

Scrutiny Panel Meeting

**Online Meeting,
Tuesday, 26 January 2021 at 18:00**

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

Information for Members of the Public

Access to information and meetings

You have the right to observe all meetings of the Council, its Committees and Cabinet including those which may be conducted online such as by live audio or video broadcast / webcast. You also have the right to see the agenda (the list of items to be discussed at a meeting), which is usually published five working days before the meeting, and minutes once they are published. Dates of the meetings are available here:

<https://colchester.cmis.uk.com/colchester/MeetingCalendar.aspx>.

Occasionally certain issues, for instance, commercially sensitive information or details concerning an individual have to be considered in private. When this is the case an announcement will be made, the live broadcast will end and the meeting will be moved to consider the matter in private.

Have Your Say!

The Council welcomes contributions in the form of written representations from members of the public at most public meetings. Each representation may be no longer than three minutes (or 500 words, if a written submission). Written submissions must be submitted via the form accessed by this link, before noon on the working day before the meeting date: [Scrutiny Panel Have Your Say!](#) If you wish to speak in person to the Panel, you must register your wish by noon on the previous working day, by emailing democratic.services@colchester.gov.uk, and include a written copy of what you wish to say, in case technical difficulties prevent you joining the meeting. The Chairman will invite members of the public to make their representations at the start of the meeting.

If you would like to submit representations to a meeting and need to find out more, please refer to the Have Your Say! arrangements here:

<https://colchester.cmis.uk.com/colchester/HaveYourSay.aspx>.

E-mail: democratic.services@colchester.gov.uk
www.colchester.gov.uk

Scrutiny Panel – Terms of Reference

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

- (a) To review corporate strategies;
- (b) To ensure that actions of the Cabinet accord with the policies and budget of the Council;
- (c) To monitor and scrutinise the financial performance of the Council, performance reporting and to make recommendations to the Cabinet particularly in relation to annual revenue and capital guidelines, bids and submissions;
- (d) To review the Council's spending proposals to the policy priorities and review progress towards achieving those priorities against the Strategic and Implementation Plans;
- (e) To review the financial performance of the Council and to make recommendations to the Cabinet in relation to financial outturns, revenue and capital expenditure monitors;
- (f) To review or scrutinise executive decisions made by Cabinet, the North Essex Parking Partnership Joint Committee (in relation to decisions relating to off-street matters only) and the Colchester and Ipswich Joint Museums Committee which have been made but not implemented referred to the Panel pursuant to the Call-In Procedure;
- (g) To review or scrutinise executive decisions made by Portfolio Holders and officers taking key decisions which have been made but not implemented referred to the Panel pursuant to the Call-In Procedure;
- (h) To monitor the effectiveness and application of the Call-In Procedure, to report on the number and reasons for Call-In and to make recommendations to the Council on any changes required to ensure the efficient and effective operation of the process;
- (i) To review or scrutinise decisions made, or other action taken, in connection with the discharge of functions which are not the responsibility of the Cabinet;
- (j) At the request of the Cabinet, to make decisions about the priority of referrals made in the event of the volume of reports to the Cabinet or creating difficulty for the management of Cabinet business or jeopardising the efficient running of Council business;

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

- (a) To review and scrutinise decisions made, or other action taken, in connection with the discharge of those functions by the responsible authorities of their crime and disorder functions;
- (b) To make reports and recommendations to the Council or the Cabinet with respect to the discharge of those functions.

COLCHESTER BOROUGH COUNCIL
Scrutiny Panel
Tuesday, 26 January 2021 at 18:00

The Scrutiny Panel Members are:

Councillor Kevin Bentley
Councillor Lewis Barber
Councillor Tina Bourne
Councillor Paul Dundas
Councillor Chris Hayter
Councillor Mike Hogg
Councillor Sam McCarthy
Councillor Lorcan Whitehead

Chairman
Deputy Chairman

The Scrutiny Panel Substitute Members are:

All members of the Council who are not Cabinet members or members of this Panel.

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

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

Live Broadcast

Please follow this link to watch the meeting live on YouTube:

<https://www.youtube.com/user/ColchesterCBC>

1 Welcome and Announcements (Virtual Meetings)

The Chairman will welcome members of the public and Councillors to the meeting and remind those participating to mute their microphones when not talking. The Chairman will invite all Councillors and Officers participating in the meeting to introduce themselves. The Chairman will, at regular intervals, ask Councillors to indicate if they wish to speak or ask a question and Councillors will be invited to speak in turn by the Chairman. A vote on each item of business will be taken by roll call of each Councillor and the outcome of each vote will be confirmed by the Democratic Services Officer.

2 Substitutions

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

3 Urgent Items

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

4 Declarations of Interest

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

5 Minutes of a Previous Meeting

The Councillors will be invited to confirm that the minutes of the meeting held on 18 August 2020 are a correct record.

Minutes of Scrutiny Panel meeting 18 August 2020

9 - 18

6 Have Your Say! (Virtual Meetings)

Members of the public may make representations to the meeting. Each representation may be no longer than three minutes (500 words). Members of the public may register their wish to address the meeting by registering online by 12.00 noon on the working day before the meeting date. In addition a written copy of the representation will need to be supplied for use in the event of unforeseen technical difficulties preventing participation at the meeting itself.

7 Decisions taken under special urgency provisions

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

8 Cabinet or Portfolio Holder Decisions called in for Review

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

9 Items requested by members of the Panel and other Members

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

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

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

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| 10 | 2021/22 Budget and 2021/25 Medium Term Financial Forecast | 19 - 86 |
| | This report invites the Panel to review and comment on the 2021/22 Revenue Budget and Medium Term Financial Forecast; the Treasury Management Strategy; and the Capital Programme and Capital Strategy that are being submitted to 27 January 2021 Cabinet. | |
| 11 | 2021/22 Housing Revenue Account Estimates and Housing Investment Programme | 87 - 120 |
| | This report invites the Panel to review and comment on the 2021/22 Housing Revenue Account Estimates and the Housing Investment Programme reports which are being submitted to Cabinet. | |
| 12 | Work Programme 2020-21 | 121 - 138 |
| | This report sets out the current Work Programme 2020-2021 for the Scrutiny Panel. This provides details of the reports that are scheduled for each meeting during the municipal year. | |
| 13 | Exclusion of the Public (Scrutiny) | |
| | In accordance with Section 100A(4) of the Local Government Act 1972 and in accordance with The Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 (as amended) to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972). | |

Part B

(not open to the public including the press)

SCRUTINY PANEL

18 August 2020

Present: -

Councillor Barber, Councillor Bentley, Councillor Bourne, Councillor Dundas, Councillor Hayter, Councillor Hogg, Councillor McCarthy, Councillor Whitehead

Substitutions: -

None.

Also present: -

Councillor Cory, Councillor King, Councillor J Young.

275. Declarations of interest.

Councillors Paul Dundas, Mike Hogg and Kevin Bentley declared non-pecuniary interests as they had received government small business grants, via Colchester Borough Council. Councillor Lewis Barber declared a non-pecuniary interest as he had made use of the Colbea Business Centre assistance service which obtained funding from Colchester Borough Council (CBC).

276. Pre-Scrutiny of the Council Recovery Programme (Covid 19)

Councillor King, Portfolio Holder for Business and Resources, introduced the item, praising the Council's response to the Covid crisis, which had been agile, swift and done well. The Panel heard that work was continuing with partners to ensure that reopening of businesses in Colchester was a success within the framework of Covid recovery and that this supported the economic recovery of the town. Of key importance was the continued support of the vulnerable through service delivery, together with the business and economy of Colchester through continued support and partnership working with organisations such as the Colchester Business Improvement District (BID) and Essex County Council.

Mandy Jones, Assistant Director Place and Client Services, attended to present the report and assist Members with their enquiries. The Panel heard that Officers and Portfolio Holders were continuing to work on the recovery plan, but that Colchester Borough Council was under significant financial pressure as a result of the crisis. The recovery plan that had been prepared was agile and focussed on four main 'cells' – economy, community, council and customer with cross-cutting themes of commerciality, housing provision, climate change and sustainability and finance. Each cell was being managed by senior management and Portfolio Holders, and the Panel heard that a bid had been submitted for £25,000,000 from the Town Deal Partnership to support public realm development in Colchester. Mandy explained that the recovery plan economy cell was focussed on seeking development opportunities that have arisen out of the current situation, and project development was continuing during the crisis. The Panel heard that the recovery plan is agile and

was intelligence and insight driven and that close collaboration with partners was key to its success.

The Panel heard that key areas of community recovery focussed on continued collaboration and sustaining new working practices that had been developed with a view to strengthen communities and mitigate economic disruption, reduce isolation and improve health and wellbeing. Examples of this were work with Firstsite on a project to celebrate NHS workers and research commissioned from Anglia Ruskin University into community assets and health and wellbeing. Contact had also been made with black, Asian and minority ethnic (BAME) communities to understand the impact of Covid-19 on them, and hear about barriers they faced during the period of lockdown.

Turning to the recovery plan as it related to Colchester Borough Council, the Panel were advised that the most important elements of restarting Council decision making had been to enable people to participate in a digital environment, together with adapting to new ways of working from home, and office provision would be evaluated as a result of this. The finances of the Council would also have to be revised to deliver a balanced budget and the budget strategy will be further developed to meet this requirement. In terms of strategic priorities, projects that delivered these would be reviewed to ensure that they met new needs, and a revised strategic plan would be presented to Cabinet in the near future.

In relation to the customer cell of the recovery plan, the Panel heard that customer access channels had been reviewed to ensure that access to services was as efficient as possible, and all customers were now able to access services both online and via telephone. Social media updates were ongoing and customers were being supported to ease the financial burdens they may be experiencing. Normal recovery process had now resumed for Council Tax, and the discretionary business grant threshold had been reduced to allow more customers to take advantage of this scheme.

Councillor Cory addressed the Panel to offer his thanks to all Officers for their hard work and highlighted the importance of the work that had been done to support residents across the borough. Councillor Cory highlighted the partnership work that had been undertaken with organisations such as the BID and One Colchester and the good foundations that had been laid for a strong recovery through this work. He also praised the reactive and pro-active work that had been undertaken to support residents across Colchester throughout the pandemic, together with the investment that had been made in projects such as Colbea and housing development. The work that had been done, and was planned for the future had ensured that future recovery was sustainable.

Councillor Julie Young, Portfolio Holder for Culture and Performance and Deputy Leader of the Council spoke to highlight the learning that had taken place over the past few months, which showed the value that people placed on interaction with others, and she explained that going forward the focus would be on how communities came together. She referred to the community engagement work that had been carried by Firstsite and others and confirmed that partnerships with external bodies had never been better. In the future, there needed to be

encouragement for people to return to the town centre and to feel safe there, and although no one had wished for the current circumstances, a learning opportunity had been presented which should be taken advantage of.

A Panel member praised the approach that had been taken by senior management at Colchester Borough Council in terms of the information that had been provided to Members throughout the crisis. It was suggested that it appeared from speaking with colleagues at other Local Authorities, Colchester Borough Council's response to the crisis had been agile and effective, and it was queried how this would be carried into the future, particularly in the event of a second period of lockdown. Additional questions were asked by a Panel member about how the chasing of Council Tax arrears was being handled, together with the use and provision of office space for staff in Rowan House in the future, and the care that was being taken of staff who were now working from home – particularly with regard to their mental health.

Councillor David King, Portfolio Holder for Business and Resources responded to the points raised and explained that in his opinion the key reasons for the success of the Council had been the quality of the leadership team and other key people which had been reflected in the quality of the documents presented to the Panel at the meeting. He further highlighted the heart warming focus on relationships beyond the boundaries of the organisation and the development of these and cited the fact that Colchester Borough Council as an organisation had experienced periods of upheaval in the past and had used this experience to good effect in dealing with the current crisis. With regard to the collection of Council Tax, Councillor King confirmed that this was being carried out with a great deal of sensitivity to an individual's circumstances and thoughtful application of pressure was appropriate as income had to be received, but this had to be handed in a sensitive way. He confirmed that there was likely to be a loss in overall income, but the final picture was not yet known. In terms of the care being taken of staff, Councillor King highlighted the work that the Human Resources team had undertaken and the use of many lines of communication with staff to support them. He understood that there was a potentially a need for workspace to be made available for collaboration and that there was a demand for high quality workspaces with the capacity for social distancing. A review of the needs of the organisation was needed before future decisions were taken on ways of working.

A Panel Member questioned the fact that was referenced in the recovery plan that 2,500 businesses had been written to but a response rate of only 15% had been generated, and Councillor King confirmed that although this was a relatively low number, the responses received had been useful nonetheless and this was just one of the ways that business were being engaged with.

Panel members discussed the role of Colbea through the recovery process, and queried what impact the current recession would have on the residents of Colchester and the measures that were in place to assist with this. Councillor King explained that impact of the recession on a local scale was not yet known, and figures were being tracked where possible to attempt to gain full insight into the impact. He confirmed that Colchester Borough Council would be doing all possible to support the skills and confidence of local businesses and residents. With regard to the Council's stance on favouring the awarding of contracts to those able to demonstrate

social value, although it was too early to say what the net impact would be, data was being collected.

Mandy Jones confirmed that the Council had monthly meetings with Colbea who provided monitoring statistics on the number of people that they have seen, and it was confirmed that there were 147 contacts in June, representing a 61% rise on contacts year on year for the one to one advice and support service. Most of the contacts had been around business advice and strategy, with younger people and the hospitality industry now starting to see assistance. Mandy further confirmed that the procurement process had been altered to encourage local suppliers to make bids for Colchester Borough Council contracts.

A Panel Member asked whether or not there had been any changes to the Town Deal bid that CBC had made, and further enquired whether any special consideration had been given to people with disabilities as part of the recovery process, as they could find no mention of this in the report and it was essential that the needs of the disabled community be considered going forward. In the same way, it was pointed out that BAME groups should also form part of the recovery process, and more detailed information on how this had occurred should be provided in reports.

Councillor King confirmed that with regard to the Town Deal bid, the criteria from central government was essentially the same, and the bid was a work in progress. He expressed his faith that CBC would put in a very strong bid and would be successful in securing funding.

Councillor Julie Young said that the Council's relationship with the BAME community had been strengthened during this difficult period, citing the provision of space at St Botolph's Priory for the Colchester Islamic Society for Friday prayers. She also pointed out that CBC had been instrumental in negotiations for this group to use the Mercury Theatre rehearsal space at the Garrison Gym while the mosque was being refurbished. She acknowledged that there was still further scope for engagement with the BAME community but was happy with the work that had taken place over the past few months.

The Chair enquired whether the Town Hall was being actively promoted as a wedding venue again now that weddings were allowed. He also asked whether there were any plans for hybrid meetings to take place and whether surveys of members and staff were planned to gauge feelings on this way of returning to work. With regard to use of office space, he wondered if any consideration had been given to partnership working with other partners such as Colbea, Local Authorities or the NHS.

Councillor King acknowledged the future use of Council office space could take a number of forms, including sharing the space with partner organisations. He confirmed that the events team had been instructed to proceed as far as possible with income generation, and Andrew Tyrrell, Client and Business Manager, provided a brief update that wedding hiring had recommenced.

Councillor Cory addressed the Panel on the subject of remote meetings and working, and explained that it was essential that the opportunity was provided for people to come in for meetings if this was necessary, and the process of arranging hybrid meetings would be implemented. Although being able to log in digitally to meetings was a great advantage, the Town Hall was seen as the seat of local democracy and future arrangements had to be as flexible as possible. Councillor Cory expanded on a previous discussion of the Panel and confirmed that prior to the Covid pandemic the Council had been working to look into inequalities in the community and that this work was continuing. Lucie Breadman, Assistant Director of Communities, addressed the Panel and explained that there had been two key pieces of work, one of which was carried out with Anglia Ruskin University and which showed the value of communities which had been deliberately fostered by CBC and would be built on going forward. In terms of the BAME work that had been undertaken, this was focussed on people sharing what their experiences were and difficulties that they may have experienced in terms of language, access to translated material and the availability of cultural food parcels. The results of this work would be used to inform any future projects.

RESOLVED: That the Panel resolved to thank and commend all Officers and Portfolio Holders for their work to date, and requested quarterly updates were provided to the Panel on the continued response to the Covid pandemic.

277. Review of the Colchester Borough Homes Recovery Plan (COVID-19)

Councillor Fox, Portfolio Holder for Housing, introduced the item by explaining the importance of Colchester Borough Homes (CBH) to the recovery process and the overall response to the demands of the Covid pandemic. Of particular importance over the past few months had been the work undertaken in respect of rough sleepers, and the support of residents in sheltered housing. Councillor Fox expressed his thanks to the Officers of CBH for their hard work over the past few months and expressed his hope that the recovery process would be supported by the ongoing work of CBH in three key areas he identified as housing, jobs and community.

Gareth Mitchell, Chief Executive of Colchester Borough Homes attended to present the report and assist Members with their enquiries. The Panel heard that the recovery stage of CBH would complete at the end of August, following implementation of the CBH Business Continuity Plan which had started in March 2020. Government guidance during this period had prevented continuation with work on the capital programme and repairing tenants homes due to the requirements of shielding and Gareth explained that this had led to the requirement for agile working of all CBH staff as they responded to the crisis. The recovery programme of CBH was very closely allied to that of CBC and linked in at key stages with the 'cells' identified in the CBC Recovery Plan, and the Panel heard that the key recovery project objectives were to reinstate safe service delivery, use the recovery process as a business transformation opportunity, to make best use of technology for service delivery, to strengthen the Business Continuity Plan for the future and to use the Community Plan to develop local partnerships.

Gareth advised the Panel that all CBH services were now recovered, some in full and some under social distancing measures. All backlogs that arisen during lockdown had now been completed, and although it would be difficult, CBH would attempt to meet the service delivery goals set by the end of the financial year.

The Panel heard that as part of the recovery of CBH, office accommodation was being prepared for staff to return where needed and new working practices were being implemented for staff working in tenant's homes. Meetings were being held virtually to ensure that governance arrangements remained fit for purpose, and risk assessments – including individual risk assessments for staff – were being carried out. The Mercury Theatre project had continued to operate throughout lockdown, and Gareth explained that the resumption of the Capital Programme of CBH was closely allied to the CBC recovery plan. The Panel were advised that 38 rough sleepers had been accommodated in the first week of the 'Everybody In' campaign, and 57 had been accommodated in total, and that CBH had made over 4,000 calls to vulnerable residents as well as working closely with local charities. A key focus had been to move some of the more vulnerable residents into permanent accommodation where possible with the required support, and the relationships with external partners had been extremely important in this.

A Panel Member praised the development of digital ways of working, but added a note of caution that those customers who may not have access to more modern technology for a variety of reasons were still supported and had access to all services by other means, a point that Councillor Fox fully endorsed. Gareth confirmed that CBH was acutely aware of the need to maintain all methods of communication for their customers, and indeed during the pandemic the primary method of communication had been by phone for many of the vulnerable tenant groups.

Praise was offered for community caretakers employed by CBH, together with those doing emergency repairs during the pandemic.

In response to questions from the Panel, Gareth Mitchell confirmed that of the 57 rough sleepers that had been accommodated, 4 had returned to family and friends. In respect of the rent arrears that were outstanding, he explained that CBH had a history of delivering high rental income with minimal evictions, and it was only in extreme cases that evictions order were sought against tenants once other avenues had been exhausted. The Panel were advised that the vast majority of those tenants who were facing any action had been in significant arrears prior to the start of the pandemic and any action that did have to be taken would be done as a last resort. Addressing the potential issue of an increased demand for the services of CBH if the current situation caused redundancies and further rent defaulting, Gareth advised the Panel that CBH had been working throughout lockdown to ensure that there were sufficient resources available to meet any future challenge.

Councillor Fox addressed the concerns of a Panel Member with regard to the possibility of a second wave of the Covid virus, leading to further local or national lockdown. He explained that throughout the lockdown period he and CBH had been in close dialogue with other Authorities to share best practice, but a tightening of the rules may lead to a revision of the ways in which sheltered accommodation was

used. Gareth Mitchell confirmed that the main area that would be impacted by further lockdowns was indeed sheltered accommodation, and it may be that the rules may need to be tightened up again. Gareth was confident that the measures were in place to enable CBH to deal with any localised issues in the future, although he accepted that some services may have to be restricted.

A panel member highlighted the fact that CBH was responsible for housing some of the most vulnerable people in the district, and enquired what had been learned that would shape services for the future in respect of assisting those with poor mental health or other disabilities. They further enquired when it was considered that people would be able to move houses once again. Gareth Mitchell explained that the focus of CBH was to support and enable tenants without automatically taking direct action, and the work that had been undertaken during the pandemic had served to highlight the vulnerability of some tenants, and this greater awareness would inform future services. He explained that due to the work that had been undertaken over the past few months, it was anticipated that people would be able to move house in the very near future.

The Chairman enquired whether there were any voids in housing at present and what action had been taken to address this. Gareth confirmed that although restrictions had meant that the turnaround on void housing had been slower, there was still movement and the housing had been used for emergency accommodation during the lockdown period.

RESOLVED: That the Panel resolved to thank and commend all Officers of Colchester Borough Homes and Portfolio Holders for their work to date.

278. Amphora Recovery Programme (Covid-19)

Andrew Tyrrell, Client and Business Manager, and Paul T Smith, Group Commercial Director Amphora, attended to present the report and assist Members with their enquiries. The Panel heard from Andrew Tyrrell that each of the companies within Colchester Commercial Holdings Limited (CCHL) had its own dedicated recovery plan, and that the capital project programme had been one of the most severely impacted by the situation over the past few months, together with the cancellation of all events in Castle Park and other venues. Notwithstanding this, project work was continuing under safe guidelines, and there had been some success stories during lockdown such as Help Line which had proved to be of real assistance to some of Colchester's most vulnerable residents who found themselves cut off from friends and family.

The Panel heard from Paul Smith about the three Amphora Subsidiary Companies, consisting of Amphora Energy Ltd (CAEL), Amphora Homes Ltd (CAHL) and Amphora Trading Ltd (CATL). In addition to the heat network work being carried out, it was now hoped that the introduction of a microgrid as part of the Northern Gateway development to provide electricity generated primarily from renewable sources. The work of CAHL was continuing towards providing affordable housing, and work had continued on the Creffield Road site. The Panel heard that CATL provided a wide range of services on behalf of Colchester Borough Council,

including delivering the sports park, the events business and the Help Line service. Although income had been negatively impacted throughout lockdown, now that restrictions were starting to ease, income generation was recovering in an encouraging manner and the Panel heard that this year the group's performance achieved a dividend payment of £394,000 which was up on its 2018/19 payment of £286,000. The events programme had been hit especially hard by the current crisis, but events were now being planned for next year, and some had been able to go ahead as restrictions eased. A further key development was the introduction of extremely fast full fibre broadband stemming from the Northern Gateway site, and roadworks to lay the support network for this were going on now. Paul confirmed that the commercial companies would continue to develop the work that was agreed under their current business plans, with consideration to future business planning in development for 2021-2024 with a focus on developing the Northern Gateway Heat Network as well as developing other sustainable energy related projects such as a micro grid at the Northern Gateway and other heat networks in Colchester. Some of the key projects to be delivered over the next three years were the events programme, completion and occupancy of 350 new homes for private sale and affordable rent and assistance and support for the greener economy.

Panel members enquired whether the funding of capital projects had been affected by the current situation, and Andrew Tyrrell advised that some of the housing projects were funded by the Housing Revenue Account, and Amphora were helping to deliver this. He further explained that there were two funds associated with Council work, the general fund and a ring-fenced housing fund which could be used for nothing else but housing, and it was this fund which was allowing the Council to proceed on some projects. Additionally, Andrew explained that there was a difference in the borrowing capability of the Council when borrowing against capital or revenue, and capital borrowing was necessary in order to deliver revenue streams in the future.

Paul Smith responded to a Panel members question which requested clarification of the reduction in dividend and the changes referenced to the service level agreement between Amphora and Colchester Borough Council. He explained that the dividend forecast of £226,000 took into account the effect on the events business and included all costs that were known, and this figure represented the worst position and would hopefully improve from that. With regard to the sports element of the business, he said that the roadworks at the bottom of Ipswich Road had severely reduced footfall to Leisure World, but it was hoped that on completion of these the footfall would rise again. It was hoped that both Leisure World and the planned sports park would return to profit in the near future, although continuing restrictions would adversely affect both businesses for many months.

RESOLVED: That the Panel resolved to thank and commend all Officers of Colchester Borough Homes and Portfolio Holders for their work to date.

279. Colchester Business Improvement District

Simon Blaxill, Chair of Colchester Business Improvement District and Sam Good, Business Improvement District General Manager attended the Committee to present a report, and assist Members with their enquiries. Simon introduced the item, and voiced his appreciation of how much was going on in Colchester at present. He highlighted the fact that even prior to the current crisis, there had been significant pressure on the retail sector, and the situation at present highlighted the need for the town centre to re-invent itself as more than a shopping centre. He explained that the Business Improvement District (BID) had been working closely with the Council and thanked Officers for their help and support. He said that BID funds were limited and that for Colchester to recover would require a strategy involving the Council and other partners to generate a vision for the town over the next twenty five years focussed on regeneration and delivering an inclusive and social culture for the future.

Sam Good addressed the Panel and explained that the BID was about to start their third year of a five year term, and outlined the plan to bounce back from Covid. He confirmed that the BID was providing four hundred and eighty hours of street ambassador patrols in the town centre on a monthly basis which had a great impact, and further work had been done on generating marketing online including the 'In Colchester' brand. The Panel heard that the BID were very pleased with the relationships being generated with partners and the ongoing work around generating statistics and data to be fed back to member businesses. In response to the lockdown period, it was explained that the business plan had required to be completely redrafted with key stakeholders and was representative of the whole town. Over one thousand floor vinyls had been handed out free of charge together with recovery packs to assist businesses reopening, together with installation of hand sanitiser stations through the town. Pinch points in the town had been examined where social distancing would be more challenging than in other places, and signage had been issued to attempt to assist with this, and the BID had produced leaflets which were distributed to residents to encourage a feeling of security and facilitate their return to the town centre. This had the effect of supporting a return to 80% of pre-Covid footfall, which was higher than expected. When the lockdown was announced the BID secured the services of a security company from 06 April 2020 to patrol the town centre between the hour so 22.00 and 06.00 every night to protect the properties of businesses which were vacant and during this period there were no break ins or attempted break ins.

The Panel heard that the plans for year three of the bid had been revised and now focussed on three key themes – revive, strive and survive, designed to improve peoples confidence in the town centre which would make Colchester a destination that businesses can succeed in with the aim of making Colchester the best destination in the region for visitors, workers and residents.

The BID had set out a four stage framework for recovery from Covid detailing the immediate actions taken at crisis stage, pre-recovery, recovery and the eventual transformation of the town centre and generation of continual revival. As part of the recovery work undertaken, surveys had been conducted to determine what visitors to the town centre wanted in the future.

One of the key pieces of work carried out by the BID as part of the Covid response was to work closely with a number of key partners, including Essex Police and Colchester Borough Council to put together a complete brief for business on how they should safely manage their queues during the pandemic. This allowed businesses to have the confidence to open safely and gave the public confidence that they were safe when visiting the town centre.

The Panel heard that over the next month the BID was to launch their 'Big Lunch' campaign, funding over three hundred meals for office workers in the town centre to allow them to try out new hospitality establishments in order to encourage workers to have their lunch in the town centre.

In response to a Panel Member, Sam explained that the rate of visitors to shops who made a purchase was higher than normal, and that some business were doing well at present, although there would be as many who were faring badly. It was suggested that any future campaigns or promotions launched by the BID be forwarded to Colchester Borough Council marketing and communications teams for distribution on to all Councillors to enable them to share with their constituents and Councillor King confirmed that this took place as far as was possible.

RESOLVED: That the Panel resolved to thank and commend Sam Good and Simon Blaxill of Colchester Business Improvement District for their work to date.

Scrutiny Panel

Item
10

26 January 2021

Report of	Chief Operating Officer	Author	Owen Howell ☎ 282518
Title	2021/22 Budget and 2021/25 Medium Term Financial Forecast – Covering Report		
Wards affected	Not applicable		

1. Executive summary

- 1.1 This report invites the Panel to review and comment on the 2021/22 Revenue Budget and Medium Term Financial Forecast; the Treasury Management Strategy; and the Capital Programme and Capital Strategy that are being submitted to 27 January 2021 Cabinet.

2. Action Required

- 2.1 The Panel is asked to review and comment on the 2021/22 Revenue Budget and Medium Term Financial Forecast; Treasury Management Strategy and Capital Programme reports that are being submitted to Cabinet on 27 January 2021. Any comments made by the Panel will be submitted to the Cabinet meeting for further consideration.

3. Reason for Scrutiny

- 3.1. The attached reports should be read and considered alongside each other to provide an assessment of the Council's financial position and plans.
- 3.2 The Panel may, at the Cabinet's request, scrutinise decisions to be taken by the Cabinet and report any comments or concerns for further consideration by Cabinet prior to the decision being taken.

Appendices:

Appendix A – Budget 2021/22 and Medium-Term Financial Forecast 2021/22

Appendix B - Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2021/22

Appendix C - Resetting the Capital Programme and the Capital Strategy

27 January 2021

Report of	Chief Operating Officer	Author	Paul Cook ☎ 505861 Darren Brown ☎ 282891
Title	Budget 2021/22 and Medium-Term Financial Forecast		
Wards affected	All		

1 Executive Summary

- 1.1 The report recommends a sustainable 2021/22 budget and Medium Term Financial Forecast 2021/22 to 2024/25.

2 Recommended Decision

- 2.1 To approve the 2021/22 Revenue Budget and revised Medium Term Financial Forecast as set out Appendix A.
- 2.2 To note the budget robustness statement and forecast level of balances set out in Appendix B.
- 2.3 To approve the Treasury Management Strategy 2021/22 to 2024/25 set out in Appendix C
- 2.4 To recommend to Council the 2021/22 revenue budget requirement of £20.623m as set out in Table E1 in Appendix E.
- 2.5 To recommend to Council Colchester's element of the Council Tax at £200.52 per Band D property being an increase of £4.95.
- 2.6 To increase the officer delegation to write off bad debts to £10k as per Section 12 of this report, subject to the approval of 19 January 2021 Governance and Audit Committee.
- 2.7 To note the proposed government changes to external audit arrangements set out in Section 8.19.

3 Reason for Recommended Decision

- 3.1 To balance the 2021/22 budget and revise the Medium Term Financial Forecast.

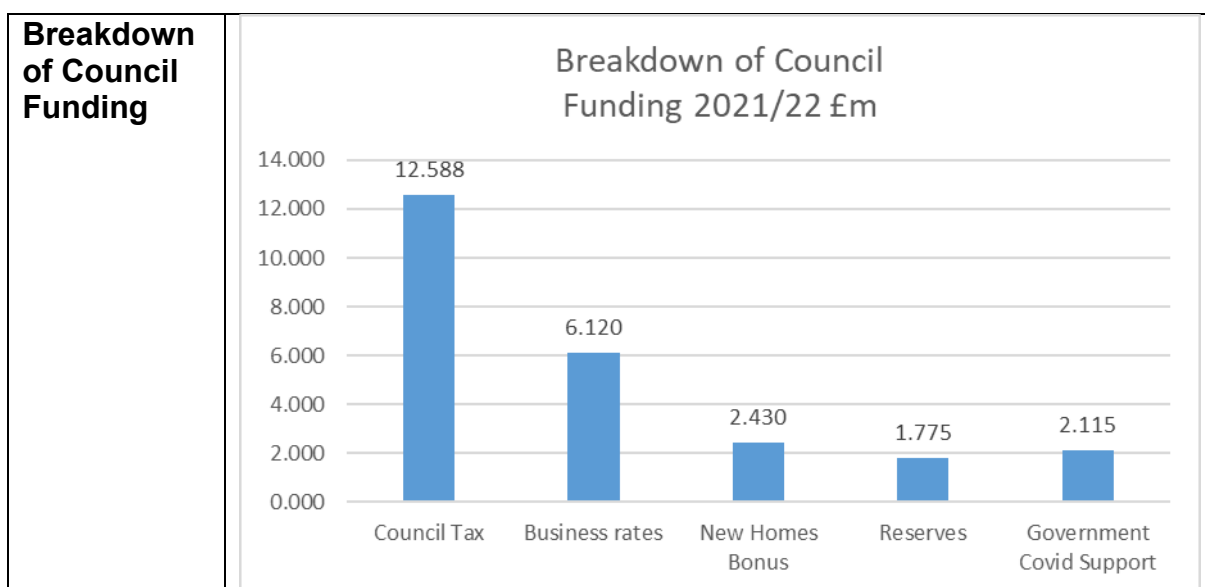
4 Alternative Options

- 4.1 None.

5 Summary of Council Funding

5.1 The table below describes some of the key budget terms used in the paper and the needs and services to which they relate and the sources of budget funds.

Revenue	These are the running costs and income sources of the Council, including <ul style="list-style-type: none"> • Salaries of staff • Supplies and services provided to the Council and residents • Fees and charges where payments are required
Capital	Council investment in land and buildings, plant and equipment, whether Council buildings, leisure, sports and other facilities, or in support of services to residents.
Housing Revenue Account or HRA	The costs of maintaining or adding to the Council's circa 5,900 council houses and flats. This account is kept separate from the Revenue and Capital accounts and is self-financing, in that income must meet or exceed spend in any year.
General Fund	Non-HRA services accounted such as waste collection, housing benefit administration, planning, democratic services and sports and leisure for example.
The 21/22 Budget	General Fund Revenue financial plan for next year 2021/22
MTFF	Our financial plan for the next four years on General Fund or Medium Term Financial Forecast
Net Budget requirement	A technical budget setting calculation the Council must make in accordance with complex rules set by the Government. It is essentially running costs less sales fees and charges and grants for individual services.
Net General Fund Services Budget	At some £23m (excluding North Essex Parking Partnership) it reflects the costs of all services and payments passing through the Council, at some £89m less £66m income, as set out in Appendix G.
Government funding	Since 2012 this comes mainly from retained Business Rates. New Homes Bonus is also a significant if reducing item. The balance of Council funds comes from Council Tax.
Business rates	We collect about £70m a year of which we expect to retain £6.120m in 2021/22. Business rates are set nationally.
Council tax	We collect about £110m, most of which goes to Essex County Council and expect to retain £12.588m in 2021/22. Our part of the Council Tax may be increased up to a maximum £5 per annum in 2021/22, without a referendum.
Collection Fund	Under government regulations, business rates and council tax are held and accounted for in a separate Collection Fund. This income is then distributed as required, to the government, the county council, and others, including this Council. It is also used to hold and share surpluses or to meet budget deficits, often over several years.

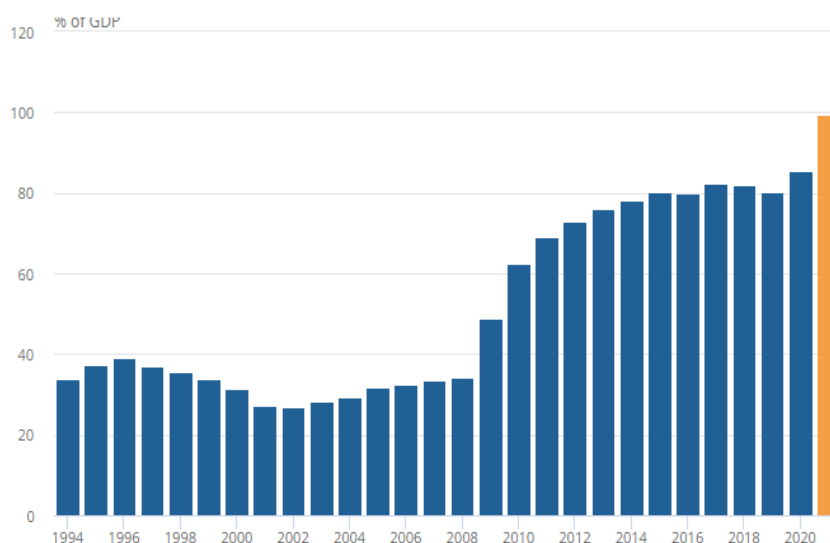


6 Macro-economic context

- 6.1 Public debt rose by £301.6 billion in the first eight months of the financial year to reach £2.1 trillion at the end of November 2020. At some 99.5% of gross domestic product (GDP) this was the highest level of government indebtedness since the 1960's and will increase throughout the MTFF period. Public sector borrowing costs are relatively low, but public finances will need to be put on a sustainable basis. To do so it is likely that government funding to Local Authorities will be reduced, as was the case after the financial crisis of 2008 and this could be a significant issue for this Council, in the medium term.

Figure 8: Debt as a ratio of GDP has increased considerably during the COVID-19 pandemic

Public sector net debt excluding public sector banks, UK, March 1994 to the end of November 2020



- 6.2 The HM Treasury average of independent forecasts for GDP decline in calendar year 2020 is 10.9%. In calendar year 2021 the economy is expected to recover by 5.4%, with a full recovery to pre pandemic levels unlikely before late 2022, at best. Unemployment has already risen sharply to 6% and is expected to rise further to 6.8% in calendar year 2021. The impact on the Council is likely to be reduced Government support in the medium term as the public finances need to be put back in order. A depressed economy will also impact on the Council's income, from less resident and visitor discretionary spend on leisure, to areas such as commercial rents and car parking. Higher unemployment will create an increased demand for Local Council Tax Support.

FORECASTS FOR THE UK ECONOMY

This edition of the comparison contains 18 new forecasts, all of which were received between December 1st and December 11th 2020. The tables below summarise the average and range of independent forecasts for 2020 and 2021 and show the average of this month's new forecasts.

Forecasts for 2020					
	Independent ⁺		December		Average of new* forecasts
	Averages	Averages	Lowest	Highest	
	December	November			
GDP growth (per cent)	-10.9	-10.6	-11.5	-8.9	-11.1
Inflation rate (Q4: per cent)					
- CPI	0.7	0.6	0.3	1.0	0.7
- RPI	1.4	1.2	0.7	1.7	1.4
LFS unemployment rate (Q4: %)	6.0	6.4	4.5	7.5	5.9
Current account (£bn)	-60.8	-61.2	-88.2	-42.1	-58.3
PSNB (2020-21: £bn)	380.9	359.2	332.5	422.7	381.2

Forecasts for 2021					
	Independent ⁺		December		Average of new* forecasts
	Averages	Averages	Lowest	Highest	
	December	November			
GDP growth (per cent)	5.4	5.3	1.3	7.5	5.4
Inflation rate (Q4: per cent)					
- CPI	1.9	1.9	0.8	3.7	2.0
- RPI	2.6	2.6	1.1	4.9	2.7
LFS unemployment rate (Q4: %)	6.8	7.2	5.7	8.1	6.7
Current account (£bn)	-84.0	-77.2	-137.0	-40.0	-77.9
PSNB (2021-22: £bn)	199.7	195.9	138.6	276.0	202.1

7 Outlook for Local Government Funding

- 7.1 The provisional 2021/22 Local Government Finance Settlement was published on 17 December 2020. The Settlement is in three main parts:
- Support for Covid costs and impacts
 - Core funding from government
 - Changes to local authority external audit
- 7.2 Consultation on Covid support and impacts ended on 14 January 2021. Support has covered most costs and lost income in the current financial year 2020/21 and Councils are promised further help in 2021/22. Due to a prudent level of reserves and sound financial management Colchester has been able to cover direct and indirect Covid costs as well as lost income in 2020/21. The Council can do so again in 2021/22.

- 7.3 Government consultation on core funding ended on 16 January 2021. The Local Government Association response highlighted that more than 85% of the core funding increase next year is dependent on councils increasing council tax by up to 5%. These figures include the 3% social care precept which does not benefit Colchester Borough Council finances.
- 7.4 Whilst there is continuing government support for most Covid costs and impacts, changes to core funding are much more concerning. In the longer term the local government finance settlement is likely to be constrained by the long-term pressures on public finances from the massive direct and indirect costs associated with the pandemic. Colchester budgets could be significantly affected from the 2022/23 financial year.
- The latest Spending Review was for one-year only, for budget year 2021/22 and a Comprehensive Spending Review is overdue. A new Spending Review should provide greater medium-term certainty but may also see adjustments to Departmental Expenditure Limits (DEL) which favour departments other than the Ministry for Housing, Communities and Local Government (MHCLG).
 - Long awaited proposals to introduce 100% business rates retention by local authorities. The detail of the proposals has yet to be published.
 - The long delayed Fair Funding Review may redistribute government support to Local Authorities and impact significantly on this Council's spending power.
 - Changes to New Homes Bonus have been made that reduce future year income. Further changes may be made under a planned review of the scheme. This could disadvantage the Council given the levels of housing growth in the Borough over the last decade and the new homes bonus this provided.
- 7.5 The changes set out above could present a significant risk to our finances and accordingly our service provision, as reflected in the Strategic Risk Register. Any extended disruption caused by the Covid pandemic may however delay or impact the Government's ability to develop and introduce such measures and to provide the stability needed for the Medium-Term Financial Forecast (MTFF). This will be kept under constant review.
- 7.6 The Covid pandemic, its economic aftermath and accelerated societal trends will create downward pressure on shopping and visiting. These changes will be compounded by increased reliance on online access to services. This could have a significant impact on the Council's leisure and car park income.
- 7.7 Business rates and Council Tax payments recovery are likely to prove increasingly challenging, as businesses struggle, injured by repeated lockdowns and facing difficult trading and economic conditions.

8 Overview of Government Funding for Covid-19 and the Provisional 2020 Local Government Finance Settlement

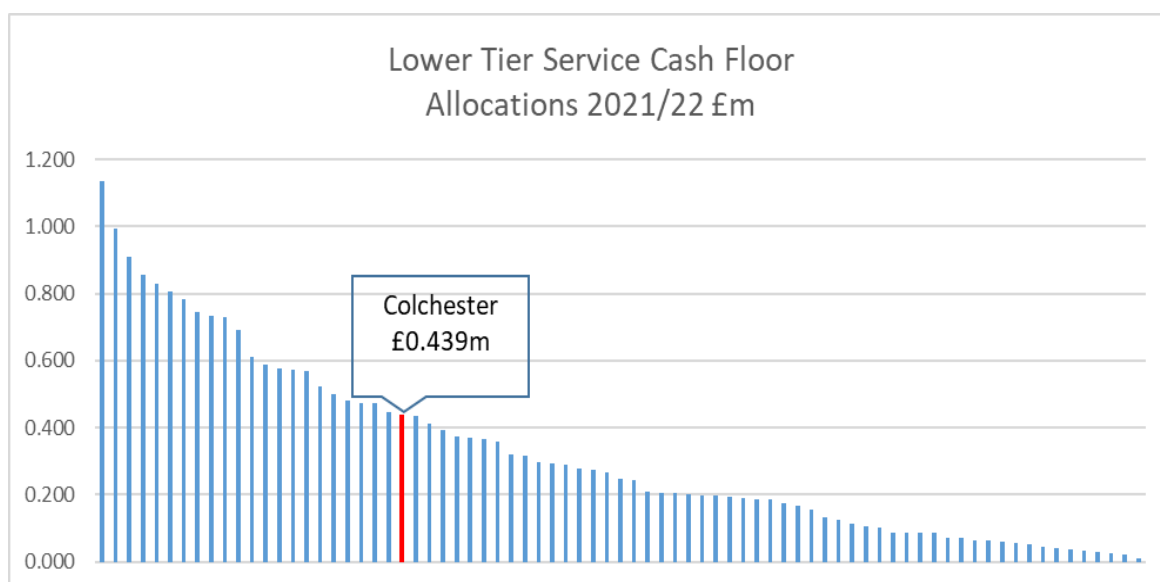
Covid Funding

- 8.1 Substantial Government financial support has been received during 2020/21 with unringfenced grants of £2.914m and Income Loss Support Grant currently forecast at £3.928m
- 8.2 The 2020 Spending Review announced £1.550bn new Covid funding in 2021/22 for local government. The Colchester allocation of £993k for 2021/22 was announced by MHCLG on 17 December 2020 in the provisional Local Government Finance Settlement. This is welcome additional support for the Council.
- 8.3 The Spending Review also announced £670m support for increased Local Council Tax Support (LCTS) costs. The allocation in the provisional Local Government Finance Settlement is £1.7m for the Colchester billing area, covering the impact on all recipients of Council Tax. The allocation for Colchester is £0.2m. The current Medium Term Financial Forecast assumption is a 12.5% increase in demand for this help with Council Tax bills, assuming the current normal eligibility criteria. The additional funding will help meet this cost.
- 8.4 The Spending Review extended sales fees and charges income loss grant to Q1 of 2021/22. This was confirmed in the provisional Local Government Finance Settlement. This is a forecast £500k gain for the Council and has been built into the Medium-Term Financial Forecast. The grant will continue to be calculated on 2020-21 income budgets. The extension of the grant is welcomed by the Council.
- 8.5 Under the Spending Review the government announced it will provide Income Loss grant towards **irrecoverable** 2020/21 council tax and business rates losses. This was confirmed in the provisional Local Government Finance Settlement. This additional support is welcomed by the Council. The council tax collection rate assumption has been increased in the Medium-Term Financial Forecast to 97.5% (from 95%). This means a £1m forecast loss to bear in 2021/22, of which Colchester must bear 25%. This is provided for in the Medium-Term Financial Forecast.

Core Funding

- 8.6 There is no change in the Settlement to the council tax referendum principles for 2021/22. For district councils the limit remains £5 or 2% whichever is the higher. However, a £5 council tax increase is already assumed by Government in calculating and proposing to maintain Colchester's 2021/22 core spending power at the same level as 2020/21. Not to make a £5 council tax increase would lead to a loss of £498k spending power in 2021/22. The Council would have expected more flexibility on referendum limits in 2021/22 and that a 2% council tax increase would not automatically be assumed in assessing Spending Power.
- 8.7 Immediate 2021/22 changes and a proposed fundamental review of New Homes Bonus is likely to have a very significant impact on Colchester's funding. Colchester is a rapidly growing borough and is particularly badly affected.
- 8.8 The provisional Local Government Finance Settlement finalised 2021/22 entitlements. The New Homes Bonus earned by Colchester for 2021/22 is £2.430m, some £1.772m in legacy payments and £0.708m for 2021/22.

- 8.9 There are no legacy payments for the bonus already earned in 2020/21 (year 10 of the scheme). This is a direct loss of £1.286m in 2021/22 and a loss over the Medium-Term Financial Forecast period of £3.858m compared to the previous arrangements.
- 8.10 Similarly, there are no legacy payments for the bonus earned for 2021/22 (year 11 of the scheme). This is a direct loss of £0.708m in 2022/23 and a loss over the Medium-Term Financial Forecast period of £2.124m compared to the previous arrangements.
- 8.11 New Homes Bonus forecasts for later years of the Medium-Term Financial Forecast have therefore been reduced to £800k (excluding the affordable housing element) and no further legacy payments are assumed. The planned use of New Homes Bonus is set out in the Appendix I.
- 8.12 The Local Government Finance Settlement introduced a new Lower Tier Services Grant in 2021/22. The grant is in two parts – service and cash floor.
- 8.13 The service component of the grant is directed to all 364 councils providing lower tier services. This is the responsibility for services such as homelessness, planning, recycling and refuse collection and leisure services. The bulk of funding is paid to unitary authorities, metropolitan districts and London Boroughs. This element of the grant is based on 2013/14 spending data.
- 8.14 The cash floor component is intended to protect 77 of the lower tier authorities, so they do not have reduced core spending power in 2021/22 compared to 2020/21. Colchester falls into this category.
- 8.15 The Colchester Lower Tier Services Grant allocation for 2021/22 is £0.623m. This comprises £184k for services and £439k for the cash funding floor. Colchester's cash floor allocation is the 22nd highest of all authorities demonstrating the impact of the settlement on this authority. The Lower Tier Services Grant will only partially compensate for the loss of New Homes Bonus referred to above. There appears to be no commitment the new grant will be paid after 2021/22. So whilst Colchester will be initially protected from some funding losses the medium term position is less clear.



- 8.16 The net impact of the settlement on the Council is that additional costs and income losses in 2020/21 have been largely covered with £1.000m unplanned use of reserves being required. In 2021/22 the extent of government support for Covid costs and income losses has yet to be finalised. Current expectations are that the Council will need to use £2.400m of reserves in addition to its previously planned usage. The Council is also needing to make £2.528m of savings in 2021/22. There are a number of major changes to Government funding in the medium term and these will need to be watched carefully. In particular the loss of New Homes Bonus is a concern.

Changes to local authority external audit

- 8.17 Following delivery problems and delays with 2018/19 and 2019/20 audit delivery an independent review commissioned by the Government has been carried out by Sir Tony Redmond.
- 8.18 The Government intends to set 30 September as the publication date for 2020/21 and 2021/22 accounts. Audit firms will be required to improve their skills and training.
- 8.19 Audit fees are likely to increase, but some additional funding will be provided to authorities to meet the cost. External auditors will report annually to the full Council. The complex form of accounts will be reviewed, including a standardised statement of service information and costs.
- 8.20 Colchester has been able in recent financial years to produce its accounts for audit to meet a 31 July publication timetable. It is disappointing that a later publication date is now envisaged by government with increased audit costs.

9 Budget Pressures, Response and Remedies for the Council

- 9.1 We have an exceptionally challenging health and economic situation nationally and locally, damaging all forms of income to the Council and increasing our costs. The Council has responded robustly, to reduce the impacts whilst retaining a prudently progressive approach to the 2021/22 budget, that supports investment in the local economy, local businesses and those they employ, and recovery.
- 9.2 The rate of recovery will be dictated by Government policy on lockdown. Income budgets in 2021/22 assume a reduced level compared to 2020/21 original budgets and a gradual recovery. Any losses compared to 2020/21 original budget are likely to be protected by Government income loss grant. However, the position needs to be kept carefully under review through the normal monitoring processes. The financial position will be updated early in the new financial year and fully updated for Quarter 1. This will include regular reports to the Cabinet and Scrutiny Panel.
- 9.3 Despite the highly challenging context, the Council's Budget will allow it to maintain essential as well as highly regarded discretionary services to residents and to meet the environmental, health, housing and other needs of the Borough, as set out within the Council's Strategic Plan.

- 9.4 Working in partnership with the Business Improvement District (BID) and other groups the Council will also continue to ensure everything possible is done to promote economic and town centre recovery. It will continue to invest in the future of Colchester as a place in which to live, work, visit and invest, with projects such as the Northern Gateway. A vigorous programme of housing investment will continue. Capital investment will deliver improved services and retain or increase employment. The programme invests in local community facilities including £1.500m for St Marks Community Centre. This will be partly funded from S106 resources.
- 9.5 Council efficiencies, and service delivery improvements will deliver a wide range of saving, some £2.528m in 2021/22. These were reported to October 2020 Cabinet and there are no significant changes since.
- 9.6 The Council's expenditure assumptions allow for usual pressures and cost growth, such as inflation and interest charges, and the wholly exceptional income loss and other pressures created by the pandemic and related economic crisis. Together these total £7.376m in 2021/22. The key items:
- Covid income losses - £4.129m
 - Waste and recycling - £1.044m due to the low market prices for materials combined with increased service volumes
 - Interest payable to finance 2021/22 capital programme - £0.644m
 - Transformation and Recovery - £0.500m
 - Inflation allowance - £0.440m
 - Council tax sharing agreement - £0.150m lost income
- 9.7 The Capital Programme is reported separately on this agenda.
- 9.8 The 2021/22 budget assumes a £4.95 Colchester council tax increase that will raise some £0.5m annually, and the Medium-Term Financial Forecast assumes the same increase is made in future financial years.
- 9.9 A 97.5% council tax collection rate is assumed but Local Council Tax Support take-up from 2021/22 is assumed to be 12.5% higher than originally budgeted for 2020/21. Growth in property numbers is assumed to be 1% per annum.
- 9.10 The Medium-Term Financial Forecast also assumes a £200k gain from the Council's membership of the Essex Business Rates Pool.
- 9.11 Minor increases to Council tax and sales, fees and charges have been made, as agreed by Cabinet in November 2020. Some are below inflation, others broadly in line with inflation but together they help maintain Council income.
- 9.12 Despite significant savings and efficiencies, it will be necessary to use £2.400m of Council reserves in 2021/22 to meet Covid related lost income and other pressures. This is in addition to the reserves already used in 2020/21. A full statement on reserves is provided in Appendix H.

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

10 MTFF Consultation

- 10.1 A public consultation has been undertaken on the 2021/22 budget and the results are set out in Appendix D.
- 10.2 The budget strategy and timetable have ensured that information is available for Scrutiny Panel and input from all Members.
- 10.3 A cross-party Task and Finish Group considered the introduction of green waste collection charges to help reduce the budget gap. The Group did not support charges. Their recommendations were accepted by the Cabinet in August 2020.
- 10.4 Budget workshops were held on 4 August 2020; 26 August 2020; 5 October 2020 and 7 December 2020. This allowed all members to understand and share in the task of meeting the budget challenge, to be achieved by cost reduction, service transformation and efficiencies that included staff reductions, and the use of reserves.
- 10.5 The Leader of the Opposition and the Shadow Portfolio Holder for Business and Resources attended Budget Workshops and are also able at any stage of the budget process to meet with officers to assist with consideration of any alternative budget proposals.
- 10.6 The statutory consultation with business ratepayers will take place on 9 February 2021.

11 Risk Management Implications

- 11.1 Extensive modelling work has been undertaken with service managers to assess the potential range of impacts on spend and income of the crisis before adopting the assumptions described within the report.
- 11.2 Staff and support costs reflect current assumptions and progress made in this financial year but will be subject to the progress of our service transformation and efficiency work.
- 11.3 The pandemic and related economic crisis will however mean very significant uncertainties will need to be managed in year. If necessary, by seeking further government support or by drawing yet further on reserves to ensure, as is mandated, that the budget is balanced

12 Financial implications

- 12.1 As set out in the main body of this report.
- 12.2 Under Financial Regulations, any debt write-off in excess of £5k must be referred to the Portfolio Holder. It is recommended this limit is increased to £10k from April 2021 and then by inflation subject to minimum steps of £1k, consistent with wider good practice.

- 12.3 The change will not have a direct financial impact but will ease administration. This change is subject to approval at the 19 January 2021 Governance and Audit Committee.

13 Environmental and Climate Change Implications

- 13.1 All budget measures are assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's recovery planning and a core theme of the new Strategic Plan.
- 13.2 In addition to specific programmes, the Medium-Term Financial Forecast allows £100k from 2021/22 for Climate Change initiatives.

14 Equality and Diversity Implications

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

15 Other Standard References

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

Appendices

A	2021-25 Medium Term Financial Forecast and Assumptions
B	Budget Robustness Statement
C	Treasury Management Strategy Statement
D	Budget Consultation
E	Technical reconciliations of budget requirement 2021/22
F	Summary Budget 2021/22
G	2021/22 General Fund Budgets
H	Reserves, Provisions and Balances
I	Allocation of New Homes Bonus

Appendix A – 2021-25 Medium Term Financial Forecast and Assumptions

2021/22 Budget and MTFF	21/22	22/23	23/24	24/25
	£'000	£'000	£'000	£'000
Previous year's budget	21,599	25,028	22,583	23,123
Cost pressures & Growth items	2,103	279	1,821	940
Capital financing	644	(50)	200	200
Income losses	4,129	(2,000)	(350)	(200)
Transformation and recovery	500	(500)	0	0
Savings	(2,528)	(315)	(290)	(50)
Change in forecast use of new homes bonus	(1,419)	141	(841)	300
Current year's budget	25,028	22,583	23,123	24,313
Business rates	(6,120)	(5,580)	(5,123)	(4,667)
Govt - Covid Funding	(1,493)	0	0	0
Govt Grant	(622)	0	0	0
New Homes Bonus	(2,430)	(2,091)	(950)	(950)
Council Tax	(12,588)	(13,027)	(13,475)	(13,931)
Previously planned use of reserves	625	625	750	750
Covid use of reserves	(2,400)	(900)	(400)	(200)
Budget Gap Cumulative	0	1,610	3,925	5,315

MTFF Assumptions	21/22	22/23	23/24	24/25
Council Tax collection	97.5%	97.5%	97.5%	97.5%
Growth in council tax base	1.0%	1.0%	1.0%	1.0%
District council tax increase	£4.95p	£4.95p	£4.95p	£4.95p
LCTS increased take-up	12.5%	12.5%	12.5%	12.5%
Rate of increase in charges	3.0%	3.0%	3.0%	3.0%
Business rates Covid impact	250k	333k	333k	333k

Appendix B – Budget Robustness Statement

- 1 In 2019/20 the Council contained spend within the approved budget. In 2020/21 the Council's financial position has been substantially affected by the Coronavirus pandemic. However, most income losses and additional costs have been met by Government grants and expenditure controls. The unplanned use of reserves in 2020/21 is therefore expected to be limited to around £1m.
- 2 Government has already committed to provide additional support for Covid costs in the early part of 2021/22. The income loss grant is extended into 2021/22 and will now cover irrecoverable council tax and business rates losses in 2020/21.
- 3 The Council has a good record of delivering agreed savings. The 2021/22 savings proposals were developed by a comprehensive programme of officer meetings reviewing all service budgets line by line supported by Finance Business Partners.
- 4 The Council has in place reliable revenue and capital monitoring processes enabling it to take corrective action in the event of unexpected budget variations. The Council has good finance and performance monitoring processes including the Performance Management Board, the Revolving Investment Fund Steering Group and a Cabinet chaired Budget Group. These arrangements will ensure that any new expenditure proposals are adequately assessed and that overall spend is managed effectively, in line with overall budgets.
- 5 The Council is relying on an additional £2.400m use of balances to deliver its core services in 2021/22. Given the exceptional situation this is appropriate.
- 6 The budget process allows for the review of budget proposals by the Scrutiny Panel and this has applied to the 2021/22 proposals.
- 7 The use of resources judgment by BDO (the external auditors) in the 2019/20 audit was satisfactory, following an assessment of the Council's approach.
- 8 There is an effective risk management process in place in the Council.
- 9 The 2021/22 Provisional Local Government Finance Settlement suggests significant reductions in the Council's New Homes Bonus allocation from 2021/22 onwards. This has been recognised in the MTF and only a small and decreasing value of New Homes Bonus is used in later years to support the base budget.
- 10 The MTF nonetheless shows significant gaps in 2022/23 and onwards. Work will therefore begin earlier than usual to address the gaps. By organisational transformation work and the identification of further savings.
- 11 The Chartered Institute of Public Finance and Accountancy resilience index has yet to be updated, but Colchester would expect, on current criteria and past performance to score well, given robust controls, high rates of collection and effective prudent stewardship including reserves.
- 12 It appears therefore that the 2021/22 budget and Medium Term Financial Forecast are robust and the reserves and balances adequate as set out in the succeeding tables.

Appendix C – Treasury Management Strategy Statement

See separate document on Agenda

Appendix D – Budget Consultation

- 1 Residents were invited to participate in a consultation to help Colchester Borough Council understand what matters most to the public and to gauge their support for the Council's approach to the financial challenge and budget gap. An online survey was launched on Monday 9 November 2020 and was advertised via the council's website and through local media. The survey ran for a period of four weeks closing on Friday 4 December. A total of 184 responses were received.
- 2 Key Findings
 - 2.1 Residents were asked how well informed they felt about the financial challenges facing Colchester Borough Council?
 - 68.5% (126 people) stated that they feel either 'slightly' or 'well' informed.
 - 27.2% (50 people) stated that they 'do not feel' informed.
 - 4.3% (8 people) said that they 'do not know'.
 - 2.2 Residents were then asked which services interested them most in the budget. The responses were:
 - Planning & Building Control
 - Housing
 - Recycling & Rubbish Collections
 - Housing Benefit and Council Tax
 - Environmental & Animal Services
 - 2.3 Residents were then asked if they Agreed or Disagreed with the approach set out within the Budget Strategy?
 - Priorities:
 - 88.4% either 'Agree' or 'Strongly Agree'
 - 8.8% Neither 'Agree' or 'Disagree'
 - 2.8% either 'Disagree' nor 'Strongly Disagree'
 - Efficiency:
 - 91.1% either 'Agree' or 'Strongly Agree'
 - 7.2% neither 'Agree' nor 'Disagree'
 - 1.7% either 'Disagree' or 'Strongly Disagree'
 - Service Provision:
 - 89.5% either 'Agree' or 'Strongly Agree'
 - 6.0% neither 'Agree' nor 'Disagree'
 - 4.5% either 'Disagree' or 'Strongly Disagree'
 - Commercial:
 - 68.1% either 'Agree' or 'Strongly Agree'
 - 15.1% neither 'Agree' nor 'Disagree'
 - 16.8% either 'Disagree' or 'Strongly Disagree'
 - Communities:
 - 80% either 'Agree' or 'Strongly Agree'
 - 13.3% neither 'Agree' nor 'Disagree'
 - 6.7% either 'Disagree' or 'Strongly Disagree'

Comments on the consultation responses: The Survey showed a good level of support and understanding of the Council's budget strategy, albeit on a limited number of responses.

Appendix E – Technical reconciliations of budget requirement 2021/22

Table E1 – Technical reconciliation of budget requirement		
	Element	£'000
1	Revenue expenditure requirement for 2021/22	25,028
2	Collection fund deficit (business rates and Council Tax)	3,813
3	New Homes Bonus	(2,430)
4	Use of balances / reserves for pensions payment	935
5	Use of Business Rates Reserve	(3,813)
6	Use of Business Rates Pooling gain	(200)
7	Use of balances	(2,710)
8	Budget Requirement	20,623
9	Funded by:	
10	Government Grant (Covid19 support and Lower-Tier services)	(2,115)
11	Business Rates Baseline Funding	(4,300)
12	Business Rates Improvement	(1,620)
13	Council Taxpayers requirement (before Parish element) see below*	(12,588)
14	Total Funding	(20,623)

Table E2 – Technical reconciliation of Band D Council Tax		
1	Council Taxpayers requirement (before Parish element)	12,588
2	Council Tax Base – Band D Properties	62,776
3	Council Tax at Band D	200.52

Table E3 – Technical reconciliation of 2021/22 Base Budget		
1	Base Budget	24,514
2	One-off items	(2,915)
3	Cost Pressures	7,001
4	Growth Items	375
5	Savings	(2,528)
6	Change in use of New Homes Bonus for one off investment	(1,419)
7	Forecast Base Budget	25,028

Table E4 – Technical reconciliation of 2021/22 savings		
1	Commercialisation	(820)
2	Efficiency	(550)
3	Service Provision	(1,074)
4	Community	(84)
5	Total Savings	(2,528)

Table E5 – Technical reconciliation of 2021/22 pressures		
1	Sport & Leisure net income loss (Covid 19)	1,966
2	Parking Income loss (Covid 19)	1,005
3	Amphora Trading Dividend (Covid 19)	658
4	Interest Payable / MRP – 21/22 capital programme financing	644
5	Commercial & Investment Properties income loss (Covid 19)	500
6	Contractor Payments (net of credit claim income)	457
7	General Inflation	440
8	Transformation costs	250
9	Recovery costs	250
10	Waste overtime and staffing changes	170
11	Council Tax Sharing Agreement	150
12	New Strategic Priorities funding	132
13	Refuse Vehicle and Crew	125
14	Rowan House	120
15	Recycling Materials	110
16	Environment staffing structure review	105
17	Climate Change	100
18	GF / HRA contingency	51
19	Social Lottery	50
20	ECC Trade Tipping costs	27
21	Public Conveniences Business Rates	20
22	Residual land at Mill Road - Grounds Maintenance costs	16
23	Clinical Waste	15
24	Paper Income	15
25	Total cost pressures and growth items	7,376

Appendix F - Summary Budget 2021/22

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 21/22 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	(262)	0	156	0		0	(106)
Executive Management Team	705	0	7	0		(25)	687
Corporate and Improvement	6,681	0	127	0		(464)	6,344
Community	1,874	(30)	28	0		(267)	1,605
Customer	3,096	0	43	0		(466)	2,673
Environmental (excluding North Essex Parking Partnership)	5,057	0	1,693	105		(391)	6,464
Place and Client	2,247	(80)	3,200	0		(422)	4,945
Total General Fund Services	19,398	(110)	5,254	105	0	(2,035)	22,612
Technical Items							
<i>Corporate Items / sums to be allocated to services</i>							
Procurement Savings	0		0			(113)	(113)
Social Lottery	0		0	50			50
Investment Allowance funded by New Homes Bonus	2,618	0	0		(1,419)	0	1,199
New Strategic Priorities	(126)		132			(100)	(94)
LCTS Care Leavers Scheme	15		0				15
Inflation (Pay)	200		70			(270)	0
Transformation and Recovery	0		500				500
Climate Change	0		0	100			100
Improved Establishment Control	0		0			(10)	(10)
Rowan House	0		0	120			120

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 21/22 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Non-Service Budgets</i>							
CLIA (net interest)	801		386			0	1,187
Repairs & Renewals reserve contribution	300		0				300
Min Revenue Provision	1,533		591			0	2,124
Pensions	3,171	(2,805)	0				366
Contribution to Bad Debts Provision	20		0				20
General Fund/ Housing Revenue Account /North Essex Parking Partnership Adjustment	(3,416)		68		0		(3,348)
Total Below the Line	5,116	(2,805)	1,747	270	(1,419)	(493)	2,416
Total including Below the Line	24,514	(2,915)	7,001	375	(1,419)	(2,528)	25,028
<i>Funded by:-</i>							
Use of balances	(125)	125	0		(125)		(125)
Contribution to balances	935	(935)	0		935		935
Contribution to Business Rates Reserve	141	(141)	0		0		0
Use of other Earmarked Reserves	(2,990)	2,990	0		(185)		(185)
Use of Reserves – Covid 19	0	0	0		(2,400)		(2,400)
Use of Business Rates reserve	(540)	540	0		(3,813)		(3,813)
Govt Grant – Covid 19 Support Grant	0		0		(622)		(622)
Govt Grant – Lower Tier Services Grant	0		0		(1,493)		(1,493)
Business Rates Baseline	(4,300)		0				(4,300)
Business Rates Growth above Baseline	(1,870)		0		250		(1,620)
Business Rates Pooling	(200)		0		0		(200)
Council Tax	(12,503)		0		(85)		(12,588)

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 21/22 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Collection fund Transfer	540	(540)	0		3,813		3,813
New Homes Bonus	(3,602)		0		1,172		(2,430)
Total	(24,514)	2,039	0	0	(2,553)	0	(25,028)

Appendix G - 2021/22 General Fund Budgets

	Direct Budgets			Non-Direct Budgets	
Area	Spend	Income	Net	Net	Total
	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	294	(400)	(106)	2,413	2,307
Total	294	(400)	(106)	2,413	2,307
Executive Management Team					
EMT	687	-	687	(687)	-
Total	687	-	687	(687)	-
Community					
Assistant Director	159	-	159	(159)	-
Licencing, Food & Safety	516	(562)	(46)	547	501
Community Safety	94	-	94	5	99
Environmental Health Services	479	(67)	412	151	563
Building Control	408	(455)	(47)	268	221
Community Initiatives	329	-	329	181	510
Private Sector Housing	496	(183)	313	138	451
Bereavement Services	908	(1,624)	(716)	314	(402)
Cultural Services	628	(107)	521	979	1,500
Colchester Museums	55	(531)	(476)	23	(453)
Subtotal	4,072	(3,529)	543	2,447	2,990
Colchester & Ipswich Museums	2,201	(1,139)	1,062	774	1,836
Total	6,273	(4,668)	1,605	3,221	4,826
Customer					
Assistant Director	159	-	159	(159)	-
Accounts & Debt	569	(138)	431	(432)	(1)
Local Taxation & NNDR	541	(713)	(172)	572	400
Benefits & Hub	1,026	(135)	891	(891)	-
Contact & Support Centre	988	(18)	970	(970)	-
Electoral Services	411	(3)	408	80	488
Customer Digital & Systems	914	(45)	869	(869)	-
Land Charges	126	(249)	(123)	123	-
Subtotal	4,734	(1,301)	3,433	(2,546)	887
Benefits - Payments & Subsidy	41,975	(42,735)	(760)	751	(9)
Total	46,709	(44,036)	2,673	(1,795)	878
Environment					
Assistant Director	153	-	153	(153)	-
Neighbourhood Services	12,101	(3,897)	8,204	2,801	11,005
Car Parking	971	(3,049)	(2,078)	1,006	(1,072)

		Direct Budgets				Non-Direct Budgets	
	Subtotal	13,225	(6,946)	6,279		3,654	9,933
	North Essex Parking Partnership	4,164	(4,049)	115		117	232
	Total	17,389	(10,995)	6,394		3,771	10,165
	Place and Client						
	Assistant Director	130	-	130		(131)	(1)
	Place Strategy	658	-	658		37	695
	Housing	2,872	(1,288)	1,584		(322)	1,262
	Planning	1,132	(1,227)	(95)		538	443
	Sustainability & Climate Change	100	(15)	85		38	123
	Subtotal	4,892	(2,530)	2,362		160	2,522
	<i>Company Related:-</i>						
	Client - Commercial Company	1,968	-	1,968		(1,968)	-
	Corporate Asset Management	1,726	(265)	1,461		(1,391)	70
	Commercial & Investment	282	(2,773)	(2,491)		2,556	65
	Sport & Leisure	5,280	(3,635)	1,645		1,938	3,583
	Total	14,148	(9,203)	4,945		1,295	6,240
	Corporate and Improvement						
	Assistant Director	130	(20)	110		(142)	(32)
	Finance	1,033	(196)	837		(837)	-
	ICT	2,042	(372)	1,670		(1,670)	-
	People and Performance	805	(184)	621		(687)	(66)
	Governance	2,970	(294)	2,676		(2,611)	65
	Communications	599	(169)	430		(430)	-
	Total	7,579	(1,235)	6,344		(6,377)	(33)
	Adjustment for NEPP use of balances	-	185	185		-	185
	Total (excl. NEPP)	88,915	(66,303)	22,612		1,724	24,336

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

Appendix H - Reserves, Provisions and Balances

	2019/20	2020/21	2021/22
	Actual	Forecast	Forecast
	£'000	£'000	£'000
General Fund Balance	1,900	1,900	1,900
Future Years Budget Support Reserve - Carry-forwards etc	4,115	1,578	953
Future Years Budget Support Reserve - Risk Allocation	515	515	515
Redundancy, North Essex Parking Partnership, Colchester & Ipswich Museum Service etc	1,073	1,073	1,073
Pension Reserve	3,214	1,344	2,279
Renewals and Repairs Reserve	2,455	3,048	2,744
Insurance Reserve	566	566	566
Capital Expenditure Reserve	720	647	647
Gosbecks Reserve	152	152	152
Revenue Grants unapplied	2,911	1,797	847
Decriminalisation Parking Reserve	1,512	1,327	1,142
Business Rates Reserve	1,695	1,296	1,096
Revolving Investment Fund Reserve	1,436	1,646	1,646
Other reserves	176	176	176
TOTAL General Fund	22,440	17,065	15,736
Housing Revenue Account Balance	4,306	3,444	3,444
Housing Revenue Account Retained Right To Buy Receipts – Replacement	5,528	2,848	248
Housing Revenue Account Retained Right To Buy Receipts – Debt	6,407	667	1,337
TOTAL Housing Revenue Account	16,241	6,959	5,029
Total	38,681	24,024	20,765

Appendix I – Allocation of New Homes Bonus

	Allocation of New Homes Bonus	2020/21	2021/22	2022/23	2023/24	2024/25
		£'000	£'000	£'000	£'000	£'000
1	New Homes Bonus	3,602	2,430	2,091	950	950
2	Allocated to:-					
3	Contribution to RIF	250	500	250	250	250
4	Affordable housing allocation	150	150	150	150	150
5	To support the Council's Revenue Budget	833	1,080	600	300	0
6	Savings Implementation Costs	441	200	200		
7	Support to Tendring Colchester Borders & Local Plan	500	500	250	250	250
8	Transfer to Reserves			641		300
9	Support for one-off schemes (see below)	1,428	0	0	0	0
10	Total allocation	3,602	2,430	2,091	950	950
	Use of NHB allocation for one-off schemes					
11	Support for one-off schemes	1,428	0	0	0	0
12	Allocated to:					
13	Cultural Events Fund 2020-21	20				
14	High-Street Grouting (net additional contribution to ECC works)	40				
15	Environmental & Sustainability Task & Finish Group resource	50				
16	West Mersea Town Council Toilets	30				
17	Town Hall office reconfiguration	40				
18	Better Colchester Communications	150				
19	Strategic Priorities Programme Delivery	122				
20	Arts & Heritage post	28				
21	Local Highways Panel	100				
22	St Marks Community Centre	150				
23	Memoirs Refurbishment costs	48				
24	Assumed use for Lion Walk Activity Centre Toilets	150				
25	Assumed use for Covid 19 support	500				
26	Balance for future allocation	0	0	0	0	0

Appendix B

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and

Annual Investment Strategy

2021/22

1 Introduction

- 1.1 The Statement includes the Minimum Revenue Provision Policy Statement and Annual Investment Strategy.
- 1.2 Cash flows, in and out of the Council's accounts must be effectively managed. 'Treasury management' is the term used to capture this money movement and management. The Council must ensure money is available when needed to meet bills due, to pay salaries or to invest safely, to secure a good rate of return.
- 1.3 The second main function of treasury management is to fund the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council. This longer-term cash flow planning may involve long or short-term loans and or the use of longer-term cash flow surpluses. If borrowing costs or circumstances change, debts may be restructured, paid off or borrowing periods changed.
- 1.4 The contribution treasury management makes to the authority is critical, as it ensures the Council can meet spending commitments as they fall due, either for day-to-day requirements or larger capital projects.
- 1.5 Treasury management balances the interest costs of debt and the investment income arising from cash deposits and invests safely to minimise the risk of any losses.
- 1.6 The Council may provide funding to commercial initiatives or loans to third parties. These must also be managed effectively and reported openly, in accordance with the Localism Act 2011. They are classed as non-treasury activities, usually arising from capital expenditure, separate from day-to-day treasury management activities.
- 1.7 The Chartered Institute of Public Finance and Accountancy Code defines Treasury management as:

'The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.
- 1.8 Treasury management arrangements affect the Council's revenue budget and Medium Term Financial Forecast. Interest paid as a result of borrowing must be met in year, and income due from investments must be recognised. The Treasury Management Strategy is an integral part of setting the Council's budget, as is the Capital Strategy provided elsewhere on the Cabinet agenda to provide transparency as to the Council's long term investment plans.

Reporting requirements

- 1.9 The Council is currently required to receive three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are all required to be scrutinised and reviewed. This role is undertaken by the Council's Scrutiny Panel and Governance and Audit Committee.
- 1.10 The Treasury Management Strategy is set ahead of the financial year. A Mid-Year Treasury Management Report updates on the capital position, amending prudential indicators as necessary, and any policies require revision. The Annual Treasury Report, after the financial year end, reports on actual spend, borrowing and performance compared to estimates and intent.

Prudential and Treasury Indicators and Treasury Strategy

- 1.11 The year's Treasury Strategy is recommended to Full Council following consideration by the Scrutiny Panel. It covers:
- Capital plans and related borrowing
 - Minimum Revenue Provision policy (MRP) - how and when capital expenditure is charged to the revenue budget over time
 - Treasury Management Strategy - how the investments and borrowings are to be organised and repaid
 - Investment Strategy - how investments are to be managed.

Training

- 1.12 The Chartered Institute of Public Finance and Accountancy Code requires the S151 Officer to ensure that Members with responsibility for treasury management or scrutiny receive adequate training in treasury management. Further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

Treasury Management Strategy for 2021/22

1.13 The Treasury Management Strategy for 2021/22 covers two main areas:

Table 1 – Content of Treasury Management Strategy	
Capital	capital expenditure plans and the associated prudential indicators
	minimum revenue provision (MRP) policy
Treasury management	current treasury position
	treasury indicators which limit the treasury risk and activities of the Council
	prospects for interest rates
	borrowing strategy
	policy on borrowing in advance of need
	debt rescheduling
	investment strategy
	creditworthiness policy
	policy on use of external service providers

1.14 The above meets the requirements of:

- the Local Government Act 2003
- the Chartered Institute of Public Finance and Accountancy Prudential Code
- the Ministry of Housing Communities and Local Government Minimum Revenue Provision Guidance
- the Chartered Institute of Public Finance and Accountancy Code and Treasury Management Code
- Ministry of Housing Communities and Local Government Investment Guidance.

Treasury management consultants

1.15 The Council uses Link Asset Services as its external treasury management advisors but responsibility for treasury management decisions remains with the Council.

International Financial Reporting Standard 16 Leases

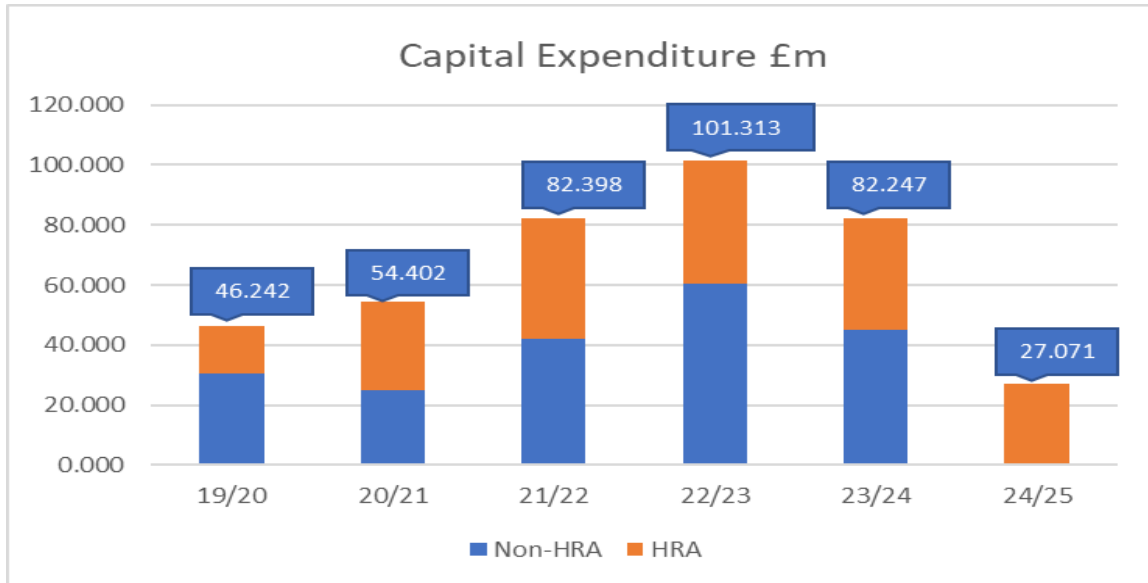
- 1.16 This standard replaces the current guidance on leases in International Accounting Standard 17. The new Standard provides a single lessee accounting model. This requires lessees to recognise assets and liabilities for all leases. (Unless the lease term is 12 months or less or the underlying asset has a low value.) Lessors continue to classify leases as operating or finance. International Financial Reporting Standard 16 approach to lessor accounting remaining substantially unchanged from International Accounting Standard 17.
- 1.17 The Chartered Institute of Public Finance and Accountancy has now delayed implementation of International Financial Reporting Standard 16 in the Accounts Code until 1 April 2022. The impact of adopting International Financial Reporting Standard 16 will be disclosed in the financial statements for the year ending 31 March 2023.

2 The Capital Prudential Indicators 2019/20 – 2024/25

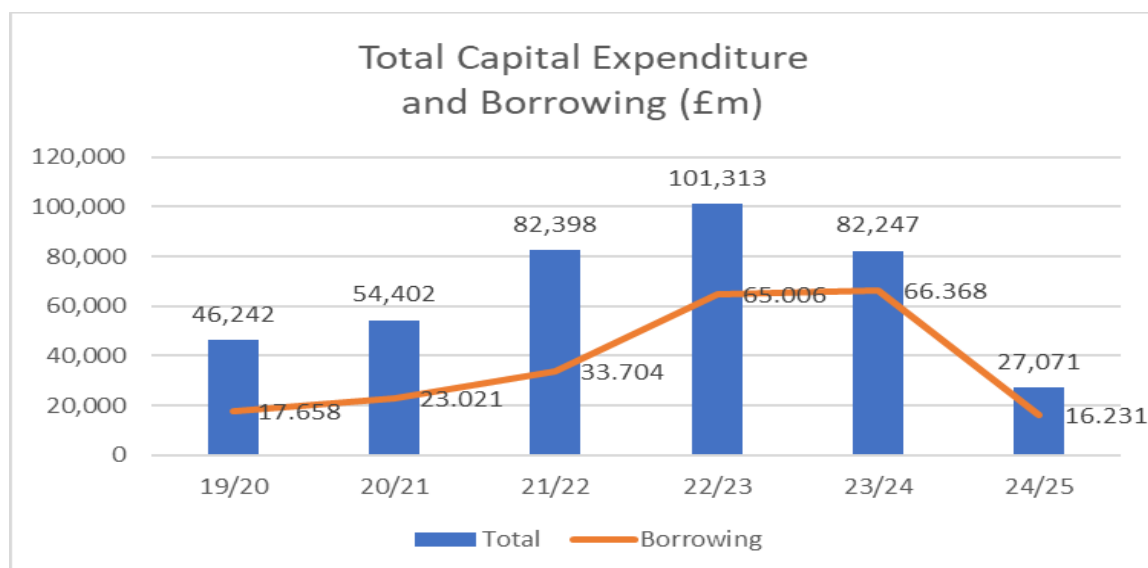
- 2.1 The Council's capital expenditure plans are the key driver of treasury management and the prudential Indicators are the measures against which performance can be assessed.

Capital expenditure

- 2.2 This prudential Indicator is a summary of the Council's capital expenditure plans as set out in a separate report on this agenda.

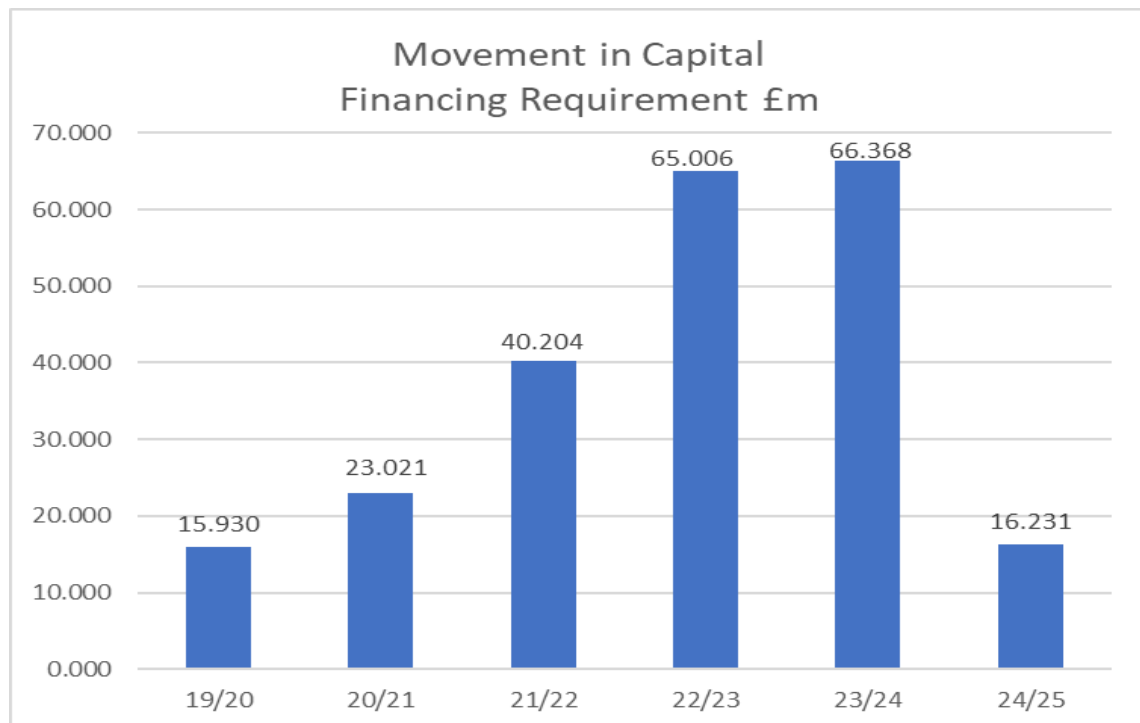
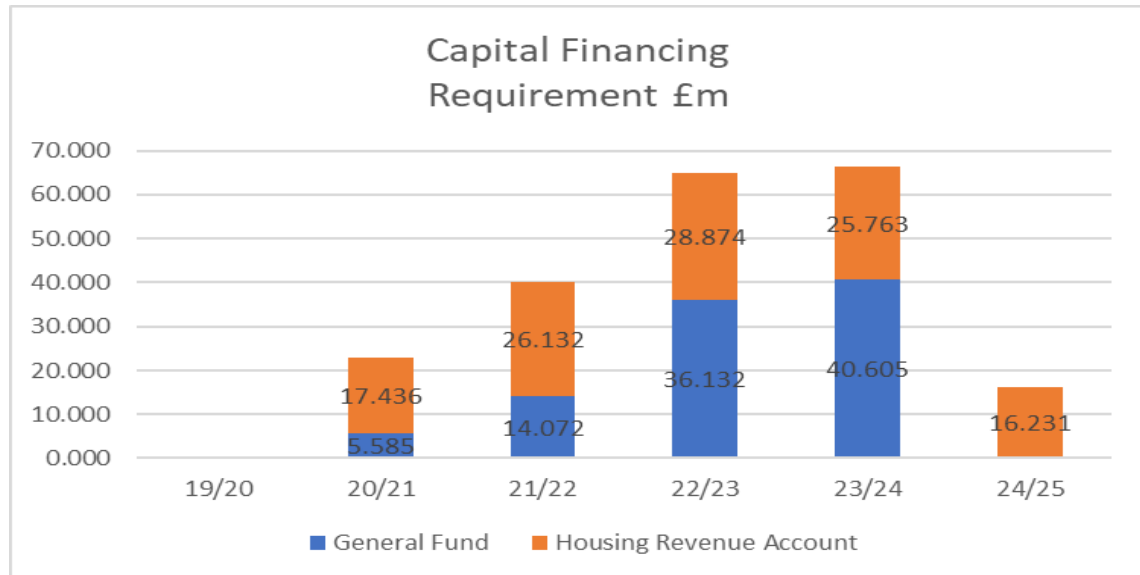


- 2.3 The table below summarises plans for financing **capital expenditure** from capital or revenue resources.



The Council's borrowing need

- 2.4 The second prudential indicator is the Council's **Capital Financing Requirement**. This is the outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing need. The Minimum Revenue Provision (MRP) is a statutory annual revenue charge which that reflects the loss in value of capital assets as they are used. MRP is not required in the Housing Revenue Account. These Capital Financing Requirement projections are set out below



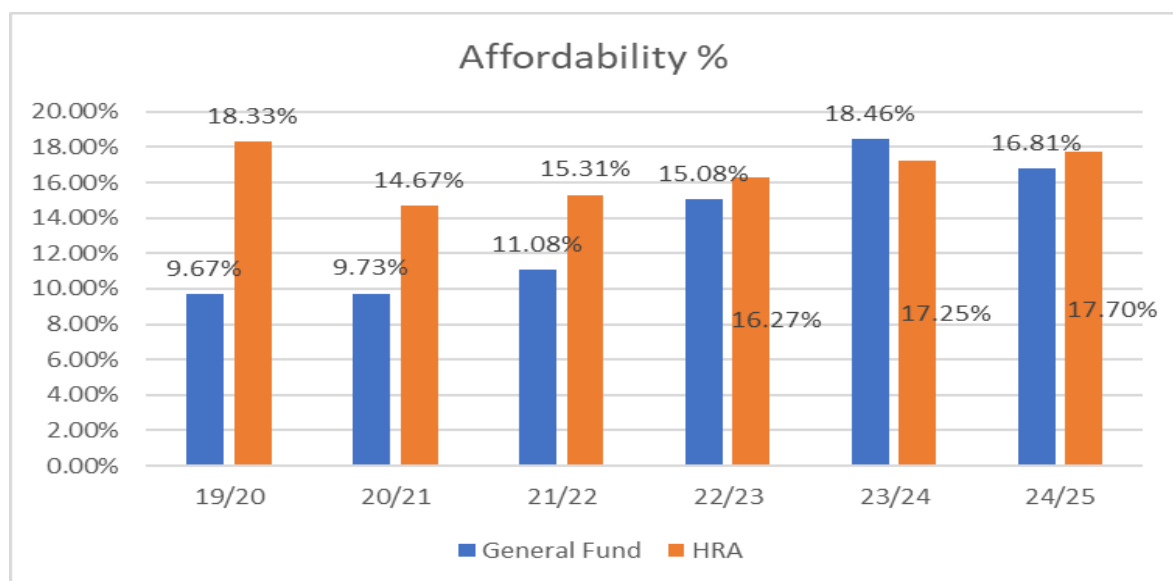
Minimum Revenue Provision Policy Statement

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

- 2.6 Government regulations require the full Council to approve a Minimum Revenue Provision Statement in advance of each year. A variety of options can be provided to councils, so long as prudent. This Council is recommended to approve the Minimum Revenue Provision Statement set out in sections 2.7 to 2.09 below.
- 2.7 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, borrowing need is repaid on an equal instalment basis over a period of 50 years. This has the benefits of reducing the amount payable for the first 17 years, introducing a consistent level of charge, and ensuring that this element of Minimum Revenue Provision is eventually completely repaid.
- 2.8 For all unsupported borrowing (including finance leases) the Minimum Revenue Provision policy will be the Asset Life Method. Minimum Revenue Provision will be based on the estimated life of the assets, in accordance with the regulations. This provides for a reduction in the borrowing need over the asset's life. Repayments included in finance leases are applied as Minimum Revenue Provision.
- 2.9 There is no requirement in the Housing Revenue Account to make a minimum revenue provision but there is a requirement for depreciation to be made. The S151 Officer 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

- 2.10 The previous paragraphs cover the overall capital, and control of borrowing prudential indicators, but a prudential indicator is also required to assess the affordability of the capital investment plans. Affordability is defined as the ratio of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.



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

3 Economic Outlook provided by Link Asset Services

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

Link Group Interest Rate View 9.11.20														
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

- 3.2 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 5th November, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the forecast table above as economic recovery is expected to be only gradual and, therefore, prolonged.

Bond yields / Public Works Loan Board rates

- 3.3 There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

- 3.4 Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up during the financial crisis in March, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.
- 3.5 As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Investment and borrowing rates

- 3.6 Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.
- 3.7 Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21.
- 3.8 The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 3.9 If long term borrowing causes a temporary increase in cash balances this will incur a revenue cost. The difference between borrowing costs and investment returns is the cost of carry.

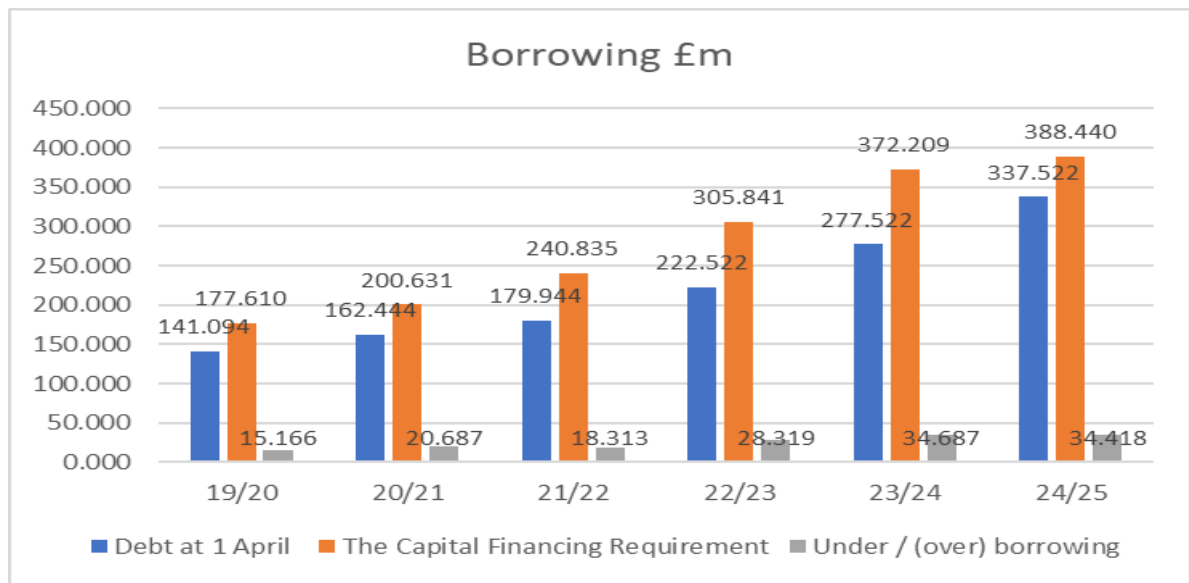
Borrowing

- 3.10 Treasury management ensures that the Council’s cash is organised in accordance with the relevant professional codes, including the organisation of cash flow and, where capital plans require, appropriate borrowing facilities. The strategy covers the

relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

Current portfolio position

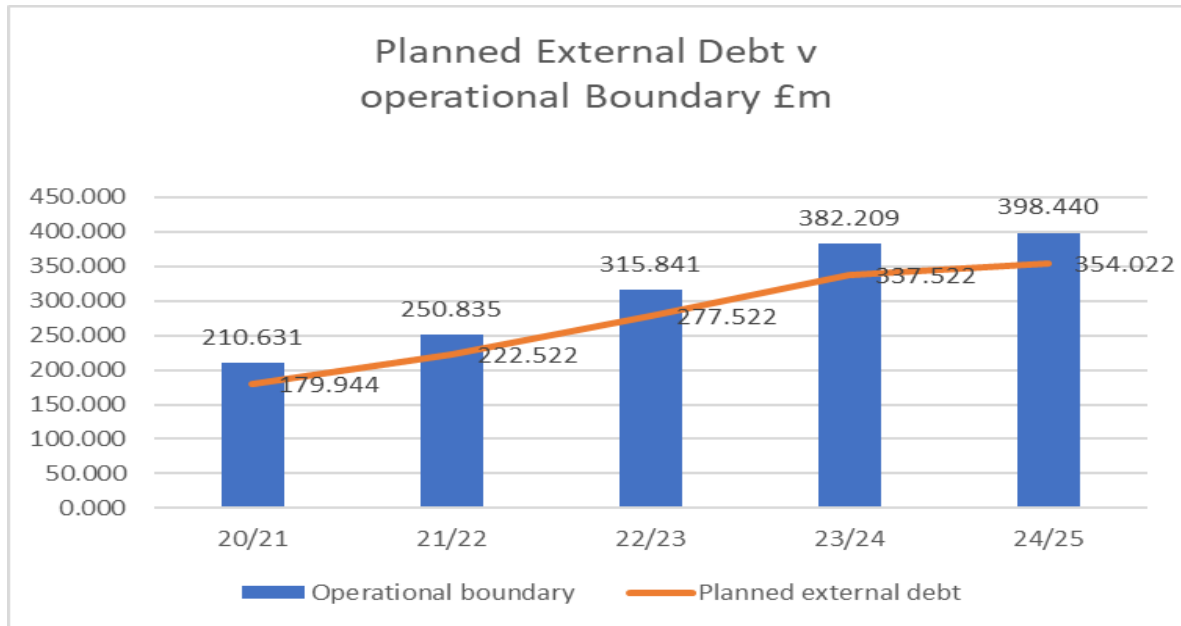
- 3.11 The Council's treasury portfolio position at 31 March 2020, with forward projections are summarised below. The table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement), highlighting any over or under borrowing.



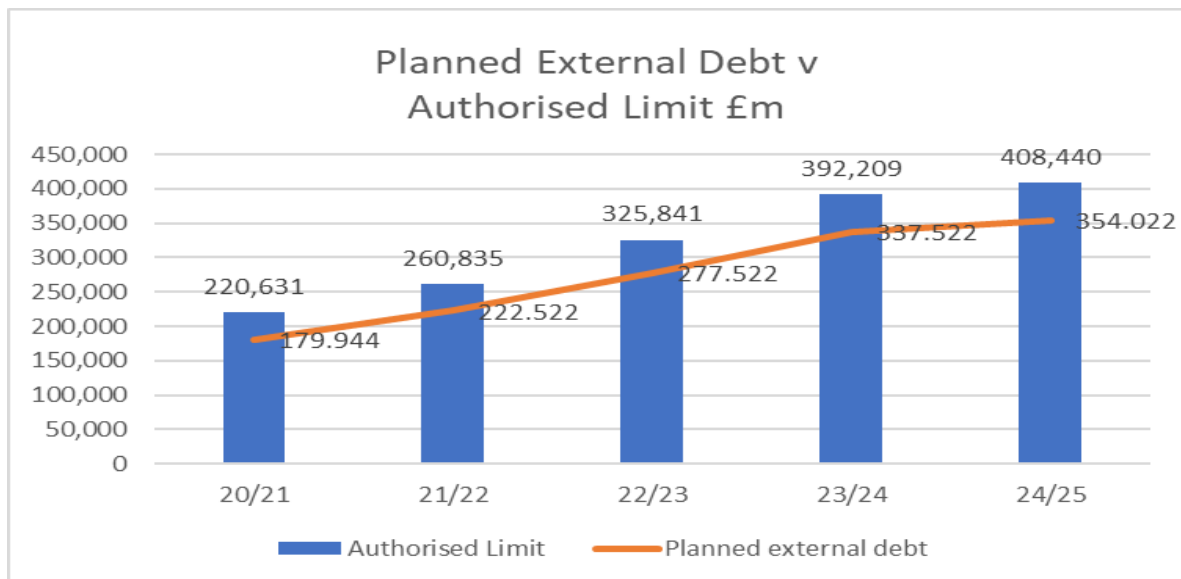
- 3.12 Prudential indicators ensure that the Council operates within well-defined limits. One of these is that the Council must ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current year and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.
- 3.13 The S151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties in later years. This reflects current commitments, existing plans, and the proposals on this agenda.

Treasury Indicators: The 'Operational Boundary' Limits to Borrowing Activity

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



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



Borrowing Strategy

- 3.15 The Council is currently maintaining an 'under-borrowed' position. This means that the capital borrowing need (the Capital Financing Requirement), has not had to be met by loans alone, but by from reserves, balances and cash flow. This strategy is prudent as investment returns are low and counterparty risk needs to be considered.
- 3.16 Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The S151 Officer will monitor interest rates in financial markets and respond to changing circumstances:
- if it was felt that there was a significant risk of a sharp **FALL** in long and short-term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long-term borrowing will be postponed, and potential rescheduling from fixed rate funding into short-term borrowing will be considered.
 - if it was felt that there was a significant risk of a much sharper **RISE** in long and short-term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- 3.17 Any decisions will be reported to the Scrutiny Panel or Governance and Audit Committee at the next available opportunity.

Treasury Management Limits on Activity

- 3.18 There are three debt related treasury activity limits. The purpose of these is to minimise risk and reduce the impact of any adverse movement in interest rates, whilst leaving sufficient flexibility to take opportunities to reduce costs and or to improve performance. The indicators are:
- **Upper limit on variable interest rate exposure.** This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
 - **Upper limit on fixed interest rate exposure.** This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
 - **The maturity structure of borrowing**

Maturity structure of borrowing.

- 3.19 These gross limits reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits, as below

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

Policy on Borrowing in Advance of Need

- 3.20 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

- 3.21 Where short-term borrowing rates become considerably cheaper than longer term fixed interest rates, there may be opportunities to generate savings by switching from long-term debt to short-term debt. These savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). The reasons for any rescheduling to take place will include:
- the generation of cash savings or discounted cash flow savings;
 - helping to fulfil the Council's Treasury Management Strategy;
 - enhance the balance of the portfolio (by amending the maturity profile or the balance of volatility).
- 3.22 Consideration will also be given to making savings by running down investment balances and repaying debt prematurely, as short-term rates on investments are likely to be lower than rates paid on current debt.
- 3.23 Any rescheduling will be reported to the Scrutiny Panel or the Governance and Audit Committee at the earliest meeting following its action.

Municipal Bond Agency

- 3.24 It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board. The Council will consider

making use of this new source of borrowing as and when appropriate.

Housing Revenue Account borrowing

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

4 Annual Investment Strategy

Investment Policy

- 4.1 The Ministry of Housing Communities and Local Government and the Chartered Institute of Public Finance and Accountancy have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, as managed by the treasury management team. Non-financial investments, such as the purchase of income yielding assets, are covered in the Capital Strategy elsewhere on this agenda.
- 4.2 In accordance with the above guidance, and in order to minimise the risk to investments, the Council deals only with highly creditworthy counterparties, using Short-term and Long-term credit ratings.
- 4.3 Ratings will not be the sole determinant of the quality of an institution, and the Council will also continually assess and monitor the financial sector taking account of the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this the Council will engage with its advisors to maintain a monitor on market pricing such as Credit Default Swaps and overlay that information on top of the credit ratings.
- 4.4 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.
- 4.5 Investment instruments identified for use in the financial year are listed in Appendix B to this Strategy, which includes Counterparty, time and monetary limits. These will cover both 'Specified' and 'Non-Specified' Investments.
- 4.6 Such investments are treated as expenditure for treasury management and prudential borrowing purposes even though they do not create physical assets in the Council's accounts. Appropriate budgets in respect of these activities are agreed as part of the Council's budget setting and ongoing monitoring processes and considered as part of the Investment Strategy.
- 4.7 Specified Investments are sterling denominated investments of not more than one-year maturity, meeting the minimum 'high' criteria where applicable. These are considered low risk assets where the possibility of loss of principal or investment income is small. Non-Specified Investments are those that do not meet the specified investment criteria. A limit of £20m will be applied to the use of Non-Specified Investments (this will partially be driven by the long-term investment limits).

Creditworthiness policy

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

- Credit Default Swap spreads that may give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

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

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

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

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

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

4.12 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.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

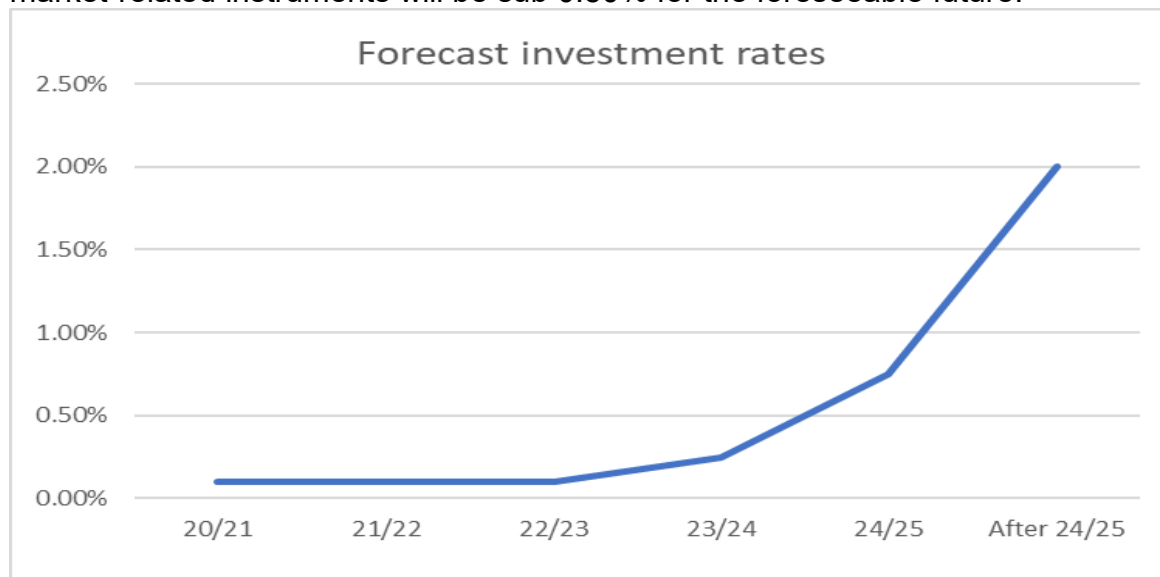
- 4.13 Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, and information on any external support for banks to help support its decision making process.

Country limits

- 4.14 The Council will only use approved counterparties from countries with a minimum sovereign credit rating of AA-, based on the lowest available rating. However this policy excludes UK counterparties. The list of countries that qualify using this credit criteria as at the date of this report are shown in the Appendix C to this Treasury Management Strategy. This list will be amended by officers should ratings change in accordance with this policy.
- 4.15 In addition:
- no more than £15m will be placed with any non-UK country at any time;
 - the limits will apply to a group of companies;
 - sector limits will be monitored regularly for appropriateness.

Investment strategy

- 4.16 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 to medium term interest rates.
- 4.17 Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it is likely that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.



- 4.18 The overall balance of risks to economic growth in the UK is uneven with the rate of recovery from the current deep pandemic-induced recession dependent on restrictions being lifted and with continued uncertainty as to the practical issues and economic impacts of the UK leaving the EU.
- 4.19 There is relatively little UK domestic risk of increases or decreases in Bank Rate and shorter-term Public Works Loan Board rates until 2023/24 at the earliest.

Negative investment rates

- 4.20 While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

Investment treasury indicator and limit

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

£000	2020/21	2021/22	2022/23
Max. principal sums invested> 365 days	£10,000	10,000	10,000

End of year investment report

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

The PWLB rates below are based on the new margins over gilts announced on 26th November 2020. PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Group Interest Rate View		9.11.20		(The Capital Economics forecasts were done 11.11.20)										
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Bank Rate														
Link	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Capital Economics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
5yr PWLB Rate														
Link	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
Capital Economics	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
Capital Economics	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	-	-	-	-	-
25yr PWLB Rate														
Link	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
Capital Economics	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	-	-	-	-	-
50yr PWLB Rate														
Link	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Capital Economics	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	-	-	-	-	-

Specified investments – These investments are sterling 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

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

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

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

Notes:

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

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

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

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

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

27 January 2021

Report of	Chief Operating Officer	Author	Paul Cook <input type="checkbox"/> 505861 Mark Jarvis <input type="checkbox"/> 282774
Title	Resetting the Capital Programme and the Capital Strategy		
Wards affected	All		

1 Executive Summary

- 1.1 In the context of the national and local health and economic challenges posed by the pandemic and the wider financial position of the Council, this report resets the Capital Programme 2021/22 to 2024/25.
- 1.2 The report also sets out the capital strategy for 2021/22 to 2024/25.

2 Recommended Decision

- 2.1 To approve the revised capital strategy set out in Appendix A
- 2.2 To approve the additional capital programme set out in Appendix B.
- 2.3 To approve the additional schemes set out in Section 14 of this report.

3 Reason for Recommended Decision

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

4 Alternative Options

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

5 Background Information

- 5.1 The Capital Programme is the Council's long-term investment in land, buildings and other infrastructure and facilities, in accordance with the Council's Strategic Plan and in response to the needs of our residents.
- 5.2 The very significant economic and financial challenges faced by the Council are set out separately in the Council's 2021/22 Budget and Medium-Term Financial Forecast. They take account of available and lost income, partial but welcome government support and steps being taken to ensure, with help from the reserves this year and next, to deliver a

balanced budget. That budget takes account of the financing and repayment costs of the capital programme as well capital receipts and income generated by capital investment, housing, leisure and other commercial income. Where borrowing is needed it is over the medium to longer term and well within prudential indicators set out in the Budget papers, that help test affordability and risk.

5.3 These circumstances and past prudence allow the Council to continue to invest in an ambitious capital programme. The programme completes current capital projects - from the Mercury to Northern Gateway -and makes further investments in housing, leisure and community facilities. The programme as a whole helps economic recovery, creates or retains employment and improves our borough as a destination, for further investment and as a place to work, live or visit. The programme includes the 'Town Deal' that - if approved -will enable further investments in our public realm and town centre; invest in cycling and walking and young people; and help our most disadvantaged residents.

5.4 The Capital Programme accordingly includes:

- The Housing Investment Programme for the ringfenced Housing Revenue Account. This is around £40m a year for the next few years. The HIP will deliver a much-needed increase in our stock of housing at social rent levels. This will be achieved through acquisitions and building new properties. We will also carry out major repairs and improvements to our existing stock.
- Investment through the Revolving Investment Fund to secure the long-term development of Colchester and its economy.
- The Town Deal of up to £25m of government funding may lever in up to £75m of additional external investment. Accelerated funding of £1m has already been secured for improvements in the public realm at the Balcerne Gate and St Nicholas Square. Approval is awaited from the Ministry of Housing, Communities and Local Government for the full programme. As individual projects are approved by the Ministry of Housing, Communities and Local Government separate reports will be brought forward to the Cabinet.
- Improving Council services and fulfilling the Council's Carbon Commitment.

6 Overview

6.1 Capital investment follows the strategic priorities of the Council - raising commercial income and creating long term development opportunities. The programme meets the short and longer-term regeneration needs of Colchester, as well as the health, social and economic wellbeing of residents, and how they are housed, the local economy and the attractiveness of Colchester as a destination.

6.2 Summaries of the new schemes are set out in section 14 of the report. Appendix B sets out the revised capital programme in its totality.

7 MTFF Consultation

7.1 The cost of funding the recommended programme is provided for as set out in the 2021/22 Budget and later years MTFF paper.

7.2 The budget was further considered as part of the Task and Finish Group review of green waste collection charges, as a contribution to revenue and capital costs. Their recommendation not to implement charges was confirmed at the 19 August 2020 Cabinet.

- 7.3 The budget strategy and timetable has ensured that information is available for scrutiny and input from all Members.
- 7.4 Budget workshops were held on 4 August; 26 August; 5 October and 7 December 2020 so that all Members have had the opportunity to get a better understanding of the budget challenge and share their ideas and concerns.
- 7.5 The Shadow Portfolio Holder has been briefed and the Leader of the Opposition is able at any stage of the budget process to meet with officers to assist with consideration of any alternative budget proposals.
- 7.6 The normal statutory consultation with business ratepayers will take place on 9 February 2021.

8 Risk Management Implications

- 8.1 Modelling has been undertaken with service managers to assess the potential range of impacts before adopting the assumptions described within the report.
- 8.2 Capital and construction projects have been affected by Covid-19, with delays and additional costs arising, with our contractors and their supply chain. Work has been disrupted by the national lock down, by supply chain shortages and by changes to working practices. To the extent possible these impacts have been taken into account in the updated Capital Programme, for costs and delays incurred and or expected, subject to robust defence of the Council's commercial position where appropriate.

9 Strategic Priorities and Recovery

- 9.1 The new schemes will deliver the Council's strategic priorities and aid recovery in Colchester.

10 Financial implications

- 10.1 As set out in the report.

11 Environmental and Climate Change Implications

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

12 Equality and Diversity Implications

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


13 Other Standard References

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


14 Reset Capital programme

14.1 Approved Schemes


CARBON REDUCTION

Electric Vehicle Recharging Points		
Charging infrastructure to support the upgrade to electric vehicles. Rowan House has been identified as the best location for this as the Shrub End depot requires significant electrical supply investment. Rowan House has already been pre-surveyed earlier in 2020 and it is believed the required number of chargers will be supported with the necessary infrastructure upgrades <i>Approved by Cabinet 23 November 2020</i>		
	£m	
Total Project Cost	0.114	
External Funding	0.014	
CBC funding	0.100	


Light Fleet Replacement	
Replacement of light fleet vehicles with an electric vehicle fleet, helping to fulfil the Council's carbon reduction commitment. Revenue implications will be met from existing budgets. <i>Approved by Cabinet 23 November 2020</i>	
	£m
Total Project Cost	0.726
External Funding	0.000
CBC funding	0.726




SERVICE IMPROVEMENT

Fleet Upgrade - Caged Tippers		
The current fleet of caged tipping vehicles are coming to the end of their contract hire over the next ten months: thirteen in September 2020, one in October 2020, four in April 2021 and three remain on spot hire (these can be replaced at any time), so for operational reasons the Council will need to purchase/contract hire replacement vehicles. <i>Approved by Cabinet 14 October 2020</i>		
	£m	
Total Project Cost	0.520	
External Funding	0.000	
CBC funding	0.520	

INVEST TO SAVE


Leisure World pool view cameras		
Insert pool view cameras above and below water to improve safety and enable efficiencies at off peak times saving lifeguard costs of £65k pa. <i>Approved by Cabinet 23 November 2020</i>		
	£m	
Total Project Cost	0.120	
External Funding	0.000	
CBC funding	0.120	

Sports Park Signage	
Promote the visibility of new Sports Park by the installation of place making and wayfinding signage to raise awareness of the new facility with families. This will increase usage and generate additional income.	
Approved 23 November 2020 Cabinet	
	£m
Total Project Cost	0.100
External Funding	0.000
CBC funding	0.100




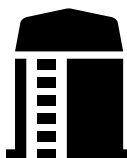
14.2 New Schemes


CARBON REDUCTION

Rowan House Air Source Heat Pump & Ventilation		
The replacement of the main gas boilers for Rowan House (existing boilers now regularly suffering repairs and unable to source parts due to age of installation) plus connected renewal of the ventilation system to a Covid-safe system. This project will help fulfil the Council's carbon reduction commitment. External funding from Salix anticipated.		
Category: Carbon Reduction		
	£m	
Total Project Cost	0.500	
External Funding	0.500	
CBC funding	0.000	

INVEST TO SAVE

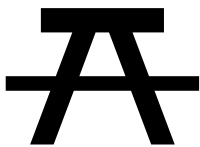
Leisure World conversion of artificial pitch		
Conversion of artificial pitch at Leisure World to a regional netball centre. Leisure World pitch is closed because the surface is at the end of its life.		
	£m	
Total Project Cost	0.250	
External Funding	0.000	
CBC funding	0.250	


Colchester Northern Gateway wastewater improvements/pumping station		
To avoid additional, ongoing repair costs to the existing inadequate facilities. It is intended the improved pumping station will be adopted by the water authority.		
	£m	
Total Project Cost	0.250	
External Funding	0.000	
CBC funding	0.250	


Sheepen Road retention payment		
The final contract payment for this project		
	£m	
Total Project Cost	0.020	
External Funding	0.000	
CBC funding	0.020	

SERVICE IMPROVEMENT


Sports Park Recreational Play Equipment	
Introduction of recreational play equipment at Sports Park to enhance offer for families and encourage usage of the 76 acres across the summer especially. The Sports Park has fantastic formal sports facilities, but to drive secondary spend on catering and parking over the summer months when rugby is off site, we need to offer more for	


families with a trail of activities similar to Notley Country Park and Cudmore Grove		
	£m	
Total Project Cost	0.250	
External Funding	0.000	
CBC funding	0.250	


Rowan House		
The refurbishment of Rowan House will enable portions of the building to be rented to other organisations.		
	£m	
Total Project Cost	1.327	
External Funding	0.000	
CBC funding	1.327	


Garrison Gym Playground		
The project is to build a playground and multi-use games area. Money has been sourced through Section 106 to help build the site, but there is not enough funding. The project is part of the Planning Approved Scheme for the area.		
	£m	
Total Project Cost	0.306	
External Funding	0.221	
CBC funding	0.085	


ECONOMIC RECOVERY

Mercury Theatre Redevelopment additional costs		
As part of the wider Mercury Rising £9.5m development, there have been unexpected archaeological finds leading to additional works. Extensive asbestos removal and additional fire regulation requirements have also added costs to the programme. The Arts Council England's Kickstart Capital Fund is providing £864k. The Council is providing matched funding.		
	£m	
Total Project Cost	1.245	
External Funding	0.864	
CBC funding	0.381	


Queen Street Grow-on facility		
Colchester Borough Council is in a long-term and ongoing process of bidding to SELEP’s Local Growth Fund (LGF) to secure funding for a new facility to aid the expansion of small businesses in the Creative, Digital and Tech sectors, responding to a long-standing market failure. The proposed scheme may include (subject to approval as part of the Town Deal project submission process and ultimate award of part or all of the £25m Town Deal) a digital working hub. A detailed report is to be submitted to 03 February 2021 RIF Sub-Committee.		
	£m	
Total Project Cost	5.678	
External Funding	4.778	
CBC funding	0.900	


Mercury Theatre landscape works		
To set the renovated theatre in a high quality landscape to maximise this attractive cultural asset. The project is funded by the £1m first release of the Towns Deal		
Category: Economic Recovery		
	£m	
Total Project Cost	0.350	
External Funding	0.350	
CBC funding	0.000	

St Nicholas Square		
To improve this attractive town centre location. The project is majority funded by the £1m first release of the Towns Fund		
Category: Economic Recovery		
	£m	
Total Project Cost	0.671	
External Funding	0.671	
CBC funding	0.000	


A12 Junction 28 Highways Works		
Complete this key development for the future of Colchester. Additional works required in partnership with Highways England and Essex County Council to progress Sports Park and later developments. Additional services and functionality to the pedestrian crossings.		
Category: Economic Recovery		
	£m	
Total Project Cost	0.350	
External Funding	0.000	
CBC funding	0.350	

Detailed Planning Colchester Northern Gateway	
To take forward this key element of the wider development of Colchester	
	£m
Total Project Cost	0.575
External Funding	0.000
CBC funding	0.575




Vineyard Car Park Lift replacement		
Replacement of the lifts within Vineyard car park. The lifts are continually problematic and are often out of service, impacting on visitor experience. Engineers are required to visit repeatedly.		
	£m	
Total Project Cost	0.130	
External Funding	0.000	
CBC funding	0.130	


STRATEGIC PRIORITIES


St Mark's Community Centre		
Create a vibrant and much needed new Community Centre to serve Highwoods, as well as other newly established or prospective communities, such as the Rosewood and Northern Gateway developments, and in partnership with the Diocese. Funding includes an initial allocation provided in the 2020/21 capital budget. S106 developer contributions from the Northern Gateway development will now primarily be directed towards the Council's requirement for 30% affordable housing.		
	£m	
Total Project Cost	1.500	
External Funding	0.400	
CBC funding	1.100	


HOUSING REVENUE ACCOUNT (HRA)


Housing Investment Programme		
The Housing Investment Programme for the ringfenced Housing Revenue Account. At around £40m a year for the next few years, this includes a much needed increase to our housing stock at social rent levels through acquisitions and building new properties, as well as major repairs and improvements to our existing stock.		
	£m	
Total Project Cost	40.292	
External Funding	0.000	
CBC funding within the Housing Revenue Account	40.292	

ASSET IMPROVEMENT AND PROTECTION

Floating pontoon at Coast Road, West Mersea		
Improvement works to resolve damage caused by tidal erosion affecting the safe use of the floating pontoon at Coast Road, West Mersea.		
	£m	
Total Project Cost	0.086	
External Funding	0.000	
CBC funding	0.086	

Cemetery Extension – Summer House		
To provide a summer house in the new Cemetery extension area for the bereaved to use to shelter or rest when attending loved ones graves		
Category: Asset Improvement and Protection		
	£m	
Total Project Cost	0.030	
External Funding	0.000	
CBC funding	0.030	

Cemetery Grounds - Electric Gates		
To complete the works to instal electronic gates to the Cemetery grounds		
Category: Asset Improvement and Protection		
	£m	
Total Project Cost	0.030	
External Funding	0.000	
CBC funding	0.030	

Cemetery Grounds – Solar Lighting		
To replace the solar power lights in the Cemetery grounds.		
Category: Asset Improvement and Protection		
	£m	
Total Project Cost	0.020	
External Funding	0.000	
CBC funding	0.020	

14.3 Proposed Town Deal Schemes

For information only at this stage subject to MHCLG approvals and partnership decisions on the delivery and programme governance for specific schemes

Balkerne Gate Phase 2	
Public Realm work within main Town Deal Continues Phase 1 public realm scheme up to Jumbo, continuing southwards as far as Church Street Incorporation of the Taylor Sisters' Statue, an element led by the High Steward of Colchester. There is also a one-off award of £80k to the Jumbo Development Trust for a lighting scheme.	
Category:	
	£m
Total Project Cost	1.100
External Funding	1.100
CBC funding	0.000

Youth Zone	
Youth Zones provide state-of-the-art facilities including social, sporting and artistic spaces for children between the ages of 8-19 (or up to 25 for those with additional needs). The project will be subject to future reports. £400k revenue provided from 2023-24 in the MTFF. Town Deal project requiring MHCLG approval.	
	£m
Total Project Cost	8.400
External Funding	7.350
CBC funding	1.050

Holy Trinity Church Community Hub	
Will bring the church back into a long-term sustainable, community use. C360 applied to Architectural Heritage Funding spring 2020 and were successfully awarded £13,000 for initial phase project viability work in partnership with CBC and CBH. The Town Deal would offer the remaining £517k match funding.	
	£m
Total Project Cost	0.540
External Funding	0.530
CBC funding	0.010

Trinity Square	
The project uncages the churchyard including removing and repositioning graves. The landscape will be improved to create attractive publicly accessible garden, parklet and public spaces north and south of the Church.	
	£m
Total Project Cost	0.500
External Funding	0.500
CBC funding	0.000

Kerbless and Green Streets	
Transforming all the streets within the core pedestrianised town centre which have pavements.	
	£m
Total Project Cost	1.500
External Funding	1.500

CBC funding	0.000
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Heart of Greenstead	
Major housing-led regeneration scheme at heart of Colchester's most deprived community. Likely to include	
<ul style="list-style-type: none"> transformed housing - 103 new & 36 refurbished units New community and social hub which may incorporate a new GP's practice New public realm built to 'Liveable Neighbourhood' principles Digital working hub Gigabit fibre broadband and 5G Up to 1,000 new loan/hire bikes Civic Universities Agreement with the University of Essex. 	
	£m
Total Project Cost	TBC
External Funding	6.700
CBC funding	TBC

5G	
Investment in physical 'core' 5G infrastructure	
	£m
Total Project Cost	2.000
External Funding	2.000
CBC funding	0.000

Wilson Marriage Digital Hub	
Redevelops part of the Wilson Marriage centre in New Town as a digital skills hub and community space. The facility will support training, development, and provide digital access and community activities. Adult Community learning will also expand digital skills development at other targeted locations throughout the town.	
	£m
Total Project Cost	1.000
External Funding	1.000
CBC funding	0.000

Essex County Hospital (Essex Housing)	
The redevelopment restores the site to its former glory while protecting its heritage and repurposing it for a future role in providing housing to meet known local demands. This scheme at a key gateway location to the south western edge of the Town Centre returns this landmark site to use, providing a fantastic public space in the setting of the 5 listed buildings. In this project £0.500m Town Deal funding provides new public realm.	
	£m
Total Project Cost	0.500
External Funding	0.500
CBC funding	0.000

Balkerne Water Tower ('Jumbo')	
Public Realm work within 'main' town deal funding allocation the trust will be awarded £1.000m as match funding for, and acceleration of their big scheme to repair and redevelop the tower.	
	£m
Total Project Cost	1.000
External Funding	1.000
CBC funding	0.000

Highways Walking and Cycling	
This project provides a safe, attractive and fast cycling link between the Town Centre, Greenstead and the University recognising the currently inconsistent links between these key places. In the town centre, there are currently significant constraints facing pedestrians and cyclists at St Botolph's Roundabout and an intervention is required here to unlock the New Town and Barn Hall areas which could easily be made to be very accessible on foot and bike.	
	£m
Total Project Cost	13.150
External Funding	13.150
CBC funding	0.000

Liveable Neighbourhoods and School Streets	
Four specific Liveable Neighbourhoods would be created in Prettygate; Monkwick; Barn Hall; and New Town. These make it much easier, safer and quicker for people to be able to access all the services they need, on foot or by bike. School Streets in 4 specific places (to be determined at business case) in the urban area will make it safe and attractive for young people to travel to school on foot or by bike	
	£m
Total Project Cost	2.100
External Funding	2.100
CBC funding	0.000

Vineyard Gateway	
A new residential-led scheme has been developed which features very high quality and innovative design including public realm showcasing the rich heritage features at this key gateway site including the Roman town wall and a bastion. It will include an attractive new cultural and tourism centre to greet people arriving at this key gateway which is also a key hub for active and sustainable travel.	
	£m
Total Project Cost	TBC
External Funding	1.000
CBC funding	TBC

Appendix A – Capital Strategy and Capital Programme

1. The Chartered Institute of Public Finance and Accountancy Prudential Code requires local authorities to produce a Capital Strategy. This is in line with the Ministry of Housing, Communities and Local Government's 2018 statutory guidance on local government investments, particularly about non-financial investments.
2. In contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services, capital investment seeks to provide long-term solutions to Council priorities and operational requirements that yield benefits to the Council generally for a period of more than one year.
3. The five aims of the Capital Strategy are:
 - a. To take a long-term perspective on capital investment and to reflect the Council's wider place-making and growth agenda.
 - b. To ensure investment is prudent, affordable, and sustainable over the long term.

- c. To set out the arrangements and governance for capital investment decision-making.
 - d. To make the most effective and appropriate use of funds available - including revenue, capital receipts and housing right-to-buy receipts – to deliver the Council’s strategic aims.
 - e. To establish a clear methodology to prioritise capital proposals.
4. The Council has set out its Strategic Priorities in the Strategic Plan 2020 – 2023.
5. Colchester Commercial Holdings Ltd is the holding company for three separate subsidiaries, with related but distinct products, services, markets and opportunities. These companies make a high-quality commercial offer which maintains the strong public sector ethos of its shareholder.
- a. Colchester Amphora Trading will deliver high quality products and services to public and private sector clients in the Property, Leisure and Health Care industries.
 - b. Colchester Amphora Energy will design and implement low carbon energy systems and provide energy services in Colchester.
 - c. Colchester Amphora Homes will deliver high quality affordable and private sale homes in Colchester and the surrounding area.
6. Colchester Borough Council’s Asset Management Strategy will set out the vision for how we manage our assets over the next 5 years.

Principles for Capital Planning

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

Table B1 Investment Principles	
Delivering the Town Deal	The Council in partnership with other agencies is delivering the Town Deal for which it is the accountable body.
Affordability and financial sustainability, whilst risk aware	The Council will only invest in projects that are affordable and financially sustainable in the long term and where risk is at an appropriate level.
Carbon Reduction	The Council has declared a climate emergency and will prioritise investment in projects which help deliver the Climate Emergency Action Plan commitments to net zero carbon emissions by 2030.
Strategic Plan Priorities	The Council prioritises investment in its Strategic Plan Priorities.
Investing for economic recovery and growth	The Council will grow Colchester and its economy, whilst delivering whole systems solutions to demographic, social and environmental challenges sustainably across Colchester. This will generate increased business rates income for future retention.

Invest to save and to generate returns	The Council will invest in projects which will <ul style="list-style-type: none"> • reduce service costs • avoid costs (capital or revenue) that would otherwise arise • invest to generate a financial return (return on investment - ROI).
Colchester Commercial Holdings Ltd	The Council will invest in and lend to Colchester Commercial Holdings Ltd to enable the subsidiary companies to provide services to residents and to the Council. The companies also generate dividend income for the Council.
Investment to improve and maintain Council assets and systems	The Council will improve and maintain the condition of core assets and systems to replace them or extend their life where appropriate. The Council will make provision for lifecycle investment to maintain infrastructure to a standard that effectively supports service delivery.

8. The Council owns investment properties in Colchester and the portfolio generates a revenue return. The scale of investment is proportionate, and the risk is at a manageable level. Investment properties are regularly revalued to market level under a rolling programme.
9. When making non-financial investments the Council considers the balance between security, liquidity and yield based on its risk appetite. It also considers the contribution of the non-financial investment to a range of outcomes including growth and income.
10. Colchester has not borrowed for outright investment purposes and will not do so.
11. The Council's Medium Term Financial Forecast includes dividend income from Colchester Commercial Holdings Limited and investment property income to achieve a balanced budget. These contributions are at a proportionate level.

Funding Sources for Capital Investment

12. The Council funds its Capital Programme from a range of sources, which are principally:
 - a. Capital receipts
 - b. Grants
 - c. Section 106 agreements
 - d. Reserves and revenue
 - e. Prudential borrowing
13. Housing Revenue Account Capital is entirely funded from the ring fenced Housing Revenue Account. It is a rolling 5-year outlook based on stock condition and planned projects. Key areas of housing investment include planned and cyclical works; mechanical and electrical and heating; accessible homes and repairs. The programme also includes development and special projects. The Housing Revenue Account capital programme is funded from:
 - a. Housing Revenue Account Self Financing (The Major Repairs Reserve)
 - b. Capital Receipts (Housing Revenue Account)
 - c. Revenue and Reserves (Housing Revenue Account)
 - d. Prudential Borrowing

Governance of the Capital Strategy

14. The Capital Programme is agreed by full Council as part of the annual budget setting process. Variations to the Capital Programme or any in-year additions must be ratified by Budget Group. Any changes found outside Executive Directors remit will be recommended to Cabinet for approval.
15. The Revolving Investment Fund Committee meets regularly to develop and assess investment proposals. It is supported by the Revolving Investment Fund Steering Group (both chaired by the Portfolio Holder for Business and Resources). The remit of both groups now includes the overall management of the Council's capital programme including the town deal projects that are approved by MHCLG.
16. Capital projects are overseen by the Programme Delivery Board, chaired by the Chief Operating Officer, which will identify resource issues and escalate matters as appropriate. This is supported by the Programme Delivery Group whose function is to identify risks and issues and to review all new and closed projects.
17. Financial monitoring reports on the capital programme are considered quarterly by Cabinet and monthly by the Programme Delivery Group and escalated by exception to the Programme Delivery Board.
18. Relevant requirements of the Capital Strategy will be incorporated into financial regulations and standing orders.

Appendix B Reset Capital Programme 2021-22

£m scheme cost incl. external funding	20/21	21/22	22/23	23/24	24/25
2020/21 Original Capital Programme	72.249	10.200	3.720	8.400	-
2020/21 HRA Original	30.163	35.349	30.389	21.316	-
2020/21 Total Programme	102.412	45.549	34.109	29.716	0
2020/21 Revised Programme	25.070	22.547	21.913	1.165	-
2020/21 HRA Revised	29.332	40.292	40.821	37.282	27.071
2020/21 Revised Programme	54.402	62.839	62.734	38.447	27.071
2021/22 new schemes					
Electric Vehicle Recharging Points	-	0.114	-	-	-
Fleet Upgrade Caged Tippers	-	0.520	-	-	-
Light Fleet Replacement	-	0.726	-	-	-
Leisure World pool view cameras	-	0.120	-	-	-
Sports Park Signage	-	0.100	-	-	-
Leisure World conversion of artificial pitch	-	0.250	-	-	-
Sports Park Recreational Play Equipment	-	0.250	-	-	-
CNG wastewater and pumping station	-	0.250	-	-	-
Mercury Theatre additional costs	-	1.245	-	-	-
Queen Street Grow-on facility	-	2.839	2.839	-	-
St Mark's Community Centre	-	1.000	0.500	-	-
Rowan House heat source pump	-	0.500	-	-	-
Rowan House refurbishment	-	1.327	-	-	-
Mercury Theatre landscape works	-	0.350	-	-	-
St Nicholas Square	-	0.671	-	-	-
A12 Junction 28 Highways Works	-	0.350	-	-	-
CNG Detailed Planning	-	0.575	-	-	-
Sheepen Road retention payment	-	0.020	-	-	-
Vineyard Car Park Lift replacement	-	0.130	-	-	-
Floating pontoon West Mersea	-	0.086	-	-	-
Garrison Gym Playground	-	0.306	-	-	-
Balkerne Gate Phase 2	-	1.100	-	-	-
Youth Zone	-	-	4.200	4.200	-
Holy Trinity Church Community Hub	-	0.150	0.390	-	-
Trinity Square	-	0.500	-	-	-
Kerbless and Green Streets	-	1.500	-	-	-
Heart of Greenstead	-	-	0.400	39.600	-
5G	-	2.000	-	-	-
Wilson Marriage Digital Hub	-	1.000	-	-	-
Essex County Hospital	-	0.500	-	-	-
Balkerne Water Tower Jumbo	-	1.000	-	-	-
Highways Walking and Cycling	-	-	13.150	-	-
Liveable Neighb'hoods + School Streets	-	-	2.100	-	-
Vineyard Gateway	-	-	15.000	-	-
Cemetery Extension – Summer House	-	0.030	-	-	-
Cemetery Grounds - Electric Gates	-	0.030	-	-	-
Cemetery Grounds – Solar Lighting	-	0.020	-	-	-
Total Additional GF schemes	0	19.559	38.579	43.800	0

Total Revised Capital Programme

	20/21	21/22	22/23	23/24	24/25
General Fund Programme	25.070	42.106	60.492	44.965	0.000
HRA Programme	29.332	40.292	40.821	37.282	27.071
Total Programme	54.402	82.398	101.313	82.247	27.071

26 January 2021

Report of	Assistant Director for Place and Client Services	Author	Owen Howell ☎ 282518
Title	2021/22 Housing Revenue Account Estimates and Housing Investment Programme – Covering Report		
Wards affected	Not applicable		

1. Executive summary

- 1.1 This report invites the Panel to review and comment on the 2021/22 Housing Revenue Account Estimates and the Housing Investment Programme reports which are being submitted to Cabinet.

2. Action Required

- 2.1 The Panel is asked to review and comment on the 2021/22 Housing Revenue Account Estimates and the Housing Investment Programme reports which are being submitted to Cabinet on 27 January 2021. Any comments made by the Panel will be submitted to the Cabinet meeting for further consideration.

3. Reason for Scrutiny

- 3.1. The attached reports should be read and considered alongside each other to provide an assessment of the Councils overall Housing Revenue Account financial position and plans.
- 3.2 The Panel may, at the Cabinet's request, scrutinise decisions to be taken by the Cabinet and report any comments or concerns for further consideration by Cabinet prior to the decision being taken.

Appendices:

Appendix A – Housing Revenue Account Estimates 2021/22

Appendix B - Housing Investment Programme (HIP) 2021/22

Report of	Assistant Director for Place and Client Services	Author	Darren Brown ☎ 282891
Title	Housing Revenue Account Estimates 2021/22		
Wards affected	All		

This report presents the Housing Revenue Account (HRA) estimates for 2021/22, the Medium Term Financial Forecast (MTFF) for 2021/22 to 2025/26, and the 30 Year HRA financial model

1. Executive Summary

- 1.1 This report sets out the Housing Revenue Account budget for 2021/22, including proposals for changes to tenants rents for the coming financial year, and the management fee payable to Colchester Borough Homes. It includes at Appendix C a forecast of the potential expenditure requirements and income projections for the HRA for the next 5 years, and the updated 30 year HRA financial model at Appendix E.

2. Recommended Decisions

- 2.1 To approve the 2021/22 HRA revenue estimates as set out in Appendix A.
- 2.2 To approve dwelling rents as calculated in accordance with central Governments rent policy (set out in paragraph 5.7).
- 2.3 To approve the HRA revenue funded element of £7,253,200 included within the total management fee for Colchester Borough Homes (CBH) (set out in paragraph 5.14).
- 2.4 To note a revenue contribution of £3,790,000 to the Housing Investment Programme (HIP) is included in the budget (paragraph 5.30).
- 2.5 To note the HRA balances position in Appendix B.
- 2.6 To note the Medium Term Financial Forecast (MTFF) set out at Appendix C and the 30 Year HRA financial position set out at Appendix E.

3. Reasons for Decision

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

4. Supporting Information

Key Issues for 2021/22

- 4.1 There are a number of key issues relating to the HRA budget for 2021/22, with further details being included within the main body of the report. However, in summary they are as follows;
- Cabinet have agreed further significant investment in the Councils housing stock during 2020/21, which is reflected in the 2021/22 Housing Investment Programme report elsewhere on the agenda. This includes the delivery of the 100 new Council homes project, and the HIP Climate Emergency Response works. The revenue implications of this investment are therefore reflected in the 2021/22 HRA budget.
 - This is the eighth HRA budget to be set in the context of the new 30 year HRA Business Plan, which was approved by Cabinet at its meeting on the 27th November 2013. The budget therefore reflects the strategic priorities identified within the HRA business plan. The HRA Business Plan is being refreshed during 2021 and will be considered by Cabinet during the year.
 - A revised Asset Management Strategy was produced as a result of the Housing Futures Programme, and the outputs have been included in this report and the Housing Investment Programme report elsewhere on the agenda. The Council is reviewing its Asset Management Strategy in 2021 and the results will be reflected in the refreshed HRA Business Plan.
 - This is the eighth HRA budget to be set under the terms of the new management agreement with CBH. The management fee consequently contains a larger range of budgets, and the budget is set with an emphasis on the medium term, to provide more stability and meet the governance arrangements within the new management agreement.
 - This is the tenth year of HRA Self-Financing, which radically altered the funding of Council Housing, and the investment in the housing stock and other projects is reflected in this report and the Housing Investment Programme report included elsewhere on the agenda.

Prudence

- 4.1.1 This report and the 2021/22 Housing Investment Programme included elsewhere on the agenda reflect significant capital spending plans over the next 5 years, reflecting the clear signal and expectation from Government that Councils will increase the supply of Council housing through new build etc, following the abolition of the HRA debt cap. For information, the Councils housing stock at 1st April 2020 totalled 5,892 dwellings, with a balance sheet value of £377.3million.
- 4.1.2 In April 2012, the Council took on circa £75million of debt, determined as affordable by the Government under the HRA Self-Financing settlement. In the years thereafter, any new investment and its affordability has been assessed as part of the update of the 30 year HRA Business Plan. As set out in this report, the current and further planned investment and associated borrowing cost continues to be affordable, as demonstrated by the interest cover ratio in paragraph 5.28.

Housing Rents

- 4.2 The Government's 4 year rent reduction period ended in 2019/20, and the Government announced that rents would revert to the previous formulaic increase for a period of 5 years. Therefore, rents will increase by Consumer Price Index (CPI) + 1% from 2020/21 to 2024/25, which means we are continuing to set **dwelling rents within Communities and Local Government (CLG) guidelines and so the annual increases in rents paid by tenants are set by reference to national Government policy**. The Government expects local authorities to apply rent restructuring to all their HRA properties, and is the assumption the Government made when establishing the amount of debt we would take on under HRA Reform. As a reminder, the aim is that social rents reflect the condition and location of properties, local earnings and property size. Each property continues to have a target rent calculated using the Government's formula, and this increases annually by the September CPI figure + 1.0%. Rents are able to be moved to target rent when the property becomes empty, and there are caps in place to protect tenants from very large increases.
- 4.2.1 There is no information to suggest what will happen to rents after 2024/25, but the assumption within the MTFF and 30 year Business Plan is that rents will continue to increase in line with the Consumer Price Index (CPI) + 1%.
- 4.3 As part of the process for setting the 2021/22 HRA budget, it is necessary to revisit the 2020/21 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.

2020/21 Revised Housing Revenue Account

- 4.4 Appendix A shows the Revised Housing Revenue Account (HRA) estimates for 2020/21. There have been some amendments to the original budget for 2020/21 during the course of the current financial year. A reconciliation is therefore provided in the following table between the Original and Revised budget for 2020/21:-

Reconciliation between Original and Revised 2020/21 HRA Budget

	Budget 20/21	Commentary
	£'000	
Original Budget Deficit	500	Agreed 29 th January 2020
2019/20 Budgets c/fwd	362	Agreed by Assistant Director of Corporate and Improvement
Revised Budget Deficit	862	

2020/21 Forecast Outturn Position

- 4.5 When considering the financial position of the HRA, in addition to the adjustments to the 2020/21 original budget shown in the above table, it is important to note the 2020/21 forecast outturn position. It is currently predicted that the HRA will be on budget at the year-end. The table below provides a breakdown of this net position. In addition, commentary is provided on the major variations;

	Outturn 20/21 £'000
Third Party Payments	173
Employee costs	48
Net Rental & Tenants Service Charge Income	203
Interest Payable savings	(500)
<i>One-off/Technical Items</i>	
Revenue Contribution to Capital (RCCO)	76
Forecast 2020/21 Outturn Variance	-

- An overspend of £173k is forecast relating to the unbudgeted impact in the current financial year of the increased employer pension contributions CBH now have to pay following the schemes actuarial review. In addition, an overspend of £48k is forecast on employee costs, due to agency staff being used to cover staff sickness and provide additional short-term resource in the Client team.
- An underspend of £500k on interest payable costs is estimated, reflecting the level of borrowing required to support the 20/21 Housing Investment Programme, together with the very low PWLB borrowing rates now available for the HRA as announced by the Government in the March 2020 budget. The impact of the interest rate change on the HRA was considered by Cabinet in July 2020 in the report on the HRA Financial Model: New Council Housebuilding Programme Update.
- It is forecast that we will receive less rental and tenants service charge income of £203k. This primarily reflects the net impact of rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the level of Right to Buy sales, along with the timing of acquisition and additions to our housing stock.
- As a result of these forecast outturn variances, an increased Revenue Contribution to Capital of £76k to fund the Housing Capital Programme in 2020/21 is forecast.

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

HRA Reform

- 4.7 Members will be aware of the implementation of the national reform of the Housing Revenue Account from April 2012. The 2021/22 budget therefore reflects the tenth year of operating within this financial regime for the HRA, with commentary included on the medium and long-term outlook in this report.
- 4.8 Appendix E summarises the 30 year financial modelling for Colchester's HRA. This is set out using the standard approach, which is to show each of the first 5 years individually, then group the remainder of the model in 5-year bands. Further information is provided at paragraph 7, including some of the underlying principles and assumptions that are included. Given the long time-span this modelling covers, it will clearly change as time progresses as both internal and external influences have an impact. However, what it does provide is an indication of the long-term viability of the Council's HRA, given the assumptions made and the plans the Council has already identified and committed to.

5. 2021/22 Housing Revenue Account Budget

- 5.1 Appendix A shows the Housing Revenue Account (HRA) estimates for 2021/22. This shows a break-even budget for the year, meaning there is no planned contribution to or use of uncommitted HRA balances.
- 5.2 It should be noted that the MTFF included within the 2020/21 HRA budget cycle and considered by Cabinet on 29th January 2020 estimated a break-even budget for 2021/22.

Balances

- 5.3 The prudent level of uncommitted balances for the HRA is currently £1,600k. This recognises the transfer of risk from Central to Local Government resulting from HRA Reform, as well as providing for any adverse effects of inflation, interest rates, or Right To Buy sales on the HRA. Whilst there is certainty around interest rates given we have secured long-term fixed rates on our HRA Reform settlement debt, the abolition of the debt cap and our plans to borrow does bring a risk relating to increasing interest rates. The risk surrounding welfare reform continues to be recognised in our assessment of HRA balances.
- 5.4 A risk assessment has been undertaken to review the minimum prudent level of HRA uncommitted balance the Council should maintain. The results of this review are set out at Appendix D and show that it would be reasonable to retain the uncommitted balance at £1,600k. This will continue to be reviewed annually.
- 5.5 The estimated balances for the HRA are set out in Appendix B. The anticipated level of the uncommitted HRA balance as at 31st March 2022 is £1,600k, which is equal to the recommended prudent level. This means we are now running the HRA at the minimum prudent level of revenue balances, and any additional cost or saving that might arise could impact on the amount of any new borrowing undertaken.
- 5.6 The budget at Appendix A shows that we are using as much of our revenue balances as possible to make a Revenue Contribution to fund the Housing Investment Programme. This is because it is deemed to be a more economical use of resources, rather than fund the capital programme by undertaking additional borrowing and thus incurring additional borrowing costs. This fits with the prioritising of resources indicated in this report and in the Housing Investment Programme elsewhere on the agenda. From 2021/22 thereafter, the assumption is that where required, revenue contributions to the capital programme will be made up to the point that the minimum recommended level of balance is reached.

Income

Housing Rents

- 5.7 By following the rent increase formula, we are continuing to set **dwelling rents within 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 2021/22 is £88.88 per week compared to a current average of £87.56, an increase of £1.32 (1.5%) per week. It is difficult to anticipate future rent increases after 2021/22, given the potential for the rate of inflation to vary in the short to medium term and also for any further changes in Government rent policy. However, modelling within the MTFF and 30 year financial modelling has been undertaken using reasonable estimates of inflation rates.
- 5.8 Sales of council houses under the Right to Buy (RTB) scheme could reach 30 this year (31 sold in 2019/20 and 29 sold in 2018/19), which is in-line with the number included in the 2020/21 HRA budget. The level of sales has levelled out in recent years, therefore the 2021/22 budget has been set assuming the sale of 30 properties, being broadly in line with the current year. The MTFF and longer term modelling does not assume a reduction in the number of sales until 2023/24. However, these assumptions will be reviewed annually as part of our future budget setting.
- 5.9 The budget for 2021/22 has been set using the assumption that there will be a loss of rental income of 1.50% resulting from empty properties. This is consistent with the 2020/21 budget and is intended to provide for any additional void loss that may arise as a result of the various changes being undertaken within the housing stock.
- 5.10 Given the abolition of the debt cap, Cabinet has already agreed plans to increase our Council Housing stock, through a combination of new build and acquisitions. The 2021/22 budget includes an estimate for the additional rental income these measures will generate.

Other Income

- 5.11 The rents for garages are included in the fees and charges report agreed by the Portfolio Holder for Housing and Communities, and continues the policy that reflects a pricing strategy based on market forces.
- 5.12 There are a range of other fees and charges for services which are made to Tenants and Leaseholders, which are agreed by the Portfolio Holder. The budget for 2021/22 assumes that the demand for these services will remain the same as the current financial year, unless mentioned otherwise.
- 5.13 The de-pooling of service charges to individual tenants was implemented in 2008/09. There have not been any new service charges introduced for 2021/22, only an update of existing charges to reflect the actual cost of the services provided.

Expenditure

Colchester Borough Homes Management Fee

- 5.14 As part of the new management agreement which commenced in August 2013 between the Council and CBH, the management fee has been expanded to reflect the wider range of services CBH now provides on behalf of the Council. The fee incorporates the day to day repairs and maintenance budgets and associated overheads, along with the fee for managing the capital programme, as a result of the new housing arrangements. The management fee is funded from several sources within the Council's accounts, namely

the Housing Revenue Account, the Housing Investment Programme, as well as the Council's General Fund. The following table analyses the total CBH management fee, and provides details of where the funding is shown in the Council's overall budget:

Breakdown of 2021/22 CBH Management Fee

	<i>Budget 21/22</i>	<i>Funding Source</i>
	£	
CBH Management costs	3,812,800	CBH Ltd Management Fee at Appendix A
R&M Management Fee	572,600	Included in Repairs & Maintenance at Appendix A
R&M Works	2,867,800	Included in Repairs & Maintenance at Appendix A
Sub-Total: HRA	7,253,200	
Capital Fee	1,270,400	Included within the 2021/22 Housing Investment Programme
Sub-Total: HIP	1,270,400	
Anti-Social Behaviour Team	49,500	Included within the 2021/22 General Fund Budget
Professional Support Unit	126,000	Included within the 2021/22 General Fund Budget
Housing Options Team	648,500	Included within the 2021/22 General Fund Budget
Facilities Management/ Engineering Team	520,200	Included within the 2021/22 General Fund Budget
Housing Systems Team	85,600	Included within the 2021/22 General Fund Budget
Sub-Total: General Fund	1,429,800	
Total Management Fee	9,953,400	

- 5.15 The base management fee for 2021/22 includes an allowance for pay inflation, along with provision for an increase in the level of support services CBH buys-in from the Council. Furthermore, a one-off allowance has been made for the increased employer pension contributions CBH now have to pay following the schemes actuarial review. From 2022/23, this allowance will fall-out and CBH will need to deliver efficiency savings to meet the on-going cost.
- 5.16 Members will be aware that at its meeting on the 27th November 2013, Cabinet approved the Council's 30 year HRA Business Plan. The 2021/22 budget and management fee include the continuation of a number of service enhancements, which reflect the strategic priorities identified by Cabinet and which are included within the business plan. The majority of these are incorporated within the existing CBH Management Fee and Council budgets, with additional resources being directed in particular to supporting tenants.

Management Costs

- 5.17 The 2021/22 HRA budget includes £6,048,600 for management costs, a decrease from 2020/21 (£7,262,900). 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 2020/21 budget is given in the following paragraphs;

- 5.18 The budget for Employee costs has increased by £57,900 for 2021/22. This primarily relates to the creation of a project officer post within the Councils client team.
- 5.19 The budget for Supplies and Service costs has decreased by £690,400. The one-off provision in the 2020/21 budget for implementation and project costs to replace our Housing Management system has fallen-out in 2021/22, given the implementation of the new system. Investment is also included for development of Microsoft apps and training materials.
- 5.20 The budget for Removal and Disturbance payments has been decreased by £70,000 as this phase of the refurbishment of Elfreda House has been completed.
- 5.21 The HRA receives a significant level of recharges from other Council services, along with a proportion of central support costs, such as Corporate and Democratic Core and Pension costs associated with the back-funding of the scheme. The total budget for 2021/22 has decreased by £519,700 from 2020/21. As indicated in the 2020/21 HRA Budget report, we took the approach of paying 3 years pension deficit funding contributions “up-front”, which resulted in an overall saving over 3 years. This was the same as the approach adopted within the Councils General Fund budget for 2020/21. The budget for 2021/22 has therefore reduced given this “one-off up-front” cost has fallen out, and the saving is being achieved.

Repairs and Maintenance

- 5.22 The 2021/22 Housing Investment Programme has been drafted and is included elsewhere on the agenda for approval. In respect of revenue works £5,419,000 has been included in the budget for repairs and maintenance (compared to £5,334,400 in 2020/21), of which £3,440,400 is specifically for works and associated overheads included within the CBH Management Fee. A provision of £1,839,300 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

- 5.23 The budget includes the statutory charges to the HRA for the interest costs of the Councils borrowing in respect of the housing stock. This represents a significant proportion of the Councils HRA expenditure each year. It is worth noting that any new borrowing to fund the overall Housing Investment Programme next year may be borrowed internally from the Councils General Fund, subject to the levels of borrowing required and funding available, which is at a lower rate than would be payable were we to borrow externally. This also delivers a benefit to the General Fund, as it would be receiving more interest than it would attract were it to invest externally. This approach has been considered and agreed as part of the Council's treasury management strategy.
- 5.24 No provision has been made at this point in time for the annual repayment of any HRA debt, as there is no statutory duty to provide for it. The Council though is statutorily responsible for self-managing its long-term indebtedness. The Council is forecast to have circa £145million of housing debt at the start of the next financial year, and it would be prudent to start to consider providing for some repayment in the future. The Treasury Management Strategy Statement approved by Cabinet on 25th January 2012 stated “That the Council plans to make Voluntary Revenue Provisions (VRP) for the repayment of HRA debt to enable maturing debt to be repaid, whilst ensuring that this does not create an adverse impact on the business case”. However, this also needs to be

considered alongside the investment requirements of the housing stock, and the clear message from Government that local authorities are expected to increase their Council housing stock to help address the housing crisis.

- 5.25 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 2021/22 budget or MTFF at this point in time.
- 5.26 The 2021/22 Housing Investment Programme report included elsewhere on the agenda contains significant capital spending plans over the next 5 years, directly as a result of the Governments abolition of the HRA debt cap and the clear signal and expectation that Councils will increase the supply of Council housing through new build etc. This expenditure will be funded through a combination of using our retained 1-4-1 Right To Buy receipts, and prudential borrowing. The Councils General Fund is already able to borrow using prudential borrowing, so the HRA is simply being treated consistently.
- 5.27 The Councils Treasury Management Strategy is included elsewhere on the agenda, and contains prudential indicators which assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances, and include the HRA. It is also proposed to continue using the following indicator within this report, which is a measure also adopted by Registered Providers to demonstrate how easily they can pay their interest costs:
- 5.28 **Interest Cover Ratio.** This indicator identifies the ability of the net operating surplus in the HRA to meet the interest costs of HRA debt. It would be reasonable to expect this indicator to be in the region of 1.50 or above.

19/20 Actual	20/21 Estimate	21/22 Estimate	22/23 Estimate	23/24 Estimate	24/25 Estimate	25/26 Estimate
1.55	1.43	1.81	1.76	1.62	1.60	1.71

Revenue Contributions to Capital Outlay (RCCO)

- 5.29 The Council has continuously made revenue contributions to capital spending recognising the significance of targeting resources to invest in our Housing Investment Programme. Given the regime of HRA self-financing and the additional revenue resources subsequently generated, the Council is able to make significant revenue contributions to support the capital investment included within the Housing Investment Programme.
- 5.30 The revenue contribution included in the estimates is £3,790,000. The majority of this budget is to support the capital work programmes to the housing stock in 2021/22, which are included within the Housing Investment Programme report elsewhere on the agenda. However a provision of £60,000 has been included for ICT, which is intended to support various projects as they arise during the year.

Risk areas and budget review process

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

Area	Comment
Rental Income	The budget makes assumptions on the future level of Right To Buy sales and void levels. These are to a certain extent demand led and due to the significance of Rental Income within the HRA, can have a significant effect on the level of the HRA balance. Furthermore, the risk exists that the Government could change rent policy unexpectedly, as demonstrated by the rent reduction announcement in 2015.
Governments Welfare Reform	The budget includes an estimate of the impact of Welfare Reform. As well as providing for transaction costs etc, the budget also includes an estimate of the potential impact upon rent arrears and consequently the level of bad debts provision we would need to maintain.
New Build	The budget makes assumptions on the numbers of new properties being built, the amount and timing of expenditure, and the amount of borrowing required. These factors can all change as schemes progress.
Revenue Contributions to Capital (RCCO) / Prudential Borrowing	Capital Resources have been provisionally allocated for 2021/22 within the Housing Investment Programme report contained elsewhere on the agenda. If these resources prove insufficient, then options exist to either finance capital expenditure from revenue, or undertake additional HRA borrowing. Clearly, if one of these options was pursued, then there will be a requirement to find additional resources from the HRA.
Repairs and Maintenance	Historically, this is an area where pressure has existed on budgets such as Responsive and Void repairs, given that they are demand-led. However, in recent years this has become less of a risk. These budgets now form part of the CBH Management Fee, and the terms of the management agreement specify that CBH will be liable for any overspend up to a maximum of £200k per year, but also that they may retain any underspend up to £100k per year. Therefore, there could be a reduced impact on the HRA of variations in expenditure.
Utility costs	The budget makes assumptions on future prices for Gas and Electricity that are consumed within the Council's housing stock, such as Sheltered Schemes, Temporary Accommodation and Communal entrances in blocks of flats. Given the volatility of utility prices in recent years, there is a risk that prices could rise, the cost of which would have to be funded from existing resources or HRA balances.
2020/21 Outturn	An underspend of £76k is currently predicted for this year, which means a lower proportion of our Housing Capital Programme will be funded from new borrowing. Any variance on the forecast will result in a higher or lower RCCO, which will have a knock-on impact on the amount of any new borrowing undertaken.

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

Review	Comment
March 2021	Updated outturn forecast.
July 2021	Provisional pre-audit outturn / current year issues etc.
September 2021/ October 2021	Mid-year review.
December 2021 / January 2022	Outturn review / Budget 2022/23.

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

- 6.1 As part of the budget process for 2021/22 a MTFF has been produced for the HRA. This sets out the indicative budget position for the period 2021/22 to 2025/26. Although we are operating under the HRA Self-Financing regime, and more certainty is now in place, assumptions still have to be made around inflation rates, void levels, bad debts and increases in costs etc, which can of course change. To that extent, the MTFF should still be viewed as indicative.
- 6.2 Appendix C sets out the MTFF for the period analysed by the main areas of expenditure and income. This shows that the level of uncommitted HRA balance is able to be maintained at prudent levels throughout the MTFF. This is after meeting all the running costs of managing & maintaining the housing stock, along with servicing the borrowing costs on all HRA debt. It is also after substantial revenue contributions have been made to support the Housing Investment Programme. Planning to run the HRA balance at the minimum prudent level fits with the principle that it is more cost effective to minimise/reduce borrowing costs where possible, rather than hold a higher revenue balance than is prudently required, whilst also providing reassurance to tenants and residents that the Council is wisely managing its finances and its housing stock. This approach fits with the principle referred to in paragraph 5.6 above. The recommended level of uncommitted balance on a risk based approach is £1,600k. There are several factors which can affect the forecast position, namely:-

➤ Capital financing

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

➤ Rental income

From 2021/22, the MTFF reflects the Governments announcement that rent increases will return to the previous formula of CPI + 1% up until 2024/25. There has been no indication from Government what rent policy would be after that year. The assumptions on the number of Right To Buy sales and the level of anticipated rent lost through void properties have been updated to reflect recent activity, but once again these are areas which can significantly alter the forecast of Rental Income and are to a certain extent demand led.

➤ **Welfare Reform**

Continued provision has been made within the MTFF for the estimated potential effect on levels of rent arrears and bad debts, resulting from the introduction of Welfare Reform by the Government. The contribution to the provision for bad debts has been broadly maintained at the level for 2020/21 going forwards, with the level of provision being reviewed annually as part of the budget setting process.

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

7. Supporting Information – 30 Year Financial Modelling

- 7.1 The implementation of HRA Reform in 2012 brought the expectation that Councils will take a greater business planning role when managing their Housing Revenue Account. Cabinet approved the Councils 30 year HRA Business Plan at its meeting on 27th November 2013. This included a 30 year financial model which set out the long-term position of the Councils HRA, using 2013/14 as the base year. As part of the 2021/22 budget setting process, this model has been refreshed and updated. This is summarised at Appendix E. This is set out using a standard approach, which is to show each of the first 5 years individually, then group the remainder of the model in 5-year bands. It incorporates expenditure & income for both revenue and capital, along with the HRA balances and debt position.
- 7.2 The information provided by the model for future years should be viewed as indicative. This is because a number of assumptions have to be made when projecting into the future, and the following paragraphs give some further details on these. Given the potential for these to vary, the impact upon the modelling could result in an improvement or decline in the position shown, dependant on the size of change and the degree of impact upon the plan. However, prudent assumptions are made wherever possible to protect the Councils financial position and to ensure the ongoing viability of the HRA.
- 7.3 Officers have undertaken sensitivity analysis on the 30 year model to evaluate the impact any change or combination of changes in the assumptions could have. Further information on the work undertaken is provided at paragraph 7.24.

Income Assumptions

- 7.4 One of the key drivers within the financial model is inflation. This is the factor which determines future annual rent increases for tenants, and it is this income which we are able to retain in the future to meet the increased stock investment and additional borrowing costs resulting from our increased debt arising from HRA Reform.
- 7.5 The Government announced that when the 4 year period of rent reductions ended, rents would revert to the previous formulaic increase for a period of 5 years. Therefore, rents will increase by Consumer Price Index (CPI) + 1% up to 2024/25 in line with this announcement. For the purposes of Business Planning, it has been assumed this formulaic increase will continue from 2024/25 for the remaining duration of the 30 year model. There is currently no indication to suggest that this is going to alter. As a reminder to members, a change in rent policy is the example the Government at the time quoted within the HRA Reform debt settlement that would possibly re-open the original debt settlement. However, this did not occur. Therefore, Colchester along with all other housing authorities nationally, entered into the new self-financing HRA arrangements at the time on the basis that the Government was providing certainty on national rent policy, which clearly changed.
- 7.6 Assumptions have been made within the model for changes in stock numbers, primarily from Right to Buy sales and from the additional stock that will be delivered as part of our

new build and acquisition plans. These assumptions are consistent with those made in the budget and MTFF. The Council has entered into agreement with DCLG to retain additional RTB receipts to deliver new affordable housing, and the proposals already approved by Cabinet should minimise the amount that has to be repaid to Government.

- 7.7 Assumptions have been made regarding rent lost from void properties and bad debts. An allowance has been made for ongoing operational voids, as well as an ongoing increase to the level of bad debts provision we may need to hold following the introduction of the Governments welfare reforms.
- 7.8 It has been assumed that income from garages will increase in line with CPI. There is the potential for this to increase, with the improvement to the financial model coming through a combination of reduced void levels as well as an increase in annual charges.
- 7.9 All other income budgets are assumed to increase in line with inflation.

Expenditure Assumptions

- 7.10 Similarly to income, inflation can have a significant impact upon expenditure levels within the 30 year financial model. It has been assumed that the Retail Price Index (RPI) will be 1% higher than the Consumer Price Index (CPI), although the assumption that rents will increase by CPI + 1% means inflation on expenditure will be at the same rate as assumed for income.
- 7.11 Management costs have been assumed to remain at the current base level throughout the life of the 30 year model, subject to inflationary increases. The exception to this is where it is known they will alter, for example tri-annual reviews of the pension scheme by Essex County Council, or where one-off sums have been included within the base budget.
- 7.12 Maintenance costs have been extracted from the Councils 30 year Asset Management Strategy. Assumptions have been made around future increases in line with general inflation, but these costs are also subject to changes to the BCIS (Building Cost Inflation) and market conditions that impact as contracts are re-tendered.

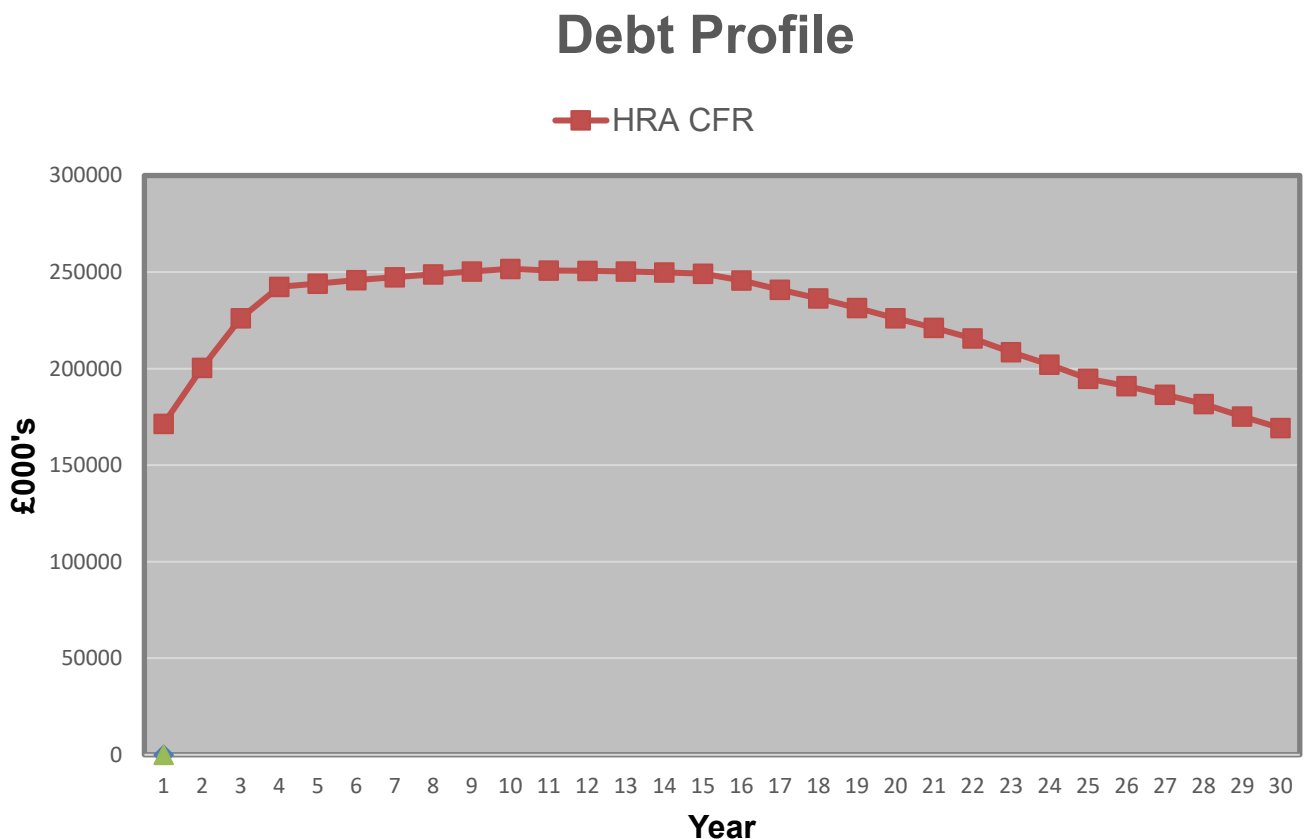
Funding & Financing Assumptions

- 7.13 The Council's Asset Management Strategy includes the expenditure requirements of our housing stock over the next 30 years. This has been reflected in the 30 year financial model. The day to day repairs and maintenance costs are funded from the revenue account, whilst the capital expenditure requirements are funded from a variety of sources which is considered within the Housing Investment Programme (HIP) report elsewhere on the agenda
- 7.14 The priority of how resources are used to fund the HIP is contained within that report for 2021/22, which in summary is aimed at using specific grants and capital receipts first, then reserves, with the intention of preserving revenue resources as far as possible as they offer the greatest funding flexibility. Should there be no or insufficient revenue resources available, then additional borrowing would be the final approach. This is because borrowing carries a cost of doing so; therefore it is treated as the last option to gain the maximum use of revenue resources available.
- 7.15 Under HRA Reform, the primary source of funding the Housing Capital Programme, especially in the early years, is a charge to the HRA which reflects the cost of depreciation to the housing stock. This is calculated locally, with reference to our actual stock condition and asset management strategy.

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

Debt

- 7.17 The measure of an authority's debt under self-financing is the HRA Capital Financing Requirement (HRA CFR). Our opening HRA debt on 1st April 2020 is expected to be £145.369million. As the HRA debt cap has been abolished by Government, the only constraint on borrowing now is that it is affordable under the prudential borrowing code.
- 7.18 The following graph shows our current debt profile that is being generated by the 30 year financial model. This works on the principle that once all of the costs of managing & maintaining our housing stock have been met, and the interest costs of our HRA borrowing have been paid, any residual income can be used to repay debt. It is important to state that this is an indication of the ability to repay debt, as what actually dictates whether debt is reduced is where the Council actually repay loans as they mature.



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

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

Year	Forecast HRA Debt £000's
2021/22	171,501
2022/23	200,376
2023/24	226,139
2024/25	242,370
2025/26	244,091
2026/27	245,780
2027/28	247,373
2028/29	248,886
2029/30	250,314
2030/31	251,671

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

Outlook Summary

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

Sensitivity Analysis

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

		Variation to Base Position			
		Scenario 1	Scenario 2	Scenario 3	Scenario 4
	Base Position	Reduction in Inflation of 1% over 30 Years	Increase in Inflation of 1% over 30 Years	Decrease in Inflation of 1%, Increase in RTB's by 10, Decrease in Mgt Costs by £200k in every Year	Increase in Inflation of 1%, Increase in RTB's by 10, Increase in Mgt Costs by £200k in every Year
Peak Debt Year	Year 10	Year 15	Year 10	Year 15	Year 10
Debt at Year 30	£169.3million	£221.6million	£106.3million	£222.2million	£140.2million
Capital Investment affordable over 30 Years	£614.5million	£537.8million	£707.8million	£536.9million	£706.4million
Surplus HRA Balance at Year 30	£2.6million	£2.6million	£2.6million	£2.6million	£2.6million

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

8. Strategic Plan References

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

Tackling the climate challenge and leading sustainability

- Reduce carbon emissions to help achieve net zero carbon footprint for Council services by 2030.
- Environment and sustainability embedded within all Council decision making and the adaption and recovery from Covid 19.

Creating safe, healthy and active communities

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

Delivering homes for people who need them

- Improve existing Council homes to keep them in good repair and improve efficiency.
- Help deliver 380 affordable homes.
- Build new Council homes for our residents.
- Continue to improve and modernise available housing for older people.

Growing a fair economy so everyone benefits

- Ensure our Borough becomes stronger post Covid-19 by supporting the use of local businesses where possible.
- Develop opportunities to ensure Council land is greener, sustainable and more resilient and adaptable to future change.
- Encourage green technologies and innovative solutions to the climate emergency.
- Maximise the Social Value benefits from contracts.
- Ensure that the Councils assets continue to contribute to economic growth and opportunity.

9. Consultation and Publicity

- 9.1 With the potential consideration of service improvements that would lead to changes in charges for tenants, it is anticipated that an appropriate amount of consultation will be undertaken during the course of the financial year.
- 9.2 The Council conducted the bi-annual STAR survey through ARP Research in April 2018 and will be doing so again in 2021 (delayed in 2020 due to Covid-19), with the specific aim of obtaining customer feedback through a survey of general needs tenants, all sheltered tenants and leaseholders. In 2018, there was an increased response rate from tenants and leaseholders on previous surveys. Questions were centred on Colchester Borough Homes performance, tenant satisfaction with their homes, neighbourhood and services. The survey also attempted to identify tenants' priorities on where we focus the provision of non-statutory services. It is planned to repeat the STAR survey during 2021 and the report of the results will be made available to Cabinet and Members, to inform decision-making.
- 9.3 Consultation was previously undertaken as part of the process to review spending plans given the impact of the Governments previous rent reduction policy. A task and finish group was held with a number of tenants and leaseholders on the Asset Management investment plans of the Housing Futures Programme. One of the outcomes of this was that the views of tenants and leaseholders were generally in line with the proposed investment programme.
- 9.4 The Council now has a new Strategic Plan and as a consequence will be reviewing its HRA Asset Management Strategy in 2021 and carrying out further consultation as part of this work. The new strategy will need to respond to the 'climate emergency' declared by the Council and tackle the climate challenge within the HRA. An updated Asset

Management Strategy will be presented to Cabinet for approval at the end of the Summer 2021

10. Financial Implications

10.1 Are set out in this report.

11. Equality, Diversity and Human Rights Implications

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

12. Community Safety Implications

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

13. Health and Safety Implications

13.1 This report has no significant Health and Safety implications

14. Risk Management Implications

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

15. Environmental and Sustainability Implications

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

Appendices

- Appendix A - Housing Revenue Account Estimates 2021/22
- Appendix B - HRA Balances Statement
- Appendix C - Medium Term Financial Forecast
- Appendix D - HRA Balances Risk Management Assessment
- Appendix E - 30 Year Financial Model

Background Papers

- None

COLCHESTER BOROUGH COUNCIL			
Revenue Estimates 2021/22			
Housing Revenue Account			
Summary			
2019/20		2020/21	2021/22
Actuals	Expenditure & Income Analysis	Revised	Original
£000's		Budget	Budget
		£000's	£000's
	INCOME		
(26,310)	Dwelling Rents (Gross)	(26,241)	(27,019)
(1,103)	Non-Dwelling Rents (Gross)	(1,135)	(1,062)
(2,662)	Charges for Services and Facilities	(2,648)	(2,630)
(60)	Contributions towards Expenditure	(57)	(53)
(30,135)	Total Income	(30,081)	(30,764)
	EXPENDITURE		
5,190	Repairs and Maintenance	5,578	5,419
3,507	CB Homes Ltd Management Fee	3,653	3,813
5,848	Management Costs	7,381	6,049
122	Rents, Rates and Other Charges	204	165
286	Increased provision for Bad or Doubtful Debts	250	250
5,639	Interest Payable	5,241	5,243
16,791	Depreciation and Impairments of Fixed Assets	6,000	6,000
32	Amortisation of Deferred Charges	32	3
50	Debt Management Costs	51	51
37,465	Gross Expenditure	28,390	26,993
7,330	Net Cost of Services	(1,691)	(3,771)
(10,777)	Net HRA Income from the Asset Management Account	(32)	(3)
(1,331)	Disposal of Fixed Assets	-	-
(145)	HRA Investment Income (including mortgage interest and interest on Notional Cash Balances)	(131)	(16)
(4,923)	Net Operating Expenditure	(1,854)	(3,790)
5,181	Revenue Contribution to Capital Expenditure	2,716	3,790
258	Deficit/(Surplus) for the Year	862	-
(4,564)	Deficit/(Surplus) at the Beginning of the Year	(4,306)	(3,444)
258	Deficit/(Surplus) for the Year	862	-
(4,306)	Deficit/(Surplus) at the End of the Year	(3,444)	(3,444)

Housing Revenue Account - Estimated Balances

	£'000
Balance as at 1 April 2020	(4,306)
Committed - Capital Spending in 2020/21 and onwards	1,844
Less budgeted deficit/use of balances in 2020/21	862
Plus Forecast underspend in 2020/21	-
<i>Unallocated balance at 31st March 2021</i>	(1,600)
Less Proposed Use of balances in 21/22 Budget	-
Estimated uncommitted balance at 31st March 2022	(1,600)
Recommended level of Balances	(1,600)
Forecast balances above prudent level at 31st March 2022	-

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 20/21	Budget 21/22	Budget 22/23	Budget 23/24	Budget 24/25	Budget 25/26
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Housing Rents	(26,241)	(27,001)	(28,029)	(29,282)	(30,730)	(32,688)
Other Income	(3,840)	(3,763)	(3,756)	(3,821)	(3,845)	(3,902)
	(30,081)	(30,764)	(31,785)	(33,103)	(34,575)	(36,590)
Expenditure						
Repairs & Maintenance	5,578	5,419	5,513	5,617	5,729	5,895
Running Costs	11,488	10,275	10,395	10,826	11,035	11,332
Interest Payable	5,241	5,244	5,767	6,615	7,266	7,544
Depreciation	6,000	6,000	6,156	6,384	6,616	6,903
Other Capital Financing	(80)	36	43	48	50	50
RCCO	2,716	3,790	3,910	3,613	3,879	4,866
Contribution to Balances	0	0	0	0	0	0
Other	0	0	0	0	0	0
	30,943	30,764	31,784	33,103	34,575	36,590
Budgeted (Surplus)/Deficit	0	0	(1)	0	0	0
Forecast 2020/21 underspend	0	0	0	0	0	0
Revised (Surplus)/Deficit	862	0	0	0	0	0

Opening Balance	(4,306)	(1,600)	(1,600)	(1,601)	(1,601)	(1,601)
Committed Balance	1,844	-	-	-	-	-
(Surplus)/Deficit	862	-	(1)	-	-	-
Uncommitted Closing Balance	(1,600)	(1,600)	(1,601)	(1,601)	(1,601)	(1,601)

* It should be noted that it is currently forecast the HRA will be underspent by £76k in 2020/21, which will result in an increased RCCO in the year. Clearly, if this level of underspend is not achieved, then there will be a resultant impact upon the level of RCCO we are able to make, and thus a knock-on impact on the amount of any new borrowing required.

Review of Housing Revenue Account Balances 2021/22

Risk Management Assessment

Factor	Assessed Risk		
	High £'000	Medium £'000	Low £'000
Cash flow (1% of £55m)	550		
Interest Rate (1.0% on £98m)		980	
Inflation (Decrease of 1%)		250	
Emergencies		100	
Right To Buy Sales		100	
Litigation			50
Welfare Reform	300		
	850	1,430	50

	Minimum Provision £'000
High Risk – 100%	850
Medium – 50%	715
Low – 10%	5
Sub Total	1,570
Other - say	30
Recommended Prudent Level	1,600

Housing Revenue Account – 30 Year Financial Model

Appendix E

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 1-5</u>	<u>Year 6-10</u>	<u>Year 11-15</u>	<u>Year 16-20</u>	<u>Year 21-25</u>	<u>Year 26-30</u>
	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Revenue Account											
Income	(30,764)	(31,785)	(33,103)	(34,575)	(36,590)		(197,443)	(227,877)	(262,246)	(301,787)	(348,321)
Expenditure	30,764	31,784	33,103	34,575	36,590		197,276	227,694	262,041	301,563	348,074
(Surplus)/Deficit	0	(1)	0	0	0		(167)	(183)	(205)	(224)	(247)
Opening HRA Balance (Surplus)	(1,600)	(1,600)	(1,601)	(1,601)	(1,601)		(1,601)	(1,768)	(1,951)	(2,156)	(2,380)
Closing HRA Balance (Surplus)	(1,600)	(1,601)	(1,601)	(1,601)	(1,601)		(1,768)	(1,951)	(2,156)	(2,380)	(2,627)
Capital Account											
<i>Investment:</i>											
Stock Investment Programme	13,804	11,605	11,186	10,793	11,050	58,438	72,519	78,229	78,175	95,584	131,120
Sheltered Accommodation Review	5,988	4,918	1,167	2,367	2,440	16,880	0	0	0	0	0
Property Acquisitions	18,600	6,598	6,664	0	0	31,862	0	0	0	0	0
New Build	1,900	17,700	18,265	13,911	0	51,776	0	0	0	0	0
Total	40,292	40,821	37,282	27,071	13,490	158,956	72,519	78,229	78,175	95,584	131,120
<i>Funded By (Resources):</i>											
Depreciation	(6,000)	(6,156)	(6,384)	(6,616)	(6,903)	(32,059)	(37,510)	(43,133)	(49,600)	(57,033)	(65,796)
Revenue Contribution	(3,790)	(3,910)	(3,613)	(3,879)	(4,866)	(20,058)	(27,429)	(35,095)	(28,575)	(38,551)	(65,323)
HRA Reserves	(4,370)	(1,881)	(1,522)	(345)	0	(8,118)	0	0	0	0	0
New Borrowing	(26,132)	(28,874)	(25,763)	(16,231)	(1,721)	(98,721)	(7,580)	0	0	0	0
Total	(40,292)	(40,821)	(37,282)	(27,071)	(13,490)	(158,956)	(72,519)	(78,229)	(78,175)	(95,584)	(131,120)
Debt:											
HRA Debt at Year End	171,501	200,376	226,139	242,370	244,091		251,671	249,117	226,067	194,853	169,257



Cabinet

27th January 2021

Item

Report of	Assistant Director for Place and Client Services	Authors: Darren Brown ☎ 282891 Clare Lawrance ☎ 282506
Title	Housing Investment Programme (HIP) 2021/22	
Wards affected	All	

This report concerns the Housing Investment Programme for 2021/22

1. Executive Summary

- 1.1 This report sets out a summary of the proposed allocation of **£40.292million** of new resources to the Housing Investment Programme for 2021/22, along with the sources of funding. It also includes at Appendix A an indication of the potential expenditure requirements and funding sources for the years 2022/23 to 2025/26.

2. Recommended Decision

- 2.1 To approve the Housing Investment Programme for 2021/22.
- 2.2 To note the Capital Medium Term Financial Forecast (CMTFF) set out at Appendix A.

3. Reasons for Decision

- 3.1 Each year as part of the process to agree the Council's revenue and capital estimates the Cabinet is required to agree the allocations to the Housing Stock Investment Programme. These allow for work to be undertaken to maintain, improve, and refurbish the housing stock and its environment.
- 3.2 Members annually agree to accept a proposed 5 year Housing Investment Programme (HIP) in principle as the framework for procuring housing related planned works, improvements, responsive and void works and cyclical maintenance.
- 3.3 The proposed investment programme is linked to the Asset Management Strategy (AMS) and reviewed annually in the light of available resources and for each annual allocation to be brought to Cabinet for approval as part of the overall HIP report.
- 3.4 The Colchester Borough Homes (CBH) Board have considered the content of the Cabinet report submitted and is now seeking approval for the 2021/22 Capital programme.
- 3.5 This report seeks the release of funds under grouped headings as described in the AMS and supported by the Management Agreement dated 9th August 2013, which governs the contractual relationship between Colchester Borough Council (CBC) and CBH.

4. Supporting Information

Key Issues for 2021/22

- 4.1 This is the tenth year of HRA Self-Financing, and the continued investment in the housing stock and other projects is reflected in this report.
- 4.2 Cabinet have agreed further significant investment in the Councils housing stock during 2020/21, which is reflected in this report. This includes the delivery of the 100 new Council homes project, and the HIP Climate Emergency Response works.
- 4.3 A revised Asset Management Strategy was produced as a result of the Housing Futures Programme, and the outputs have been included in this report. The Council is reviewing its Asset Management Strategy in 2021, and the results will be considered by Cabinet later in the year alongside a refreshed HRA Business Plan.
- 4.4 This report is considered as part of agreeing the Housing Revenue Account (HRA) estimates as the funding for the HIP, which covers capital investment in the housing stock, is very much linked to the overall level of resources for housing.

5. Funding the Housing Investment Programme

- 5.1 2021/22 is the tenth year of the HRA self-financing regime. This fundamentally changed the way in which Council Housing is financed, and as a consequence a financial model for the HRA has been developed, which forecasts the HRA and HIP for each of the next 30 years, using a range of assumptions on areas such as inflation, stock numbers, future expenditure & income levels etc. This is considered further in the 2021/22 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 2021/22 HIP budget and financial forecasts are as follows;
 - Specific Areas of Finance (e.g. Grants),
 - Capital Receipts,
 - Major Repairs Reserve (Depreciation),
 - Revenue contributions to capital (RCCO),
 - New Additional Borrowing
- 5.2 The assumption made when prioritising resources to fund the HIP is that resources specifically designated to the programme will be used first, followed by capital receipts. This is so the receipts can be re-invested in affordable housing, and be retained locally and not be clawed back by Central Government under the capital receipts pooling arrangements. The next form of resource to be used is the Major Repairs Reserve, which is the reserve that is built up from the depreciation charge to the HRA. This is the resource that is set aside to maintain the housing stock in its current form & condition. If there are insufficient resources within the Major Repairs Reserve to fund all of the capital works in the year, then the next call on funding is revenue. The amount of this resource will depend on the level of balances within the HRA and the extent to which they are directed to the HIP, as opposed to other budget priorities.
- 5.3 Finally, should there be insufficient revenue resources to fund the overall programme the assumption is that the Council will undertake HRA borrowing to fully fund the HIP. This is assumed to be the lowest priority source of funding, to minimise the resultant additional interest costs that would be incurred by the HRA. Further borrowing will be undertaken following the prudential borrowing code, which states that it must be affordable. Should the Council decide it does not want to undertake additional HRA borrowing or use revenue resources etc, then the Council would need to re-consider the programme of works proposed and the corresponding budget provision. This could include foregoing works, or re-profiling the year in which they are undertaken.

6. 2021/22 Programme of Works

- 6.1 The requested budget allocation for the 2021/22 programme is £40.292million. A further breakdown of the areas of work that are planned to be undertaken is shown at paragraph 9.
- 6.2 As part of the management agreement which commenced in August 2013 between the Council and CBH, the management fee was expanded to reflect the wider range of services CBH now provides on behalf of the Council, so it incorporates the fee for managing the capital programme. Members are therefore asked to note that the requested budget allocation in paragraph 6.1, and the budget sums included in paragraph 9 and Appendix A all include the fee for managing the capital programme, which for 2021/22 totals £1,270,400. A further breakdown of the management fee is included in the HRA Revenue Estimates report elsewhere on the agenda.
- 6.3 Cabinet have previously considered proposals for new projects using HRA borrowing, such as continuing new build plans and increasing Council housing stock through acquisitions. These proposals continue to be reflected in the Housing Investment Programme, with further information provided in the following paragraphs.

7. HRA Capital Medium Term Financial Forecast - 2021/22 to 2025/26

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

New Build

- 7.2 The budget for 2021/22 includes a provision of £0.900million to continue works on Phase 2 of the re-development of garage sites, and undertake Phase 3 feasibility work. It also includes a provision of £1.0million to purchase properties developed by Colchester Amphora Homes for the Council. It should be noted that a number of assumptions have to be made on the timing and cost of these projects, but the budgets will be monitored and revised as part of the annual budget setting and capital monitoring processes. Further estimated provision has been made in subsequent years for these schemes in the CMTFF.

Acquisitions

- 7.3 A provision of £6.5million has been made to continue the programme of buying properties, through a combination of properties offered back to the Council through the Right to Buy legislation, and via the open market. Further estimated provision has been made in subsequent years for these schemes in the CMTFF. In addition, at its meeting of 2nd September 2020, Cabinet agreed additional investment to deliver 100 new Council homes by 31st March 2022, which were in addition to the existing acquisitions programme. A provision of £12.1million has therefore been included to reflect the proportion of these 100 homes that will be acquired in the 2021/22 financial year.
- 7.4 A provision of £5.988million has been made for the cost of the refurbishment of Elfreda House in 2021/22. Further provision has been made in subsequent years in the CMTFF for completion of this scheme, and continued investment in the Sheltered Housing refurbishment programme.
- 7.5 At its meeting on 23rd November 2020, Cabinet agreed to include provision in the 2021/22 budget and subsequent years for "HIP Climate Emergency Response Works", in order to improve energy performance of the Councils housing stock. As a result a provision of £3.422million has been included in the 2021/22 programme.

- 7.6 The estimated RCCO in 2021/22 is £3.790million, which is broadly in-line with the assumptions in the business plan. In the years prior to HRA Self-Financing, the RCCO had been used to fund non-works programmes. However, as indicated in the HIP report agreed by Cabinet on 25th January 2012, RCCO's have been available to support the works element of the capital programme for 2013/14 onwards. These increased contributions have been affordable as under HRA Self-Financing the Council retains all rental income.
- 7.7 Members will be aware that the Council entered into agreement with DCLG in 2012 to retain additional RTB receipts to deliver new affordable housing. As a reminder, retained receipts can only be used on delivering new additional units of accommodation, not on refurbishing existing schemes. The proposals already approved by Cabinet and included in the CMTFF should minimise the amount that has to be repaid to Government.
- 8. Priorities for the Council**
- 8.1 To implement the Colchester Housing AMS, that has been updated to reflect the revised investment plan, as the basis for long term planning, provision and sustainability of Colchester Borough Council's housing assets.
- 8.2 To allocate appropriate funding to CBH within the resources that are available to enable stock investment to proceed, improving housing conditions for our tenants.
- 8.3 To ensure that having achieved delivery of the decent homes' targets in December 2011 that the overall level of decency is maintained at the end of any one financial year but ensure compliance on a five-yearly basis.
- 8.4 To build upon current monitoring arrangements and ensure programme delivery and the effective targeting of resources particularly in respect of maintaining the value of the asset and providing Adaptations for our customers with disabilities.
- 9. Proposals**
- 9.1 The report sets out below a summary of the proposed allocation of new resources for 2021/22 as defined by the AMS, as well as those outlined in this report, with the following comments setting out the basis of the allocation.
- 9.2 **Capital Investment Programme - £6.811million** – This allocation supports the AMS and acknowledges the work required to allow the decency standard to be maintained, in the current existing stock and resulting from the acquisitions programme, therefore this substantial proportion of the overall allocation is recommended.
- 9.3 **Aids & Adaptations - £0.642million** - This continues to support the budget at historic levels. The proposed allocation achieves the requirement to adapt Council dwellings to meet the special needs of our customers and also meet the high priority that Members place on this service.
- 9.4 **Emergency Failures (statutory obligation) and Voids - £0.695million** – This allocation supports the AMS and the experience gained through the management controls being exercised. It reflects the necessity to recognise capital works in the voids process along with emergency failures.
- 9.5 **Emergency failures structural works - £0.364million** – As with the previous allocation this reflects the AMS and the experience gained through the management controls being exercised. The work is generally associated with premature failure of structural elements.

- 9.6 **Environmental Works - £0.887million** - This allocation supports the AMS by continuing to address the improvements to the overall estate living environment. It will include door entry systems, block communal improvements, boundary works and PVC installations to continue to reduce the revenue reliance on painting programmes.
- 9.7 **Asbestos, Legionella, Fire Safety and Overall Contingency - £0.709million** – This allocation recognises the need to continue to proactively manage our statutory obligations in the defined areas and provides a general contingency to cover the whole of the programme together with survey work
- 9.8 **Garages - £0.214million** – This investment in the garage stock is intended to secure additional revenue income that will support the business plan in future years. We have seen a return on the investment made in previous financial years by increased garage tenancies and fewer empty garages on the sites that have been refurbished.
- 9.9 **Sheltered Accommodation Improvements - £5.988million** – This allocation supports the continuation of the overall refurbishment programme. Individual delivery contracts will be reported to Cabinet as tenders are returned.
- 9.10 **Non-Works Programmes - £0.060million** – This allocation is for capital costs linked to the further development of the Housing management system.
- 9.11 **Acquisitions - £18.600million** – As set out in the main body of the report, this allocation supports the potential to Buy Back properties offered back to the Council through the Right to Buy legislation and purchasing properties on the open market, including through the 100 Council homes programme. This allocation provides the opportunity to use funding through retained 1-4-1 Right to Buy receipts (up to 30% of total cost), with the balance of 70% coming from prudential borrowing.
- 9.12 **New Build - £1.900million** – As set out in the main body of the report, this allocation supports the plans previously considered by Cabinet.
- 9.13 **Climate Emergency Response - £3.422million** – As set out in the main body of the report, this allocation supports the plans previously considered by Cabinet.

10. Strategic Plan References

- 10.1 The HIP links to the following areas of the Councils strategic plan:
- 10.2 The Better Colchester Strategic Plan 2020-2023 sets out clearly the Councils priorities. The services and projects delivered by CBH contribute directly to the following priority areas and their goals:
- **Creating safe, healthy and active communities**
 - Build on community strengths and assets
 - Tackle the causes of inequality and support our most vulnerable people
 - Provide opportunities for young people
 - **Delivering homes for people who need them**
 - Increase the number, quality and types of homes
 - Prevent households from experiencing homelessness

- **Growing a better economy so everyone benefits**

- Enable Economic Recovery from Covid-19 ensuring all residents benefit from growth
- Create an environment that attracts inward investment to Colchester and help businesses flourish

11. Consultation

- 11.1 The Council conducted the bi-annual STAR survey through ARP Research in April 2018, and will be doing so again in 2021 (delayed in 2020 due to Covid-19), with the specific aim of obtaining customer feedback through a survey of general needs tenants, all sheltered tenants and leaseholders. In 2018, there was an increased response rate from tenants and leaseholders on previous surveys. Questions were centred on Colchester Borough Homes performance, tenant satisfaction with their homes, neighbourhood and services. The survey also attempted to identify tenants' priorities on where we focus the provision of non-statutory services. It is planned to repeat the STAR survey during 2021 and the report of the results will be made available to Cabinet and Members, to inform decision-making.
- 11.2 The Council now has a new Strategic Plan and as a consequence will be reviewing its HRA Asset Management Strategy in 2021 and carrying out further consultation as part of this work. The new strategy will need to respond to the 'climate emergency' declared by the Council and tackle the climate challenge within the HRA. An updated Asset Management Strategy will be presented to Cabinet for approval at the end of the Summer 2021

12. Publicity Considerations

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

13. Financial implications

- 13.1 As set out in the report.

14. Equality, Diversity and Human Rights implications

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

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

15. Community Safety Implications

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

16. Health and Safety Implications

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

17. Risk Management Implications

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

18. Environmental and Sustainability Implications

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

Appendices

- Appendix A – HRA Capital Medium Term Financial Forecast 2021/22 to 2025/26

Background Papers

- None

HRA Capital Medium Term Financial Forecast – 2021/22 to 2025/26

Appendix A

Expenditure	Notes	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Stock Investment Programme etc		13,102	10,879	10,424	10,019	10,252
Sheltered Accommodation Review		5,988	4,918	1,167	2,367	2,440
Adaptations		642	665	700	710	732
Stock Investment Sub - Total		19,732	16,462	12,291	13,096	13,424
New Build		1,900	17,700	18,265	13,911	-
Acquisitions		18,600	6,598	6,664	-	-
ICT		60	61	62	64	66
Other Works Sub - Total		20,560	24,359	24,991	13,975	66
Total Programme		40,292	40,821	37,282	27,071	13,490

Resources	Notes	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Major Repairs Reserve		6,000	6,156	6,384	6,616	6,903
Revenue Contribution to Capital		3,790	3,910	3,613	3,879	4,866
Retained RTB Receipts Reserve		4,370	1,881	1,522	345	-
New Borrowing		26,132	28,874	25,763	16,231	1,721
Total Funding		40,292	40,821	37,282	27,071	13,490

26 January 2021

Report of	Assistant Director – Corporate and Improvement Services	Author	Owen Howell ☎ 282518
Title	Work Programme 2020-21		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report sets out the current Work Programme 2020-2021 for the Scrutiny Panel. This provides details of the reports that are scheduled for each meeting during the municipal year.

2. Action Required

- 2.1 The Panel is asked to consider and approve the contents of the Work Programme for 2020-2021.

3. Background Information

- 3.1 The Panel's work programme evolves as the Municipal Year progresses and items of business are commenced and concluded. At each meeting the opportunity is taken for the work programme to be reviewed and, if necessary, amended according to current circumstances. The current work programme for 2020-21 is appended to this report.
- 3.2 The Forward Plan of Key Decisions is included as part of the work programme for the Scrutiny Panel, and this is included an **Appendix A**.
- 3.3 It is envisaged that meetings of the Scrutiny Panel will be conducted remotely online until further notice is given. Councillors, officers and members will be informed of any developments regarding meeting arrangements/future venues, and these will be publicised for members of the public who may wish to participate or attend.
- 3.4 It should be noted that the Work Programme has been redrawn to reflect the use of online meetings and the need to focus greater scrutiny work on consideration of a smaller number of agenda items per meeting.
- 3.5 The meeting on 26 January 2021 was due to consider an item on corporate key performance indicator targets for 2021-22, however this has needed to be rescheduled to 16 March 2021 as the process for setting proposed targets is not yet complete.

4. Standard References

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

5. Strategic Plan References

- 5.1 Good governance is integral to the delivery of the Strategic Plan's priorities and direction for the Borough as set out under the four themes of growth, responsibility, opportunity and wellbeing. Unfortunately
- 5.2 The Council recognises that effective local government relies on establishing and maintaining the Public's confidence, and that setting high standards of self-governance provides a clear and demonstrable lead. Effective governance underpins the implementation and application of all aspects of the Council's work.

Appendices

Appendix A – Scrutiny Panel Work Programme

Appendix B – Forward Plan of Key Decisions – 1 January 2020 to 30 April 2020.

Work Programme for 2020/21

Scrutiny Panel meeting - 1 June 2020
Scrutiny Panel Chairman's briefing – 23 May 2020
<ol style="list-style-type: none"> 1. Finance and Council Response Reports relating to Covid-19 2. Work Programme 2020-21
Scrutiny Panel meeting – 7 June 2020
Scrutiny Panel Chairman's briefing - TBC
<ol style="list-style-type: none"> 1. Pre-Scrutiny of Proposed changes to Garden Waste Collection 2. Work Programme 2020-21
Scrutiny Panel meeting - 21 July 2020
Scrutiny Panel Chairman's briefing – 16 July 2020
<ol style="list-style-type: none"> 1. Year End 2019/20 Performance Report and Strategic Plan Action Plan 2018-21 2. N.E. Essex Health and Wellbeing Alliance 3. Annual Scrutiny Report 4. Work Programme 2020-21
Scrutiny Panel meeting (Call-in) - 27 July 2020
Scrutiny Panel Chairman's briefing – N/A
<ol style="list-style-type: none"> 1. Call in of Response to Bradwell B Stage One Consultation
Scrutiny Panel meeting – 17 August 2020
Scrutiny Panel Chairman's briefing – 13 August 2020
<ol style="list-style-type: none"> 1. North Essex Garden Communities Project and NEGC Ltd Update and Financial Information
Scrutiny Panel meeting - 18 August 2020
Scrutiny Panel Chairman's briefing – 13 August 2020
<ol style="list-style-type: none"> 1. Recovery work by CBC, CBH and CCHL relating to the Covid-19 situation 2. Colchester Business Improvement District 3. Work Programme 2020-21
Scrutiny Panel (Crime and Disorder Committee) - 15 September 2020
Scrutiny Panel Chairman's briefing – 10 September 2020
<ol style="list-style-type: none"> 1. Safer Colchester Partnership (Crime and Disorder Committee) 2. Work Programme 2020-21

Scrutiny Panel – 13 October 2020
Scrutiny Panel Chairman's Briefing – 8 October 2020
<ol style="list-style-type: none"> 1. Local Council Tax Support – Year 2021/22 (Provisional) 2. Budget Strategy for 2021-22 3. Work Programme 2020-21
Scrutiny Panel meeting - 10 November 2020 – MEETING CANCELLED
Scrutiny Panel Chairman's briefing – 5 November 2020
<ol style="list-style-type: none"> 1. Reports from Arts Organisations (Mercury, The Arts Centre, FirstSite) 2. Work Programme 2020-21
Scrutiny Panel meeting - 15 December 2020
Scrutiny Panel Chairman's briefing – 10 December 2020
<ol style="list-style-type: none"> 1. Half Year 2020-21 Performance Report & Strategic Plan Action Plan progress 2. Colchester Commercial Holdings Ltd [TBC] 3. Work Programme 2020-21
Scrutiny Panel meeting - 26 January 2021
Scrutiny Panel Chairman's briefing – 21 January 2021
<ol style="list-style-type: none"> 1. 2021-22 Revenue Budget, Capital Programme, Medium Term Financial Forecast and Treasury Management Investment Strategy 2. Housing Revenue Accounts Estimate and Housing Investment Programme 3. Corporate Key Performance Indicator Targets for 2021-22 – put back to 16 March 2021 4. Work Programme 2020-21
Scrutiny Panel (Crime and Disorder Committee) - 16 February 2021
Scrutiny Panel Chairman's briefing – 11 February 2021
<ol style="list-style-type: none"> 1. Safer Colchester Partnership (Crime and Disorder Committee) 2. Work Programme 2020-21
Scrutiny Panel meeting– 16 March 2021
Scrutiny Panel Chairman's briefing – 11 March 2021
<ol style="list-style-type: none"> 1. Alternative ways of working and service provision involving partners and communities 2. Bus Service Provision in Colchester Borough 3. Corporate Key Performance Indicator Targets for 2021-22 – moved from 26 January 2021 4. Colchester Borough Homes: Key Performance Indicator Targets for 2021-22 5. Work Programme 2020-21 <p>Review of the Council's use of its property estate – Rescheduled to 2021-22</p>

COLCHESTER BOROUGH COUNCIL

FORWARD PLAN OF KEY DECISIONS 1 February 2021 – 31 May 2021

During the period from 1 February 2021 – 31 May 2021* Colchester Borough Council intends to take 'Key Decisions' on the issues set out in the following pages. Key Decisions relate to those executive decisions which are likely to either:

- result in the Council spending or saving money in excess of £500,000; or
- have a significant impact on communities living or working in an area comprising two or more wards within the Borough of Colchester.

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

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

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

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

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

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

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

KEY DECISION REQUIRED	DOES DECISION INCLUDE EXEMPT INFORMATION (or information defined by the Government as Confidential)	DATE OF DECISION or PERIOD DECISION TO BE TAKEN	DECISION MAKER (title and name, including Cabinet, portfolio holders and officers)	DOCUMENTS SUBMITTED OR TO BE SUBMITTED TO DECISION TAKER TO CONSIDER (and from where they are available)	CONTACT DETAILS FROM WHICH DOCUMENTS CAN BE OBTAINED (name of the authors of the reports)
Award of Contract for the Supply of an Integrated Parking System	No	January 2021	Portfolio Holder for Communities, Wellbeing and Public Safety Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Portfolio Holder report, framework links	Richard Walker Parking Partnership Group Manager 01206 282708 richard.walker@colchester.gov.uk
Award of Contract for Light Vehicles	Yes	January 2021	Dan Gascoyne, Chief Operating Officer, in consultation with Councillor Martin Goss, Portfolio Holder for Waste, Environment and Transportation, under delegated authority from Cabinet Please contact via	Officer report	Robert Doran Fleet and Depot Contract Manager 01206 282612 Robert.Doran@colchester.gov.uk

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Matters Relating to Third Party Rights at Queen St	Yes	27 January 2021	Cabinet (Cllrs Cory, J Young, Fox, Goss, Higgins, King and Lilley) Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Cabinet report and plans	Ian Vipond Strategic Director, Policy and Place 01206 282717 ian.vipond@colchester.gov.uk
Covid 19 Recovery Business Case for Council Efficiency and Transformation Programme	No	27 January 2021	Cabinet (Cllrs Cory, J Young, Fox, Goss, Higgins, King and Lilley) Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Cabinet report	Richard Block Assistant Director, Corporate and Improvement Services 01206 506825 Richard.block@colchester.gov.uk

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2021/22 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast – Cabinet will consider the 2021/22 General Fund Revenue Budget and make a recommendation to Council.	No	27 January 2021	Cabinet (Cllrs Cory, J Young, Fox, Goss, Higgins, King and Lilley) Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Cabinet report	Paul Cook Head of Finance 01206 505861 Paul.cookx@colcehster.gov.uk
Housing Revenue Account Estimates 2021/22 To approve the HRA Estimates 2021/22	No	27 January 2021	Cabinet (Cllrs Cory, J Young, Fox, Goss, Higgins, King and Lilley) Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Cabinet report	Darren Brown Finance Manager 01206 282291 Darren.brown@colchester.gov.uk

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Housing Investment Programme 2021/22 To approve the Housing Investment Programme 2021/22	No	27 January 2021	Cabinet (Cllrs Cory, J Young, Fox, Goss, Higgins, King and Lilley) Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Cabinet report	Darren Brown Finance Manager 01206 282291 Darren.brown@colchester.gov.uk
Delegation of authority to award the contract for construction works at St Nicholas Square to be made by the Portfolio Holder for Business and Resources in order to meet delivery timelines set by the Ministry of Housing and Local Government	No	27 January 2021	Cabinet (Cllrs Cory, J Young, Fox, Goss, Higgins, King and Lilley) Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Cabinet report, site plans	Mandy Jones Assistant Director, Place and Client Services 01206 282501 mandy.jones@colchester.gov.uk

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Future Governance of the Council's Major Capital Investment	Yes	27 January 2021	Cabinet (Cllrs Cory, J Young, Fox, Goss, Higgins, King and Lilley) Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Cabinet report,	Paul Cook Head of Finance 01206 505861 Paul.cookx@colcehster.gov.uk
Middleborough Car Park Lease Surrender To agree to surrender the Council's lease for 225 parking spaces on the lower levels of Middleborough Car Park for a reverse premium sum of £680k less the Council's repairing obligation towards	Yes	27 January 2021	Cabinet (Cllrs Cory, J Young, Fox, Goss, Higgins, King and Lilley) Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Cabinet report,	Rory Doyle Assistant Director Environment 01206 507885 Rory.doyle@colchester.gov.uk

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Update on Proposed New Grow-on Business Centre in Queen Street	Yes	3 February 2021	Revolving Investment Fund Committee (Cllrs Cory, J Young, Higgins and King) Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Committee report	Matthew Brown Economic Development Manager 01206 507348 matthew.brown@colchester.gov.uk
Approval of Award of Contract for Replacement Windows and Doors	Yes	February/March 2021	Portfolio Holder for Housing, Councillor Adam Fox Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Portfolio Holder report	Clare Lawrance Client Asset Manager 01206 282506 Clare.lawrance@colchester.gov.uk

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Colchester Youth Zone	Yes	10 March 2021	<p>Cabinet (Cllrs Cory, J Young, Fox, Goss, Higgins, King and Lilley)</p> <p>Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk</p>	Cabinet report and tender analysis	<p>Joanne Besant Community Enabling Manager 07956 343 985 Joanne.besant@colchester.gov.uk</p>
Award of contract for construction works for Stanway Community Facility on the Western Bypass	Yes	10 March 2021	<p>Cabinet (Cllrs Cory, J Young, Fox, Goss, Higgins, King and Lilley)</p> <p>Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk</p>	Cabinet report,	<p>Joanne Besant Community Enabling Manager 07956 343 985 Joanne.besant@colchester.gov.uk</p>

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Colchester Northern Gateway – Utility Infrastructure (Approval to enter contracts for the provision of the prime utilities)	No	10 March 2021	Cabinet (Cllrs Cory, J Young, Fox, Goss, Higgins, King and Lilley) Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Cabinet report with supporting documents and plans	Andrew Tyrrell Client Services Manager 01206 282390 Andrew.tyrrell@colchester.gov.uk
Colchester Northern Gateway – Turnstone Leisure Development (Approval to enter the Income Strip Agreement)	Yes	10 March 2021	Cabinet (Cllrs Cory, J Young, Fox, Goss, Higgins, King and Lilley) Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Cabinet report with supporting documents and plans	Ian Vipond Strategic Director, Policy and Place 01206 282717 ian.vipond@colchester.gov.uk

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Town Deal Update: (to consider any further implications arising from progressing Town Deal programme to business case development and delivery}	No	10 March 2021	Cabinet (Cllrs Cory, J Young, Fox, Goss, Higgins, King and Lilley) Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Cabinet report with supporting documents and plans	Matthew Brown Economic Development Manager 01206 507348 matthew.brown@colchester.gov.uk
Award of Contract for the Colchester Northern Gateway Heat Network	Yes	May 2021	Portfolio Holder for Commercial Services (Cllr T. Higgins) in consultation with the Assistant Director, Place and Client Services Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Portfolio Holder report and tender analysis	Andrew Tyrrell Client Services Manager 01206 282390 Andrew.tyrrell@colchester.gov.uk

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Award of Contract for External Decorations Contract 2021	Yes	March 2021	Portfolio Holder for Housing, Councillor Adam Fox Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Portfolio Holder report, including summary of procurement exercise	Clare Lawrance Client Asset Manager 01206 282506 Clare.lawrance@colchester.gov.uk
Award of Contract for Heating Renewals	Yes	June 2021	Portfolio Holder for Housing, Councillor Adam Fox Please contact via Democratic Services (01206) 507832 email: democratic.services@colchester.gov.uk	Portfolio Holder report	Clare Lawrance Client Asset Manager 01206 282506 Clare.lawrance@colchester.gov.uk

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FOR
COLCHESTER BOROUGH COUNCIL**

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