F and H.
- 1.5 To approve the use of New Homes Bonus allocated for Strategic Plan priorities as set out at appendix G
- 1.6 To consider and recommend to Council the 2016/17 Revenue Budget requirement of £23,909k (paragraph 5.13) and the underlying detailed budgets set out in summary at Appendix I and Background Papers subject to the final proposal to be made in respect of Council Tax.
- 1.7 To recommend to Council, Colchester's element of the Council Tax for 2016/17 at £175.23 per Band D property, which represents no change from the current rate noting that the formal resolution to Council will include Parish, Police, Fire and County Council precepts and any changes arising from the formal Finance

Settlement announcement and final completion of the business rates NNDR 1. This will be prepared in consultation with the Leader of the Council.

- 1.8 To agree the Revenue Balances for the financial year 2016/17 as set out at Appendix M and agree that the:-
  - the minimum level be set at a minimum of £1,900k
  - £838k of balances, including sums carried forward from 2015/16, be applied to finance items in the 2016/17 revenue budget
- 1.7. To note the updated position on earmarked reserves set out in section 8 and agree the release of £20k from the S106 monitoring reserve and £1,537k from the NNDR reserve.
- 1.8. To agree and recommend to Council that £100k of Revenue Balances be earmarked for potential unplanned expenditure within the guidelines set out at paragraph 9.3.
- 1.9. To note the Medium Term Financial Forecast for the financial years 2016/17 to 2019/20 set out in section 11.
- 1.10. To note the position on the Capital Programme shown at section 12 and agree to recommend to Council the inclusion in the Capital Programme of:-
  - £1.31m for the ICT strategy.
  - £190k for the Local Authority Carbon Management Plan
- 1.11 To note the comments made on the robustness of budget estimates at section 13.
- 1.12. To approve and recommend to Council the 2016/17 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out in the background paper at Appendix S.

## **2. Background Information and Summary**

- 2.1 The 2016/17 Revenue Budget and the Capital Programme have been prepared in accordance with a process and timetable agreed at Cabinet and endorsed by the Scrutiny Panel (Appendix A).
- 2.2. The Revenue Budget for 2016/17 has been prepared against a background of meeting the Council's Strategic Plan objectives whilst continuing to face significant financial pressures from the reductions in core Government funding. Every effort has been made to produce a balanced budget that includes a deliverable level of savings and income and provides for investment in key services. This has been achieved through a budget strategy that has resulted in:-
  - the delivery of savings through the fundamental service review process including delivering channel shift
  - making efficiencies through specific budget reviews and contract renewals
  - maximising new and existing income streams
  - recognising cost pressures and making decisions on budget changes where necessary
- 2.3. The budget includes savings or additional income of £1.5m. This compares to £2.2m included within the 15/16 budget. The majority of savings are based on

proposals to work more efficiently and to maximise opportunities to increase income. As part of this year's budget an "outturn review" was carried out which reviewed spending in the last 3 years compared to the 2015/16 budget. This helped to identify areas where spending regularly falls below current budget levels, including some 'contingency' areas.

- 2.4. Core Government funding for 2016/17 is being reduced by £1.2m which follows a reduction in 2015/16 of £1.3m. This was a greater cut than anticipated and further reductions have also been announced for future years which exceed those in our medium term forecasts. However, these cuts alone are not the only pressures the Council has needed to address in the budget with increased costs from general inflation and pay assumptions and also significantly the increase in cost from the pensions change affecting employers national insurance contribution.
- 2.5. The current methodology for the New Homes Bonus is continuing in 2016/17 and the budget includes new investment funded through this grant of £3.3m. This includes funding for projects which will support the delivery of increased income, projects that will support the community and services and facilities within the borough.
- 2.6. In the 2015/16 budget an allocation of over £0.5m was made for projects that would specifically support the new Strategic Plan. This report sets out how this money has been used this year and proposals for new investment totalling £245k.
- 2.7. The financial outlook set out within the Medium Term Financial Forecast (MTFF) shows that further reductions in core Government funding and cost pressures faced by the Council show a cumulative budget gap of almost £5m in the next three years. Planned savings in progress mean that this gap has reduced to £3.3m. Work is already underway to identify steps to bridge this gap and the budget includes proposals to invest in a new ICT strategy which will assist in enabling further savings to be delivered.
- 2.8. The provisional 4 year settlement figures announced show that Revenue Support Grant will end by 2019/20. The Government's spending power figures also illustrate that the importance of the Council's own income through Council Tax and business rates are expected to increase to help to mitigate this cut.
- 2.9. The Settlement confirms that legislation to allow 100% of business rates to be retained by local government will be delivered by the end of this parliament with a consultation paper expected in the summer. This will not mean that Colchester will keep 100% of the business rates collected, however, it may provide the potential to keep a greater share of business rates, alongside possible changes in responsibilities and risks.
- 2.10. Also announced is that the New Homes Bonus will continue, but with reforms which will significantly reduce the funding the Council receives.
- 2.11. These changes mean that it is important for the Council to fully consider the budget and medium term plans in light of the new funding arrangements.
- 2.12. Further information on the budget is provided in the following paragraphs.

- 2.13. 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.

### 3. Current Year's Financial Position

- 3.1 In order to inform the 2016/17 budget process and forecast level of reserves it is useful to first review the current year's financial position. Revenue budgets are monitored on a monthly basis with regular reports to Senior Management Team and the Scrutiny Panel.
- 3.2. It was reported to Cabinet on 25 November that the current year's budget position showed a forecast net underspend of £167k and net additional income of £464k giving a combined gain of £631k. The positive position meant that Cabinet were able to agree to allocate £510k to a number of emerging priorities leaving a revised outturn position for the year of £121k.
- 3.3 There remain some outstanding risks and changes that are likely to be made to the forecast. The position continues to be monitored, and Scrutiny Panel will receive a report setting out a detailed position. As is common there are a number of budgeted costs that may not be fully spent in the financial year. The report to Scrutiny Panel will include details of any such changes, and this will be used when considering the end of year position.

- 3.4 **Cabinet is asked to note that the forecast outturn position for the current year is expected to be within budget and that the latest position shows a net underspend of £121k. The position will continue to be monitored.**

### 4 Finance Settlement (Government Funding)

- 4.1. The provisional Local Government Finance Settlement was announced in Parliament on 17 December 2015. The Settlement includes a number of funding arrangements, concepts and terminology introduced in 2013/14. This section of the budget report provides a summary of the key issues including:-
- Settlement Funding Assessment (SFA) including Revenue Support Grant (RSG)
  - Business Rates Baseline and tariffs and top-ups, levies and safety net
  - New Homes Bonus
  - Core Spending Power
- 4.2. The SFA which comprises our RSG and baseline NNDR figure has been cut by **£1.184million (17%)**. The working assumption in the budget had been a cut of just under £1m (13%). This has therefore added a further pressure of £263k to the 2016/17 budget.

	15/16	16/17	change	
	£'000	£'000	£'000	%
RSG	3,195	1,978	(1,217)	(38%)
NNDR Baseline	3,927	3,960	33	1%
<b>SFA</b>	<b>7,122</b>	<b>5,938</b>	<b>(1,184)</b>	<b>(17%)</b>
Budget assumption		6,201		
Budget impact		(263)		

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

*Business Rates Baseline and tariffs and top-ups*

- 4.4. The SFA includes the Council’s baseline funding level for the Business Rates Retention scheme. This is based on our historic business rates collection, adjusted by a ‘tariff’ payment. A local authority must pay a tariff if its individual authority business rates baseline is greater than its baseline funding level. Conversely, a local authority will receive a top-up if its baseline funding level is greater than its individual authority business rates baseline.
- 4.5. The following table sets out a summary of the baseline position for Colchester for 2016/17 showing the required tariff payment of £20.1m.

	<b>£’000</b>
Billing Authority Baseline	30,099
CBC Individual Baseline (80%)	24,079
Less Tariff	(20,119)
<b>Baseline funding</b>	<b>3,960</b>
Safety Net threshold (92.5%)	3,663

- 4.6. The business rate retention scheme includes a degree of protection against reduction in business rates collected (the Safety Net), which means that 92.5% of the baseline funding in year is guaranteed. It also includes a method for ensuring that any growth above the baseline is shared with Central Government, the County Council and Fire Authority (the Levy). The Council keeps 40% of any additional income.
- 4.7. The arrangements for business rate retention require the Council to agree an estimate of business rates income for the coming year (the NNDR 1) by 31 January. This return includes a number of key assumptions in respect of collection rates, growth and an allowance for the impact of revaluation appeals. Based on initial projections it is anticipated that the NNDR 1 will show additional income above the baseline funding level, of which the Council’s share is forecast to be in the region of £800k. This takes into account the estimated Section 31 grant due to the Council in relation to business rates relief provided to small businesses and retailers, which forms part of the Levy and Safety Net calculation. This will remain a risk and one which will be considered in the final paper for Full Council and within updates to the MTF.

*Business Rates Pooling*

- 4.8. Under the business rates retention scheme local authorities are able to come together, on a voluntary basis to pool their business rates receipts and then agree collectively how these will be distributed between pool members.
- 4.9. Pooling provides the opportunity to keep a greater share of business rates within Essex that would otherwise be paid to Government as a ‘Levy’, providing that districts experience growth above their baselines. However the protection each authority receives under the safety net arrangements in the event of a shortfall is removed, with the 7.5% safety net only applying to the overall pool.

- 4.10. In 2015/16 Colchester is one of eight District Councils in a pooling agreement. Currently, a total of nine District Councils together with the County Council and Fire Authority are considering becoming part of the 2016/17 pool, with the final decision having to be made by the end of January 2016. The pool lasts for a minimum of one year, but any changes to the pool for subsequent years would result in the need to disband the pool and reapply for a new one to be set up.
- 4.11. 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. This is because at the time of writing this report the pooling agreement between authorities is still to be finalised. However, based on indicative forecasts it is projected that pooling in 2016/17 would be beneficial to the Council, and that this will be considered in future year's budget reports and updates to the MTF.
- 4.12. This section of the report seeks to explain the key funding mechanism within the settlement and key figures.
- 4.13. The Settlement is provisional and subject to consultation which ends on 15 January 2016. Traditionally, there has been very little change between the provisional and actual Settlement. Any marginal change to the Council's entitlement will be reflected in the final budget recommendation to Council.
- 4.14. In addition to the Settlement funding figures other grants have been announced. The key grant for Colchester is the New Homes Bonus

*New Homes Bonus (NHB)*

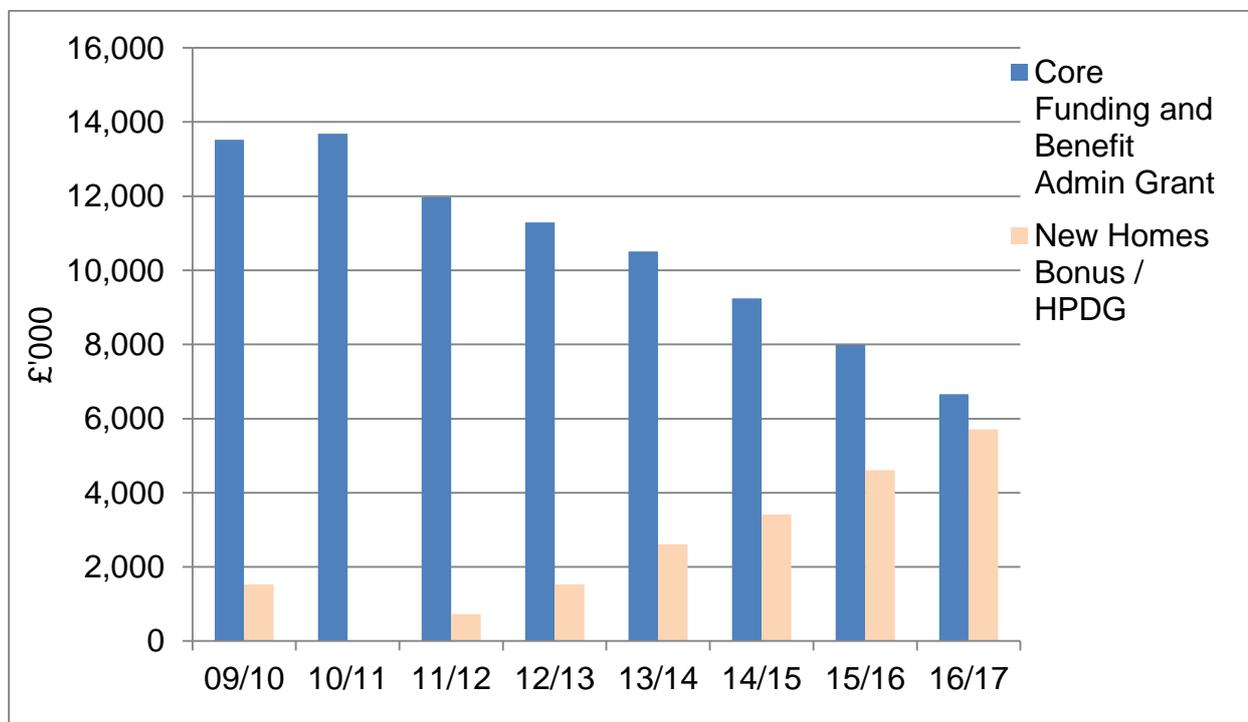
- 4.15. The 2016/17 grant includes elements reflecting growth in the tax base during the last 6 years and also the bonus payable in respect of delivering affordable homes for the last 5 years. The last budget update report considered by Cabinet included an estimate of the total grant, and the final figures are in line with these estimates. The final figure is a total grant for 2016/17 of £5.714m, an increase of £1.1m. The detailed breakdown of the grant is set out at Appendix B and is summarised below:-

	2015/16	2016/17	Increase
	£'000	£'000	£'000
Basic NHB	4,401	5,426	1,025
Affordable homes bonus	214	288	74
<b>Total</b>	<b>4,615</b>	<b>5,714</b>	<b>1,099</b>

- 4.16. The budget strategy has been that any increase in New Homes Bonus would be used for one-off items. Furthermore, it is now proposed that the use of the New Homes Bonus in supporting the base budget be reduced by £100k. The following table sets out a summary of how the total 2016/17 New Homes Bonus is being used showing that now under one third is supporting the base budget.

	£'000	%
Affordable housing allocation	288	5%
Contribution to RIF	250	4%
Support for one-off schemes	3,305	58%
Base budget	1,871	33%
<b>Total grant</b>	<b>5,714</b>	<b>100%</b>

- 4.17. Alongside the Settlement the Government has published a consultation paper on changes to the New Homes Bonus. A summary of the issues raised in the consultation paper is set out at Appendix C. The Council will be responding to the consultation and a copy of the response will be reported to Cabinet.
- 4.18. It is important to stress that the Government has stated that the New Homes Bonus will continue indefinitely, but with some changes. As reported earlier, for 2016/17 the grant is as expected and changes will have an impact from 2017/18 onwards.
- 4.19. Scrutiny Panel requested information on how Government funding had changed over recent years. This information has been provided to ensure as much as possible a “like for like” comparison between years to adjust for technical funding changes. The graph showing these changes and has been updated to include the 16/17 SFA and NHB figures.



### Core Spending Power

- 4.20 This term relates to the Government’s assessment of the “expected” available revenue for local government spending through to 2019/20. It includes the announced SFA and New Homes Bonus and an assumed level of income from Council Tax. This takes account of an assumed increase in the taxbase and a Council Tax rate increase of 1.75%.

4.21 For 2016/17 the change in the spending power as per Government figures is shown as being an increase of £0.3m or 1.5% as shown below.

	15/16	16/17	Change	
	£m	£m	£m	%
RSG } SFA	3.2	2.0	(1.2)	(38)
NNDR }	3.9	4.0	0.0	1
Council Tax	10.4	11.0	0.5	5
NHB	4.6	5.7	1.1	24
Other (freeze grant)	0.1	0.0	(0.1)	(100)
<b>Spending Power</b>	<b>22.3</b>	<b>22.6</b>	<b>0.3</b>	<b>1.5</b>

4.22. It is important to stress that spending power figures include the Government's assumption in respect of an increase in Council Tax income. The Council's proposal is to freeze the Council Tax rate in 2016/17.

## 5. 2016/17 Budget Changes

### **Revenue Cost Pressures**

5.1. Appendix D sets out revenue cost pressures of £0.8m, over the 2015/16 base, which have been identified during the budget process. This includes an inflation allowance and some specific service cost pressures, most significantly the increase in employer National Insurance contributions.

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

5.3. Whilst not shown within the list of specific cost pressures the budget includes proposals totalling £131k in respect of carry forward items. These represent the cost of resources in Professional Services and project funding carried forward between years. This is reflected in the use of balances set out at paragraph 7.9.

5.4 **Cabinet is asked to approve inclusion within the 2016/17 Revenue Budget of the cost pressures set out at Appendix D.**

### **Growth Items**

5.5. Appendix E sets out revenue growth items totalling £1.626m which are recommended for inclusion in the budget. This report now shows planned new investment arising from the increase in the New Homes Bonus grant for 2016/17 of £1.1million. This reflects the approach to minimise the risk of changes to levels of New Homes Bonus funding by allocating the increase to one off investment to support corporate priorities. In addition it is proposed to reduce the use of the New Homes Bonus in supporting the base budget meaning that an additional sum of £100k has been made available to contribute toward projects. Finally, an additional contribution of £32k is proposed to fully fund a set of new schemes.

5.6. In total there are new proposals for using the New Homes Bonus of £3.337m. This is set out at Appendix F. The majority of these schemes are capital and as such will be added to the capital programme. In addition to this proposed allocation in 2016/17 it is recommended that £500k from the New Homes Bonus allocation for 2017/18 is allocated to the Mercury Theatre scheme.

5.7. In the 2015/16 budget an allocation was made of £547k from the New Homes Bonus for projects that support the delivery of the Strategic Plan. Appendix G sets out how this money has been used in year with new proposals as to how the remainder will be spent in 2016/17 or later. This shows that there remains a balance of £220k unallocated. Further projects are under active consideration at and it is proposed this funding will be carried forward and allocations agreed in future reports.

5.8. **Cabinet is asked to approve inclusion within the 2016/17 Revenue Budget of the growth items shown at Appendix E and the use of the New Homes Bonus at Appendix F, and the allocation of the 2015/16 New Homes Bonus budget for Strategic Plan priorities as set out at Appendix G.**

**Revenue Saving / Increased Income / Technical Items**

5.9. Appendix H sets out savings / increased income totalling £1.544m.

5.10. 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.

5.11 **Cabinet is asked to approve inclusion of the savings / increased income items set out at Appendix H within the 2016/17 Revenue Budget.**

**Summary Total Expenditure Requirement**

5.12. Should Cabinet approve the items detailed above, the total expenditure requirement for 2016/17 is as follows:

	<b>2016/17</b>
	<b>£'000</b>
<b>Base Budget</b>	23,325
14/15 One-off items	(386)
Cost Pressures	807
Growth Items	1,626
Savings	(1,544)
Budget c/f items	131
<b>Forecast Base Budget</b>	<b>23,959</b>

**Notes:-**

*A summary of the 2016/17 budget is set out at Appendix I.*

*A more detailed summary of service group expenditure is attached at Appendix J with a graph showing net expenditure by service at Appendix K.*

*Further detailed service group expenditure is available.*

5.13 **Cabinet is asked to agree and recommend to Council the net revenue expenditure requirement for 2016/17 and the underlying detailed budgets set out in Appendix I.**

## 6. Council Tax, Collection Fund and Business Rates

### *Council Tax Rate*

- 6.1. A freeze in the Council Tax rate of £175.23 is proposed for 2016/17 which means that the rate has been unchanged since 2010/11.
- 6.2. The Local Government Act 2003 gave local billing authorities the ability to vary the discounts on second and empty homes. More recently local authorities were also given the opportunity to use new powers within the Finance Bill to reduce the level of discounts currently granted in respect of second homes and some classes for empty properties. No changes are proposed to the existing arrangements and it is recommended to Council that the Council Tax setting report includes these discounts.

### *Council Tax referendum*

- 6.3. The Localism Act introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax, including proposed limits. From 2013 onwards, any council that wishes to raise its Council Tax above the limits that apply to them will have to hold a referendum. The result of the referendum will be binding.
- 6.4. For district councils including Colchester the Secretary of State has proposed that the maximum increase a council can set without a referendum is 2%.

### *Collection Fund*

- 6.5. As part of the formal budget setting process, the Council is required to estimate each year the estimated surplus or deficit arising from Council Tax and Business Rates collection. These Collection Fund calculations include an assessment of the forecast surplus / deficit position for the current year, together with the variance between the 2014/15 forecast and actual outturn position.
- 6.6. The budgeted Council Tax surplus of £353k 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 2014/15, together with further expected growth during the current year.
- 6.7. The Business Rates retention arrangements have brought a number of new risks, with perhaps the most significant of these arising from changes to the rateable value of properties following appeals. In addition to this, there are complex accounting arrangements, which mean that many of the outturn figures reflect the NNDR1 estimates that are made prior to the financial year commencing.
- 6.8. The budgeted deficit of £1.89m has occurred largely as a result of the requirement to make a significant increase to the Business Rates appeals provision at the end of 2014/15, and reflects the difference between the NNDR1 estimate and actual outturn. This is mitigated by surpluses in 2014/15 and 2015/16 resulting from differences between the NNDR1 forecasts and the Council's baseline position, which have been added to the Council's Business Rates earmarked reserve.
- 6.9. The movement on the Business Rates reserve as a result of the net 2016/17 budget pressure is summarised in the following table and reflected in budget proposals within this report:

<b>Collection Fund (Ctax &amp; NNDR)</b>	<b>£'000</b>
Council Tax – surplus	(353)
NNDR deficit	1,890
<b>Net budget pressure in 16/17</b>	<b>1,537</b>
NNDR reserve – @ 1 <sup>st</sup> April 15	1,255
NNDR c/f from 14/15	953
Forecast 15/16 movement (estimate)	530
Forecast balance on reserve @ 31 March 16	2,738
Use of reserve in 16/17 (see above)	(1,537)
<b>Forecast balance on reserve</b>	<b>1,201</b>

## 7 Revenue Balances

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

### *Minimum level of balances*

7.2. Each year the assessment of the recommended level of balances is reviewed. The assessment for 2016/17 is summarised at Appendix L and shows that the recommended level be increased by £100k to £1.9m.

7.3. In considering the level at which Revenue Balances should be set for 2016/17, Cabinet should note the financial position the Council is likely to face in the medium term.

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

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

### *Level and use of balances*

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

7.8. There are a number of proposals to use balances to support the 2016/17 budget as follows:-

	£'000	Comment
Support of welfare reform	76	Agreed use of earmarked sum to fund staff costs
Elections costs	19	See cost pressures.
One-off grounds maintenance mobilisation costs	36	Costs linked to new contract arrangements
General use of balances	149	Release of balances to support budget.
Use to support one off projects funded through NHB	32	One off contribution
Allocation to support delivery of digital challenge savings	150	See growth items
<b>Proposed use of balances</b>	<b>462</b>	

7.9. In addition, there are a number of proposals totalling £426k where it has been identified that budgets will be carried forward to 2016/17. For budget purposes these are therefore regarded as a use of balances and as such are reflected in the budget report. The table below sets out these decisions:-

	£'000	Comment
Use of New Homes Bonus money in 15/16 for strategic plan	245	See appendix G
Use of carried forward sums	131	See para 5.3
Carry forward of one off in year saving on transfer of fraud team.	50	Being used to fund resources assigned to collection of NNDR.
	<b>426</b>	

7.10. Whilst not included in the above list it should be noted that the allocation made in respect of street lighting of £185k remains unspent. If unused this year it will be carried forward into 2016/17.

7.11. The forecast position in respect of Revenue Balances is set out at Appendix M and shows balances at c£2.15m, £0.25m 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£2.15m is considered appropriate.

7.12. Consideration has been given to a number of existing allocations held within balances and future calls on funds. These are reflected in the figures shown at Appendix M and include changes to certain allocations including the removal of a budget contingency sum of £285k

7.13. Following the 2015/16 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 17/18 budget strategy and updated MTFF.

7.14 **Cabinet is recommended to approve Revenue Balances for the financial year 2016/17 be set at a *minimum* of £1.9m and to approve the use of £888k to support the revenue budget.**

## 8. Reserves and Provisions

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

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

8.2. Cabinet at its meeting on 25 November 2015 considered the Council's earmarked reserves. As part of the budget process a review was undertaken into the level and appropriateness of earmarked reserves and provisions for 2016/17. The review concluded that the reserves and provisions detailed were broadly appropriate and at an adequate level, however, it was stated that a further review would be done as part of this final report.

8.3. Appendix N 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 2016, the split between General Fund and HRA and how much is 'committed'.

	Committed / allocated		Uncommitted / unallocated		Total
	£'000	(%)	£'000	(%)	£'000
<i>Reserves:-</i>					
General Fund	6,564	80%	1,666	20%	8,230
HRA	3,671	100%	-	0%	3,671
<b>Total Reserves</b>	<b>10,235</b>	<b>86%</b>	<b>1,666</b>	<b>14%</b>	<b>11,901</b>
Provision	2,715		-		<b>2,715</b>

8.4. The earmarked reserves figures uncommitted / unallocated simply means that whilst the reserve is required there are no specific spending plans for the coming year. The main item uncommitted relates to the business rates reserve of £1.2m. As shown at paragraph 8.8 this is required to be held and may be required to be used to fund similar pressures relating to business rates retention scheme.

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

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

- 8.6. The building maintenance programme has been based on in-depth condition surveys of all Council building assets. The 2016/17 budget includes the proposal to continue to add £150k to support the cost of future repairs. New releases are possible for next year and will be reported to Cabinet as required.

*S106 Monitoring Reserve – release of £20k*

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

*NNDR Reserve – release of £1,537k*

- 8.8. As set out in section 6 there is an estimated deficit on the combined collection fund for Council Tax and NNDR. This approach was expected and in part relates to the methodology for accounting for business rates. As part of the closure of accounts a sum of almost £1m was carried forward into 2015/16 to mitigate the expected cost pressure. It is proposed to fund this from the business rates reserve. As reported earlier, this will leave an estimated balance on the reserve of over £1m.

- 8.9. **Cabinet is recommended to agree the:**

- **release of £20k from S106 monitoring reserve towards the costs of carrying out this function**
- **release from the NNDR reserve of £1,537k towards the deficit on the collection fund.**

## **9. Contingency Provision**

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

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

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

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

**Authorisation being delegated to the Leader of the Council.**

## 10. Summary of Position

10.1 Summary of the Revenue Budget position is as follows:

	<b>£'000</b>
Revenue expenditure requirement for 2016/17 (para 5.12).	23,959
Collection fund deficit (para 6.9)	1,537
New Homes Bonus (para 4.15)	(5,714)
Use of balances (including carry forward items) (see paras 7.8 and 7.9 )	(888)
Release of earmarked reserves (para 8.9)	(1,557)
<b>Budget Requirement</b>	<b>17,337</b>
Funded by:	
Revenue Support Grant (para 4.2.)	(1,978)
NNDR Baseline Funding ( “ ” )	(3,960)
NNDR Improvement (para 4.7)	(800)
Council Tax Payers requirement (before Parish element) see below*	(10,599)
<b>Total Funding</b>	<b>(17,337)</b>

<b>Council Tax*</b>	
Council Tax Payers requirement (before Parish element)	£10,599k
Council Tax Base – Band D Properties	60,485
<b>Council Tax at Band D</b>	<b>£175.23</b>

10.2 **Cabinet is asked to agree and recommend to Council Colchester’s element of the Council Tax for 2016/17 at £175.23 per Band D property, which represents no change from the current rate noting that the formal resolution to Council will include Parish, Police, Fire and County Council precepts and any changes arising from the formal Finance Settlement announcement and final completion of the business rates NNDR 1.**

## 11. Medium Term Financial Forecast – 2016/17 to 2019/20

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

11.2. The Medium Term Financial Forecast (MTFF) is attached at Appendix O showing that the Council faces a continuing budget gap over the next three years from April 2017. The following table summarises the position showing a cumulative gap over the period from 2017/18 to 2019/20 of c£2.8m

	2016/17	2017/18	2018/19	2019/20	See para
	£'000	£'000	£'000	£'000	
Net Budget	23,959	24,061	21,995	22,589	
SFA	(5,938)	(4,958)	(4,432)	(3,844)	11.6
NNDR Growth	(800)	(900)	(1,000)	(1,000)	11.13
New Homes Bonus	(5,714)	(5,754)	(3,615)	(3,469)	11.9
Council Tax	(10,599)	(10,892)	(11,194)	(11,503)	11.21
Reserves / Collection Fund	(908)	(272)	(70)	(20)	
Cumulative Gap	0	1,285	1,684	2,753	
Annual increase		1,285	399	1,069	
<i>Revised cumulative gap based on C-Tax freeze</i>		1,472	2,066	3,336	

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

*Government Funding and Business Rates*

11.4. The Finance Settlement included the announcement of an “offer” of a four year funding settlement. This key points to note are:-

- In return for accepting the offer councils are required to publish an “efficiency plan”
- There will still be an annual settlement which will include changes to take account of final business rate multipliers.
- There may also be changes such as transfer of functions to or between local authorities or any unforeseen events.

11.5. It has not yet been made clear exactly how this ‘offer’ is made or what the Council is required to do in return. When the Settlement is confirmed it is expected that more detail will be provided.

11.6. The following table sets out the provisional four year figures for 2016/17 to 2019/20 provided showing a total reduction of £3.3million (46%) and specifically for the MTFF a further reduction in funding from April 2017 of £2.1m.

	Actual	Provisional Allocations				
	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant	(3,195)	(1,978)	(920)	(275)	446	
Business Rates Baseline	(3,927)	(3,960)	(4,038)	(4,157)	(4,290)	
SFA	(7,122)	(5,938)	(4,958)	(4,432)	(3,844)	
Reduction (£'000)		1,184	980	526	588	3,278

Reduction (%)		-17%	-17%	-11%	-13%	-46%
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11.7. The Settlement states that the Government proposes to allocate funding on the basis of the core resources available to local authorities, taking into account councils' business rates and council tax, as well as their Revenue Support Grant. It follows that some councils with less Revenue Support Grant in later years will need to **contribute** funding from the other elements of their settlement core funding in order to meet the overall reductions to local government funding set in the Spending Review. Where this is the case, the Government proposes to adjust the relevant councils' tariff or top up under the business rates retention scheme. The table shows that by 2019/20 there will be no more RSG and that a contribution of almost £446k will be required to be made.

11.8. As set out within this report the New Homes Bonus is a key element of the financial support for local authorities with the Government stating that the New Homes Bonus will continue indefinitely, but with some changes.

11.9. The MTFF now includes the New Homes Bonus used in the Government's spending power projections. This is only *indicative* as the future sums will change depending on the outcome of the consultation and actual housing numbers. The MTFF assumes that given that New Homes Bonus will continue "indefinitely" that it will continue to be used to support the base budget at the current level. It is also assumed that the annual contribution of £250k to the RIF will continue. This will therefore leave a reducing sum available to support new schemes including any allocation for affordable housing. These assumptions are set out in the following table.

	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Grant	5,714	5,754	3,615	3,469
<i>Use of grant:-</i>				
Base budget	1,871	1,871	1,871	1,871
Contribution to RIF	250	250	250	250
Mercury Theatre (2nd year)		500		
Support for new schemes	3,305	3,133	1,494	1,348
Affordable housing allocation	288	included in above		
Total grant	5,714	5,754	3,615	3,469

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

11.11. The Settlement states that by the end of the Parliament local government will retain 100% of business rate revenues to fund local services. As part of this it has been stated that:-

- The system of top ups and tariffs which redistributes revenues between local authorities will be retained
- The Uniform Business Rate will be abolished and any local area will be able to cut business rates as much as they like
- Elected city-region mayors will be able to add a premium to business rates to pay for new infrastructure, provided they have the support of the local business

community through a majority of business members of their Local Enterprise Partnership.

11.12. These changes will require legislation and the Government states that it intends to consult on the implementation of the 100% business rates retention scheme in summer 2016.

11.13. The 2016/17 budget includes the assumption that we will achieve an increase above the business rates baseline of £800k. In the MTFF it has been assumed that this will continue and an increase of a further £100kpa for the following two years. This assumption will need to be reviewed in future updates of the MTFF and will be revised to reflect the emerging detail of the changes to the retention of business rates.

#### *Pay, Inflation and costs*

11.14. The 2016/17 budget includes an allowance for a pay award. For 2017/18 and beyond a sum is included for planning purposes to cover this and other inflationary pressures.

11.15. During 2016 the actuarial review of the pension fund will take place with the outcome of this reported in the autumn. An assumption of an increased cost of £250k is shown for 2017/18 to recognise the potential impact from this review with a further allowance for the impact of pensions 'auto enrolment' which is due in 2017. Both these assumptions will be reviewed later in the year.

#### *Forecast savings*

11.16. The MTFF includes forecast savings for 2017/18 and beyond. These include:-

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

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

#### *Fees and charges income*

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

#### *Specific Cost Pressures*

11.19. The MTFF reflects that the government grant being used to support the costs of food waste collection will run out in the next two years. The only other specific change is the inclusion of the revenue implication of the ICT strategy.

11.20. There are a number of potential risks for which no allowance is currently made. These include:-

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

- demands on services arising from growth in the Borough, although an allowance has been built into the 2016/17 budget for additional waste service resources.
- cost pressures arising from any contract changes, specifically the current ICT contract.

#### *Council Tax*

11.21. The Government's Spending Power forecasts assume an annual increase in Council Tax of 1.75%. The MTFF has been updated to reflect this assumption, however, this does represent a proposal and the position based on no increase in Council Tax is also provided. An allowance for an increase in Council Tax income through growth in the tax base of 1% pa is also included.

#### *Summary*

11.22. A realistic approach has been taken to the MTFF and it is evident that it will be necessary to revise a number of the assumptions set out. The key issues are likely to be the detailed proposals for reform of New Homes Bonus and business rates retention as well as decisions made on any change to Council Tax rates and the delivery of savings and income plans.

11.23. The funding changes to local government will continue and the Council needs to be able to respond to the impact of these changes. Appendix P sets out graphically the Government's provisional core spending figures for the next four years showing how it is assumed that total resources will fall and also change with the removal of RSG and an assumption that Council Tax rates will increase.

11.24. In the 2016/17 budget savings of £1.5m have been found which, when looked at alongside the £10m plus identified in the budgets since 2011/12, represents a significant level of budget savings found. The MTFF shows that whilst anticipated savings from the current plans will make a significant contribution to reducing future budget gaps, further budget changes will be necessary. Whilst we will continue to look for other areas of savings and efficiencies it will be increasingly hard to balance budgets without considering variations to current services.

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

## **12. Capital Programme**

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

12.2 The monitoring report highlighted that there is a forecast net underspend on the Capital Programme of £75k in respect of the following schemes and it was agreed that these funds would be returned to be reallocated:

<b>Scheme</b>	<b>Over/ (Under) £'000</b>
UCC FSR – Accommodation	(27.9)
Flat Recycling Extension	(10.3)
Street Services FSR	(36.8)

<b>Total Net Underspend</b>	<b>(75.0)</b>
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12.3. A review of resources available to support the Capital Programme in the medium term has been carried out, and the following table provides a summary of the projected position for 2016/17. This shows a surplus that is available to support potential schemes in subsequent years.

<b>Detail</b>	<b>£'000</b>	<b>Note</b>
Balance of funds brought forward	(156)	Surplus
Capital receipts projection for 2015/16	(800)	
Current year forecast underspend	(75)	See para 12.2.
<b>Balance available</b>	<b>(1,031)</b>	

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

*ICT Strategy - £1.31m*

12.5 The separate report on this agenda sets out the Council's proposed ICT strategy and an investment plan totalling £1.31m over the next three years. Some funding for this has already been identified and as shown in the following summary table there remains a funding requirement of £580k.

	16/17	17/18	18/19	Total
	£'000	£'000	£'000	£'000
<b>Total Investment required</b>	<b>685</b>	<b>325</b>	<b>300</b>	<b>1,310</b>
<i>Funding available:-</i>				
New Homes Bonus allocation (see Appendix F)	500			500
Uncommitted Capital Programme sum	130			130
In-year revenue contribution (agreed by Cabinet)	100			100
<b>Total available</b>	<b>730</b>			<b>730</b>
<b>Capital Funding requirement</b>	<b>(45)</b>	<b>325</b>	<b>300</b>	<b>580</b>

*Local Authority Carbon Management (LACM) - £190k*

12.6. The Council adopted a new Environmental Sustainability Strategy for Colchester for 2015 to 2020 following a report to Cabinet in January 2015. One of the actions in the agreed delivery plan was to produce a new LACM plan which will be submitted to Cabinet in March.

12.7. It is clear that a level of investment will be required to enable this plan to be delivered and an initial allocation of £190k is proposed over the next two years. Further detail on how this will be used will be set out in the report to Cabinet.

12.8 In addition to the above it is proposed that projects to be funded from the 2016/17 New Homes Bonus monies that qualify as Capital Expenditure are released into the Capital Programme. This includes the Mercury Theatre project, Sport and Leisure business case and Creative Business Centre.

12.9 The medium term forecast of projected capital receipts and spending plans is shown in the table below reflecting the proposals within this report. This separately identifies the forecast position for the General Fund Capital Programme as well as the Revolving Investment Fund (RIF) Committee. The RIF position set out reflects

that reported to the Committee in November. It can be seen that the overall programme is in balance.

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
<b>GENERAL FUND</b>					
Shortfall / (Surplus) B/Fwd	(156)	(1,031)	(1,093)	(961)	(861)
New schemes	(75)	138	332	300	0
Capital receipts	(800)	(200)	(200)	(200)	(200)
<i>Shortfall / (Surplus) C/Fwd</i>	<i>(1,031)</i>	<i>(1,093)</i>	<i>(961)</i>	<i>(861)</i>	<i>(1,061)</i>
<b>REVOLVING INVESTMENT FUND</b>					
Shortfall / (Surplus) B/Fwd	(168)	(1,443)	(1,844)	(3,262)	(780)
New schemes	4,298	5,161	1,800	5,500	0
Capital receipts	(5,573)	(5,562)	(3,218)	(3,018)	(19)
<i>Shortfall / (Surplus) C/Fwd</i>	<i>(1,443)</i>	<i>(1,844)</i>	<i>(3,262)</i>	<i>(780)</i>	<i>(799)</i>
<b>Overall Shortfall / (Surplus) C/Fwd</b>	<b>(2,474)</b>	<b>(2,937)</b>	<b>(4,223)</b>	<b>(1,641)</b>	<b>(1,860)</b>

### 13. Robustness of Estimates

- 13.1 The Local Government Act 2003 placed a specific duty on the Chief Financial Officer to report on the robustness of estimates in the budget proposals of an Authority when the budget is being considered. This section addresses this requirement.
- 13.2 As set out in this paper a rigorous process and timetable has been followed throughout the budget setting activity this year involving the Cabinet, Leadership Team, Scrutiny Panel, Senior Management Team, the Budget Group and budget holders. All key assumptions used have been reviewed and scrutinised as part of this process. The result of this process has been a budget which is, in my view, challenging but deliverable.
- 13.3. This latest review of the budget for this financial year, 2015/16, has shown that broadly speaking budgets have been achieved, Steps have been taken to revise some expenditure and income budgets over recent years and in general budget targets are felt to be realistic.
- 13.4. The savings and new income proposed in the budget have all been risk assessed. It should be noted that some of the savings shown for 2016/17 are additional savings or income following budget decisions taken already.
- 13.5. All Heads of Service have completed an exercise to identify the key assumptions and risks to their budgets and these have been reviewed as part of the balances assessment.
- 13.6. Whilst I consider that reasonable assumptions have been made to account for the pressures being faced there remains a degree of risk with the key areas being:-

- Meeting ongoing, and in some cases increasing, income levels in particular in respect of sport and leisure, car parks and commercial services.
- Delivery in the year of certain corporate savings such as procurement, although the target for this is far less than previous years.
- Collection rates of Council Tax and changes in demand levels following the implementation of the LCTS scheme and other Council Tax changes
- Collection rates and level of business rates (including the impact of appeals)

13.7. The budget risks will be managed during 2016/17 by regular targeted monitoring and review at Senior Management Team and Scrutiny Panel. The Revenue Balance Risk Analysis considered these areas in establishing a minimum level of required balance of £1.9m.

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

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

13.10. Regular updates on forecast expenditure will also be important to ensure the budget is managed within the expenditure constraints set out and the Council continues to develop systems to provide better financial information through greater use of our commitments system and focused monitoring of key risk areas. During this year a new system has been introduced to provide budget managers with clear up to date budget information which they can easily access and use to provide in year forecasts.

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

#### **14. Treasury Management and Prudential Code Indicators**

14.1. The proposed Treasury Management Strategy Statement (TMSS) including the Minimum Revenue Provision Policy Statement and Annual Investment Strategy is included at Appendix S. The follow paragraphs contain a summary of the strategy for 2016/17, which covers the following issues:

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

14.2. The Council's Prudential and Treasury Indicators for 2016/17 through to 2018/19 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.

- 14.3. The Minimum Revenue Provision (MRP) Policy Statement for 2016/17 states that the historic debt liability will continue to be charged at 4%, 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. The policy will be kept under review during the year and any proposed changes will be set out in future reports.
- 14.4. The UK Bank Rate has been unchanged from a historically low 0.5% since March 2009. The current view from the Council's treasury advisers is that the Bank Rate is expected to remain unchanged until quarter 2 of 2016. **Appendix A to the TMSS** draws together a number of current forecasts for short term and longer term interest rates.
- 14.5. The Council is currently maintaining an under-borrowed position. The borrowing strategy is to reduce the difference between gross and net debt by continuing to 'borrow internally', which is primarily due to investment rates on offer being lower than long term borrowing rates. This has the advantages of maximising short-term savings and reducing the Council's exposure to interest rate and credit risk. This approach is intended to be maintained during the year.
- 14.6. The investment policy reflects the Council's low appetite for risk, emphasising the priorities of security and liquidity over that of yield. The main features of the policy are as follows:
- The Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties, which also enables diversification and avoidance of concentration risk.
  - The Council applies the creditworthiness service provided by Capita Asset Services, which combines data from credit rating agencies with credit default swaps and sovereign ratings.
  - The Council will only use approved counterparties from countries with a minimum sovereign credit rating of 'AA-', based on the lowest available rating.
  - The suggested budgeted return on investments placed for periods up to 100 days during the year is 0.90%.
- 14.7. Investment instruments identified for use in 2016/17 are detailed in **Appendix B to the TMSS**. It should be noted that whilst this table includes a wide range of investment instruments, it is likely that a number of these will not be used. However, their inclusion enables the required credit controls to be stated if their use is to be considered.

- 14.8. **Cabinet is asked to agree and recommend to Council the 2016/17 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out in the paper at Appendix S**

## 15. Strategic Plan References

- 15.1. The 2016/17 budget and the Medium Term Financial Forecast is underpinned by the Strategic Plan priorities and will seek to preserve and shift resources where needed to these priorities.
- 15.2. Appendix R provides an assessment of the links between the Strategic Plan and budget strategy.

15.3. This report also includes details of how the funding allocated from the New Homes Bonus in 2015/16 to support priorities within the new Strategic Plan is being used.

## **16. Financial Implications**

16.1 As set out in the report.

## **17. Publicity Considerations**

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

## **18 Human Rights Implications**

18.1. None

## **19. Equality and Diversity**

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

## **20. Community Safety Implications**

20.1 None

## **21. Health and Safety Implications**

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

## **22. Risk Management Implications**

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

## **23. Consultation**

23.1. The budget will be scrutinised by Scrutiny Panel on 26<sup>th</sup> January 2016. The statutory consultation with NNDR ratepayers takes place in either January or early February 2016 and notes of the meeting will be provided in due course.

## **Background Papers**

Budget reports to Cabinet – 25 November 2015

<b>2016/17 Budget Timetable</b>	
<b>Budget Strategy March 15 – July 2015</b>	
<b>March – June (SMT and Budget Group)</b>	Budget Group Meetings Agreed Update MTFF /Budget Strategy Review potential cost pressures, growth and risks Consider approach to budget Initial budget reviews started
<b>Cabinet – 8 July 15</b>	<ul style="list-style-type: none"> <li>• Review 14/15 outturn</li> <li>• Report on updated budget strategy / MTFF</li> <li>• Timetable approved</li> </ul>
<b>Scrutiny Panel – 21 July 15</b>	Review Cabinet report
<b>Detailed Budget preparation and Budget Setting Consultation</b>	
<b>Budget Group / Leadership Team regular sessions on progress / budget options now - December</b>	Review budget tasks Consider delivery of existing budget savings Carry out outturn review
<b>Cabinet – 14 October 15</b>	<ul style="list-style-type: none"> <li>• Budget Update</li> <li>• Review of capital resources / programme</li> </ul>
<b>Cabinet – 25 November 15</b>	<ul style="list-style-type: none"> <li>• Budget update</li> <li>• Reserves and balances</li> <li>• Agree fees and charges / budget changes</li> <li>• Government Finance settlement (if available)</li> <li>• Review in year budget position</li> </ul>
<b>Scrutiny Panel – 26 January 16</b>	Review consultation / Budget position (Detailed proposals)
<b>Cabinet – 27 January 16</b>	Revenue and Capital budgets recommended to Council
<b>Council – 17 February 16</b>	Budget agreed / capital programme agreed / Council Tax set

## 2016/17 New Homes Bonus

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

## New Homes Bonus Consultation

Alongside the settlement a consultation paper on the New Homes Bonus (NHB) has been issued. The following are key issues

### 1. No Change for 2016/17

No changes will be made for the 2016/17 New Homes Bonus payments, including anything in respect of previous years.

### 2. Change the number of years for which payments are made

NHB payments are currently made for 6 years. The consultation paper comments that these “legacy payments” will mean that funding will reduce the impact of other changes.

The Government is consulting on reducing the number of years for payments from 6 years to 4 years. This is the preferred option but the Government is also considering moving further to 3 or 2 years.

An option is presented to phase in the introduction of the change by paying for 5 years in 17/18 before the change to 4 years in 18/19. The table below sets out the estimated basic NHB payments (excl. affordable homes) assuming the average growth in payment assuming the phased introduction.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
<b>New Homes Bonus</b>						
Growth re 09/10	724	724				
Growth re 10/11	749	749	nil	nil	nil	nil
Growth re 11/12	986	986	986	nil	nil	nil
Growth re 12/13	757	757	757	nil	nil	nil
Growth re 13/14	1,185	1,185	1,185	1,185	nil	nil
Growth re 14/15		1,025	1,025	1,025	1,025	nil
Growth re 15/16 (est)			900	900	900	900
Growth re 16/17 (est)				900	900	900
Growth re 17/18 (est)					900	900
Growth re 18/19 (est)						900
<i>Total basic NHB</i>	<i>4,401</i>	<i>5,426</i>	<i>4,853</i>	<i>4,010</i>	<i>3,725</i>	<i>3,600</i>

<b>Cut compared to now</b>			<b>738</b>	<b>1,732</b>	<b>1,931</b>	<b>2,199</b>
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The option of moving to only paying over 3 or 2 years would increase the cut say a further c£1m or c£2m respectively.

### 3. Reforms to improve the incentive

Other changes are suggested based on the argument that currently the NHB is “insufficiently focused on really strongly performing authorities”. The changes proposed are:-

- (a) Withholding new allocations in areas where no Local Plan has been produced
- (b) Reducing payments for homes built on appeal
- (c) Only making payments for delivery above a baseline representing ‘deadweight’

***(a) Withholding new allocations in areas where no Local Plan has been produced***

The preferred approach is to not make any NHB payment if a Local Plan has not been produced. There is also a suggestion that there might be a 50% reduction where a Plan has been published but not yet submitted.

There is a further approach based on reducing the NHB by a fixed % depending on the date the plan was published. The aim of this appears to be to encourage councils to actively review and keep up to date their plans.

***(b) Reducing payments for homes built on appeal***

The proposal here is to reduce the amount of new NHB paid for decisions made on appeal. The options suggested are a 50% reduction or a 100% reduction.

***(c) Removing ‘deadweight’***

The background to this proposed change is to only reward growth above what might have been built anyway without the incentive. One option proposed is to agree a single baseline, with a possible figure of 0.25% quoted.

Other alternative options suggested are setting an individual baseline or local area baseline that better represented local circumstances.

**Links to County Council allocations**

There is no mention of changing the 80:20 split. There are comments in respect of whether some of the “incentive measure will apply to counties or not, but no proposals to exclude them.

**2016/17 Revenue Cost pressures**

Heads of Service / Portfolio Holders have been asked to contain cost pressures within existing budget allocations wherever possible. The following are specific areas where budget allocations have been increased. Changes since the report to Cabinet on 25<sup>th</sup> November 2015 are highlighted in the updated allowance column.

	Current allowance £'000	Updated allowance £'000	Comment
Inflation	840	702	This includes assumptions in respect of pay, energy and other prices. The allowance includes the increased to reflect the change in NI costs and other changes. The updated allowance includes revised assumptions for pay, fuel and insurance costs.
Inflation – pay award	(100)	(100)	Adjustment in respect of 15/16 pay award being less than budget
Extra waste vehicle and crew	130	130	CBC has seen significant housing growth in recent years. The Waste and Recycling service has accommodated this growth, year on year, within its existing resources. Whilst Food Waste collections have been introduced and vehicles provided, no additional routes for residual or recycling collections have been introduced since 2007. Since the last route was added it is estimated in excess of 10,000 properties have been added to the Borough. The service is currently in the position where its capacity is stretched to accommodate the current level of collections required and therefore this funding will provide for an additional vehicle and crew.

	Current allowance £'000	Updated allowance £'000	Comment
SOS Bus – grant	5	5	A grant to support the SOS bus has been agreed in 2015/16 from the funding allocated for Strategic Plan priorities. It is proposed that this be included in the base budget to reflect the ongoing support of this service.
Welfare Reform	118	118	Agreed by Cabinet in November. Funding in part from allocation from balances.
Hot washer		23	Additional manpower in the Zones team to work alongside the new hot washer purchased improve street cleanliness in the Borough
Market		57	The pressure covers the reduction of income due to first 4 stalls being removed to ease traffic pressures. Additional resources to support smooth running of set up / set down operation and cover additional costs for electricity bollards.
Zones team		15	Additional budgetary provision for zones team duties.
Elections		19	Increase in costs relating to elections, such as postage.
Waste disposal charges		20	ECC have increased the disposal charges for commercial waste from £110 per tonne to £120 per tonne.
Bank charges		18	Increased cost of credit card transactions fees.
Less: provision for growth in budget	(177)	(200)	The 15/16 budget includes a provision of £200k for growth and this has been allocated against pressures in the 16/17 budget.
<b>Total</b>	<b>816</b>	<b>807</b>	

**2016/17 Growth Items**

The following are growth items included in budget proposals. Changes since the report to Cabinet on 25<sup>th</sup> November 2015 are highlighted.

	Current allowance £'000	Updated allowance £'000	Comment
Allowance for affordable housing	73	74	New growth achieved through New Homes Bonus element allocated to support affordable housing initiatives
Investment funded through increase in New Homes Bonus	1,014	1,125	Increase in New Homes Bonus available to support new projects. Includes the proposal to spend a further £100k on one off projects to reduce the use of the New Homes Bonus in the base. Proposals for using the of this increase are provided at Appendix F
Contribution towards NHB schemes		32	Additional one-off contribution to fund NHB schemes.
Resources to deliver digital challenge		150	Cabinet will receive a report in March on the proposed digital challenge project which is commented on within the ICT strategy (see separate report on this agenda). In order to deliver this plan additional resources of £150k pa for the next two years has been identified and it proposed to fund this from balances.
<b>Total new growth Items</b>	<b>1,087</b>	<b>1,381</b>	
Strategic Plan allocations	40	245	Proposed allocation from 15/16 New Homes Bonus used in 16/17 (see Appendix G)
<b>Total growth items</b>	<b>1,127</b>	<b>1,626</b>	

## New Homes Bonus projects 2016-17 – New Proposals

Item	Description	16/17 £'000	17/18 £'000
Mercury theatre	Funding in support of the ambitious plans for redevelopment of the Mercury Theatre aimed at futureproofing the building, increasing capacity, income and accessibility. A further contribution of £500k is also proposed for 2017/18 from the New Homes Bonus and is included within the MTFP.	500	500
Wonderhouse	Funding to support the realisation of the new and unique Wonderhouse in the St Botolph's regeneration area. This project aims to bring alive our internationally recognised Museums Collections; develop the museum's service capacity to work alongside education partners in training and developing skills for life and provide new income generating opportunities.	200	
Sport & Leisure business case	A detailed Strategy and Business Plan has been compiled for each area of the Sport and Leisure business, outlining plans to increase income and participation over the next four financial years. The main investment will be in the Activa gym and Aqua Springs which have the greatest potential for growth and further income generation. There will also be improvements to the Leisure pool to maintain its position as a regional attraction and a small investment in the Café to build on the success achieved here in the last two years.	1,420	
ICT strategy	The ICT Strategy describes the direction of travel and investment that is required for the organisation's technology during the next three years. Its purpose is to ensure the Council has the technology required to deliver its services and make the developments it plans to do during this time period (see separate report on this agenda).	500	
CCTV	Upgrading of existing cameras and operating platform to enable digital feed to improve picture quality and public safety.	100	
Garden Settlement	Funding from the NHB will allow work to continue investigating the feasibility of new settlements contributing to meeting housing and employment needs in the borough. The Council has secured Government funding for 2015/16 (£640k) and will be submitting a proposal for further capacity funding in 2016/17. The ability to show the Council is also contributing will support the submission. The funding has been used to recruit a project manager and commission Garden City Developments to negotiate on behalf of the Council with landowners and developers to secure land value capture for the benefit of the community.	50	
Creative Business Centre	The NHB will enable Phase 2 of the Creative Business Centre to be added to the overall construction package for Phase 1, bringing forward more units for completion in September 2016. The development	400	

Item	Description	16/17 £'000	17/18 £'000
	<p>of the Creative Business Centre on Queen Street is a key piece of infrastructure in Colchester to support the growth of the borough's flourishing Creative Sector.</p> <p>The project will provide 43 units equalling overall 831m2 of space to let. 116m2 is incubation space, which will be let to new businesses, micro businesses and virtual companies. The building will also offer ground floor café space and kitchen, a 181 m2 courtyard and a screening room for presentations.</p>		
Fixing the link (phase 2)	<p>This NHB allocation will allow for the Phase 2 package of measures, identified at the consultation stage to be brought forward and delivered along the route. This could include features at the Albert Roundabout, reducing street clutter and improving the street scape with further references to the Colchester's Heritage along the North Station Road/North Hill corridor. The funding would be used for detail design and be used to lever in third party funding.</p>	100	
Housing & health programme	<p>This is for year 2 funding for the pilot of a new multi-disciplinary programme to coordinate service delivery between environmental health and key health/care services in areas categorised by their elevated levels of deprivation.</p> <p>Past housing improvement work has focused on poor housing stock condition alone, whereas working with health colleagues allows a deliberate move towards a more person-centred focus, for those residents of higher health risk.</p> <p>This is an additional contribution to that made in 2015/16 from New Homes Bonus.</p>	65	
Locality budgets	Continuation of the small grant scheme of £2,000 for Ward Councillors in 2016/17.	102	
<b>Total New Projects</b>		<b>3,337</b>	<b>500</b>

## Proposed use of Strategic Plan Funding allocated from New Homes Bonus

Item	Description	Cost £'000
Funding for festivals	The Council has provided financial support to festivals in the town such as the Comedy Festival and Free Festival and it is proposed to allocate £20k for such events in 16/17 A further allocation of £20k is proposed for 17/18.	20
Public health co-ordinator	Match funding with ECC for post to support development and coordination of CBCs health & wellbeing activities/initiatives at the earliest opportunity and to safeguard other agencies investment in Colchester.	20
Locating the Roman gates	Marking the locations of three Roman gates (North, South and East Gates) by installing bronze strips across the road and bronze pavement plaques	40
Increase Tourism / Visitor Numbers to Colchester	Colchester already has all the wonderful heritage attractions but needs to be more visible. There are some simple steps that will assist with this: <ul style="list-style-type: none"> <li>• 2 year campaign sign up with Visit England and Visit Britain</li> <li>• 1 year promotional activity to increase group travel / coaches, and to develop awareness and heritage ambassadors with hoteliers, taxi drivers and tourism industry participants.</li> <li>• 1 year part time marketing and promotional support for tourism</li> </ul>	100
Discovering Colchester's Historic Buildings	Working with heritage organisations to identify, record, understand and promote our historic buildings. We would create an on-line gazetteer of historic and demolished buildings. This would include descriptions, measured drawings, photographs and illustrations. Documentary analysis will be also undertaken to identify and record the historic significance of individual buildings.	15
Colchester Heritage Explorer website	To create a Heritage Explorer website to make more of Colchester's heritage. Heritage information is currently quite fragmented and not accessible online. The website would provide information on heritage attractions, events, assets, collections, and links to heritage organisations in the Borough. This would also involve making available online the local evidence for the Urban Archaeological Database which is a detailed database of recorded archaeological sites and historic buildings. Norfolk's version of this site averages between 300 and 500 "hits" per day.	15
Heritage guide for Colchester	The production of a Colchester heritage guidebook to provide visitors with a tour of heritage attractions and a history of this Roman and Medieval Town. The guidebook will be concise, accessible and well-illustrated; using a similar format to the	15 (generating £25k of

Item	Description	Cost £'000
	popular guidebooks produced for English Heritage sites. It is anticipated that guidebooks will retail at c£5 (comparable with price of the English Heritage guidebooks), and would also be made available for digital download.	income)
Construction skills centre	Provide a match funding contribution to establish a Construction Skills Centre based at the Creative Business Centre site. The funding will be used to provide onsite upskilling and site accreditation for actual/prospective employees of Phelan Construction and sub-contractors. The centre could also provide on-site 'tasters' for schools, colleges and potential career changers.	20
<b>Total New Projects</b>		<b>245</b>

### Summary of use of Strategic Plan allocation

	£'000	£'000
<b>Total budget</b>		<b>547</b>
Allocated in year:-		
<i>Castle Park Gates</i>	12	
<i>Marketing for Colchester Calendar</i>	25	
<i>Festivals</i>	25	
<i>Total allocated in year</i>		62
New Proposals for 16/17 (see above)		245
Proposed allocations for 17/18 (festivals)		20
<b>Remaining balance unallocated</b>		<b>220</b>

## 2016/17 Savings / Increased Income

Service	Opportunity	2016/17 £'000	Additional Comments e.g. impact on service / risk to delivery/ description of delivery
<b><i>Efficiencies, Income and Service Reviews</i></b>			
All Services	Outturn review	350	A review has been completed that looked at the non-employee spending over the last three years compared to the 2015/16 budget. As a result of this exercise reductions in budgets of £350k have been identified.
Operational Services	Car Park Income	375	In the 2015/16 budget the expected level of car park income was reduced by £300k based on assumptions on the impact of Park and Ride. Budget monitoring reports show that income levels have not been affected as much as forecast and therefore it is proposed to restate the car park budget and based on current parking income figures an increase of £75k is also now proposed.
Corporate items	Full year impact of accommodation savings	50	In 2015/16 the saving from leaving Angel Court had contributed towards other UCC FSR savings. This reflects the full year additional impact of this decision.
Various services	Business Process Savings	286	Detailed savings have recently been reviewed and the anticipated level of savings for 2016/17 has been reduced.
Commercial Services	Commercial income & procurement	143	Updated forecast to reflect assumed additional income and savings within commercial trading services, asset income and procurement saving projections.
Corporate & Financial Management	Members Allowances	50	Reduced costs arising from reduction in number of councillors.
Community	Grounds maintenance contract	50	Estimated General Fund saving from new contract arrangements.
Operational Services	Sport & Leisure business Case	48	First year savings as shown in report to Cabinet. A further £50k saving is shown within the reduced allocation for

Service	Opportunity	2016/17 £'000	Additional Comments e.g. impact on service / risk to delivery/ description of delivery
			inflation.
		<b>1,352 ( 87% of savings)</b>	
<b>Budget Reductions</b>			
Corporate & Financial Management	Parish Grants re: LCTS scheme	11	Reduction in grants as approved by Cabinet.
	<b>Sub total</b>	<b>11 (1%of savings)</b>	
<i>Corporate / Technical Items</i>			
Net Interest		125	There is currently a net saving on the interest account through a combination of the interest costs being lower due to the strategy of internal borrowing and also some additional interest earnings.
General Fund / HRA	Reduce contingency in budget	35	The budget includes a contingency reflecting the risk of changes in costs between the General Fund and HRA. It is proposed to remove this.
Misc tech items		21	Various budget changes across a number of corporate technical budgets.
	<b>Sub total</b>	<b>181 (12% of savings)</b>	
<b>Total Savings</b>		<b>1,544</b>	

Appendix I

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 16/17 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	213		19			(5)	227
Corporate & Financial Management	6,238		139		19	(93)	6,303
Executive Management Team	600		14			(3)	610
Community Services	5,938		208	122	25	(34)	6,258
Commercial Services	2,086	(100)	142	123	50	(339)	1,962
Customer Services	2,114		141		20	(130)	2,145
Operational Services (excl NEPP)	1,376	(6)	195			(449)	1,116
Professional Services	2,292	(38)	125	20	17	(169)	2,247
<b>Total General Fund Services</b>	<b>20,857</b>	<b>(144)</b>	<b>981</b>	<b>265</b>	<b>131</b>	<b>(1,223)</b>	<b>20,867</b>
<b>Technical Items</b>							
<i>Corporate Items / sums to be allocated to services</i>							
Procurement Savings	(132)		0			(8)	(140)
Investment Allowance funded by New Homes Bonus	2,335		0	1,005		95	3,435
IT Servers	250	(250)	0				0
Borough-Wide service pressures	200		(200)				0
EMT Local Govt Devolution	5	(5)	0				0
Welfare Reform	0		118				118
Strategic Plan (funded by 15/16 NHB)	0		0	205			205
Digital Challenge	0		0	150			150
Grounds Maintenance Savings	0		0			(50)	(50)

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 16/17 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Digital Challenge - post and print	0		0			(50)	(50)
Angel Court	50		0			(50)	0
Inflation reduction			(100)				(100)
<i>Non-Service Budgets</i>							
NHB Top-Slice	(13)	13	0				0
Parish Council Grants / LCTS	102		0			(11)	91
CLIA (net interest)	599		0			(181)	418
R&R Contribution	150		0				150
Min Revenue Provision	662		0			(9)	653
Pensions	2,143		0			(7)	2,136
C Tax Sharing Agreement	(650)		0				(650)
Heritage Reserve & Gosbecks Reserve	10		0			(7)	3
GF/HRA/NEPP Adjustment	(3,243)		8	1		(43)	(3,277)
Total Below the Line	2,468	(242)	(174)	1,361	0	(321)	3,092
<b>Total incl Below the line</b>	<b>23,325</b>	<b>(386)</b>	<b>807</b>	<b>1,626</b>	<b>131</b>	<b>(1,544)</b>	<b>23,959</b>
<b>Funded by:-</b>							
Use of balances: re carry forwards	(71)	71	0		(426)		(426)
Contribution to balances	560	(560)	0				0
Use of Reserves	0		0		(462)		(462)
Use of NNDR reserve	0		0		(1,537)		(1,537)
use of S.106 reserve	(20)		0				(20)
Government Grant (RSG / NNDR)	(7,122)		1,184				(5,938)
NNDR Growth above Baseline	(700)		0		(100)		(800)
Council Tax Freeze Grant	(114)	114	0				0

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 16/17 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	(10,434)		0		(165)		(10,599)
Collection fund Transfer	(409)	409	0		(353)		(353)
New Homes Bonus	(4,615)		0		(1,099)		(5,714)
NNDR Deficit / (Surplus)	(400)	400	0		1,890		1,890
<b>Total</b>	<b>(23,325)</b>	<b>434</b>	<b>1,184</b>	<b>0</b>	<b>(2,252)</b>	<b>0</b>	<b>(23,959)</b>

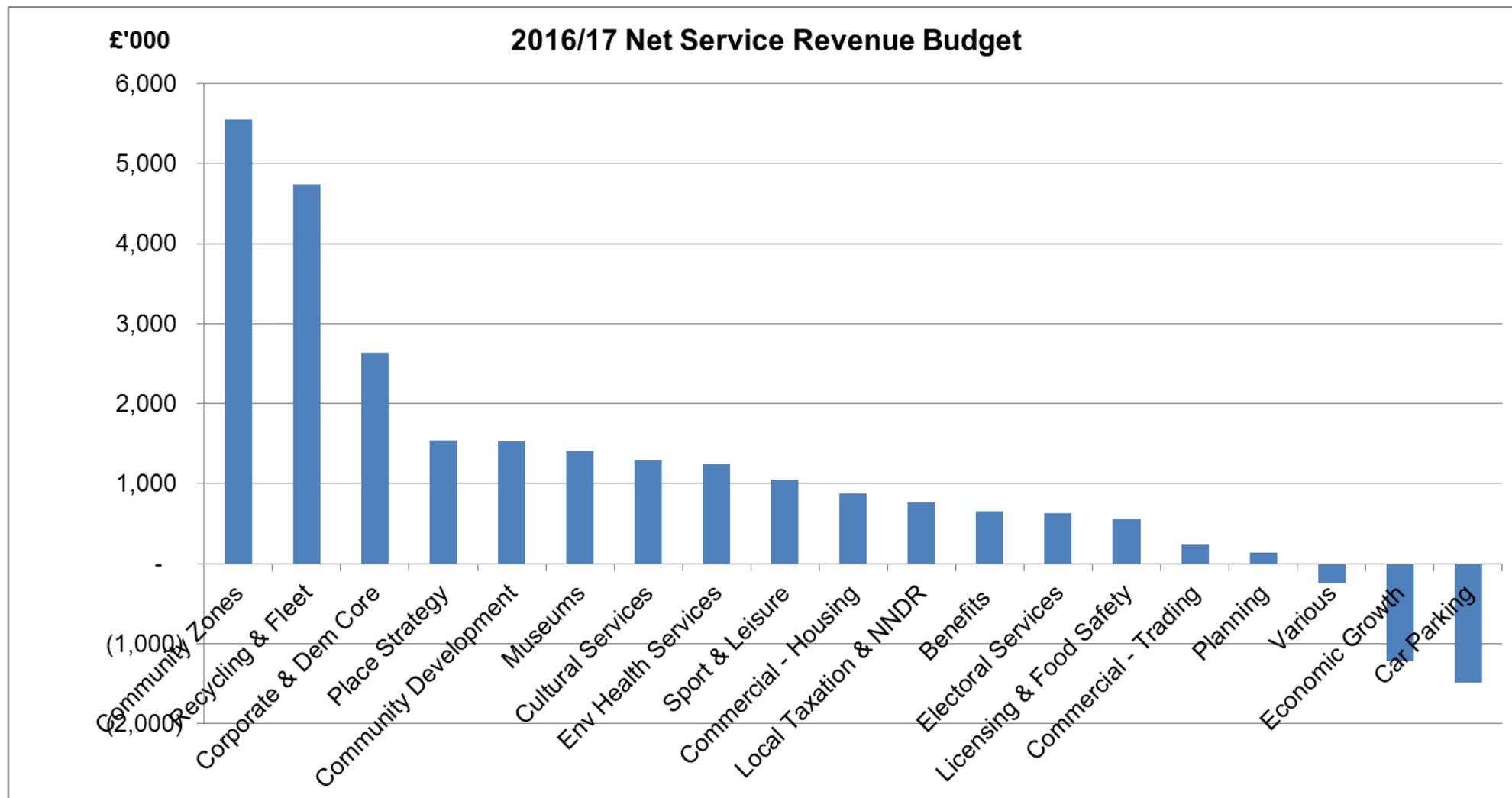
## Detailed General Fund Service Budgets 2016/17

Area	Direct Budgets			Non-Direct Budgets	Total
	Spend £'000	Income £'000	Net £'000	Net £'000	
<b>Corporate &amp; Democratic Core</b>	227	-	227	2,406	2,633
<b>Total</b>	<b>227</b>	<b>-</b>	<b>227</b>	<b>2,406</b>	<b>2,633</b>
<b>Corporate &amp; Financial Management</b>					
Assistant Chief Executive	69	-	69	(69)	-
Finance	802	(16)	785	(785)	-
ICT and Communications	2,384	(252)	2,132	(2,132)	-
People and Performance	534	(14)	521	(521)	-
Governance	3,057	(261)	2,796	(2,749)	47
<b>Total</b>	<b>6,846</b>	<b>(543)</b>	<b>6,303</b>	<b>(6,256)</b>	<b>47</b>
<b>Executive Management Team</b>					
EMT	610	-	610	(610)	-
Partner Projects	-	-	-	-	-
<b>Total</b>	<b>610</b>	<b>-</b>	<b>610</b>	<b>(610)</b>	<b>-</b>
<b>Community Services</b>					
Head of Community Services	133	-	133	(133)	-
Cultural Services	703	(114)	589	711	1,299
Community Zones	4,617	(821)	3,796	1,758	5,554
Community Development	1,213	(144)	1,069	463	1,532
Colchester Museums	75	(482)	(408)	0	(407)
<b>Subtotal</b>	<b>6,741</b>	<b>(1,562)</b>	<b>5,179</b>	<b>2,799</b>	<b>7,978</b>

	Direct Budgets				Non-Direct Budgets	
Area	Spend	Income	Net		Net	Total
	£'000	£'000	£'000		£'000	£'000
Colchester & Ipswich Museums	2,091	(1,013)	1,078		737	1,815
<b>Total</b>	<b>8,832</b>	<b>(2,575)</b>	<b>6,258</b>		<b>3,536</b>	<b>9,793</b>
<b>Commercial Services</b>						
Head of Commercial Services	77	-	77		(77)	-
Place Strategy	1,602	(127)	1,475		63	1,538
Economic Growth	1,326	(3,338)	(2,013)		796	(1,217)
Corporate Asset Management	1,895	(121)	1,774		(1,821)	(47)
Commercial - Trading	2,316	(2,736)	(421)		652	231
Commercial - Housing	1,645	(575)	1,069		(198)	871
<b>Total</b>	<b>8,859</b>	<b>(6,897)</b>	<b>1,962</b>		<b>(585)</b>	<b>1,377</b>
<b>Customer Services</b>						
Head of Customer Services	64	-	64		(64)	-
Customer Operations	1,748	(15)	1,732		(1,732)	-
Customer Demands & Research	418	-	418		(418)	-
Customer Solutions	982	(376)	605		(659)	(53)
Local Taxation & NNDR	482	(524)	(42)		803	760
<b>Subtotal</b>	<b>3,692</b>	<b>(916)</b>	<b>2,777</b>		<b>(2,070)</b>	<b>707</b>
Benefits - Payments & Subsidy	56,248	(56,880)	(631)		1,289	658
<b>Total</b>	<b>59,941</b>	<b>(57,795)</b>	<b>2,145</b>		<b>(781)</b>	<b>1,365</b>
<b>Operational Services</b>						
Head of Operational Services	113	-	113		(113)	-
Sport & Leisure	4,486	(4,961)	(475)		1,526	1,051
Recycling & Fleet	6,937	(2,664)	4,273		466	4,739

Area	Direct Budgets			Non-Direct Budgets	Total
	Spend	Income	Net		
	£'000	£'000	£'000		
Car Parking	939	(3,734)	(2,795)	1,307	(1,488)
<b>Subtotal</b>	<b>12,475</b>	<b>(11,359)</b>	<b>1,116</b>	<b>3,186</b>	<b>4,302</b>
Parking Partnership (NEPP)	3,246	(3,154)	93	(71)	22
<b>Total</b>	<b>15,721</b>	<b>(14,512)</b>	<b>1,209</b>	<b>3,115</b>	<b>4,324</b>
<b>Professional Services</b>					
Head of Professional Services	103	-	103	(103)	-
Licensing & Food Safety	552	(472)	80	475	556
Environmental Health Services	822	(98)	725	517	1,241
Electoral Services	343	(3)	340	291	631
Prof Support Units	1,794	(186)	1,608	(1,658)	(50)
Land Charges	148	(349)	(201)	55	(146)
Planning	571	(979)	(407)	546	139
<b>Total</b>	<b>4,333</b>	<b>(2,086)</b>	<b>2,247</b>	<b>124</b>	<b>2,371</b>
<b>Total (excl. NEPP)</b>	<b>102,123</b>	<b>(81,255)</b>	<b>20,869</b>	<b>1,019</b>	<b>21,888</b>

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



## General Fund Balances – Risk Assessment

### Introduction & Background

A risk assessment was undertaken to determine the prudent level of general fund balances as part of the 2016/17 budget process.

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 risk assessment has been kept under review. The results of the current assessment are summarised below.

Factor	Assessed Risk			Comment
	High	Med	Low	
	£'000	£'000	£'000	
Cash Flow	1,000			Increased to reflect current budget
Inflation		100		
Investment Income	75			Reduced from £150k to £75k reflected in year risk
Trading Activities and fees and charges		200		
Benefits		200		Increased risk from low to medium reflecting potential risk
New legal commitments			100	
Litigation		150		
Partnerships			100	
VAT Exemption Limit			450	Increased to £450k from £350k representing current impact.
Budget Process		150		Increased 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
<b>Sub total</b>			<b>1,855</b>
Unforeseen factors			45
<b>Recommended level</b>			<b>1,900</b>

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

The main issues to mention concerning the assessment are: -

- The key reason for proposing to increase balances in 2013/14 was the new risks associated with major Local Government reforms such as the creation of a Local Council Tax Support Scheme and the local retention of business rates. This remains a key risk area.
- While the possible requirement to meet capital spending from revenue resources a potential risk it is no longer shown in the assessment as it is classed as "nil" because of the current level of funds held in the capital expenditure reserve and the introduction of the Prudential Code.
- Investment income has been identified as a risk area. In last year's risk assessment this was classified as a "high risk" and due to the continuing uncertainty in the world economy this has been maintained, however, the risk sum has been reduced.
- 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, the cost attached to this has been increased to reflect the current level.

## 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.

## General Fund Balances Position

	<i>Allocated</i>	<i>Risk allocations</i>	<i>Unallocated</i>	<i>Total</i>	<i>Note</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
<b>Opening balance 1/4/15</b>	<b>(5,780)</b>	<b>(868)</b>	<b>(2,027)</b>	<b>(8,675)</b>	per 14/15 accounts
Agreed contribution to balances	(280)	(280)		(560)	Agreed in 15/16 budget
Budget carry forwards to 15/16 (some funds to be used after 15/16)	3,022			3,022	
Previous c/f decisions	194			194	
Redundancy costs	473			473	Includes pension strain costs
Previous year allocations	325			325	
Right to challenge - Gov't funding	46			46	
Agreed use of balances 15/16	71			71	agreed in 15/16 budget
Proposed use of balances - 15/16	450			450	See Cabinet 8 July 2015
Use of balances to be agreed (BIFA)	471			471	See Cabinet 8 July 2016
Remove Contingency	(285)	285		0	Remove contingency.
Budget carry forwards to 16/17	(131)			(131)	
New Homes Bonus (c/f)	(245)			(245)	
Add back BIFA not used in year			(90)	(90)	Funding allocated in year returned to balances
<b>Estimated net use of balances in 15/16</b>	<b>4,111</b>	<b>5</b>	<b>(90)</b>	<b>4,026</b>	
<b>Forecast balance 31/3/16</b>	<b>(1,669)</b>	<b>(863)</b>	<b>(2,117)</b>	<b>(4,649)</b>	
<b>Proposed use of balances in 16/17</b>					
Use of earmarked balances for welfare reform	76			76	Agreed by Cabinet November 15
Use of balances to support budget	415		(29)	386	

	<i>Allocated</i>	<i>Risk allocations</i>	<i>Unallocated</i>	<i>Total</i>	<i>Note</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
Funding budget carry forwards	376			376	
<b>Total use in 16/17</b>	<b>867</b>	<b>0</b>	<b>(29)</b>	<b>838</b>	
<i>Use of balances in later years or risk allocations</i>					
Community Stadium - rent adjustment	500			500	Provision for one-off reduction in rent
NNDR / Welfare reform	152	172		324	Provision for impact arising from reforms.
Support for digital challenge in 17/18	150			150	Report to be submitted to Cabinet March 16
Planning appeals, legal, HR etc- risk allocation		411		411	Some costs possible in 15/16
Housing benefit - risk allocation		130		130	Agreed in 15/16 budget
Collection Fund - risk allocation		150		150	Agreed in 15/16 budget
<b>Total later years allocations</b>	<b>802</b>	<b>863</b>	<b>0</b>	<b>1,665</b>	
<b>Uncommitted / unallocated Balance</b>	<b>0</b>	<b>0</b>	<b>(2,146)</b>	<b>(2,146)</b>	
Recommended level			(1,900)	(1,900)	Proposed level
<b>Surplus above recommended level</b>	<b>0</b>	<b>0</b>	<b>(246)</b>	<b>(246)</b>	

## Earmarked Reserves and Provisions

Reserve	Amount at 31/03/15	Transfers - In	Transfers - Out	Estimate at 31/03/16	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Renewals and Repairs (incl Building Maintenance Programme):</b> Maintained for the replacement of plant and equipment and the maintenance of premises.	1,989	460	(400)	2,049	2,049	-
<b>Insurance:</b> To cover the self-insurance of selected properties.	334	25	(10)	349	-	349
<b>Capital Expenditure:</b> Revenue provision to fund the capital programme. The reserve is fully committed to funding the current capital programme.	767	100	(200)	667	667	-
<b>Asset Replacement Reserve:</b> 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.	103	-	-	103	-	103
<b>Gosbecks Reserve:</b> Maintained to provide for the development of the Archaeological Park. The main source of funding was a 'dowry' agreed on the transfer of land.	240	2	(26)	216	216	-

<b>Reserve</b>	<b>Amount at 31/03/15</b>	<b>Transfers - In</b>	<b>Transfers - Out</b>	<b>Estimate at 31/03/16</b>	<b>Allocated / Committed</b>	<b>Unallocated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Heritage Reserve:</b> This represents balance held of museums donations and as such represents a small element of the Council's support to heritage schemes.	9	5	(1)	13	-	13
<b>Hollies Bequest:</b> Provision for the upkeep of open space.	4	-	(2)	2	2	-
<b>Section 106 Monitoring:</b> Required for future monitoring of Section 106 agreements. From 2015/16 it was set at £20k per year.	53	20	(20)	53	53	-
<b>Revenue Grants Unapplied:</b> 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.	1,859	-	(600)	1,259	1,259	-
<b>Regeneration Reserve:</b> Contribution to reserve in respect of balancing any deficit in funding schemes in particular years.	65	-	(65)	-	-	-

Reserve	Amount at 31/03/15	Transfers - In	Transfers - Out	Estimate at 31/03/16	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
<p><b>Parking Reserve:</b> 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</p>	355	-	-	355	355	-
<p><b>Building Control:</b> 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.</p>	-	-	-	-	-	-
<p><b>Heritage Mersea Mount:</b> Funding received from English Heritage towards costs relating to Mersea Mount.</p>	11	-	-	11	11	-
<p><b>Mercury Theatre:</b> Provision for the building's long term structural upkeep.</p>	20	25	(10)	35	35	-

<b>Reserve</b>	<b>Amount at 31/03/15</b>	<b>Transfers - In</b>	<b>Transfers - Out</b>	<b>Estimate at 31/03/16</b>	<b>Allocated / Committed</b>	<b>Unallocated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Business Rates Reserve:</b> Maintained to cover the risk of any residual issues resulting from the introduction of the Local Business rates Retention scheme.	1,255	1,483	-	2,738	1,537	1,201
<b>Revolving Investment Fund Reserve:</b> 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.	700	322	(642)	380	380	-
<b>Total General Fund</b>	<b>7,764</b>	<b>2,442</b>	<b>(1,976)</b>	<b>8,230</b>	<b>6,564</b>	<b>1,666</b>
<b>HRA Retained Right To Buy (RTB) Receipts - Debt:</b> 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.	1,751	500	-	2,251	2,251	-

<b>Reserve</b>	<b>Amount at 31/03/15</b>	<b>Transfers - In</b>	<b>Transfers - Out</b>	<b>Estimate at 31/03/16</b>	<b>Allocated / Committed</b>	<b>Unallocated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>HRA Retained Right To Buy (RTB) Receipts - Replacement:</b> 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.	870	650	(100)	1,420	1,420	-
<b>Total HRA</b>	<b>2,621</b>	<b>1,150</b>	<b>(100)</b>	<b>3,671</b>	<b>3,671</b>	<b>-</b>
<b>Total</b>	<b>10,385</b>	<b>3,592</b>	<b>(2,076)</b>	<b>11,901</b>	<b>10,235</b>	<b>1,666</b>

Provision	Amount at 31/03/15	Transfers - In	Transfers - Out	Estimate at 31/03/16	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Insurance:</b> 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.	389	60	-	449	449	-
<b>NNDR Appeals:</b> 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.	2,266	-	-	2,266	2,266	-
<b>Total</b>	<b>2,655</b>	<b>60</b>	<b>-</b>	<b>2,715</b>	<b>2,715</b>	<b>-</b>

APPENDIX O

<b>Medium Term Financial Forecast</b>				
<b>2016/17 to 2019/20</b>				
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Base Budget</b>	23,325	23,959	24,061	21,995
15/16 One-off items	(386)			
Cost Pressures	827	956	678	790
Growth Items	1,626	(96)	(1,921)	(146)
Savings	(1,544)	(647)	(823)	(50)
Carry forward items	111	(111)		
<b>Forecast Base Budget</b>	<b>23,959</b>	<b>24,061</b>	<b>21,995</b>	<b>22,589</b>
<i>Funded By:</i>				
Revenue Support Grant	(1,978)	(920)	(275)	446
Business Rates Baseline	(3,960)	(4,038)	(4,157)	(4,290)
SFA	(5,938)	(4,958)	(4,432)	(3,844)
Increase in NNDR / taxbase above baseline	(800)	(900)	(1,000)	(1,000)
New Homes Bonus	(5,714)	(5,754)	(3,615)	(3,469)
<b>Total Gov't grants</b>	<b>(12,452)</b>	<b>(11,612)</b>	<b>(9,047)</b>	<b>(8,313)</b>
Council Tax	(10,599)	(10,892)	(11,194)	(11,503)
Collection Fund Deficit / (Surplus)	(353)	0	0	0
Business Rates Deficit / (surplus)	1,890	0	0	0
Use of Reserves	(2,445)	(272)	(70)	(20)
<b>Total Funding</b>	<b>(23,959)</b>	<b>(22,776)</b>	<b>(20,311)</b>	<b>(19,836)</b>
<b>Budget (surplus) / gap (cumulative)</b>	<b>0</b>	<b>1,285</b>	<b>1,684</b>	<b>2,753</b>
<b>Annual increase</b>		<b>1,285</b>	<b>399</b>	<b>1,069</b>
<b>Revised cumulative gap based on Ctax freeze</b>		<b>1,472</b>	<b>2,066</b>	<b>3,336</b>

	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
<b>Cost Pressures</b>				
General Inflation	702	640	640	640
Pensions	0	250		
Elections	19	(90)	90	
Pensions - auto enrolment		200		
Local Taxation Inspection	20	(70)		
Pay award (savings)	(100)			
ICT strategy - ongoing cost				200
Community Services - Market	57			
Community Services - Zones	15			
CDC - bank charges	18			
Operational - waste disposal charges	20			
Welfare reform	76	26	(52)	(50)
<b>Total</b>	<b>827</b>	<b>956</b>	<b>678</b>	<b>790</b>
<b>Growth Items</b>				
Food Waste (net impact)		141	368	
Affordable homes	74			
Growth linked to New Homes Bonus	1,025	40	(2,139)	(146)
Digital Challenge - implementation	150		(150)	
Revenue contribution to NHB schemes	32	(32)		
Reduced use of NHB in base budget	100			
Strategic plan priorities (spend in 16/17)	245	(245)		
<b>Total</b>	<b>1,626</b>	<b>(96)</b>	<b>(1,921)</b>	<b>(146)</b>

<b>Savings (incl. one off adjustments)</b>				
Council Tax sharing agreement			250	
LCTS grant to parishes	(11)			
Outturn review	(350)			
Sport & leisure	(48)	(194)	(198)	
Business process efficiencies	(286)			
Commercial income and procurement savings	(93)			
Assets		(154)	(495)	(50)
CCTV / Community Alarms		(100)	(130)	
Events Business Case		(180)	(230)	
Bereavement		(19)	(20)	
Procurement	(50)			
Members allowances	(50)			
Grounds Mtce Contract - estimate	(50)			
Car park income	(375)			
Accommodation savings	(50)			
Interest	(125)			
Technical items / GF/HRA contingency	(56)			
<b>Total</b>	<b>(1,544)</b>	<b>(647)</b>	<b>(823)</b>	<b>(50)</b>

	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000

<b>Use of / contribution to Reserves</b>				
Funding c/f				
S106 monitoring reserve	20	20	20	20
Use of balances for welfare reform	76	102	50	
Use of balances to support budget	236			
Funding budget carry forwards	426			
Digital challenge	150	150		
NNDR Reserve	1,537			
<b>Total</b>	<b>2,445</b>	<b>272</b>	<b>70</b>	<b>20</b>

### Addressing the Budget Gap

The MTFF shows a budget gap of circa £3.3m over the three years from 2017/18. 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:-

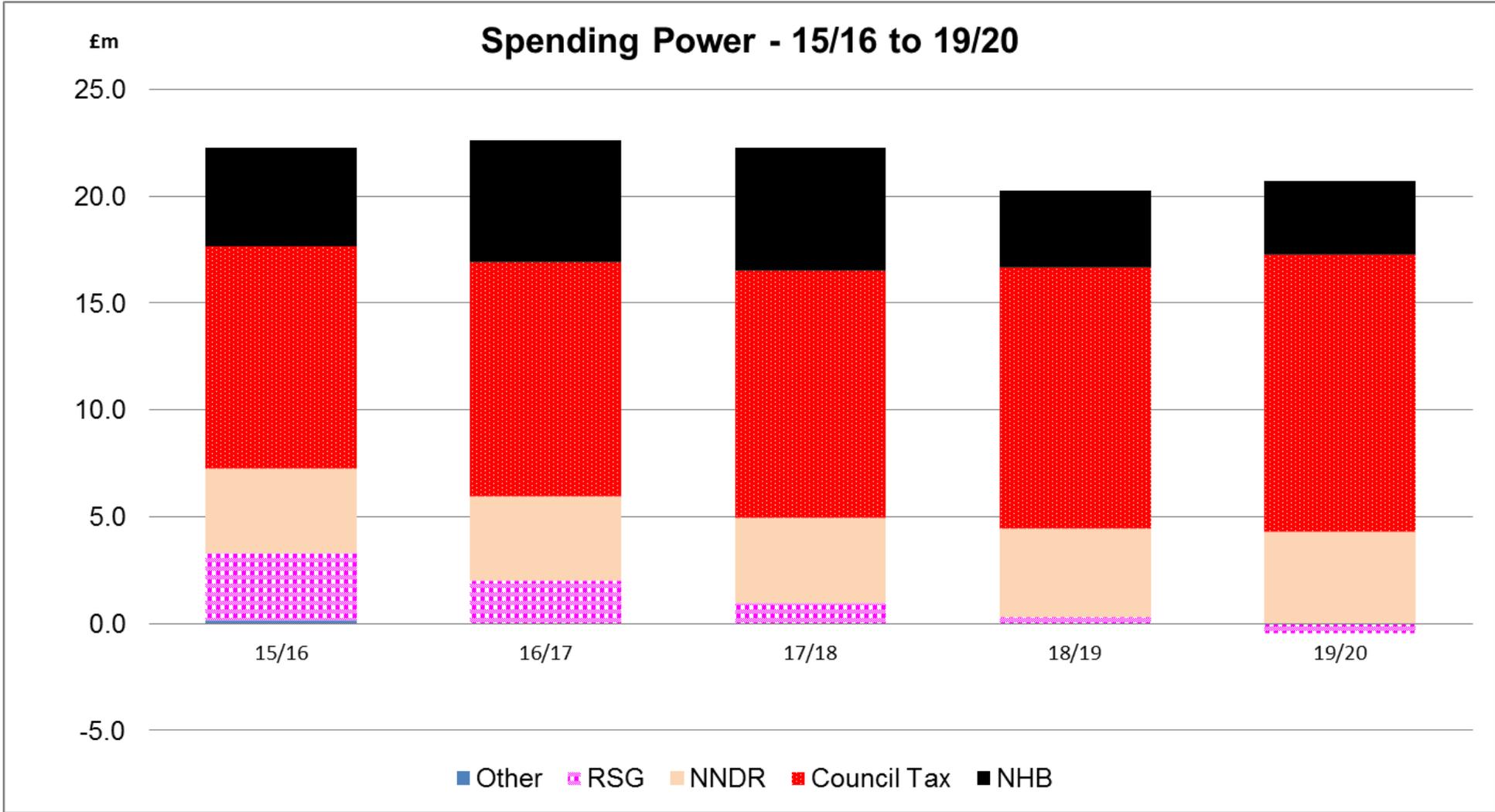
Ref	Risk / Area of uncertainty	
1	<i>Government Funding / Business Rate Retention Scheme</i>	The MTFF includes the reduction in the 'SFA' for 2016/17 of 17% with further reductions thereafter in line with figures included in the provisional settlement. From 2013/14 a proportion of the Council's core income that used to be provided by Government grant is now funded by the Council keeping a share of business rates income. This poses a new risk as well as a potential reward. The budget includes an assumption that in 16/17 we will retain an extra £800k of NNDR income above our baseline figure.
2	<i>Welfare Reform (including Local Council Tax Support - LCTS)</i>	Budget papers have previously set out some of the key risks associated with the implications of the Council having approved the LCTS scheme. The combined impact of the Government's welfare reforms and demands on Council services will need to be considered during the period of the MTFF. Resources have been released to provide additional staffing to support residents.
3	<i>Government grants and partnership funding</i>	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 2016/17 budget for the New Homes Bonus based on the notified grant. Thereafter the MTFF assumes the indicative grant figures provided. These will change and the MTFF sets out any reductions will reduce the funds available for one-off investment.

Ref	Risk / Area of uncertainty	
		Provision has been made for changes in other Government grants, such as housing benefit administration, in 2016/17, however, the impact of any further reductions in these will be considered as the MTFF is reviewed.
4	<i>Pensions</i>	An allowance has been built in for increases in pensions costs based on the results of the last actuarial review and which therefore are fixed until the end of 2016/17. Thereafter an allowance has been assumed of £250k and this will need to be reviewed closer to the time.
5	<i>Fees and charges and other income</i>	As has been seen in the past few years we have experienced a number of pressures arising from changes in income levels. Looking ahead to 2016/17 and beyond it is difficult to estimate how income levels may continue to be affected.
6	<i>Inflation</i>	An allowance for general inflation including pay has been built into the 16/17 forecast and MTFF. Not all the Council's costs are directly linked to RPI and therefore we will continue to monitor the impact of inflation on all Council costs.
7	<i>Use of reserves</i>	The budget position for 2016/17 includes proposals to use certain reserves included some general use of balances to support the budget. The MTFF includes some proposals to use reserves to fund digital challenge costs in 17/18.
8	<i>Legislation</i>	There are likely to be several items of new legislation over the life of the MTFF for which any available funding may not cover costs or which may impact significantly on the Council e.g. universal credit.
9	<i>Impact of regeneration programme e.g. staff resources</i>	The 2015/16 budget included additional resources of £100k to support work in the Northern Gateway. This is also being used in 2016/17. Furthermore, the recently established Revolving Investment Fund (RIF) provides a framework for managing potential pressures.
10	<i>Property review</i>	A review of our assets was carried out and a 5-year Building Repairs and Maintenance Plan produced. There will continue to be financial implications arising from this for both the revenue budget and capital programme and these will continue to be considered in detail and included in the on-going updates of the MTFF. The 2016/17 budget forecast maintains the additional allocation of £150k in respect of planned repairs. This will continue to be reviewed to consider if it is sufficient to meet ongoing requirements.

<b>Ref</b>	<b>Risk / Area of uncertainty</b>	
11	<i>Impact of growth in the Borough and demand for services</i>	<p>A number of Local Authority services are directly impacted by the increase of population in the Borough, such as waste services, planning, benefits etc.</p> <p>As part of future budgets it will be necessary to consider whether there is a need for additional resources in these or other areas in order to maintain levels of service. A financial assumption has been made that the Council's programme of service reviews will assist in identifying efficiencies to cope with changes in demand.</p>
12	<i>Delivery of budget savings</i>	<p>The 2016/17 budget includes c£1.5m of savings or increased income. These items have been risk assessed and all are considered deliverable, however, the budget report considers the risk to delivering some of the income targets and if these cannot be achieved there is the risk in the MTFE of the ongoing impact. The MTFE 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 17/18 budget.</p>
13	<i>Net earnings and investments</i> <i>Interest and</i>	<p>The budget is influenced by a number of factors including interest rates and cashflow movements. The treasury management strategy for 2016/17 highlights the outlook for interest rates in the medium-term which points to continuation of unprecedented low levels into 2016/17.</p> <p>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 MTFE but will be considered as part of future budget updates.</p>

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

Provisional Government Spending Power Projections



Service / Scheme	Projected Expenditure					(Surplus) / Shortfall £'000
	Total Programme £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	
<b>SUMMARY</b>						
Corporate & Financial Management	555.2	555.2	0.0	0.0	0.0	0.0
Operational Services	1,555.2	1,555.2	0.0	0.0	0.0	0.0
Professional Services	1,809.5	700.0	711.0	398.5	0.0	0.0
Commercial Services (excluding RIF)	1,095.1	1,003.2	46.0	45.9	0.0	0.0
Community Services	2,478.8	1,974.6	504.2	0.0	0.0	0.0
Revolving Investment Fund (RIF)	16,759.0	4,297.7	5,161.3	1,800.0	5,500.0	0.0
Completed Schemes	215.5	140.5	0.0	0.0	0.0	(75.0)
Capitalised Maintenance Schemes	411.8	405.8	6.0	0.0	0.0	0.0
<b>Total (General Fund)</b>	<b>24,880.1</b>	<b>10,632.2</b>	<b>6,428.5</b>	<b>2,244.4</b>	<b>5,500.0</b>	<b>(75.0)</b>
Housing Revenue Account	15,040.3	14,193.9	846.4	0.0	0.0	0.0
<b>Total Capital Programme</b>	<b>39,920.4</b>	<b>24,826.1</b>	<b>7,274.9</b>	<b>2,244.4</b>	<b>5,500.0</b>	<b>(75.0)</b>
<b>CORPORATE &amp; FINANCIAL MANAGEMENT</b>						
Universal Customer Contact Fundamental Service Review - ICT	537.5	537.5	0.0	0.0	0.0	0.0
Financial Systems Migration	17.7	17.7	0.0	0.0	0.0	0.0
<b>TOTAL - Corporate &amp; Financial Management</b>	<b>555.2</b>	<b>555.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>OPERATIONAL SERVICES</b>						

Service / Scheme	Projected Expenditure					(Surplus)
	Total Programme £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	/ Shortfall £'000
Shrub End Depot - new baler and shed	840.5	840.5	0.0	0.0	0.0	0.0
Priory Street Car Park	450.0	450.0	0.0	0.0	0.0	0.0
Shrub End Pitch Replacement	264.7	264.7	0.0	0.0	0.0	0.0
<b>TOTAL - Operational Services</b>	<b>1,555.2</b>	<b>1,555.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>PROFESSIONAL SERVICES</b>						
Mandatory Disabled Facilities Grants	1,498.5	550.0	550.0	398.5	0.0	0.0
Private Sector Renewals - Loans and Grants	311.0	150.0	161.0	0.0	0.0	0.0
<b>TOTAL - Professional Services</b>	<b>1,809.5</b>	<b>700.0</b>	<b>711.0</b>	<b>398.5</b>	<b>0.0</b>	<b>0.0</b>
<b>COMMERCIAL SERVICES</b>						
Bus Station - CBC Enhancements	32.0	32.0	0.0	0.0	0.0	0.0
Osborne Street Bus Station	31.0	31.0	0.0	0.0	0.0	0.0
Transcoast	26.4	26.4	0.0	0.0	0.0	0.0
Loan to Colchester Community Stadium Limited	55.0	55.0	0.0	0.0	0.0	0.0
Gosbecks Road	75.0	75.0	0.0	0.0	0.0	0.0
Assistance to Registered Housing Providers	91.9	0.0	46.0	45.9	0.0	0.0
Abberton Community Fund S106	215.0	215.0	0.0	0.0	0.0	0.0
CCTV Monitoring	48.6	48.6	0.0	0.0	0.0	0.0
Moot Hall Organ	108.8	108.8	0.0	0.0	0.0	0.0
Cemetery Extension	125.0	125.0	0.0	0.0	0.0	0.0
Replacement of Cremators	11.4	11.4	0.0	0.0	0.0	0.0

Service / Scheme	Projected Expenditure					(Surplus)
	Total Programme £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	/ Shortfall £'000
Helpline	75.0	75.0	0.0	0.0	0.0	0.0
Temporary Accommodation Review	200.0	200.0	0.0	0.0	0.0	0.0
<b>TOTAL - Commercial Services</b>	<b>1,095.1</b>	<b>1,003.2</b>	<b>46.0</b>	<b>45.9</b>	<b>0.0</b>	<b>0.0</b>
<b>COMMUNITY SERVICES</b>						
Improving Life Opportunities	53.3	0.0	53.3	0.0	0.0	0.0
Lion Walk Activity Centre	40.0	40.0	0.0	0.0	0.0	0.0
Garrison Gym Rebuild	1,075.0	1,043.0	32.0	0.0	0.0	0.0
Leisure World Skatepark	150.0	150.0	0.0	0.0	0.0	0.0
Mersea Pontoon	80.0	80.0	0.0	0.0	0.0	0.0
Castle Park Sensory Garden S106	60.6	60.6	0.0	0.0	0.0	0.0
Cook's Shipyard Playsite Wivenhoe S106	11.6	5.0	6.6	0.0	0.0	0.0
Old Heath Recreation Ground Improvements	277.6	277.6	0.0	0.0	0.0	0.0
Wivenhoe Cricket Club Pavilion	24.5	24.5	0.0	0.0	0.0	0.0
Mill Road Outdoor Gym S106	15.0	15.0	0.0	0.0	0.0	0.0
Market Development	52.0	52.0	0.0	0.0	0.0	0.0
Jet Washer	101.0	101.0	0.0	0.0	0.0	0.0
Dedham Play Area S106	25.9	25.9	0.0	0.0	0.0	0.0
Walls - new merged scheme	432.3	20.0	412.3	0.0	0.0	0.0
Mercury Studio Project	80.0	80.0	0.0	0.0	0.0	0.0
<b>TOTAL - Community Services</b>	<b>2,478.8</b>	<b>1,974.6</b>	<b>504.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Service / Scheme	Projected Expenditure					(Surplus) / Shortfall £'000
	Total Programme £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	
<b>REVOLVING INVESTMENT FUND</b>						
Northern Gateway North	587.0	331.0	256.0	0.0	0.0	0.0
Northern Gateway South	633.2	163.2	470.0	0.0	0.0	0.0
Phase 1 - Northern Gateway South	0.0	0.0	0.0	0.0	0.0	0.0
Phase 2 - Northern Gateway South	0.0	0.0	0.0	0.0	0.0	0.0
Town Centre	6,605.0	265.0	240.0	1,100.0	5,000.0	0.0
Creative Business Hub	1,817.0	1,817.0	0.0	0.0	0.0	0.0
Sheepen Road	3,815.6	315.6	3,300.0	200.0	0.0	0.0
Digital Collection Centre (Wonderhouse)	315.0	64.7	250.3	0.0	0.0	0.0
District Heating Project North	26.8	26.8	0.0	0.0	0.0	0.0
District Heating Project East	10.0	10.0	0.0	0.0	0.0	0.0
East Colchester Enabling Fund	285.0	140.0	145.0	0.0	0.0	0.0
Breakers Park	0.0	0.0	0.0	0.0	0.0	0.0
Surface Water Flooding - Distillery Lane/Haven Road	77.4	77.4	0.0	0.0	0.0	0.0
Site Disposal Costs	20.7	20.7	0.0	0.0	0.0	0.0
Moler Works Site	41.4	41.4	0.0	0.0	0.0	0.0
CMP Phase 3 - PV Systems	324.9	324.9	0.0	0.0	0.0	0.0
Business Broadband	200.0	200.0	0.0	0.0	0.0	0.0
Land Acquisition	2,000.0	500.0	500.0	500.0	500.0	0.0
<b>TOTAL - RIF</b>	<b>16,759.0</b>	<b>4,297.7</b>	<b>5,161.3</b>	<b>1,800.0</b>	<b>5,500.0</b>	<b>0.0</b>

Service / Scheme	Projected Expenditure					(Surplus)
	Total Programme £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	/ Shortfall £'000
<b>HOUSING REVENUE ACCOUNT</b>						
Housing Improvement Programme	10,497.2	10,497.2	0.0	0.0	0.0	0.0
Adaptations to Housing Stock	581.0	581.0	0.0	0.0	0.0	0.0
Sheltered Accommodation Review	2,348.0	2,348.0	0.0	0.0	0.0	0.0
Council House New Build	1,444.0	597.6	846.4	0.0	0.0	0.0
Housing ICT Development	170.1	170.1	0.0	0.0	0.0	0.0
<b>TOTAL - Housing Revenue Account</b>	<b>15,040.3</b>	<b>14,193.9</b>	<b>846.4</b>	<b>0.0</b>		<b>0.0</b>
<b>COMPLETED SCHEMES (OR WHERE RETENTION ONLY OUTSTANDING)</b>						
Town Hall DDA Sensory Project	0.6	0.6	0.0	0.0	0.0	0.0
Carbon Management Programme phase 2	4.1	4.1	0.0	0.0	0.0	0.0
Sport & Leisure FSR - IT works	0.5	0.5	0.0	0.0	0.0	0.0
Sport & Leisure FSR - Building works	3.9	3.9	0.0	0.0	0.0	0.0
Corunna Drive Play Area S106	0.0	0.0	0.0	0.0	0.0	0.0
Wheatfield Way Play Area	0.0	0.0	0.0	0.0	0.0	0.0
Magnolia Drive Outdoor Adult Gym	0.7	0.7	0.0	0.0	0.0	0.0
Layer de la Haye Village Hall S106	14.9	14.9	0.0	0.0	0.0	0.0
Castle Park - Playground Refurbishment	7.6	7.6	0.0	0.0	0.0	0.0
Resource Centre - Highwoods Country Park	9.4	9.4	0.0	0.0	0.0	0.0
King George V Pavilion Wivenhoe S106	1.7	1.7	0.0	0.0	0.0	0.0
Holly Trees WCs Castle Park	2.3	2.3	0.0	0.0	0.0	0.0
Redevelopment of Castle Museum	47.5	47.5	0.0	0.0	0.0	0.0
Town Station Square	45.6	45.6	0.0	0.0	0.0	0.0
Universal Customer Contact Fundamental Service Review - Accommodation	29.6	1.7	0.0	0.0	0.0	(27.9)

Service / Scheme	Total Programme £'000	Projected Expenditure				(Surplus) / Shortfall £'000
		2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	
Flat Recycling Extension	10.3	0.0	0.0	0.0	0.0	(10.3)
Street Services FSR	36.8	0.0	0.0	0.0	0.0	(36.8)
<b>TOTAL - Completed Schemes</b>	<b>215.5</b>	<b>140.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(75.0)</b>
<b>CAPITALISED MAINTENANCE</b>						
Castle Museum - Castle Bridge	81.6	79.6	2.0	0.0	0.0	0.0
Crematorium - Gutters & Fascias	75.2	75.2	0.0	0.0	0.0	0.0
Colchester Lesiure World - Dryside Changing Rooms	125.0	123.0	2.0	0.0	0.0	0.0
Town Hall - Bell Tower Repairs	130.0	128.0	2.0	0.0	0.0	0.0
<b>TOTAL - CAPITALISED MAINTENANCE</b>	<b>411.8</b>	<b>405.8</b>	<b>6.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Impact of Budget Strategy 2016/17**

The budget for 2016/17 has been prepared in continuing difficult financial conditions. This is alongside the bedding in of changing local government financial arrangements.

There continue to be reductions in the amount of money we receive with a cut in combined funding of £1.2m (17%). In addition to these cuts in core funding the budget has to accommodate cost pressures from inflation and increased national insurance contributions.

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

These various approaches have helped to identify £1.5m of savings and extra income. This strategic approach to delivering savings minimises the need to ask services to deliver percentage reductions which may impact on service delivery or any significant budget reductions

In broad terms the savings identified and prudent use of balances has enabled the Council to address the cost pressures faced.

The New Homes Bonus remains one of the main ways in which the Council is able to identify funds for investment to support the delivery of the Strategic Plan. In the 2016/17 budget the amount of New Homes Bonus being used to support the 'base budget' has been reduced to under £1.9m and is now a third of the total grant being received next year meaning that over £3.8m is being invested in projects. These include:-

- Providing funding to support ambitious plans for development of the Mercury Theatre
- Upgrading CCTV systems
- Providing funding for completion of the Creative Business Centre.
- Investment in Colchester Leisure World to increase and enhance services and improve growth and income from the service.
- Allocating funds to support affordable housing

In the 2015/16 budget an allocation of over £0.5m from the New Homes Bonus money was made to support projects. In this report there are proposals to allocate half of this for a range of projects aimed at supporting key strategic plan themes such as heritage and tourism.

# Treasury Management Strategy Statement

## Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2016/17

### 1 **Introduction**

#### **Background**

- 1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 CIPFA defines treasury management as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

#### **Reporting requirements**

- 1.4 The Council is required to receive and approve three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are all required to be reviewed by the Council's Scrutiny Panel.
- 1.5 **Prudential and Treasury Indicators and Treasury Strategy** (This report) – The first, and most important report is recommended to Full Council following consideration by the Scrutiny Panel. It covers:
  - the capital plans (including prudential indicators);
  - a Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time);
  - the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
  - an investment strategy (the parameters on how investments are to be managed).
- 1.6 **Mid-Year Treasury Management Report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

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

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

### **Training**

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

### **Treasury Management Strategy for 2016/17**

1.10 The strategy for 2016/17 covers the following Capital and Treasury Management issues:

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

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

### **Treasury management consultants**

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

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

## 2 The Capital Prudential Indicators 2016/17 – 2018/19

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

### Capital Expenditure

2.2 This prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital Expenditure £'000	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
General Fund	5,898	11,485	7,221	2,721	5,800
HRA	16,188	13,849	11,899	12,443	11,407
<b>Total</b>	<b>22,086</b>	<b>25,334</b>	<b>19,120</b>	<b>15,164</b>	<b>17,207</b>

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

Capital Expenditure £'000	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Total Expenditure	<b>22,086</b>	<b>25,334</b>	<b>19,120</b>	<b>15,164</b>	<b>17,207</b>
<b>Financed by:</b>					
Capital receipts	4,260	4,896	6,859	4,626	6,000
Capital grants	2,636	4,766	101	0	0
Reserves	9,166	5,955	5,687	5,814	6,230
Revenue	5,871	5,452	4,457	3,011	2,000
Finance leases	270	853	0	0	0
<b>Net financing need</b>	<b>(117)</b>	<b>3,412</b>	<b>2,016</b>	<b>1,713</b>	<b>2,977</b>

### The Capital Financing Requirement

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

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

2.6 The CFR includes any other long term liabilities (e.g. finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council had £3.0m of such schemes within the CFR as at 31 March 2015. The Council is asked to approve the CFR projections below:

£'000	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
CFR – general fund	26,048	25,606	24,342	23,098	21,798
CFR - housing	125,120	128,532	130,548	132,261	135,238
<b>Total CFR</b>	<b>151,168</b>	<b>154,138</b>	<b>154,890</b>	<b>155,359</b>	<b>157,036</b>
<b>Movement in CFR</b>	<b>(1,063)</b>	<b>2,970</b>	<b>752</b>	<b>469</b>	<b>1,677</b>
<b>Movement in CFR represented by</b>					
Net financing need	(117)	3,412	2,016	1,713	2,977
Assets acquired under finance leases	270	853	0	0	0
Less MRP	1,216	1,295	1,264	1,244	1,300
<b>Movement in CFR</b>	<b>(1,063)</b>	<b>2,970</b>	<b>752</b>	<b>469</b>	<b>1,677</b>

### **Minimum revenue provision (MRP) Policy Statement**

- 2.7 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments (VRP) if required.
- 2.8 CLG Regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:
- 2.9 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will follow the existing practice outlined in former CLG regulations (option 1). This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.
- 2.10 From 1 April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be the Asset Life Method (option 3) – MRP will be based on the estimated life of the assets, in accordance with the regulations. This provides for a reduction in the borrowing need over approximately the asset's life. Repayments included in finance leases are applied as MRP.
- 2.11 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.
- 2.12 The Accountancy team will keep the Council's MRP Policy under review to ensure that it remains fit for purpose in relation to its borrowing requirements.

### **Affordability Prudential Indicators**

- 2.13 The previous paragraphs cover the overall capital, and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:
- 2.14 **Ratio of financing costs to net revenue stream.** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
General Fund	7.88%	8.05%	7.79%	7.94%	9.10%
HRA	18.36%	18.34%	18.65%	19.04%	19.35%

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

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

£	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Council Tax - Band D	0	0	0

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

£	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Weekly housing rents	0	0	0

### 3 Treasury Management Strategy

3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.2 The Council's treasury portfolio position at 31 March 2015, with forward projections are summarised below. The table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
External debt at 1 Apr	136,094	136,094	139,506	141,522	143,235
New borrowing	0	3,412	2,016	1,713	2,977
Other long-term liabilities	2,454	2,615	2,008	1,338	738
<b>Gross debt at 31 Mar</b>	<b>138,548</b>	<b>142,121</b>	<b>143,530</b>	<b>144,573</b>	<b>146,950</b>
CFR	151,168	154,138	154,890	155,359	157,036
<b>Under / (over) borrowing</b>	<b>12,620</b>	<b>12,017</b>	<b>11,360</b>	<b>10,786</b>	<b>10,086</b>
Investments at 31 Mar	35,986	32,574	30,558	28,845	25,868
<b>Net Debt</b>	<b>102,562</b>	<b>109,547</b>	<b>112,972</b>	<b>115,728</b>	<b>121,082</b>

3.3 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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

#### Treasury Indicators: Limits to Borrowing Activity

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

	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Operational boundary £'000				
Debt	139,506	141,522	143,235	146,212
Other long term liabilities	2,615	2,008	1,338	738
<b>Total</b>	<b>142,121</b>	<b>143,530</b>	<b>144,573</b>	<b>146,950</b>

3.6 The **Authorised Limit** for external debt represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

3.7 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised. The Council is asked to approve the following Authorised Limit:

Authorised limit £'000	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Debt	166,723	168,182	169,421	171,898
Other long term liabilities	2,615	2,008	1,338	738
<b>Total</b>	<b>169,338</b>	<b>170,190</b>	<b>170,759</b>	<b>172,636</b>

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

HRA Debt Limit £'000	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
HRA debt cap	140,275	140,275	140,275	140,275
HRA CFR	128,532	130,548	132,261	135,238
HRA headroom	11,743	9,727	8,014	5,037

HRA Debt Ratios £'000	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
HRA debt	128,532	130,548	132,261	135,238
HRA revenues	30,512	30,181	29,692	29,360
Ratio of debt to revenues	4	4	4	5
Number of HRA dwellings	6,054	6,014	5,979	5,954
Debt per dwelling (£'000)	21	22	22	23

## 4 **Economic Outlook**

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

	Bank Rate	PWLB Borrowing Rates			
		5 year	10 year	25 year	50 year
Dec-15	0.50%	2.30%	2.90%	3.60%	3.50%
Mar-16	0.50%	2.40%	3.00%	3.70%	3.60%
Jun-16	0.75%	2.60%	3.10%	3.80%	3.70%
Sep-16	0.75%	2.70%	3.20%	3.90%	3.80%
Dec-16	1.00%	2.80%	3.30%	4.00%	3.90%
Mar-17	1.00%	2.80%	3.40%	4.10%	4.00%
Jun-17	1.25%	2.90%	3.50%	4.10%	4.00%
Sep-17	1.50%	3.00%	3.60%	4.20%	4.10%
Dec-17	1.50%	3.20%	3.70%	4.30%	4.20%
Mar-18	1.75%	3.30%	3.80%	4.30%	4.20%
Jun-18	1.75%	3.40%	3.90%	4.40%	4.30%
Sep-18	2.00%	3.50%	4.00%	4.40%	4.30%
Dec-18	2.00%	3.50%	4.10%	4.40%	4.30%
Mar-19	2.00%	3.60%	4.10%	4.50%	4.40%

- 4.2 The UK GDP growth rate in 2014 was the strongest UK rate since 2006, and the 2015 growth rate is likely to be a leading rate in the G7 again, probably second to the US. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, most worldwide economic statistics have been weak and the November Inflation Report flagged up particular concerns for the potential impact on the UK.
- 4.3 The Inflation Report was also notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. There is considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.
- 4.4 Economic forecasting remains difficult with so many external influences weighing on the UK. Bank Rate forecasts will be liable to further amendment depending on how economic data evolves over time. Capita Asset Services undertook its last review of interest rate forecasts in November 2015 shortly after the publication of the quarterly Bank of England Inflation Report. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.
- 4.5 The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and

consequent increases in Bank Rate, and the eventual unwinding of Quantitative Easing. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

- 4.6 The overall balance of risks to economic recovery in the UK is currently evenly balanced. However, the balance of risks to the Bank Rate forecast is probably to the downside, and increases may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected.
- 4.7 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
  - UK economic growth turns significantly weaker than we currently anticipate.
  - Weak growth or recession in the UK's main trading partners - the EU, US and China.
  - A resurgence of the Eurozone sovereign debt crisis.
  - Recapitalisation of European banks requiring more government financial support.
  - Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens
- 4.8 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:
- Uncertainty around the risk of a UK exit from the EU.
  - The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities.
  - UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

## **5 Borrowing Strategy**

- 5.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high. This means that there would be a cost of carry to any new borrowing which causes an increase in investments, as this will incur a revenue loss between borrowing costs and investment returns.
- 5.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2016/17 treasury operations. The Chief Financial Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- if it was felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowing will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
  - if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.
- 5.3 Any decisions will be reported to the Scrutiny Panel at the next available opportunity.

### **Treasury Management Limits on Activity**

- 5.4 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:
- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
  - Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
  - Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- 5.5 The Council is asked to approve the following treasury indicators and limits:

Interest rate Exposures £'000	2016/17	2017/18	2018/19
Upper limit on fixed interest rates based on net debt	118,000	122,800	129,500
Upper limit on variable interest rates based on net debt	59,000	61,400	64,700

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%

### **Policy on Borrowing in Advance of Need**

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

### **Debt Rescheduling**

- 5.7 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings;
  - helping to fulfil the treasury strategy;
  - enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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

- 5.9 Any rescheduling will be reported to the Scrutiny Panel at the earliest meeting following its action.

### **Municipal Bond Agency**

- 5.10 It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan

Board (PWLB). The Council will consider making use of this new source of borrowing as and when appropriate.

**HRA borrowing**

- 5.11 As part of the HRA reform arrangements in April 2012, the Council decided to follow the 'two pool' approach to allocating existing debt, taking into account those loans that were originally raised for a specific purpose. This assumed that the HRA would be 'fully borrowed', however the HRA is now in a position where it may need to borrow to fund the Housing Investment Programme.
- 5.12 As the Council is maintaining an under-borrowed position, the HRA will be recharged for the cost of any new borrowing requirement based on the average balance of unfinanced HRA borrowing during the year, using the PWLB variable rate as at 31 March of the previous year. In an environment of low investment returns and relatively stable borrowing rates, this provides a recharge that is beneficial to both the HRA and General Fund, and can be reasonably forecast from early on in the financial year. This approach will be reviewed annually in conjunction with the TMSS and projected investment returns.

## **6 Annual Investment Strategy**

### **Investment Policy**

- 6.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second and then return.
- 6.2 In accordance with the above guidance, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.
- 6.3 Ratings will not be the sole determinant of the quality of an institution, and it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as 'credit default swaps' and overlay that information on top of the credit ratings.
- 6.4 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 6.5 Investment instruments identified for use in the financial year are listed in **Appendix B**, which includes Counterparty, time and monetary limits. These will cover both 'Specified' and 'Non-Specified' Investments.
- 6.6 Specified Investments are sterling denominated investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. Non-Specified Investments are those that do not meet the specified investment criteria. A limit of £20m will be applied to the use of Non-Specified investments (this will partially be driven by the long term investment limits).

### **Creditworthiness policy**

- 6.7 The Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:
- credit watches and credit outlooks from credit rating agencies;
  - CDS spreads to give early warning of likely changes in credit ratings;
  - sovereign ratings to select counterparties from only the most creditworthy countries.

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

- Yellow 5 years (UK Government debt or equivalent)
- Dark Pink 5 years Enhanced money market funds (1.25 credit score)
- Light Pink 5 years Enhanced money market funds (1.5 credit score)
- Purple 2 years
- Blue 1 year (nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No Colour not to be used

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

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

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

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

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council’s minimum criteria, its further use as a new investment will be withdrawn immediately.
- a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Capita Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council’s lending list.

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

**Country limits**

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

**Investment strategy**

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

6.15 The Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 2 of 2016. The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next six years are as follows:

- 2016/17 0.90%
- 2017/18 1.50%
- 2018/19 2.00%
- 2019/20 2.25%
- 2020/21 2.50%
- Later years 3.00%

6.16 The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk.

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

**Investment treasury indicator and limit**

6.18 The limit for the total principal funds invested for greater than 364 days is set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. The Council is asked to approve the treasury indicator and limit.

£'000	2016/17	2017/18	2018/19
Max. principal sums invested > 364 days	5,000	5,000	5,000

**End of year investment report**

6.19 At the end of the financial year, the Council will report on its investment activity to the Scrutiny Panel as part of its Annual Treasury Report.

**Interest rate forecasts 2016 - 2019**

**APPENDIX A**

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

<b>Capita Asset Services Interest Rate View</b>														
	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
<b>Bank Rate View</b>	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
3 Month LIBID	0.60%	0.70%	0.80%	0.90%	1.10%	1.30%	1.40%	1.50%	1.80%	1.90%	1.90%	2.00%	2.00%	2.10%
6 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.30%	1.50%	1.60%	1.70%	2.00%	2.10%	2.10%	2.20%	2.20%	2.30%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.60%	1.80%	1.90%	2.00%	2.30%	2.40%	2.40%	2.50%	2.50%	2.70%
5yr PWLB Rate	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
10yr PWLB Rate	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
25yr PWLB Rate	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
50yr PWLB Rate	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%
<b>Bank Rate</b>														
Capita Asset Services	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	-	-	-	-	-
<b>5yr PWLB Rate</b>														
Capita Asset Services	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
Capital Economics	2.40%	2.60%	2.70%	2.80%	3.00%	3.10%	3.20%	3.30%	3.50%	-	-	-	-	-
<b>10yr PWLB Rate</b>														
Capita Asset Services	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
Capital Economics	3.35%	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
<b>25yr PWLB Rate</b>														
Capita Asset Services	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
Capital Economics	3.35%	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
<b>50yr PWLB Rate</b>														
Capita Asset Services	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%
Capital Economics	3.40%	3.40%	3.50%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	-	-	-	-	-

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

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

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

Organisation	Min. Credit Criteria	Money Limit	Maturity Limit
Banks and Building Societies (including term deposits, CDs or corporate bonds)	Yellow	£7.5m	5 years
	Purple	£7.5m	2 years
	Orange	£7.5m	1 year
	Blue	£7.5m	1 year
	Red	£5.0m	6 months
	Green	£2.5m	100 days
	No colour	Not to be used	
UK Government Gilts	UK sovereign rating	£10m	1 year
UK Government Treasury Bills	UK sovereign rating	£10m	1 year
UK Local & Police Authorities	N/A	Unlimited	1 year
Debt Management Agency Deposit Facility	AAA	Unlimited	6 months
Money Market Funds	AAA	£10m	Liquid
Enhanced Money Market Funds	Dark Pink / Light Pink / AAA	£10m	Liquid
Bonds issued by Multilateral Development Banks	AAA	£3m	6 months

**Notes:**

- Country limit of £10m
- Limit in all Building Societies of £10m

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

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

<b>AAA</b>	Australia Canada Denmark Germany Singapore Sweden Switzerland Netherlands
<b>AA+</b>	Finland U.K. U.S.A.
<b>AA</b>	Abu Dhabi (UAE) France Qatar
<b>AA-</b>	Belgium

Report of	Head of Commercial Services	Author	Darren Brown ☎ 282891
Title	Housing Revenue Account Estimates 2016/17		
Wards affected	All		

**This report presents the Housing Revenue Account (HRA) estimates for 2016/17, the Medium Term Financial Forecast (MTFF) for 2016/17 to 2020/21, and the 30 Year HRA financial model**

## 1. Decision Required

- 1.1 To approve the 2016/17 HRA revenue estimates as set out in Appendix A.
- 1.2 To approve dwelling rents as calculated in accordance with central Governments rent policy (set out in paragraph 4.7).
- 1.3 To approve the HRA revenue funded element of £6,508,200 included within the total management fee for Colchester Borough Homes (CBH) (set out in paragraph 4.13).
- 1.4 To note a revenue contribution of £3,902,000 to the Housing Investment Programme is included in the budget (paragraph 4.27).
- 1.5 To note the HRA balances position in Appendix B.
- 1.6 To note the Medium Term Financial Forecast (MTFF) set out at Appendix C and the 30 Year HRA financial position set out at Appendix E.

## 2. Reasons for Decision

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

## 3. Supporting Information

### ***Key Issues for 2016/17***

- 3.1 There are a number of key issues relating to the HRA budget for 2016/17, with further details being included within the main body of the report. However, in summary they are as follows; This is the third 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 also the third 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 27<sup>th</sup> November 2013. The budget therefore reflects the strategic priorities identified within the HRA business plan. This is the fifth year of HRA Self-Financing, which radically altered the funding of Council Housing, and the increase in investment in the housing stock and other projects is reflected in this report and the Housing Investment Programme report included elsewhere on the agenda. Finally, the Government have recently made some national housing policy changes, which will have a significant impact on our HRA budgets.

3.2 As indicated above, The Government made some key announcements in the Chancellor's budget on 8<sup>th</sup> July 2015, and The Housing and Planning Bill on 13<sup>th</sup> October 2015, which will have a significant impact on our HRA budget for 2016/17, as well as our Medium Term Financial Forecast (MTFF) and 30 year Business Plan. Further information is contained within the following paragraphs;

### **Housing Rents**

3.2.1 Members will be aware that the Chancellor of the Exchequer announced in the budget on 8<sup>th</sup> July 2015, that there will be an annual decrease of 1% in social housing rents from 2016/17 for four years. This represents a major change to the way the Government requires us to calculate annual changes in rent, as prior to this announcement rents were increased annually by Consumer Price Index (CPI) + 1%. Appendix F shows the forecast annual rental income within the current Business Plan agreed by Cabinet on 28<sup>th</sup> January 2015, along with the revised forecast annual income following the rent reduction announcement. Whilst the rent reduction applies to the next four years, it reduces rental income over the entire 30 years of the business plan (£143million of reduced rental income projected), as the base position is lower and there is no mention of restoring rents to their current levels after the four years have elapsed. Furthermore, the assumption is that rents will revert to increasing in line with the Consumer Price Index (CPI) + 1% from 2020/21, but there has been no information to confirm or deny this will be the case. Rents will still be able to be moved to target rent when a property becomes empty, although the target rent will also be reduced annually by 1% over the next four years. For information, the table below shows the total income within the current (2015/16) business plan, the effect of the Government rent reduction over 4 years, and the difference;

<b>Difference</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Current Business Plan	(30,512)	(31,082)	(31,770)	(32,462)	(33,801)
Current Business Plan with Government Reduction	(30,512)	(30,128)	(29,851)	(29,571)	(29,849)
In-year loss of income	-	(954)	(1,919)	(2,891)	(3,952)
<b>Cumulative loss of income</b>	<b>-</b>	<b>(954)</b>	<b>(2,873)</b>	<b>(5,764)</b>	<b>(9,716)</b>

3.2.2 In response to the rent reduction announcement, a project team was set up by The Head of Commercial Services which incorporated officers from the Councils Commercial and Finance teams and CBH's Directors team, to explore the impacts the announcement would have on the HRA budget and services. The outcome from this group is that it is anticipated the funding gap caused by the rent reduction announcement will start to be closed through a combination of reduced expenditure and increased income where possible (both revenue and capital), whilst maintaining Key Performance Indicators and ensuring no detrimental effect to front line services. Savings will primarily need to be recurring, but one-off savings will also help as they would reduce our reliance on new borrowing and save interest costs payable by the HRA. The recommendations from the project team have been included in the detailed budgets contained within this report and the 2016/17 Housing Investment Programme report elsewhere on the agenda, and are referred to where applicable.

**Sale of “High Value voids”**

3.2.3 This is the forced sale of Local Authority High Value assets to fund the voluntary Right To Buy scheme for housing associations, and comes into effect from 1<sup>st</sup> April 2016. The Housing and Planning Bill enables the secretary of state to require local housing authorities to make a payment to the Government equivalent to the market value of a proportion of high value vacant housing owned by the authority (165 stock retaining local authorities who maintain a housing revenue account). We have submitted the data requested by DCLG on our stock, and are awaiting the outcome of their calculation of the payment we will be required to make.

**“High Income” Social Tenancies**

3.2.4 In 2012 a discretionary scheme to charge higher rents to social housing tenants whose annual income exceeded £60k was introduced by the Government. In the Housing and Planning Bill, this now becomes mandatory with effect from 1<sup>st</sup> April 2017 and has a much lower threshold than the discretionary scheme. The proposals are for charges of market rent or near market rent if the household income exceeds £40k in London, and £30k elsewhere (such as Colchester). This is compulsory for local authorities, and the additional funds this will generate are to be returned to the Government. For Housing Associations this will continue to be a voluntary scheme; however they will be able to keep any additional income generated to reinvest in new affordable housing.

3.3 As part of the process for setting the 2016/17 HRA budget, it is necessary to revisit the 2015/16 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.

**2015/16 Revised Housing Revenue Account**

3.4 Appendix A shows the Revised Housing Revenue Account (HRA) estimates for 2015/16. There have been some amendments to the original budget for 2015/16 during the course of the current financial year. A reconciliation is therefore provided in the following table between the Original and Revised budget for 2015/16:-

**Reconciliation between Original and Revised 2015/16 HRA Budget**

	<b>Budget 15/16</b>	<b>Commentary</b>
	<b>£'000</b>	
<b>Original Budget Deficit</b>	<b>246</b>	Agreed 28 <sup>th</sup> January 2015
2014/15 Budgets c/fwd	193	Agreed by Assistant Chief Executive/Head of Commercial Services
<b>Revised Budget Deficit</b>	<b>439</b>	

### **2015/16 Forecast Outturn Position**

- 3.5 When considering the financial position of the HRA, in addition to the adjustments to the 2015/16 original budget shown in the above table, it is important to note the 2015/16 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;

	<b>Outturn 15/16 £'000</b>
Rental & Tenants Service Charge Income	(60)
<i>One-off/Technical Items</i>	
Revenue Contribution to Capital (RCCO)	60
<b>Forecast 2015/16 Outturn Variance</b>	<b>-</b>

- It is forecast that we will receive more rental and tenants service charge income of £60k. This reflects the 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 £60k to fund the Housing Capital Programme in 2015/16.
- 3.6 To provide a further explanation of the forecast outturn position, the funding of the Housing Investment Programme considered elsewhere on the agenda is derived from a number of sources. After firstly taking into account depreciation, grants and capital receipts etc, the remaining sources of funding are revenue resources from the HRA as detailed in this report, then finally borrowing in the form of new loans. Any opportunity to forego new borrowing so that interest costs can be minimised and our HRA headroom can be maximised to deliver our strategic priorities should be taken. To this extent it is planned to use the forecast net underspend in 2015/16 to fund more of our Housing Capital Programme through an increased RCCO and minimise new borrowing, enabling us to meet our significant asset management priorities.

### **HRA Reform**

- 3.7 Members will be aware of the implementation of the national reform of the Housing Revenue Account from April 2012. The 2016/17 budget therefore reflects the fifth year of the new financial regime for the HRA, with commentary included on the medium and long-term outlook in this report.
- 3.8 Appendix E summarises the 30 year financial modelling for Colchester's HRA. This is set out using the standard approach, which is to show each of the first 5 years individually, then group the remainder of the model in 5-year bands. Further information is provided at paragraph 6, including some of the underlying principles and assumptions that are included. Given the long time-span this modelling covers, it will clearly change as time progresses as both internal and external influences have an impact. However, what it does provide is an indication of the long-term viability of the Council's HRA, given the assumptions made and the plans the Council has already identified and committed to.

#### **4. 2016/17 Housing Revenue Account Budget**

- 4.1 Appendix A shows the Housing Revenue Account (HRA) estimates for 2016/17. This shows a break-even budget for the year, meaning there is no planned contribution to or use of uncommitted HRA balances.
- 4.2 It should be noted that the MTFE included within the 2015/16 HRA budget cycle and considered by Cabinet on 28<sup>th</sup> January 2015 estimated a break-even budget for 2016/17. However, following the rent reduction announcement, we are not able to make as large an RCCO to the capital programme as originally planned. This means there are less HRA revenue resources available to fund the 2016/17 Housing Capital Programme, and we are therefore having to use more of our borrowing headroom than originally planned, alongside reviewing investment and work programmes.

#### ***Balances***

- 4.3 The prudent level of uncommitted balances for the HRA is currently £1,600k. This recognises the transfer of risk from Central to Local Government resulting from HRA Reform, as well as providing for any adverse effects of inflation, interest rates, or Right To Buy sales on the HRA. Provision is also made within the level of HRA balances for any potential additional revenue implications of our Sheltered Accommodation and other capital projects. Whilst there is now some certainty around interest rates given we have secured long-term fixed rates on our HRA Reform settlement debt, the risk surrounding welfare reform continues to be recognised in our assessment of HRA balances.
- 4.4 A risk assessment has been undertaken to review the minimum prudent level of HRA uncommitted balance the Council should maintain. The results of this review are set out at Appendix D and show that it would be reasonable to retain the uncommitted balance at £1,600k. This will continue to be reviewed annually.
- 4.5 The estimated balances for the HRA are set out in Appendix B. The anticipated level of the uncommitted HRA balance as at 31<sup>st</sup> March 2016 is £1,600k, which is equal to the recommended prudent level. This means we are now running the HRA at the minimum prudent level of revenue balances, and any additional cost or saving that might arise will directly impact on the use of our borrowing headroom.
- 4.6 The budget at Appendix A shows that we are using as much of our revenue balances as possible to make a Revenue Contribution to fund the Housing Investment Programme. This is because it is deemed to be a more economical use of resources, rather than fund the capital programme by undertaking additional borrowing, thus incurring additional borrowing costs and using available borrowing headroom. This fits with the prioritising of resources indicated in this report and in the Housing Investment Programme elsewhere on the agenda. From 2016/17 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***

- 4.7 By following the rent reduction announcement, we are continuing to set **dwelling rents within Communities and Local Government (CLG) guidelines and so the annual changes in rents paid by tenants are set by reference to national Government policy**. The average rent proposed for 2016/17 is £87.04 per week compared to a current average of £87.92, a decrease of £0.88 (1.0%) per week. It is difficult to anticipate future rent increases after 2019/20, given the potential for the rate of inflation to vary in the short to medium term and also for any further changes in Government rent policy. However, modelling within the MTFF and 30 year financial modelling has been undertaken using reasonable estimates of inflation rates, and the assumption that we revert to CPI + 1% from 2020/21.
- 4.8 Sales of council houses under the Right to Buy (RTB) scheme could reach 40 in 2015/16 (39 sold in 2014/15 and 28 sold in 2013/14), which is higher than the number expected in the 2015/16 HRA budget. The level of sales is increasing in the current financial year, presumably due to the Governments changes to the RTB scheme (which primarily focused around increasing RTB discounts to tenants). The 2016/17 budget has been set assuming the sale of 40 properties, being broadly in line with historical levels. The MTFF and longer term modelling assume a reduction in the number of sales after 2016/17. However, these assumptions will be reviewed annually as part of our future budget setting. It is also worth noting that the completion of phase 1 of our new build programme on garages sites delivered an additional 34 units of Council-owned accommodation.
- 4.9 The budget for 2016/17 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 2015/16 budget and is intended to provide for any additional void loss that may arise as a result of the various changes being undertaken within the housing stock.

### ***Other Income***

- 4.10 The rents for garages are included in the fees and charges report agreed by the Portfolio Holder for Housing and Public Protection. The increase proposed for 2016/17 reflects the fact that our charges for garages are relatively low, and the resultant additional income is one of the areas which will contribute towards closing the funding gap caused by the Government's rent reduction announcement previously referred to.
- 4.11 There are a range of other fees and charges for services which are made to Tenants and Leaseholders, which are agreed by the Portfolio Holder for Housing. The budget for 2016/17 assumes that the demand for these services will remain the same as the current financial year, unless mentioned otherwise.
- 4.12 The de-pooling of service charges to individual tenants was implemented in 2008/09. There have not been any new service charges introduced for 2016/17, only an update of existing charges to reflect the actual cost of the services provided.

## Expenditure

### **Colchester Borough Homes Management Fee**

- 4.13 As part of the new management agreement which commenced in August 2013 between the Council and CBH, the management fee has been expanded to reflect the wider range of services CBH now provides on behalf of the Council. The fee incorporates the day to day repairs and maintenance budgets and associated overheads, along with the fee for managing the capital programme, as a result of the new housing arrangements. The management fee is funded from several sources within the Council's accounts, namely the Housing Revenue Account, the Housing Investment Programme, as well as the Council's General Fund. The following table analyses the total CBH management fee, and provides details of where the funding is shown in the Council's overall budget:

### **Breakdown of 2016/17 CBH Management Fee**

	<b>Budget 16/17</b>	<b>Funding Source</b>
	<b>£</b>	
CBH Management costs	3,394,500	CBH Ltd Management Fee at Appendix A
R&M Management Fee	493,000	Included in Repairs & Maintenance at Appendix A
R&M Works	2,620,700	Included in Repairs & Maintenance at Appendix A
<b>Sub-Total: HRA</b>	<b>6,508,200</b>	
Capital Fee	1,309,000	Included within the 2016/17 Housing Investment Programme
<b>Sub-Total: HIP</b>	<b>1,309,000</b>	
Anti-Social Behaviour Team	46,100	Included within the 2016/17 General Fund Budget
Professional Support Unit	118,200	Included within the 2016/17 General Fund Budget
Housing Options Team	607,000	Included within the 2016/17 General Fund Budget
Facilities Management/ Engineering Team	473,800	Included within the 2016/17 General Fund Budget
<b>Sub-Total: General Fund</b>	<b>1,245,100</b>	
<b>Total Management Fee</b>	<b>9,062,300</b>	

- 4.14 The base management fee for 2016/17 has been reduced by £200k as part of the measures taken to help mitigate the impact of the rent reduction announcement by the Government. The Council expects CBH to find efficiency savings to deliver this saving, which will not have a detrimental impact on front-line services to customers. The management fee also includes allowances for pay inflation, and the additional costs resulting from the increase in employers National Insurance contributions introduced by the Government.

- 4.15 Members will be aware that at its meeting on the 27<sup>th</sup> November 2013, Cabinet approved the Council's 30 year HRA Business Plan. The 2016/17 budget and management fee include the continuation of a number of service enhancements, which reflect the strategic priorities identified by Cabinet and which are included within the business plan. The majority of these are incorporated within the existing CBH Management Fee and Council budgets, with additional resources being directed in particular to supporting tenants.

### ***Management Costs***

- 4.16 The 2016/17 HRA budget includes £6,144,200 for management costs, a decrease from 2015/16 (£6,222,400). 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 2015/16 budget is given in the following paragraphs;
- 4.17 The budget for Employee costs has increased by £3,200 for 2016/17, which reflects the effect of a provision for a pay award and increase employer national insurance contributions.
- 4.18 The budget for Premises costs has decreased by £49,400 for 2016/17. This primarily relates to a reduction in utilities budgets reflecting lower anticipated prices.
- 4.19 The budget for Supplies and Service costs has decreased by £67,200. This primarily relates to the one-off funding for the set-up costs of the second phase of the Photovoltaic Panels on Council dwellings scheme falling out.
- 4.20 The HRA receives a significant level of recharges from other Council services, along with a proportion of central support costs, such as Corporate and Democratic Core and Pension costs associated with the back-funding of the scheme. The total budget for 2016/17 has increased by £23,800 from 2015/16.

### ***Repairs and Maintenance***

- 4.21 The 2016/17 Housing Investment Programme has been drafted and is included elsewhere on the agenda for approval. In respect of revenue works £5,048,900 has been included in the budget for repairs and maintenance (compared to £5,028,100 in 2015/16), of which £3,113,700 is specifically for works and associated overheads included within the CBH Management Fee. A provision of £1,625,300 is included in the budget for those works which are managed by CBH on behalf of CBC, such as external decorating and gas servicing, but where CBC still hold the contract. The balance of the budget is for works to sewage pumping stations, temporary accommodation and other CBH delegated areas. The revenue budget provides for repairs that are undertaken on a responsive basis, as well as works to void properties, and maintenance which is carried out under a planned programme such as external decorating and gas servicing.

### ***Capital Financing Costs***

- 4.22 The budget includes the statutory charges to the HRA for the interest costs of the Councils borrowing in respect of the housing stock. This represents a significant proportion of the Councils HRA expenditure each year. The 2016/17 budget for interest costs has decreased compared to 2015/16, which reflects that new borrowing to fund the overall Housing Investment Programme next year will be borrowed internally from the Councils General Fund, which is at a lower rate than would be payable were we to borrow externally. This also delivers a benefit to the General Fund, as it will be receiving more interest than it would attract were it to invest externally. This approach was considered and agreed as part of the recent update to the Councils treasury management strategy.

- 4.23 No provision has been made at this point in time for the repayment of any HRA debt, as there is no statutory duty to provide for it. However, the Council now has circa £130million of housing debt, and it would be prudent to start to consider providing for some repayment in the future. The Treasury Management Strategy Statement approved by Cabinet on 25<sup>th</sup> January 2012 stated “That the Council plans to make Voluntary Revenue Provisions (VRP) for the repayment of HRA debt to enable maturing debt to be repaid, whilst ensuring that this does not create an adverse impact on the business case”. However, this also needs to be considered alongside the rent reduction announcement by the Government.
- 4.24 As previously stated, the announcement of a rent reduction for the next four years has had a considerable impact on the HRA Business Plan model. Prior to the Government’s announcement in July, the 30 year financial modelling undertaken as part of the 2015/16 budget setting cycle indicated that surplus resources (over and above what is required to meet existing spending plans) would be generated from 2019/20 onwards (Year 5), and thus could be used to provide for the repayment of debt, if desired. The financial modelling undertaken as part of this year’s budget setting cycle currently indicates that there will be no surplus resources generated over the next 30 years which could be used to provide for the repayment of debt, and in fact after 2021/22 (Year 6), there is a deficit in resources meaning that we are unable to generate the resources required to meet the existing spending plans within the current financial model. However, it should be noted that the extent of this is based upon assumptions around inflation etc, which could increase/decrease the amount of resources available by the time this point is reached.
- 4.25 Given the need to undertake additional HRA borrowing to support the Housing Investment Programme over the next 5 years, it would currently seem impractical to set-aside revenue resources for debt redemption over this period of time, which as a result would leave a funding gap which would need to be met by further borrowing (and hence incur additional revenue interest costs). However, this should be considered each year as part of the Councils annual budget setting process and review of the 30 year HRA financial model. Given the medium term investment needs currently identified and priorities agreed by Cabinet, it is proposed that no voluntary provision for debt repayment is included in the 2016/17 budget or MTFF at this point in time.

#### ***Revenue Contributions to Capital Outlay (RCCO)***

- 4.26 The Council has continuously made revenue contributions to capital spending recognising the significance of targeting resources to invest in our Housing Investment Programme. Given the regime of HRA self-financing and the additional revenue resources subsequently generated, the Council is able to make significant revenue contributions to support the capital investment included within the Housing Investment Programme.
- 4.27 The revenue contribution included in the estimates is £3,902,000. The majority of this budget is to support the capital work programmes to the housing stock in 2016/17, which are included within the Housing Investment Programme report elsewhere on the agenda. However a provision of £140,000 has been included for ICT, which is intended to support various projects.

**Risk areas and budget review process**

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

<b>Area</b>	<b>Comment</b>
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 recent rent reduction announcement.
Governments Welfare Reform	The budget includes an estimate of the impact of Welfare Reform. As well as providing for transaction costs etc, the budget also includes an estimate of the potential impact upon rent arrears and consequently the level of bad debts provision we would need to maintain.
Revenue Contributions to Capital (RCCO) / Prudential Borrowing	Capital Resources have been provisionally allocated for 2016/17 within the Housing Investment Programme report contained elsewhere on the agenda. If these resources prove insufficient, then options exist to either finance capital expenditure from revenue, or undertake HRA borrowing subject to the HRA debt cap. Clearly, if one of these options was pursued, then there will be a requirement to find additional resources from the HRA.
Repairs and Maintenance	Historically, this is an area where pressure has existed on budgets such as Responsive and Void repairs, given that they are demand-led. However, in recent years this has become less of a risk. These budgets now form part of the CBH Management Fee, and the terms of the management agreement specify that CBH will be liable for any overspend up to a maximum of £200k per year, but also that they may retain any underspend up to £100k per year. Therefore, there could be a reduced impact on the HRA of variations in expenditure.
Utility costs	The budget makes assumptions on future prices for Gas and Electricity that are consumed within the Council's housing stock, such as Sheltered Schemes, Temporary Accommodation and Communal entrances in blocks of flats. Given the volatility of utility prices in recent years, there is a risk that prices could rise, the cost of which would have to be funded from existing resources or HRA balances.
2015/16 Outturn	An underspend of £60k is currently predicted for this year, which is planned to be used to fund a greater proportion of our Housing Capital Programme instead of new borrowing. Any variance on the forecast will result in a higher or lower RCCO, which will have a knock-on impact on the use of our borrowing headroom.

- 4.29 As shown in paragraph 4.28 above several key variables have been identified. It is therefore essential that a programme of formal reviews of the HRA be set out to provide an opportunity to make changes to resource allocations during the year. The following schedule therefore sets out a suggested framework for these reviews.

<b>Review</b>	<b>Comment</b>
March 2016	Updated outturn forecast.
July 2016	Provisional pre-audit outturn / current year issues etc.
September 2016/ October 2016	Mid-year review.
December 2016 / January 2017	Outturn review / Budget 2017/18.

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

- 5.1 As part of the budget process for 2016/17 a MTFF has been produced for the HRA. This sets out the indicative budget position for the period 2016/17 to 2020/21. Although we are operating under the new HRA Finance regime, and more certainty is now in place, assumptions still have to be made around inflation rates, void levels, bad debts and increases in costs etc, which can of course change. To that extent, the MTFF should still be viewed as indicative.
- 5.2 Appendix C sets out the MTFF for the period analysed by the main areas of expenditure and income. This shows that the level of uncommitted HRA balance is able to be maintained at prudent levels throughout the MTFF. This is after meeting all the running costs of managing & maintaining the housing stock, along with servicing the borrowing costs on all HRA debt. It is also after substantial revenue contributions have been made to support the Housing Investment Programme. Planning to run the HRA balance at the minimum prudent level fits with the principle that it is more cost effective to minimise/reduce borrowing costs where possible, rather than hold a higher revenue balance than is prudently required, whilst also providing reassurance to tenants and residents that the Council is wisely managing its finances and its housing stock in difficult economic times. This approach fits with the principle referred to in paragraph 4.6 above. The recommended level of uncommitted balance on a risk based approach is £1,600k. There are several factors which can affect the forecast position, namely:-

### ➤ **Capital financing**

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

### ➤ **Rental income**

Rent forecasts have been updated to reflect the rent reduction announcement by the Government. Prior to the announcement, rental income forecasts were particularly dependent upon assumptions on future inflation levels. However, whilst causing a significant reduction on our rental income, the announcement brings some degree of certainty for the next four years. The MTFF currently assumes that the Government will return to the rent increase formula of CPI + 1% in 2020/21, but there has been no indication from central Government as to whether this will be the case or not. The assumptions on the number of Right To Buy sales and the level of anticipated rent lost through void properties have been updated to reflect recent activity, but once again these

are areas which can significantly alter the forecast of Rental Income and are to a certain extent demand led.

➤ **Welfare Reform**

Continued provision has been made within the MTFF for the estimated potential effect on levels of rent arrears and bad debts, resulting from the introduction of Welfare Reform by the Government. The contribution to the provision for bad debts has been broadly maintained at the level for 2015/16 going forwards, with the level of provision being reviewed annually as part of the budget setting process.

➤ **Sheltered Housing Accommodation Review**

At its meeting on the 12<sup>th</sup> October 2011, Cabinet considered a number of recommendations relating to making improvements to the Councils sheltered housing stock. The MTFF makes provision for the revenue impact of these decisions, whilst the Housing Investment Programme report elsewhere on the agenda reflects an estimated planned capital reinvestment of £5.835million in sheltered accommodation over the next 3 years. The revenue budget makes provision for home loss & disturbance payments plus the potential interest costs that would be incurred if additional borrowing is undertaken to fund capital works at future schemes due for improvement.

➤ **High Value Voids**

Given the timing of this report and the information we have received from the Government to date, the 2016/17 budget and MTFF have been set on the assumption that there will be no net effect resulting from the introduction of this policy. Potentially the HRA will need to manage the impact of any loss of future rental income (net of marginal cost savings), and any difference between payments we have to make to the Government and capital receipts actually realised. These will be considered in future budget setting cycles as and where appropriate.

➤ **High Income Social Tenancies**

The assumption within the 2016/17 budget and MTFF is that there will be no net effect resulting from the introduction of this policy. It is envisaged any additional rental income charged and collected will be paid to the Government. It is currently assumed that any additional administrative costs that may arise, such as identifying high income households, maintain records and processing changes in circumstances will be absorbed within existing resources. There is the potential that the introduction of this policy will lead to an increase in Right To Buy sales, as tenants paying full market rent may well be more tempted to purchase their property. There is also the potential to see an increase in our void numbers, as tenants may choose to move into the private rented sector. However, until the scheme is in operation, all of these assumptions are unquantified, and will be considered in future budget setting cycles as and where appropriate.

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

## 6. Supporting Information – 30 Year Financial Modelling

6.1 The implementation of HRA Reform in 2012 brought the expectation that Councils will take a greater business planning role when managing their Housing Revenue Account. Cabinet approved the Councils 30 year HRA Business Plan at its meeting on 27<sup>th</sup> 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 2016/17 budget setting process, this model has been refreshed and updated. This is summarised at Appendix E. This is set out using a standard approach, which is to show each of the first 5 years individually, then group the remainder of the model in 5-year bands. It incorporates expenditure & income for both revenue and capital, along with the HRA balances and debt position.

- 6.2 The information provided by the model for future years should be viewed as indicative. This is because a number of assumptions have to be made when projecting into the future, and the following paragraphs give some further details on these. Given the potential for these to vary, the impact upon the modelling could result in an improvement or decline in the position shown, dependant on the size of change and the degree of impact upon the plan. However, prudent assumptions are made wherever possible to protect the Councils financial position and to ensure the ongoing viability of the HRA.
- 6.3 Officers have undertaken sensitivity analysis on the 30 year model to evaluate the impact any change or combination of changes in the assumptions could have. Further information on the work undertaken is provided at paragraph 6.26.

### ***Income Assumptions***

- 6.4 One of the key drivers within the financial model is inflation. This is the factor which determines future annual rent increases for tenants, and it is this income which we are able to retain in the future to meet the increased stock investment and additional borrowing costs resulting from our increased debt arising from HRA Reform.
- 6.5 It has been assumed that the Government will only implement the 1% rent reduction for each of the next four years, and that in 2020/21 there will be a return to their rent formula of increasing tenants rents by CPI + 1.0%, for the duration of the 30 year model. There is currently no indication to suggest that this is going to alter. Furthermore, the assumption has been made that from 2025/26 rents will increase by CPI only. This is because when the Government introduced the rent policy (w.e.f. 2014/15) prior to the rent reduction announcement, it stated that it was a ten year arrangement whereby rents would increase by CPI + 1%. Whilst this has now clearly been changed for the next four years, there is no further information on what will happen from 2025/26. As a reminder to members, a change in rent policy is the example the Government at the time quoted within the HRA Reform debt settlement that would possibly re-open the original debt settlement. However, this has not occurred. Therefore, Colchester along with all other housing authorities nationally, entered into the new self-financing HRA arrangements at the time on the basis that the Government was providing certainty on national rent policy, which has now clearly been changed.
- 6.6 Assumptions have been made within the model for loss of stock, not only through the various projects being undertaken, but more significantly from Right to Buy sales. These are consistent with those made in the budget and MTF. The Council has entered into agreement with DCLG to retain additional RTB receipts to deliver new affordable housing, and a proportion of these have been used to contribute to the cost of delivering the 34 units of new build accommodation on our garage sites. However, given the impact the rent reduction has had on our available borrowing headroom and subsequent potential to undertake further new build within the HRA, there is the possibility we will have to repay retained RTB receipts commencing in 2017/18, unless alternative delivery options can be found which utilise them.
- 6.7 Assumptions have been made regarding rent lost from void properties and bad debts. An allowance has been made for ongoing operational voids, as well as an ongoing increase to the level of bad debts provision we may need to hold following the introduction of the Governments welfare reforms.
- 6.8 It has been assumed that income from garages will increase in line with CPI + 1%. There is the potential for this to increase, with the improvement to the financial model coming through a combination of reduced void levels as well as an increase in annual charges.
- 6.9 All other income budgets are assumed to increase in line with inflation.

### ***Expenditure Assumptions***

- 6.10 Similarly to income, inflation can have a significant impact upon expenditure levels within the 30 year financial model. It has been assumed that inflation on expenditure will be at the same rate as assumed for income.
- 6.11 Management costs have been assumed to remain at the current base level throughout the life of the 30 year model, subject to inflationary increases. The exception to this is where it is known they will alter, for example tri-annual reviews of the pension scheme by Essex County Council, or where one-off sums have been included within the base budget.
- 6.12 Maintenance costs have been extracted from the Councils 30 year Asset Management Strategy. Assumptions have been made around future increases in line with general inflation, but these costs are also subject to changes to the BCIS (Building Cost Inflation) and market conditions that impact as contracts are re-tendered.

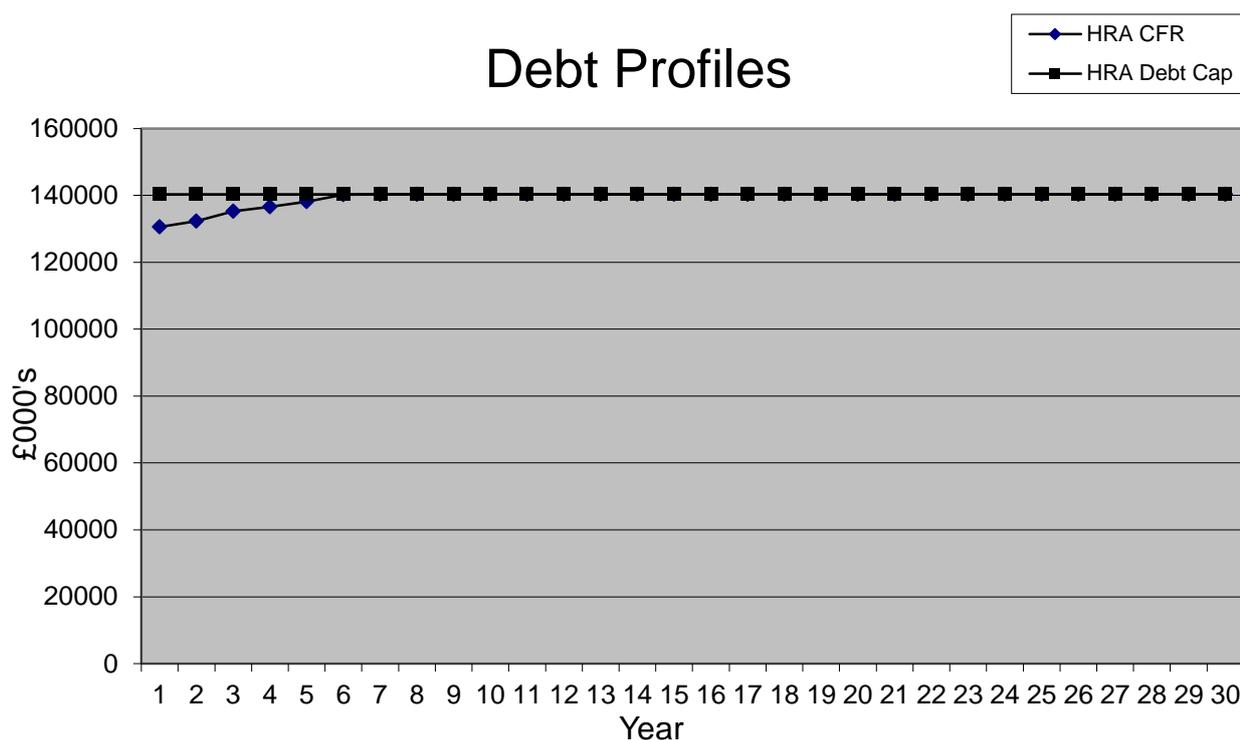
### ***Funding & Financing Assumptions***

- 6.13 The Council's Asset Management Strategy includes the expenditure requirements of our housing stock over the next 30 years. This has been reflected in the 30 year financial model. The day to day repairs and maintenance costs are funded from the revenue account, whilst the capital expenditure requirements are funded from a variety of sources which is considered within the Housing Investment Programme (HIP) report elsewhere on the agenda
- 6.14 The priority of how resources are used to fund the HIP is contained within that report for 2016/17, which in summary is aimed at using specific grants and capital receipts first, then reserves, with the intention of preserving revenue resources as far as possible as they offer the greatest funding flexibility. Should there be no or insufficient revenue resources available, then additional borrowing utilising any available headroom would be the final approach. This is because borrowing carries a cost of doing so; therefore it is treated as the last option to gain the maximum use of revenue resources available.
- 6.15 Under HRA Reform, the primary source of funding the Housing Capital Programme, especially in the early years, is a charge to the HRA which reflects the cost of depreciation to the housing stock. This is calculated locally, with reference to our actual stock condition and asset management strategy.
- 6.16 We are able to plan with certainty for the borrowing costs relating to the HRA Reform debt settlement, given that we entered into a number of long-term fixed rate loans. We are currently assuming a rate of 4.5% on any future borrowing undertaken to support the Housing Capital Programme, which will be reviewed annually as part of the budget cycle. However, it should be noted that the impact of interest rates can be significant, given any 1% change in interest rates would result in an annual cost of £157k (based on the maximum amount of borrowing headroom currently unused).

### ***Debt***

- 6.17 The measure of an authority's debt under self-financing is the HRA Capital Financing Requirement (HRA CFR). Our opening HRA debt on 1<sup>st</sup> April 2016 is expected to be £128.532million. We have a debt cap of £140.275million, which is the limit the Government have imposed to control public sector borrowing under HRA Reform.
- 6.18 The following graph shows our current debt profile that is being generated by the 30 year financial model. This works on the principle that once all of the costs of managing & maintaining our housing stock have been met, and the interest costs of our HRA borrowing have been paid, any residual income can be used to repay debt. It is important

to state that this is an indication of the ability to repay debt, as what actually dictates whether debt is reduced is where the Council actually repay loans as they mature.



6.19 The above debt curve shows that due to the reduction in social housing rents for each of the next four years, we are now having to use our borrowing headroom to deliver the capital investment requirements of the housing stock as set out in the current Asset Management Strategy. It is currently projected that we will have used all our available headroom by Year 6, and will reach our debt cap. The current modelling also shows that our debt will remain at the level of the debt cap for the remainder of the 30 years based on current assumptions and investment plans, meaning there is no borrowing headroom available for further investment. In fact, Appendix E shows a shortfall in resources on the Capital Account when compared to the investment requirements in the majority of years after 2020/21.

6.20 To demonstrate the impact the Government’s four year rent reduction has had on the 30 year financial model, Appendix G shows what the debt profile would have looked like if the Government had retained the rent policy of CPI + 1% for the next four years. For comparative purposes, all other budgets and assumptions are the same as included within this report and the Housing Investment Programme report elsewhere on the agenda.

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

Year	Available Borrowing “Headroom” £000’s
2016/17	9,728
2017/18	8,015
2018/19	5,038
2019/20	3,673
2020/21	2,172
2021/22	23
2022/23	-
2023/24	-
2024/25	-
2025/26	-

6.22 The above table shows that there is available headroom in each of the next 6 years, after which it is **projected** we will reach our debt cap. This projection is derived from a number of assumptions in the financial model, many of which are out of our direct control, for example inflation, Right To Buy numbers etc. Therefore the headroom figures in the table above should be viewed entirely as indicative.

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

### **Outlook Summary**

6.24 The Government’s rent reduction for each of the next four years has had a major impact on the HRA financial model. As previously stated, this change in policy is forecast to reduce our rental income over the next 30 years by circa £143million. This means we are predicting that we will reach our debt cap in 2021/22 (6 years’ time), and not be able to reduce our debt over the remaining 24 years of the plan, meaning we will not be able to undertake any further borrowing to fund capital investment. In fact, Appendix E is showing that there is a shortfall in capital funding from year 7 onwards, based on existing investment plans and our current Asset Management Strategy.

6.25 Given the current projected 30 year position, officers will continue to progress the work undertaken by the project group referred to in paragraph.3.2.2, looking for opportunities where income can be maximised, and expenditure savings can be achieved.

### **Sensitivity Analysis**

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

		Variation to Base Position			
		Scenario 1	Scenario 2	Scenario 3	Scenario 4
	Base Position	Reduction in Inflation of 1% over 30 Years	Increase in Inflation of 1% over 30 Years	Decrease in Inflation of 1%, Increase in RTB's by 10, Decrease in Mgt Costs by £200k in every Year	Increase in Inflation of 1%, Increase in RTB's by 10, Increase in Mgt Costs by £200k in every Year
Peak Debt Year	Year 6-30	Year 8-30	Year 6-30	Year 9-30	Year 5-30
Year Debt Repaid	-	-	-	-	-
Capital Investment affordable over 30 Years	£342.1million	£298.7million	£391.8million	£288.8million	£358.6million
Surplus HRA Balance at Year 30	£2.6million	£2.05million	£3.35million	£0.4million	£0.03million

- 6.29 The sensitivity analysis in Scenarios 1 & 2 above demonstrates the impact that inflation can have on the long-term HRA model. If inflation increases, rental income (following the Governments rent policy) increases at a higher rate than expenditure. Also, a large proportion of our costs are not affected by inflation, such as the fixed rate interest costs on our borrowing. Consequently, rising inflation results in a net gain to the HRA. Conversely though, lower inflation results in a net loss to the HRA, as we receive less rental income than we save in lower costs.
- 6.30 The sensitivity analysis also demonstrates how a combination of variables can influence the modelling, such as changes in inflation rates, numbers of Right To Buy sales and variations in costs for example. Depending on the scale of these changes, they could either bring a significant benefit to/put pressure on the viability of the current plan, or could actually be broadly neutral. Finally, the analysis above assumes any change would exist for each of the 30 years in the HRA, which is highly unlikely given the long time-scale involved, and also assumes no corrective action would be taken if there were a negative impact, which clearly would not be the case. However, it aims to give an understanding of how changes could impact upon the current base 30 year HRA model.

## 7. Strategic Plan References

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

- **Welcoming** - a place where people can grow and be proud to live.
- **Vibrant** - Develop a strong sense of community across the Borough by enabling people and groups to take more ownership and responsibility for their quality of life.

- **Prosperous** - Provide opportunities to increase the number of homes available including those that are affordable for local people and to build and refurbish our own Council houses for people in significant need

## **8. Consultation and Publicity**

- 8.1 With the potential consideration of service improvements that would lead to new service charges for tenants, it is anticipated that an appropriate amount of consultation will be undertaken during the course of the financial year. Furthermore, extensive consultation has been undertaken with tenants regarding future works programmes, including those within the Housing Investment Programme, which have a resultant impact upon this budget report.
- 8.2 On the 18<sup>th</sup> November 2015, Colchester Borough Homes facilitated an independent focus group of engaged residents (Task and Finish Group) to discuss the specific impact of the Governments rent reduction announcement over the next four years, and the main measures of the Housing and Planning Bill 2015, During this consultation CBH were able to determine residents views about priorities for the customer base, and consider areas where CBH should seek to make savings.

## **9. Financial Implications**

- 9.1 Are set out in this report.

## **10. Equality, Diversity and Human Rights Implications**

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

## **11. Community Safety Implications**

- 11.1 This report has no significant community safety implications

## **12. Health and Safety Implications**

- 12.1 This report has no significant Health and Safety implications

## **13. Risk Management Implications**

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

### ***Appendices***

- Appendix A - Housing Revenue Account Estimates 2015/16
- Appendix B - HRA Balances Statement
- Appendix C - Medium Term Financial Forecast
- Appendix D - HRA Balances Risk Management Assessment
- Appendix E - 30 Year Financial Model
- Appendix F - Graph showing 30 year impact of Rent Reduction on Rental Income
- Appendix G - Graph showing HRA Debt Profile without impact of Rent Reduction

### ***Background Papers***

- None

<b>COLCHESTER BOROUGH COUNCIL</b>			
<b>Revenue Estimates 2016/17</b>			
<b>Housing Revenue Account</b>			
<b>Summary</b>			
<b>2014/15</b>		<b>2015/16</b>	<b>2016/17</b>
<b>Actuals</b>	<b>Expenditure &amp; Income Analysis</b>	<b>Revised</b>	<b>Original</b>
<b>£000's</b>		<b>Budget</b>	<b>Budget</b>
		<b>£000's</b>	<b>£000's</b>
	<b>INCOME</b>		
(26,767)	Dwelling Rents (Gross)	(27,201)	(26,728)
(727)	Non-Dwelling Rents (Gross)	(820)	(853)
(2,724)	Charges for Services and Facilities	(2,383)	(2,509)
(98)	Contributions towards Expenditure	(108)	(91)
<b>(30,316)</b>	<b>Total Income</b>	<b>(30,512)</b>	<b>(30,181)</b>
	<b>EXPENDITURE</b>		
5,090	Repairs and Maintenance	5,085	5,049
3,399	CB Homes Ltd Management Fee	3,441	3,395
5,833	Management Costs	6,358	6,144
123	Rents, Rates and Other Charges	219	195
263	Increased provision for Bad or Doubtful Debts	250	250
5,567	Interest Payable	5,668	5,629
(10,752)	Depreciation and Impairments of Fixed Assets	5,199	5,581
84	Amortisation of Deferred Charges	100	92
65	Debt Management Costs	74	68
<b>9,672</b>	<b>Gross Expenditure</b>	<b>26,394</b>	<b>26,403</b>
<b>(20,644)</b>	<b>Net Cost of Services</b>	<b>(4,118)</b>	<b>(3,778)</b>
17,736	Net HRA Income from the Asset Management Account	(100)	(92)
-	- Amortised Premiums and Discounts	-	-
(2)	HRA Investment Income (including mortgage interest and interest on Notional Cash Balances)	(32)	(32)
<b>(2,910)</b>	<b>Net Operating Expenditure</b>	<b>(4,250)</b>	<b>(3,902)</b>
5,864	Revenue Contribution to Capital Expenditure	4,689	3,902
<b>2,954</b>	<b>Deficit/(Surplus) for the Year</b>	<b>439</b>	<b>-</b>
(5,464)	Deficit/(Surplus) at the Beginning of the Year	(2,510)	(2,071)
2,954	Deficit/(Surplus) for the Year	439	-
(2,510)	Deficit/(Surplus) at the End of the Year	(2,071)	(2,071)

**Housing Revenue Account - Estimated Balances**

	£'000
<b>Balance as at 1 April 2015</b>	<b>(2,510)</b>
<b>Committed</b> - Capital Spending in 2015/16 and onwards	471
Less budgeted deficit/use of balances in 2015/16	439
Plus Forecast underspend in 2015/16	-
<b><i>Unallocated balance at 31st March 2016</i></b>	<b>(1,600)</b>
Less Proposed Use of balances in 16/17 Budget	-
<b>Estimated uncommitted balance at 31st March 2017</b>	<b>(1,600)</b>
<b>Recommended level of Balances</b>	<b>(1,600)</b>
<b>Forecast balances above prudent level at 31<sup>st</sup> March 2017</b>	<b>-</b>

**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 15/15	Budget 16/17	Budget 17/18	Budget 18/19	Budget 19/20	Budget 20/21
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>						
Housing Rents	(27,201)	(26,728)	(26,294)	(25,900)	(26,027)	(26,071)
Other Income	(3,311)	(3,453)	(3,398)	(3,460)	(3,542)	(3,591)
	<b>(30,512)</b>	<b>(30,181)</b>	<b>(29,692)</b>	<b>(29,360)</b>	<b>(29,569)</b>	<b>(29,662)</b>
<b>Expenditure</b>						
Repairs & Maintenance	5,085	5,049	5,054	5,129	5,206	5,285
Running Costs	10,268	9,984	10,112	10,288	10,472	10,705
Interest Payable	5,668	5,629	5,710	5,976	6,073	6,138
Depreciation	5,199	5,581	5,814	5,930	6,049	6,170
Other Capital Financing	42	36	36	38	39	40
RCCO	4,689	3,902	2,966	2,000	1,730	1,324
Contribution to Balances	0	0	0	0	0	0
Other	0	0	0	0	0	0
	<b>30,951</b>	<b>30,181</b>	<b>29,692</b>	<b>29,361</b>	<b>29,569</b>	<b>29,662</b>
<b>Budgeted (Surplus)/Deficit</b>	<b>439</b>	-	-	<b>1</b>	-	-
Forecast 2015/16 underspend	0	0	0	0	0	0
<b>Revised (Surplus)/Deficit</b>	<b>439</b>	-	-	<b>1</b>	-	-

Opening Balance	<b>(2,510)</b>	<b>(1,600)</b>	<b>(1,600)</b>	<b>(1,600)</b>	<b>(1,599)</b>	<b>(1,599)</b>
Committed Balance	<b>471</b>	-	-	-	-	-
(Surplus)/Deficit	<b>439</b>	-	-	<b>1</b>	-	-
<b>Uncommitted Closing Balance</b>	<b>(1,600)</b>	<b>(1,600)</b>	<b>(1,600)</b>	<b>(1,599)</b>	<b>(1,599)</b>	<b>(1,599)</b>

\* It should be noted that it is currently forecast the HRA will be underspent by £60k in 2015/16, which will be used to increase the RCCO in the year. Clearly, if this level of underspend is not achieved, then there will be a resultant impact upon the level of RCCO we are able to make, and thus a knock-on impact on the use of our borrowing headroom.

## Review of Housing Revenue Account Balances 2016/17

## Risk Management Assessment

Factor	Assessed Risk		
	High £'000	Medium £'000	Low £'000
Cash flow (1% of £56m)	560		
Interest Rate (3% on £16m)		480	
Inflation (Decrease of 1%)		250	
Emergencies		100	
Right To Buy Sales		250	
New Spending		100	
Litigation			50
Welfare Reform	250		
Sheltered Accommodation Project	150		
	960	1,180	50

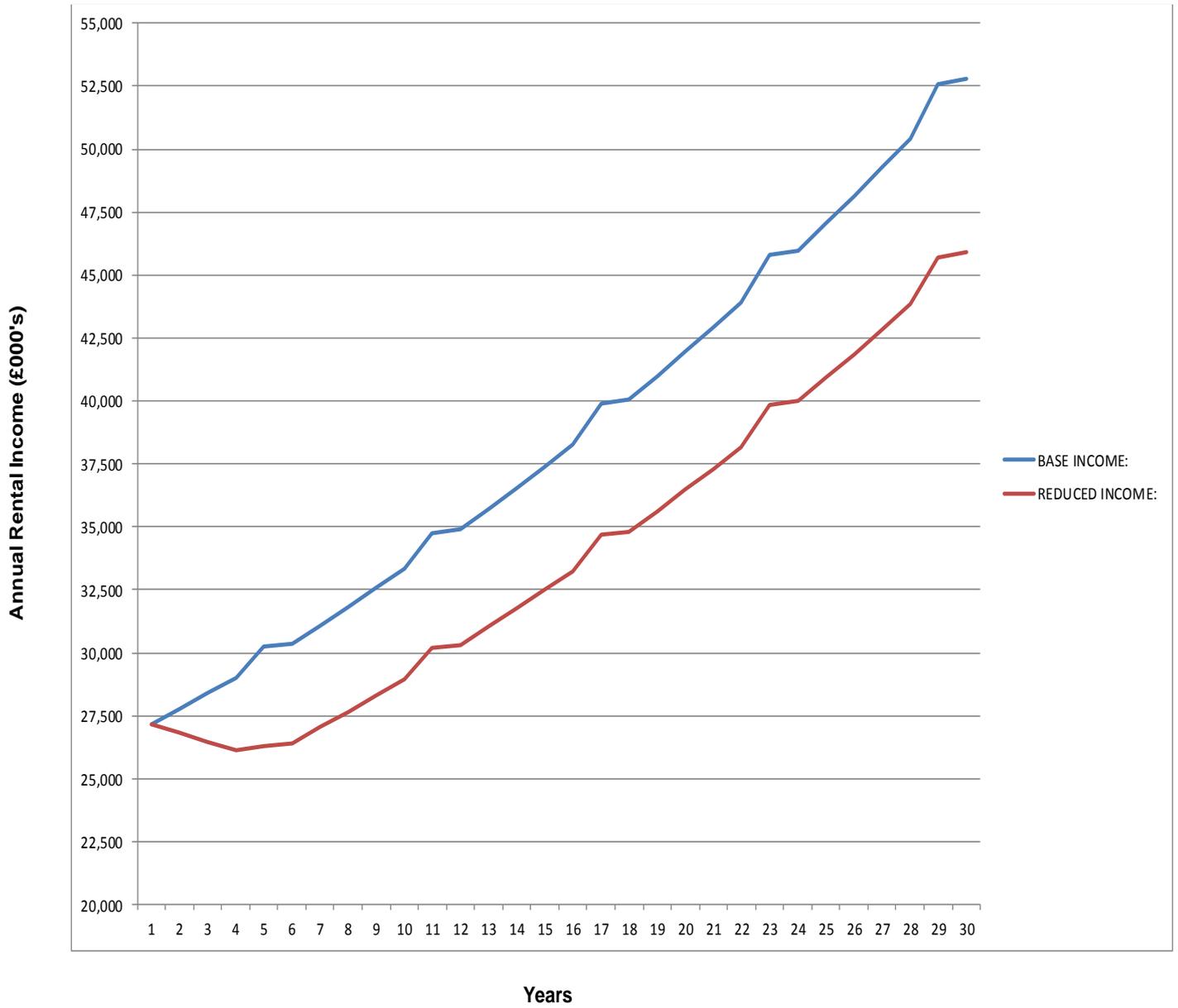
	Minimum Provision £'000
High Risk – 100%	960
Medium – 50%	590
Low – 10%	5
<b>Sub Total</b>	<b>1,555</b>
Other - say	45
<b>Recommended Prudent Level</b>	<b>1,600</b>

## Housing Revenue Account – 30 Year Financial Model

## Appendix E

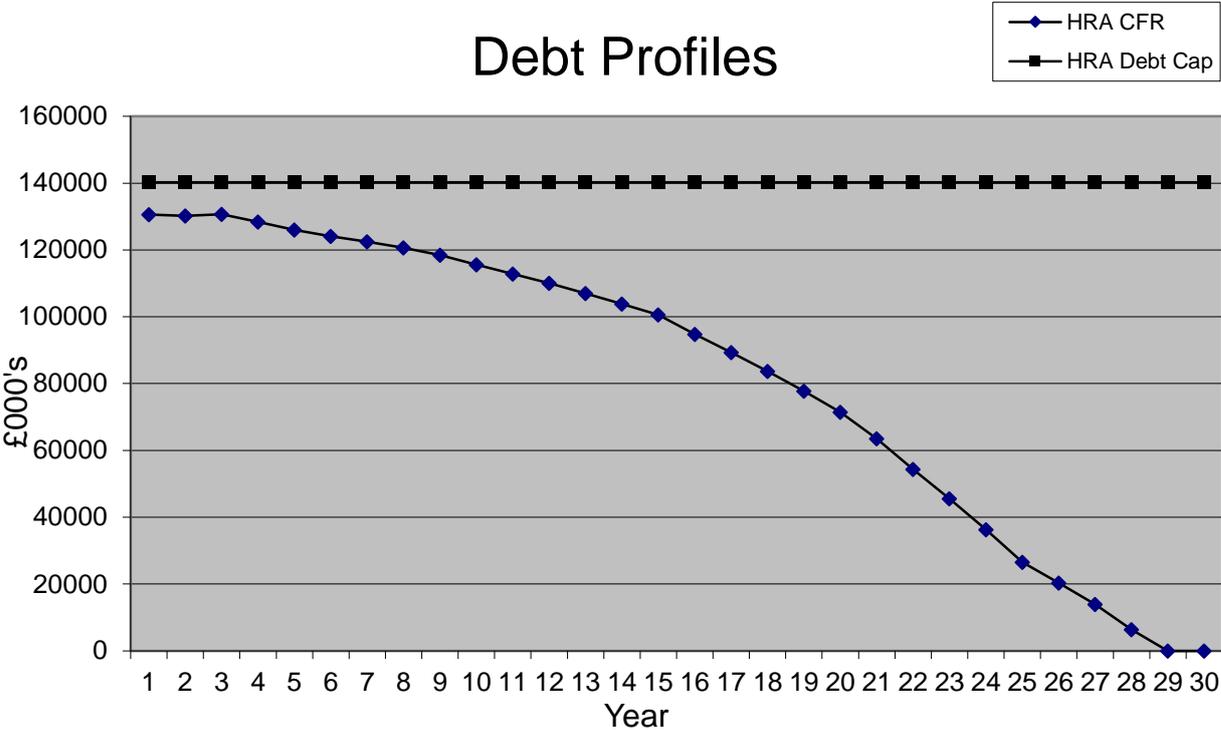
	<u>Year 1</u> <u>2016/17</u> <u>£000's</u>	<u>Year 2</u> <u>2017/18</u> <u>£000's</u>	<u>Year 3</u> <u>2018/19</u> <u>£000's</u>	<u>Year 4</u> <u>2019/20</u> <u>£000's</u>	<u>Year 5</u> <u>2020/21</u> <u>£000's</u>	<u>Year 1-5</u> <u>Total</u> <u>£000's</u>	<u>Year 6-10</u> <u>Total</u> <u>£000's</u>	<u>Year 11-15</u> <u>Total</u> <u>£000's</u>	<u>Year 16-20</u> <u>Total</u> <u>£000's</u>	<u>Year 21-25</u> <u>Total</u> <u>£000's</u>	<u>Year 26-30</u> <u>Total</u> <u>£000's</u>
<b>Revenue Account</b>											
Income	(30,181)	(29,692)	(29,360)	(29,569)	(29,662)		(158,482)	(172,622)	(188,323)	(204,755)	(222,583)
Expenditure	30,181	29,692	29,361	29,569	29,662		158,315	172,439	188,120	204,531	222,336
(Surplus)/Deficit	0	0	1	0	0		(167)	(183)	(203)	(224)	(247)
Opening HRA Balance (Surplus)	(1,600)	(1,600)	(1,600)	(1,599)	(1,599)		(1,599)	(1,766)	(1,949)	(2,152)	(2,376)
Closing HRA Balance (Surplus)	(1,600)	(1,600)	(1,599)	(1,599)	(1,599)		(1,766)	(1,949)	(2,152)	(2,376)	(2,623)
<b>Capital Account</b>											
<i>Investment:</i>											
Stock Investment Programme	9,081	10,610	10,223	9,645	9,495	49,054	57,617	61,966	59,946	58,779	85,162
Sheltered Accommodation Review	2,818	1,833	1,184	0	0	5,835	0	0	0	0	0
New Build	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>11,899</b>	<b>12,443</b>	<b>11,407</b>	<b>9,645</b>	<b>9,495</b>	<b>54,889</b>	<b>57,617</b>	<b>61,966</b>	<b>59,946</b>	<b>58,779</b>	<b>85,162</b>
<i>Funded By (Resources):</i>											
Depreciation	(5,581)	(5,814)	(5,930)	(6,049)	(6,170)	(29,544)	(34,474)	(39,965)	(46,226)	(53,357)	(61,472)
Revenue Contribution	(3,902)	(2,966)	(2,000)	(1,730)	(1,324)	(11,922)	(11,174)	(10,934)	(10,641)	(9,210)	(7,083)
Capital Receipts	(400)	(1,950)	(500)	(500)	(500)	(3,850)	(500)	0	0	0	0
Grant	0	0	0	0	0	0	0	0	0	0	0
HRA Reserves	0	0	0	0	0	0	0	0	0	0	0
New Borrowing	(2,016)	(1,713)	(2,977)	(1,366)	(1,501)	(9,573)	(2,172)	0	0	0	0
<b>Total</b>	<b>(11,899)</b>	<b>(12,443)</b>	<b>(11,407)</b>	<b>(9,645)</b>	<b>(9,495)</b>	<b>(54,889)</b>	<b>(48,320)</b>	<b>(50,900)</b>	<b>(56,867)</b>	<b>(62,567)</b>	<b>(68,555)</b>
<b>Debt:</b>											
HRA Debt at Year End	130,547	132,260	135,237	136,602	138,103		140,275	140,275	140,275	140,275	140,275
Debt Cap	140,275	140,275	140,275	140,275	140,275		140,275	140,275	140,275	140,275	140,275
Available Headroom	9,728	8,015	5,038	3,673	2,172		0	0	0	0	0

**Rental Income over 30 years Before and After the Rent-Reduction Announcement**



**Debt Profile Before Rent-Reduction Announcement**

The following graph shows the debt profile that would have been generated by the 30 year financial model if the rent reduction over the next four years had not been implemented by the Government, and we would have used September 2015 CPI + 1% for the 2016/17 rent increase. All other budget assumptions for 2016/17 onwards have been used.







## Cabinet

27<sup>th</sup> January 2016

Item

**8(ii)**

<b>Report of</b>	<b>Head of Commercial Services</b>	<b>Authors</b>	<b>Darren Brown Lynn Thomas</b>
			<b>Tel: 282891</b>
<b>Title</b>	<b>Housing Investment Programme (HIP) 2016/17</b>		
<b>Wards affected</b>	All		

**This report concerns the Housing Investment Programme for 2016/17**

**1. Decision(s) Required**

- 1.1 To approve the Housing Investment Programme for 2016/17.
- 1.2 To note the Capital Medium Term Financial Forecast (CMTFF) set out at Appendix A.

**2. Reasons for Decision(s)**

- 2.1 Each year as part of the process to agree the Council's revenue and capital estimates the Cabinet is required to agree the allocations to the Housing Stock Investment Programme. These allow for work to be undertaken to maintain, improve, and refurbish the housing stock and its environment.
- 2.2 Members will be aware that following the Cabinet meeting on the 30 November 2011 it was agreed in principle to accept a proposed 5 year Housing Investment Programme (HIP) as the framework for procuring housing related planned works, improvements, responsive and void works and cyclical maintenance, subject to overall budget decisions in January 2012 and annually thereafter.
- 2.3 It was also agreed that the proposed 5 year investment programme would be linked to the Asset Management Strategy (AMS) and reviewed annually in the light of available resources and for each annual allocation to continue to be brought to Cabinet for approval as part of the overall HIP report.
- 2.4 The Colchester Borough Homes (CBH) Board has been apprised of the content of the Cabinet report submitted on the 30 November 2011 and is now seeking approval for the 2016/17 Capital programme being the fifth year of the (HIP).
- 2.5 This report seeks the release of funds under grouped headings as described in the AMS and supported by the Management Agreement dated 9<sup>th</sup> August 2013, which governs the contractual relationship between Colchester Borough Council (CBC) and CBH.

### **3. Supporting Information**

#### ***Key Issues for 2016/17***

- 3.1 There are a number of key issues relating to the HIP budget for 2016/17, with further details being included within the main body of the report. However, in summary they are as follows. This is the fifth year of HRA Self-Financing and the continued increase in investment in the housing stock and other projects is reflected in this report. As part of the Sheltered Housing refurbishment programme, construction works continues at Enoch House whilst the feasibility and scope of the next two schemes is appraised.
- 3.2 This report is considered as part of agreeing the Housing Revenue Account (HRA) estimates as the funding for the HIP, which covers capital investment in the housing stock, is very much linked to the overall level of resources for housing.
- 3.3 In recognition of the need to define future trends and changes influencing the needs of the housing assets, a 30 year investment model was established to support the HRA business planning process. This was undertaken as part of the Councils response to the proposal from the Government to disband the Housing Subsidy system and to introduce self-financing from April 2012.
- 3.4 As a result of the announcements made in the Chancellor of the Exchequer's Budget on 8<sup>th</sup> July 2015 regarding the proposal to decrease social housing rents by 1% annually from 2016/17 for four years, the projected rental income within the existing HRA business plan over the next 30 years has reduced by circa £143million. As a result it was necessary to review the Housing Revenue Account (HRA) current budgets and investment plans to ensure that these can operate within the limits of the Business Plan and do not exceed the peak debt limit.
- 3.5 The outcome of the review will provide the Council, as part of its budget setting process, alternative options on existing HRA budgets to mitigate, insofar as possible, the impact of the imposed reduction in income through these changes without detrimentally impacting service to residents in the Borough.
- 3.6 It is now the fifth year of the opening five years of this programme which is being recommended as the framework for procuring housing related planned works and improvements.

### **4. Funding the Housing Investment Programme**

- 4.1 2016/17 is the fifth year of the HRA self-financing regime. This has 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 2016/17 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 2016/17 HIP budget and financial forecasts are as follows;
  - Specific Areas of Finance (e.g. Grants),
  - Capital Receipts,
  - Major Repairs Reserve (Depreciation),
  - Revenue contributions to capital (RCCO),
  - New Additional Borrowing

- 4.2 The assumption made when prioritising resources to fund the HIP is that resources specifically designated to the programme will be used first, followed by capital receipts. This is so the receipts can be re-invested in affordable housing, and be retained locally and not be clawed back by Central Government under the capital receipts pooling arrangements. The next form of resource to be used is the Major Repairs Reserve, which is the reserve that is built up from the depreciation charge to the HRA. This is the resource that is set aside to maintain the housing stock in its current form & condition. If there are insufficient resources within the Major Repairs Reserve to fund all of the capital works in the year, then the next call on funding is revenue. The amount of this resource will depend on the level of balances within the HRA and the extent to which they are directed to the HIP, as opposed to other budget priorities.
- 4.3 Finally, should there be insufficient revenue resources to fund the overall programme the assumption is that the Council will undertake HRA borrowing to fully fund the HIP. This is assumed to be the lowest priority source of funding, to minimise the resultant additional interest costs that would be incurred by the HRA. Further borrowing will be subject to the debt cap which applies under the self-financing regime. Should this be breached, or should the Council decide it does not want to undertake additional HRA borrowing or use revenue resources etc, then the Council would need to re-consider the programme of works proposed and the corresponding budget provision. This could include foregoing works, or re-profiling the year in which they are undertaken.

## **5. 2016/17 Programme of Works**

- 5.1 The requested budget allocation for the 2016/17 programme is £11.899million. This continues to represent a substantial increase in investment compared to the years spent operating under the now-abolished HRA Subsidy system, which members will recall was replaced on 1<sup>st</sup> April 2012 by the HRA Self-Financing regime. A further breakdown of the areas of work that are planned to be undertaken is shown at paragraph 8.
- 5.2 As part of the new management agreement which commenced in August 2013 between the Council and CBH, the management fee has been expanded to reflect the wider range of services CBH now provides on behalf of the Council, so it now incorporates the fee for managing the capital programme. Members are therefore asked to note that the requested budget allocation in paragraph 5.1, and the budget sums included in paragraph 8 and Appendix A all include the fee for managing the capital programme, which for 2016/17 totals £1,309,000. A further breakdown of the management fee is included in the HRA Revenue Estimates report elsewhere on the agenda.
- 5.3 Cabinet are also asked to note that provision has been made within the 2016/17 programme to provide fifth year funding for the Sheltered Housing review agreed by Cabinet on 12<sup>th</sup> October 2011. The fifth year of the programme (2016/17) will see the continued refurbishment of Enoch House; this is due to be completed at the start of the next financial year (2017/18)

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

- 6.1 As previously stated, on the 30<sup>th</sup> November 2011 Cabinet agreed in principle to accept a proposed 5 year HIP subject to overall budget considerations. As a result, the expenditure proposals from that report have been included in the capital medium term financial forecast at Appendix A and updated to take account of the early years being completed and new updated year's being introduced. As previously stated there is a significant increase in capital investment in the housing stock compared to previous years. Members will be aware that the Government introduced the Decent Homes Standard in 2010 which required all social housing within England to be brought up to

and maintained to this standard, and therefore our on-going investment reflects what is required to ensure our housing stock continues to meet the decent homes standard as a minimum. The HIP also includes investment in other work programmes identified in the AMS for which the resources had not been available under the previous HRA subsidy system. It should be noted that the figures for 2017/18 onwards are indicative at this stage, and will be subject to confirmation and agreement by Cabinet in their appropriate year's budget setting cycle. This is primarily because the main source of increased resources under HRA Self-Financing is the retention of 100% of tenant's rental income locally. However, as previously stated, the Government has announced a decrease in social rents over the next four years rather than the anticipated inflationary increase, and we are awaiting more detail from the Government on these proposals and what might happen at the end of the four year reduction. It should also be noted that the assumed level of resources available to fund the HIP is not only influenced by future inflation levels, but also by other income and expenditure requirements within the HRA.

- 6.2 At its meeting on the 12<sup>th</sup> October 2011, Cabinet considered a number of recommendations relating to making improvements to the Councils sheltered housing stock. It was agreed that any capital receipts relating to disposals would be ring-fenced to the HRA, and that the financial implications of the in-principle decisions taken are modelled and reflected in the overall budget setting process. It was also indicated in the report that additional borrowing would be likely to be required to fund the programme of works, which would be via the use of the available borrowing headroom arising under HRA Reform. It is worth reminding Members that the 30 year AMS already made provision for investment in the sheltered housing stock, therefore the borrowing required is as a result of bringing these works elements forward, rather than any shortfall in funding in the overall business plan. Therefore the 2016/17 budget, and the capital medium term financial forecast at Appendix A, show the indicative expenditure requirements relating to the review of sheltered accommodation, and have been taken into account when determining the sources of funding available and required.
- 6.3 Officers completed phase 1 of the new build project by building 34 new Council owned homes on former garage sites during 2015/16. As previously stated, the announcement of the reduction in social housing rent over the next four years has impacted on the amount of borrowing headroom arising under HRA Self-Financing. The intention prior to this was to use borrowing to finance the expenditure relating to the second phase of new build; however, due to the impact of the rent reduction, phase 2 has been put on hold whilst alternative funding options are considered. For information, phase 2 was anticipated to deliver 20 additional new units of Council-owned accommodation.
- 6.4 The estimated RCCO in 2016/17 is £3.902million, 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 25<sup>th</sup> January 2012, RCCO's have been required to support the works element of the capital programme for 2013/14 onwards. These increased contributions have been affordable as under HRA Self-Financing the Council retains all rental income. However, following the rent reduction announcement by the Government in July, these resources will now be much lower than indicated in previous year's budget reports, which will have an impact on the level of capital investment in the housing stock that we are able to afford in the medium to long-term.
- 6.5 Members will be aware that the Council entered into agreement with DCLG in 2012 to retain additional RTB receipts to deliver new affordable housing. The Capital Medium Term Financial Forecast considered by Cabinet at its meeting on 28<sup>th</sup> January 2015 assumed that we would be able to use retained RTB receipts to contribute to the funding

of the next phase of new build. However, given the impact the rent reduction announcement has had on our available borrowing headroom and the resultant putting on hold of phase 2 of our new build programme, there is the likelihood that we will not be able to use any more of our retained receipts as a source of funding via this method of delivery, and we would be required to repay any unused receipts to the Government plus interest, unless alternative delivery options can be found which utilise them. The latest projection is that this would occur in 2017/18 onwards. As a reminder, retained receipts can only be used on delivering new additional units of accommodation, not on refurbishing existing schemes.

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

## 7. Priorities for the Council

- 7.1 To implement the Colchester Housing AMS that was revised and adopted by Cabinet in April 2015 as the basis for long term planning, provision and sustainability of Colchester Borough Council's housing assets.
- 7.2 To allocate appropriate funding to CBH within the resources that are available to enable stock investment to proceed, improving housing conditions for our tenants.
- 7.3 To ensure that having achieved delivery of the decent homes' targets in December 2011 that the overall level of decency is maintained at the end of any one financial year but ensure compliance on a five yearly basis.
- 7.4 To build upon current monitoring arrangements and ensure programme delivery and the effective targeting of resources particularly in respect of maintaining the value of the asset and providing Adaptations for our customers with disabilities.
- 7.5 To note that the overall and general Building Cost Inflation Indices (BCIS) used within the HIP contracts is showing significant increases, and also the tenders returned on newly contracted works are significantly higher, reflecting the current building market conditions. Both of these are used as a major consideration in producing and delivering the intended programmes of work.

## 8. Proposals

- 8.1 The report sets out below a summary of the proposed allocation of new resources for 2016/17 as defined by the AMS with the following comments setting out the basis of the allocation.
- 8.2 **Capital Investment Programme - £3.694million** – This allocation supports the AMS and acknowledges the work required to allow the decency standard to be maintained, therefore this substantial proportion of the overall allocation is recommended.

- 8.3 **Aids & Adaptations - £0.604million** - This continues to support the budget at historic levels. The proposed allocation achieves the requirement to adapt Council dwellings to meet the special needs of our customers and also meet the high priority that Members place on this service.
- 8.4 **Emergency Failures (statutory obligation) and Voids - £0.853million** – This allocation supports the AMS and the experience gained through the management controls being exercised. It reflects the necessity to recognise capital works in the voids process along with emergency failures.
- 8.5 **Emergency failures structural works - £0.817million** – As with the previous allocation this reflects the AMS and the experience gained through the management controls being exercised. The work is generally associated with premature failure of structural elements.
- 8.6 **Roofing Programme - £0.169million** – This allocation supports the AMS in the continuation of a new roof replacement programme.
- 8.7 **Environmental Works - £1.470million** - This allocation supports the AMS by continuing to address the improvements to the overall estate living environment. It will include door entry systems, boundary works and PVC installations to continue to reduce the revenue reliance on painting programmes.
- 8.8 **Asbestos, Legionella, Fire Safety and Overall Contingency - £1.052million** – This allocation recognises the need to continue to proactively manage our statutory obligations in the defined areas and provides a general contingency to cover the whole of the programme together with survey work and the potential to Buy Back properties offered back to the Council through the Right to Buy legislation.
- 8.9 **Non-Works Programmes - £0.140million** – This is for the further development of the Capita Housing system and various other one off projects.
- 8.10 **Sheltered Accommodation Improvements - £2.818million** – This allocation supports the continuation of the overall refurbishment programme and a feasibility and appraisal of the next two schemes. Individual delivery contracts will be reported to Cabinet as tenders are returned.
- 8.11 **Garages - £0.282million** – This investment in the garage stock is intended to secure additional revenue income that will support the business plan in future years. We have already seen a return on the investment made in the last financial year by increased garage tenancies and fewer empty garages on the sites that have been refurbished.

## 9. Strategic Plan References

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

## **10. Consultation**

- 10.1 On the 18<sup>th</sup> November 2015, Colchester Borough Homes facilitated an independent focus group of engaged residents (Task and Finish Group) to discuss the specific impact of the Governments rent reduction announcement over the next four years, and the main measures of the Housing and Planning Bill 2015, During this consultation CBH were able to determine residents views about priorities for the customer base, and consider areas where CBH should seek to make savings.
- 10.2 As a result of the Cabinet report submitted on the 30<sup>th</sup> November 2011 members will be aware of the extensive consultation process which has been undertaken to arrive at a position where it has been possible to recommend this report and budget allocation.
- 10.3 The consultation process has been inclusive of tenants and leaseholders and the Asset Management Group.
- 10.4 It should also be noted that thorough consultation will be carried out with tenants and leaseholders affected by any works to properties or areas as a result of the works programmes proposed within this report.

## **11. Publicity Considerations**

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

## **12. Financial implications**

- 12.1 As set out in the report.

## **13. Equality, Diversity and Human Rights implications**

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

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

## **14. Community Safety Implications**

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

## **15. Health and Safety Implications**

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

## **16. Risk Management Implications**

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

## HRA Capital Medium Term Financial Forecast – 2016/17 to 2020/21

Appendix A

<b>Expenditure</b>	Notes	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Stock Investment Programme		8,337	9,871	9,461	8,849	8,680
Adaptations		604	596	616	647	663
Sheltered Accommodation Review		2,818	1,833	1,184	-	-
New Build		-	-	-	-	-
<b>Stock Investment Sub - Total</b>		<b>11,759</b>	<b>12,300</b>	<b>11,261</b>	<b>9,496</b>	<b>9,343</b>
ICT		140	143	146	149	152
Sewage Treatment Works		-	-	-	-	-
<b>Other Works Sub - Total</b>		<b>140</b>	<b>143</b>	<b>146</b>	<b>149</b>	<b>152</b>
<b>Total Programme</b>		<b>11,899</b>	<b>12,443</b>	<b>11,407</b>	<b>9,645</b>	<b>9,495</b>

<b>Resources</b>	Notes	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Major Repairs Reserve		5,581	5,814	5,930	6,049	6,170
Revenue Contribution to Capital		3,902	2,966	2,000	1,730	1,324
Capital Grant		-	-	-	-	-
Capital Receipts	Disposal of Assets/Stock Rationalisation	400	1,950	500	500	500
Retained RTB Receipts Reserve		-	-	-	-	-
New Borrowing		2,016	1,713	2,977	1,366	1,501
<b>Total Funding</b>		<b>11,899</b>	<b>12,443</b>	<b>11,407</b>	<b>9,645</b>	<b>9,495</b>

<b>Report of</b>	<b>Head of Commercial Services</b>	<b>Author</b>	<b>Tina Hinson</b>
<b>Title</b>	<b>Review of Gateway to Homechoice Allocations Policy</b>		
<b>Wards affected</b>	All wards		

**This report concerns amendments to the Allocations policy for social housing covering the 8 authorities within the 'Gateway to Homechoice' scheme.**

**1. Decision(s) Required**

- 1.1 To approve the revised [Allocations Policy](#) (Appendix A)

**2. Reasons for Decision(s)**

- 2.1 To ensure that the Allocations Policy complies with current legislative requirements and changes to regulations.
- 2.2 To ensure that the policy remains up-to-date, relevant and contributes to the Council's ambitions for affordable housing and tackling homelessness.

**3. Alternative Options**

- 3.1 The current Allocations Policy could be kept unchanged. However, this could leave Colchester Borough Council and the other council's open to legal challenge from applicants as the policy would not comply with new regulations that were introduced by the Government in April 2015.

**4. Supporting Information**

- 4.1 Choice Based Lettings (CBL) is the way we allocate homes to people seeking housing from the Council or from a Registered Provider (RP). Rather than the Council attempting to match an applicant to an empty property, choice-based lettings allows people seeking housing to bid for homes that are advertised by the landlord. The applicant with the highest priority, who has been waiting the longest and has bid for a given property, will generally be made the offer.
- 4.2 Gateway to Homechoice was launched in May 2009 covering seven of the Greater Haven Gateway authorities (Babergh, Braintree, Colchester, Ipswich, Maldon, Mid-Suffolk, Suffolk Coastal). Waveney District Council joined the scheme in 2011. Working in partnership with the other authorities makes it more cost effective and gives a wider range of choice to those applying for housing.
- 4.3 The scheme has one Allocations Policy which sets out which properties applicants are eligible for, the priority applicants are awarded to reflect their need for housing and how the policy works.

- 4.4 An Allocations Policy is a legal requirement for bodies allocating affordable and social housing. Some categories of applicants are given preference under legislation (called reasonable preference categories). These include those with medical or welfare needs to move, homeless households and those living in overcrowded or unsuitable conditions. Other categories of applicants can then be given preference to reflect local circumstances, for example under the existing policy preference is given to existing tenants wanting to move to a smaller property.
- 4.5 Anyone over the age of 16 can make an application to join the housing register. However not everyone who makes an application will be *eligible* to join the housing register. Colchester Borough Council and the other partner local authorities are not able to allow an applicant to join the housing register if they are not eligible. The eligibility criteria for joining the housing register are as follows:
- The main applicant must not be subject to immigration control or be a person from abroad, unless they are a 'qualifying person'. They must pass the habitual residence test (as defined in section 161 of the Housing Act 1996 and meet the criteria in SI 2006/1294 - Allocation of Housing and Homelessness (Eligibility) Regulations).
  - The main applicant and their household must be resident in the UK or the Common Travel Area. (The Common Travel Area includes the United Kingdom, Republic of Ireland, Channel Islands and Isle of Man).
  - If an applicant is 16 or 17 they will not be offered a tenancy unless they have a guarantor. This could include an applicant whose partner is 18 or older.
- 4.6 In addition to eligibility criteria, applicants will have a local connection to the area of operation of Gateway to Homechoice if they meet one or all of the criteria below:
- Their only or principal home is within the boundaries of the district or borough covered by the scheme.
  - They were placed in specialised housing which is not available in the area of the scheme, but had a local connection previously through residence.
  - They (not a member of their household) are in permanent paid work in one of the partner districts or boroughs.
  - They have a son, daughter, brother, sister, mother or father, who is over 18 and lives in the area of the scheme, and has done so for at least five years before the date of application.
- 4.7 The following people will also have a local connection to the Gateway area of operation if:
- The main or joint applicant is serving in the regular forces or who has served in the regular armed forces within five years of the date of their application
  - The main or joint applicant has recently ceased or will cease to be entitled to reside in accommodation provided by the Ministry of Defence following the death of that person's spouse or civil partner where the spouse or civil partner has served in the regular forces and their death was attributable (wholly or partly) to that service
  - The main or joint applicant is serving or has served in the reserve forces and is suffering from a serious injury, illness or disability which is attributable whether wholly or partly to that service

- 4.8 An applicant will lose their local connection if:
- Since applying to join the register they have moved outside the Gateway area of operation and no longer meet any other local connection conditions.
  - They had a local connection through a close relative but the relative no longer resides in the area.
  - They had a local connection through their employment but this no longer applies.
- 4.9 Each applicant's connection to the area of operation of the scheme will be assessed on an individual basis. Applicants who do not have a local connection are permitted to join the Housing Register but once their housing needs have been assessed, they will be placed in the band that is one lower than if they had a local connection. For example, if someone is assessed and their housing needs mean that they would ordinarily be placed in Band C, if they don't have a local connection to one of the districts or boroughs they will be placed in Band D instead.
- 4.10 Controls are in place to ensure that no more than a certain proportion of homes in one council area can be allocated to households moving in from other council areas within Gateway to Homechoice. Regular reviews are carried out to monitor both inward and outward migration and for Colchester there have been more Colchester applicants moving out of the area than moving in from the councils in the Gateway to Homechoice partnership. This suggests that local households are getting the maximum benefit of mobility and having their housing need met.
- 4.11 The original policy was devised through consultation with members, applicants, tenants and partner organisations during 2008. The policy was reviewed in 2011 and minor changes were approved. In 2012 there were a number of changes made to the Policy as a result of new legislation and a code of guidance on allocation of accommodation. The revised policy was approved by Cabinet.
- 4.12 **Review process** - The Gateway to Homechoice Project Board, supported by the Gateway to Homechoice Operational Group, undertook the review with a remit to:
- Analyse trends and data from the housing register and lets.
  - Establish the key areas of consideration for the review.
  - Consult with frontline staff.
  - Consult with Registered Providers (RPs).
  - Obtain approval for the revised policy from each of the Local Authority partners.
  - Implement appropriate changes, including changes to the Gateway to Homechoice IT system.
  - Adopt the new policy.
- 4.13 **Outcome of the 2015 Review** There are no changes to key policy decisions. Any recommended changes do not have an impact on those who are already on the housing register and do not restrict the eligibility of prospective applicants. A number of minor changes have been made to the policy to ensure the policy complies with current regulations as well as technical changes which seek to clarify wording. Full details of recommended changes are in Appendix B.
- **Addition of policy response to Right to Move regulations** – These regulations seek to enable existing social tenants who need to move to take up work, to do so. Applicants also need to demonstrate, in accordance with the regulations, that if they did not, it would cause them hardship. These applicants are not subject to the usual local connection restrictions.

- **Removal of procedures throughout the policy** – The previous version of the policy included procedures, these have now been removed. The procedures were there as a guide for officers. This has made the policy clearer for applicants, and made it shorter.
- **Clarification on bidding restrictions** – Some applicants (such as homeless households to whom the Council has accepted a housing duty) are only allowed to bid on properties within a certain area or for a certain time period. These are known as bidding restrictions and the wording in the policy has been clarified. The wording for the penalties available (called sanctions in the policy) to local authorities (such as bidding on an applicant’s behalf) has also been clarified. .
- **Clarification of reviews and appeals** – These terms had been used interchangeably in previous versions of the policy but these terms have now been clearly defined

## 5. Proposals

- 5.1 To adopt the new Allocations Policy as at [Appendix A](#)
- 5.2 Full details of recommended changes are in [Appendix B](#). The main suggested amendments are the removal of the working procedures which were included in previous versions of the policy; the addition of wording to ensure the policy is compliant with the right to move regulations and technical clarification of wording.

## 6. Strategic Plan References

- 6.1 The Allocations Policy will help to achieve the following goals from the Council’s Strategic Plan 2015 - 2018:
  - Provide opportunities to increase the number of homes available including those that are affordable for local people and to build and refurbish our own Council houses for people in significant need.
  - Be clear about the major opportunities to work in partnership with public, private and voluntary sectors to achieve more for Colchester than we could on our own.

## 7. Consultation

- 7.1 Consultation regarding the new policy was undertaken with Register Providers, who were supportive of the changes to the Allocations Policy. The Allocations Policy was also shared with Colchester Borough Homes’ (CBH) Board.

## 8. Publicity

- 8.1 The revised policy will be advertised on the G2H web-site to make customers aware of the changes. Information will also be included in CBH’s tenant newsletter and the Council’s “Home View” e-newsletter. A link to the revised policy will be sent via email to Registered Providers and other partners to publicise the revised policy.

## 9. Financial Implications

- 9.1 The proposed changes to the policy do not have any financial implications.

## 6. Standard References

6.1 There are no particular references to the community safety; health and safety or risk management implications.

## **7. Equality, Diversity and Human Rights implications**

7.1 A revised equality impact assessment has been completed on the revised allocations policy. The assessment did not show any particular areas of concern of that those with protected characteristics would be unfairly disadvantaged under the updated Allocations policy. The EQIA can be found here [Equality Impact Assessment - Allocations Policy](#)

## **Appendices**

Appendix A – [The Allocations Policy](#) (or follow the pathway [www.colchester.gov.uk/Your Council/Committees, Agendas and Minutes/Cabinet/27 January 2016](http://www.colchester.gov.uk/Your-Council/Committees,Agendas-and-Minutes/Cabinet/27-January-2016))

Appendix B – [Detailed list of changes](#) ([www.colchester.gov.uk/Your Council/Committees, Agendas and Minutes/Cabinet/27 January 2016](http://www.colchester.gov.uk/Your-Council/Committees,Agendas-and-Minutes/Cabinet/27-January-2016))



27 January 2016

Report of	Monitoring Officer	Author	Andrew Weavers ☎ 282213
Title	North Essex Garden Settlements – Project Governance Arrangements		
Wards affected	All		

**This report requests Cabinet to approve governance arrangements in relation to the proposed North Essex Garden Settlements Project**

## 1. Decisions Required

- 1.1 That the Leader of the Council, the Portfolio Holder for Economic Growth and Planning and the Chief Executive (or their nominated representative) be authorised to represent and to make executive decisions on behalf of the Council, in accordance with the Council's Constitution, on the Joint Shadow Delivery Board in accordance with the Governance Structure, set out in Appendix A.
- 1.2 Authority be delegated to those Officers appointed by the Chief Executive to represent the Council on the Joint Steering Group and relevant delivery/project teams to make decisions in accordance with the relevant terms of reference, as set out in Appendix A.
- 1.3 Cabinet notes the outcome of the recent bid for grant funding from the Department of Communities and Local Government (DCLG) to progress the Garden Settlements concept and provides on-going support and partnership working together with Braintree District Council, Essex County Council and Tendring District Council to deliver the project.
- 1.4 That the Council hold the DCLG grant funding on behalf of the North Essex Garden Settlements Project and that authority to approve expenditure of the grant funding be delegated to the Joint Steering Group in accordance with the project.
- 1.5 Cabinet notes the desire of the Joint Shadow Delivery Board to deliver the development through a special purpose vehicle and supports advice being commissioned.
- 1.6 The Leader of the Council be authorised to make a decision to establish a special purpose delivery vehicle following receipt of a detailed report and of no concerns being raised by either the Council's Section 151 or Monitoring Officers. Should any material changes or substantial financial investment by the Council be required, a further report be presented to Cabinet for further decisions.

## 2. Reasons for Decision

- 2.1 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 settlements' using the funding recently awarded by the DCLG and to approve governance arrangements for the project.

### **3. Alternative Options**

3.1 No alternative options are presented.

### **4. Background Information**

- 4.1 In the work being carried out by the Council, Braintree District Council and Tendring District Council on their respective Local Plans, the potential for new major developments in the form of new 'garden settlements' has been identified as a possible means of meeting future growth requirements. There are 4 sites under consideration in North Essex and these include new settlements crossing the administrative boundary of Tendring and Colchester in the vicinity of the University and crossing the administrative boundary of Colchester and Braintree at Marks Tey.
- 4.2 The three district Councils working in partnership with Essex County Council and the University of Essex have already begun to explore the potential for such developments and are receiving assistance from the 'ATLAS' team at the Homes and Communities Agency (specialising in major development proposals) and 'Garden City Developments Ltd' (specialising in the application of 'Garden City' principles to the development of new settlements and major new suburbs). A Steering Group consisting of Council Leaders, Planning Portfolio Holders, Chief Executives and other Senior Officers have entered into a Memorandum of Understanding with Essex County Council and the University of Essex, overseen the involvement of ATLAS and Garden City Developments, begun to develop a vision for the new settlements and have started work to explore some of the potential infrastructure requirements of developments of this scale along with potential funding mechanisms. The Councils have also jointly employed a new project manager to coordinate this work.
- 4.3 In 2014 DCLG issued a prospectus entitled 'Locally-led Garden Cities'. This document invited expressions of interest from Councils interested in developing new Garden Settlements, along with an indication of how Government could support such development.
- 4.4 A joint bid for funding was submitted in response to DCLG's prospectus setting out proposals and a level of ambition to adopt Garden City Principles. It is important to note that the bid acknowledged that the Councils have included a Garden Settlement(s) as an option for growth in their upcoming Local Plan consultations to date. Submission of the bid for government funding to explore the concept further did not commit the Council to including the Garden Settlement option, which is a decision to be made by Council when it decides the Preferred Options in 2016. The bid sought funding from the government to procure further specialist advice to assist in advancing the garden settlement proposals in an efficient manner.
- 4.5 In December 2015 the Council was notified that the North Essex Garden Settlement bid to DCLG had been successful and £640,000 funding had been awarded.
- 4.6 Prior to the bid funding being awarded the Project agreed an interim governance structure to ensure a joint and cohesive approach where appropriate to the development of potential garden settlements within the council districts of Colchester, Tendring & Braintree. At the time it was recognised that the structure would evolve as the project progressed and require review and adaptation at key stages to ensure it was fit for purpose.

- 4.7 As part of the Duty to Co-operate, the Planning Authorities agreed approaches to strategic plan-making which included identifying the concept of Garden Village Settlements to potentially deliver the required housing growth in each area, it was therefore necessary to explore this and discussions with third party landowners progressed. Since then, DCLG has committed substantial funding to the next stage of the project, to progress from a concept to delivery, which involves land negotiation with a view to development, which if agreements are reached, may assist the local plan process. It is important to stress that this project is a separate function in law to the local plan decision making and will run in parallel to it.
- 4.8 The implications are that the project is likely to shortly enter a substantially more intense period over the next year, and that it is appropriate to review the governance structure at this point to ensure it can meet the likely challenges of the coming year and provide the necessary authority and delegations for decision making. Key milestones over the coming year include the publication of Local Plan Preferred Options in summer 2016, confirmation of business plan(s) and Delivery Vehicle(s) in respect of those garden settlements where the Councils will have a key delivery role. Whilst the Local Plan functions and responsibilities fall to the Local Plan Committee and full Council, strategic planning and partnership working together with land negotiations and requisite funding decisions sit with Cabinet.
- 4.9 The proposed governance structure focuses on three areas:
- Creating a single Shadow Joint Delivery Board for Garden Settlements
  - A streamlined Garden Settlements Joint Steering Group
  - A revised approach to the Working Group / Team structure reflecting inputs that will be required to both planning and investment-related work-streams that will take place over the next six months.
- 4.10 This report recommends the governance arrangements including specific delegations required to progress the project in accordance with the governance structure. It is acknowledged that the project is an evolving concept and these delegations are authorised on the principle that if any substantial changes materialise or significant financial investment is required a further report will be presented back to Cabinet.
- 4.11 A separate report on the planning aspects of the project was considered by the Local Plan Committee at its meeting on 14 December 2015.

## **5. Supporting Information**

- 5.1 In the work being carried out by the Councils new 'garden settlements' have been identified as a possible means of meeting future growth requirements. In accordance with the Duty to Cooperate, the Council is working closely with Braintree District Council and Tendring District Council, who are at similar stages in their respective Local Plan preparation, to plan effectively for the long term. As part of this process, the Councils (with assistance from Essex County Council) are thinking strategically, are not being restricted by current plan making time horizons and are considering whether Garden Settlements could address some of this long term need both within the plan period and beyond.

## What are Garden Cities?

- 5.2 Garden Cities are described by the Town & Country Planning Association (TCPA) as *“holistically planned new settlements which enhance the natural environment and offer high-quality affordable housing and locally accessible work in beautiful, healthy and sociable communities”*
- 5.3 Garden Cities are underpinned by a set of principles. These principles have evolved from Ebenezer Howard’s original vision in 1898 which described how *‘the advantages of the most energetic and active town life, with all the beauty and delight of the country, may be secured in perfect combination’* and include:
- land value capture for the benefit of the community;
  - strong vision, leadership and community engagement;
  - community ownership of land and long-term stewardship of assets;
  - mixed-tenure homes and housing types that are affordable for ordinary people;
  - a strong local jobs offer in the Garden City itself, with a variety of employment opportunities within easy commuting distance of homes;
  - beautifully and imaginatively designed homes with gardens, combining the very best of town and country living to create healthy homes in vibrant communities;
  - generous green space linked to the wider natural environment, including a surrounding belt of countryside to prevent sprawl, well connected and biodiversity rich public parks, and a mix of public and private networks of well-managed, high-quality gardens, tree-lined streets and open spaces;
  - opportunities for residents to grow their own food, including generous allotments;
  - strong local cultural, recreational and shopping facilities in walkable neighbourhoods; and
  - integrated and accessible local transport systems with walking, cycling and public transport being the most convenient and affordable – with a series of settlements linked by rapid transport providing a full range of employment opportunities (as set out in Ebenezer Howard’s vision of the ‘Social City’ in his book – *To-Morrow: A Peaceful Path to Real Reform* (1898)).
- 5.4 In terms of scale, the Government has indicated that Garden Cities should comprise approximately 15,000 dwellings and above, as well as associated employment, green space and infrastructure, with the expectation that it would take longer than one plan period to deliver these new communities. Additionally, there could be scope to apply Garden City Principles including land value capture to smaller settlements.
- 5.5 Following the Issues and Options Report and the Call for Sites exercise, the Council (in conjunction with Braintree District Council and Tendring District Council) jointly appointed Garden City Developments CIC (GCD), a not for profit community interest company, to promote and establish partnerships with local landowners and option holders to investigate the feasibility of the proposed Garden Cities. John Walker from GCD is attending the meeting to assist Members who may have specific queries in terms of the Garden City approach and GCD’s involvement in the process to date.
- 5.6 GCD has met Members from each Council, has held numerous meetings with key landowners, and is currently undertaking discussions with these landowners and option holders.
- 5.7 The intention of these discussions is to develop the Councils’ options around applying land value capture and long term stewardship arrangements, and to specifically explore

landowners' appetites for engaging with the councils on these issues and willingness to enter legally binding agreements with the respective councils to such effect.

- 5.8 Parallel to this, the Councils are also actively seeking to evolve the policy process to further endorse the emerging concepts – the result being that all three Councils may decide to identify a Garden Settlement as a broad location for growth in their Local Plan Preferred Options.
- 5.9 Should the Council decide to proceed with a Garden Settlement as part of their Preferred Options, depending on its location, dedicated Development Plan Documents would be prepared for each settlement once the principle has been agreed. This process will allow for extensive community consultation and participation very early on in the process.
- 5.10 It is noted that the consideration of new Garden Settlements is considered extremely visionary and at the forefront of current strategic planning thinking. In principle support for the proposals has already been obtained from Government and the Councils are also receiving assistance from the Major Projects Division of the Homes and Communities Agency (ATLAS).
- 5.11 It is envisaged that the delivery of new Garden Settlements could assist in a commitment to a viable and committed housing trajectory across the Councils beyond the proposed Local Plan period.

#### **Outcome of DCLG Bid**

- 5.12 The Councils are already expending considerable sums as part of their formal plan making processes. The strategic scale and associated timing of potential Garden Settlements is beyond what any Council has dealt with over recent times and as such focus, dedicated resources, specialist advice and support is required to develop proposals – particularly at this early stage when the 'ask' and scope is still being defined and refined.
- 5.13 It is for this reason that in 2014, the DCLG issued a prospectus entitled '*Locally-led Garden Cities*'. This document invited expressions of interest from Councils interested in developing new Garden Settlements, along with an indication of how Government could support such development.
- 5.14 In response to this prospectus, the Councils bid for, and have been successful in obtaining, dedicated funding of £640,000 from the DCLG to further investigate the feasibility of Garden Settlements.
- 5.15 This funding will assist in facilitating a number of work streams that will need support to develop emerging proposals, to meet key milestones and secure delivery. These include brokerage assistance, direct planning support and capacity funding. The funding will also enable the Councils to both dedicate sufficient technical input, and undertake a range of key studies and assessments.

#### **Governance Structure:**

- 5.16 To commence the strategic thinking around garden village settlements and prior to the bid funding being received, an interim governance structure had been set up through the Councils' joint working. It was always anticipated that if the joint funding bid was

successful, these governance arrangements would be reviewed and refreshed to respond to the following project drivers:

- Clarity on how decisions on investment and other key areas will be made;
- Streamlining of the Shadow Delivery Board & Steering Group roles to reflect decisions that may need to be made during the coming year;
- Use & management of DCLG funding for commissioning substantive areas of consultancy support for master-planning, legal and financial work;
- Cross boundary working on strategic planning issues and associated evidence base relevant to the garden settlements between local authorities to compliment the preparation of individual Local Plans;
- Need to maintain focus in light of the number of diverse work streams related to the garden settlements running in tandem.

5.17 A refreshed Governance structure for Garden Settlements has been proposed by ATLAS to the Steering Group for adoption by the Joint Shadow Delivery Board and is attached at Appendix A. The Council is required to formally appoint Member and Officer representatives on outside bodies and it is recommended that the Leader of the Council and the Portfolio Holder for Economic Growth and Planning and Chief Executive ( or their nominated representative) would sit on the Joint Delivery Shadow Board. The Chief Executive will appoint officers to the Steering Group and delivery teams as appropriate. All appointees will be provided with authority to act in accordance with the relevant groups terms of reference. It is accepted that the governance structure might require further revision as the project evolves.

5.18 It is noted that the Leader of the Council, and/or the Portfolio Holder for Economic Growth and Planning cannot override or constrain any decisions falling within the remit of the Local Plan Committee.

### **Special Purpose Delivery Vehicle & Bodies:**

5.19 Garden Cities Developments Limited ('GC Developments') has been engaged by the Councils to assist with this project. As the land under consideration is owned by third parties initial discussions have commenced with the landowners. One concern expressed by landowners is whether the Councils are able to deliver the development. GC Developments have advised that the creation of a separate delivery vehicle for this purpose will help demonstrate that the Councils are serious and committed to the project and therefore aid their discussions with landowners. The Joint Shadow Delivery Board received some legal advice providing an analysis of delivery vehicle options, taking into account the development:

- Is likely to take decades to complete;
- Will need to be undertaken by co-operation with the landowner;
- Will need to find a way of 'capturing land value' for the community'; and
- Will need to find a way of securing long term stewardship of the community assets.

5.20 Possible forms of delivery vehicle were considered accepting that no development model has been identified. The vehicle needs (as far as possible) to be:

- Established quickly, to assist with the establishment of credibility;
- Flexible, given the uncertainty as to how the model might work;
- Designed with transition in mind – so it can move from a body with a delivery role vehicle to a vehicle which exercises long term stewardship of assets;

- Able to access finance (either from the Councils via prudential borrowing or commercial borrowing guaranteed by Councils); and
- Able to buy and sell land and hold significant contracts with landowners.

5.21 There are some factors which always need to be considered when establishing an external entity. These are:

- Ability to distribute surpluses;
- Ability to reflect ownership;
- Security/stewardship of assets;
- Procurement law;
- State Aid; and
- Taxation

5.22 In addition to considering a vehicle structure the number of delivery bodies needs to be explored. Options are:

- Single entity to deliver all projects.
- Single entity with SPV subsidiary for each project (which could include Developers).
- One entity for each project.

5.23 The Joint Shadow Delivery Board favoured an overarching corporate entity wholly owned by the all the Councils, which will have the ability to set up separate single special purpose vehicles for each site/project, if required. On this basis further advice is being commissioned to run parallel with the various concept phasing, to ensure that once the preferred type of development model is known the appropriate delivery vehicle can be established, thereby preventing any unnecessary delay to the progress of the project. For this reason it is preferred that the Leader of the Council has delegated authority to decide to establish the appropriate delivery vehicle, in consultation with the Council's Section 151 and Monitoring Officer's.

## **5. Strategic Plan References**

5.1 The Strategic Plan Action Plan includes a commitment to make Colchester a vibrant, prosperous, thriving and welcoming place. The new Local Plan will contribute to the attainment of this commitment through new development, conservation and regeneration.

## **6. Financial Considerations**

6.1 The funding awarded by DCLG is being held by the Council on behalf of and ring-fenced for the North Essex Garden Settlement Project. Authority to authorise expenditure from the DCLG funding is delegated to the Joint Steering Group.

6.2 The project is still at an early stage, and the full financial implications for the authorities involved have not as yet been determined. The project is likely to involve the need to externally borrow significant sums, as well as source funding within existing resources within the overall context of our medium term forecasts / treasury strategies. This will be discussed in detail between the Chief Financial Officers of each authority, with the outcomes being subject to further decisions as the project progresses.

## **7. Equality, Diversity and Human Rights Implications**

7.1 No direct implications

## **8. Legal Implications**

- 8.1 Strategic planning, partnership working, land negotiations for future development, consideration of delivery vehicles and requisite funding decisions are executive functions which are the responsibility of Cabinet.

## **9. Consultation and Publicity Implications.**

- 9.1 The concept of new settlements crossing the boundary of Colchester and Tendring has already been the subject of public consultation both through the Colchester Issues and Options consultation and the recent Tendring Issues and Options consultation. Braintree District Council also made reference to Garden Settlements in their Issues and Options consultation.

## **10. Community Safety, Health and Safety and Implications**

- 10.1 No direct implications.

## **11. Risk Management Implications**

- 11.1 Without the funding being requested, the Councils involved will have had to resource future exploratory work within their existing budgets

## Appendix A: Governance Structure for Garden Settlements

### Background Paper

- The Department for Communities and Local Government (DCLG) prospectus entitled 'Locally-led Garden Cities'

## **Garden Communities Project Governance Structure**

### **Terms of Reference for the groups**

#### **Garden Communities Joint Shadow Delivery Board**

##### **Key purpose:**

To provide overall direction in respect of the project and setting up an appropriate delivery structure for those Garden Communities the partners decide to progress with, subject to the plan-making process. The purpose and terms of reference of the Shadow Board will be reviewed when a decision is made to proceed with setting up a formal delivery vehicle(s).

##### **Terms of Reference:**

###### Decisions

- Recommends the format of the potential delivery structure that may be set up in respect of defined Garden Settlements to the appropriate decision making bodies within the respective councils
- Recommends the format of a long term stewardship structure that may be set up in respect of defined Garden Settlements to the appropriate decision making bodies within the respective councils
- Recommends longer term governance, monitoring and scrutiny arrangements within the councils in relation to any delivery vehicle arrangement proposed to the appropriate decision making bodies within the respective councils
- Complies with all relevant statutory or administrative requirements relating to due diligence and the use of public funds in relation to the garden settlements project

###### Financial

- Agrees an annual budget for bringing forward garden settlements until a Delivery Vehicle is set up including use of any funding received from Dept. of Communities and Local Government
- Recommends a draft business plan for investment & delivery of the garden settlements to the appropriate decision making bodies within the respective councils

###### Administrative

- The Chairperson of the Board will be appointed from meeting to meeting on a revolving basis
- The Board will meet on a two-monthly basis or more frequently as agreed
- The agenda and supporting papers for each meeting will be circulated 5 working days prior to the meeting
- Decisions will be made by consensus, but if that is not possible, then by the casting of a single vote by each of the organisations represented on the Joint Shadow Delivery Board
- Minutes of meetings will be published subject to commercial sensitivity

**Core membership:**

- Leaders/Planning portfolio holders at Colchester BC, Tendring DC, Braintree DC and Essex CC – names of members and substitutes to be nominated by each council
- Lead local authority directors on garden communities – Ian Vipond (CBC); Jon Hayden (BDC); Martyn Knappett (TDC); Andrew Cook (ECC)
- University of Essex – Vice-Chancellor Professor Anthony Forster
- Haven Gateway Partnership – Steve Clarke, Director
- Additionally, a representative from the private sector may be included at invitation from the Shadow Board, but will not have any voting rights in decisions.

**Garden Communities Joint Steering Group****Key purpose:**

The Steering Group will define the scope of the Garden Settlements project, take a strategic view of relevant cross-boundary issues and provide strategic direction to officers for taking forward the projects and work programmes related to them. It will be responsible for commissioning papers and reports to be considered by the Joint Shadow Board and making recommendations to the Board. The core membership of the Steering Group will be focussed on key lead officers from the main partner organisations. It may be appropriate to co-opt commercial experience onto the group at an appropriate stage.

To enable the Steering Group to function appropriately to meet the challenges of this project, briefings will be arranged by the project manager for the Steering Group members in advance of the formal meetings – the purpose of these briefings will be to explore in more detail the agenda items on the forthcoming meeting agenda with relevant advisors.

**Terms of Reference:**

## Decisions

- Define the scope of the project at relevant stages
- Direct and monitor progress with the defined garden settlement project
- Make recommendations to the Joint Shadow Delivery Board in respect of delivery issues related to the Garden Communities project
- Sign off on a Strategic Route Map for the project and keeps it under review
- Set up project teams and working groups as appropriate to progress the project
- Sign off on project plans for the project teams / working groups and ensure effective cross-collaboration between the teams in relation to project issues
- Maintain a risk register for the project and keeps it under review
- Ensure the appropriate resources and working mechanisms are in place to deliver a co-ordinated cross-boundary approach to the plan-making & delivery processes in relation to the garden settlements
- Signs off on any joint consultancy commissions drafted for the potential cross-boundary garden settlements

- Resolve any blockages and issues should they occur, if they cannot be resolved by a project team
- Provides direction on engagement with landowners / development promoters and monitor the outcomes of negotiations
- Ensure an appropriate project governance structure and is in place to meet the challenges and needs of the project
- Ensure that due diligence and appropriate decision making channels are exercised in relation to decisions required for delivery of the garden settlements
- Provide direction on external communications related to the project

#### Financial

- Recommend a business plan for the use of internal and external funding and resources to bring forward the garden settlement proposals to the Shadow Delivery Board until a Delivery Vehicle is set up; and monitor expenditure
- Provides strategic direction on potential external funding opportunities to be explored

#### Administrative

- The Chairperson of the Steering Group will be appointed from meeting to meeting on a revolving basis
- The Steering Group will meet on a monthly basis or more frequently if necessary.
- The agenda and supporting papers for each meeting will be circulated xxx days prior to the meeting
- Lead directors from Braintree, Colchester and Tendring Councils will take on a champion role for key work areas
- Prior to each Steering Group meeting, where appropriate, the Project Manager will arrange a briefing for core Steering Group members and advisors in respect of agenda items
- Minutes of meetings will be published subject to commercial sensitivity

#### **Core membership:**

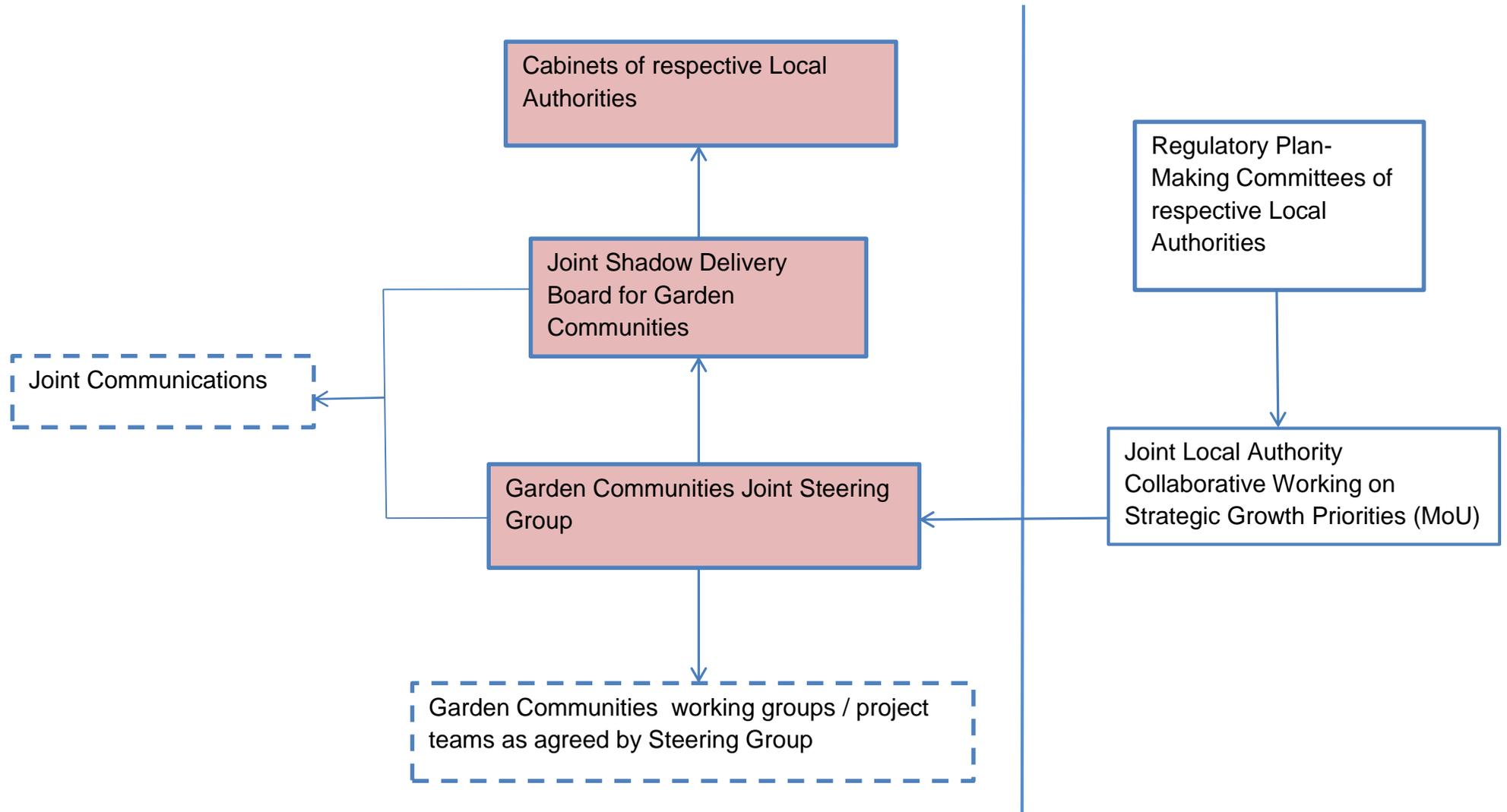
- Colchester BC – Ian Vipond (Champion for masterplanning & infrastructure workstream?) + advisor
- Tendring DC – Martyn Knappett (Champion for legal issues & workstream) + advisor
- Braintree DC – Jon Hayden (Champion for financial workstream) + advisor
- Essex CC – Sean Perry + advisor
- University of Essex - Registrar Bryn Morris
- Garden Settlements Project Manager – Chris Outtersides
- Advisors on an 'invitation only' basis

#### **Project teams / working groups**

To ensure that the partners are providing appropriate input to the plan-making, investment & evidence gathering / concept development aspects of the garden communities project, a

number of project teams and task & finish working groups will be required. The Steering Group will make arrangements for setting these up as required.

## Governance Structure for Garden Communities





<b>Report of</b>	<b>Head of Operational Services</b>	<b>Author</b>	<b>Chris Dowsing</b>
<b>Title</b>	<b>Waste Vision</b>		 <b>282752</b>
<b>Wards affected</b>	All		

**This report concerns the adoption of the Vision for how waste should be managed in the Borough.**

**1. Decision(s) Required**

- 1.1 That Cabinet recommends adoption of the Vision for waste management set out in Appendix 1 by Full Council as part of the Council's policy framework at its meeting on the 17 February 2016.
- 1.2 That Cabinet agrees the timeframe set out in section 7 of this report for carrying out a public consultation on waste collection methods.
- 1.3 That Cabinet thanks the Waste Prevention and Recycling Options Appraisal Task and Finish Group for its work to date. The terms of reference of the group now being fulfilled, the Task and Finish Group will hereby come to an end.

**2. Reasons for Decision(s)**

- 2.1 Cabinet received a report updating it on the work of the Waste Prevention and Recycling Options Appraisal Task and Finish Group at its meeting on 14 October 2015. Cabinet identified that the Council needed to identify its desired outcomes for the management of waste and recycling going forward and the work of the group was paused, while the Vision for how waste should be managed was prepared.
- 2.2 As the Waste Vision forms part of the Council's policy framework, it will require adoption by Full Council.
- 2.3 The existing Terms of Reference for the Task and Finish group has been met and there are no further items of business that the group could currently contribute to.

**3. Alternative Options**

- 3.1 The Council last reviewed its waste strategy in 2008 and as such it requires updating to reflect the Council's current vision for the management of waste. The alternative to this is to not review the Council's objectives for the management of waste and recycling, which is not a desirable position in which to consider future options for the management of waste and recycling.
- 3.2 The Cabinet could consider retaining a Waste Task & Finish Group, but it would need to develop and agree new tasks for it to work on.

## **4. Supporting Information**

- 4.1 At its meeting on the 14th October 2015 Cabinet received a report updating it on the work of the Waste Prevention and Recycling Options Appraisal Task and Finish Group. The group met on six occasions and received a wide range of detailed information on a variety of issues relating to the effective management of waste including what methods were used by the best performing authorities for recycling, barriers to recycling, incentives and behaviour change effects as well as other areas of interest.
- 4.2 The group also considered the methods and options for an effective public consultation which has helped to develop a programme for the consultation going forward. The group met its terms of reference and is thanked for its time and efforts in doing so.
- 4.3 It was proposed that Cabinet takes the opportunity to produce a new waste strategy that enables it to give a clear direction about the outcomes it is seeking to achieve for the management of waste and recycling. This is now being presented as a Waste Vision.
- 4.4 In line with the timetable set out in the previous report to Cabinet the Waste Vision was presented to Scrutiny Panel at its meeting 8<sup>th</sup> December 2015. Whilst there was concern over the detail of the document no substantive comments were made for the Cabinet to consider.

## **5. Proposals**

- 5.1 It is proposed that following scrutiny of the Waste Vision Cabinet recommends to Full Council that the vision is adopted as part of the Council's Policy Framework. The vision provides a clear basis on which future decisions concerning how waste is managed in the Borough can be assessed.
- 5.2 Alongside the vision, a definitions document will be provided on the Council's website. This will provide links to a range of information and legislation around the management of waste and recycling that the Council also needs to consider or adhere to.

## **6. Strategic Plan References**

- 6.1 This waste vision contributes to the strategic plan themes of:
- 'Welcoming' - improve sustainability, cleanliness and health to make the borough a place where people can grow and be proud to live
  - 'Vibrant' - work hard to shape our future, and develop a strong sense of community across the borough by enabling people and groups to take more ownership and responsibility for their quality of life.

## **7. Consultation**

- 7.1 In order to inform Cabinet's considerations for the doorstep waste and recycling collection service in the Borough, Qa Research was commissioned to:
- 'Evaluate the views of a representative sample of residents regarding possible changes to recycling and refuse collection services in Colchester'
- 7.2 Qa conducted eight qualitative focus groups with residents across four separate locations in Colchester. As part of the commission, Qa would also undertake face to face surveys with 1,000 households that form a representative sample of the Borough and there will be an online survey, which all residents of the Borough will have access to.

This work is yet to be completed. It is proposed that this work is completed by Qa, in March and April 2016 so that the results can be reported back to Cabinet at its first full meeting of the new Municipal Year.

## **8. Publicity Considerations**

- 8.1 If the Vision is agreed by the Cabinet and Full Council it will be publicised via the Council's website and provided to partner organisations.

## **9. Financial implications**

- 9.1 There are no direct financial implications as a result of the decisions in this report. Any financial implications arising as a result of any future work streams would be provided in future reports.

## **10. Equality, Diversity and Human Rights implications**

- 10.1 An updated Equality Impact Assessment for the Recycling and Waste service is available here <http://www.colchester.gov.uk/CHttpHandler.ashx?id=7734&p=0>

## **11. Community Safety Implications**

- 11.1 There are no community safety, Health and Safety, and Risk Management implications as a result of this report.

## VISION

The Council's vision for the future of waste management in the Borough is one where:

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

**MINUTE EXTRACT  
SCRUTINY PANEL  
8 DECEMBER 2015**

**38. Waste Vision**

**Councillor Lissimore**

Councillor Lissimore stated that she was greatly disappointed with the Waste Vision, as presented in the report, as she had been expecting a strategy with a plan of action for waste in the Borough. Councillor Lissimore stated that the vision contained no aims, specifics or outcomes for waste. Councillor Lissimore questioned why the waste consultation had not been included in the report, given that it has already been agreed and paid for by the Borough Council.

The Scrutiny Panel Chairman welcomed the Portfolio Holder and the Officers to the Scrutiny Panel and questioned the reasoning behind the Waste Vision rather than the previously stated Waste Strategy. Councillor Davies highlighted that a significant amount of work was undertaken by the Task and Finish Group in advance of the Vision and that the Vision does not contain any measurable outcomes. Councillor Davies questioned why the consultation which is ready to be launched was not included within the report as a basis for a strategy; Councillor Davies also added that many of her residents were expecting the consultation in summer and wanted to fill it in.

The Portfolio Holder stated that the Waste Vision comes in advance of the Waste Strategy, and provides the aspirations of the Council. The Vision will be agreed by Cabinet on 27 January and provides the first stage of developing a waste strategy. Councillor Graham also highlighted that the report includes a number of links to research and national legislation which provide the basis of the Waste Vision. With regard to the consultation; it will be launched once the Vision has been approved by Cabinet and then Full Council.

Councillors highlighted the following issues:

- Councillor Pearson – Questioned the process behind the creation of an implementation plan.
- Councillor Young – Questioned the difference between previous Waste Strategies and the current vision; also asked for an update on whether Essex County Council was considering an incinerator for the fuel by product of the Mechanical Biological Plant (MBT).
- Councillor Cope – Queried whether the recycling quality and quantity for paper and recycling could be improved with different waste collection methods.

- Councillor Harrington – How did the information from the Task and Finish Group and the information on Colchester Borough Councils waste performance in comparison to other Local Authorities help to create the Waste Vision?
- Councillor Davies – Queried when the focus group responses to the waste consultation as highlighted by Nick Chilvers would be released to the public?
- Councillor Moore – How will people be informed about when they can respond to the consultation?
- Councillor Hardy – Suggested that the information on the Waste consultation be included in Council Tax letters, and highlighted the need to assist those residents who do not have an internet connection.

The Portfolio Holder, Matthew Young and Chris Dowsing provided the following responses to the issues raised;

- In response to Councillor Pearson, the Portfolio Holder stated that once agreed by the Cabinet, and by Full Council, along with the consultation responses, the implementation plan will then be created.
- The previous strategy was created in 2008; since that strategy the main difference is the significant technological advances that have occurred. This Vision reflects the Cabinet's viewpoint on waste management within the Borough. The Joint Essex Waste Committee is also in the process of updating their strategy and Colchester Borough Council has been updating theirs in parallel. With regard to the fuel from the MBT plant, Chris Dowsing stated Essex County Council are currently tendering for a company to use the solid recoverable fuel which is a by-product from the mechanical biological process and they have the obligation of finding a market for the material. This may result in companies in Europe taking the fuel created, as they have a larger MBT infrastructure in place.
- Chris Dowsing stated that the issue with the current recycling collection is that it has less of a value as it is collected with the surrounding plastic bag. After the recyclable material is collected it is then bailed; the cost of removing the plastic bag from the bailed waste is prohibitive. If the material was collected differently there would be more markets in which to sell the recyclable materials, and the number of vehicles required would also reduce. If Colchester Borough Council undertook the separation of the material themselves it would cost a significant amount. Each method of recyclable waste collection has different costs and incomes at different stages. The Portfolio Holder stated that the Vision will help to provide a direction, as it is not possible to isolate different parts of the waste hierarchy.
- In response to Councillor Harrington, the Portfolio Holder stated that the information from the Task and Finish group and comparisons with other Local Authorities provided a good basis for the Vision. Other Local Authorities outsource certain waste collection or only collect certain materials. With regard to the quality of recycling collected is driven by the market, this indicates the price paid. The quantity is based around the

collection rate in the Borough. All of the very high performers operate a specific type of system with the top performer in the country reaching 65%. With regard to local competitors Colchester Borough Council recycling 48% of waste; Rochford District Council is the highest performer in Essex with just over 60%. Colchester Borough Council are currently the fourth lowest in Essex for the amount of waste collected; the prime aim should be to minimize the amount of waste being produced.

- The focus group surveys will be published once all residents have had the opportunity to respond to the consultation. Matthew Young highlighted that there will also be online surveys and a household survey of 1,000 residents.
- The Portfolio Holder stated that they will ensure that everyone is informed of when the consultation is going to be launched and the possible methods of responding.
- Matthew Young stated information on the survey will be included on the waste and recycling calendar that is distributed with Council Tax letters. For those residents who do not have an internet connection there will be systems to help, including assistance at the Library and a contact number. The online consultation makes it significantly easier to collate the responses provided by residents; the 1,000 household surveys being carried out by QA will also be fed into an electronic database.

*RESOLVED* that the Scrutiny Panel commented and considered on the Waste Vision.





## Cabinet

27 January 2016

Item  
**11(i)**

Report of	Assistant Chief Executive	Author	Kieran Johnston ☎ 507880
Title	ICT Strategy – Technology 2018		
Wards affected	All		

**This report concerns the ICT Strategy and the associated Investment Plan.**

### 1. Decision Required

1.1 To approve the Council's [ICT Strategy](#) and the associated [investment plan](#).

### 2. Reasons for Decision

2.1 To enable the implementation of the ICT Strategy, which will

- enable existing systems to continue to function where appropriate
- ensure that our ICT matches our aspirations and operational service delivery
- build resilience and business continuity, reducing our reliance on complex, 'legacy' networks and systems, with clearer financial unit costs.

### 3. Alternative Options

3.1 The alternative option would be not to approve the ICT Strategy, but that would leave some systems without appropriate support, impact on system reliability and prevent or delay the improvements which are needed to deliver the technology which will enable the Council to continue to respond effectively to its customers.

### 4. Supporting Information

4.1 The Council's current ICT approach results from the Fundamental Service Review of Customer Contact, approved by Cabinet in 2012. Some notable improvements from 2012 to 2015 include:

- Implementation of Microsoft Dynamics CRM within the Customer Service Centre (CSC)
- Investment in new top tasks website functionality
- Implementation of the MITEL Voice over Internet Protocol (VOIP) telephony system for the whole organisation (including CSC)
- Upgrading our systems from Windows XP to Windows 7
- Upgrading from Microsoft Office 2003 to Microsoft Office 2010
- Upgrading our email system
- Implementing new file storage systems to improve availability and response times
- Upgrading our anti-virus protection and performance
- Implementing a new backup solution to improve resilience
- Moving our servers from a server room within Angel Court to a dedicated space with Braintree Council's server room

- Delivery of a new self-serve solution for Council Tax, Benefits, Housing and Business Rates (NNDR).

4.2 Mobile technology has become a facet of daily life, the way in which people interact with friends, family, services and businesses. New digital technologies such as wearable devices, mobile apps and massively scalable computing power are combining with mobile connectivity and social media to transform how organisations and their customers communicate.

At the same time as this technology shift takes place, local government must be smarter and better at a lower cost. Flexibility is the key to this. The Council will adopt the innovative models of some of the most forward thinking and efficient companies and benefit from the improvement in digital skills across the community. We will make use of cloud environments and cloud applications to deliver services that are focused on customer experience and are available when and where people need them.

## 5. Approach taken

- 5.1 The Council has made great strides over recent years by enabling flexible working, improving processes and allowing customers to serve themselves. The next steps will involve embracing truly paperless working, extended self-serve and more efficient sharing of information across staff, councillors, customers and partners.
- 5.2 The ICT Strategy has been developed in line with future challenges in mind. Authored by Officers in consultation with the Portfolio Holder, it is in line with our collaborative work with the Essex Online Partnership (all public sector organisations in Essex – councils, fire and police), and with similar trends taking place within the public and private sector.
- 5.3 The ICT Strategy enables new ways that customers can self-serve, improves our workflows and automates our processes, enables paperless working and improves access to information. It is also key to new ways of working for councillors and staff, for further culture change, and will also help us achieve our ambition to earn more income from commercial trading.

## 6. Outcomes

- 6.1 The ICT Strategy and associated Investment Plan will:
- Enable us to maintain those existing ICT systems which are still required
  - move us to globally adopted, cloud-based infrastructure and technologies
  - reduce our reliance on our own network and the complex integrations between systems which currently limit our technological capability and functionality
  - provide clearer, more transparent cost of usage
  - improve reliability and resilience
  - ensure our ICT is suitable to help us meet our challenges over coming years
- 6.2 As well as ensuring existing systems continue to operate effectively, this Strategy will:
- Make it easier for Councillors and staff to work on any equipment from any location by introducing Office 365

- Implement a new cloud-based document creation, storage and management system across the organisation. This will make it significantly easier for people to share and access the information they need.
- Reduce the volume of paper we print by facilitating easier access to viewing 'papers' electronically.

6.3 Delivery of the ICT Strategy will enable:

- improved operational efficiency
- the foundations for “anywhere, anytime, any channel” access for customers
- flexibility, responsiveness and mobility for customers, councillors and staff
- greater opportunities for harnessing data.
- Digital by default processes and fully electronic working

## **7. Strategic Plan References**

7.1 The proposals contribute to the vision and broad aims set out in the Strategic Plan of a vibrant, thriving, prosperous and welcoming place. Technology acts as an enabler for the delivery of the Council's Strategic Plan over the next three years.

## **8. Consultation and publicity considerations**

8.1 Our ICT needs to meet our customers' expectation of how services are delivered in the 21<sup>st</sup> century. Times are changing fast, and many of our customers are very familiar with digital technology and expect instant or 24/7 access to services. They also expect this to be accessible from any device, at a time and place that suits them, and tailored to their needs and situation.

8.2 Councillors have highlighted their requirement for smarter, simpler access to the information they need to support their communities. This reflects the customer expectations shown in 8.1 for improved, straightforward access to relevant resources.

8.3 The 2015 staff survey highlighted that there was room for improvement with the equipment/software available to staff, access to information and knowledge, and ease of communication between teams. This Strategy addresses these needs by modernising our infrastructure, and improving the ability to share information.

## **9 Financial implications**

9.1 The investment over the next 3 years is £1.31million. The estimated cost of maintaining ICT 'as is' over the next 3 years is £750k. This means that the additional funding required over and above the cost of 'standing still' is £560k.

9.2 This investment beyond supporting standstill will enable further significant savings in the Digital Challenge business case which will come to Cabinet in March. Preparatory work on the business case for the Digital Challenge shows that this investment will be vital in unlocking a good return.

9.3 In addition to the Digital Challenge savings, it is also anticipated that this investment will reduce the need for significant further investment in our Windows Operating system in 2019. Based on the costs of the recent transition to Windows 7, it is anticipated that adoption of this strategy could remove c£500k of Windows upgrade cost in 2019.

- 9.4 Based on previous funding decisions and proposals within the 2016/17 budget, allocations of £730k have been identified. This leaves a balance of £580k which it is proposed is included in the capital programme as shown in the budget report on this agenda.

	16/17	17/18	18/19	Total
	£'000	£'000	£'000	£'000
<b>Total Investment required</b>	<b>685</b>	<b>325</b>	<b>300</b>	<b>1,310</b>
<i>Funding available:-</i>				
New Homes Bonus allocation ( <i>see budget report on this agenda</i> )	500			500
Uncommitted Capital Programme sum	130			130
Agreed in-year revenue contribution	100			100
<b>Total available</b>	<b>730</b>			<b>730</b>
<b>Capital Funding requirement</b>	<b>(45)</b>	<b>325</b>	<b>300</b>	<b>580</b>

- 9.3. There are forecast annual revenue costs associated with the strategy of c£200k which would start from 2019/20. It is forecast that the revenue cost associated with standing still would be c£100k.
- 9.4 The revenue costs have been included in the Medium Term Financial Forecast (MTFF). It is envisaged that the investment shown in the ICT strategy will help the Council in identifying ways to reduce revenue costs in later years through efficiency gains. These opportunities will be considered as part of future reviews of the MTFF.

## 10. Equality and Diversity Implications

- 10.1 The screening stage for an Equality Impact Assessment has been carried out, and is available by [clicking this link](#), or following this pathway from the homepage of [www.colchester.gov.uk](http://www.colchester.gov.uk): Council and Democracy>Policies, Strategies and Performance>Equality and Diversity>Equality Impact Assessments>Corporate and Financial Management>Managing Customer Experience. We are using this EQIA as the ICT Strategy is the enabler for the achievement of these aims and outcomes, and will be supplemented by additional screening if needed during implementation.

## 11. Other Standard References

- 11.1 There are no specific Human Rights, Community Safety or Health and Safety implications at this point. As with Equality and Diversity above, the implications for these areas will be considered at the implementation stage.

## 12. Risk Management Implications

- 12.1 Key ICT risks are already included in the Corporate Risk Register. A detailed risk assessment and register will be finalised, in line with the timescales around adoption of this ICT Strategy and development of the implementation plan.

## **Appendices**

Appendix 1 - [Technology 2018 ICT Strategy for Colchester Borough Council 2015-2018](#)  
(or follow the pathway [www.colchester.gov.uk/Your Council/Committees, Agendas and Minutes/Cabinet/27 January 2016](http://www.colchester.gov.uk/Your Council/Committees, Agendas and Minutes/Cabinet/27 January 2016))

Appendix 2 – [ICT Strategy Investment Plan](#) (or follow the pathway [www.colchester.gov.uk/Your Council/Committees, Agendas and Minutes/Cabinet/27 January 2016](http://www.colchester.gov.uk/Your Council/Committees, Agendas and Minutes/Cabinet/27 January 2016))

## **Background Papers**

None.



27 January 2016

Report of	Monitoring Officer	Author	Andrew Weavers ☎ 282213
Title	Revised Contract Procedure Rules		
Wards affected	Not applicable		

**This report requests Cabinet to approve revised  
Contract Procedure Rules**

**1. Decision Required**

- 1.1 To approve revised Contract Procedure Rules contained at [Appendix 1](#) to this report.

**2. Reasons for Decision**

- 2.1 Following the implementation of the Public Contracts Regulations 2015 which implements the latest EU Procurement Directive, the Council is required to update its Contract Procedure Rules to make them compliant. Other Amendments to the Rules reflect changes to the internal responsibility for the procurement team.

**3. Alternative Options**

- 3.1 No alternative options are presented.

**4. Supporting Information and Proposals**

- 4.1 The Council's Contract Procedure Rules require updating from time to time to ensure that they reflect changes in legislation and are fit for purpose. Attached at Appendix 1 to this report are proposed revised Contract Procedure Rules. The changes to the rules are detailed in the following paragraphs.
- 4.2 Every year the European Commission publishes new EU procurement thresholds for different types of contacts and the Rules have been amended to include these at Rule 3.
- 4.3 The Public Contract Regulations 2015 which implements the latest EU Procurement Directive require the Council to facilitate electronic tendering. Contracting Authorities under the Regulations (such as local authorities) are required to have this in place by 2018. However, the Council has been trialling the use of an electronic tendering system (whilst still requiring paper tenders) which has proved reliable and has appropriate safeguards built in. It is proposed that the Council switches electronic tendering now which is in line with the Council's Digital Challenge programme. The changes are contained at Rule 24 which does retain the ability to use a paper process if required for specific reasons.
- 4.3 With effect from 1 January 2016 the Procurement Team became part of the Governance Team within Corporate and Financial Management and the Rules have been amended accordingly. In addition, the opportunity has also been taken to review the Rules to ensure that the terminology is consistent throughout and that the rules are in a more logical order.

## **5. Strategic Plan References**

- 5.1 The manner in which Council governs its business is an underpinning mechanism in the Council's Strategic Plan aims to set out the direction and future potential for our Borough.

## **6. Financial Considerations**

- 6.1 No direct implications.

## **7. Equality, Diversity and Human Rights Implications**

- 7.1 An Equality Impact Assessment Statement has been prepared on the Constitution and is available on the Council website. The following link is to the Equality Impact Assessment:  
<http://www.colchester.gov.uk/CHttpHandler.ashx?id=2287&p=0>

## **8. Publicity Considerations**

- 8.1 All amendments to the Council's Constitution will be published on the Council's website.

## **9. Consultation, Community Safety, Health and Safety and Risk Management Implications**

- 9.1 No direct implications.

Appendix 1 – [Contract Procedure Rules](http://www.colchester.gov.uk/YourCouncil/Committees,AgendasandMinutes/Cabinet/27January2016) (www.colchester.gov.uk/ Your Council/Committees, Agendas and Minutes/Cabinet/27 January 2016)

Wednesday 27<sup>th</sup> January 2016

<b>Report of</b>	Head of Commercial Services	<b>Author</b>	Lee Spalding ☎ 282118
<b>Title</b>	Request for Delegated Authority in Connection with Procurement of Planned Preventative Maintenance Contracts for CBC and CBH		
<b>Wards affected</b>	All		

**This report requests that Cabinet delegates the responsibility for agreeing to enter into a contract(s) with the future Planned Preventative Maintenance contractor(s) for CBC and CBH to the Portfolio Holder for Resources**

**1. Decision(s) Required**

1.1 To delegate the responsibility for agreeing to enter into a contract(s) with the future Planned Preventative Maintenance (PPM) contractor(s) to the Portfolio Holder for Resources.

**2. Reasons for Decision(s)**

2.1 Tenders for the future delivery of PPM for CBC and CBH were returned on 7<sup>th</sup> January 2016 following an OJEU tender process. 32 tenders were returned in all and they are currently in the process of being analysed. The tender returns are also being compared against the existing Property Services framework administered by Essex County Council (ECC) which could also be used by the Council to deliver PPM if it is deemed to provide better value for money than the returned tenders.

2.2 The total value of the four year PPM contract(s) is expected to be around £1m which would normally require a Cabinet decision to proceed. However, due to the unexpectedly high number of prequalification questionnaires (PQQs) received and subsequent tender returns, the full analysis of the tenders and the comparison against the ECC framework will not be complete in time for the Cabinet meeting scheduled for 27<sup>th</sup> January 2016. The following Cabinet meeting scheduled for 16<sup>th</sup> March 2016 is then too late for orders to be raised for the successful contractor(s) and for the contractor(s) to mobilise in time for the new contracts to start on 1<sup>st</sup> April 2016.

2.3 Delegating authority to the Portfolio Holder would allow an order to be placed with the successful contractor(s) by mid-February at the latest which would give sufficient time for the contractor(s) to mobilise and be ready to start on 1<sup>st</sup> April 2016.

**3. Alternative Options**

3.1 If the contractors that currently deliver PPM for CBC and CBH are willing, then it may be possible to extend their current commissions for three months by way of separate orders issued to each. This would allow for the future provision of PPM to be agreed at the Cabinet meeting on 16<sup>th</sup> March 2016. Rates for the three month extension of each contract would have to be negotiated with each individual contractor and the new contracts would then start three months later than planned in the first year.

## **4. Supporting Information**

- 4.1 Statutory servicing and maintenance of plant and systems installed within the Council's corporate buildings and sheltered housing schemes (boiler servicing, legionella monitoring, fire alarms etc), collectively referred to as PPM, is currently delivered via 15 specialist contractors under cover of 15 separate contracts with a total value of c£250k per annum. The current contracts expire on 31<sup>st</sup> March 2016.
- 4.2 The existing contractors currently delivering PPM are also contractually responsible for undertaking responsive repairs and attending to breakdowns of plant and systems both within and outside of normal working hours and the services that they provide are vital to facilitate the normal operation of Council services.
- 4.3 An OJEU process was commenced in October 2016 for the retender of all PPM contracts. However, the tender attracted an unexpectedly high level of interest from contractors with 64 PQQs being received which following scoring and analysis resulted in tender packages being sent out to 47 contractors on 7<sup>th</sup> December 2015.
- 4.4 Ultimately 32 tenders were received back on 7<sup>th</sup> January 2016. Of these tenders returned, some are for all 15 contracts, others for single or pairs of contracts and as such the level of analysis required is considerable to determine firstly the compliance and competitiveness of each tender, and then to consider whether the best value for money solution will be to deliver PPM via a single contractor undertaking all specialist disciplines or whether multiple contractors delivering PPM is the best solution.
- 4.5 Alongside the tender process described above, we have also been considering the Property Services framework administered by ECC for the future delivery of PPM.
- 4.6 This existing Framework was tendered by ECC via OJEU in 2011 and was set up so that other Local Authorities could use it without having to tender the services themselves. The Council first looked at the framework four years ago when the PPM contracts were last tendered and at the time it wasn't competitive. However, the figures that have lately been received via the framework for delivering PPM for CBC and CBH are much more competitive and following an initial analysis appear to generally be in line with figures received as part of the tender process. However, a more detailed analysis is required to confirm the competitiveness of the framework and its suitability as an option for future PPM delivery.
- 4.7 Although the OJEU process was started in time to coincide with a contract award being agreed by Cabinet at its meeting on 27<sup>th</sup> January 2016, the volume of PQQs received and the subsequent analysis required meant that tenders were sent out approximately one week later than originally intended. The resulting late tender return and sheer number of tenders returned has then meant that there has been insufficient time to complete a detailed analysis of tenders and to compare these against the ECC framework so that an informed recommendation to Cabinet can be made in time for the January meeting.

## **5. Proposals**

- 5.1 It is proposed that once the final analysis of tenders and the ECC framework is complete, a report will be prepared for the Portfolio Holder for Resources recommending how best to proceed with the procurement of PPM for CBC and CBH, and requesting permission to enter into a contract with the successful contractor(s) or utilise the ECC framework accordingly.

## **6. Strategic Plan References**

- 6.1 There are no direct links within this proposal to the Council's Strategic Plan, but the delivery of PPM not only ensures that the Council undertakes all of its statutory obligations with regards to the servicing and maintenance of plant and systems installed within its buildings by law, but it also ensures that the Council's building assets are safe, valuable and fit for purpose, which in turn helps to underpin the delivery of all Council services.

## **7. Consultation**

- 7.1 OJEU legislation which places notices relating to the tender process within the public domain has been adhered to throughout. The CBC Client and the Portfolio Holder for Resources have been consulted at key points throughout the process to date.
- 7.2 CBC and CBH staff and stakeholders will be notified of new PPM arrangements when these have been finalised.

## **8. Publicity Considerations**

- 8.1 The PPM contract(s) award will be published via OJEU and contractors that have been unsuccessful in securing the same notified accordingly.

## **9. Financial implications**

- 9.1. A total budget of £240k has been proposed for the provision of PPM for CBC and CBH within budgets for FY 16/17. It is not anticipated that the final contract sums for FY16/17 will exceed this budget.

## **10. Equality, Diversity and Human Rights implications**

- 10.1 Contractors that have tendered for the PPM have been asked a set of equality and diversity questions at the PQQ stage to ensure that they are fully committed to equality and diversity.
- 10.2 These questions have included:
- Requesting that a copy of the contractor's equal opportunities policy (if they have one) is submitted along with their tender.
  - Confirmation that they are able to fully meet the requirements that all local authorities have, i.e. a statutory duty to outlaw discrimination based on race, sexual orientation, disability, age, religion or belief, gender and human rights, as this duty extends to organisations carrying out functions or works on the council's behalf also.

## **11. Community Safety Implications**

- 11.1 None directly arising from this report.

## **12. Health and Safety Implications**

- 12.1 Although PPM falls outside of the jurisdiction of the Construction Design and Management (CDM) Regulations 2015, due to the nature of the works to be delivered, each contractor has submitted full risk assessments and method statements for the works for which they are pricing as part of their tender submission. These will be checked for quality and suitability as part of the tender analysis.

### **13. Risk Management Implications**

- 13.1 The only major risk associated with this proposal is that a PPM provision is not in place by 1<sup>st</sup> April 2016. However, if Cabinet agrees to the proposal outlined within sections one and two above, or the alternative proposal outlined within section three, then this risk will be non-existent.

#### **Background Papers**

None.



## Cabinet

27 January 2016

Item

**12(i)**

<b>Report of</b>	<b>Assistant Chief Executive</b>	<b>Author</b>	<b>Matthew Sterling</b> 📞 <b>282577</b>
<b>Title</b>	<b>Half yearly Performance Report including progress on Strategic Plan Action Plan</b>		
<b>Wards affected</b>	Not applicable		

This report summarises performance for the first half of 2015-16 towards achieving the Council's key performance measures and the Strategic Plan Action Plan.

### 1. Action required

The Cabinet is asked to consider and comment on the performance update for the Council's key performance measures for the period to the end of September 2015 and on the progress update of the Strategic Plan Action Plan to the end of September 2015.

The Scrutiny Panel reviewed the report on 8 December 2015, and Cabinet is also asked to consider any comments as shown in the minutes from that scrutiny.

### 2. Background information

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

### 3. Performance Summary

- The actions within our Strategic Plan Action Plan show that there is a considerable amount of positive activity being undertaken across the Council and with our partners to achieve our Strategic Priorities.
- Progress towards achieving our overall set of organisational performance measures shows that 12 (86%) of our measures are on track to be achieved (or 'Green'), 2 (14%) are not meeting expectations to date but with improvement likely ('Amber'), and there are none currently not meeting expectations and unlikely to do so by the year-end ('Red').
- The Council has also received a number of awards and accreditations.

### 4. Strategic Plan references

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

## **5. Consultation**

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

## **6. Publicity considerations**

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

## **7. Financial implications**

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

## **8. Equality, Diversity and Human Rights implications**

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

## **9. Community Safety implications**

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

## **10. Health and Safety implications**

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

## **11. Risk Management implications**

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

## **Background Papers**

Not applicable.

# Strategic Plan Action Plan – Actions

Vibrant	
<ul style="list-style-type: none"> <li>Enhance the diverse retail and leisure mix supporting independent business opportunities valued by residents and visitors</li> <li>Develop a strong sense of community across the Borough by enabling people and groups to take more ownership and responsibility for their quality of life</li> <li>Make more of the great culture and heritage in Colchester so that more visitors can enjoy the history and passion of Colchester</li> <li>Create the right environment for people to develop and flourish in all aspects of life both business and pleasure</li> </ul>	
Action	Half Year update
Work with development partners to bring exciting new retail and leisure to the eastern part of Colchester town centre	<p><b>Greyfriars Hotel</b> opened in July following a £10m refurbishment. This boutique hotel brings a new level of luxury to Colchester’s tourism offer.</p> <p><b>The Cells</b> at the old Magistrate’s Court and <b>‘Bills’ in the former Angel Court</b> add to the leisure offer and make an important contribution to diversifying the evening and night time economy.</p> <p><b>Town Centre Improvements Exhibition</b> – showcase event for recent and forthcoming developments in the town centre. This was well attended and received by the public with approximately 700 visitors in total.</p>
Launch the new High Street Charter Market and develop the offer with themed or extra market events	<p>The official launch took place on April 18<sup>th</sup> with a series of celebratory events supported by the National Market Traders Association and the National Association of British Market Authorities</p> <p>The market is being developed through advertising opportunities within the specialist trade press and a Social Media campaign on dedicated platforms.</p> <p>The Charter Market was involved in a <b>themed family fun day</b> on 12 September. Stallholders gave very positive feedback after the event including how it created a pleasant atmosphere enhanced by the music, customers seemed happier and less hurried leading to more time to browse/buy. The general consensus was that there should be more events like this.</p>
Support communities to develop their own Neighbourhood Plans	<p>There are currently 9 Neighbourhood Plans being developed and a number of other parish councils are considering their options. Officers are supporting all the parishes involved. In the first 6 months of this year Neighbourhood Plan Area Designations have been approved for Eight Ash Green, Copford and Marks Tey. The Parish Councils are undertaking training and seeking grant funding as they progress their plans. Myland CC Neighbourhood Plan is well advanced and will be submitted in November for final consultation ahead of examination.</p>

<p>Work with our residents, the third sector and other service providers to implement the Community Enabling Strategy to enable communities to influence, own or co-design services</p>	<p>A number of Services have been reviewing policies and processes to consider how we can better enable residents and customers. These activities include more online support as described below, and sharing more advice and information.</p> <p>In addition to this use of Section 106 funding continues to focus on community development and projects highlighted in local areas such as the Old Heath Community Café facility.</p> <p>Specific Community Enabling projects have been agreed and funded by New Homes Bonus money and these are progressing well and include a focus on enabling residents to ‘get active’ in their communities.</p> <p><b>Go Online Promotion</b> – This project is delivering digital skills courses for customers in partnership with community groups (e.g. Parish Councils, libraries etc), thus enabling communities to self-serve. Since April we have:</p> <ul style="list-style-type: none"> <li>• created a Basic Digital Skills course with CBH and Signpost for staff and customers (being rolled out internally and at Signpost/CBH)</li> <li>• trained 30 Online Champions who are able to help people access our online services</li> <li>• Held online drop in sessions and Digital Bazaars with champions and partners across the borough</li> <li>• Given 150 customers online support over 3 months</li> <li>• Made changes to the website and system processes based on customer feedback via the Go Online activities</li> <li>• Developed a Go On UK partnership with including the private, voluntary and public sectors (e.g. Barclays, Housing Associations, ECC, CCVS, Ee) with networks created in communities.</li> </ul> <p><b>NAR3/Town Centre Planting Proposals</b> – Colchester in Bloom have agreed to take ownership of some planting displays along with their maintenance.</p>
<p>Work with the Colchester Community Voluntary Service (CCVS) and other local voluntary sector organisations to promote volunteering</p>	<p>CBC have provided funding to CCVS to promote the value volunteers can bring across organisations, identify interesting volunteering opportunities and promote and fill them, ensuring that we support individual and capture the benefits.</p> <p>This has been achieved through a Town Centre collection for refugees.</p> <p><b>Walking With The Wounded</b> – CCVS being invited to evening reception to promote work opportunities, including volunteering.</p> <p>CBC has worked with the Constable Country Visitor Management Group to secure funding for a ‘Constable Country Rangers Scheme’ with 17 volunteers helping visitors to get more from this sensitive area.</p>

<p>Make more of our culture and heritage with initiatives such as the Friends of the Colchester Roman Wall and by attracting Heritage grants</p>	<p><b>Town Walls</b> - further interpretation panels have been installed in partnership with the Friends of Colchester Roman Wall. The most recent panel is on Priory Street.</p> <p><b>Castle</b> - new content has been added to the App. The updated App can be downloaded from the App Store or Google Play. Further content is planned.</p> <p><b>Banners</b> – on some key routes into town will be used to promote the heritage of Colchester and what the town has to offer visitors.</p> <p><b>Lighting the Walls &amp; Heritage Sites</b> – the BIFA project is to light Balcerne Gate and it is anticipated that this will be completed by April 2016.</p> <p><b>High Street Alleyways</b> – plans to enhance the heritage of town centre alleys in partnership with ECC using NHB and LGF funding streams. Specifically our contribution will focus on ironwork installations at each end of the alleyways. It is anticipated that this will be completed by April 2016.</p>
<p>Ensure sufficient land is allocated in the right places to attract and retain businesses, supply homes and identify the infrastructure that is needed by developing a Local Plan for the borough</p>	<p>The evidence base for new allocations is currently being prepared to inform the draft Local Plan for approval and public consultation early 2016. The existing plan contains sufficient allocations for new homes and business in the short/medium term and identifies infrastructure needs.</p>
<p>Co-ordinate partners and funding streams in the Northern Gateway and the Hythe to generate a wide range of jobs and facilities</p>	<p>Leisure land at Northern Gateway South marketed and recommended developer approved at RIF Committee in September.</p> <p>David Lloyd lease exchanged in September and awaiting completion.</p> <p>Ongoing conversations with key stakeholders and sports funding organisations in respect of leisure land to the North of A12 at Northern Gateway. Brief for public realm and transport consultancy sent out.</p> <p>Heat mapping masterplan work for the Hythe and Northern Gateway, funded by ECC and Department of Energy and Climate Change and Su Ports EU project has been completed.</p>
<p>Create more independent business opportunities by providing trading units in new large developments across the borough.</p>	<p>Work continues on a Building Partnerships leasehold deal in respect of St Botolphs Quarter following sign off of heads of terms.</p> <p>Units at Molar works, the Hythe now received back from developers and being marketed.</p> <p>Creative Business Centre contractor approved at RIF Committee in September with work to start on site in October. The centre will provide 43 new business start up units in St Botolphs.</p>

## Prosperous

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

Action	Half Year update
Deliver an inward investment campaign in key employment sectors	Working with Invest Essex and 'Breeze' (an inward investment consultancy) to plan the data mining and marketing requirements needed to attract new inward investment into the Borough.
Work with the Town Team and other partners to promote Colchester to attract inward investment	New Christmas Lights contract procured to 2017 in partnership with retailers.  <b>High Street Animation</b> – publicised under “Colchester Presents” branding with active involvement from Williams & Griffin, Red Lion Walk and Culver Square in the provision of entertainment at both events.
Review the Better Colchester Town Centre website to promote Colchester	Website under review by new Project officer.  <b>Town Centre Improvements Exhibition</b> – Feedback is being incorporated into the <a href="#">Better Town Centre website</a> , which will be regularly updated to keep people informed of progress made.
Secure increased funding and support for skills initiatives particularly in growth or emerging sectors	Working with Essex County Council to deliver a digital/ IT STEM programme in 4 local schools by the end of 2015/16 (600 students per term).  Working with Essex and Tendring Councils to raise awareness of and attract recruits into the Health & Care sector. Schools signed up to industry led activities include The Gilberd, Thurstable and Philip Morant.  Working with Essex County Council and businesses to plan how best to recruit, train and provide accreditation in construction skills. Workshop at Colchester Institute on October 29 <sup>th</sup> .
Provide local economic data to education providers to help ensure that the skills that Colchester businesses need are provided	Using the Colchester Economic Growth Strategy Evidence Base and the Essex Economic Plan data to share local data to education providers. Working with Essex Employment & Skills Board to ensure the link is made between the key sector representatives and local education providers.
Ensure there is an ongoing five-year supply of housing sites and the provision of sufficient numbers, types and tenure of housing to meet local need	The Council is updating its evidence base to ensure the most up to date information is used to inform housing targets. The Annual Monitoring Report (AMR) is used to monitor existing allocations and new sites to ensure there is a 5 year housing land supply.

Deliver 205 new affordable homes in the borough by 2018	For the first 6 months of the year 74 affordable homes have been delivered.								
Seek 20% of new homes on qualifying sites to be affordable homes	<p>At the end of September 2015 a total of 3 qualifying sites had legal agreements agreed and signed which specified the affordable housing contribution due on that site. Two of the sites were rural exception sites which were being built by a private developer. On these sites we secured 67% and 53% affordable housing. The total affordable housing contributions are set out below:</p> <table border="1" data-bbox="772 343 1691 619"> <thead> <tr> <th data-bbox="772 343 974 582">Total number of homes on the 3 qualifying sites<sup>1</sup></th> <th data-bbox="981 343 1209 582">Number of affordable homes due if 20% affordable policy applied</th> <th data-bbox="1216 343 1433 582">Number of affordable homes actually secured</th> <th data-bbox="1440 343 1691 582">Commuted sum to provide affordable homes offsite in lieu of on-site for these 3 sites</th> </tr> </thead> <tbody> <tr> <td data-bbox="772 587 974 619">190</td> <td data-bbox="981 587 1209 619">38</td> <td data-bbox="1216 587 1433 619">11</td> <td data-bbox="1440 587 1691 619">£153,000</td> </tr> </tbody> </table>	Total number of homes on the 3 qualifying sites <sup>1</sup>	Number of affordable homes due if 20% affordable policy applied	Number of affordable homes actually secured	Commuted sum to provide affordable homes offsite in lieu of on-site for these 3 sites	190	38	11	£153,000
Total number of homes on the 3 qualifying sites <sup>1</sup>	Number of affordable homes due if 20% affordable policy applied	Number of affordable homes actually secured	Commuted sum to provide affordable homes offsite in lieu of on-site for these 3 sites						
190	38	11	£153,000						
Work with Colchester Borough Homes to increase the quality of council housing by refurbishing these properties and using new technologies to ensure they are energy efficient	<p>Delivery of the Housing Investment Programme is progressing well across the housing stock; this includes upgrading electrical wiring and the installation of replacement kitchens, bathrooms, heating systems, windows and doors. External improvements such as soffit, fascia and guttering replacements to uPVC and estate improvements such as replacement of failing boundary brick walls with fencing and garage site upgrades. Our refurbishment of sheltered housing schemes to the Colchester Standard saw phase 1 completed at Worsnop House in March; while phase 2 commenced at Enoch House in August with a completion scheduled for March 2017.</p> <p>New technologies have been installed across the housing stock including photovoltaic (PV) panels, PV storage systems, voltage optimisers, loft, cavity and solid wall insulation, 'A'-rated gas boilers and double glazing. The refurbishments of Worsnop House and Enoch House included gas absorption heat pumps, PV panels, solar thermal panels, triple glazing, sun tubes and LED lighting</p>								
Work with statutory and voluntary sector partners to prevent homelessness and rough sleeping in the borough	<p>The Homelessness Strategy Progress report 2015 published. The evidence base and Delivery Plan have been updated.</p> <p>To reduce begging in Colchester, an alternative giving campaign has been set up to encourage residents to give donations to Charities for homeless clients instead of street beggars.</p>								

<sup>1</sup> Qualifying sites means sites of more than 10 units in Colchester, Stanway, Tiptree, Mersea and Wivenhoe or more than 5 units elsewhere.

<p>Articulate Colchester’s transport needs to influence the development of new infrastructure by the Highway Authority and developers</p>	<p>As part of the evidence base for the new local plan, transport modelling work is being undertaken to gain a better understanding of infrastructure needs associated with new development.</p>
<p>Support the delivery of improvements to the strategic road and rail network</p>	<p>The third part of the Northern Approaches Road opened April 2015.</p> <p>Colchester’s Park and Ride service opened in April 2015 and launched in June 2015. An extra stop at Middleborough was added to the route following lobbying.</p> <p>Colchester has been represented at an ‘A12’ workshop, providing information on current and future growth to Highways England.</p> <p>Officers have met with all 3 rail companies who have been invited to tender for the East Anglia Rail Franchise; and worked with Abellio Greater Anglia on the design for refurbishment of the north side station building for construction to start in 2015.</p>
<p>Allocate developer funding to sustainable transport projects in the borough which improve the balance between different modes of transport</p>	<p>Requests are made at Development Team and in response to applications to ensure new development is well served by sustainable transport modes. New path opened as part of Brook Street development linking to Wivenhoe Trail. Working with University and Maltings Student accommodation unit on Travel Planning “App”.</p> <p>+ Funded final part of Tiptree Community Cycle project with CTC delivering events throughout the summer.</p>
<p>Improve the walking and cycling links between Colchester North Station and the town centre through initiatives such as ‘Fixing the Link’</p>	<p>LEP Local Growth Fund to be invested on projects promoted by Colchester including improving the alleyways in the town centre and linking Park and Ride stops to the town centre core.</p> <p>Cycle parking on south side of Colchester station doubled and new secure parking unit launched in September – demand for cycling parking has doubled over the last 8 years on southside of station.</p> <p>Fixing the Link – design consultants appointed and consultation held. Detail design underway. Financial contributions secured from partners – AGA and ECC.</p>

## Thriving

- Provide Colchester's heritage and wide ranging tourism attractions to enhance our reputation as a destination
- Be recognised as a centre of learning with excellent schools and educational opportunities for young people to make the most of their potential
- Be clear about the major opportunities to work in partnership with public, private and voluntary sectors to achieve more for Colchester than we could on our own
- Cultivate Colchester's green space and opportunities for health, wellbeing and the enjoyment of all

Action	Half Year update
Provide positive experiences for visitors and residents by promoting Colchester's key leisure, visitor attractions and events venues	This has been achieved by launching a Tourism video, producing a 2016 Visit Colchester Guide – showcasing the best of Colchester, Colchester Presents joint marketing campaigns, a Town Hall marketing campaign, a Colchester Castle marketing campaign including social media, and a Colchester Leisure World marketing campaign.
Support and help market a range of cultural festivals for local people and visitors	Marketing support has been given to a series of events organised as part of the 'Borough Investment For All' fund including the summer Big Screen, Bark in the Park, High Street and Winter Wonderland and Colchester Presents marketing campaigns.  Support has also been given for the Comedy Festival and Roman River Festival. Ongoing support and partnership working continues with The Mercury Theatre, firstsite and the Arts Centre. Visit Colchester has been working with local providers to publicise and promote festivals and events for residents and visitors to the Borough.
Enhance Colchester's heritage attractions with initiatives such as integrating attractions, identifying trails around the town, and lighting the Roman walls	Heritage Trail App - (developed and funded through the Castle redevelopment project) has had more content added.  The new Heritage App developed and funded through the Castle redevelopment project provides a heritage trail around the town along with interactive information.  Feasibility and costing work underway to define opportunities to light part of the Roman Walls and Key Heritage Sites more effectively. The town centre animation event on the 31 <sup>st</sup> October will also include a unique laser lighting display on the Town Hall, showing this heritage building in a completely new light.
Promote what Colchester has to offer to residents, visitors, and new businesses	A Purple Flag event was held over National Purple Flag Weekend (2-4 October 2015) which engaged a range of licensed premises and taxis to celebrate Colchester's Purple Flag accreditation raise awareness and improve public perception of night time economy and launch a fundraising campaign for the SOS Bus. The Purple Flag assessment will be carried out on 12 December 2015.

	<p>Tourism video 2016 Visit Colchester Guide –showcase the best of Colchester. Colchester Presents joint marketing campaigns. Town Hall marketing campaign. Colchester Castle marketing campaign, including social media.</p>
<p>Establish an effective apprenticeship programme to provide career and learning opportunities for young people</p>	<p>Officers are currently working with Essex County Council in order to increase the number of Digital Apprenticeships to 60 in 2015/16, 90 in 2016/17.</p> <p>It is intended to pilot a rotational apprenticeship scheme developed by the Essex Employment &amp; Skills Board to Level 2 in Health and Care having gained experience in various care organisations.</p>
<p>Work with the third sector to deliver Colchester’s Environmental Sustainability Strategy</p>	<p>Work is progressing with local third sector organisations, Abberton Rural Training, Enform and Essex Wildlife Trust to support the delivery of the Environmental Sustainability Strategy.</p> <p>In recognition of some of the projects delivered with these partners Colchester Borough Council’s Strategic Housing Team won the Home Energy Conservation Act (HECA) East Award for their work in the fields of promoting energy efficiency and reducing fuel poverty.</p> <p>Partnership projects have included delivery of energy switching support for vulnerable people in Colchester for two years and the Colchester Green Open Homes event in 2014. This was so successful that the project was extended to the whole of Essex in September 2015 and included homes, community buildings and businesses with energy efficiency measures in place.</p> <p>Colchester Borough Council (CBC) signed up to the Local Government Authority’s (LGA) Climate Local Commitment. As well as demonstrating an on-going commitment in reducing the Council’s own carbon emissions from its buildings, services and operations, it also supports the roll-out of sustainability projects in partnership with the third sector.</p>
<p>Make the most of our parks and open spaces by managing them well and offering a range of activities and events</p>	<p>Our parks and open spaces are being used throughout the year for a variety of regular and one off events including High Woods Country Park “Bubble Rush” event raising funds for St Helena Hospice.</p> <p>Our good management of our parks has been recognised by the retention of Green Flag awards for Castle Park and High Woods Country Park.</p>

## Welcoming

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

Action	Half Year update
Work with partners to fund and deliver streetscape improvements to support economic vitality	We are working with ECC to secure £15m Single Local Growth Fund monies for Colchester Projects of which some would be used to improve the alleyways in the town centre
Work with partners in the Safer Colchester Partnership to deliver support, promotion and regulation in order to make Colchester even safer and for it to feel safer	<p>Partners on the Safer Colchester Partnership have produced an Annual Partnership Plan with the following four priorities: Protecting Vulnerable People, Reducing Reoffending, Addressing drug and alcohol misuse and Reducing Crime and Fear of Crime.</p> <p>Successful joint agency enforcement activities are being co-ordinated via the Licensing Enforcement Group.</p> <p>A new style Licensing Policy is out for consultation which aims to create a safe and vibrant early evening and night time economy.</p> <p>CBC is working with partners, the Safer Colchester Partnership, the voluntary sector and licenced premises to coordinate Colchester's 2015 application for Purple Flag status. Purple Flag is a national accreditation for town centres which have a well-managed night time and evening economy.</p>
Improve the information available to new residents	<p>The 'colchester.gov.uk' website has been significantly improved over the past 6 months allowing our residents to access online content more readily. Areas improved include:</p> <ul style="list-style-type: none"> <li>• NNDR (Business Rates)</li> <li>• Council tax and Benefits</li> <li>• Planning</li> <li>• Elections</li> <li>• Waste and Recycling</li> </ul> <p>Work on these areas has seen a large impact on user engagement with Planning alone showing over 100% increase in online engagement and Revs and Bens has seen their online engagement rise by over 71%.</p>

	<p>Our new suite of GovDelivery e-newsletters have seen a 42.5% increase in subscriptions and a 30% increase in clicks through to content on websites across the council.</p> <p>An increased use of social media and paid for advertising have resulted in an increase in transactions on council run websites, notably a Castle FlashSale and Bark in the Park tickets.</p>
<p>Improve street cleansing and enforcement in Colchester town centre, and in Stanway, Tiptree, West Mersea, and Wivenhoe</p>	<p>The new Enforcement Rota brings wardens in from other zones to work solely on town centre enforcement. This increases the amount of enforcement that can take place and keeps wardens skills high. In this half year 14 litter fines have been given already in town.</p> <p>We have secured funding to purchase a new Hot Washer to keep town centre streets cleaner.</p> <p>In Stanway we work closely with the Parish Council to ensure there is a joined up approach to cleansing; and currently hold a contract to maintain their open spaces.</p> <p>Tiptree has a dedicated Zone Operative to ensure issues are seen and dealt with early. This has led to a significant visual impact, especially in the Estate areas.</p> <p>Wivenhoe has a dedicated Zone Warden to help with education and enforcement. This is working well and residents are starting to share information about problem hotspots.</p>
<p>Work with health partners to contribute towards delivering effective outcomes for individuals and their families, with particular focus on prevention and intervention to improve health outcomes and to tackle health inequalities</p>	<p>New links established within the North East Essex Clinical Commissioning Group (NEE CCG) and Colchester Hospital University Foundation Trust (CHUFT). Environmental Health Practitioners now attending meetings with Clinical Leads at the Primary Care Centre with an emphasis on identifying opportunities and interventions relating to the wider determinants of health for particular vulnerable patient cohorts such as those frequently admitted to acute services following a fall or those with Chronic Obstructive Pulmonary Disease (COPD).</p>
<p>Lead and develop the Active Colchester Network to co-ordinate programmes and activities to increase participation</p>	<p>An officer from Leisure World is chairing the Active Colchester Community Sport Network, which brings together the University, Colchester United Football in the Community, Colchester Garrison, Active Essex (ECC), Colchester Institute, C CVS, Essex FA, Essex Cricket, ACE and Disability4Sport.</p> <p>An action plan has been developed and agreed which secured £8500 funding from Active Essex for physical activity projects and activities. Those delivered to date include:</p> <ul style="list-style-type: none"> <li>• Training for CBC Zone Teams and sheltered housing staff to lead Boccia sessions in sheltered housing schemes</li> <li>• Free Summer Sports Festival at Leisure World Highwoods</li> <li>• Free Older people's activities afternoon in Charter Hall</li> <li>• Free family fun day in Tiptree</li> <li>• Regular Parkour sessions at Leisure World Highwoods</li> </ul>

<p>Work with Colchester Borough Homes, housing providers, private landlords, residents and partners to create cleaner, greener and safer communities</p>	<p>The Low Emission Strategy has been drafted and will now go for consultation. The strategy will provide a framework for integrating the Council's activities to reduce air quality related emissions across the Borough. The strategy's key aim is to identify the sources of air pollution and the effect upon public health to enable suitable actions to be developed to target the improvement of air quality.</p> <p>Through the Colchester Low Emission Bus Project electronic cooling fans have been fitted to 10 busses operating in the Town Centre resulting in better fuel efficiency, reduced emissions and quieter engines. 1 bus has now been fully retro fitted with selective catalytic reduction technology reducing nitrogen emissions by 80% with 9 more vehicles due to be upgraded shortly.</p> <p>Work to improve housing conditions in the private rented sector has seen 124 significant hazards mitigated from dwellings across the district with the majority of hazards identified relating to falls risks, cold, damp homes, and fire safety deficiencies. As a result of property improvements 19 families have been lifted from fuel poverty.</p> <p>The Bark in the Park 2015 event was successfully delivered; and attended by 3000+ visitors with their dogs. The key aim of the event was to promote responsible dog ownership.</p>
<p>Enhance the offer from Colchester Business Enterprise Agency to deliver a 'one-stop-shop' for business start-ups and survival</p>	<p>The Colchester Business Enterprise Agency (COLBEA) offer provides a comprehensive advice, support and mentoring service to local businesses and aspiring new businesses. COLBEA premises in its 2 Colchester sites are now running at 100% occupancy.</p>
<p>Deliver the Creative Business Centre in the town centre to support fledgling businesses</p>	<p>A contractor was approved at a recent RIF Committee and will start on site in late October. The brief to operators is out to tender with returns due late October. Monthly progress reports are being made to a joint CBC/ECC Board</p>
<p>Launch a new destination marketing campaign to raise Colchester's profile and to encourage pride in the borough</p>	<p>This has included a Journey and Tourism video, Visit Colchester tourism marketing campaign and Colchester Presents.</p>



**Corporate Indicator Set 2015/16 Half Year Performance April – September 2015**

Indicator	Result 2014/15	Target 2015/16	RAG	Half Year Result 2015/16	Comments
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**Planning Key Indicators**

<b>KI P1</b> Processing of planning applications	<b>Majors</b> 88%	75%	G	75%	The Planning Teams have continued to work with the Professional Support Unit to improve processing times and maximise performance. Customer satisfaction rates remain high with an acceptance that the high demand for personal service in a climate of managing resources is not always achievable.
	<b>Minors</b> 86%	85%	G	90%	
	<b>Others</b> 95%	90%	G	96%	
<b>KI P2</b> Planning appeals allowed against our decision to refuse	29.7% (not accounting for a now quashed decision that we challenged)	30% maximum	G	15.4%	Performance is on track to achieve the target. However, there have been 2 partially allowed/dismissed decisions this year. A partial decision has to be given where any change is made, no matter how small, to the decision of CBC. Therefore a partial decision is usually more of a “dismissed” than an “allowed” appeal, an example being a recent case, where the Appeals Service dismissed 6 out of 7 issues but allowed 1 in the appellants favour. With partial decisions the result so far would be 30.8%.

**Benefits Key Indicators**

<b>KI B1</b> Time to process housing benefit new claims and changes	14.56 days	13 days Housing Benefit	G	12 days Housing Benefit	Benefits continue to process work within the target timescales.
		16 days LCTS		14 days LCTS	

**Corporate Indicator Set 2015/16 Half Year Performance April – September 2015**

<b>Indicator</b>	<b>Result 2014/15</b>	<b>Target 2015/16</b>	<b>RAG</b>	<b>Half Year Result 2015/16</b>	<b>Comments</b>
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**Housing Key Indicators**

<b>KI H1</b> Net additional homes provided	721	830 units	A	331	The Council has an up to date five year housing land supply for new homes but recognises housing delivery follows current market conditions. Previous data suggests housing completions are weighted towards the second half of reporting years therefore an improvement is expected at the end of the year.
<b>KI H2</b> Affordable homes delivered (gross)	496 delivered over three years	205 delivered over three years	G	74	Delivery of affordable homes is on target for 2015 - 2016 with 74 homes being delivered in the first 6 months of the year.

**Corporate Indicator Set 2015/16 Half Year Performance April – September 2015**

Indicator	Result 2014/15	Target 2015/16	RAG	Half Year Result 2015/16	Comments
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**Housing Key Indicators delivered by Colchester Borough Homes (CBH)**

<b>KI H3</b> Homelessness cases prevented	607	45%	G	47%	183 cases have been prevented from becoming homeless. On target to achieve outcome by year end.
<b>KI H4</b> Rent Collected	98.6%	98%	G	97%	1613 tenants have an arrear with the average debt at £258.77. Performance is on track to achieve target collection rate by the end of the year.
<b>KI H5</b> Average time to re-let council homes	General 17.3 days	17 days	A	18.5 days	Average time taken to repair and re let 176 properties. We expect improvement in Q3 to bring the performance in line with the year-end target.

**Waste and Recycling Key Indicators**

<b>KI W1</b> Residual household waste per household	403 kg	400 kg	G	200 kg	The figure of 200kg is where we should be after the first 6 months of the year. This is a challenging target and the amount of residual waste tends to increase around quarter 3 so it will be monitored closely.
<b>KI W2</b> Household waste reused, recycled and composted	46.26%	48%	G	48%	Tonnages of recycling have been largely comparable with those seen last year, with the exception of garden waste that has been around 400 tonnes less. This is seasonally affected but despite this, performance is on track to meet the target at this time.

Corporate Indicator Set 2015/16 Half Year Performance April – September 2015					
Indicator	Result 2014/15	Target 2015/16	RAG	Half Year Result 2015/16	Comments
<b>KI W3</b> Number of weekly missed collections	94 a week	100 a week	G	85 a week	<p>September results are 344 missed collections against a target of 400.</p> <p>The figures for missed collections continue to improve with fewer misses taking place. Compared to last year's result at the half year mark, we have 346 fewer reports of missed collections than the previous year for the same period.</p> <p>We undertake 235,149 collections per week meaning that current performance at 85 missed equates to 0.036% of collections reported as missed.</p>

**Corporate Indicator Set 2015/16 Half Year Performance April – September 2015**

Indicator	Result 2014/15	Target 2015/16	RAG	Half Year Result 2015/16	Comments
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**Resources and Organisational Key Indicators**

<b>KI R1</b> Council Tax collected	97.4%	97.5%	G	57.19%	<p>Council Tax collection is 0.01% higher than the previous year. Although we have maintained a stronger collection the annual target is to achieve collection of 97.5% which would require collection to be 0.1% higher than the previous year.</p> <p>Work is also being carried out within the service to reduce the numbers of discounts and exemptions being incorrectly claimed which makes Council Tax more difficult to collect.</p>
<b>KI R2</b> Business Rates (NNDR) collected	97.5%	97.7%	G	57.29%	<p>Business Rates collection is 0.57% lower than the previous year however this is expected because of the impact of the introduction of 12 monthly payments. Collection is likely to appear to worsen until January when it should then increase to achieve the target.</p> <p>The impact of 12 monthly payments at the end of Sept 2015 is estimated to be £360,000 or 0.5% which will be recovered by the end of the year.</p>
<b>KI R3</b> Sickness rate in working days	8.84 days	7.5 days	G	6.12 days	<p>The sickness rate in working days has reduced in each of the last three months. This downward trend will continue to be monitored closely.</p> <p>This equates to 3.63 days long term absence and 2.49 days short term absence.</p>



## Other performance news

- **Awards and accreditations**

The highlights are summarised here and are also shown on [www.colchester.gov.uk](http://www.colchester.gov.uk) in the [achievements](#) section

<b>Achieved April to September 2015:</b>	
<a href="#">East Anglia Residents' Awards</a>	CBH won the 'Best Tenant Training Programme' in recognition of the work that CBH does with its tenants. Throughout the year CBH runs a series of free training and development courses for its tenants and leaseholders to help them seek new employment and develop new skills.
<a href="#">Britain in Bloom</a>	Silver Gilt award for Colchester in the small city category. One of just 70 finalists chosen from more than 1,000 groups.
<a href="#">Anglia in Bloom</a>	Gold award for Colchester, Castle Park and High Woods Country Park. <ul style="list-style-type: none"> <li>• Castle Park took the prize for the best public open space, and its drought garden was judged the best drought, or sustainable, garden in the east of England.</li> <li>• High Woods Country Park also won the award for best conservation project and a special award for the best new entry. Silver Gilt award for the Cemetery and Crematorium.</li> </ul> Gold award for 2 Charles Smith House residents for Best individual/Community Floral Display (CBH).
<a href="#">Carbon Action Network Awards 2015</a>  HECA East - winner	The Strategic Housing Team won for two projects that support Carbon Action Network objectives: <ul style="list-style-type: none"> <li>• The team supported the Big Energy Saving Network (BESN) project by assisting with an application for DECC funding to deliver a project to support vulnerable people to switch energy suppliers. For the last two years, this project has run alongside the Council's Big Community Switch (BCS), which is only available online. The BESN project enabled the BCS to be digitally inclusive by supporting vulnerable people in Colchester to successfully switch energy supplier.</li> <li>• Through partnership working with En-form, the team also supported the first Colchester Green Open Homes event in 2014. The event was so successful that the project has been extended to the whole of Essex, and will see not just homes but community buildings and businesses with energy efficiency measures at work and open to the public throughout September 2015.</li> </ul>
<a href="#">Park Mark - the safer parking scheme</a>	Twenty of the Council's car parks across the town centre and borough were given the nationally recognised Park Mark award following independent assessment including a Police inspection. The annual award is given in recognition of investment to keep the car parks to a high standard, ensure the safety of customers and their vehicles, and where there are low instances of crime.
<a href="#">Green Flag Awards</a>	Castle Park has received its thirteenth consecutive Green Flag, with High Woods receiving its twelfth. 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.
<a href="#">GeoPlace</a> – national Exemplar Gold award	Gold Performance Award for Address Data - for consistently maintaining the highest level of data quality. The Exemplar Awards recognise excellence in local authority business-critical data creation of Address data, known as a Local Land and Property Gazetteer (LLPG) and Street data, known as a

	Local Street Gazetteer (LSG). Only ten authorities in the east of England achieved this Gold standard.
<a href="#">LEXCEL</a>	Legal Services achieved the Law Society's practice management standard – a Centre of Excellence.
<a href="#">Essex Digital Awards</a>	Now in its second year, the Essex Digital Awards look to reward innovation and progressive thinking by businesses. CBC won in the Best mobile App category for Leisure World's MyLeisure App.

- **Other performance news for April 2015 to September 2015**

**Open and transparent data** - The LGA's Data and Transparency Manager commended us as we are now one of just 11 councils who have 'gone the extra mile' on open data. We've used [Datashare](#) to publish everything we're obliged to in one place – helping to reduce FOI requests by 35% - and that's now 'harvested' from Datashare to also automatically show on both the national GOV.UK [Datasets](#) and the LGA's [Open data | LG Inform Plus](#) initiatives to improve openness and transparency of information to the public.

**Localisation and Social Security: A Review** –The Social Security Advisory Committee (SSAC) is an influential body on central government and specifically to the Department for Work and Pensions. Colchester played an active part in this review of subjects including local council tax support (LCTS), discretionary housing payments (DHP), local welfare assistance and Universal Credit. Officers were then invited to a SSAC roundtable meeting in London to provide more detailed insight into the innovative approach, implementation and performance at Colchester, and its responsiveness to change and local needs. The [full report](#) has now been issued with Colchester's input/case studies on pages 29, 34, 43 and 44. The insight has informed the [government's response](#).

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

## **Extract from the minutes of the Scrutiny Panel meeting on 8 December 2015**

### **40. Half-Yearly Performance Report including progress on Strategic Plan Action Plan**

Matthew Sterling, Assistant Chief Executive, introduced the Half-Yearly Performance Report including progress on Strategic Plan Action Plan. The report requests the Panel to review and comment on the report ahead of the Cabinet meeting on 27 January 2016.

Matthew Sterling stated that the report is brought to the Scrutiny Panel every six months, and includes the Key Performance indicators for the Council. The current report states that there have been no red indicators over the past six months; this includes the indicator on staff sickness which on previous occasions has been categorised as red.

The following issues were raised by Councillors;

- Councillor Moore – Queried the statement that there had been an improvement on street cleaning, as there has been a build-up of leaves in both Colchester and West Mersea.
- Councillor Harrington – When are the Town Centre Improvements streetscape improvements expected to be implemented?
- Councillor Pearson – Questioned how much tourism in Colchester was based on first time visits and how many were repeat visits? Also requested that Ward Councillors be kept informed of any developments on the Community Development Strategy.
- Councillor Hardy – Are more people employed over the autumn to aid leaf clearance to help the Zone Wardens?
- Councillor Moore – Requested that the document be made more accessible for members of the public by reducing the amount of Local Government jargon within the reports.

The following responses were provided by the Portfolio Holder and Matthew Sterling;

- Matthew Sterling stated that the information provided in the report gave a snapshot of the improvement of street cleaning across the Borough, with a particular focus on waste such as dropped litter and dog fouling rather than natural detritus.
- Matthew Sterling stated that the report refers to previous plans for the Town Centre, including improvements for links to the Town Centre from the Train Station, as well as to alleyways. With regard to the Borough Investment for All projects, the Portfolio Holder stated that the improvements are on track to be implemented over the next few months.
- In response to Councillor Pearson the Portfolio Holder stated that information can be provided regarding visitors can be provided after the meeting. The Borough Council's Strategic Plan includes aims to further

develop Colchester as a tourist destination through marketing and aim for an increasing number of overnight stays. Matthew Sterling stated that the Community Enabling Strategy was developed earlier in the year along with an implementation plan. Senior Management is scheduled to review the strategy shortly and a reminder for the community teams to inform Councillors of any developments in their area can be included.

- In response to Councillor Hardy, Matthew Sterling stated that leaf clearance is largely conducted within the resource of the Zones Team. Waste and Zones team may have to utilise casual labour to make up their contingent, particularly when there are staff shortages. If additional staffing is required it is likely that this will then become the natural staffing levels rather than using casual labour.

*RESOLVED* that the Half Yearly Performance Report including progress on Strategic Plan Action Plan be noted.

**PETITIONS, PUBLIC STATEMENTS, QUESTIONS**

**(i) Have Your Say speakers**

<b>Date of Meeting</b>	<b>Details of Members of the Public</b>	<b>Subject Matter</b>	<b>Form of Response</b>	<b>Date Completed</b>
Cabinet, 25 November 2015	The High Steward, Sir Bob Russell	Funding for Colchester branch of Age UK	Verbal response provided at the meeting by Councillor Paul Smith, Leader of the Council and Portfolio Holder for Strategy.	25 November 2015
Cabinet, 25 November 2015	Robert Parkes and Claire Brammers, Welcome Refugees, Colchester	Support for refugee families	Verbal response provided at the meeting by Councillor Bourne, Portfolio Holder for Housing and Public Protection, and Councillor Frame, Portfolio Holder for Economic Growth and Planning.	25 November 2015
Council, 10 December 2015	Maria Wilby and Jean-Michel Knutsen, Welcome Refugees Colchester	Support for refugee families	Verbal response provided at the meeting by Councillor Paul Smith, Leader of the Council and Portfolio Holder for Strategy.	10 December 2015
Council, 10 December 2015	Anne Turrell	Alderman Hunt	Verbal response provided at the meeting by the Mayor.	10 December 2015

**(ii) Petitions**

<b>Date petition received</b>	<b>Lead Petitioner</b>	<b>Subject Matter</b>	<b>Form of Response</b>	<b>Date Completed</b>
26 November 2015	Nancy Burdkin	Opposition to the proposed cross roads junction at St Augustine's Mews, Priory Street and Priory Street Car Park	Petition to be considered as part of consultation on the proposals.	15 January 2016