

Strategic Overview and Scrutiny Panel

Grand Jury Room, Town Hall
14 July 2009 at 6.00pm

Strategic Overview and Scrutiny Panel deals with reviewing corporate strategies within the Council's Strategic Plan, the Council's budgetary guidelines for the forthcoming year, scrutinising the Forward Plan, the performance of Portfolio Holders and scrutiny of Cabinet decisions or Cabinet Member decisions (with delegated power) which have been called in.

Information for Members of the Public

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The Council values contributions from members of the public. Under the Council's Have Your Say! policy you can ask questions or express a view to meetings, with the exception of Standards Committee meetings. If you wish to speak at a meeting or wish to find out more, please pick up the leaflet called "Have Your Say" at Council offices and at www.colchester.gov.uk.

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Please ensure that all mobile phones and pagers are turned off before the meeting begins and note that photography or audio recording is not permitted.

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Terms of Reference

Strategic Overview and Scrutiny Panel

- To review corporate strategies
- To ensure the actions of the Cabinet accord with the policies and budget of the Council
- To monitor and scrutinise the financial performance of the Council, and make recommendations to the Cabinet particularly in relation to annual revenue and capital guidelines, bids and submissions
- To link the Council's spending proposals to the policy priorities and review progress towards achieving those priorities against the Strategic / Action Plans
- To scrutinise executive decisions made by Cabinet and the East Essex Area Waste Management Joint Committee and Cabinet Member decisions (with delegated authority taking a corporate / strategic decision) which have been made but not implemented, and referred to the Panel through call-in.

The panel may a) confirm the decision, which may then be implemented immediately, b) confirm the decision back to the decision taker for further consideration setting out in writing the nature of its concerns, or c) refer the matter to full Council in the event that the panel considers the decision to be contrary to the Policy Framework of the Council or contrary to, or not wholly in accordance with the Budget.

- To monitor 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 an effective operation.
- To scrutinise the Cabinet's performance in relation to the Forward Plan.
- To scrutinise the performance of Portfolio Holders.
- At the request of the Cabinet, make decisions about the priority of referrals made in the event of the volume of reports to the Cabinet or creating difficulty for the running of Cabinet business or jeopardising the efficient running of Council business.

**COLCHESTER BOROUGH COUNCIL
STRATEGIC OVERVIEW AND SCRUTINY PANEL
14 July 2009 at 6:00pm**

Members

Chairman : Councillor Christopher Arnold.
Deputy Chairman : Councillor Dennis Willetts.
Councillors Kim Naish, Nick Barlow, Mark Cory, Mike Hogg,
Jackie Maclean, Gaye Pyman, Laura Sykes, Nick Taylor and
Julie Young.

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

Agenda - Part A

(open to the public including the media)

Members of the public may wish to note that agenda items 1 to 5 are normally brief and agenda items 6 to 9 are standard items for which there may be no business to consider.

Pages

1. Welcome and Announcements

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

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

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

2. Substitutions

Members may arrange for a substitute councillor to attend a meeting on their behalf, subject to prior notice being given. The attendance of substitute councillors must be recorded.

3. Urgent Items

To announce any items not on the agenda which the Chairman has agreed to consider because they are urgent and to give reasons for the urgency.

4. Declarations of Interest

The Chairman to invite Councillors to declare individually any personal interests they may have in the items on the agenda.

If the personal interest arises because of a Councillor's membership of or position of control or management on:

- any body to which the Councillor has been appointed or nominated by the Council; or
- another public body

then the interest need only be declared if the Councillor intends to speak on that item.

If a Councillor declares a personal interest they must also consider whether they have a prejudicial interest. If they have a prejudicial interest they must leave the room for that item.

If a Councillor wishes to make representations on an item on which they have a prejudicial interest they may do so if members of the public are allowed to make representations. In such circumstances a Councillor must leave the room immediately once they have finished speaking.

An interest is considered to be prejudicial if a member of the public with knowledge of the relevant facts would reasonably regard it as so significant that it is likely to prejudice the Councillor's judgement of the public interest.

Councillors should consult paragraph 7 of the Meetings General Procedure Rules for further guidance.

5. Minutes

1 - 4

To confirm as a correct record the minute of the meeting held on 16 June 2009.

6. Have Your Say!

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

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

7. 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.

8. Referred items under the Call in Procedure

To consider any Portfolio Holder decisions, taken under the Call in Procedure.

The panel may a) confirm the decision, which may then be implemented immediately, b) confirm the decision back to the decision taker for further consideration setting out in writing the nature of its concerns, or c) refer the matter to full Council in the event that the panel considers the decision to be contrary to the Policy Framework of the Council or contrary to, or not wholly in accordance with the Budget.

9. Decisions taken under special urgency provisions

To consider any Portfolio Holder decisions taken under the special urgency provisions.

10. Work Programme

5 - 6

See report from the Scrutiny Officer.

11. Housing Delivery, including affordable housing units

7 - 12

See report from the Head of Strategic Policy and Regeneration.

12. Review of the work of the Portfolio Holder for Communications, Customers and Leisure

13

See report from the Scrutiny Officer.

13. Review of the Budget Strategy and Timetable

14 - 36

See report from the Head of Resource Management.

14. Exclusion of the public

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).

STRATEGIC OVERVIEW AND SCRUTINY PANEL

16 JUNE 2009

Present: - Councillors Arnold, Barlow, Cory, Hogg, Maclean, Pyman, Naish, Sykes, Taylor and Willetts

Substitutions: - Councillor Lilley for Councillor J Young

3. Minutes

RESOLVED that the minutes of the meetings held on 20 May 2009 and 5 May 2009 were confirmed as a correct record.

4. Decision taken under special urgency provision

The Chairman confirmed to the panel that he had agreed to approve the following decision taken under the special urgency provisions. The decisions "Comment form for Nominated new Nuclear Power Station Sites.

Councillor Arnold explained that from the time the comment form had been completed and signed off by Councillor Turrell, Leader of the Council, there was not sufficient time to put on the Council's Forward Plan.

Councillor Arnold informed the panel that Cabinet had endorsed the recommendations within the panel's report on 'A new build nuclear power station at Bradwell', ensuring the work by the task and finish group would continue.

RESOLVED that the panel noted the Portfolio Holder decision taken under special urgency provisions.

Councillor Turrell (in respect of being a Member of Essex County Council) declared a personal interest in the following item.

5. Strategic Plan Action Plan

Councillor Anne Turrell, Leader of the Council and Portfolio Holder for Strategy, and Ms. Ann Wain, Executive Director, attended the meeting for this and the following item.

Councillor Turrell gave a brief introduction on the report, saying that this was an opportunity to consider the one year Strategic Plan 2009-10 Actions, which worked towards achieving all the targets set within the three year 2009-12 Strategic Plan Action Plan.

Councillor Arnold asked that given there are no baselines or targets, accepting some were embodied in Local Area Agreements, how did the Administration intend to measure progress during and at the end of the municipal year. Councillor Arnold gave examples of where there are no start and finishing points to be able to measure progress.

Councillor Turrell said that in order to give context to many of the actions and outputs it was necessary to align the Strategic Plan 2009-10 Actions, with the Action Plan, but which was not included within the agenda papers. Ms. Wain explained that the Action Plan was listed within the report as a background paper, but apologised, saying it should have been included within the report. Ms. Wain said work continued on the format of the plan, developing a new concept, and amendments could be made.

Councillor Arnold agreed that both the Strategic Plan and Action Plan documents needed to be presented together to provide the required context.

Councillor Turrell confirmed to Councillor Hogg that in terms of fostering increased community spirit, an action within Community Development, work was now to commence on determining the targeted wards, mechanisms and criterion, and all councillors will be informed once this information is available. Councillors questioned the timescale of July 2009 for this action, given the work on determining what wards and criterion to use had not been decided.

Councillor Taylor asked whether some of the timescales were correct, that is, had they happened (in the case of timescales with dates that had already expired) or was the year incorrect. Ms. Wain said some actions within the plan are progressive from one year to the next, hence timescales do in some cases show a finished date. It was explained that the six monthly progress report (to be reported in late 2009) will show outputs with progress and completion dates, and the year end report that will give an opportunity to assess the overall delivery.

Councillor Maclean said she was disappointed that the report did not allow actions to have the capacity for movement and new progress within the current year.

Councillor Turrell concluded the deliberations by accepting there were presentation issues with the current report and agreed to a redrafted annual Strategic Plan along with the Action Plan being reported back to the panel as soon as possible.

RESOLVED that the panel;

- i) Commented on, and noted the Strategic Plan Action Plan 2008/09.
- ii) Requested a redraft of the annual Strategic Plan along with the Action Plan, taking into account the comments of the panel, that is presented to the panel at the earliest convenient meeting.

6. Performance Report 2008/09

Councillor Arnold explained to the panel that following discussions with the Executive Directors it was agreed that due to the inextricable links between National Indicators and the Strategic Plan it made sense to examine these documents together. This report, in the form of Best Value Performance Indicators had previously been reported on a regular basis to the Finance and Audit Scrutiny Panel, but would as of now be a part of the terms of reference of the Strategic Overview and Scrutiny Panel, and the Terms of Reference would be amended accordingly.

The panel deliberated at length detail of many of the National Indicator results. Where questions remained unanswered, the panel requested further updates at future meetings (see resolutions ii) to iv). The panel requested clarification on the following;

The correlation between NI 154 Net additional homes provided, NI 155 Gross number of affordable homes delivered, the Council's target of 35% of homes built to be affordable homes and NI 11, part of the Life Chances Local Area Agreement on increasing the amount of affordable housing available in the borough by 241 homes (see minute ii).

A recent Government statement had stated national homelessness had reduced significantly, but indicator 156 Number of households in temporary accommodation suggested the opposite in Colchester and was a concern, as was the results of the Council's tenants' satisfaction with their landlord. Ms. Pam Donnelly, Executive Director, informed the panel that a review of housing services was currently being undertaken, with a final report due to be completed in early autumn. The panel agreed to Ms. Donnelly's suggestion that the summary of findings to be reported to the Portfolio Holder would be presented to the panel thereafter, sometime in late autumn.

Ms. Wain confirmed to the panel the excellent year end result for the Council's sickness rate, reducing from 10.25 days per person in 2007-08 to 8.28 days in 2008-09, due in part to the work of officers to improve the result. Councillor Arnold acknowledged this achievement.

Councillor Offen, Portfolio Holder for Business and Resources, addressed the panel to explain that in regards to indicator 8, Invoices paid on time, the result showed that of the 26,400 invoices processed only 75 were not paid on time, though any disputed invoices were not reflected in the overall performance. Given the current economic downturn and in an effort to improve local business cash flow, the Council had achieved paying 98% of the invoices to local businesses (businesses with a CO post code) within 20 days.

Councillor Arnold said he would look closely at this result in 6 months time, hastening to add that he would like to think the margin was slender between those CO businesses and local businesses in the Maldon, Braintree and Witham areas.

Councillor Taylor mentioned that other Essex Councils took a stricter approach to recovering outstanding Council Tax and Business Rates. Councillor Barlow said the Policy Development and Review panel reviewed the Council's Debt Management Policy in 2008, a policy that now differentiates between those who 'won't pay', and those who 'can't pay'. Councillor Offen explained that Colchester's approach remained relatively successful, with the Council remaining 5th in the overall Essex Local Authorities listing.

RESOLVED that the panel;

- i) Commented on, and noted the Performance Report 2008/09.
- ii) Requested that the Head of Strategic Policy and Regeneration report back to the panel at the earliest convenient opportunity, a report providing clarification on all affordable housing information in the context of National Indicators, as mentioned in the above minute.
- iii) Recognising the difficulties experienced by the Council's Housing Services during the last year, reflected to some degree in the poor National Indicator results, and requested that the Portfolio Holder for Neighbourhoods, Executive Director, Ms. Pam Donnelly and the Head of Strategic Policy and Regeneration provide an overview of the completed Housing Review to the panel in October / November 2009.
- iv) Agreed to complete a strategic overview of the Planning Service following the completion of the current planning review, for the Portfolio Holder for Planning and

Regeneration and the Head of Environmental and Protective Services to report to the panel sometime in the autumn of 2009.

- v) Requested the Head of Life Opportunities to provide to the panel a report giving a breakdown of the Life Chances Local Area Agreements and their constituent national indicators results at the earliest convenient meeting.

7. 2009/10 Work Programme

The panel considered and noted the 2009-10 work Programme.

RESOLVED that the panel;

- i) Commented on, and noted the 2009/10 work Programme.
- ii) Requested that the items of review requested under minute 6, Performance Report 2008-09 would be incorporated into the new work programme.



Strategic Overview and Scrutiny Panel

Item
10

14 July 2009

Report of	Scrutiny Officer	Author	Robert Judd Tel. 282274
Title	Work Programme		
Wards affected	Not applicable		

This report sets out the functions and Work Programme for 2009/10

1. Action Required

1.1 The Panel is asked to consider and comment on the 2009/10 Work Programme.

2. Reason for Action

2.1 This function forms part of the Panel's Terms of Reference in the Constitution therefore there are no alternative options.

3. The role of the Strategic Overview and Scrutiny Panel

3.1 Overview and scrutiny needs to be member-led with member engagement that will include undertaking research when considering issues prior to panel meetings and preparing questions for witnesses being called. Likewise, senior officers will play their full part in supporting the scrutiny function in a positive and participative manner. By doing this a culture of positive and meaningful challenge can be created.

4. Additional items and amendments

4.1 In line with the Panel's requests at the last meeting, the following reviews have been added to the programme;

- i) Clarification report on Affordable Housing to this meeting (14 July 2009)
- ii) Life Chances (PSP report) –Chairman of Public Service Partnership (PSP) has been invited to attend (24 August 2009).
- iii) Overview of the Planning Service Review (29 September 2009)
- iv) Overview of the Housing Services review (9 February 2009)

4.2 Following discussions with portfolio holders, some portfolio holder reviews have been rearranged. Where possible other items for review relevant to the portfolio holder's responsibilities have been scheduled for the same meeting, though this has not always been possible.

5. Standard References

5.1 There are no policy plan references or financial, human rights, community safety or health and safety implications in this matter.

5.2 The work of the Strategic Overview and Scrutiny Panel is a key function to ensure items within the programme are subject to full appraisal and in line with the aims of the strategic plan, and helps to check that risks are identified and challenged.

Strategic Overview and Scrutiny Panel

WORK PROGRAMME 2009/10

TBA - Colchester's future development and the Regional Plan Review (Executive Director I.Vipond)
TBA – Review of Colchester Community Stadium Company (Chief Executive/ Chair. Dave Murthwaite) Part of Annual Governance Statement Action Plan.

16 June 2009

1. Pre Cabinet scrutiny of the Strategic Plan Action Plan + Nis and LAA targets
2. Urgency – Comment form for Nominated New Nuclear Power Station Sites (13-May-09)

14 July 2009

1. Review of the Budget Strategy and Timetable (Head of Resource Management)
2. Clarification report on Affordable Housing – Head of Strategic Policy (SOSP minute6, 16 June)
3. Review of the Portfolio Holder for Communications, Customers and Leisure (last review 10-feb-09)

24 August 2009

1. Review of the Colchester2020 Partnership – Chairman of Colchester2020 to attend.
2. Strategic review of CDRP (Head of Life Opportunities)
3. Life Chances (PSP rep.) – Head of Life Opportunities – Chair of PSP to attend (SOSP minute6, 16June)

29 September 2009

1. Overview of Planning Service Review – Head of Env. & Prot. Services (SOSP minute6, 16June)(reported to Leadership on 23 September 2009)

3 November 2009

1. Street Care Strategy / Graffiti protocol (Head of Street Services)
2. Review of the Portfolio Holder for Street and Waste Services (last review 10-feb-09)
3. Climate Change and Carbon Management (update from review of 16-dec-08)

9 December 2009

1. Review of the Budget – Strategic update (Head of Resource Management)
2. Half yearly report on Strategic Plan Action Plan + NIs and LAA targets
3. Review of the work of the Leader of the Council, Portfolio Holder for Strategy (last review 7-04-09)

5 January 2010

1. Greenways Care Home progress (ref. SOSP 10-Feb-09)
2. Review of the Portfolio Holder for Performance and Partnerships (last review 17-mar-09)
3. Strategic review of CYPSP (Head of Life Opportunities)

9 February 2010

1. Review of the Portfolio Holder for Neighbourhoods (last review 7-apr-09)
2. (Prov) Overview of Housing Services Review – Head of Strategic Policy (SOSP minute6, 16June)
3. Review of the Portfolio Holder for Planning, Regeneration and Sustainability (last review 5-may-09)

30 March 2010

1. Review of the Portfolio Holder for Resources and Business (first year)
2. Review of the Portfolio Holder for Culture and Diversity (first year)

Items requested for further review

Call-ins during 2009/10



Strategic Overview and Scrutiny Panel

Item

14 July 2009

Report of	Head of Strategic Policy and Regeneration	Author	Karen Syrett Tel. 506477
Title	Housing Delivery, including affordable housing units		
Wards affected	All		

This report concerns housing delivery, including affordable housing units.

1. Action(s) Required

- 1.1 The panel is asked to comment on housing delivery figures within the borough.

2. Reasons for Scrutiny

- 2.1 The information provided in this report was requested by the Panel at its meeting on 16th June 2009.

3. Background Information

- 3.1 The importance of housing delivery is reflected in two National Indicators and an LAA target;
 1. NI 154 – Net additional homes provided
 2. NI 155/LAA L12.2 – Number of affordable houses delivered.

The rationale for both indicators is to encourage a greater supply of new homes in England to address the long term housing affordability issue and to promote an increase in the supply of affordable housing. Good performance is typified by an increase in numbers of net additional homes and in terms of affordable housing by high numbers, in relation to targets and objectives set out in local strategies and assessments of need.

- 3.2 Planning Policy - The Core Strategy sets out Colchester Borough Councils policies and strategies for delivering the level of housing provision required by the East of England Plan, including identifying broad locations that will enable continuous delivery of housing for at least 15 years from the date of adoption. The East of England Plan requires the Council to deliver at least 17,100 new dwellings between April 2001 and March 2021.

- 3.3 The Strategic Housing Land Availability Assessment which includes information from developers and housebuilders has been used to inform the Core Strategy. The housing policies and strategy incorporate the following;
 - A five year supply of deliverable sites. A total of 8446 dwellings are shown to be constructed in the five year period up to 2013. The 5 year target required to comply with the housing targets set out in the East of England Plan (RSS) is 4320. In the early years of the plan housing completions have comfortably exceeded the regional target.
 - A further supply of developable sites has been identified for years 6-10 and 11-15, which covers the period to 2023 (the Core Strategy is required to show a 15 year supply in accordance with Planning Policy Statement 3 which takes it beyond the RSS timeframe). Many of these specific sites have already been identified. In

accordance with Policy IMP3 of the RSS, a review to investigate and make provision for the development needs of the region from 2011 to 2031 has commenced this year and is expected to complete in 2011. It is considered that the Core Strategy has inherent flexibility to deal with this review which will add some certainty to the housing numbers required in later years.

- The broad locations are shown on the key diagrams in the Core Strategy. The locations of specific sites will be shown on a proposals map to accompany the Site Allocations DPD.
- The expected rate of housing delivery is shown in a housing trajectory for the plan period.
- The trajectory clearly demonstrates that many of the sites considered critical to delivery have already commenced.

- 3.4 The authority has a historically high number of housing completions over the past few years and the most recent figures indicate that this continued for the year up to 31.3.08. Monitoring by the Council and Essex County Council shows the following;

1268 gross completions for the period 1.4.07 – 31.3.08
1243 net completions for the period 1.4.07 – 31.3.08
(25 actual losses during the same period)

The residential data shows that there were 7455 outstanding units with planning permission as at 31st March 2008. 76 units of affordable housing were included in the completions and a further 736 affordable units were outstanding. We are finalising the figures for 1.4.08 – 31.3.09 and if available they will be circulated at the meeting.

- 3.5 Affordable Housing has been important to the Council for some time and policies have gradually sought to improve the supply through housing developments. In 2004 the Local Plan was adopted and raised the percentage of affordable units to 25% on sites above 25 units. At that time a lot of sites already had planning permission granted under previous policies which sought lower levels of affordable housing. These sites are still being built in some instances so for historical reasons will deliver lower levels of affordable housing than would currently be expected.
- 3.6 The Core Strategy adopted in 2008 raised the percentage further to 35% (in accordance with the East of England Plan) and lowered the thresholds to 10 in Colchester, Stanway, Mersea, Wivenhoe and Tiptree and 3 in other parts of the borough. Below these thresholds a financial contribution will be sought, the details of which will be set out in a supplementary planning document. It takes some time for new policies to become established as applications may have been determined, and land values agreed, based on previous policies. Circular 05/05 also requires Councils to take viability into account when determining planning applications. The downturn in the housing market has meant that this has become even more of a problem.
- 3.7 There is a significant time lag between the granting of planning permission and the completion of units ready for occupation. This has generally been in the region of 2 years. We would therefore expect that sites which are delivering housing from late 2010 onwards will be delivering 35% affordable housing on sites above the new thresholds. For the next 18 months most sites delivering affordable housing through the s.106 regime will have been granted planning permission under the previous Local Plan policy which sought 25% affordable homes on sites with more than 25 units on. A significant proportion of developments were below this threshold of 25 and so CBC did not have the power to seek affordable housing on those sites. This led to low levels of delivery especially in rural areas or on smaller infill sites.

- 3.8 Recently a number of sites have been ‘mothballed’ or building has been discontinued due to the lack of available finance and the downturn in sales. Colchester Borough Council has applied for higher levels of grant than ever before and been successful in this to maintain the delivery of affordable housing in these difficult conditions but have often had to accept slightly reduced contributions i.e. below 35% in order for a site to be viable and for building work to begin at all. This means that even with the higher contributions and lower thresholds, during the difficult economic period we are facing, we may deliver a slightly lower proportion of new homes as affordable homes than we can expect in the future when favourable market conditions return.
- 3.9 The Current Housing Market - As can be seen from the table below U.K. house price rises and falls in the first five months of 2009 have been erratic. There is little agreement between the Building Societies and Land Registry. However, housing professionals generally, seem to believe that there may well be more price falls to come in the second half of 2009.

U.K. House Price Index

2009	Halifax	Nationwide	Land Registry
Jan	+1.9%	- 1.3%	- 0.8%
Feb	- 2.3%	- 1.8%	- 2.0%
Mar	- 1.9%	+ 0.9%	- 0.4%
Apr	- 1.7%	- 0.4%	- 0.3%
May	+ 2.6%	+ 1.2%	TBA

A national sustainable housing market is historically based on an average earnings/average house price ratio of 4x income. At the recent peak of the market average house prices were around 8x earnings. This has reduced to around 6x earnings currently. Many believe this ratio has to fall further in order to return to a more sustainable market but there is no certainty as to if or when this might happen.

- 3.10 Delivery of Affordable Housing
 In 2008/09 120 new units of affordable housing were delivered. Our Local Area Agreement target was 119 which we just exceeded despite the difficult economic circumstances of the past year. The 2009/10 figures will be collected quarterly but we have not completed the first quarter yet, so no more recent figures than this are available.
- 3.11 Our policy states that 80% of affordable dwellings should be affordable rented and 20% should be intermediate tenures such as shared ownership or sub market rented. In 2008/09 we met this target exactly with 80% of affordable homes being rented (97 units) and 20% being intermediate tenures (23 units), making a total of 120 units delivered in the year. The total number of dwellings delivered overall in 2008/09 has been estimated at 1060 as final figures are unavailable yet. This means 11.3% of all homes were affordable in 2008/09.
- 3.12 Some Recent CBC Achievements in Providing Affordable Housing - In recent years the council’s policy has relied on grant free s106 developer contributions to provide new affordable housing. Over the past 15 months the supply has been at risk of being virtually cut off as developers have increasingly sought to ‘mothball’ sites that would have produced housing, on cost grounds. Also, many of our housing association partners have revised their business plans and some are reluctant to acquire new business. Accordingly, the council has had to become more creative and flexible in its approach to maintaining the stream of affordable housing supply for the future. The ‘pot’ of commuted sums held and RSL assistance budgets have also been put to good use to obtain affordable housing the council would not have expected to secure.

3.13 In the last half of 2008/09 the council secured housing grant of £13,129,379 from the Homes & Communities Agency to support future affordable housing projects in Colchester. This freed up 104 affordable homes for delivery that would have otherwise been 'mothballed', provided 168 affordable homes in addition to those already agreed under the terms of existing s106 agreements and took 20 unwanted shared ownership units and converted them to higher priority affordable rented or intermediate rented tenure. Currently £900,000 of HCA grant has been secured in this year and approximately £7,000,000 in bids is being prepared.

3.14 Examples of how the council has been working to maintain affordable housing supply:

1. Cowdray Avenue

A scheme for 117 new homes in an area of high housing need with a 25% affordable housing contribution of 29 new homes agreed on appeal in 2006. By mid 2008 the scheme was no longer financially viable and the developer had little option other than to 'mothball' the site until the housing market improved. The council recognised the developer was in a difficult position and agreed to work in partnership with them, housing association partners and the Homes & Communities Agency to seek solutions to the problem.

In order to provide more financial certainty for Persimmon we increased the number of affordable homes by another 26 units as was a tenure switch from low cost home ownership homes to intermediate rented (with a future option to buy retained).

The HCA were consulted throughout negotiations and following the submission of a financial viability appraisal by Persimmon they agreed to provide grant support of £2,169,015 for the 'additionality' now being brought to the scheme which now made the scheme viable.

As a result of this exercise Persimmon are now 'on-site' and employing local tradesmen, the council has an increased affordable housing contribution up from 29 units (25%) previously to 56 units (47%) now, design standards are improved to CSH3 on all affordable homes and up to 40 new affordable homes should become available for nomination by CBC in 2009.

2. Oakapple Close

A developer accepted a bid from Colne Housing Society to purchase 83 existing family houses on this site subject to a grant allocation from the HCA. This is not a s106 site and as such the council was able to consult with HCA and help facilitate the bid for £5,425,000 of grant which was ultimately successful.

In facing a competing offer of £407,000 higher than was on the table the council acted quickly and took the view that £407,000 should be made available from the existing RSL support budget to grant to Colne to enable them to 'top-up' their original bid. The HCA were approached and persuaded to now regard this as a joint funding bid. The revised Colne offer was accepted by the developer and contracts are soon to be signed.

As a result of this action the council will acquire nomination rights to 83 mostly family sized houses that will accommodate up to 467 people in housing need at an average cost to the council of less than £5,000 per home or £872 per person. All 83 homes are being refurbished to 'Decent Homes' standards, three of the larger units are being adapted to mobility standards for our clients with disabilities and the supply of affordable units is due to start from late 2009.

3. Lordswood Road & Cuckoo Point

The council worked with the HCA to secure grant allocations amounting to £2,776,121 to enable housing associations to purchase 44 additional affordable homes on these two sites that would not have been provided under the terms of the signed s106 agreements. Many of these homes are already occupied.

4. Hythe Hill

This site for 95 homes in total had 'stalled' following completion of the first phase of development, due to the housing market. As a result the s106 agreed 12% affordable housing contribution (11 units) has been 'mothballed' along with the market sale housing and all are still to be delivered. The council recently engaged with a partner housing association and the developer in order to explore the options for bringing the site back into development. As a result it has been agreed in principle that by increasing the affordable contribution to 55% (52 units) which represents the whole of the second phase the development becomes viable if HCA funding can be secured.

Early indications from the HCA have been encouraging in this respect but the maximum amount of grant they indicate they will make available is nearly £500,000 short of what is needed. Accordingly CBC has indicated that around £455,000 might be available as local authority grant which could be released (subject to approval) from a commuted sum that needs to be spent on affordable housing in the Hythe area before the year 2013. The association is confident that the developer will be able to find cost savings elsewhere in the project to now move forward with the scheme (subject to Board approval and grant).

As a result of this action it is likely that an additional 41 affordable homes, mostly much needed, larger, family houses would become available for CBC nominations over the next two years.

4.0 Strategic Plan References

- 4.1 The delivery of housing and in particular affordable housing in the borough will help address the Strategic Plan priority 'Homes for All'.

5. Consultation

- 5.1 N/A

6. Publicity Considerations

- 6.1 Producing detailed information on the Councils performance on housing delivery allows the public to judge how well we are doing.

7. Financial Implications

- 7.1 Any relevant financial implications have been included in the body of the report

8. Equality, Diversity and Human Rights Implications

- 8.1 All Planning documents are produced using a range of methods in order to engage as many people as possible regardless of gender, gender reassignment, disability, sexual orientation, religion or belief, age and race/ethnicity.

9. Community Safety Implications

9.1 N/A

10. Health and Safety Implications

10.1 N/A

11. Risk Management Implications

11.1 It is important to monitor performance regularly and take action where required thereby minimising risks.



Strategic Overview and Scrutiny Panel

Item
12

14 July 2009

Report of

Scrutiny Officer

Author **Robert Judd**
Tel. 282274

Title

**Review of the work of the Portfolio Holder for Communications,
Customers and Leisure**

Wards affected

Not applicable

**This report sets out the responsibilities of the Portfolio Holder for
Communications, Customers and Leisure.**

1. Action Required

1.1 The Panel is asked to review the work of the Portfolio Holder for Communications, Customers and Leisure.

2. Responsibilities of the Portfolio Holder for Communications, Customers and Leisure.

2.1 The responsibilities are as follows;

- (i) To examine and review the Council's Information Communication Technology Strategy and to represent the Council on the Partnership Board.
- (ii) To monitor, fund and arrange for the continuing delivery of the Council's t-government agenda.
- (iii) To examine and review the Council's customer service culture, processes and performance and to champion the customer point of view.
- (iv) To review, monitor and improve consultation and communication between the Council and its customers.
- (v) To improve communications and access to Council services by urban and rural communities within the borough.
- (vi) To examine and review the development of all forms of communication and community engagement.
- (vii) To oversee the implementation and monitoring of the Council's policies and services relating to heritage, culture, sport, recreation and leisure.

Major Project of this portfolio is the Customer Service Centre and Info. point.

3. Standard References

3.1 There are no policy plan references or financial, human rights, community safety or health and safety implications in this matter.

3.2 Scrutiny is a key function to ensuring the work of the Portfolio Holder is subject to full appraisal and in line with the aims of the strategic plan.



Strategic Overview and Scrutiny Panel

Item
13

14 July 2009

Report of	Scrutiny Officer	Author	Robert Judd
Title	Budget Strategy and Timetable		Tel. 282274
Wards affected			

This report presents the report on the 2010/10 Budget Strategy and Timetable to be decided by Cabinet on 13 July 2009.

1. Action required

- 1.1 The Strategic Overview and Scrutiny Panel is requested to consider the 2010/11 Budget Strategy, Medium Term Financial Forecast and Budget Timetable. The report was presented to the Cabinet on 13 July 2009.
- 1.2 The Panel may note the report, or refer the report back to the Cabinet for further consideration, setting out in writing any comments or concerns.

2. Reasons for Scrutiny

- 2.1 The review of the Council's Budget Strategy and Timetable is one of the responsibilities of the Strategic Overview and Scrutiny Panel, as set out under the Terms of Reference for the panel within the Constitution.

3. Standard and Strategic Plan References

- 3.1 There are no policy plan references or financial, human rights, community safety or health and safety implications in this matter.
- 3.2 Scrutiny is a key function to ensure the Budget Strategy and Timetable are subject to full appraisal and that they are in line with the aims of the strategic plan. The role of scrutiny is also an important part of our risk management, helping to check that risks are identified and challenged.



Cabinet

13 July 2009

Item

Report of	Head of Resource Management	Author	Sean Plummer ☎ 282347
Title	2010/11 Budget Strategy, Medium Term Financial Forecast and Budget Timetable		
Wards affected	Not applicable		

This report asks Cabinet to note:

- **The current financial position for the financial years 2008/09 and 2009/10**
- **The budget forecast and timetable for the 2010/11 budget**
- **An updated Medium Term Forecast for the period to 31 March 2012**
- **An update of the Revenue Balances and Capital Programme and approve the release of funding for a capital project.**

1. Decisions Required

- 1.1. To note the pre-audit outturn position for the financial year 2009/10.
- 1.2. To note the budget forecast, approach and timetable for the preparation of the 2010/11 budget.
- 1.3. To note the updated Medium Term Financial Forecast for the period to 31 March 2012 as set out at Appendix A.
- 1.4. To note the latest position in respect of the Capital Programme and agree to the proposed release of funding as set out at paragraph 7.

2. Reasons for Decisions

- 2.1. The Council is required to approve a financial strategy and timetable in respect of the financial year 2010/11 and a Medium Term Financial Forecast for the two subsequent financial years.

3. Financial Overview 2008/09 and 2009/10

- 3.1. *Financial Year 2008/09*
The Pre-Audit Outturn report for the year to 31 March 2009 has been presented to the Finance and Audit Scrutiny Panel (FASP) on 30 June 2009. A draft Statement of Accounts was considered by the Accounts and Regulatory Committee on the same day.
- 3.2. The overall position shows a net underspend on budgets of £272k after allowing for a number of agreed carry forward items.

3.3 *Financial Year 2009/10*

At this stage in the financial year it is difficult to assess potential variances (both positive and negative). However, two areas that have been identified are:-

- Pay award saving for 2009/10 of c£200k (this excludes Housing Revenue Account (HRA) saving of c£40k)
- Estimated provision for costs in respect of FS:NS legal expenses of c£485k as reported in the separate report on this agenda.

3.4. There are other risks areas that are likely to impact on the budget position such as income, impact of closure of fitness pool, net interest earnings, energy cost and delivery of energy/carbon savings and achievement of corporate targets

3.5. It is therefore proposed that the FS:NS cost is covered by the £200k pay award saving and balances (see section 6).

4. **Budget Forecast for 2010/11**

4.1 Appendix A sets out a budget forecast for 2010/11 and a Medium Term Financial Forecast for the subsequent two years including the key assumptions. The current forecast budget gap for 2010/11 is £526k, summarised below:-

	2010/11 £'000
Base Budget	24,432
Remove one-off items	(21)
Cost Pressures (incl. inflation)	683
Growth Items	(198)
Savings	(320)
Forecast Base Budget	24,576
Government Grant	(12,911)
Council Tax	(10,613)
Use of Reserves	(526)
Total Funding	(24,050)
	526

4.2 The key assumptions in respect of the 2010/11 forecast are:

- Additional cost pressures total £683k and includes provision of £154k for additional pension fund contributions as part of the most recent pension fund review and an allowance of £150k in respect of the Core Strategy examination. Also included is the financial impact of the proposal in respect of Layer Road (see separate agenda item) and an initial estimate of reduced net investment income arising from the current economic position.
- Inflation has been allowed for at an average of 2% for non-pay budgets and 1% for pay budgets. The pay award savings are c£600k for 2010/11 which is the second year of an agreed pay settlement and therefore are certain. Other inflation assumptions will be reviewed during the year when we have clearer forecasts for costs such as energy.

- Growth items primarily reflect the adjustment for one off items from 09/10.
- Savings include an estimate of £200k in respect of savings in running costs through the sale of Angel Court.
- Forecast Revenue Support Grant has been assessed based on the 3 year grant settlement announced as part of the Comprehensive Spending Review 07 and is therefore more certain than estimate in earlier years.
- An increase in Council Tax of 2.76% (in line with the increase applied in 2009/10) has been included together with an increase in the Council Tax Base (the equivalent number of Band D properties) of 1%. These assumptions will need to be reviewed as the 2010/11 Budget process progresses.

4.3 There are a number of significant budget risks that may affect the 10/11 budget process and these are set out within Appendix A. The risks include items that could be positive to the budget forecast as well as negative. The current list of risks will be monitored and amended throughout the budget process.

4.4. In summary there is a forecast budget gap of circa £526k. However, given the level of risks it is possible that further savings will be required to produce a balanced budget.

Delivering the 2010/11 Budget

4.5. The Council's approach to the budget is that it is primarily driven by the Strategic Plan. We have adopted a number of different ways to identify savings or additional income to support Strategic Plan priorities and to meet a number of substantial cost pressures. The strategy for 09/10 was based upon

- Negotiation and challenge of costs to deliver savings
- Taking steps to mitigate cost pressures through cost savings measures
- Minimising the impact and cost of redundancies through redeployment and managing vacant posts
- Carrying out detailed budget reviews of specific areas to shift resources to maintain and also invest in services to deliver priorities
- Using reserves in a managed and prudent way.

4.6. For 2010/11 it is proposed to continue to build on these approaches making a number of improvements to the process.

4.7. An externally facilitated workshop has been held with Cabinet members and the Senior Management Team (SMT). This has helped to identify a number of areas to review as part of the budget.

4.8. A Budget Group comprising Cabinet members and senior officers has been established and is meeting monthly. This group is considering a wide range of potential budget issues including reviewing specific service areas, the main budget assumptions and the outcomes of the budget workshop. We are taking a project planning approach to ensure the process is managed on time and that proposals can be fully assessed.

4.9. A series of Fundamental Service Reviews (FSR) are either under way or due to start this year. These build on the reviews carried out in respect of large parts of Environmental and Protective Services. The areas for review this year include:-

- Housing functions
- Parts of Street Services
- Revenues and Benefits

4.10. The FSR approach is focused on delivering:-

Customer excellence (e.g. improved processes, increased first call resolution etc)
 Effectiveness (e.g. reduced activity that is not contributing to the delivery of outcomes)
 Efficiencies (e.g. cost savings, better use of ICT, improved productivity etc)

4.11. FSRs are not solely budget driven, however, through a challenging approach they form an important part of the budget strategy.

4.12. The Council's approach to budgets has always been to consider the longer-term impact of decisions. The budget process for 2010/11 will build on this by recognising that some service changes (reductions, income and growth) will often be delivered over a period longer than a year. This is likely to be particularly true for outcomes of the FSRs.

4.13. Appendix B sets out the proposed budget timetable.

Housing Revenue Account (HRA)

4.14. The HRA is a ring fenced account that relates to costs and income in respect of the Council's housing stock. The HRA budget and rent setting process is carried out alongside the General Fund budget and elements of the process are carried out simultaneously. This year the budget approach for the HRA will continue to be fully integrated within the General Fund budget process with the final budget report and rent setting being included within the overall budget and Council Tax decisions.

5. Medium Term Financial Forecast

5.1. The Medium Term Financial Forecast (MTFF), as set out at Appendix A, shows a potential budget gap of £1.2m by 2012/13, an annual increase of circa £0.4m. The key factors affecting the budget gap in later years are:-

- Increasing pensions costs (based on initial estimated position)
- Planned reduction in use of reserves (e.g. Regeneration Reserve)

5.2. The forecast needs to be viewed alongside the level of significant risks and uncertainty regarding a number of key factors that will impact on Council's finances in the medium term. Most of the key risks outlined in the MTFF could result in recurring cost pressures for the Council. This will require recurring cost savings or additional income to be identified to minimise the escalation of these pressures.

5.3. The MTFF does also show that the Council continues to hold reserves and balances to support the Council's budgets. The position on these reserves will be reviewed during the year as the 2010/11 budget progresses.

5.4. In summary the MTFF sets out what is likely to continue to be a challenging financial outlook. The budget process needs to establish that the Council's spending plans, in the medium term, are affordable and can be prudently financed.

6. Revenue Balances

- 6.1 Following completion of the final accounts for the year to 31 March 2009 uncommitted revenue balances stand at £2m. This compares with the approved minimum balance of £1.7m.
- 6.2 The separate report on this agenda includes proposals to use up to £285k from balances to support legal expenses in respect of FS:NS. If agreed, balances would remain above the £1.7m level.
- 6.3 The Council also maintains a number of earmarked reserves and provisions, which allows it to prudently plan for future expenditure requirements. These are set out within the MTFF at Appendix A.
- 6.4 As part of the budget process a review will be undertaken into the level and appropriateness of earmarked reserves and provisions.
- 6.5 It is worth noting that with ongoing renaissance projects the level of risks is likely to remain an issue over the next few years and we will consider the impact of this on all our reserves.

7. Capital Programme Update

- 7.1. It has previously been reported to Cabinet that there has been increasing pressure on the level and timing of generating resources to support the capital programme. However, there are three areas to report which have provided a boost.
 - Sale of Angel Court
Cabinet agreed the sale of Angel Court at the last meeting. This receipt had previously not been included within the list of capital programme resources.
 - Lion Walk Centre – lease extension
The Portfolio Holder for Resources and Business has agreed an extension of the lease for the Lion Walk Shopping Centre in return for a capital receipt.
 - Review of Programme – 08/09
Finance and Audit Scrutiny Panel received a report on 30 June 2009 setting out details of capital spending in 2008/09. This shows that there is a net saving on the programme of £216.4k which could be allocated to other projects.
- 7.2. Cabinet has previously agreed a list of scheme to be put on hold and this will be reviewed and a future report presented with proposals to ensure the programme is balanced. This review will also include reviewing all projects to ensure that spending plans are matched to strategic priorities.
- 7.3. There is one proposal at this stage in respect of parish council grants. Currently, £50k of the funded programme is “on hold” and it is proposed that this is now released to enable a scheme to be run this year.

8. Strategic Plan References

- 8.1. The Council has agreed three Corporate Objectives including the aim to “shift resources to deliver priorities”. The 2010/11 budget and the Medium Term Financial Forecast will be underpinned by the Strategic Plan priorities and will seek to preserve and shift resources where needed to these priorities.

9. Financial implications

9.1 As set out in the report.

10. Equality and Diversity Implications

10.1 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.

11. Risk Management Implications

11.1 As set out in report.

12 Consultation

12.1. The Council is required to consult on its budget proposals. A consultation exercise took place as part of the production of the Strategic Plan agreed by Council in February 2009.

12.2. Proposals for consultation on budget proposals are currently being considered. These include consideration of the recommendation from FASP that “Cabinet reconsider the procedures for putting information relating to budget and other financial changes into the public domain to increase transparency and to enable informed public debate and effective scrutiny to take place before decisions are taken”.

12.3. The budget strategy and timetable aims to ensure that information is available for scrutiny and input from all Members on proposals in the process. The aim is that more detailed information will be available prior to the final budget report being submitted to Cabinet and approval by Council in February.

12.4. As has been the case in previous years the opportunity remains open for the leader of the opposition to meet with officers to assist with consideration of any alternative budget proposals.

12.5. Furthermore, we will continue with the statutory consultation with business ratepayers.

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.

Background Papers

Finance & Audit Scrutiny Panel Report – 30 June 2009

Medium Term Financial Forecast 2009/10 – 2012/13

1. Introduction

The Medium Term Financial Forecast (MTFF) sets out the Council's budget forecast for the next three years. The MTFF sets out:-

- A summary of the 2009/10 budget including an analysis of all service budgets
- The budget forecast for next three years including current cost pressures, growth items and assumptions regarding use of reserves.
- A list of key risk items for 2010/11 and beyond
- The current position on Council General Fund balances including the risk assessment for 2009/10
- The current position on all other reserves and balances

The MTFF will continue to be updated during the year as the budget progresses.

2. 2009/10 Budget

Colchester's total net revenue budget for 2009/10 is **£24.4million**.

The budget is funded primarily by central government grant and Council Tax as follows:

	£'000
Net Budget	24,432
Funded by:	
Government Grant (incl: NNDR – Business Rates)	12,681 (52%)
Council Taxpayers (excl. parishes)	10,225 (42%)
Use of Balances / Reserves	1,526 (6%)
	24,432

The following table sets out a summary of the 2009/10 budget including changes made from the previous year.

2009/10 Summary Budget

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth	Total Savings	Detailed 09/10 Budgets
	£	£	£	£	£	£
Corporate & Democratic Core	322,900	0	7,076	0	0	329,976
Executive Management Team	905,300	-20,000	13,887	0	-132,000	767,187
Corporate Management	6,569,500	-45,000	390,138	0	-251,000	6,663,638
Customer Services	1,065,200	0	56,938	0	-10,000	1,112,138
Env. & Protective Services	2,388,800	-223,000	1,084,412	50,000	-628,500	2,671,712
Life Opportunities	5,773,000	0	464,805	5,000	-338,000	5,904,805
Resource Management	2,282,600	-59,000	428,405	0	-550,000	2,102,005
Strategic Policy & Regen.	2,910,600	-329,000	55,953	286,000	-260,000	2,663,553
Street Services	2,316,000	-3,000	497,986	210,000	-67,500	2,953,486
Total Services	24,533,900	-679,000	2,999,739	551,000	-2,237,000	25,168,500
Technical Items						
Pay Savings	-515,000	0	0	0	0	-515,000
Procurement	-93,400	0	0	0	0	-93,400
Advertising	-70,000	0	0	0	0	-70,000
LABGI	0	0	0	0	-50,000	-50,000
HPDG	0	0	0	0	-250,000	-250,000
ABG	0	0	0	0	-22,500	-22,500
Grants to Parish councils	201,900	0	0	0	0	201,900
CLIA (net interest)	-299,000	0	10,000	0	-50,000	-339,000
Min Revenue Provision	447,400	0	102,000	0	0	549,400
Pensions	2,101,200	0	96,400	0	0	2,197,600
Redundancy Provision	165,000	-165,000	0	0	120,000	120,000
ECC Second Homes	-124,000	0	-20,000	0	0	-144,000
Heritage Reserve	22,000	0	-10,000	0	0	12,000
Contribution to capital	0	0	0	80,000	0	80,000
Regeneration Reserve	50,000	-50,000	0	0	0	0
GF/HRA adjustments	-2,421,200	0	8,000	0	0	-2,413,200
Total Below the Line	-535,100	-215,000	186,400	80,000	-252,500	-736,200
Total incl Below the line	23,998,800	-894,000	3,186,139	631,000	-2,489,500	24,432,300
Funded by:-						
General Reserve	-607,000	607,000	-46,000	-140,000	-297,600	-483,600
Capital Expenditure Reserve	-751,000	30,000	159,800	0	-100,000	-661,200
Regeneration Reserve	-278,000	278,000	-55,000	-166,000	0	-221,000
Other Reserves - S.106	-30,000	0	0	0	-30,000	-60,000
Insurance	0	0	0	0	-100,000	-100,000
Government Grant (RSG / NNDR)	12,385,000	0	0	0	-296,000	-12,681,000
Council Tax	-9,812,800	0	0	0	-412,200	-10,225,000
Collection fund Transfer	-135,000	0	134,500	0	0	-500
	-					
Total	23,998,800	915,000	-81,200	-306,000	-200,000	-24,432,300

3. Budget Forecast 2009/10 to 2012/13

The following table sets out the Council's budget forecast for the next three years including key assumptions.

Medium Term Financial Forecast 2009/10 to 2012/13				
	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Base Budget	23,998	24,432	24,576	25,248
Remove one-off items	(894)	(21)		
Cost Pressures	3,186	683	650	790
Growth Items	631	(198)	0	0
Savings	(2,489)	(320)	22	0
Forecast Base Budget	24,432	24,576	25,248	26,038
Government Grant	(12,681)	(12,911)	(12,911)	(12,911)
Council Tax	(10,225)	(10,613)	(11,069)	(11,545)
Collection Fund Surplus	0	0	(10)	(10)
Use of Reserves	(1,526)	(526)	(360)	(360)
Total Funding	(24,432)	(24,050)	(24,350)	(24,826)
Budget (surplus) / gap before changes (cumulative)	0	526	898	1,212
Annual increase		526	372	314

Key Assumptions
Inflation - Average of 2% for non pay and pay now based on agreed pay award of 1.5% for 09/10 and 1% for 10/11 with 2% assumed for 11/12 and beyond.
Gov't Grant – Increase in line with 3 year settlement. As an initial assessment, the grant for 2011/12 assumed to be at a cash standstill.
Council Tax – 2.76% increase + 1% increase in tax base assumed for 10/11 and 1.5% assumed in 11/12
Pensions forecast in-line with Actuarial review for 09/10 & 10/11. Next review will impact in 11/12 and a planning assumption of £250k has been assumed for both 11/12 and 12/13.

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Cost Pressures				
General Inflation	740	140	540	540
Net Inflationary pressures (pay, energy, grounds mtce etc)	450			
Corporate safeguarding co-ordinator (new)		10		
Impact of foregoing Layer Rd Capital Receipt		60		
General impact on net interest earnings (estimate)		150		
Pensions	96	154	250	250
MRP (Minimum Revenue Provision)	102	13	10	
Concessionary Fares (change in operating hours / usage)	100			
Core Strategy Examination		150	(150)	
Best Value Surveys		15		
Equality and diversity	15			
PCT - Community Health	15			
<i>Income pressures:-</i>				
Car Park Income	300			
Planning Income	683			
Building Control Income	271			
Land charges Income	100			
Impact of commercial property market slowdown on rental income and empty rates costs	170			
Reduction in benefits admin grant	40			
Service Review Post (to be funded through c/f from 08/09)	46			
ICT related costs (including website)	35	(9)		
GF / HRA impact	23			
Total	3,186	683	650	790

Growth Items				
Planning, Protection & Licensing (P, P & L) Review (incl. one-off)	30	42		
Renaissance Team – Resources	166			
Street Wardens	80			
HPDG c/f	140	(140)		
Welfare Rights	5			
Recycling	210	(100)		
Total	631	(198)	0	0

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Savings / additional Income				
<i>Service savings</i>				
Corporate Management	213	(80)		
Executive Management Team	132			
Resource Management	537			
Life Opportunities	194			
Environmental & Protective Services	623	15		
Strategic Policy and Regeneration	260			
Street Services	55			
Customer Service Centre	10			
<i>Corporate Savings / Technical Items</i>				
Energy Saving through LACM	200			
LABGI	50	50		
Housing and Planning Delivery Grant	250			
Area Based Grant	22		(22)	
Increase in Concessionary fares grant	13	15		
Interest / MRP	50			
less provision for one-off costs	(120)	120		
Angel Court (net savings)		200		
Total	2,489	320	(22)	0

Use of Reserves				
Balances (General)	98			
Balances re items c/f from 08/09	386			
S106 monitoring reserve	60	60	60	60
Regeneration Reserve	221	166		
Insurance Provision	100			
Capital Expenditure Reserve:-				
Accommodation	205	0	0	0
Community Stadium	300	300	300	300
ICT Strategy	56			
Opportunity purchases	100			
Total	1,526	526	360	360

4. Risk Areas / Uncertainty

There are several key risk areas or areas where the outcome is uncertain which will impact on the 2010/11 budget forecast and potentially in later years. The main areas are:-

Ref	Risk / Area of uncertainty	
1	<i>White paper – Strong and prosperous communities</i>	The White Paper set out a number of important financial issues for the Council. This includes responding to the proposals concerning communities, neighbourhoods and place-shaping and the impact of the new performance management framework and proposals around efficiency. The latter includes ambitious targets for efficiency savings (3% cashable savings over three years) and involving greater collaboration and partnership working.
2	<i>Government Grant and the Comprehensive Spending Review 07 (CSR07)</i>	What the CSR10 will provide is difficult to predict, however, it is clear that public finances are continuing to come under increasing pressures. At this stage no increase or decrease has been assumed in the level of grant in 2011/12, therefore a 2% reduction in real terms. For illustrative purposes a 1% change in the level of grant equates to £130k.
3	<i>Pensions</i>	An allowance has been built in for increases in pensions costs based on the results of the recent actuarial review and therefore are fixed for 2010/11. However, an updated review will be undertaken that will inform the cost for 2011/12 onwards. The recent and ongoing economic downturn is highly likely to impact on the pension fund and therefore whilst an increased allowance of £250k each year from 11/12 has been made for this will need to be reviewed closer to the time when we may have more reliable estimates.
4	<i>Concessionary Fares</i>	CLG and DoT are currently consulting on the future administration of the concessionary fares scheme. The favoured option at this stage appears to be a transfer of responsibility to upper tier authorities (e.g. Essex County Council). In many ways this would mirror existing locally negotiated arrangements. There is a second consultation to follow on the amounts of funding to be transferred. The method of assessing costs is not yet known so this represents a risk to the Council which could be positive or negative.
5	<i>Fees and charges</i>	As has been seen in the past few years we have experienced pressures arising from changes in income levels. In 2008/09 we experienced significant shortfalls in income in respect of planning and building control fees and car park revenue (on and off street). This has been considered as part of the 2009/10 budget and provision built in for reduced levels of income. Looking ahead to 2010/11 and beyond it is difficult to estimate how income levels may continue to be affected. However, at this stage no allowance has been built in for changes to income levels.
6	<i>Inflation</i>	An allowance for general inflation has been built into the 10/11 forecast and MTFE, and specific increases allowed for

Ref	Risk / Area of uncertainty	
		<p>items such as pay (which has been agreed for 09/10 and 10/11)</p> <p>The current CPI is 2.2% and RPI is -1.1%. The economic forecasts published by HM Treasury point to inflation figures for 2010 of 1.7% and 2.5% for CPI and RPI respectively. Not all the Council's costs are directly linked to RPI and therefore we will continue to monitor the impact of inflation on all Council costs with particular attention on energy costs for which a significant increase was allowed for in the 09/10 budget figures.</p>
7	<i>Use of reserves</i>	<p>The budget position for 10/11 includes proposals to use certain reserves and also reflects the impact of reserves used in 09/10.</p> <p>The forecast position on general balances shows that they remain close to our current approved prudent level.</p>
8	<i>Legislation</i>	<p>There may be new legislation over the life of the MTFF for which any available funding may not cover costs.</p>
9	<i>Government grants and partnership funding</i>	<p>The Council's budget has changed over recent years with a greater emphasis on funding from both partner organisations and Government bodies. These funding streams can rarely be guaranteed and can therefore add to our cost pressures. This year's budget includes funding in respect of HPDG and the LABGI scheme. It is likely that there will be changes to some of these or other funding sources over the life of the MTFF and as the position becomes clearer the budget forecasts will need to be adjusted.</p> <p>As part of the budget strategy we will review assumptions in respect of these key grants.</p>
10	<i>Impact of renaissance programme e.g. car park closure and staff resources</i>	<p>As the renaissance programme progresses there will be an impact on income from car parks due to temporary and permanent closure of certain car parks and also the introduction of park and ride.</p> <p>We are currently using the Regeneration Reserve to meet some staffing costs to provide increased capacity to deliver the renaissance programme. The budget forecast includes funding for 2009/10 to ensure that the team can continue work and this has also been allowed for in the 2010/11 forecast. However, after this the balance on the Reserve will be minimal.</p>
11	<i>ICT strategy – change programme</i>	<p>The ICT strategy was updated in 2007 and it is likely that there will continue to be a number of financial implications arising from changes. This may result in some costs in the short-term leading to longer term savings. This continues to be examined as part of detailed budget proposals and as part of the implantation of accommodation and flexible working changes.</p>
12	<i>Property review</i>	<p>A review of our assets was carried out and a 5-year Building Repairs and Maintenance Plan produced. There will continue to be financial implications arising from this for both the revenue budget and capital programme and these will be continue to be considered in detail by the council's</p>

Ref	Risk / Area of uncertainty	
		Property Forum and included in the on-going updates of the MTFF.
13	<i>Impact of growth in the Borough and demand for services</i>	<p>A number of Local Authority services are directly impacted by the increase of population in the Borough, such as waste services, planning, benefits etc.</p> <p>As part of the budget it will be necessary to consider whether there is a need for additional resources in these or other areas in order to maintain levels of service.</p> <p>A further area of risk is any increase in the demands for Council services arising from the impact on residents of the economic environment.</p> <p>At this stage no allowance for these areas has been provided within the MTFF. Fundamental Service Reviews (FSR) are being undertaken on some of the key areas affected by growth and /or also the economic climate such as benefits, housing and street services. The financial assumption made is that these reviews will assist in identifying efficiencies to cope with changes in demand.</p>
14	<i>Delivery of budget savings</i>	The 2009/10 budget sets some challenging targets for savings including those in respect of procurement and salaries. The MTFF assumes these targets will be delivered and in the case of salaries continue in future years.
15	<i>Net earnings Interest</i>	<p>The budget is influenced by a number of factors including interest rates and cashflow movements. The treasury management strategy highlights the outlook for interest rates in the medium-term which points to unprecedented low levels during this year and potentially into 2010/11. Whilst it may be possible to provide some financial protection from the impact of these low rates, it is likely that there will be significant pressures on budgets during the medium term.</p> <p>An allowance of £150k has been made in 2010/11, however, further changes to this may be necessary.</p>

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

5. General Fund Balances – Risk Assessment

A risk assessment has been undertaken to determine the prudent level of general fund balances as part of the 2009/10 budget process.

Background

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

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

Over recent years general fund balances have been reduced in a managed and prudent manner: -

£'000

31 March 2004	2,639	
31 March 2005	2,193	
31 March 2006	1,997	
31 March 2007	2,708	(includes £902k to support 2007/08 budget)
31 March 2008	3,347	(includes £1,232k to support 2008/09 budget)
31 March 2009 (subject to audit)	2,891	(Includes £987k to support 2009/10 budget)

Risk Assessment 2009/10

The results of the assessment to inform the 2009/10 budget are summarised in the following table. This showed that the agreed minimum prudent level of balances should be held at £1.7 million.

Factor	Assessed Risk		
	High £'000	Medium £'000	Low £'000
Cash Flow	950		
Capital (nil given reserves and receipts)			0
Inflation		200	
Investment Income	150		
Trading Activities	100		
Fees & Charges		170	
Emergencies		50	
Benefits			100
New Spending – legal commitments			100
Litigation		175	
Partnerships			100
VAT Exemption Limit			350
Budget Process		175	
Revenue impact of capital schemes			200
Renaissance programme			0
Concessionary fares			100
Pension Contribution			100
	1,200	770	1,050

	Minimum Provision
High Risk – 100%	1,200
Medium Risk – 50%	385
Low Risk – 10%	105
Sub Total	1,690
Unforeseen Factors – say	10
	1,700

The main issues to mention concerning the assessment are: -

- While the possible requirement to meet capital spending from revenue resources is still recognised as a potential risk the assessment is "nil" because of the current level of funds held in the capital expenditure reserve and the introduction of the Prudential Code.
- The capital programme includes a number of schemes which will have an impact on revenue and these are provided for in the budget as appropriate. In particular there is the major scheme - Firstsite. This project is subject to a rigorous risk assessment and monitoring. This balances risk assessment exercise is only concerned with the potential revenue implications. The main revenue risk will be variations to the planned spending and funding profiles. For 2009/10 a potential sum of £0.2m has been assumed at low risk.
- On the basis of earlier years outturns and current year monitoring particular areas have been identified as potential risk areas for variances: benefits, concessionary fares, various fees income (such as planning, building control, car parks and leisure) and net investment income. These are being regularly reported on as part of the current year monitoring. All of the areas are addressed in the risk assessment.
- The assessment includes the risk that the VAT exemption limit will be exceeded with a consequent loss of recoverable VAT. Regular monitoring and active management of new schemes minimises this risk.
- The concern over the funding of the pension fund is recognised in the assessment. However "risk" is assessed as "low" for 2009/10 because the anticipated increased contributions required have been built into the budget. Further increases will be necessary from 2010/11.
- The Council has £4m invested in the Icelandic bank, Landsbanki. Based on agreed guidance the accounts for 08/09 have been prepared on the basis of a repayment of £3.84m. No specific allowance has yet been made for any possible "loss" from our investments and this will need to be considered as part of our ongoing assessment of balances.

Implications

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

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

6. General Fund Balances - Position

The following table sets out the current level of General Fund balances.

General Fund Balances Current Position

	£'000	£'000
Balance as at 31 March 2009 (note 1) (As per Statement of Accounts)		2,891
Proposed use of balances during 2009/10:		
• Financing carry forwards (general)	338	
• Financing carry forwards agreed in 09/10 budget setting	246	584
• Funds released in 08/09 carry forward to 09/10		177
• Supporting 2009/10 budget:-		
Items included in 09/10 budget (note 2)	118	
New emerging pressures (note 3)	285	403
Projected Balances as at 31 March 2009		1,727
Agreed minimum balance		1,700
Potential Surplus Balances as at 31 March 2010		27

Notes:

1. The balance at 31 March 2009 reflects the outturn for 08/09
2. Includes an adjustment made in respect of use of balances made in 08/09 for redundancy costs originally budgeted for in 09/10.
3. Includes an agreed use of £20k and a proposal to use up to a further £265k for legal expenses in respect of the FS:NS project as set out in the report on this agenda.

This forecast is on the basis that there are no further calls on balances during 2009/10 and the current year's budget does not overspend.

7. Earmarked Reserves and Provisions

The Council maintains a number of earmarked reserves and provisions, which allows it to prudently plan for future expenditure requirements. As at 31 March 2008 earmarked reserves totalled £9m and provisions £0.3m.

As part of the budget process a review was undertaken into the level and appropriateness of earmarked reserves and provisions. The review concluded that the reserves and provisions detailed in the following table remain appropriate and at an adequate level.

The position on these reserves will be reviewed as part of the 2009/10 budget process including forecasting and assessing the impact of future commitments

Earmarked Reserves

Reserve	Amount 31/03/08 £'000	Amount 31/03/09 £'000	Comment
Renewals and Repairs (including Building Maintenance Programme)	3,565	2,889	Maintained for the replacement of plant and equipment and the maintenance of premises. Annual contributions are based upon the estimated renewal or repair cost, spread over the life of the asset.
Insurance	618	594	To cover the self-insurance of selected properties. The balance held in reserve is considered to be at an appropriate level. The balance of the fund is split with a proportion specifically identified as a provision against the cost of claims.
Capital Expenditure	3,218	3,061	Revenue provision to fund the capital programme. The reserve is fully committed to funding the current capital programme. However actual use of balance is dependent not only on progress of spending on approved capital schemes but also level of other resources, mainly capital receipts, received. £205k per annum is being transferred to revenue in respect of accommodation. The transfer in respect of the MRP (Minimum Revenue Provision) on the Community Stadium will also continue in 09/10 and beyond.
Regeneration Reserve	665	437	Maintained to finance non-recurring expenditure incurred during the development of the Council's four regeneration areas. Spending of £166k planned for 2009/10.
Asset Replacement Reserve	35	9	A reserve for the future replacement of vehicles and plant. The vehicle replacement policy has been reviewed. Revenue contributions to this reserve have now ceased and the funding for the majority of repairs is now sourced from the Council's Capital Programme. The residual balance relates to the R&R funding for the Eurobins.
Heritage Reserve	9	0	Created to provide funding for the repair, maintenance and development

Reserve	Amount 31/03/08 £'000	Amount 31/03/09 £'000	Comment
Gosbecks	430	423	of ancient and historical monuments. Schemes are now being funded through capital programme. Maintained to provide for the development of the Archaeological Park. The main source of funding was a 'dowry' agreed on the transfer of land.
Mercury Theatre	154	184	Provision for the building's long term structural upkeep.
On street parking	89	0	Any surplus ring fenced to cover deficits. The previous surplus has been used to cover a shortfall in 2008/09.
Hollies Bequest	13	12	Provision for the upkeep of open space.
Section 106 monitoring	188	209	Required for future monitoring of Section 106 agreements. From 2009/10 onwards it has been agreed to use £60k from this reserve on an annual basis to support the budget.
Community Stadium - loan	35	35	To cover set up costs and working capital. No repayments are expected within 2009/10. The loan is repayable to the Council within 7 years from the agreement date of 29 January 2008.
	9,019	7,853	

Provisions

Reserve	Amount 31/03/08 £'000	Amount 31/03/09 £'000	Comment
Insurance	323	347	This element of the fund is specifically set aside as a provision to meet the cost of claims, notably subsidence.
	323	347	

2010/11 Budget Timetable

Budget Strategy March 09 – July 2009

March – June (SMT)	Budget Group established Update MTFF /Budget Strategy Review cost pressures, growth and risks Consider approach to budget Externally facilitated Budget Workshop held
Cabinet – 13 July 09	<ul style="list-style-type: none"> • Report on updated budget strategy / MTFF • Timetable approved
SOSP – 14 July 09	Review Cabinet report
Budget Group / Leadership Team - July	Consider review of capital programme Consider approach to consultation

Detailed Budget preparation and Budget Setting Consultation

Budget Group / Leadership Team regular sessions on progress / budget options July - September	Review budget tasks Consider Fundamental Service Reviews
Cabinet – 9 September 09	<ul style="list-style-type: none"> • Budget Update • Proposals for consultation • Review of capital resources / programme
Cabinet – 21 October 09	Budget Update (if required)
Cabinet – 2 December 09	<ul style="list-style-type: none"> • Budget update • Reserves and balances • Grant settlement • Consultation results (provisional date)
FASP – 26 January 10	Review consultation / Budget position
Cabinet – 27 January 10	Revenue and Capital budgets recommended to Council
Council – 17 February 10	Budget agreed / capital programme agreed / Council Tax set

Timing of consultation to be included within process when agreed.

Leadership Team to review budget progress during year.

