

# Cabinet

**Grand Jury Room, Town Hall  
23 January 2013 at 6.00pm**

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

# Information for Members of the Public

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# COLCHESTER BOROUGH COUNCIL CABINET

**23 January 2013 at 6:00pm**

Leader (& Chairman): Councillor Anne Turrell (Liberal Democrats)  
Deputy Chairman: Councillor Martin Hunt (Liberal Democrats)  
Councillor Lyn Barton (Liberal Democrats)  
Councillor Tina Bourne (Labour)  
Councillor Annie Feltham (Liberal Democrats)  
Councillor Beverley Oxford (The Highwoods Group)  
Councillor Paul Smith (Liberal Democrats)  
Councillor Tim Young (Labour)

## **AGENDA - Part A**

(open to the public including the media)

### **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 off or to silent;
- location of toilets;
- introduction of members of the meeting.

#### **2. Urgent Items**

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

#### **3. Declarations of Interest**

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

- Where a Councillor has a disclosable pecuniary interest, other pecuniary interest or a non-pecuniary interest in any business of the authority and he/she is present at a meeting of the authority at which the business is considered, the Councillor must disclose to

that meeting the existence and nature of that interest, whether or not such interest is registered on his/her register of Interests or if he/she has made a pending notification.

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

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

(a) The Chairman to invite members of the public to indicate if they wish to speak or present a petition at this meeting – either on an item on the agenda or on a general matter 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.

#### **5. Minutes**

**1 - 14**

To confirm as a correct record the minutes of the meeting held on 28 November 2012.

#### **6. Call-in Procedure**

To consider any items referred by the Strategic Overview and Scrutiny Panel under the Call-In Procedure. At the time of the publication of this Agenda there were none.

#### **7. Strategy/Business and Resources**

<ul style="list-style-type: none"> <li style="margin-bottom: 10px;"><b>i. 2013/14 Revenue Budget, Capital Programme and Medium Term Financial Forecast</b></li> </ul>	<p><b>15 - 80</b></p> <p>See report by the Head of Resource Management</p>
<b>8. Street and Waste Services</b>	
<ul style="list-style-type: none"> <li style="margin-bottom: 10px;"><b>i. Food Waste Collection Trial</b></li> </ul>	<p><b>81 - 87</b></p> <p>See report by the Head of Street Services</p>
<b>9. Strategy</b>	
<ul style="list-style-type: none"> <li style="margin-bottom: 10px;"><b>i. Colchester Localism</b></li> </ul>	<p><b>88 - 110</b></p> <p>See recommendation in minute 13 of the Policy Review and Development Panel meeting of 5 November 2012.</p>
<ul style="list-style-type: none"> <li style="margin-bottom: 10px;"><b>ii. Localism Act 2011 - Community Right to Challenge</b></li> </ul>	<p><b>111 - 120</b></p> <p>See report by the Monitoring Officer and the recommendation in minute 16 of the Policy Review and Development Panel meeting of 5 November 2012.</p>
<ul style="list-style-type: none"> <li style="margin-bottom: 10px;"><b>iii. Assets of Community Value - Community Right to Bid</b></li> </ul>	<p><b>121 - 133</b></p> <p>See report by the Head of Strategic Policy and Regeneration and the recommendation in minute 15 of the Policy Review and Development Panel meeting of 5 November 2012.</p>
<b>10. Housing</b>	
<ul style="list-style-type: none"> <li style="margin-bottom: 10px;"><b>i. Housing Revenue Account Estimates 2013-14</b></li> </ul>	<p><b>134 - 156</b></p> <p>See report by the Head of Strategic Policy and Regeneration</p>
<ul style="list-style-type: none"> <li style="margin-bottom: 10px;"><b>ii. Housing Investment Programme 2013-14</b></li> </ul>	<p><b>157 - 164</b></p> <p>See report by the Head of Strategic Policy and Regeneration</p>
<ul style="list-style-type: none"> <li style="margin-bottom: 10px;"><b>iii. Sheltered Housing</b></li> </ul>	<p><b>165 - 166</b></p> <p>See the Motion contained in minute 44 of the Council meeting of 6 December 2012.</p>
<b>11. Planning, Community Safety and Culture/Business and Resources</b>	

- i. Building Works in Conjunction with Colchester Castle Redevelopment Project** **167 - 171**

See report by the Head of Corporate Management

## **12. Business and Resources**

- i. Half Yearly Performance Report including Progress on Strategic Plan Action Plan Priorities** **172 - 202**

See report by the Head of Life Opportunities

- ii. The Re-Procurement of the Services Agreement at the Community Stadium** **203 - 206**

See report by the Executive Director

## **13. General**

- i. Progress of Responses to the Public** **207 - 208**

To note the contents of the progress sheet.

## **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) (Meetings and Access to Information) (England) Regulations 2012 to exclude the public, including the press, from the meeting so that any items containing exempt information (for example personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).

**COLCHESTER BOROUGH COUNCIL  
CABINET**

**23 January 2013 at 6:00pm**

**AGENDA - Part B**

(not open to the public or the media)

**Pages**

**15. Planning, Community Safety and Culture/Business and Resources**

**i. Building Works in Conjunction with Colchester Castle Redevelopment Project**

The following report contains exempt information (financial/business affairs of a particular person, including the authority holding information) as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

See report by the Head of Corporate Management

**16. Business and Resources**

**i. Re-Procurement of the Services Agreement at the Community Stadium**

The following report contains exempt information (financial/business affairs of a particular person, including the authority holding information) as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

See report by the Executive Director

# CABINET

## 28 NOVEMBER 2012

*Present :-* Councillor Anne Turrell (the Leader of the Council)  
(Chairman)  
Councillors Lyn Barton, Tina Bourne, Annie Feltham,  
Martin Hunt (Deputy Leader ) , Beverley Oxford,  
Paul Smith and Tim Young

*Also in Attendance :-* Councillor Nick Barlow  
Councillor Kevin Bentley  
Councillor Bill Frame  
Councillor Nigel Offen  
Councillor Will Quince  
Councillor Colin Sykes  
Councillor Laura Sykes

### **38. Minutes**

The minutes of the meeting held on 3 October 2012 were confirmed as a correct record.

### **39. Fundamental Service Review of Customer Contact**

The Executive Director submitted a report a copy of which had been circulated to each Member together with draft minute 16 of the Strategic Overview and Scrutiny Panel meeting of 30 October 2012.

Jane Dabbs, representing Unison, addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(2). She stressed Unison's support for accountable and democratic public services but was concerned about introducing a commercial aspect to these services. It was accepted that the current financial climate meant change was necessary. She stressed the profound nature of change that was proposed by this Fundamental Service Review (FSR). There was concern about the impact on customers and staff if the change was not delivered successfully first time round and Unison members were concerned about the Council's ability to deliver change successfully. If agreed the changes would need to be implemented in an appropriate and timely manner. Previous FSRs had led to changes in work practices which had led to an increase in workload leaving staff struggling to meet the new demands made of them. Some concern was also expressed about the viability of the commercial approach set out in the Business Case.

Adrian Pritchard, Chief Executive, thanked Jane for her comments and indicated that he had met Unison and would continue to do so to discuss their concerns. He also wanted to ensure the proposals were implemented correctly. He acknowledged the concerns about the commercial ethos in the Business Case, but stressed that the financial strategy made no assumptions about the level of income that might result from such commercial activities.



Richard Aldridge of Colchester Citizens Advice Bureau, addressed the Cabinet pursuant to the provisions of Cabinet Procedure Rule 5(2). He noted the proposals in the Business Case and indicated that the CAB would be interested in working with the Council to help deliver services in future.

Councillor Bentley, Chairman of Strategic Overview and Scrutiny Panel, addressed the Cabinet. He considered that the scrutiny of the proposals had been an example of scrutiny at its best. He commended the proposals in general but stressed the following points which had been made during the Panel's debate:-

- the need for greater detail in the Business Case;
- the need to use of non-technical language and proper English in public reports;
- the definition of a customer;
- the need for effective communication of the changes to ensure the public and the media understood the changes and he reiterated the Panel's request to scrutinise the communications strategy;
- the request for the Panel to be provided with regular updates, particularly on risk and he indicated the Panel would welcome the opportunity to scrutinise the risk register;
- the need to be upfront about the impact on staff posts.

Councillor Turrell, Portfolio Holder for Strategy, indicated the proposals would be referred to the Strategic Overview and Scrutiny Panel at various stages and that a Councillor implementation group would be formed which would include a representative from the Conservative group.

Councillor B. Oxford, Portfolio Holder for Customers, Councillor Smith, Portfolio Holder for Business and Resources and Councillor T. Young, Portfolio Holder for Planning, Community Safety and Culture, expressed their support for the proposals. They stressed that the Business Case demonstrated the Cabinet's desire to protect jobs and services. The review proposed new ways of delivering services to improve the customer experience. The ethos behind the review was to improve the way services were delivered and to allow customers to access services in the way that they wanted to. Face to face contact with Council staff would still be available for those who wanted or needed it. Tribute was paid to Council staff and whilst any loss of jobs would be regretted, staff would be dealt with in a fair, open, sympathetic and supportive way.

The Cabinet expressed its thanks to Pam Donnelly, Executive Director, and all other officers who had worked on the review.

*RESOLVED* that the business case resulting from the Fundamental Service Review of Customer Contact attached to the Executive Director's report be approved and the implementation planning stage of the review be authorised.

*RECOMMENDED to COUNCIL* the inclusion and subsequent release of £2.366 million from the Council's capital programme to fund the estimated capital costs set out in the Financial Summary (Appendix I, page 2 of the Executive Director's report).

*REASONS*

To allow the implementation of the main recommendations to begin and the subsequent delivery of a transformed organisation to enable an improved customer experience.

#### *ALTERNATIVE OPTIONS*

The alternative option would be not to approve the business case or to ask for changes to be made to the proposals set out in the business case. In either scenario, the delivery of an improved customer experience and greater efficiency and effectiveness could be delayed or not delivered. The business case is the result of considerable research, analysis and consultation on the part of a core project team, led by the Executive Management Team.

#### **40. 2013/14 Revenue Budget, Capital Programme and Financial Reserves**

The Head of Resource Management submitted a report a copy of which had been circulated to each Member.

Councillor Smith, Portfolio Holder for Business and Resources, highlighted the inclusion of growth items within the budget which would help create jobs and homes for the residents of the Borough. He also drew attention to the proposal to add the Olympic Legacy Project to the capital programme which would bring health benefits to the younger generation. However, the financial situation was still challenging and it was proposed to increase the level of reserves to reflect the transfer of risks from central to local government.

*RESOLVED* that:-

- (a) The current 2013/14 revenue budget forecast which at this stage shows a budget gap of £248k and the forecast variables and risks be noted.
- (b) The action being taken to finalise the budget be noted.
- (c) The recommended level of revenue balances be set at £1.8m for 2013/14 as set out in the Risk Analysis subject to consideration of outstanding issues as part of the final budget report in January 2013 (Appendix B of the Head of Resource Management's report).
- (d) The current budget forecast for 2012/13 as set out at paragraph 12.11 of the Head of Resource Management's report be noted.
- (e) The position on the capital programme set out at Section 14 of the Head of Resource Management's report be noted and to *RECOMMEND to COUNCIL* that the Olympic Legacy Project be included in the capital programme and that subject to this decision resources be released.
- (f) In respect of Council Tax discounts the options and proposed approach as set

out in Section 15 of the Head of Resource Management's report be noted and the decision be delegated to the Portfolio Holder for Business and Resources.

### *REASONS*

- (a) The Council is required to approve a budget strategy and timetable in respect of the year 2013/14.
- (b) The Head of Resource Management's report relates to the budget update, a review of balances, the capital programme and consideration of possible changes to Council Tax discounts.

### *ALTERNATIVE OPTIONS*

There are different options that could be considered and as the budget progresses changes and further proposals will be made and considered by Cabinet and in turn Full Council.

## **41. Localised Council Tax Support 2013-14**

The Head of Resource Management submitted a report a copy of which had been circulated to each Member together with draft minute 17 of the meeting of the Strategic Overview and Scrutiny Panel on 30 October 2012.

Councillor Smith, Portfolio Holder for Business and Resources, indicated that the Council Tax Support Scheme had to reflect the 10% cut in funding in council tax support resulting from government policy. A number of difficult choices had been made and the scheme sought to spread the burden as fairly as possible. There were distinctive features in the scheme, such as the help provided to those returning to work. The Council took seriously the impact on vulnerable groups and an announcement would be made shortly about help to those affected.

He also indicated there were a number of technical areas where government guidance was still awaited and that therefore it would be sensible to delegate authority for the final agreement of the policy document.

*RESOLVED* that:-

- (a) the Localised Council Tax Support Scheme as set out within the Head of Resource Management's report and detailed in the Policy document be agreed and that it be delegated to the Portfolio Holder for Business and Resources on behalf of the Council to agree the final Policy Document reflecting any final changes to regulations.
- (b) The change to the Scheme of Delegation to Officers from Cabinet as set out at paragraph 6.1 of the Head of Resource Management's report be agreed with the addition of a delegation in respect of exceptional hardship arrangements.

*RECOMMENDED to COUNCIL* that the Localised Council Tax Support Scheme as set out within the Head of Resource Management's report and detailed in the Policy document be approved and adopted, subject to any changes that may be agreed by the Portfolio Holder for Business and Resources to reflect final changes in Regulations.

#### *REASONS*

The Welfare Reform Act abolishes Council Tax Benefit (CTB), and replaces it with a Local Council Tax Support scheme (LCTS). A new Local Government Finance Act and regulations set out how the Council must create a LCTS scheme, removing most of the existing complex legislation. This will mean the majority of LCTS awards will be based on criteria set and administered by each local billing authority (such as Colchester), having consulted with the major precepting authorities (i.e. Essex County Council, Fire and Police authorities) and the public. The Act and regulations will direct how authorities will support pensioners, with little change to the way their entitlement is presently decided. New draft regulations set out that the Council must finalise its local scheme by 31 January 2013.

#### *ALTERNATIVE OPTIONS*

The Council must agree a LCTS scheme. If the Council does not set a scheme based on agreed local criteria then the "default scheme" will need to be used, the cost of which would almost certainly be higher than the level of grant funding, resulting in a budget pressure.

There are a number of different criteria which could be used to deliver a cost neutral scheme. Other Essex billing authorities are expected to agree some different arrangements reflecting their own local circumstances.

It would be possible for the Council to meet the shortfall in funding from the Council's budget. However, this would also create a pressure on the major precepting authorities' budgets and the approach agreed across Essex has been to produce a scheme which is expected to be cost neutral.

The Government announced details of a transitional grant that would be available to authorities that approved a LCTS scheme that met certain criteria. Information on this is set out at Appendix A of the Head of Resource Management's report. This shows that there is an anticipated funding gap if the Council was to set a 'grant compliant' scheme.

#### **42. Depot and Offices, 123 Gosbecks Road, Colchester - Supermarket Proposal**

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

Councillor Smith, Portfolio Holder for Resources and Business, explained that the proposal would bring benefits to the Borough, to the Council and to Colchester

Borough Homes. It would provide new employment opportunities and it was hoped that a scheme would be put in place to help ensure that the jobs created went primarily to local residents.

*RESOLVED* that, subject to the decisions set out in minute 50 -

- (a) The draft Heads of Terms for an Agreement for Lease and ground lease for the proposed supermarket be agreed.
- (b) To agree a variation of the existing lease granted to Colchester Borough Homes (CBH) or the grant of a new lease on the terms reported to release part of the depot premises required for the proposed supermarket.
- (c) The commercial advice from the Council's valuers, NPS, that the draft Heads of Terms currently represent the best consideration to the Council, taking into account current market conditions be accepted.
- (d) The Head of Strategic Policy and Regeneration in consultation with the Portfolio Holder for Business and Resources be authorised to conclude the transaction substantially in accordance with the approved draft terms and conditions; complete negotiations for the Agreement for Lease, the ground lease and a new occupational lease for CBH.

#### *REASONS*

(a) By way of a Portfolio Holder Decision report dated 27<sup>th</sup> June 2012 (reference BUS – 001-12) it was agreed:

*(1) To authorise the Head of Resource Management in consultation with the Portfolio Holder for Business and Resources to negotiate the Heads of Terms (which would then be reported to Cabinet) with Scott Properties Ltd to develop a neighbourhood size supermarket, subject to the grant of planning consent, on part of the depot and offices at 123, Gosbecks Road and adjoining land in private ownership; and*

*(2) To approve the negotiations in 2.1(1) above on a private treaty basis with Scott Properties due to the requirement to combine both the Council's depot and adjoining privately owned land to facilitate the proposed supermarket development.*

- (b) CBH have been consulted and have confirmed a willingness to reduce their operational premises requirements to release land from their lease to enable the proposed development to proceed.
- (c) A valuable new rental stream secured on a long ground lease together with a rental premium will be generated.
- (d) CBH will consolidate their operations and reduce overheads within a reduced leased area.

## ALTERNATIVE OPTIONS

As an alternative to entering into an Agreement for Lease with Scott Properties and testing the market for a neighbourhood supermarket development, the Council could:

- (i) Investigate alternative development opportunities for the site. Residential development is an alternative high land value proposal but as the majority of the site is located within an Employment Zone, planning policy does not support this option.
- (ii) Pursue a small supermarket development on the Council's land at 123 Gosbecks Road only. However, without the benefit of the existing open Class A1 retail planning consent attaching to the adjoining site, a separate retail development on the Council's site would be contrary to planning policy.
- (iii) Review the future retention or disposal of the site when the current CBH lease expires on 31 July 2013. The Council is not obliged to renew the lease as the existing agreement excludes the tenant's lease renewal rights.
- (iv) Renew the lease in favour of CBH for a further term for the same or a reduced site area dependant upon operational requirements; or
- (v) The Council could refuse to accept that the provisionally agreed Heads of Terms for an Agreement for Lease and principal terms and conditions of a ground lease for the supermarket development represent the best possible consideration, or agree that they fail to realise the Council's aspirations for the future use and development of the site.

### **43. Future Use of the Magistrates' Court Task and Finish Group // Final Report**

The Future Use of the Magistrates' Court Task and Finish Group submitted a report a copy of which had been circulated to each Member.

Councillor Frame, Chairman of the Future Use of the Magistrates' Court Task and Finish Group, attended and addressed the Cabinet. The Group had looked at a wide range of options for the future use of the Magistrates' Court. This had led to four expressions of interest and two firm offers, details of which were set out in the Group's report. As well as reducing the Council's costs, the recommendations also provided an opportunity to support local businesses and to widen access to the Town Hall. The figures in the report were tentative and further negotiations would be required. Councillor Frame paid tribute to the members of the Group and to Ann Hedges, Executive Director, and Amanda Chidgey, Democratic Services Manager, who had provided support to the Group.

Councillor Turrell, Leader of the Council and Portfolio Holder for Strategy, expressed the Cabinet's thanks to the members of the Task and Finish Group. Councillor Hunt, Portfolio Holder for Street and Waste Services, expressed his support for the Group's recommendations as the Council could not afford for the Magistrates' Court and associated rooms to remain unused.

*RESOLVED* that:-

(a) The work of the Future Use of the Magistrates' Courts Task and Finish Group, the details of the two offers submitted set out in the separate report in Part B of the agenda and the Group's recommendations as set out in Paragraph 5 of the Task and Finish Group's report be noted.

(b) Should the recommendations of the Group be approved by Council, authority be delegated to the Portfolio Holder for Business and Resources, following consultation with Executive Director Ann Hedges, to conclude negotiations on terms no less advantageous than as proposed.

*RECOMMENDED to COUNCIL* that, in accordance with the resolution of Cabinet on 25 January 2012, it determine the final recommendations of the Future Use of the Magistrates' Courts Task and Finish Group.

#### *REASONS*

At the Cabinet meeting on 25 January 2012, following consideration of a Motion agreed by Council, it was agreed that the Task and Finish Group on the Future Use of the Magistrates' Courts be reconvened to oversee the implementation of the proposals and to take the final recommendation to Council.

#### *ALTERNATIVE OPTIONS*

A range of alternative options have been considered by the Task and Finish Group which essentially can be summarised as:

- To withdraw from the marketing exercise and do nothing further;
- To retain the buildings for the short term and go out to market again in due course.

#### **44. Colchester Borough Council's Strategic Tenancy Strategy**

**Councillor T. Young (in respect of his position as Chairman of Colne Housing) declared a Disclosable Pecuniary Interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(5) and left the meeting during its consideration and determination.**

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

Councillor Bourne, Portfolio for Housing, introduced the Strategic Tenancy Strategy and commended it as a good example of partnership working.

*RESOLVED* that the Strategic Tenancy Strategy as attached at Appendix A of the Head of Strategic Policy and Regeneration's report be agreed.

*RECOMMENDED to COUNCIL* that the Strategic Tenancy Strategy be adopted as part of the Council's Policy Framework.

#### *REASONS*

The Localism Act 2011 requires that by January 2013, Local Housing Authorities in England to prepare and publish a strategic tenancy strategy. In adopting the strategy, Colchester Borough Council will meet the statutory requirements placed on it under the Localism Act 2011.

#### *ALTERNATIVE OPTIONS*

Not to adopt a Strategic Tenancy Strategy. Colchester Borough Council would then not meet its statutory duty under the Localism Act 2011. Failure to comply with this requirement would expose the Council to possible legal challenge. Additionally, without an agreed approach in place, housing providers, other partners and residents would be unclear as to the Council's position on key issues and what was expected of Registered Providers of social housing (RPs) operating in the Borough.

### **45. Police and Crime Panel Arrangements**

The Head of Corporate Management submitted a report a copy of which had been circulated to each Member.

*RESOLVED* that:-

(a) The Terms of Reference, the Panel Arrangements and the Rules of Procedure for the Essex Police and Crime Panel be accepted.

(b) Councillor Hunt be appointed as Colchester Borough Council's substitute member on the Essex Police and Crime Panel.

#### *REASONS*

The Police Reform and Social Responsibility Act 2011 requires local authorities in each Police Force area in England (excluding London) to establish a Police and Crime Panel. The role of the Police and Crime Panel is to scrutinise the Police and Crime Commissioner, who in turn is responsible for holding the Chief Constable to account. A Police and Crime Panel is a joint committee of the relevant local authorities. All those authorities constituting the Essex Police and Crime Panel have been asked to give approval to its arrangements. All relevant authorities have also been invited to nominate a substitute member of the Panel.

#### *ALTERNATIVE OPTIONS*

No alternative options were proposed but it was open to Cabinet not to accept the Terms of Reference, the Panel Arrangements and the Rules of Procedure for the Essex Police and Crime Panel or to appoint a different member as the substitute



member of the Panel.

#### **46. Appointment of Deputy Mayor**

Consideration was given to the appointment of the Deputy Mayor for the Municipal Year 2013-14.

Councillor Hunt proposed Councillor John Elliott be appointed Deputy Mayor for the Municipal Year 2013-14.

Councillor Quince attended and addressed the Cabinet to support Councillor Elliott's nomination. He had a long history of service on the Council and he believed he would make an excellent Deputy Mayor.

Councillor C. Sykes attended and addressed the Cabinet to express his support for the proposal and that Councillor Laura Sykes and he would be delighted to have Councillor Elliott as Deputy Mayor.

*RECOMMENDED TO COUNCIL* that Councillor John Elliott be nominated for appointment as Deputy Mayor for the Borough of Colchester for the 2013-14 Municipal Year.

#### **47. Amendment to Scheme of Delegation to Officers**

The Monitoring Officer submitted a report a copy of which had been circulated to each Member.

*RESOLVED* that the amendment to the Scheme of Delegation to Officers from Cabinet contained at paragraph 4.3 of the Monitoring Officer's report be approved and take immediate effect.

##### *REASONS*

The Scheme of Delegation to Officers from Cabinet requires amendment to reflect the amalgamation of the Estates and Regeneration teams within Strategic Policy and Regeneration.

##### *ALTERNATIVE OPTIONS*

No alternative options were presented.

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

The Head of Corporate Management submitted a progress sheet a copy of which had

been circulated to each Member.

*RESOLVED* that the contents of the Progress Sheet be noted.

#### *REASONS*

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

#### *ALTERNATIVE OPTIONS*

No alternative options were presented to the Cabinet.

**The Cabinet/Panel resolved under Section 100A(4) of the Local Government Act 1972 and the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 (as amended) to exclude the public from the meeting for the following item as it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.**

#### **49. Universal Customer Contact Fundamental Service Review: Approval of Full Business Case**

The Cabinet noted the contents of Appendix E to the Executive Director's report.

**The Cabinet/Panel resolved under Section 100A(4) of the Local Government Act 1972 and the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 (as amended) to exclude the public from the meeting for the following item as it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.**

#### **50. Depot and Offices, 123 Gosbecks Road, Colchester - Supermarket Proposal**

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

*RESOLVED* that:-

- (a) The Draft Heads of Terms for an Agreement for Lease between the Council and Scott Properties Ltd, as itemised in Appendix 1 of the Head of Strategic Policy and Regeneration's report, be approved.
- (b) The Draft Principal Terms and Conditions for a Ground Lease to be granted by the Council to Scott Properties Ltd or their nominated end user (identified following a marketing process carried out in agreement with the Council), as itemised in Appendix 2 of the Head of Strategic Policy and Regeneration's report be approved.

(c) A variation of the existing lease granted to Colchester Borough Homes (CBH) or the grant of a new lease on the terms reported to release part of the depot premises required for the proposed supermarket be agreed.

(d) The commercial advice from the Council's valuers, NPS, that the draft Heads of Terms currently represent the best consideration to the Council, taking into account current market conditions be accepted.

(e) Authority be delegated to the Head of Strategic Policy and Regeneration in consultation with the Portfolio Holder for Business and Resources to conclude the transaction substantially in accordance with the approved draft terms and conditions; complete negotiations for the Agreement for Lease, the ground lease and a new occupational lease for CBH.

## REASONS

(a) By way of a Portfolio Holder Decision report dated 27<sup>th</sup> June 2012 (reference BUS – 001 -12) it was agreed:

*(1) To authorise the Head of Resource Management in consultation with the Portfolio Holder for Business and Resources to negotiate the Heads of Terms (which would then be reported to Cabinet) with Scott Properties Ltd to develop a neighbourhood size supermarket, subject to the grant of planning consent, on part of the depot and offices at 123, Gosbecks Road and adjoining land in private ownership; and*

*(2) To approve the negotiations in 2.1(1) above on a private treaty basis with Scott Properties due to the requirement to combine both the Council's depot and adjoining privately owned land to facilitate the proposed supermarket development.*

(b) CBH have been consulted and have confirmed a willingness to reduce their operational premises requirements to release land from their lease to enable the proposed development to proceed. The main terms of a lease variation or a new occupational lease are as reported in paragraphs 5.12 to 5.16 of the Head of Strategic Policy and Regeneration's report.

(c) A valuable new rental stream secured on a long ground lease together with a capital receipt will be generated.

(d) CBH will consolidate their operations and reduce overheads within a reduced leased area.

## ALTERNATIVE OPTIONS

As an alternative to entering into an Agreement for Lease with Scott Properties and testing the market for a neighbourhood supermarket development, the Council could:

(i) Investigate alternative development opportunities for the site. Residential development is an alternative high land value proposal but as the majority of the site is

located within an Employment Zone, planning policy does not support this option.

(ii) Pursue a small supermarket development on the Council's land at 123 Gosbecks Road only. However, without the benefit of the existing open Class A1 retail planning consent attaching to the adjoining site, a separate retail development on the Council's site would be contrary to planning policy.

(iii) Review the future retention or disposal of the site when the current CBH lease expires on 31 July 2013. The Council is not obliged to renew the lease as the existing agreement excludes the tenant's lease renewal rights.

(iv) Renew the lease in favour of CBH for a further term for the same or a reduced site area dependant upon operational requirements; or

(v) The Council could refuse to accept that the provisionally agreed Heads of Terms for an Agreement for Lease and principal terms and conditions of a ground lease for the supermarket development represent the best possible consideration, or agree that they fail to realise the Council's aspirations for the future use and development of the site.

**The Cabinet/Panel resolved under Section 100A(4) of the Local Government Act 1972 and the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 (as amended) to exclude the public from the meeting for the following item as it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.**

#### **51. Future Use of the Magistrates' Court Task and Finish Group // Final Report**

The Head of Corporate Management submitted a report a copy of which had been circulated to each Member.

*RESOLVED* that:-

(a) the commercially sensitive information and the financial implications set out in paragraph 2 of the Head of Corporate Management's report be noted.

(b) in respect of the proposal detailed at paragraph 2.5 of the Head of Corporate Management's report, any offer of contract resulting from this proposal would need to be made to the proposed limited company referred to therein

(c) in the event that the proposal referred to at (b) above not proceeding, authority be given to pursue the alternative offer mentioned at paragraph 2.7 of the Head of Corporate Management's report.

*REASONS*

As set out in minute 43.

*ALTERNATIVE OPTIONS*

As set out in minute 43.



## Cabinet

23 January 2013

Item  
**7(i)**

<b>Report of</b>	<b>Head of Resource Management</b>	<b>Author</b>	<b>Sean Plummer</b> ☎ 282347
<b>Title</b>	<b>2013/14 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast</b>		
<b>Wards affected</b>	n/a		

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

- **The 2013/14 General Fund Revenue Budget**
- **Colchester's element of the Council Tax for 2013/14**
- **The Medium Term Financial Forecast**
- **The Capital Programme**
- **The Prudential Indicators and Treasury Management Strategy and Annual Investment Strategy**

### 1. Decisions Required

- 1.1 To note that the outturn for the current financial year is forecast to be an underspend in the region of £250k (paragraph 3.4.).
- 1.2 To approve the cost pressures, growth items, savings and increased income options identified during the budget forecast process as set out at Appendices B, C and D.
- 1.3 To consider and recommend to Council the 2013/14 Revenue Budget requirement of £23,051k (paragraph 6.11) and the underlying detailed budgets set out in summary at Appendix E and Background Papers.
- 1.4 To agree that Revenue Balances for the financial year 2013/14 be set at a minimum of £1,800k and that £750k of balances be applied to finance items in the 2013/14 revenue budget.
- 1.5 To note the provisional Finance Settlement figures set out in Section 7 including the start up figures for the new business rates retention scheme and the arrangements for completion of the required return of estimated business rates income as set out at paragraph 7.19.
- 1.6 To agree the following releases (paragraph 10.6):-
  - £200k from the Capital Expenditure Reserve in 2013/14 to meet costs including the community stadium.
  - £30k from the S106 monitoring reserve
  - £102k from the Pensions Reserve
- 1.7 To agree and recommend to Council that £100k of Revenue Balances be earmarked for potential unplanned expenditure within the guidelines set out at paragraph 11.3.

- 1.8 To agree and recommend to Council that Colchester's element of the Council Tax for 2013/14 be set at £178.65 for Band D properties which is a 1.95% increase (paragraph 12.2).
- 1.9 To note that the formal resolution from Cabinet to Council will include the Parish, Police, Fire and County Council elements and any change arising from the formal Finance Settlement announcement in early February. This will be prepared in consultation with the Leader of the Council.
- 1.10 To note the Medium Term Financial Forecast for the financial years 2013/14 to 2016/17.
- 1.11 To note the position on the Capital Programme shown at section 14 and agree:-
  - the releases set out at paragraph 14.6.
  - to recommend to Council that the refurbishment of the lift in the Lion Walk Activity Centre is added to the Capital Programme.
- 1.12 To note the comments made on the robustness of budget estimates at section 15.
- 1.13. To approve and recommend to Council the 2013/14 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out in the background paper at Appendix I.

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

- 2.1 The 2013/14 Revenue Budget and the Capital Programme have been prepared in accordance with a process and timetable agreed at Cabinet and endorsed by the Strategic Overview and Scrutiny Panel (Appendix A).
- 2.2. The Revenue Budget for 2013/14 has been prepared against a background of meeting the Council's Strategic Plan objectives whilst continuing to face significant financial pressures from the reductions in core Government funding and the ongoing difficult economic background. Every effort has been made to produce a balanced budget that includes a high level of savings and investment in key services with an increase in Council Tax of 1.95%. This has been achieved through a budget strategy that has resulted in:-
  - the delivery of savings through the fundamental service review process
  - making efficiencies through specific budget reviews and contract renewals
  - maximising new and existing income streams
  - making decisions on budget changes where necessary
- 2.3. Core Government funding for 2013/14 is being reduced by £727k. In total since 2011/12 this funding has now been reduced by £3.3m with a further provisional reduction of £1.2m announced for 2014/15.
- 2.4. The budget includes savings or additional income of £1.8m. This compares to £1.7m included within the 12/13 budget. The majority of savings are based on proposals to work more efficiently and to maximise opportunities to increase income.
- 2.5. The financial outlook set out within the Medium Term Financial Forecast (MTFF) shows that further reductions in core Government funding and cost pressures faced

by the Council mean that the position will remain challenging. Having found a significant level of savings and additional income over recent years and with further proposals recently agreed in respect of the Universal Customer Contact FSR (UCC FSR) the scope to find further savings to bridge remaining budget gaps without reductions in service levels is reducing.

- 2.6. Legislative changes such as the introduction of the Local Council Tax Support (LCTS) Scheme and the introduction of the business rates retention scheme bring new financial risks for the Council to consider for 2013/14 and the MTFF. The budget includes consideration of these issues and recommends steps to manage the risks by increasing the recommended level of balances.
- 2.7. Further information on the budget is provided in the following paragraphs.
- 2.8. This report should be read and considered alongside the report in respect of the Housing Revenue Account and Housing Investment Programme to provide a full assessment of the Council's financial position and plans.

### **3. Current Year's Financial Position**

- 3.1 In order to inform the 2013/14 budget process and forecast level of reserves it is useful to first review the current year's financial position. Revenue budgets are monitored on a monthly basis with regular reports to Senior Management Team and the Finance and Audit Scrutiny Panel (FASP). A considerable amount of work has been undertaken to determine a reasonable forecast of the year-end position.
- 3.2 The current position is that the forecast outturn is expected to be an underspend in the region of £250k. The 2012/13 budget included c£1.7m of savings and increased income and as has been reported during the year these have largely been achieved. A risk factor allowance of £285k was added to the 2012/13 budget and as this is reflected in the forecast outturn it shows that broadly the outturn is expected to be delivered within the budget and that the risk factor allowance is the reason for the net underspend. As shown later in this report the risk factor is being removed from the 2013/14 budget and therefore the underspend this year has been reflected in the 2013/14 budget.
- 3.3. There remain some outstanding risks to the forecast and the position continues to be monitored and FASP on 26 February 2013 will receive a report setting out a detailed position.

- 3.4 **Cabinet is asked to note that the forecast outturn position for the current year is anticipated to be an underspend of £250k and that the position will continue to be monitored.**

### **4. 2013/14 Revenue Cost Pressures**

- 4.1 Appendix B sets out revenue cost pressures, over the 2012/13 base, of £2.12m which have been identified during the budget process. This includes an inflation allowance and the impact of reduced income.
- 4.2 The cost pressures have been mostly considered by Cabinet. However there are a number of changes including an increase next year in fleet costs and a number of other areas where income targets have been reduced. These changes reflect work



carried out to review budget variances in 12/13 and to assess the extent to which this may continue into 13/14.

- 4.3 **Cabinet is asked to approve inclusion within the 2013/14 Revenue Budget of the cost pressures set out at Appendix B.**

## 5. 2013/14 Growth Items

- 5.1. Appendix C sets out revenue growth items totalling £1.415m which are recommended for inclusion in the budget. A number of these have been reported during the budget process however scope has been delivered within the budget to fund investment in services.
- 5.2. The separate report on this agenda sets out a review of the Food Waste trials and details of the grant received from the Weekly Collection Support Fund. An assessment has been made as to the use of the grant to offset the planned investment which has reduced the net investment in services to £565k.

- 5.3 **Cabinet is asked to approve inclusion within the 2013/14 Revenue Budget of the growth items shown at Appendix C.**

## 6. 2013/14 Revenue Saving / Increased Income

- 6.1. Appendix D sets out savings / increased income totalling £1.793m.
- 6.2. This level of savings and increased income is more than identified for the 12/13 budget and remains a significant sum. All proposals are set out within the appendix.
- 6.3. As with previous years there are likely to be one-off costs required to deliver some of the budget savings. A sum of £0.5m has therefore been allocated and it is proposed that this is funded from balances.
- 6.4. Within any year there will be risks attached to the delivery of proposed budget savings. In the current year a savings risk factor of £285k was included in the budget following an assessment of the level of risk. This is unlikely to be required this year and it is not proposed to make a specific allowance in the 2013/14 revenue budget.

### *Technical Items / Adjustments*

- 6.5. As part of the Finance Settlement the grant the Council receives in respect of homelessness prevention has been 'rolled into' the Council's start up funding position. The grant of £196k has therefore been removed from the budget requirement figure.
- 6.6. The Local Council Tax Support Scheme (LCTS) was approved by Full Council in December. One of the issues with this scheme is that the Council receives a fixed grant from Government in respect of the cost of the agreed Council Tax discounts. The provisional grant allocations for LCTS included c£120k which was estimated to be related to parish councils. Therefore to mitigate the impact that would otherwise be faced by parish councils it has been agreed that this grant will be paid to them. The LCTS grant forms part of the Council's start up funding and therefore the cost of the parish grant needs to be shown as an increase in the budget requirement.

6.7. The level of the grant passed on to parishes is estimated to at least match the impact of LCTS in 2013/14. It should be noted that in future years financial settlements the grant in respect of LCTS is being included within our main funding levels and it is not expected that the assumed grant in respect of parishes will be separately identified. Given the notified further reductions in core funding for 2014/15 (shown later in this report) it will be necessary to review the level of any future parish grants in respect of LCTS.

6.8. The Council’s budget includes several technical items such as net interest, Council Tax on second homes, various budget provisions and the net impact of charges between the General Fund and the Housing Revenue Account (HRA). These budgets are compiled based on final budget proposals and in total there is a forecast net difference compared to the 2012/13 budget of £56k.

6.9 **Cabinet is asked to approve inclusion of the savings / increased income items set out at Appendix D within the 2013/14 Revenue Budget.**

**6.10. Summary Total Expenditure Requirement**

6.11 Should Cabinet approve the items detailed above, the total expenditure requirement for 2013/14 is as follows:

	<b>£'000</b>
2012/13 Budget (excl. New Homes Bonus)	21,567
Less: 2012/13 one-off items	(280)
Cost Pressures (as per Appendix B)	2,120
Growth (as per Appendix C)	565
Savings/Increased Income (as per Appendix D)	(1,293)
Technical Items / Adjustments:-	
• Homelessness Protection Grant (see para 6.5)	196
• Parish Grants (re LCTS. see para 6.6))	120
• Other technical items (see para. 6.8)	56
<b>Forecast Budget 13/14 (excl. New Homes Bonus)</b>	<b>23,051</b>

**Note:**

*Detailed service group expenditure is available. A summary of service group expenditure is attached at Appendix E.*

6.12 **Cabinet is asked to agree and recommend to Council the net revenue expenditure requirement for 2013/14 and the underlying detailed budgets set out in Appendix E.**

**7. Finance Settlement (Government Funding)**

7.1. The provisional Local Government Finance Settlement was announced in Parliament on 19 December 2012. This is the first settlement that reflects the new “financial relationship” between central and local government. The Settlement introduces a number of new funding arrangements, concepts and terminology. This section of the budget report provides a summary of the key issues including:-

- Revenue Spending Power
- Start up funding
- Baseline funding level and Revenue Support Grant
- Business Rate Baseline and tariffs and top-ups
- Levies and safety net

#### *Revenue Spending Power*

7.2. The announced Settlement continues with the concept of “Revenue Spending Power” (the total of our Government grants and Council Tax Income) and now also includes an efficiency grant which is provided for those authorities whose change in revenue spending power fall below a set threshold to ensure that no authority receives a reduction in spending power of below a cut of 8.8%.

7.3. Colchester’s revenue spending power has increased by £211k (0.9%). As the table below shows the main reason for the increase is the level of additional income from the New Homes Bonus. **This also highlights that the Council’s main ‘formula grant’ has reduced by £727k (7.1%)**

	2012/13	2013/14	Change	
	£m	£m	£m	%
Council Tax	10.761	10.761	0.000	0.0%
<b>Start-up funding (see para 7.4 to 7.11)</b>	<b>10.189</b>	<b>9.462</b>	<b>-0.727</b>	<b>-7.1%</b>
Council Tax Freeze grant (see para 8.4)	0.269	0.109	-0.160	-59.6%
New Homes Bonus(see para 7.25)	1.525	2.616	1.091	71.6%
Community Right to Challenge and Bid	0.009	0.016	0.008	91.9%
<b>Total Spending Power</b>	<b>22.753</b>	<b>22.964</b>	<b>0.211</b>	<b>0.9%</b>

#### *Start-up Funding*

7.4. The Government has set out the methodology for determining the total sum available for Local Government. This includes an assessment of business rate revenues, grants transferring into the spending control totals and other adjustments to funding values. At a local level the start-up funding is allocated to individual councils in two parts: formula Funding and grants transferring into the Settlement.

#### *Formula Funding*

7.5. The mathematical formulae used for allocating funding are based on that used for 2012/13. The Settlement again shows that the level of the “floor” remains one of the most critical factors in the grant allocation methodology as shown below.

#### *Grant Damping - Floors*

7.6. As has been the case for the last five years our grant has been reduced by the system of damping or floors. The floor methodology is designed to ensure that no authority receives a cut greater than a given level. The system is self financing between categories of local authorities. The table below shows that for Colchester the cost of damping is £0.2m. The table below sets out the key figures:-

	£'000	
Formula Grant 2012/13	8,404	
Formula Grant (before Floor) 2013/14	7,878	Based on formula grant mechanism
Reduction in grant (before floor)	526	
<b>Cost of floor</b>	<b>201</b>	
Actual reduction in grant	727	

Grants transferring into the Settlement

7.7. A number of grants have been 'rolled into' the overall start up funding position with three being relevant to Colchester:-

*Local Council Tax Support Grant (LCTS) - £1.321m*

7.8. Full Council agreed the LCTS for Colchester for 2013/14. This was done on the basis of indicative Government funding of £1.294m. The final figure announced in the Settlement is slightly higher at £1.321m.

*Homelessness prevention grant - £0.196m*

7.9. This grant was previously paid outside of the main grant figures and as such the move into the start up funding position for 2013/14 is a mostly technical change.

*Council Tax Freeze grant (re decision for 2011/12) - £0.267m*

7.10. This grant will be paid for 13/14 and 14/15 and relates to the decision to freeze Council Tax in 2011/12.

7.11. The following table sets out the total start up funding assessment:-

	£'000
Formula funding	7,678
Council Tax Freeze Grant	267
LCTS	1,321
Homelessness	196
<b>Total Start up funding assessment</b>	<b>9,462</b>

*Baseline Funding level and Revenue Support Grant*

7.12. Each local authority's start up funding has been split into two parts:-

- Funding provided through Revenue Support Grant
- Funding provided through business rates retention scheme (baseline funding level)

7.13. These two amounts are determined by applying a Local Share:Revenue Support Grant ratio. This is the same for all authorities and is principally informed by the Government's stated intention that 50% of business rates will be retained locally. The table below shows the analysis of the start up funding:-

	<i>Revenue Support Grant</i>	<i>Baseline Funding Level</i>	<i>Total Start up Funding</i>
	£'000	£'000	£'000
Formula funding	4,611	3,067	7,678
Council Tax Freeze Grant	160	107	267
LCTS	793	528	1,321
Homelessness	118	78	196
<b>Total start up funding assessment</b>	<b>5,682</b>	<b>3,780</b>	<b>9,462</b>

7.14. The split of the start up funding is important. The Revenue Support Grant element is an unringfenced grant. The baseline funding level is used as part of the retention of business rates scheme as explained below.

### **Business Rate Baseline and tariffs and top-ups**

- 7.15. The starting point of the business rates retention scheme comprises of an assessment by Government of the total local share of Business Rates for 2013/14 which has been agreed as £10.9billion. To then calculate an individual billing authority's baseline the Government has calculated of how much of this relates to each council. This is known as the "proportionate share" and has been based on a billing authority's historic business rate collection as a percentage of the overall business rate yield. For Colchester this is 0.0026%
- 7.16. The regulations then include an allocation of this baseline for those authorities, such as Colchester, with major preceptors. The set percentage split is shown below:-
- |                      |     |
|----------------------|-----|
| Colchester           | 80% |
| Essex County         | 18% |
| Essex Fire Authority | 2%  |
- 7.17. The retention scheme includes a system of tariffs and top up adjustments. A local authority must pay a tariff if its individual authority business rate baseline is greater than its baseline funding level. Conversely, a local authority will receive a top-up if its baseline funding level is greater than its individual authority business rate baseline. Tariffs and top-ups will be fixed until the business rates retention system is reset but will be updated by RPI each year.
- 7.18. The following table sets out a summary of the baseline position for Colchester showing the required tariff payment of £19.2m.

	£'000	Note	See Para.
Billing Authority Baseline	28,731	£10.9bn x proportionate share (0.0026%)	7.15
Preceptor's share	80%		7.16
Individual Baseline	22,985		
Baseline funding	3,780		7.13
Tariff	19,205		

- 7.19. Part of the new arrangements for business rate retention is for the Council to agree an estimate of business rates income for 2013/14. This return (the NNDR 1) must be signed off by the Council's Section 151 Officer by 30 January. This return includes a number of key assumptions in respect of collections rates, growth in business rates and an allowance for the impact of revaluation appeals. It is recommended that given the uncertainty over the first year of the business rates scheme should there be any estimated increase in income above the baseline funding level then this will be held in a specific reserve for budgeting purposes.

### **Levy and Safety net**

- 7.20. The business rate retention scheme includes a degree of protection against reduction in business rates collected (the Safety Net) and a method for limiting the amount of any growth that an authority can keep (the Levy).

#### *Safety net*

- 7.21. The safety net is being set at 7.5%. This means that 92.5% of the NNDR revenue in year is guaranteed. The safety net provides a measure for the risk CBC will be exposed to in any one year. The safety net threshold for Colchester is £3.497m

(92.5% of £3.780m). On other words, the risk to Colchester of NNDR income reductions is limited to £283k for 2013/14.

#### *Levy rate*

- 7.22. The levy rate is a calculation to determine the amount of any growth in business rate income that a council can keep. The levy is designed to ensure that authorities do not keep a *disproportionate* amount of any growth and in turn to provide funds for the safety net. The formula to calculate the levy rate is shown below which results in a rate of 84%.

$$1 - \left[ \frac{\text{baseline funding level (£3.78m)}}{\text{individual authority business rates baseline (£22.985m)}} \right]$$

- 7.23. However, the Government has now agreed that there should be cap on the levy rate at 50%. Put simply, this means that CBC can keep 50% of any growth above our baseline (subject to the required allocation of 20% to the major preceptors: ECC and Fire).

#### *Summary of Start up Position*

- 7.24. This section of the report seeks to explain the key funding mechanism within the settlement and key figures. It is acknowledged that the finance reforms bring new risks and the potential for rewards to the Council. These are considered as part of the balances assessment later in this report. Provisional figures have also been set out for 2014/15 and these are considered as part of the Medium Term Financial Forecast (MTFF).
- 7.25. The Settlement is provisional and subject to consultation which ends on 15 January 2013. Traditionally, there has been very little change between the provisional and actual Settlement. Any marginal change to the Council's entitlement will be reflected in the final budget recommendation to Council.
- 7.26. In addition to the start up funding figures other grants have been announced. The key grant for Colchester is the New Homes Bonus

#### *New Homes Bonus*

- 7.27. The 2013/14 grant includes elements reflecting growth in the taxbase during 2009/10, 2010/11 and 2011/12 and also the bonus payable in respect of delivering affordable homes for the last 2 years. The last budget update report considered by Cabinet included an estimate of the total grant. The final figure is a total grant for 2013/14 of £2.616m, an increase of £1.091m. An analysis is shown below:-

	£'000	Note
Grant re growth in Oct 09 – Oct 10	724	Payable annually until 16/17
Grant re growth in Oct 10 – Oct 11	749	Payable annually until 17/18
<b>Total Grant re growth in taxbase</b>	<b>1,473</b>	
Affordable homes bonus	52	Payable annually until 17/18
<b>Total grant for 12/13</b>	<b>1,525</b>	
Grant re growth in Oct 11 – Oct 12	986	Payable annually until 18/19
Affordable homes bonus	105	Payable annually until 18/19
<b>Total grant for 13/14</b>	<b>2,616</b>	
Increase	1,091	

- 7.28. The methodology of the scheme means that we will receive *at least* this level of grant until 2016/17 with the likelihood that the grant will continue to increase significantly.
- 7.29. It has been highlighted in previous Cabinet reports that specific funding allocated by the Government for the New Homes Bonus is insufficient to meet the total cost of the scheme, therefore any shortfall is met by the main formula grant funding allocation. As such it is important that the New Homes Bonus is considered alongside the formula grant funding and this issue is considered later in the report and as part of the Medium Term Financial Forecast (MTFF).

## **8. Council Tax and Collection Fund**

### *Council Tax Rate*

- 8.1. An increase in Colchester's element of the Council Tax is proposed of 1.95% taking the cost to £178.65 per Band D property, which is an increase of £3.42 per year. There are two specific issues that should be considered alongside this proposal: the arrangements to hold a referendum and the Government offer of a Council Tax Freeze grant for 2013/14.

### *Council Tax referendum*

- 8.2. The Localism Act introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax, including proposed limits. The principles are subject to approval by the House of Commons. From 2013 onwards, any council that wishes to raise its Council Tax above the limits that apply to them will have to hold a referendum. The result of the referendum will be binding.
- 8.3. The Secretary of State has proposed that the maximum increase a council can set without a referendum is 2% and therefore there is no requirement for Colchester to hold a referendum.
- 8.4. Currently, local precepting authorities (i.e. parish and town councils) are not included in the proposed principles. However, the Government has stated that it will monitor increases in this sector and has not ruled out setting principles that will apply to high spending town and parish councils.

### *Council Tax Freeze Grant 2013/14*

- 8.5. The Chancellor of the Exchequer announced on the 8<sup>th</sup> October that the Government will set aside an extra £450 million to help freeze council tax bills in England. The new grant will be paid to local authorities who decide to freeze or reduce their Council Tax in 2013/14. The grant paid will be paid for 2 years and will be equivalent to a 1% increase in Council Tax. For Colchester the notified estimated grant is £109k for 2013/14 and 2014/15.
- 8.6. This will be the third Council Tax freeze grant which has been made available to local authorities:-

	Grant £'000	Period paid / payable
<i>Grants Received:-</i>		
• Council Tax Freeze in 2011/12	267	4 years from 2011/12 to 2014/15
• Council Tax Freeze in 2012/13	269	2012/13 only
<i>Potential Grant available:-</i>		
• Council Tax Freeze in 2013/14	109	2013/14 and 2014/15

- 8.7. The proposal within this report is for an increase in Council Tax and as such Colchester would not qualify for this new grant. This proposal has no impact on the grant that continues to be received in respect of the decision to freeze Council Tax in 2011/12.

#### *Collection Fund*

- 8.8. As part of the formal budget setting process, the Council is required to determine each year, as at 15 January, the estimated surplus or deficit arising from the Council Tax Collection Fund as at 31 March.

- 8.9. The collection rate continues to be close to our target with small surplus on the fund is forecast of £18k.

#### *Council Tax discounts (LCTS and other changes)*

- 8.10. Full Council agreed the Local Council Tax Support Scheme (LCTS) for 2013/14. To account for the cost of this scheme for Colchester it is necessary to make a reduction to the taxbase. Other Council Tax changes are also being made in respect of second homes and empty properties as outlined in the report to Cabinet on 28 November and these changes are reflected in the taxbase.

## **9. Revenue Balances**

- 9.1. The Local Government Act 2003 places a specific duty on the Chief Financial Officer to report on the adequacy of the proposed financial reserves of an Authority when the budget is being considered. This section and section 11 address this requirement.

#### *Minimum level of balances*

- 9.2. Cabinet, at its meeting on 28 November 2012, considered a report setting out the outcome of a risk analysis in respect of the Council's Revenue Balances. Cabinet agreed with the recommendation that Revenue Balances should be increased to a minimum of £1.8m and that the situation would be reviewed based on the implications and details of items such as the grant settlement, budget savings and other variables.
- 9.3. In considering the level at which Revenue Balances should be set for 2013/14, Cabinet should note the financial position the Council is likely to face in the medium term through the levels of future Government funding and legislative changes such as the business rate changes and LCTS scheme.
- 9.4. The analysis of the business rates retention scheme and specifically the operation of a safety net shows that there is a risk to the Council's budget of £283k (see para. 7.20).



9.5. When Council considered the LCTS scheme for 2013/14 a number of risk areas were identified as follows:-

- *Recovery of Council Tax.* There is a risk of a lower level of collection of Council Tax, given that more people will have to pay Council Tax and many for the first time.
- *Recovery costs and resources.* The number of people paying Council Tax will increase and we will need to consider the impact on resources.
- *Demand.* Under the existing benefit scheme there is no direct financial impact on the Council of changes in the amount of benefit paid. Under the LCTS scheme the Government grant will be a fixed sum and therefore any increase will be borne by all of the major preceptors including Colchester.

9.6. Consideration has been given to these issues in estimating the likely costs of LCTS and the necessary changes to the taxbase. Whilst detailed modelling has been undertaken to inform all the proposals the introduction of LCTS and the funding by a fixed grant means that the Council faces an increased risk exposure.

9.7. Based on the assumptions built into the budget it is considered prudent to set balances at a minimum level at £1.8m. The impact of the various local government reforms will be assessed as part of the budget strategy for 2014/15 and the level of balances can be reviewed at that time.

*Level and Use of balances*

9.8. The cost pressures and growth items set out in the following table and included within the appendices to this report include a number of one-off costs. It has been identified that it would be prudent to therefore use £700k from general balances to fund these items.

	<i>Cost in 13/14 £'000</i>	<i>Note</i>
Potential one-off costs to deliver budget options	500	See paragraph 6.3.
PV Panels	15	See Growth items (Appendix C)
Market study	15	
Welfare reform	30	
Strategic Plan priorities	100	
Museums	67	See Cost pressures (Appendix B)
<b>Total</b>	<b>727</b>	

9.9. The forecast position in respect of Revenue Balances is set out at Appendix F and shows balances at £1,859k, £59k above the recommended minimum balance as set out in the agreed Risk Analysis. This assessment includes some changes to a number of assumptions:-

*Icelandic Investments*

9.10. Based on accounting guidance we have had to account for the impairment during 2010/11. This includes capital and adjustments for interest. There has been a further accounting guidance release which has updated the assumptions to be used. These include:-

- Recent distributions

- Following the confirmation of priority status recommendation that the recoverable amount is based on a total repayment of 100%. This has increased from 94.85%.
- The latest bulletin estimates the remaining balance being repaid annually in equal instalments between 2012 and 2019.

9.11. The impact of these changes has reduced the impairment by £489k. Therefore, there is a potential one-off revenue gain of almost £0.5m that has been taken to balances.

9.12. Consideration has also been given to a number of existing allocations held within balances and future calls on funds. These changes are reflected in the figures shown at Appendix F.

9.13. **Cabinet is recommended to approve Revenue Balances for the financial year 2013/14 be set at £1.8m and to approve the use of £700k to support the revenue budget.**

## 10. Reserves and Provisions

10.1. Cabinet at its meeting on 28 November 2012 considered the Council's earmarked reserves. As part of the budget process a review was undertaken into the level and appropriateness of earmarked reserves and provisions for 2013/14. The review concluded that the reserves and provisions detailed were broadly appropriate and at an adequate level, however, it was stated that a further review would be done as part of this final report. The proposed budget includes a number of releases from reserves, including some changes to those already proposed.

### *Capital Expenditure Reserve (CER) – Community Stadium - £200k*

10.2. The Council agreed that an approach to minimise the revenue pressure is to fund the annual MRP (Minimum Revenue Provision) cost by identifying new capital receipts in the period of the borrowing for the community stadium. This then allows a release of revenue funds within the capital expenditure reserve. For 2013/14 the use of the reserve continues at £200k which broadly reflects the current MRP cost.

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

10.3. The building maintenance programme has been based on in-depth condition surveys of all Council building assets. The programme will continue to be developed over the coming year. The 2013/14 budget includes the proposal to continue to add £150k to support the cost of future repairs. New releases are possible for next year and will be reported to Cabinet as required.

### *S106 Monitoring Reserve – release of £30k*

10.4. This reserve was set up to provide funds to support the future monitoring of Section 106 agreements. It is proposed to use £30k to support the 2013/14 budget. Contributions to this reserve are made from S106 payments received in respect of monitoring. This reserve has reduced over time and therefore the proposed use for 13/14 is lower to reflect this.

### *Pension costs – release of £102k*

10.5. Previous triennial reviews of the pension fund have shown a significant deficit due to market conditions and increased life expectancy. The last review resulted in a forecast increase in pension costs. As part of the 2011/12 budget a provision was

established to fund these increased costs. For 2013/14 the increase shown within the list of cost pressures is £102k.

- 10.6. **Cabinet is recommended to agree the:**
- release of £200k from the Capital Expenditure Reserve
  - release of £30k from S106 monitoring reserve towards the costs of carrying out this function
  - release of £102k from the pensions provision to provide for the increase in pension deficit costs.

## 11. Contingency Provision

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

11.2 It is recommended that £100k of Revenue Balances be specifically earmarked for potential items of unplanned expenditure. It should be noted that if this sum was used during the year it may take revenue balances below the recommended level of £1,800k and the Council would need to consider steps to reinstate balances at a later date.

- 11.3 **Cabinet is asked to agree and recommend to Council that £100k of Revenue Balances be specifically earmarked for potential items of unplanned expenditure which are:**
- The result of new statutory requirements or
  - An opportunity purchase which meets an objective of the Strategic Plan or
  - Is considered urgent, cannot await the next budget cycle and cannot be funded from existing budgets
  - Authorisation being delegated to the Leader of the Council.

## 12. Summary of Position

12.1 Summary of the Revenue Budget position is as follows:

	<b>£'000</b>
Revenue expenditure requirement for 2013/14 (para 6.10).	23,051
New Homes Bonus (para 7.26)	(2,616)
Use of balances (para 9.4)	(700)
Use of balances re carry forward (see cost pressures Appendix B)	(50)
Release from Capital Expenditure Reserve (para 10.2)	(200)
Release of S106 monitoring reserve (para 10.4)	(30)
Release of pensions reserve (para 10.5)	(102)
<b>Budget Requirement</b>	<b>19,353</b>
Funded by:	
Revenue Support Grant (para 7.13)	(5,682)
NNDR Baseline Funding ( " " )	(3,780)
Collection Fund surplus (para 8.9)	(18)
Council Tax Payers requirement (before Parish element) see below*	(9,873)
<b>Total Funding</b>	<b>19,353</b>

<b>Council Tax*</b>	
Council Tax Payers requirement (before Parish element)	9,873,000
Council Tax Base – Band D Properties	55,265.4
<b>Council Tax at Band D</b>	<b>178.65</b>

- 12.2 **Cabinet is asked to agree and recommend to Council Colchester’s element of the Council Tax for 2013/14 at £178.65 per Band D property, which is an increase of £3.42 (1.95%) from 2012/13, noting that the formal resolution to Council will include Parish, Police, Fire and County Council precepts and any minor change arising from the formal Finance Settlement announcement.**

### 13. Medium Term Financial Forecast – 2013/14 to 2016/17

13.1. This Council, in common with most other local authorities, faces an ongoing difficult position in the medium term due to a range of pressures including providing statutory services, ongoing pressures caused by reduction in several sources of fees and charges and potential revenue implications of strategic priorities. However, the most significant factor that will impact on budget will be the level of Government funding support including changes arising from the Local Government Resource Review and also implications of benefit reforms.

13.2. The Medium Term Financial Forecast (MTFF) is attached at Appendix G showing that the Council faces a continuing budget gap over the next three years from April 2014. The following table summarises the position showing a cumulative gap over the period from 2014/15 of c£5m and how the potential savings and income identified in Universal Customer Contact (UCC) FSR will reduce this to £2.3m

	2014/15	2015/16	2016/17	See para
	£'000	£'000	£'000	
Net Budget	23,064	24,674	25,564	
Gov't Funding (RSG & NNDR)	(8,266)	(7,586)	(7,207)	13.5 and 13.6
New Homes Bonus	(2,616)	(2,616)	(2,616)	13.8
Council Tax	(10,071)	(10,272)	(10,477)	13.14
Reserves	(230)	(230)	(230)	
<b>Cumulative Gap Before UCC FSR</b>	<b>1,881</b>	<b>3,970</b>	<b>5,034</b>	
UCC FSR Savings (cumulative)	(815)	(1,805)	(2,695)	13.12
<b>Cumulative Gap (after UCC)</b>	<b>1,066</b>	<b>2,165</b>	<b>2,339</b>	
<b>Annual increase</b>	<b>1,066</b>	<b>1,099</b>	<b>174</b>	

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

#### *Government Funding*

13.4. Alongside the 2013/14 Finance Settlement announcement the Government set out provisional figures for 14/15. These figures reflect previously announced reductions

in local government funding with the additional 2% departmental budget savings to be found in 2014/15 announced in the Autumn Statement.

- 13.5. The key figure for the Council's financial planning is the comparable level of start-up funding which shows **a reduction in 14/15 of £1.2m (12.6%)**.
- 13.6. For years beyond 14/15 an annual reduction of 5% is assumed based on overall totals although the actual change that Colchester may see could be different.
- 13.7. As set out within this report the New Homes Bonus is now a key element of the Government's financial support for local authorities. The methodology of the scheme means that we have degree of certainty over at least a minimum level of funding in the short to medium term.
- 13.8. The MTFF provides a breakdown on how the New Homes Bonus may change over the next few years and at this stage a 'worst case' situation is shown within the figures. There is a clear likelihood that funding from the New Homes Bonus will be much higher than the figures shown. However, given the link with other Government funding a prudent approach is proposed at this stage.
- 13.9. Further changes in Government funding over the course of the MTFF are likely with potential reductions in grants for benefit administration.

#### *Pay, Inflation and costs*

- 13.10. The 2013/14 budget includes an allowance for a pay award. For 2014/15 and beyond a sum is included for planning purposes to cover this and other inflationary pressures.
- 13.11. An allowance for changes to pension costs following has been included in the 2013/14 budget. The next actuarial review will take place base on the position at April 2013. The outcome of this review will not be known until the Autumn and an assumption of an increased cost of £250k is currently shown and this will be refined in future years as the position becomes clearer.

#### *Forecast savings*

- 13.12. The MTFF includes changes to forecast savings for 2014/15. These include further savings from the sport and leisure FSR and additional procurement savings. However, the most significant area for saving is the UCC FSR where, as commented earlier cumulative savings and increased income of £2.7m are anticipated.

#### *Economic Background – Fees and charges*

- 13.13. It is evident that there has been a reduction in some income budgets over recent years. The budget proposals for this year and 2013/14 have built in a number of adjustments to key areas such as car parking, planning and land charges. On this basis the MTFF assumes a broadly neutral position over the next three years and this will need to be reviewed annually to ensure income targets are reasonable.

#### *Council Tax*

- 13.14. A planning assumption has been used of an increase in Council Tax of 2%pa. This is shown for planning purposes only in the MTFF position and does not represent a proposal.

### *Growth items*

- 13.15. No allowance has been built in to the MTFF for further growth items in 2014/15. However, in 2015/16 an allowance has been made for the impact of the end of the Food Waste grant. The actual impact in that year and possibly the year after will depend on the level of funding used in 13/14 and 14/15 to support the rollout of the food waste collection service. This issue will be considered in more detail when the MTFF is next updated.

### *Summary*

- 13.16. A realistic approach has been taken to the MTFF and it is evident that it will be necessary to revise a number of the assumptions set out.
- 13.17. In the 2013/14 budget savings of £1.8m have been found which, when looked at alongside the £5.3m identified in the budgets for 11/12 and 12/13, represents a significant level of budget savings found over 3 years. The MTFF shows that whilst anticipated savings from the UCC FSR will make a significant contribution to reducing future budget gaps further budget changes will be necessary. Whilst we will continue to look for other areas of savings and efficiencies it will be increasingly hard to balance budgets without considering variations to current services.

- 13.18. **Cabinet is asked to note the medium term financial position forecast for the Council.**

## **14. Capital Programme**

- 14.1. Cabinet has considered the Capital Programme throughout this financial year. The most recent changes were agreed at the meeting of 28 November 2012 when Cabinet agreed the inclusion in the Capital Programme and release of resources for the following schemes:

- £2.366m for the Universal Customer Contact Fundamental Service Review.
- £94k for the Castle Park Olympic Legacy project.

- 14.2. The quarter 2 capital monitoring report that was reported to FASP on 20 November showed a total 'live' Capital Programme of £26.7m, and a projected spend for the year of £19.2m. The remainder of the funds being expected to be spent in 2013/14 and beyond. The monitoring report highlighted that there is a forecast net overspend on the 'live' Capital Programme of £22.1k in respect of the following schemes:

<b>Scheme</b>	<b>Over / (Under) £'000</b>
Town Hall DDA Sensory Project	3.1
Carbon Management Programme Phase 2	4.0
Site Disposal Costs	15.0
<b>Total Net Overspend</b>	<b>22.1</b>

- 14.3. Whilst it is hoped that the small projected overspends against the Town Hall DDA Sensory Project and phase 2 of the Carbon Management Programme can be mitigated, it is proposed that resources are released to meet the additional site disposal costs in respect of the A12 restaurant site.

14.4. A review of resources available to support the Capital Programme has been carried out, and the following table provides a summary position. This shows that there is currently a surplus of resources compared to the approved Capital Programme.

<b>Detail</b>	<b>£'000</b>	<b>Note</b>
Estimated balance of funds brought forward from 2012/13	(864.9)	Surplus
Projected receipts for 2013/14	(2,459.0)	Receipts which are confirmed but not yet received
<b>Balance available</b>	<b>(3,323.9)</b>	
Current commitments for 2013/14	1,335.0	UCC FSR & Olympic Legacy
Forecast overspend on programme	15.0	See paras 14.2 – 14.3
New releases proposed now	1,161.0	See <b>Appendix H</b>
<b>Total forecast balance carried forward</b>	<b>(812.9)</b>	Surplus

14.5. Looking ahead, against these likely available resources needs to be considered emerging capital requirements, some of which have been previously reported to Cabinet. These include the Universal Customer Contact Fundamental Service Review, ongoing repair costs of the town and castle walls, the Vineyard Gate development, and ongoing support to Disabled Facilities Grants and the impact of minimising revenue pressures relating to borrowing for the Community Stadium.

14.6. Within the above forecast there is currently an estimated total of £1.9m of unallocated resources available to release. It is recommended that part of this is used for the priorities detailed in **Appendix H** to this report and summarised below, which all require resources during the 2013/14 financial year:-

- £50k for repairs to the town walls.
- £379k for repairs to the external walls of Colchester castle.
- £200k in respect of the Temporary Accommodation Review.
- £92k for repairs to the walls of closed church yards.
- £200k for CBC funding for Disabled Facilities Grants in 2013/14.
- £200k contribution towards MRP costs for the Community Stadium in 2013/14.
- £40k for the refurbishment of the lift in the Lion Walk Activity Centre.

14.7. It is also proposed that Cabinet recommend to Council that the last project shown above, which is a new scheme, is added to the capital programme.

## **15. Robustness of Estimates**

15.1 The Local Government Act 2003 placed a specific duty on the Chief Financial Officer to report on the robustness of estimates in the budget proposals of an Authority when the budget is being considered. This section addresses this requirement.

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

15.3. This latest review of the budget for this financial year, 2012/13, has shown that broadly speaking budgets have been achieved, however, there remain some

pressures in certain areas. Steps have been taken to revise some income budgets for 13/14 including some of these current risk areas.

15.4. By taking appropriate action within the proposed 2013/14 budget, exposure to further downgrading of assumptions has been reduced and to that extent some of the risk has been mitigated.

15.5. The savings and new income proposed in the budget have all been risk assessed. It should be noted that most of the savings shown for 2013/14 are additional savings or income following budget decisions taken already (such as the Sport and Leisure FSR and the ICT contract). Other savings such as the removal of the redundancy provision and the savings risk factor do not pose an immediate financial risk to delivery.

15.6. As shown above, the risk factor built into the 12/13 budget has been removed from the base budget. This proposal is supported by the outturn forecast for 12/13 showing that this is not expected to be required this year.

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

- Meeting ongoing stretching income levels in particular in respect of sport and leisure, street services functions and the new sources of income.
- Delivery of savings and income and costings in respect of the UCC FSR
- Collection rates of Council Tax and changes in demand levels following the implementation of the LCTS scheme and other Council Tax changes
- Collection rates and level of business rates (NNDR) following the finance settlement changes.

15.8. One of the main risks within the coming year is likely to be the need to monitor the impact of the Local Government finance reforms (i.e. LCTS and NNDR) including the increased demand on services and the ability to support customers.

15.9. The budget risks will be managed during 2013/14 by regular targeted monitoring and review at Senior Management Team and Finance and Audit Scrutiny Panel. The Revenue Balance Risk Analysis considered these areas in establishing a minimum level of required balance which has increased to £1.8m.

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

15.11. Regular updates on forecast expenditure will also be important to ensure the budget is managed within the expenditure constraints set out and the Council is developing systems to provide better financial information through greater use of our commitments system.

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



## 16. Treasury Management and Prudential Code Indicators

- 16.1. The aims of the Prudential Code are to assist local authorities to ensure that:
- Capital expenditure plans are affordable
  - All external borrowing is at a prudent and sustainable level
  - Treasury management decisions are taken in accordance with good practice
  - The authority is accountable in taking decisions by providing a clear and transparent framework.
  - The framework is consistent with and supports local strategic and asset management planning and proper option appraisal.
- 16.2. The prudential indicators are designed to support and record decision making in relation to capital expenditure plans, external debt and treasury management. Estimating capital expenditure for the forthcoming financial year and the following two financial years is the starting point of the calculation of prudential indicators. The Council has made reasonable estimates of both HRA and non-HRA total capital expenditure.
- 16.3 In agreeing the Council's revenue budget and capital programme there is a requirement to approve the prudential indicators for the coming year.
- 16.4 The recommended Prudential Indicators for 2013/14 are set out in the paper shown at Appendix I with relevant commentary.
- 16.5. One of the key requirements of the Code is that the Council agrees a number of prudential indicators which set out the limits to which the Council may borrow and the implications of borrowing. The main assumptions used in setting these indicators are that:
- The revenue and capital budget proposals set out in this report will be agreed.
  - That treasury management decisions will be carried out in line with the Treasury Management Strategy.
- 16.6. The Council is required to annually approve the Treasury Management Strategy and Annual Investment Strategy that underpins the setting of some of the prudential indicators, the Council's capital programme and the revenue budget for net interest earnings. The 2013/14 strategy reflects the revised CIPFA Treasury Management in the Public Services Code of Practice. The strategy states that the Council will continue to 'borrow internally' for the foreseeable future to reduce exposure to interest rate and credit risk, as well as providing forecasts on interest rates and setting the policy for calculating the Minimum Revenue Provision.
- 16.7 **Cabinet is asked to agree and recommend to Council the 2013/14 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out in the paper at Appendix I**

## 17. Strategic Plan References

- 17.1. The budget forecasting process has been underpinned by the Strategic Plan. The objectives of the Strategic Plan have informed all stages of the budget setting process.

17.2. Appendix J provides an assessment of the links between the Strategic Plan and budget strategy.

## **18. Financial Implications**

18.1 As set out in the report.

## **19. Publicity Considerations**

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

## **20.1. Human Rights Implications**

20.1 None

## **21. Equality and Diversity**

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

## **22. Community Safety Implications**

22.1 None

## **23. Health and Safety Implications**

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

## **24. Risk Management Implications**

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

## **25. Consultation**

25.1. The budget will be scrutinised by Finance and Audit Scrutiny Panel on 22 January 2013. The statutory consultation with NNDR ratepayers takes place in January 2013 and notes of the meeting will be provided in due course.

## **Background Papers**

Budget reports to Cabinet – 28 November 2012

<b>2013/14 Budget Timetable</b>	
<b>Budget Strategy March 12 – July 2012</b>	
<b>March – June (SMT and Budget Group)</b>	Budget Group Meetings Agreed Update MTFF /Budget Strategy Review potential cost pressures, growth and risks Consider approach to budget Initial budget reviews started
<b>Cabinet – 4 July 12</b>	<ul style="list-style-type: none"> <li>• Report on updated budget strategy / MTFF</li> <li>• Timetable approved</li> </ul>
<b>SOSP – 17 July 12</b>	Review Cabinet report
<b>Budget Group / Leadership Team - June / July</b>	Consider review of capital programme Consider approach to consultation
 <b>Detailed Budget preparation and Budget Setting Consultation</b>	
<b>Budget Group / Leadership Team regular sessions on progress / budget options now - December</b>	Review budget tasks Consider outcomes of Fundamental Service Reviews
<b>Cabinet –3 October 12</b>	<ul style="list-style-type: none"> <li>• Budget Update</li> <li>• Review of capital resources / programme (if available)</li> </ul>
<b>Cabinet – 28 November 12</b>	<ul style="list-style-type: none"> <li>• Budget update</li> <li>• Reserves and balances</li> <li>• Government Finance settlement (if available)</li> </ul>
<b>FASP – 22 January 13</b>	Review consultation / Budget position (Detailed proposals)
<b>Cabinet – 23 January 13</b>	Revenue and Capital budgets recommended to Council
<b>Council – 20 February 13</b>	Budget agreed / capital programme agreed / Council Tax set

### 2013/14 Revenue Cost pressures

Heads of Service / Portfolio Holders have been asked to contain cost pressures within existing budget allocations wherever possible. The following are specific areas where budget allocations have been increased. Changes since the report to Cabinet on 28 November 2012 are highlighted.

	Current allowance £'000	Updated allowance £'000	Comment
Inflationary pressure	640	500	Net inflation impact. This allowance will be reviewed as assumptions for key areas such as energy and pay are assessed.
Incremental pension contributions	102	102	Additional cost arising from actuarial review which is being funded from reserve setup in 2011/12.
Elections	(92)	(92)	One-off reduction due to no borough elections in May 2013.
Castle Museum - Income	50	67	The planned temporary closure of the museum will result in a reduction in income. Steps to manage this continue to be put in place, however, it is considered prudent at this stage to allow for a reduction in income.
Land Charges	200	200	Current assumed reduction in income from land charges due to more information now being available for free under the Environmental Information Regulations.
Insurance	150	182	Increased vehicle insurance premiums increased costs due to increased number of vehicles and claims history. The pressure has increased to reinstate the contribution to the insurance provision.
UCC FSR	370	397	The report on this agenda sets out net additional costs of £340k in respect of this review. This reflects a number of additional costs and also savings. The most significant costs element is ICT which includes the revenue impact of capital investment. £30k relates to a previous shared management target now reflected within FSR figures and the further adjustment of £27k relates to income previously built into the budget that is now not likely to be delivered.
Housing Benefit Administration grant	61	61	Grant reduced
St James / Roman House – Business Rates	75	75	£75k pressure due to ongoing full year NNDR costs for vacant St James/Roman House.
Fleet Costs		208	Costs of additional / replacement vehicles

	Current allowance £'000	Updated allowance £'000	Comment
Local Taxation Court Fees - income		100	The estimated income from court fees paid is less than budgeted and it is considered prudent to reduce the estimate for 2013/14
Council Tax Benefits (CTB)		150	The budget needs to be adjusted to take account of the current treatment of benefit overpayments and subsidy arrangements associated with CTB which will no longer exist following the move to LCTS.
Firstsite – repairs contribution		15	Proposed contribution to a fund for the maintenance of the building.
Digital Strategy income		30	Potential partner for Digital Strategy withdrew from contract negotiations and as such the income target for 13/14 has been reduced.
Market Income		30	The 2012/13 income budget for market included third trading day, which has not been approved, is under budget and this is expected to continue for 2013/14.
Trade Waste income		45	Trade refuse income is lower than budgeted this year for existing client base and increase in customers not in line with predictions. The 2013/14 budget is therefore proposed to be reduced.
Revenues and Benefits		50	Temporary staff costs for 2013/14 required in respect of legislative reforms to be funded from unspent funding in current year (see use of carry forward in summary table at para. 12.1)
<b>Total</b>	<b>1,556</b>	<b>2,120</b>	

**2013/14 Growth Items**

The following are growth items included in budget proposals. Changes since the report to Cabinet on 28 November 2012 are highlighted.

	Current allowance £'000	Updated allowance £'000	Comment
Food Waste	750	750	Allowance for rollout of Food Waste Scheme.
New Homes Bonus	250	250	Allocated sum from New Homes Bonus to support enabling projects.
Allowance for affordable housing	100	105	Growth achieved through New Homes Bonus element allocated to support affordable housing initiatives
Tour Series		40	In previous years the costs of the Tour Series have been supported by Essex County Council and other organisations. It is felt that this is now at risk and to ensure delivery of an event that is welcomed by our communities that the full costs need to be allocated
Supporting local entrepreneurs (through Eastern Enterprise Hub)		75	An opportunity to develop local entrepreneurs through dedicated training and a Colchester based network of business advisors and mentors.
Ward Budgets		35	Net impact of continuing ward based budgets less the reduction in parish grants. It has been decided to continue the ward based budgets introduced as one of the Jubilee Projects in 2011/12 to provide local projects from a wide spectrum of communities to access money through their ward Councillors.
PV Panels		15	Funding has been allocated to allow for preparatory costs for the installation of PV panels on a range of appropriate Corporate Buildings
Colchester Market Provision		15	This study will review market provision and consider further opportunities for markets in the Borough to meet the needs of a range of customers and businesses
Strategic Plan Priorities		100	A range of one off projects to support deliver of the Strategic Plan priorities
Welfare Reform Support		30	We have taken a proactive approach in supporting people in the welfare reform changes. This allocation will support the continuation of that work together with a grant from Essex County Council
<b>Total Growth Items</b>	<b>1,100</b>	<b>1,415</b>	
Less use of specific grants		(850)	Waste grant
<b>Net Growth cost</b>		<b>565</b>	

**APPENDIX D**

**Savings / Increased Income**

<b>Service</b>	<b>Opportunity</b>	<b>2013/14 £'000</b>	<b>Additional Comments e.g. impact on service / risk to delivery/ description of delivery</b>
<i>Efficiencies and Fundamental Service Review</i>			
Life Opportunities	Sport & Leisure FSR	618	Full year savings of review agreed by Cabinet.
Life Opportunities	Private Sector leasing	8	Full year savings in private sector leasing scheme due to implementation of new scheme arrangements.
Strategic Policy and Regeneration	Estates and Regeneration team review	30	Full year saving following review of the work of these teams
Corporate Mgt	ICT contract savings	265	Additional second year savings of new ICT contract
Resource Management / CDC	External audit savings	60	Reduction in external audit costs.
Cross cutting	Procurement saving target	50	Target to achieve through improved procurement.
<i>Additional Income</i>			
Env & Prot Services	Planning Income	50	Planning fees increased. Current volumes remain above target, therefore reasonable to assume increased income
EMT	Earned income	10	Increased income target.
Strategic Policy and Regeneration	Estates income	5	Full year impact of Rowan House lease income
Corporate Management	Magistrates Court	15	Savings / income associated based on proposals agreed by Cabinet.
Corporate / Technical Items			

<b>Service</b>	<b>Opportunity</b>	<b>2013/14 £'000</b>	<b>Additional Comments e.g. impact on service / risk to delivery/ description of delivery</b>
Corporate / Technical	Reduced Minimum Revenue Provision	50	Required MRP will be less due to reduction in borrowing requirement through use of revenue funds.
	Net Interest earnings / costs	150	Current net interest costs are forecast to be lower than budget this year. This is expected to continue in 2013/14 given the Council's policy of internal borrowing, however, the MTFF recognises this as a temporary saving.
	One-off pension costs budget	197	Recurring budget provision to be removed on the basis that provision for one-off costs is provided in balances (See below).
	Risk factor	285	This was included in the 12/13 budget and is not expected to be called upon. Given the assessment of 13/14 savings no risk factor is proposed for 13/14.
<b>Total Savings</b>		<b>1,793</b>	
One-off costs to deliver savings		500	
<b>Net Total savings</b>		<b>1,293</b>	



## Budget Analysis

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 13/14 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	321		0			(65)	256
Executive Management Team	794		27			(10)	811
Corporate Management	6,309		143	135		(280)	6,307
Customer Services	992		40				1,032
Env. & Protective Services	2,213		58			(50)	2,221
Life Opportunities	5,218	(30)	35			(626)	4,597
Resource Management	2,128	(30)	554			5	2,657
Strategic Policy & Regen.	(166)	(120)	130	235		(35)	44
Street Services	2,337		301	(100)			2,538
<b>Total Services</b>	<b>20,196</b>	<b>(180)</b>	<b>1,288</b>	<b>270</b>	<b>0</b>	<b>(1,061)</b>	<b>20,463</b>
<b>Technical Items</b>							
<i>Corporate Items / sums to be allocated to services</i>							
Savings Risk Factor	285		0			(285)	0
Shared Services	(30)		30				0
Cross cutting	0		0			(50)	(50)
UCC FSR	0		300				300
Strategic Plan	0		0	100			100
Welfare Reform	0		0	30			30
Service Inflation Allowance	0		400				400
Investment Allowance funded by New Homes Bonus	0		0	250			250
<i>Corporate Grants</i>							
Homelessness Grant	(192)		0		196		4
New Homes Bonus	(1,525)		0			(1,091)	(2,616)

	Adjusted Base Budget £'000	One-Off Items £'000	Cost Pressures £'000	Growth Items £'000	Technical Items £'000	Total Savings £'000	Detailed 13/14 Budgets £'000
<i>Non-Service Budgets</i>							
Grants to Parish councils	102		0	(85)	120		137
CLIA (net interest)	854		0			(150)	704
R&R Contribution	150		0				150
Min Revenue Provision	698		0			(50)	648
Pensions	2,494		102			(197)	2,399
One-off costs	100	(100)	0			500	500
GF/HRA adjustments	(3,040)		0		56		(2,984)
Total Below the Line	(104)	(100)	832	295	373	(1,323)	(27)
<b>Total incl Below the line</b>	<b>20,092</b>	<b>(280)</b>	<b>2,120</b>	<b>565</b>	<b>372</b>	<b>(2,384)</b>	<b>20,435</b>
<i>Funded by:-</i>							
General Reserve			(50)			(700)	(750)
Pensions Reserve	(97)	97	0			(102)	(102)
Capital Expenditure Reserve	(200)		0				(200)
Other Reserves - S.106	(70)	70	0			(30)	(30)
Government Grant (RSG / NNDR)	(8,404)		726				(7,678)
Council Tax Freeze Grant (re 11/12)	(267)		0				(267)
LCTS Grant	0		0		(1,321)		(1,321)
Homelessness Grant	0		0		(196)		(196)
Council Tax Freeze Grant	(269)	269	0				0
Council Tax	(10,761)		0		1,201	(313)	(9,873)
Collection fund Transfer	26	(26)	0		(18)		(18)
<b>Total</b>	<b>(20,092)</b>	<b>410</b>	<b>676</b>	<b>0</b>	<b>(334)</b>	<b>(1,145)</b>	<b>(20,435)</b>

**General Fund Balances  
Current Position**

	<b>£'000</b>	<b>£'000</b>
Balance as at 31 March 2012 (As per Statement of Accounts)		(4,920)
<b>Use of balances during 2012/13:</b>		
• Financing carry forwards – Proposed carry forward of 12/13 budgets (note1)		1,808
• Further Changes in 2012/13 (see Note 2)		142
• Iceland – change in impairment calculation (see note 3)		(489)
<b>Projected Balances as at 31 March 2013</b>		<b>3,459</b>
• Existing allocations for 13/14 and future years budget (Note 4)		900
• Supporting the 13/14 Budget (Note 5)		700
<b>Projected Balances as at 31 March 2014</b>		<b>1,859</b>
Proposed minimum balance		1,800
<b>Potential Surplus Balances as at 31 March 2014</b> (note 6)		<b>59</b>

**Notes:**

1. This includes previous approved releases from balances which have not yet been spent including funding agreed by Cabinet in March as part of the Jubilee budget. This also includes revisions to previous held sums to provide for changing risk items. A proportion of this sum will not be required in 2013/14 and will therefore be carried forward into 13/14.
2. This reflects decisions made to use balances this year.
3. The latest budget outturn forecast for 2012/13 reported to Finance and Audit Scrutiny Panel showed a potential surplus of £202k after allowing for use of the risk factor of £285k. Based on the most recent review a net surplus of £250k is now shown.
4. This includes funding allocated in balances in respect of a number of key risk areas such as the various Government welfare reforms and proposed changes in respect of NNDR. This also includes a provision for future cost pressure in respect of Community Stadium funding.
5. Proposed use of balances to support the revenue budget. This does not include £50k carry forward from 12/13 outlines within report
6. The latest budget outturn forecast for 2012/13 reported to Finance and Audit Scrutiny Panel showed a potential surplus of £202k after allowing for use of the risk factor of £285k. Based on the most recent review a net surplus of £250k is currently anticipated and the impact of this on balances will be considered as part the Budget Strategy for 2014/15.

<b>Medium Term Financial Forecast</b>				
<b>2013/14 to 2016/17</b>				
	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Base Budget</b>	21,567	23,051	22,249	22,859
12/13 One-off items	(280)			
Cost Pressures (net of one off changes)	1,780	968	890	890
Growth Items (net of one off changes)	565	(160)	720	0
UCC FSR (yoy) change	340	(815)	(990)	(890)
Savings	(1,293)	(795)	0	0
Parish Grant re LCTS	120			
Homelessness Grant (adjustment)	196			
Technical Items	56			
<b>Forecast Base Budget</b>	<b>23,051</b>	<b>22,249</b>	<b>22,869</b>	<b>22,869</b>
<i>Funded By:</i>				
<i>Formula Grant</i>	(7,678)			
<i>Council Tax Freeze Grant (re 11/12)</i>	(267)			
<i>Homelessness Grant</i>	(196)			
<i>LCTS grant</i>	(1,321)			
Start up grant funding	(9,462)	(8,266)	(7,586)	(7,207)
New Homes Bonus	(2,616)	(2,616)	(2,616)	(2,616)
<b>Total Gov't grants</b>	<b>(12,078)</b>	<b>(10,882)</b>	<b>(10,202)</b>	<b>(9,823)</b>
Council Tax	(9,873)	(10,071)	(10,272)	(10,477)
Collection Fund Deficit / (Surplus)	(18)	0	0	0
Use of Reserves	(1,082)	(230)	(230)	(230)
<b>Total Funding</b>	<b>(23,051)</b>	<b>(21,183)</b>	<b>(20,704)</b>	<b>(20,530)</b>
<b>Budget (surplus) / gap before changes (cumulative)</b>	<b>0</b>	<b>1,066</b>	<b>2,165</b>	<b>2,339</b>
<b>Annual increase</b>	<b>0</b>	<b>1,066</b>	<b>1,099</b>	<b>174</b>

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
<b>Cost Pressures</b>				
General Inflation (incl. risk factor of £400k)	500	640	640	640
Pensions	102	250	250	250
MRP (Minimum Revenue Provision)	0	0	0	0
Elections	(92)	85		
Castle Museum Closure (one off pressure in 13/14)	67	(67)		
Land Charges (recurring risk)	200			
Fleet	208	110		
Insurance - Vehicle premiums	182			
St James / Roman House	75			
Benefit Admin grant	61			
Shared Management Saving	30			
Trade Waste	45			
Firstsite - R&M	15			
Council Tax Benefits - base budget adjustment	150			
EMT income	27			
Digital Strategy	30			
Market Income	30			
Revenues and Benefits (funded by c/f)	50	(50)		
Local Taxation - Court Fees	100			
<b>Total</b>	<b>1,780</b>	<b>968</b>	<b>890</b>	<b>890</b>
<b>Growth Items</b>				
Food Waste (net impact)	(100)		720	
Tour Series	40			
Affordable homes	105			
Growth linked to New Homes Bonus	250			
Eastern Enterprise Hub	75			
Ward Budgets (net of parish grants)	35			
PV Panels (one off)	15	(15)		
Market Study (one off)	15	(15)		
Strategic Plan Priorities (one off)	100	(100)		
Welfare Reform (one off)	30	(30)		
<b>Total</b>	<b>565</b>	<b>(160)</b>	<b>720</b>	<b>0</b>
<b>Savings</b>				
Remove savings risk factor	(285)			
ICT	(265)	(40)		
Sport & Leisure FSR	(618)	(195)		
Private sector leasing	(8)	(20)		
Estates regeneration	(30)			
EMT Income	(10)			
Rowan House lease	(5)			
Procurement Target	(50)	(150)		
Magistrates Court	(15)			
Audit fee	(60)			

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Remove Pension Strain budget	(197)			
Planning Fees	(50)			
One off costs to deliver savings	500	(500)		
Interest earnings (mostly one-off)	(150)	110		
MRP	(50)			
<b>Total</b>	<b>(1,293)</b>	<b>(795)</b>	<b>0</b>	<b>0</b>

<b>New Homes Bonus</b>				
Growth re 09/10	724	724	724	724
Growth re 10/11	749	749	749	749
Growth re 11/12	986	986	986	986
Growth re 12/13		x	x	x
Growth re 13/14			x	x
<i>Total basic NHB</i>	<i>2,459</i>	<i>2,459</i>	<i>2,459</i>	<i>2,459</i>
<b>Affordable Housing element</b>				
re 10/11 delivery	52	52	52	52
re 11/12 delivery	105	105	105	105
re 12/13 delivery		x	x	x
re 13/14 delivery			x	x
<i>Total affordable homes bonus</i>	<i>157</i>	<i>157</i>	<i>157</i>	<i>157</i>
<b>Total New Homes Bonus</b>	<b>2,616</b>	<b>2,616</b>	<b>2,616</b>	<b>2,616</b>

<b>Use of Reserves</b>				
Balances (General)	700			
Funding c/f	50			
S106 monitoring reserve	30	30	30	30
Pensions Provision	102			
Capital Expenditure Reserve:- Community Stadium	200	200	200	200
<b>Total</b>	<b>1,082</b>	<b>230</b>	<b>230</b>	<b>230</b>

## Addressing the Budget Gap

The MTFF shows a budget gap of circa £5m over the three years from 2014/15. Whilst cumulative net savings of £2.7m through the UCC FSR have been identified this leaves a gap £2.3m. This should also be seen in the context of the risks and variables set out below and also in terms of reduced budgets and more efficient services resulting in savings that will be increasingly hard to deliver.

## Risk Areas / Comments

The key risk areas to the forecast are:-

Ref	Risk / Area of uncertainty	
1	<i>Government Funding / Business Rate Retention Scheme</i>	<p>The MTFF includes the reduction in the 'start up funding' for 2014/15 of 12.6% with reduction of at least 5% pa thereafter. It was also confirmed in the autumn Statement that details of departmental spending plans for 2015-16 will be set at a spending review, which will be announced during the first half of 2013.</p> <p>From 2013/14 a proportion of the Council's core income that used to be provided by Government grant will now be funded by the Council keeping a share of business rates income. This poses a new risk as well as a potential reward.</p>
2	<i>Welfare Reform (including Local Council Tax Support - LCTS)</i>	<p>The budget paper sets out some of the key risks associated with the implication of the Council having approved the LCTS scheme. The combined impact of the Government's welfare reforms and demands on Council services will need to be considered during the period of the MTFF.</p>
3	<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.</p> <p>Provision has been made in the 2013/14 budget for the New Homes Bonus based on the notified grant and the MTFF takes a prudent view by forecasting no change to this grant in future years.</p> <p>Provision has been made for changes in other Government grants, such as housing benefit administration, in 2013/14, however, the impact of any further reductions in these will be considered as the MTFF is reviewed.</p>
4	<i>Pensions</i>	<p>An allowance has been built in for increases in pensions costs based on the results of the last actuarial review and which therefore are fixed until 2013/14. Thereafter an allowance has been assumed of £250k</p>
5	<i>Fees and charges and other income</i>	<p>As has been seen in the past few years we have experienced a number of pressures arising from changes in income levels. In the current year it has been reported that some targets such as land charges and community alarms income are not meeting the budget. Looking ahead to 2013/14 and beyond it is difficult to estimate how income levels may continue to be affected. The 13/14 budget forecast assumes a decrease in revenue from land charges</p>

Ref	Risk / Area of uncertainty	
		and future updates of the MTFF will consider any other changes to income.
6	<i>Inflation</i>	An allowance for general inflation including pay has been built into the 13/14 forecast and MTFF. The current (December 2012) CPI is 2.7% and RPI is 3.2%. The economic forecasts published by HM Treasury point to inflation figures for 2013 of 2.2% 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
7	<i>Use of reserves</i>	The budget position for 2013/14 includes proposals to use certain reserves. The MTFF assumes the ongoing use of the capital expenditure reserve and S106 reserve. The 2013/14 budget included the proposal to agree that up to £0.7m be used to support the budget to meet one-off costs including £0.5m required to deliver the budget savings.
8	<i>Legislation</i>	There is likely to be several items of new legislation over the life of the MTFF for which any available funding may not cover costs or which may impact significantly on the Council e.g. universal credit.
9	<i>Impact of regeneration programme e.g. car park closure and staff resources</i>	As the regeneration programme progresses there will be an ongoing impact on income from car parks due to temporary and permanent closure of certain car parks and also the introduction of park and ride.
10	<i>Property review</i>	A review of our assets was carried out and a 5-year Building Repairs and Maintenance Plan produced. There will continue to be financial implications arising from this for both the revenue budget and capital programme and these will continue to be considered in detail and included in the ongoing updates of the MTFF. The 2013 budget forecast maintains the additional allocation of £150k in respect of planned repairs. This will continue to be reviewed to consider if it is sufficient to meet ongoing requirements.
11	<i>Impact of growth in the Borough and demand for services</i>	A number of Local Authority services are directly impacted by the increase of population in the Borough, such as waste services, planning, benefits etc. As part of 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. The current financial assumption made is that the Council programme of FSRs will assist in identifying efficiencies to cope with changes in demand, however, this will be regularly reviewed.
12	<i>Delivery of budget savings</i>	The 2013/14 budget includes c£1.8m of savings or increased income. These items have been risk assessed and all are considered deliverable, however, the budget report considers the risk to delivering some of the income targets and if these cannot be achieved there is the risk in the MTFF of the ongoing impact.



Ref	Risk / Area of uncertainty	
13	<i>Net earnings and investments</i>	<i>Interest and</i> The budget is influenced by a number of factors including interest rates and cashflow movements. The treasury management strategy for 2013/14 highlights the outlook for interest rates in the medium-term which points to continuation of unprecedented low levels into 2013/14. The budget forecast has been adjusted by £150k to reflect the ongoing benefit of the Councils ongoing strategy to 'internally borrow' to minimise our interest costs. The MTFF recognises that this is not an ongoing gain.

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

**Capital Programme – 2013/14  
Proposed Releases**

<b>Proposed Scheme</b>	<b>Forecast 2013/14 £'000</b>	<b>Notes</b>	<b>Live Prog 2012/13 £'000</b>
<b>Est. Surplus B/Fwd</b>	<b>(864.9)</b>		
Town Walls	50.0	The additional £50k proposed relates to repairs to the Priory St. and East Hill stretch of the Town Wall. This work is grant-aided by English Heritage. The funding in the capital programme relates to repairs to the walls in Middleborough/Balkerne Way, which commenced in May 2012.	353.8
Castle Walls	379.0	Essential repairs to external facades of Colchester Castle. Works to be completed whilst HLF funded redevelopment project is on site. Repairs to the Western façade completed in 11/12, and the current funding in the programme relates to repairs to the North wall. £379k represents NPS costing for repairs to eastern and southern façades. It is a condition of the HLF grant funding that the Council demonstrates a commitment to properly maintain the Castle.	114.1
Temporary Accommodation Review	200.0	Partnership with Family Mosaic to rebuild and refurbish temporary accommodation. Cabinet of 2 December 2009 approved the implementation of the findings of a review of temporary accommodation. The total scheme costs were estimated at £4.5m, with the Council contributing £600k plus the land at Ascott House. The scheme was added to the Capital Programme in March 2012, and £400k was released to enable the first instalment to be made in June 2012. It is forecast that some residual temporary accommodation units will generate capital receipts to offset the Council's contribution.	400.0
Walls to closed church yards	92.0	The Council is responsible for the maintenance of Closed Churchyards and their walls and fences. As a result of this annual surveys have been undertaken of all churchyard walls since 2009. These surveys have prioritised the works into categories, the most urgent health and safety works requiring funding from the Council's Capital Programme. The additional amount proposed relates to further urgent repairs identified in the latest survey. Due to lime mortar being used in many of the wall repairs the works are weather and temperature dependent. Approval would enable the tenders and costs of the works to be prepared during the winter and then undertaken in the Summer of 2013.	24.2

<b>Proposed Scheme</b>	<b>Forecast 2013/14 £'000</b>	<b>Notes</b>	<b>Live Prog 2012/13 £'000</b>
Disabled Facilities Grants	200.0	CBC's annual commitment for 2013/14 based on current levels of expenditure and DCLG grant.	1,120.5
Support to revenue projects	200.0	The Council agreed that an approach to minimise revenue pressures is to fund the annual MRP (Minimum Revenue Provision) cost for the Community Stadium by identifying new capital receipts in the period of the borrowing for the stadium. This then allows a release of revenue funds within the capital expenditure reserve.	200.0
Lift refurb - Lion Walk Activity Centre	40.0	The current lift at Lion Walk Activity Centre is nearing the end of its useful life. The proposal is to re-furbish the lift to give it an estimated 10 years additional life. All options reviewed and this is the most cost effective solution.	0.0
Site disposal costs	15.0	Relates to costs of securing capital receipts. Further funding required for Agent fees and marketing expenses for the A12 restaurant site.	6.9
<b>Subtotal</b>	<b>1,176.0</b>		
Forecast Capital Receipts	(2,459.0)		
Current Commitments	1,335.0	Funding agreed for Universal Customer Contact Fundamental Service Review and Castle Park Olympic Legacy project.	
<b>Est. Surplus C/Fwd</b>	<b>(812.9)</b>		



## Cabinet

23 January 2013

Item

Report of	Head of Resource Management	Author	Steve Heath ☎ 282389
Title	Treasury Management Strategy Statement		
Wards affected	Not applicable		

**This report requests Cabinet to recommend to Council the 2013/14 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy**

### 1. Decisions Required

- 1.1 To approve and recommend to Council the 2013/14 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy. (*Recommendation shown in main report at 1.13*)

### 2. Reasons for Decisions

- 2.1 The Council agreed to adopt the revised CIPFA Treasury Management in the Public Services Code of Practice on 17 February 2010. The Code requires the Council to approve an annual Treasury Management Strategy Statement, which should be submitted for scrutiny prior to the start of the year to which it relates, and to keep treasury management activities under review.
- 2.2 The Local Government Act 2003 introduced new freedoms for local authorities though the prudential borrowing framework. It also requires the Council to set Prudential and Treasury Indicators to ensure that capital investment plans are affordable, prudent and sustainable.

### 3. Treasury Management Strategy

- 3.1 The proposed Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy (TMSS) for 2013/14 is included as a background paper to this report. The follow paragraphs contain a summary of the strategy for 2013/14, which covers the following issues:
- the capital plans and the prudential and treasury indicators;
  - the MRP strategy.
  - the current treasury position;
  - the economic background and prospects for interest rates;
  - the borrowing strategy;
  - the investment policy and strategy; and
  - the policy on use of external service providers.
- 3.2 The Council's Prudential and Treasury Indicators for 2013/14 through to 2015/16 have been produced to support capital expenditure and treasury management decision making, and are designed to inform whether planned borrowing and the resultant revenue costs are affordable and within sustainable limits. The indicators take into

account all the economic forecasts and proposed borrowing and investment activity detailed in the report.

- 3.3 The Minimum Revenue Provision (MRP) Policy Statement for 2013/14 states that the historic debt liability will continue to be charged at 4%, with the charge for more recent capital expenditure being based on the useful life of the asset and charged using the equal annual instalment method.
- 3.4 The UK bank rate has been unchanged from a historically low 0.5% since March 2009. The current view from the Council's treasury advisers is that the growth prospects for the UK economy are expected to remain weak, with very limited prospects for any changes in the Bank Rate before 2015. **Appendix A** to the TMSS draws together a number of current forecasts for short term and longer term interest rates.
- 3.5 The Council is currently maintaining an under-borrowed position. The borrowing strategy is to reduce the difference between gross and net debt by continuing to 'borrow internally', which is primarily due to investment rates on offer being lower than long term borrowing rates. This has the advantages of maximising short-term savings and reducing the Council's exposure to interest rate and credit risk. This approach is intended to be maintained during the year.
- 3.6 The investment policy reflects the Council's low appetite for risk, emphasising the priorities of security and liquidity over that of yield. The main features of the policy are as follows:
- The Council will only invest with institutions with the highest credit ratings, taking into account the views of all credit rating agencies and other market data when making investment decisions.
  - The Council will use Sector Treasury's creditworthiness service, which combines data from credit rating agencies with credit default swaps and sovereign ratings. However, whereas this service uses ratings from all agencies in a weighted scoring system, the Council will continue to follow the approach suggested by CIPFA of using the lowest rating from all the agencies (i.e. the lowest common denominator).
  - The Council will only use approved counterparties from countries with the highest credit rating of 'AAA', together with those from the UK.
  - The Council will continue to avoid longer term deals while investment rates are at such low levels, unless attractive rates are available within the risk parameters set by the Council. The suggested budgeted return on investments placed for up to three months during the year is 0.50%.
- 3.7 Investment instruments identified for use in 2013/14 are detailed in **Appendix B** of the TMSS. It should be noted that whilst this includes a wide range of investment instruments, it is likely that a number of these will not be used. However, their inclusion enables the required credit controls to be stated if their use is to be considered.

#### **4. Proposals**

- 4.1 That the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2013/14 is approved.

#### **5. Strategic Plan References**

- 5.1 Prudent treasury management underpins the budget strategy required to deliver all Strategic Plan priorities.

#### **6. Financial Implications**

6.1 Interest paid and earned on borrowing and investments is shown within the Central Loans and Investment Account (CLIA). The strategy documents have been produced with reference to the agreed CLIA budget for 2013/14.

## **7. Risk Management Implications**

7.1 Risk Management is essential to effective treasury management. The Council's Treasury Management Statement contains a section on treasury Risk Management (TMP1).

7.2 TMP1 covers the following areas of risk all of which are considered as part of our treasury management activities:

- Liquidity.
- Interest rates.
- Exchange rates.
- Inflation.
- Credit and counterparty.
- Refinancing.
- Legal and regulatory.
- Fraud, error and corruption, and contingency management.
- Markets.

## **8. Standard References**

8.1 Having considered consultation, and publicity, equality, diversity and human rights, health and safety and community safety implications, there are none which are significant to the matters in this report.

# Treasury Management Strategy Statement

## Minimum Revenue Provision Policy Statement and Annual Investment Strategy

### 2013/14

#### **1 Introduction**

##### **Background**

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

##### **Reporting requirements**

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

- 1.7 **Annual Treasury Report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- 1.8 Members will also be kept informed of any other significant matters that may occur as part of the quarterly Capital Monitoring reports to the Finance and Audit Scrutiny Panel.
- 1.9 The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management or scrutiny receive adequate training in treasury management. Training has previously been undertaken by members and further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

### **Treasury Management Strategy for 2013/14**

- 1.10 The strategy for 2013/14 covers the following Capital and Treasury Management issues:
- the capital plans and the prudential and treasury indicators;
  - the MRP strategy.
  - the current treasury position;
  - the economic background and prospects for interest rates;
  - the borrowing strategy;
  - the investment policy and strategy; and
  - the policy on use of external service providers.
- 1.11 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CLG MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

## **2 The Capital Prudential Indicators 2013/14 – 2015/16**

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

### **Capital Expenditure**

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

Capital Expenditure £'000	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Non-HRA	7,943	15,087	7,940	2,392	1,300
HRA	80,040	7,262	11,360	14,924	11,126
<b>Total</b>	<b>87,983</b>	<b>22,349</b>	<b>19,300</b>	<b>17,316</b>	<b>12,426</b>

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



Capital Expenditure £'000	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Total Expenditure	<b>87,983</b>	<b>22,349</b>	<b>19,300</b>	<b>17,316</b>	<b>12,426</b>
<b>Financed by:</b>					
Capital receipts	(373)	3,461	5,196	1,459	1,300
Capital grants	6,023	5,010	3,101	1,103	0
Capital reserves	5,704	6,439	7,723	6,663	7,249
Finance leases	218	4,289	0	0	0
Revenue	2,307	1,075	3,216	4,693	3,344
<b>Net financing need</b>	<b>74,104</b>	<b>2,075</b>	<b>64</b>	<b>3,398</b>	<b>533</b>

### The Capital Financing Requirement

- 2.4 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
- 2.5 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.
- 2.6 The CFR includes any other long term liabilities (e.g. finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council had £356k of such schemes within the CFR as at 31 March 2012. Members are asked to approve the CFR projections below:

£'000	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
<b>Capital Financing Requirement</b>					
CFR – non housing	24,136	29,791	29,147	28,439	27,764
CFR - housing	124,577	124,577	124,577	127,975	128,508
<b>Total CFR</b>	<b>148,713</b>	<b>154,368</b>	<b>153,724</b>	<b>156,414</b>	<b>156,272</b>
<b>Movement in CFR</b>	<b>73,629</b>	<b>5,655</b>	<b>(644)</b>	<b>2,690</b>	<b>(142)</b>

<b>Movement in CFR represented by</b>					
Net financing need	74,104	2,075	64	3,398	533
Assets aquired under finance leases	218	4,289	0	0	0
Less MRP	693	709	708	708	675
<b>Movement in CFR</b>	<b>73,629</b>	<b>5,655</b>	<b>(644)</b>	<b>2,690</b>	<b>(142)</b>

### MRP Policy Statement

- 2.7 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments (VRP) if required.
- 2.8 CLG Regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to

councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

- 2.9 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will follow the existing practice outlined in former CLG regulations (option 1). This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.
- 2.10 From 1 April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be the Asset Life Method (option 3) – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations. This provides for a reduction in the borrowing need over approximately the asset’s life. Repayments included in finance leases are applied as MRP.
- 2.11 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.
- 2.12 Should the Council decide to participate in the Local Authority Mortgage Scheme (LAMS) using the cash backed option, the mortgage lenders would require a five year deposit from the local authority to match the five year life of the indemnity. The deposit placed with the mortgage lender provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount of the total indemnity. The deposit is due to be returned in full at maturity, with interest paid either annually or on maturity. Once the deposit matures and funds are returned to the local authority, the returned funds are classed as a capital receipt, and the CFR will reduce accordingly. As this is a temporary (five years) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application.

**Affordability Prudential Indicators**

- 2.13 The previous sections cover the overall capital, and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council’s overall finances. The Council is asked to approve the following indicators:
- 2.14 **Actual and estimates of 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.

%	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Non-HRA	8.29%	6.55%	5.91%	5.94%	5.90%
HRA	9.92%	19.98%	18.99%	18.49%	17.70%

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

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

£	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Council Tax - Band D	0	0	0

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

£	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Weekly housing rents	0	0	0

### 3 **Treasury Management Strategy**

- 3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.
- 3.2 The Council's treasury portfolio position at 31 March 2012, with forward projections are summarised below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
<b>External Debt</b>					
Borrowing	136,094	138,387	142,740	146,138	146,671
Other long-term liabilities	218	4,289	0	0	0
<b>Gross debt at 31 March</b>	<b>136,312</b>	<b>142,676</b>	<b>142,740</b>	<b>146,138</b>	<b>146,671</b>
CFR	148,713	154,368	153,724	156,414	156,272
<b>Under / (over) borrowing</b>	<b>12,401</b>	<b>11,692</b>	<b>10,984</b>	<b>10,276</b>	<b>9,601</b>
Investments at 31 Mar	20,995	18,920	18,856	15,458	14,925
<b>Net Debt</b>	<b>115,317</b>	<b>123,756</b>	<b>123,884</b>	<b>130,680</b>	<b>131,746</b>

- 3.3 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is

that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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

#### **Treasury Indicators: Limits to Borrowing Activity**

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

Operational boundary £'000	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Debt	138,387	142,740	146,138	146,671
Other long term liabilities	4,289	0	0	0
<b>Total</b>	<b>142,676</b>	<b>142,740</b>	<b>146,138</b>	<b>146,671</b>

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

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

Authorised limit £'000	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Debt	165,079	169,124	172,014	171,872
Other long term liabilities	4,289	0	0	0
<b>Total</b>	<b>169,368</b>	<b>169,124</b>	<b>172,014</b>	<b>171,872</b>

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

HRA Debt Limit £'000	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
<b>Total</b>	<b>140,275</b>	<b>140,275</b>	<b>140,275</b>	<b>140,275</b>

## **4 Economic Outlook**

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

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
Dec-12	0.50%	0.50%	1.00%	1.50%	3.70%	3.90%
Mar-13	0.50%	0.50%	1.00%	1.50%	3.80%	4.00%
Jun-13	0.50%	0.50%	1.00%	1.50%	3.80%	4.00%
Sep-13	0.50%	0.50%	1.00%	1.60%	3.80%	4.00%
Dec-13	0.50%	0.50%	1.00%	1.60%	3.80%	4.00%
Mar-14	0.50%	0.50%	1.10%	1.70%	3.90%	4.10%
Jun-14	0.50%	0.60%	1.10%	1.70%	3.90%	4.10%
Sep-14	0.50%	0.60%	1.20%	1.80%	4.00%	4.20%
Dec-14	0.50%	0.70%	1.30%	2.00%	4.10%	4.30%
Mar-15	0.75%	0.80%	1.30%	2.20%	4.30%	4.50%
Jun-15	1.00%	1.10%	1.50%	2.30%	4.40%	4.60%
Sep-15	1.25%	1.40%	1.80%	2.50%	4.60%	4.80%
Dec-15	1.50%	1.70%	2.10%	2.70%	4.80%	5.00%
Mar-16	1.75%	1.90%	2.40%	2.90%	5.00%	5.20%

- 4.2 The economic recovery in the UK since 2008 has been the slowest in recent history, although the economy returned to positive growth in the third quarter of 2012. Growth prospects are weak and consumer spending, the usual driving force of recovery, is likely to remain under pressure due to consumers focusing on repayment of personal debt, inflation eroding disposable income, general malaise about the economy and employment fears.
- 4.3 The primary drivers of the UK economy are likely to remain external. 40% of UK exports go to the Eurozone so the difficulties in this area are likely to continue to hinder UK growth. The US, the main world economy, faces similar debt problems to the UK, but urgently needs to resolve the fiscal cliff now that the Presidential elections are out of the way. The resulting US fiscal tightening and continuing Eurozone problems will depress UK growth and is likely to see the UK deficit reduction plans slip.
- 4.4 Given the weak outlook for economic growth, Sector sees the prospects for any changes in Bank Rate before 2015 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.
- 4.5 Economic forecasting remains difficult with so many external influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains relatively fragile and whilst there is still a broad range of views as to potential performance, expectations have all been downgraded during 2012. Key areas of uncertainty include:
- the potential for the Eurozone to withdraw support for Greece at some point if the costs of such support escalate were to become prohibitive, so causing a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
  - inter government agreement on how to deal with the overall Eurozone debt crisis could fragment; the impact of the Eurozone crisis on financial markets and the banking sector;
  - the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to manufactured goods;

- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that are unlikely to be achieved;
- the risk of the UK's main trading partners, in particular the EU and US, falling into recession ;
- stimulus packages failing to stimulate growth;
- elections due in Germany in 2013;
- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.
- the potential for action to curtail the Iranian nuclear programme
- the situation in Syria deteriorating and impacting other countries in the Middle East.

4.6 This challenging and uncertain economic outlook has several key treasury management implications:

- The Eurozone sovereign debt difficulties provide a clear indication of high counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2013/14 and beyond;
- Borrowing interest rates continue to be attractive and may remain relatively low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of carry – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

## **5 Borrowing Strategy**

5.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high.

5.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2013/14 treasury operations. The Head of Resource Management will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings 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 a greater than expected 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 were still relatively cheap.

5.3 Any decisions will be reported to the Finance and Audit Scrutiny Panel at the next available opportunity.

**Treasury Management Limits on Activity**

5.4 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

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

Interest rate Exposures (£'000)	2013/14	2014/15	2015/16
Upper limit on fixed interest rates based on net debt	123,900	130,700	131,700
Upper limit on variable interest rates based on net debt	61,900	65,300	65,900

Maturity Structure of fixed interest rate borrowing	Lower	Upper
Under 12 months	0%	10%
12 months to 2 years	0%	50%
2 years to 5 years	0%	50%
5 years to 10 years	0%	70%
10 years and above	0%	100%

**Policy on Borrowing in Advance of Need**

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

**Debt Rescheduling**

5.7 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;

- helping to fulfil the treasury strategy;
  - enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 5.8 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 5.9 Any rescheduling will be reported to the Finance and Audit Scrutiny Panel at the earliest meeting following its action.

## **6 *Investment Policy***

- 6.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be the security and liquidity of its investments, although the yield or return on the investment is also a key consideration.
- 6.2 In accordance with the above, and in order to minimise the risk to investments, the Council has stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings and watches published by all three ratings agencies with a full understanding of what the ratings reflect in the eyes of each agency. Using the Sector ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies advise of modifications.
- 6.3 Furthermore, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Sector in producing its colour coding which shows the varying degrees of suggested creditworthiness.
- 6.4 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 6.5 The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk in one counterparty or country.



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

6.7 Specified Investments are sterling denominated investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. Non-Specified Investments are those that do not meet the specified investment criteria. A limit of £20m will be applied to the use of Non-Specified investments (this will partially be driven by the long term investment limits).

**Creditworthiness policy**

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

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

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

- Yellow 5 years (AAA rated Government debt or equivalent)
- Purple 2 years
- Blue 1 year (nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

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

6.11 This methodology does not apply the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Council will however continue to apply the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, and one meets the Council's criteria while the other does not, that institution will fall outside the lending criteria. This is in compliance with a CIPFA

Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

- 6.12 Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of Short Term rating F1, Long Term rating A, Viability ratings of c, and a Support rating of 2.
- 6.13 The Council is alerted to changes to ratings of all three agencies through its use of the Sector 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.
- any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list.
  - if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
  - a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.
  - in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
- 6.14 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.
- 6.15 The Council may consider participating in the Local Authority Mortgage Scheme (LAMS). This is a cash backed mortgage scheme which requires the Council to place a matching five year deposit to the life of the indemnity. This investment is an integral part of the policy initiative and is outside the criteria above.

**Country limits**

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

Australia	Canada	Denmark	Finland
Germany	Luxembourg	Netherlands	Norway
Singapore	Sweden	Switzerland	UK

- 6.17 The above policy excludes UK counterparties. While the UK currently has an AAA sovereign rating, the credit rating agencies will be carefully monitoring the rate of growth in the economy. It is possible that the UK could have this rating downgraded by one, or more, rating agencies. This approach therefore ensures

continuity of being able to invest in UK banks if such a downgrading were to occur.

## **7 Investment Strategy**

- 7.1 The Council will manage all of its investments in-house. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
- 7.2 The Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2014/15. Bank Rate forecasts for financial year ends (March) are:
- 2012/ 2013 0.50%
  - 2013/ 2014 0.50%
  - 2014/ 2015 0.75%
  - 2015/ 2016 1.75%
- 7.3 There are downside risks to these forecasts if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if the Bank of England inflation forecasts for two years ahead exceed its 2% target rate.
- 7.4 In light of the Eurozone situation Sector are advocating a restriction of duration limits of investments to a maximum of 3 months. The only exceptions to this being the UK Government and related entities (such as Local Authorities), UK semi-nationalised institutions and money market funds.
- 7.5 The Council will avoid locking into longer-term deals while investment rates are down at historically low levels unless attractive rates are available within the risk parameters set by the Council that make longer-term deals worthwhile. The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year for the next three years are as follows:
- 2013/14 0.50%
  - 2014/15 0.60%
  - 2015/16 1.50%
- 7.6 For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

### **Icelandic Bank Investments**

- 7.7 The Council received three distributions between February and October 2012 relating to its investments in Icelandic banks, which amount to approximately 50% of the value of the claim. At present, the Council expects to recover approximately 100% of its deposits in Landsbanki but the precise amount may vary owing to foreign exchange fluctuations. The exchange rate risk will continue to be managed proactively with assets converted to sterling at the earliest opportunity.

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

## **8 *Policy on the use of external service providers***

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

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

Interest Rate Forecast 2011/2015

APPENDIX A

	NOW	Dec 2012	Mar 2013	Jun 2013	Sep 2013	Dec 2013	Mar 2014	Jun 2014	Sep 2014	Dec 2014	Mar 2015	Jun 2015	Sep 2015	Dec 2015	Mar 2016
<b>Sector's Interest Rate View</b>															
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
3 month LIBID	0.40%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.60%	0.60%	0.70%	0.80%	1.10%	1.40%	1.70%	1.90%
6 month LIBID	0.56%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.90%	1.00%	1.10%	1.30%	1.60%	1.90%	2.20%
12 month LIBID	0.92%	1.00%	1.00%	1.00%	1.00%	1.00%	1.10%	1.10%	1.20%	1.30%	1.30%	1.50%	1.80%	2.10%	2.40%
5yr PWLB Rate	1.66%	1.50%	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.80%	2.00%	2.20%	2.30%	2.50%	2.70%	2.90%
10yr PWLB Rate	2.64%	2.50%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.30%	3.50%	3.70%	3.90%
25yr PWLB Rate	3.88%	3.70%	3.80%	3.80%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.30%	4.40%	4.60%	4.80%	5.00%
50yr PWLB Rate	4.04%	3.90%	4.00%	4.00%	4.00%	4.00%	4.10%	4.10%	4.20%	4.30%	4.50%	4.60%	4.80%	5.00%	5.20%
<b>Bank Rate</b>															
Sector	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%					
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%					
<b>5yr PWLB Rate</b>															
Sector	1.66%	1.50%	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.80%	2.00%	2.20%	2.30%	2.50%	2.70%	2.90%
UBS	1.66%														
Capital Economics	1.66%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.50%	1.60%					
<b>10yr PWLB Rate</b>															
Sector	2.64%	2.50%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.30%	3.50%	3.70%	3.90%
UBS	2.64%	2.80%	3.00%	3.10%	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%					
Capital Economics	2.64%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%					
<b>25yr PWLB Rate</b>															
Sector	3.88%	3.70%	3.80%	3.80%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.30%	4.40%	4.60%	4.80%	5.00%
UBS	3.88%	4.00%	4.20%	4.30%	4.40%	4.50%	4.50%	4.50%	4.50%	4.50%					
Capital Economics	3.88%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%					
<b>50yr PWLB Rate</b>															
Sector	4.04%	3.90%	4.00%	4.00%	4.00%	4.00%	4.10%	4.10%	4.20%	4.30%	4.50%	4.60%	4.80%	5.00%	5.20%
UBS	4.04%	4.10%	4.30%	4.40%	4.50%	4.60%	4.60%	4.60%	4.60%	4.60%					
Capital Economics	4.04%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%					

ORGANISATION	Colour Code	CRITERIA			MAXIMUM AMOUNT	MAX. PERIOD Support Rating		
		Short-Term	Long-Term	Viability		1	2	3
Deposits with Banks and Building Societies (including unconditionally guaranteed subsidiaries) *	As per Section 6 of TMSS	Minimum F1+	AAA, AA+, AA,	Minimum a-	£7.5m	2 years	2 years	
		Minimum F1+	Minimum AA	Minimum bbb	£2.5m	1 year	1 year	
		Minimum F1	A+, A	Minimum a-	£2.5m	6 mths	6 mths	
				Minimum bbb	£2.5m	3 mths	3 mths	
UK nationalised / part nationalised banks	Blue	F1+		Minimum c	£5m	1 year		
CDs or corporate bonds with Banks and Building Societies **	As per Section 6 of TMSS				As above	As above		
UK Govt. Gilts			UK sovereign rating		£10m	1 year		
UK Govt. Treasury Bills			UK sovereign rating		£10m	1 year		
UK Local & Police Authorities					Unlimited	1 year		
Debt Management Agency Deposit Facility					Unlimited	6 mths		
Money Market Funds			AAA		Unlimited	Liquid		
Bonds issued by Multilateral Development Banks			UK sovereign rating		£3m	6 mths		

**Notes:**

- Sovereign debt rating of AAA only + UK counterparties
- Country limit £10m
- Limit in all Building Societies £10m
- Limit of £20m in aggregate in non-specified investments
- Viability and Support ratings are only available from Fitch
- The Local Authority Mortgage Scheme is classified as being a service investment rather than a treasury management investment, and is therefore outside of the specified / non specified categories.

\* Temporary restriction of duration limits to a maximum of 3 months (see Section 7 of TMSS)

\*\* Covered by UK Government (explicit) guarantee

## Impact of Budget Strategy 2013/14

### Impact of Budget Strategy 2013/14

The budget for 2013/14 has been prepared in continuing difficult financial conditions. This is alongside changing local government financial arrangements. From 2013/14 much of our budget will be through the retention of a proportion of business rates and the distribution of the New Homes Bonus, which replaces much of what would have been core government grant.

There continue to be reductions in the amount of money we receive. In addition there are a number of additional risks for local government not least the introduction of the new Local Council Tax Support scheme which replaces Council Tax Benefit and shifts the liability from central to local government.

Our programme of Fundamental Service Reviews (FSR) is now providing the majority of savings to meet budget gaps and to allow for priority items of growth and change. For example the Sport and Leisure is on target to deliver £0.6m of improved budget in 2013/14. We also continue to look for better procurement and the ICT contract will provide further savings of almost £0.3m in the next financial year.

Over the next three years the implementation of the Universal Customer Contact FSR will help to support the budget. It must be recognised that implementation of the FSRs is resource intensive and the approach has been to look at a few significant areas for savings. This is a more strategic approach than asking services to deliver percentage reductions which inevitably impact on service delivery.

### Growth items

Despite the continuing pressures it has been possible to identify funding to support actions that directly support the Strategic Plan priorities. The main items are shown in the table below

Item		
Food Waste	£2.35m over 3 years	Reduce, reuse, recycle: A government grant has been awarded following a successful bid for funding. This will allow implementation of food waste collection across the Borough following the trial. The grant is dependent on retaining residual waste collections for 5 years and we will have to fund the additional cost at the end of the grant.
Affordable Homes	£105k	Providing more affordable homes: This is the amount of grant in the New Homes Bonus specifically paid for the delivery of affordable homes and in total the budget now contains £152k. This is allocated to enable additional affordable homes
Infrastructure	£250k	Bringing investment to the Borough: An allocation from the New Homes Bonus has been built into the budget from 2013/14 to

Item		
		enable infrastructure projects to support the growth
Voluntary sector grants	Inflationary increase	Engaging with the voluntary sector: At a time when many authorities are reducing the funding to the voluntary sector, the grants have been sustained with an inflation increase, recognising the contribution the voluntary sector makes to our communities
Welfare reform support	£30k	Supporting the more vulnerable groups: We have taken a proactive approach in supporting people in the welfare reform changes. This allocation will support the continuation of that work together with a grant from Essex County Council
Tour series	£40k	Supporting tourism: In previous years the costs of the Tour Series have been supported by Essex County Council and other organisations. It is felt that this now at risk and to ensure delivery of an event that is welcomed by our communities that the full costs need to be allocated
Supporting local entrepreneurs (through the Eastern Enterprise Hub)	£75k	Improving opportunities for local businesses: An opportunity to develop local entrepreneurs through dedicated training and a Colchester based network of business advisors and mentors
Ward Budgets	£35k	Enabling local communities to help themselves: Net impact of continuing ward based budgets less the reduction in parish grants. It has been decided to continue the ward based budgets introduced as one of the Jubilee Projects in 2011/12 to provide local projects from a wide spectrum of communities to access money through their ward Councillors.
Colchester Market Provision	£15k	Supporting tourism and improving opportunities for local businesses: This study will review market provision and look at further opportunities for markets in the Borough to meet the needs of a range of customers and businesses
Photo Voltaic Panel installations	£15k	Promoting sustainability: Funding has been allocated to allow for a tender for the installation of PV panels on a range of appropriate Corporate Buildings
Other Strategic Plan Priorities	£100k	A range of one off projects to support deliver of the Strategic Plan priorities



## Cabinet – 23<sup>rd</sup> January 2013

### Item 7(i) – 2013/14 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast

#### Additional Information

##### 1. Changes to decisions required

Following the confirmation of additional information the following changes are proposed to 4 decisions set out within the report:-

- 1.2. Update to include the additional income of £65k from new sharing deal with major precepting bodies within the savings shown at appendix D.
- 1.3. Update to reflect impact of additional income of £65k Budget requirement is therefore £22,986k.
- 1.4. Update to reflect use of balances of £765k (an additional £15k).
- 1.8. Update to reflect proposal to freeze Council Tax at £175.23 for Band D properties which will therefore qualify the Council to receive the Government grant.

##### 2. Supporting Information

###### *Council Tax - "Sharing Agreement"*

- 2.1. The budget proposals as set out in report in the Cabinet agenda are based on an existing agreement that has been in place whereby Essex County Council pays Colchester 50% of the additional income received in respect of second homes discounts. As part of the discussions in respect of the Local Council Tax Support (LCTS) Scheme, Essex County Council, Essex Fire Authority and the Police and Crime Commissioner for Essex made proposals to change the existing agreement as follows:-
  - The agreement is extended to cover other Council Tax discounts that may be agreed by billing authorities (i.e. empty homes)
  - The agreement is for 3 years until 2015/16.
  - The repayment rate is set at 25% of additional income for 2013/14 increasing to 30% in 2014/15 and 35% in 2015/16
- 2.2. The proposals also include arrangements to provide one-off financial support to billing authorities to support measures to minimise the impact of any reduction in Council Tax income resulting from the introduction of LCTS.

- 2.3. ECC and EFA have issued funding agreements and these were signed by the Section 151 Officer on 18 January. A similar agreement is expected with the PCC for Essex.
- 2.4. Based on the estimated changes in the Council's taxbase in respect of proposed changes to Council Tax discounts the estimated income from the funding agreement for budget purposes is c£189k. The existing budget is £124k giving an increase in income of £65k.

*Council Tax Freeze Grant*

- 2.5. As set out in the Cabinet paper at paragraph 8.6 the Council could receive a grant estimated to be £109k if no increase in Council Tax is agreed. The estimated income from the proposed 1.95% increase in Council Tax of £3.42 for a Band D property is £189k.
- 2.6. Based on the additional income set out at paragraph 2.4 and deciding to freeze Council Tax a balanced budget position could be achieved as shown below

	£'000
Reduction in Council Tax income from a freeze	189
Funded by:	
Additional income from sharing agreement	65
Add: income from Government freeze grant	109
Use of balances	15
	189

*Implications of freezing Council Tax on MTFF*

- 2.7. The government grant for freezing Council Tax is payable for 2 years and therefore it will end in 2014/15. In 2015/16 this will therefore add a cost pressure of £109k to the existing forecast gap of £1.1m.
- 2.8. On the assumption that the income from the sharing agreement continues as proposed during 2014/15 the estimated gap in that year will only be affected by the proposal to use £15k from balances. Whilst a prudent view has been taken of the level of income from the sharing agreement in 2013/14, there is a risk that the level of income assumed within the agreement could vary or indeed be cancelled in the future. As highlighted at 2.1 the agreement is for 3 years. On the basis that a higher level of income is now being assumed in the budget this would mean a larger pressure in the year that the funding agreement ends. This is currently not reflected in the MTFF.
- 2.9. As indicated within the Cabinet report, the formal budget and Council Tax resolutions will be set out within a paper to Council that will reflect all major and local precepts and any minor budget changes. This will also reflect the changes set out within this paper.

## Agenda items 7(i), 10(i) and 10(ii)

### Extract from the draft minutes of the Finance and Audit Scrutiny Panel meeting of 22 January 2013 2013-14 Revenue Budget

#### **40. 2013-14 Revenue Budget (Including Housing Revenue Account estimates 2013/14, Housing Investment Programme 2013/14 and Treasury Management Strategy Statement)**

Councillor Anne Turrell, Leader of the Council addressed the Panel and explained that following the publication of the agenda, officers had received additional financial information that the Leader having considered, had decided to submit a revised Budget to Cabinet on the 23 January 2013 that will freeze Council Tax for 2013/14.

Councillor Turrell said that rather than announce this change at tomorrow evening's Cabinet she felt it was appropriate to inform and discuss the change with the Panel and enable scrutiny prior to the Cabinet decision being taken.

A briefing note providing details of the additional information was circulated to Panel Members to consider before reviewing the Budget papers. The changes to four Cabinet decisions within the published Budget report are as follows:-

- 1.2. Update to include the additional income of £65k from new sharing deal with major precepting bodies within the savings shown at appendix D.
- 1.3. Update to reflect impact of additional income of £65k Budget requirement is therefore £22,986k.
- 1.4 Update to reflect use of balances of £765k (an additional £15k).
- 1.8 Update to reflect proposal to freeze Council Tax at £175.23 for Band D properties which will therefore qualify the Council to receive the Government grant.

Councillor Tim Young, Cabinet Member and Labour Group Leader addressed the Panel to explain that the additional information had not been discussed by all Cabinet Members, that the information had not been received by him until early afternoon, and had not been discussed by his group.

Councillor Young said he didn't think the additional information was particularly new, but would reserve judgement until he had discussed with his group colleagues, and would then make a considered response at the following evening's Cabinet meeting.

Councillor Paul Smith, Cabinet Member and Liberal Democratic Group Leader addressed the Panel to explain the additional money was from the Government and Essex County Council, and was happy to take this money if it was to be used to the benefit of the Colchester residents. The new sharing deal with major precepting bodies (Essex County Council, Essex Fire Authority and the Police and Crime Commissioner for Essex) will provide £65k

of additional income, and this together with an additional £109k received from the Government if no increase in Council Tax is agreed and £15k from reserves (leaving the remaining reserves above the prudent level) will provide the £189k needed to enable no increase in Council Tax.

Councillor Smith paid tribute to officers for their work in finalising the 2013/14 Budget and said the amended Budget will be presented to Cabinet tomorrow evening.

### **2013-14 Revenue Budget**

Mr. Sean Plummer, Finance Manager and Mr. Darren Brown, Group Accountant presented the reports making-up the 2013/14 Revenue Budget.

It was explained that the 2013/14 reports together with the Housing Revenue Accounts Estimates 2013/14, Housing Investment Programme 2013/14 and Treasury Management Strategy 2013/14 will form decision(s) to be taken by the Cabinet on the 23 January 2013.

Mr. Plummer gave a detailed presentation of the 2013/14 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast for pre-Cabinet scrutiny, highlighting the key elements of the report(s).

Mr. Plummer said core Government funding had reduced by £3.3m since 2011/12 with a further provisional reduction of £1.2m announced for 2014/15. The Budget included savings or additional income of £1.8m, with the majority of savings based on proposals to work more efficiently and to maximise opportunities to increase income.

The current year's financial position is that the forecast outturn is expected to be an underspend in the region of £250k.

Mr. Plummer drew member's attention to the Revenue Cost Pressures identified in appendix B and 2013/14 Growth Items identified in appendix C.

Mr. Plummer explained that the reason for Colchester's increased revenue spending power was in the main due to the additional income from the New Homes Bonus and this also highlighted that the Council's main 'formula grant' had reduced by £727k.

The final Budget will include the Council Tax Freeze Grant (£109k) to be paid in 2013/14.

Mr. Plummer concluded by explaining the Summary Position and the Medium Term Financial Forecast that showed the Council faces a continuing budget gap of c£5m over the next three years from April 2014, though potential savings and income identified in the Universal Customer Contact (UCC) Fundamental Services Review will reduce this to £2.3m.

In response to Councillor Willetts, Mr. Plummer said the Inflationary Pressure (as part of the Revenue Cost Pressures) was a general allowance for all the Council's costs though to a large extent it was for increases in key areas such as energy and pay costs. In respect of Land Charges the forecasted income had been reduced to a more reasonable level.

Mr. Plummer said the increase in insurance premiums was in part due to pressure to reinstate the contribution to the insurance provision. Mr. Plummer did not have details of the increases in insurance claims history but said he would be happy to provide this detail on request. Councillor Smith said whilst the number of claims had increased, the level of claims was still at an average local authority level.

With regards to the Digital Strategy income reducing due to a potential partner withdrawing from contract negotiations, Mr. Plummer said this was the case at this point in time. Councillor Smith said it had been hoped that the potential partner would sign the contract in December, but because they had withdrawn, it was felt prudent not to include the income into the Budget.

Mr. Plummer confirmed to Councillor Granger that the additional fleet costs for replacement vehicles will come in 2013/14, not as originally anticipated in 2014/15. This was due to operational reasons and was not a timing issue. Councillor Smith said greater vehicle leasing costs had put pressure on the Budget.

In response to Councillor Willetts, Councillor Smith said the Council was obligated to meet the £15k contribution toward firstsite maintenance costs, as part of the original contractual agreements.

In regards to Growth Items and specifically Food Waste collection, Mr. Plummer confirmed to Councillor Harrington that the Budget included £750k to provide the investment to roll out the Food Waste Scheme, and a grant of £850k to meet the investment costs. Both figures were included and showed that the grant will cover the cost of the scheme.

Councillor Smith responded to Councillor Willetts by explaining that the £100k allocated to the Strategic Plan Priorities was to provide funds to enhance items included in the Strategic Plan and that fit with the Council's main priorities.

### **Housing Revenue Account Estimates and Housing Investment Programme**

Mr. Darren Brown presented the Housing Revenue Account (HRA) estimates 2013/14 and the Housing Investment Programme (HIP) 2013/14 for pre-Cabinet scrutiny.

The Council's financial procedures require the Head of Strategic Policy and Regeneration to prepare detailed HRA estimates for approval by the Cabinet, setting the new rent levels for the new financial year, and as part of the

governance process to agree the Council's revenue and capital estimates, and the Cabinet is required to agree the allocations to the Housing Stock Investment Programme.

The HRA Estimates included the new housing and garage rents and Management Fee for Colchester Borough Homes, and noted the HIP contribution, linked to the HRA but detailed in a separate report.

Mr. Brown confirmed to the Panel that the £962k underspend was, in the main, due to the Council's capital financing decisions, which have helped to deliver savings of £700k per annum for the duration of the loans.

In response to Councillor Willetts Mr. Brown said the Panel could, if it so wished, review the Repairs and Maintenance Programme / Contract during 2013/14.

### **Treasury Management Strategy**

Mr. Steve Heath, Finance Manager presented the Treasury Management Investment Strategy report.

The Council adopted the revised CIPFA Treasury Management in the Public Services Code of Practice on 17 February 2010 that requires the Council to approve an annual Treasury Management Strategy Statement. The statement is submitted for scrutiny prior to the start of the year to which it relates.

Mr. Heath confirmed that the Strategy is largely unchanged from the current Strategy, and the Council was looking to maintain the current approach of borrowing internally. Mr. Heath said the investment policy reflects a low appetite for risk, with investments only being made with those institutions with the highest credit ratings.

Mr Heath advised that the temporary restriction to the duration limits of investments mentioned within the report had now been lifted due to improved data from Europe and improved liquidity in financial markets.

In response to Councillor Willetts, Mr. Heath appreciated that Panel Members had little understanding or knowledge of Treasury Management but remained confident about the quality of scrutiny. Mr. Heath said that if members felt they would like training in Treasury Management, Sector can provide this service, and he would be happy to make the necessary arrangements.

Councillor Granger said to enable meaningful and adequate scrutiny to be undertaken he felt members should be given more time to study the Budget reports and suggested that Panel members request an additional briefing session open to all members before the Budget papers are scrutinised at the 2013/14 meeting.

*RESOLVED* that the Panel:

- i) Considered and noted the 2013/14 Revenue Budget, Capital Programme and Medium Term Financial Forecast, including the amended changes to the decisions to be taken by Cabinet as set out in the note on the additional information presented to the Panel.
- ii) Considered and noted the Housing Revenue Accounts Estimates 2013/14.
- iii) Considered and noted the Housing Investment Programme 2013/14.
- iv) Commented on and noted the 2013/14 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy prior to it being considered by Cabinet and Full Council as part of the 2013/14 Budget report.

**23 January 2013**

<b>Report of</b>	<b>Head of Street Services</b>	<b>Author</b>	<b>Matthew Young</b>
<b>Title</b>	<b>Food Waste Collection Trial</b>		<b>☎ 282902</b>
<b>Wards affected</b>	All wards affected		

This report concerns the Food Waste Collection Trial

**1. Decision(s) Required**

- 1.1 To receive and note the results of the food waste trial.
- 1.2 To agree to the introduction of a food waste collections service for every household in the Borough of Colchester including flats.
- 1.3 To agree to a phased introduction of the food waste collection service and to confirm the collection methods and arrangements.
- 1.4 To note the use of the Weekly Collection Support Fund grant and the requirement to maintain weekly residual waste collections for the next five years.

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

- 2.1 To enable officers to plan and implement the introduction of a borough-wide food waste collection service for all households.
- 2.2 To ensure that the conditions relating to the Weekly Collection Support Fund grant are being adhered to by the Council.

**3. Alternative Options**

- 3.1 The Council must, as a condition of the grant, maintain weekly residual waste collections for the next five years and implement a borough-wide food waste collection service so there can be no alternative to these requirements.
- 3.2 However the Council could choose to implement the borough-wide food waste collection service concurrently to all households in Colchester rather than phasing the introduction.

**4. Supporting Information**

- 4.1 The introduction of separate collections of food waste for recycling has been a stated aim of this administration and officers were asked to prepare cost estimates for the introduction of a trial of doorstep food waste collection. A scheme was designed and agreed by the Portfolio Holder for Street and Waste in July 2011.



- 4.2 The year long food waste collection trial began in November 2011 and saw 7,100 households receive a weekly food waste collection. The households selected to participate in the trial represent 10% of the Borough, reflecting the social demographic composition of the Borough and a mix of housing types across urban, semi-rural and rural locations.
- 4.3 For the first six months of the trial, residents received a weekly food waste and black sack collection alongside fortnightly blue and green week recycling collections. As planned fortnightly refuse collections were introduced for the final six months of the trial to see the impact this had on black sack waste tonnage collected. This increased the food waste recycled in the latter period by 16% when compared to the first six months, even though participation was lower.
- 4.4 Over the 12 months of the food waste trial, more than 452 tonnes of food waste was diverted from landfill, with collection yields averaging 37.7 tonnes a month. This generated landfill tax savings for Essex County Council in the region of £27,000. There was also a 659 tonne reduction in the amount of black sack waste sent to landfill between July and October 2012 compared to the same period in 2011. Although this significant reduction cannot be wholly attributed to the success of the food waste trial, feedback from residents indicated that the trial encouraged participants to recycle more and think about the materials they put out in their black sack for collection.
- 4.5 Levels of participation varied throughout the life of the food waste trial with a high of 97% at the start of the trial although at the end this reduced to 73%. The average for the trial was 86%. This reduction and subsequent stabilisation in participation levels was expected and has been experienced by other waste collection authorities undertaking a food waste collection service. Seasonal events such as Christmas and summer holidays; residents exhausting their supply of caddy liners and some instances of apathy with regard to the service directly impacted on levels of participation.
- 4.6 By recycling over 450 tonnes of food waste, the Council prevented more than 200 tonnes of CO<sub>2</sub>e (methane gas) being emitted from the local landfill site. This saving essentially eliminates the carbon impact of 36 'average' households within the Borough. If the food waste collection service were to be rolled out across the Borough, the Council would expect to collect around 4,500 tonnes of food waste and prevent as much as 2,000 tonnes of CO<sub>2</sub>e (methane gas) from being emitted from the local landfill site. The roll out of the service to all households will also result in an appreciable increase in the Council's overall recycling rate.
- 4.7 Throughout the trial regular food waste trial updates have been delivered to the Portfolio Holder for Street and Waste, and to the Waste Task and Finish Group. At the last Task and Finish Group meeting held on 22 November 2012, the proposal to roll out a food waste collection service to all properties within the Borough received support from all Group members.
- 4.8 Although the food waste trial officially ended on 31 October, the Council has continued to collect food waste weekly. Residents have been advised that this arrangement will continue until at least January 2013 when a decision regarding the future of the service will be made by Cabinet.
- 4.9 The Council was also awarded £2.35m from the Department of Communities and Local Government, to continue providing a weekly black sack collection service for all households for a minimum of 5 years. Following discussions with the Portfolio Holder it was decided to reinstate weekly residual waste collections for food waste trial households from Monday 17 December.

4.10 Cabinet should note that as part of the existing food waste trial the Council received DEFRA funding to carry out a separate trial into the use of behaviour change techniques as a method to increase participation. As part of this selected households in the trial areas will be given access to an online portal to track their participation and to enter into prize draws.

## 5. Proposals

5.1 As a result of the award of the Weekly Collection Support Fund grant, the Council has to maintain weekly residual waste collections for the next five years. However alongside this, the grant enables the Council to introduce a borough-wide food waste collection service.

5.2 That the Food Waste collection service is introduced in phases across the Borough with an exact timetable agreed with the Portfolio Holder for Street and Waste. The awarding of the £250 million grant to 90 authorities across the country by the Department of Communities and Local Government will create an increased demand for vehicles, wheeled bins, food waste containers and food waste caddy liners over the years of the grant from the successful authorities, with the largest demand occurring during 2013/14.

Of the £250 million awarded nationally approximately £120 million of this will be used for the purchasing of equipment as described above. Clearly with this amount of procurement taking place there are benefits to be gained by looking to maximise the savings Councils can make by all looking to procure the same things in order to

- Shape the market and for Councils to get what they want and need
- Work with suppliers to manage demand and delivery
- Ensure Value For Money (maximising the savings for all involved)

As a result of this opportunity the Productivity Programme, a programme of the Local Government Association (LGA) has offered to co-ordinate the expected programme of procurement activity to identify what might be bought and when. This will also involve the development of procurement frameworks that should maximise the savings achieved by Authorities that can agree a specification together and, through competition, achieve value for money. Colchester is participating in this process to see whether this will produce savings but also to understand the timescales from suppliers for the items we require to deliver the food waste service.

By going it alone at this time Councils risk:

- being seen to be competing against each other meaning some will lose out
- those buying the most being supplied first so others have longer waits
- it becoming a suppliers 'sellers' market i.e. they maximise their profits making Councils pay more than necessary
- damaging the reputation of the Councils whose procurement strategy is seen as uncoordinated, wasteful and providing poor VFM for council tax payers

This activity has already started and further work is taking place early in 2013 with suppliers, purchasing organisations, Councils and the LGA. Clearly this process dictates the time it will take to procure and deliver the bins, food waste caddies and liners required to implement the borough-wide service. Therefore, at this stage it is not possible to state firmly when the service will commence however this will become firmer as the procurement process moves forward.

All other activity around the implementation is being progressed.

- 5.3 The borough-wide service will provide households with the same materials to participate as used in the successful trial area. It has been agreed to provide each household with 20/25 caddy liners delivered along with their internal and external food caddies.

To support residents that wish to continue to use liners after the supplied roll has been used, the Council will work with local retailers to establish a network of points across the Borough where liners are available from.

This will allow residents to have a local point at which they can purchase liners, at a price that benefits from the Council's ability to achieve value for money from the proposed wider procurement whilst also supporting local retailers by encouraging residents into their stores.

- 5.4 Food waste collections will also be introduced for flats. This will be done via the introduction of wheeled bins in areas accessible to residents, who will be provided with caddies to transfer their food waste from their properties out to the communal bins. All flats will also be provided with 20/25 caddy liners. A survey is being carried out regarding the suitability of sites for the location of the proposed bins and it is recognised that consultation and agreement may be required in locations where space may be restricted.

## **6. Strategic Plan References**

- 6.1 This proposal supports the 'Being cleaner and greener' aim and specifically the 'Reducing, reusing and recycling our waste' priority.

## **7. Consultation**

- 7.1 To coincide with the end of the trial, all food waste households were invited to share their experiences of the trial with us in October 2012. Residents were invited to participate in local focus group sessions, to attend a public food waste meeting in the town centre and to complete an evaluation survey. Some residents chose to write to Street Services expressing their views on the trial, while others contacted their Ward Councillor directly.

- 7.2 Over 450 households provided both positive and negative feedback which helped Officers to identify aspects of the trial which worked well for residents, for example a significant reduction in black sack waste and associated smells, and issues to consider such as the provision of caddy liners.

### **7.3 *Task and Finish Group***

A Waste Task and Finish Group was established in 2009 to aid the Portfolio Holder for Waste and Street Services in considering the reduction of waste arisings, the amount of residual waste going to landfill and other matters relating to the Waste Prevention and Recycling Options appraisal. The group also considered the types of waste collection services being offered elsewhere in other waste collection authority areas and the levels of recycling performance being achieved.

In this municipal year the two areas that the Task and Finish Group agreed to concentrate on were the review of the food waste trial, and the introduction of methods to strongly encourage participation in the Council's recycling schemes.

In relation to the food waste trial the Task and Finish Group made the following observations for consideration by the Cabinet. Members of the Recycling and Waste Task and Finish Group supported a concurrent roll out of a food waste collection service if this could be achieved operationally. The complexities of introducing a food waste collection service to flatted properties were recognised, as was the possibility of having to adopt a phased implementation plan.

Members of the Task and Finish Group also considered the provision of caddy liners and there was majority support for supplying an initial roll of 20/25 caddy liners to encourage residents to participate. Members also supported the idea of the Council supplying local businesses with discounted rolls of caddy liners. This initiative would enable residents to buy replacement liners at a lower cost, support the local economy and generate income for the Council.

## **8. Publicity Considerations**

- 8.1 It is recognised that a comprehensive and effective publicity and communications campaign will be essential to make the roll out as successful as the trial. This will be developed over the next two to three months.
- 8.2 As a minimum, the introduction of a borough-wide food waste collection service would be promoted via the annual recycling calendar that is issued to all properties, in addition to the website. A press release would also be circulated to local media outlets to secure publicity for the new collection scheme.
- 8.3 Prior to the introduction of the food waste collection trial, and later the introduction of fortnightly residual waste collections, all participating households were written to directly. Feedback from residents and Members suggested that by addressing communications to 'The householder' or to 'The occupier', residents may mistake the letters for junk mail or generic marketing that is often sent to properties indiscriminately. The decision was therefore taken to address all future communications to the resident responsible for Council Tax payments. The new approach would be used for future communications relating to the introduction of a borough-wide food waste collection service, where appropriate.

## **9. Financial implications**

- 9.1 The total fund of £2.35 million awarded to Colchester Borough Council is broken down across the financial years set out in the table below.

<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>Total</b>
£518,000	£909,575	£925,547	£2,353,122

The £518,000 allocated for 2012/13 allows for the capital purchases of food waste containers and liners along with publicity required to set up the scheme Borough wide.

Years 13/14 and 14/15 are a mixture of capital for the purchase of bins and caddies to establish collections in flats and revenue costs for the collection service and ongoing publicity.

- 9.2 DCLG has recognised the potential of Councils achieving better value for money through the procurement process described in 5.2. As a result they are comfortable with authorities carrying over money across years in order to achieve value for money.

9.3 Once the grant has been spent the Council will have to ensure that the costs of providing the service are included in its base budget. The first impact of this will be felt in the financial year 2015/16 and an initial pressure of £720,000 has been identified and included in the Council's Medium Term Financial Forecast, which is also reported to this Cabinet meeting.

9.4 However, throughout the roll out and continued delivery of the service officers will look for all opportunities to reduce costs particularly if there is the expected reduction in the residual waste tonnages collected.

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

10.1 It is recognised that similar to the experience in the trial areas, some households will need more assistance than others to have the confidence to participate in the collection service, so publicity campaigns will need to be adjusted to meet the needs of various groups.

10.2 Furthermore, those households across the Borough who already receive an assisted collection will need to be contacted to ensure that they can participate in the collection service.

10.3 To view the Equality Impact Assessment on Recycling and Waste go to the Council's website [www.colchester.gov.uk](http://www.colchester.gov.uk) and follow the pathway Home > Council and Democracy > Policies, strategies and performance > Equality and Diversity > Equality Impact Assessments or this link: [http://www.colchester.gov.uk/Info\\_page\\_two\\_pic\\_2\\_det.asp?sec\\_id=1988&art\\_id=7977&az\\_mode=true](http://www.colchester.gov.uk/Info_page_two_pic_2_det.asp?sec_id=1988&art_id=7977&az_mode=true).

## **11. Community Safety Implications**

11.1 There are no community safety implications.

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

12.1 All staff will have sufficient training in the safe operation of the new machinery, manual handling and basic traffic awareness, as well as being supplied with the Working Method Statement and Risk Assessment already in place for this task.

## **13. Risk Management Implications**

13.1 The Council is now committed to delivering separate weekly food waste and residual waste collection services for at least five years during which time, residual waste collection tonnages may reduce to a point at which it is no longer financially, operationally or environmentally sensible to continue delivering these services in the same way. To offset this, officers will monitor tonnages collected and crew operating times and if necessary adjust residual waste collection rounds so workloads are balanced.

13.2 The risks related to procurement are set out in paragraph 5.2 in the 'Proposals' section of this report.

13.3 There will be a risk around funding the service in future financial years so the Council will have to ensure it includes the pressure in its medium term financial plan.

### **Background Papers**

Food Waste Trial report to Task & Finish Group: 22 November 2012  
Weekly Collection Support Fund Bid – August 2012

**EXTRACT FROM THE MINUTES OF THE MEETING OF THE  
POLICY REVIEW AND DEVELOPMENT PANEL  
HELD ON 5 NOVEMBER 2012**

**13. Localism // Colchester Localism**

**Councillors Cook and J Young (in respect of their Board Membership of the St Anne's Community Centre and the Greenstead Community Association respectively) each declared a non-pecuniary interest in this item pursuant to the provisions of Meetings General Procedure Rule 7(5).**

**Councillor Cory (in respect of his involvement in the part funding of a project for the Hythe Community Centre in his capacity as a Board Member of Cory Environmental Trust) declared a non-pecuniary interest in this item pursuant to the provisions of Meetings General Procedure Rule 7(5).**

Councillor Feltham, Portfolio Holder for Communities and Leisure Services attended the meeting and, with the consent of the Chairman addressed the Panel. Councillor Feltham explained that Localism encompassed a huge agenda, part of which included responsibilities in her portfolio. It was one of the reasons she had entered local politics as it asked questions of Governments and individuals and provided opportunities to do things differently and challenged the relationship between Whitehall, Local Councils and Communities. However it also raised questions as to what currently constituted a community. She was interested to hear how the discussions would progress, especially in terms of whether residents were interested in taking on new powers and the tension between doing new things at a time of spending cuts.

Executive Director, Ian Vipond presented a report suggesting what localism initiatives the Council could develop as part of a wider localism approach following the implementation of the Localism Act.

Mr Vipond explained that the report focused on the appropriate response to the philosophy of localism in Colchester. Much was already being done locally, and the report recommended the development of five initiatives to enhance the development of a comprehensive approach in Colchester.

The Government had described the philosophy behind the Act as:

“We will push power downwards and outwards to the lowest possible level, including individuals, neighbourhoods, professionals and communities as well as local councils and other local institutions.”

However, the report concentrated more on the role that the Council could take in enabling and encouraging communities to take an even more active role in taking decisions and engaging in activities which affect their area. It was acknowledged that an element of capacity building would be required to enable existing and potential communities to engage to a greater extent than they currently do and the role of voluntary and community sector organisations would be crucial.

A number of projects were provided as examples in terms of:

- High Woods Country Park, Colchester's Countryside Volunteer Rangers;
- Mile End ward/ Myland Community Council attracting external funding for localised tree planting on Colchester Borough Council land;
- West Mersea Town Council taking on (playing fields) The Glebe extension and play area, with developer's maintenance contributions;
- Ward Projects funded in 2010/11 include allotments at Mile End; in total £76,976 was spent on 12 schemes;
- Big Lottery Children's Play programme used to support voluntary sector projects such as the Toy Library and Ormiston Trust Touring Top Tots' programme;
- Council grants investing £330,000 in third sector organisations to provide service through the voluntary welfare and preventing homelessness grant programmes;
- Use of planning gain as well as direct Council funding to lease or transfer assets to community groups for them to operate independently for community benefit;
- Community projects officers to develop community groups, building their capacity to serve their communities and achieve sustainability (Harbour Task group, Domestic Violence Forum);
- Service to 15 Neighbourhood Action Panels to give people an opportunity to influence service provision by the Police and Council in their communities;
- Engagement approach to building the capacity of community organisations to deliver the principles of community development;
- The Council has adopted eight Village Design Statements and Parish Plans to date and in partnership with the Rural Community Council of Essex, has a system for supporting Parish Councils interested in producing neighbourhood plans;
- Colchester in Bloom - business and resident engagement to encourage more planting around the town now run by Destination Colchester and Pam Schomberg.

The whole philosophy of Localism is that it must come from individuals and communities who must decide what they wish to engage with and they bring the main resource to the table in their own commitment and the hours they are prepared to volunteer. It is for this reason that what is now being explored is how the Council can help build capacity in communities by means of a spectrum of opportunities:

1. We continue to do what we are doing using a localism or Big Society label. We are always looking for opportunities to support communities and it could be argued that we are doing enough;
2. We look for an increasing range of opportunities and divert some resource;
3. We continue to do what we are doing and add to it, using ward Councillors as a key conduit, perhaps continuing to give them access to budgets that can be used for local projects;
4. We connect more directly with the communities, through a range of partners, particularly the Voluntary Sector and community groups to directly enable them to take more decisions.

Furthermore a series of specific options had also been worked up as follows:

- **Councillors' role in Localism:**  
Councillors constitute a significant and diverse resource, and as such there is potential to consider how they can be supported in their leadership role.
- **Enabling Community Capacity:**  
The issue in this case is the local partner. The obvious local partner within the



Borough which could undertake this work is CCVS. If they would be willing to put their name forward then we would need to be confident that they could undertake this assignment given their existing commitments.

- **Enable improved digital infrastructure to facilitate the delivery of virtual communities:**

Considerable work is already underway to substantially improve the digital infrastructure in the Town and Borough, and the question is whether this opportunity can be used to create a community resource.

- **Participatory Budgeting:**

In principle the merits of the project are being considered through the establishment of the Jubilee Fund/Locality Budget which has given each councillor £2,000 to spend in their wards in 2012/13.

- **Increasing Community influence through Zone-Based working:**

This concept identifies one of the main pillars to Localism: local commitment - that the residents support the principle, see clear opportunities in their locality and are prepared to get involved to identify and deliver “social goods” valued by all.

Councillor Hogg attended and, with the consent of the Chairman, addressed the Panel. He referred to the problem of sustainability in terms of people’s willingness to volunteer for specific issues meaning that was very little cross over and it was very rare to find individuals who were willing to take on a wider community role. He was of the view that ward councillors continued to be the focal point for projects in local areas.

Councillor G Oxford attended and, with the consent of the Chairman, addressed the Panel. He spoke against any proposal to move Locality Budgets to Zones rather than Borough ward areas. He explained how he and his fellow ward councillors had worked together to identify community groups with whom they could develop projects for funding.

Katharine Evans explained that Localism was in its early stages for Parish Councils especially given the context of the recent discontinuance of the Revenue Support Grant in Colchester. She agreed with the concern about individuals willing to get involved, given the recent trend in co-opting Parish Councillors rather than the need for elections to select from a number of candidates. She spoke in glowing terms of the benefits brought by the Zone wardens who were given authority to work with communities and had the ability to initiate projects to the benefit of the Parishes.

Tracey Rudling explained that one of the roles of CCVS was to help local groups to access funding opportunities. The availability of funding sources was becoming more restricted but the mechanisms to access available funds was becoming easier.

Sareena Cobden regretted that she had been unaware of the Councillor Locality Budget opportunities but explained that she intended contacting the ward councillors in her area to seek their assistance.

Particular discussion from the Panel members was in relation to:

- The problem of identifying funding for projects and the need for advice and assistance in making funding applications;
- The need for Councillors to commit to utilizing their Locality Budget despite difficulties in identifying appropriate recipients;

- The importance to the rural communities of the forthcoming broadband improvements associated with the digital infrastructure project;
- The potential risk to Localism initiatives given the commencement of the latest Council Fundamental Service Review of Customer Contact

*RECOMMENDED* to Cabinet that:-

- (i) The approach to Localism in Colchester identified in the report by Executive Director Ian Vipond be approved\*;
- (ii) The list of initiatives contained in the Project Initiation Documents attached to the report by Executive Director Ian Vipond be progressed with a view to implementation by their relevant Portfolio Holders;
- (iii) The benefits of the Councillor Locality Budgets be acknowledged and the allocation of these funds to individual councillors be continued;
- (iv) The building of capacity in communities be explored further by means of the fourth option identified in the report by Executive Director Ian Vipond, namely to connect more directly with the communities, through a range of partners, particularly the Voluntary Sector and community groups to directly enable them to take more decisions.

\* Please note that for ease of reference this report is attached as Appendix 1



## Policy Review and Development Panel

Item

5 November 2012

Report of	Executive Director/ Localism Working Group	Author	Ian Vipond ☎ 282717
Title	Colchester Localism		
Wards affected	Not applicable		

**This report suggests what localism initiatives the Council could develop as part of a wider localism approach following the implementation of the Localism Act**

### 1. Decisions Required

- 1.1 To recommend to Cabinet that it approves the approach to Localism in Colchester.
- 1.2 To recommend that the list of initiatives contained in the Project Initiation Documents attached to this report be progressed with a view to implementation by their relevant Portfolio Holders.

### 2. Background

- 2.1 The Localism Act 2011 is now being implemented following Royal Assent and various commencement orders, so the Council needs to develop its own approach for how we are going to stimulate Localism in Colchester. There are a number of other reports on this agenda which deal with specific elements of the implementation of the Act. They include reports on:
  - Right to Bid –Assets of Community Value
  - Community Right to Challenge
  - Summary of the implementation of the Act.

This report focuses on the appropriate response to the philosophy of localism in Colchester. Unsurprisingly much is already being done locally, and the report recommends the development of five initiatives to enhance the development of a comprehensive approach in Colchester.

- 2.2 Government has described the philosophy behind the Act as:
 

“We will push power downwards and outwards to the lowest possible level, including individuals, neighbourhoods, professionals and communities as well as local councils and other local institutions.

  - for services which are used individually, this means putting power in the hands of individuals themselves
  - where services are enjoyed collectively, they should be delivered by accountable community groups
  - where the scale is too large or those using a service are too dispersed, they should be delivered by local institutions, subject to democratic checks and balances, enabled by full transparency”.

2.3 There are a many key measures in the Localism Act (see summary report), but this report concentrates more on the role that this Council can take in enabling and encouraging communities to take an even more active role in taking decisions and engaging in activities which affect their area.

New community rights will ensure that community organisations have a chance to bid to take over land and buildings that are important to them (see Right to Bid report - but in itself this would only be one way, albeit a significant way, in which communities can take a step towards controlling their own 'environment'.

2.4 Clearly an element of capacity building would be required to enable existing and potential communities to engage to a greater extent than they currently do and the role of voluntary and community sector organisations will be crucial. There is also a key leadership role for this Council.

### **3. What are we doing already?**

3.1 We already have a wide range of work that could be part of a Localism agenda. There are many projects but below are some examples:

#### Volunteering work

- High Woods Country Park, Colchester's Countryside Volunteer Rangers.

#### Community participation

- Myland Ward/ Mile End Parish Council attracting external funding for localised tree planting on Colchester Borough Council land.

#### Parish and Town Councils

- West Mersea Town Council taking on (playing fields) The Glebe extension and play area, with developer's maintenance contributions.

#### Section 106 funding

- Used to support planning gain to communities. Ward Projects funded in 2010/11 include allotments at Mile End; in total £76,976 was spent on 12 schemes.

#### External funding from Big Lottery Children's Play programme

- Being used to support voluntary sector projects such as the Toy Library and Ormiston Trust Touring Top Tots' programme.

#### Council Grants

- We invest approx £330,000 in third sector organisations to provide service through the voluntary welfare and preventing homelessness grant programmes.

#### Transfer Assets

- We use planning gain as well as direct Council funding to lease or transfer assets to community groups for them to operate independently for community benefit (community gain: Harbour Resource Centre, Tiptree, Garrison; direct council funding: Greenstead and St Anne's Centres).

#### Capacity building through Community project officers

- We use community projects officers to develop community groups, building their capacity to serve their communities and achieve sustainability (Harbour Task group, Domestic Violence Forum)

- We service 15 Neighbourhood Action Panels to give people an opportunity to influence service provision by the Police and Council in their communities.

#### Research and Engagement

- Engagement approach to building the capacity of community organisations to deliver the principles of community development. Engagement in Mile End allowed 400 responses to questions about how people felt about living in Mile End and what they would like to see in the future. The ideas for change were prioritised by community representatives taking into account what they felt able to do themselves.

#### Neighbourhood Planning

- The Council has adopted eight Village Design Statements and Parish Plans to date and in partnership with the Rural Community Council of Essex, has a system for supporting Parish Councils interested in producing neighbourhood plans. Two are already underway.

#### Supporting local organisations

- Colchester in Bloom - business and resident engagement to encourage more planting around the town now run by Destination Colchester and Pam Schomberg.

3.2 This is by no means an extensive list, but it indicates the range and breadth of the work currently being undertaken in this field. It also indicates the significant potential that does exist for voluntary groups to develop and take responsibility for significant resources and assets that enable communities to take greater control and for the Council to step back and for individuals in those communities run a variety of activities locally.

3.3 Although many of the schemes that are running are impressive, they are not in themselves a coherent strategy and have been born out of a number of community programmes over the years. However what is clear about localism is that this is not something that can be imposed from above; there is no 'one size fits all' to this. The whole philosophy of Localism is that it must come from individuals and communities; they must decide what they wish to engage with and they bring the main resource to the table in their own commitment and the hours they are prepared to volunteer. It is for this reason that we are not proposing a structured strategy which would perhaps be the standard solution to a new government policy. What has been explored is how the Council can help build capacity in communities.

## 4. Proposals

4.1 We have looked at a number of options, and these link to the spectrum of opportunities:

1. We continue to do what we are doing using a localism or Big Society label. We are always looking for opportunities to support communities and it could be argued that we are doing enough
2. We look for an increasing range of opportunities and divert some resource
3. We continue to do what we are doing and add to it, using ward Councillors as a key conduit, perhaps continuing to give them access to budgets that can be used for local projects.

4. We connect more directly with the communities, through a range of partners, particularly the Voluntary Sector and community groups to directly enable them to take more decisions.

4.2 These options have been explored with all Councillors but represent work in progress. At this point there are some general issues to consider that could impact on the options considered:

- Geography/structures

To move towards a model at the more comprehensive end of the scale then we would need to think about how this was structured and resourced. While a geographical split looks appealing at first glance, it could present a set of constraints. Communities would be encouraged to define themselves and might not fit into neat geographical areas. Nevertheless we are already committed to work more on a zoned basis.

- Ways of working and skills

The model used for promoting and supporting the Census could provide a way of resourcing this sort of work. What we need is a set of people with the right skills to go into communities, by any means and find things they want to do. Our community project officers already work in this way to some extent. Adopting an approach to Localism that really enables communities to drive change would mean more of our officers would need these skills.

#### 4.3 **Next Steps**

A series of specific options have been worked up, but before this work is taken any further we need to understand which if any of the ideas are supported by the Panel and Cabinet.

The suggestions are contained in five templates in the Project Initiation Documents (PIDs) attached to this report:

##### **Councillors' role in Localism:**

Councillors constitute a significant and diverse resource, and as such there is potential to consider how they can be supported in their leadership role.

##### **Enabling Community Capacity:**

This concept identifies a key building block in developing the capacity across the Borough to make use of the opening offered by the Localism and Big Society agendas. In this respect technically it is a straightforward project. The components to the project are clear.

The issue in this case is the local partner. The obvious local partner within the Borough which could undertake this work is C CVS. If they would be willing to put their name forward then we would need to be confident that they could undertake this assignment given their existing commitments.

##### **Enable improved digital infrastructure to facilitate the delivery of virtual communities:**

Considerable work is already underway to substantially improve the digital infrastructure in the Town and Borough, and the question is whether this opportunity can be used to create a community resource.

### **Participatory Budgeting:**

In principle, the merits of the project are being considered through the establishment of the Jubilee Fund/Locality Budget which has given each councillor £2k to spend in their wards in 2012/13. This is just one mechanism for providing a locality-focused spend and is probably too early in the year to judge whether it has proved a useful initiative and if the money has been well spent.

### **Increasing Community influence through Zone-Based working:**

This concept identifies one of the main pillars to Localism: local commitment - that the residents support the principle, see clear opportunities in their locality and are prepared to get involved to identify and deliver "social goods" valued by all. The framework of the process is present in the PID. However, it could turn out to be an extremely challenging journey. It is not clear whether zone working has already identified areas in the Borough which are now at a stage where they would want to engage with this sort of opportunity. Where there is perhaps already a neighbourhood plan in existence or in preparation then a locality exists which might step forward. This project nonetheless would require considerable commitment from all sides, but we could consider a pilot.

- 4.4 These suggestions are not exhaustive but provide a place from which to develop a Colchester approach to Localism. It will be seen that they are not unrelated and there is some crossover. This can be built on over time as initiatives come forward, but each will need to be assessed and fitted into a broader framework. Key to that framework will be the need to build on what we are doing, use resources wisely to deliver Strategic Plan objectives which coincide with the Localism agenda and run with initiatives which play into the strengths of working practices being developed through Fundamental Service Reviews.
- 4.5 As well as investigating the merits of these PIDs individually, it is also worthwhile to think about them collectively to see not only what contributions they make to the objectives we have, but also the extent to which they justify the resources - both human and financial - that they will require. We need to know the extent to which they fit into the rest of the work the Council is undertaking both substantively and institutionally, and are built on a good read-across.
- 4.6 There are clearly a range of possible constraints, all of which have solutions depending on how far the Council wishes to go:
- Financial - where possible initiatives should reduce not increase impact on budgets.
  - Capacity - people and skills including that of the voluntary sector.
  - Organisation structure - this must link to the Council's Fundamental Service Review of Customer Contact.
  - Political will - the extent of Members' engagement with these ideas and initiatives is critical to their success.

These constraints will need to be applied to the individual proposals as they come forward within the framework suggested.

- 4.7 Once Cabinet have considered the options a process will need to be agreed for taking this work forward.

## **5. Strategic Plan References**

- 5.1 All the initiatives will help to achieve the vision of the Strategic Plan for Colchester to be the place to live, learn, work and visit. A specific objective concerns delivering high quality

and accessible services, and these initiatives will particularly support the Council's priority of 'enabling local communities to help themselves'.

## **6. Financial Considerations**

6.1 There will be an impact on resources when responding to specific parts of the legislation, and this is covered on other reports. The building of capacity via the specific initiatives above will be driven from existing resources, but the majority of Government funding will be distributed in the form of grants to local communities, whilst the remainder will support a [My Community Rights](#) website, advice service and telephone helpline regarding the various programmes.

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

7.1 In January 2011, Government undertook an equalities impact screening for the community right to challenge legislation, and reported that no significant impact had been identified for any of the protected groups identified in the Equality Act 2010, however the equalities impacts of the policy will need to be kept under review.

7.2 There are no implications on the proposals set out in this report as all proposals will be treated in the same manner, and if a procurement exercise is triggered the specification and evaluation criteria will reflect the inclusion and diversity requirements of the service subject to the tender.

## **8. Publicity Considerations**

8.1 There is already a section on the Council website that is devoted to helping Communities and a section on Localism. As initiatives are brought forward they will be added to the website.

## **9. Consultation Implications**

9.1 In bringing the range of proposals forward, consultation has occurred with Members. Various representatives of local groups and the voluntary sector have been invited to the panel's meeting, and a key part of the next steps will be the engagement of local communities.

## **10. Community Safety Implications**

10.1 There are no specific proposals relating to Community Safety, but this issue is often a high priority for local people and could well be a driver in any Localism proposals.

## **11. Health and Safety Implications**

11.1 None.

## **12. Risk Management Implications**

12.1 There are a number of constraints referred to in section 4 above.

It is inevitable that there are risks associated with all of these, and the success of this approach is going to be reliant on a number of factors. Perhaps the key factor will be the ability and willingness of the voluntary sector and the local community groups to engage further in this agenda.



## Project Initiation Documents

Project Name	<ol style="list-style-type: none"> <li>1. <b>Councillors role in Localism</b></li> <li>2. <b>Enabling Community Capacity</b></li> <li>3. <b>Enable improved digital infrastructure to facilitate the delivery of Virtual Communities</b></li> <li>4. <b>Participatory Budgeting</b></li> <li>5. <b>Increasing Community Influence</b></li> </ol>		
Date	1. 05/11/12	Release	Draft/Final
Document Author	<ol style="list-style-type: none"> <li>1. Andrew Weavers</li> <li>2. Matthew Sterling</li> <li>3. Nigel Myers</li> <li>4. Ian Blofield</li> <li>5. Cassandra Clements</li> </ol>		
Project Owner	<ol style="list-style-type: none"> <li>1. Andrew Weavers</li> <li>2. Matthew Sterling</li> <li>3. Nigel Myers</li> <li>4. Ian Blofield</li> <li>5. Cassandra Clements</li> </ol>		

### 1. Councillors role in Localism

#### Overview

##### PURPOSE

- To enable Councillors to understand their role in their communities under localism and to equip them to be able to fully engage with their communities.

#### Background

The Localism Act 2011 has five key measures which put new rights and powers in the hands of local people to take charge of their future. Councillors have important roles in both making decisions and advising their communities.

- Community rights - including community right to challenge, right to bid and right to build
- Neighbourhood planning
- Housing
- Community empowerment
- Competence

## Project Definition

### PROJECT OBJECTIVES

Councillors are in direct contact with communities through their ward-based and community leadership roles and can also influence how the Council interacts with communities through the services it provides or commissions and the community and voluntary organisations it supports. This project will ensure that Councillors are adequately equipped to undertake this role.

### PROJECT SCOPE

To equip Councillors with the right skills to enable them to undertake their responsibilities under the localism agenda. These would be included as part of the Member Development programme.

### OUTLINE PROJECT DELIVERABLES AND/OR DESIRED OUTCOMES

#### **Community/ward leadership and area-based working**

Councillors have the electoral legitimacy and accountability required to shape goals and bring together those that are needed to achieve them. This might involve brokering meetings and activities and building partnerships between groups including:

- The Council's officers and locality-based service providers
- Those from other public sector organisations that are focused on specific areas such as schools, GP practices and policing
- Private and voluntary sector organisations which may be deeply rooted in particular communities

Councillors' experience of this work will also help them to better represent their communities in the Council rather than to represent the Council to their communities.

#### **Providing legitimacy and behaviour changing**

- Where the Council is pursuing goals that require the public to change their behaviour, i.e. waste recycling, Councillors have a critical role in legitimising the actions of the Council and its partners by guiding the direction of these types of activities when encouraging people to change their behaviour.

#### **Shaping services**

Councillors bring their experience and learning from their communities into the Council to help guide policy, scrutiny and the Council's approach to interactions with the public.

There are roles for Portfolio Holders and councillors on scrutiny panels to challenge not just the quality and quantity of services provided but also the contribution they make to the capacity of individuals and communities to do more for them. This is in addition to the ability of individuals and communities to build and to have access to social support (social capital) i.e. the network of relationships within a community and across communities.

#### **Social enterprise and the third sector**

The community and voluntary sector, including social enterprises, can play a particularly important role in building social capital because they are often already part of communities or can be created in response to expressed needs. The leadership role of Councillors is often around helping community representatives and local groups to get started, and providing thoughtful support and challenge.

CONSTRAINTS
Budget
INTERFACES
The Council's localism agenda and the Government's expectations.
ASSUMPTIONS
Budgetary capacity
Participation by Councillors

### Project Approach

#### Core skills for Councillors to focus on in their role as community leaders in the under localism

Councillors will need to develop and deploy a range of approaches. While some Councillors already use these approaches in their day-to-day engagement with their communities, some may need to adapt their ways of working.

- Facilitation and mediation – to enable different voices to be heard and to help groups work effectively and resolve conflict together
- Emotional intelligence, and self-awareness – creating the conditions to build trusted and solid relationships
- A range of influencing styles – to achieve results in different situations, especially those where they lack position-based authority
- Problem-finding and solution-building – seeing the problems within problems, and their impact on different groups
- Individual and group coaching – asking good questions to help people to think things through for themselves and listening to enable people to feel heard
- Exploring diversity – drawing on the creative, positive energy of people's different experiences and perceptions

## 2. Enabling Community Capacity

### Background

The government's Localism and Big Society agendas envisage community groups having greater influence over local services and in some cases assuming their management. However, community leaders may need assistance to ensure they have the required knowledge, skills and preparedness to be able to do so. Without support, the aspirations of community groups in Colchester may be frustrated.

### Project Definition

PROJECT OBJECTIVES
The borough's neighbourhoods have skilled individuals able to take advantage of the opportunities the Big Society initiative presents (transfer of assets, service contracts, free schools, etc)
PROJECT SCOPE
A Third Sector partner will be grant funded to identify potential community leaders; and to design and deliver a training and support package to build their capacity to take advantage of the opportunities created by the Localism Act.

## OUTLINE PROJECT DELIVERABLES AND/OR DESIRED OUTCOMES

This project will deliver:

- Grant funding found and agreed
- Service Level Agreement signed with Third Sector partner
- Potential community leaders

Training package designed and delivered

## EXCLUSIONS

This project will not involve the transfer of services to community groups, not assistance provided by the Council to help them bid to manage services.

## CONSTRAINTS

Requirements for this project include:

- Political will
- The availability of funding
- Positive relationships with the voluntary and community sector

## INTERFACES

This project may have an interface with our existing voluntary sector funding (managed by Bridget Tighe).

## Project Approach

This project involves contracting with an external agency to deliver the outcomes. This is judged the best way to proceed because:

- It will allow us to use an organisation that already has strong links with the voluntary and community sector
- It will maximise the opportunities to tie this project with other existing support for community capacity
- It reduces the potential for conflicts of interest in any future tendering exercises for the management of Council services.

## Project Tolerances

The maximum level of funding and the timescale for this project have not been agreed as yet.

## Project Controls

A Service Level Agreement with performance indicators will be agreed with the third sector partner and quarterly monitoring will be required to allow us to ensure the project is delivering its outcomes to the agreed timescale.

## Initial Business Case

There are two strong reasons for developing the capacity of the community to manage Council services. These are:

1. The transfer to community management of Council services has the potential to save money, and or make existing services more sustainable in the long-term. It will not be appropriate in every case but there will be times when it is identified as the best option (for example, the transfer of Activity Centres to a third sector manager).

2. In cases where services have been transferred to a community group (whether the Council instigated this or it resulted from a request made by the group under the powers created in the Localism Act) it will be in the Council's interest that the community group is strong and manages the services successfully. In situations where a community group to whom a service has been transferred fails, the Council may come under pressure to re-assume responsibility for the service with little time to prepare.

## Initial Project Plan

Main Steps	By whom
<b>Resources</b> Identify resource to fund voluntary sector lead partner to devise and deliver this programme	CI Manager
<b>Lead Partner</b> Engage voluntary sector partners to find a lead partner	CI Manager
<b>Training programme</b> Devise capacity building programme	Lead partner / CI Manager
<b>Finding community leaders</b> Scan of community contacts to identify likely 'leaders' (councillors, Parish Councils, partner organisations, networks, NAPs, Neighbourhood Watch, Residents' Assns, etc)	Lead partner / CI officer
<b>Recruitment</b> Approach and sign-up potential community leaders	Lead partner
<b>Delivery of initial training</b> (some modules could be delivered by those CBC departments with specialisms in particular opportunities such as Estates or Legal)	Lead partner / various CBC depts
<b>On-going support</b> Create network for trained leaders to keep them up-to-date with opportunities and able to refresh their skills	Lead Partner / CI Manager
<b>Identifying potential for transfer</b> Identify Council owned services / facilities that would be appropriate to transfer	SMT

## Initial Risk Log

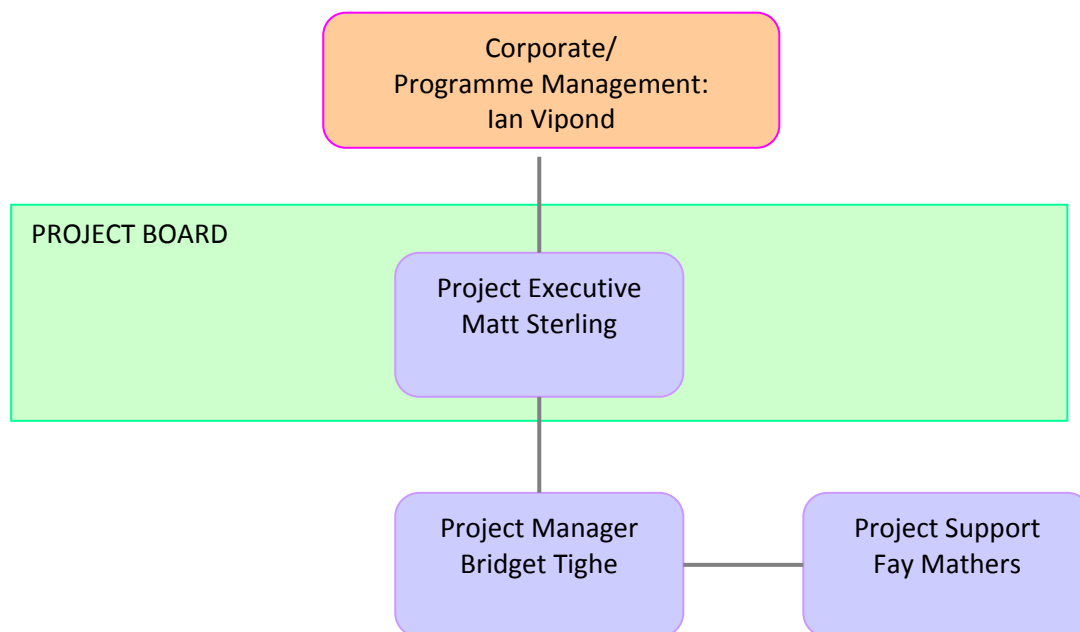
The principle risks connected with this project are:

- The pre-requisites mentioned in the 'constraints' section above are not forthcoming
- We are not able to secure the involvement of a third sector partner
- Delivery by the chosen partner is poor
- Unrealistic expectations amongst the community leaders being supported are created

These risks are manageable and detailed mitigation will be put in place should the project proceed.

## Project Organisation Structure

### PROJECT MANAGEMENT TEAM STRUCTURE



### Communication Plan

A detailed comms plan will be devised for this project. As a minimum this will involve:

- Publicising the offer to secure a third party partner effectively
- Sharing the outcomes of the project with stakeholders in the Council and the wider community sector.

## 3. Enable improved digital infrastructure to facilitate the delivery of Virtual Communities

### Background

The Colchester Digital Strategy identifies the strong correlation between the provision of digital infrastructure and economic performance. The Office for National Statistics (November 2012) indicated that 77% of the UK population have access to the internet with 45% of that population going on line via a mobile phone. That figure increases to 85% for the age group 16 to 24 year olds. The same report showed that 17% of the adult population has never been on line. The majority of this group are elderly people and people with disabilities. This has significant implications for social exclusion and ability to access important information as well as economic benefits. It has been estimated that 'internet savvy' consumers save around £700 per annum by being able to access the best deals.

The UK Internet Survey (October 2010) ranked UK towns and cities on internet speeds. Colchester Borough had an average speed of 8.2Mbps the 8<sup>th</sup> poorest performing district in the UK. This ranged from 20mbps in the town centre to dial up speed and 'not spots' in some rural locations.

The option of taking no action to address this position would be likely to result in continuing poor internet speeds in the Borough with a reliance on BT to release fibre deployment and

upgrades of its existing network.

The alternative to this is be proactive in respect to the wider telecommunications and digital industry (including BT) in order to encourage and enable investment in digital infrastructure in the Borough of Colchester.

Working with the University of Essex and RNS Solutions Colchester co-hosted an investment event in February 2011 to promote Colchester to key players in the digital infrastructure. 40 companies attended the event ranging from independent network providers to large companies including BT, Virgin and Lucent Alcatel. Of these 16 companies expressed an interest in investing in Colchester digital infrastructure independently of and in partnership with Colchester Borough Council (CBC).

The role of CBC is to be an enabler for private sector companies to invest and deliver improved digital infrastructure.

The provision of improved internet and mobile speeds is a community benefit impacting on social and digital inclusion, residents, businesses and visitors.

The proposed solutions are as follows:

Developing a Next Generation Access infrastructure build-out across the Borough using a hybrid (wireless and fibre) solution

1) Digital Wireless Town – digital platform which gives mobile access to web data and services (up to 20Mbps). The implementation of 4G in 2013 will enable significantly faster speeds.

2) High speed Urban and Business Broadband – including the deployment of the CCTV ducting using fibre and wireless (40-50 Mbps)

3) Rural Broadband – delivering wireless broadband (minimum 20Mbps)

In order to deliver 1) CBC will leverage its own CCTV network to deploy micro antennae on existing CCTV street furniture on sites owned by CBC and third parties.

For 2) the Town Hall tower will be deployed to site an aerial within the tower to provide line of site wireless broadband for a distance of up to 20km. Other aerials (on assets not owned by CBC) will also be deployed to create a 'mesh' for delivering faster broadband speeds.

Rural Broadband will be delivered in part by County Broadband who has to date built a wireless network in West Bergholt and are now in discussions with further Parish Councils in the Borough.

Any deployment of equipment will not impact on the day to day delivery of CCTV services. Street Services and Facilities are fully involved in the project delivery. There has also been wide consultation on proposed projects within CBC particularly with Legal Services ICT, Communications and Health & Safety.

## **Project Definition**

### **PROJECT OBJECTIVES**

1) To bring Next Generation Access Broadband Services both wireless and fixed to visitors, residents and businesses in the Town Centre enhancing the Town's overall attractiveness and business vitality and supporting inward investment, tourism, retail and the potential delivery of public services.

2) To work with the private sector (Carriers and Internet Service Providers) in enabling the delivery of improved broadband services to poorly served urban and rural areas of the

Borough and address clearly defined market failure.

#### PROJECT SCOPE

The overall digital infrastructure project is potentially large in terms of impact on residents, businesses and visitors as well as employees of CBC. The role of CBC as described is largely that of enabler. The project delivery of digital infrastructure primarily sits with the private sector suppliers in consultation with CBC. The ongoing contractual agreement with suppliers and third parties (where appropriate) will be managed by CBC. There has been extensive consultation with external stakeholders throughout 2011 and 2012 particularly with the business community, to support the aims and delivery of the digital strategy.

#### OUTLINE PROJECT DELIVERABLES AND/OR DESIRED OUTCOMES

Suppliers of the mobile platform in the Town Centre and of the Wireless Broadband solution have provided technical specifications which form appendices to the legal agreements (not attached to this document at this time)

#### EXCLUSIONS

The primary focus of the project is to ensure delivery of improved digital infrastructure. The further development of potential spin offs which result from these improvements such as for example telehealth are not within scope of this phase of the project.

#### CONSTRAINTS

The project is dependent upon the successful conclusion of commercial and contractual agreements with the infrastructure suppliers. To date these have been concluded with the Wireless Broadband Provider. They have not been concluded with the suppliers of the mobile platform in the Town Centre. All agreements require intensive input particular from Legal Services and Procurement to mitigate commercial risks and provide CBC with a sustainable income stream.

#### INTERFACES

The key operational interface is with the operational capacity of the CCTV network during deployment and subsequent maintenance cycles. This technical interface will be resolved by the appropriate Officers, Sub Contractors and Supplier teams in line with contractual agreements.

#### ASSUMPTIONS

All third party involvement in the case of CCTV equipment will be subject to a license agreement covering the additional deployment.

CBC will not be liable for any third party variation once the license agreement has been made.

### **Project Approach**

The project is intended to deliver improved broadband and mobile speeds throughout the Borough. To achieve this CBC is working as an enabler with a range of suppliers. CBC will continue to lobby BT and Virgin to develop their existing networks. The intended net result is to create more competition amongst providers of digital infrastructure to provide more choice and drive down costs to the end user.

### **Project Tolerances**

A sustainable income stream for CBC has been identified and forms a part of future financial planning. The precise levels of income are dependent largely upon securing agreed profit share arrangements which are in turn dependent on network usage.



## **Project Controls**

Project plans produced by the suppliers and agreed with CBC are/will be subject to weekly conference calls dealing with progress and exceptions.

## **Initial Business Case**

The initial business case was presented to the Cabinet on July 13<sup>th</sup> 2011.

[http://tmf.colchester.gov.uk/servedoc.asp?doc\\_id=37464](http://tmf.colchester.gov.uk/servedoc.asp?doc_id=37464)

## **Initial Project Plan**

1) Digital Wireless Town – Project plan produced by supplier under separate cover – will be made public when contract and commercials are signed off – November 2012 target date for this

2) Wireless Broadband in Urban/Business Parks - Briskona/Motorola Project Documentation is available under separate cover

3) Rural Broadband – County Broadband have an indicative build programme for broadband build in Colchester parishes – there is no contractual relationship b/w Colchester Borough Council and County Broadband.

## **Initial Risk Log**

As above for suppliers.

For CBC the following risks were identified in the initial business case:

- Provision of an “open access network”, allowing other carriers and content suppliers to access the network;
- Operator/s track-record, financial robustness, capacity for innovation and partnership working
- Timing, resilience, robustness, scalability and continuing evolution of the solution/s adopted
- Opportunities for Council services to be delivered free of charge over the network and for potential income stream sharing from advertising.
- Agreed contract length with review periods and call-off

## **Communication Plan**

Communication Plans agreed with suppliers available under separate cover

## **Project Quality Plan**

As per supplier Project Plan and contractual/commercials agreements.

## 4. Participatory Budgeting

### Overview

**PURPOSE** To develop an appropriate participatory budget scheme for Colchester.

Participatory budgeting directly involves local people in making decisions on the spending priorities for a defined public budget. This means engaging residents and community groups representative of all parts of the community to discuss spending priorities, making spending proposals and vote on them, as well as giving local people a role in the scrutiny and monitoring of the process.

The DCLG's Participatory Budget Unit provides advice and guidance.

### Background

The Council has an opportunity to respond to the Governments localism agenda, which aims to give decision making back to local communities. Participatory budgets can be part of a package of measures. In addition the Council has just introduced ward councillor budgets of £2k each, which could be used to facilitate a Participatory Budget scheme

There are different funding models to match local circumstances which typically focus on:-

- Specific community grants
- Top slicing 1 to 3% of the Councils budget
- Focusing Councillor Locality budgets to zones
- Pooling budgets at a neighbourhood level across all public service providers
- children and young people
- town & parish level
- Housing

Wellbeing relating to health. This is currently the least common form.

### Project Definition

#### PROJECT OBJECTIVES

To develop a participatory budget scheme that is effective in developing community decision making while being affordable and equitable to all Colchester residents

#### OUTLINE PROJECT DELIVERABLES AND/OR DESIRED OUTCOMES

Local decisions made in the zones on specific issues.  
An appropriate participatory budgeting framework.

#### CONSTRAINTS

Engagement of zone communities.

Developing the integrity and credibility of the Initiative through defined outputs.

Identifying the funding needed although typically this might initially be £10k or under per zone

### Project Approach

1	Consider whether to use the Participatory Budget Unit's toolkit.	All
2	Research and determine which model of Participatory Budget and the scale of budget that is most appropriate	All
3	Implement as a Pilot alongside activity to increase community engagement in	All

	the zones	
4	Monitoring Arrangements in place.	All
5	Review after 12 months and determine whether to increase the scale of Participatory Budgets	All

## 5. Increasing Community Influence

### Background

The government's Localism and Big Society agendas envisage community groups having greater influence over local services and in some cases assuming their management. However, community leaders may need assistance to ensure they have the required knowledge, skills and preparedness to be able to do so. Without support, expectations of services or standards from the wider community may not be met or understood.

### Project Definition

#### PROJECT OBJECTIVES

The borough's neighbourhoods have skilled individuals able to take advantage of the opportunities the Big Society initiative presents (transfer of assets, service contracts, etc). Enabling communities to have a greater influence over services provided in the Borough will allow true priority and need to rise to the top and be dealt with locally.

#### PROJECT SCOPE

With the introduction of Zones we are already making local service delivery more focused and responsive to the needs of it customers. We would look to take this forward in engaging the community to have more influence how public money is spent in their area.

A basic version of this project is already in place through the Neighbourhood Action Panels. At its simplest level:

- a resident can report an issue e.g. constantly littered and graffitied area
- the group decide how to respond e.g. CBC services to respond to the area and regular visits / inspections / evidence collections
- The group decides any funding needed e.g. a litter bin provided, graffiti kits given to resident groups etc.

This could be grown to be a local delivery panel who decide how and what the community budget should be spent on.

#### OUTLINE PROJECT DELIVERABLES AND/OR DESIRED OUTCOMES

- Community involved in local service delivery
- Public money spent on areas of need and priority
- An element of control / influence and trust given to the community
- A change in behaviour and social norms when the community have responsibilities

#### EXCLUSIONS

The Council have statutory responsibilities; whilst these aren't wholly excluded we must be mindful of what remains a deliverable for us.

#### CONSTRAINTS

In order for this to be successful we must ensure:

- a robust strategy developed on effective engagement with communities
- communication protocol developed
- set out what services are appropriate for communities to effect
- a policy / governance agreed on the process, impact and responsibilities

Furthermore, there are undoubtedly cost implications to implementing a scheme of this extent.

#### INTERFACES

There are a number of other strands / opportunities from the Localism Group that would contribute to the overall impact of this bill and how the Council are responding to it.

#### ASSUMPTIONS

The major assumption is that communities want this and will engage. Without this desire and ownership on their part it will be business as usual with the added cost of resourcing a scheme of no merit.

### **Project Approach**

We must not under estimate the size of this project and resource (especially time) that is needed to implement and run the intended scheme. Before setting out we must be sure that the idea has been tested amongst stake holders. By doing this we will gather an understanding of how the scheme could be introduced as well as basic principles expected.

Following this a full project plan would be drawn up with all associated resources and roles allocated to begin.

### **Project Tolerances**

As indicated above the maximum level of resources for this project have not been agreed as yet.

### **Project Controls**

As a minimum we would need a dedicated Project Team with performance indicators, milestones etc within a full project plan to ensure control is retained throughout.

### **Initial Business Case**

There are two strong reasons for developing the capacity of the community to influence Council services. These are:

1. The transfer to community influence of Council services has the potential to save money, and or redirect money to make services more sustainable in the long-term. It will not be appropriate in every case but there will be times when it is identified as the best option.
2. In cases where services have been completely transferred to a community group (whether the Council instigated this or it resulted from a request made by the group under the powers created in the Localism Act) it will be in the Council's interest that the community group is strong and manages the services successfully. In situations where a community group to whom a service has been transferred fails, the Council may come under pressure to re-assume responsibility for the service with little time to prepare.

### **Initial Project Plan**

Strategy developed on effective engagement with communities.

Communication protocol developed.
Agree Councillor involvement and responsibilities.
Set out what services are appropriate for communities to effect.
Establish how we could reinstate previously diminished funding streams.
Set up a trial – prepare, implement, monitor, evaluate and analyse.
Roll out the developed program.

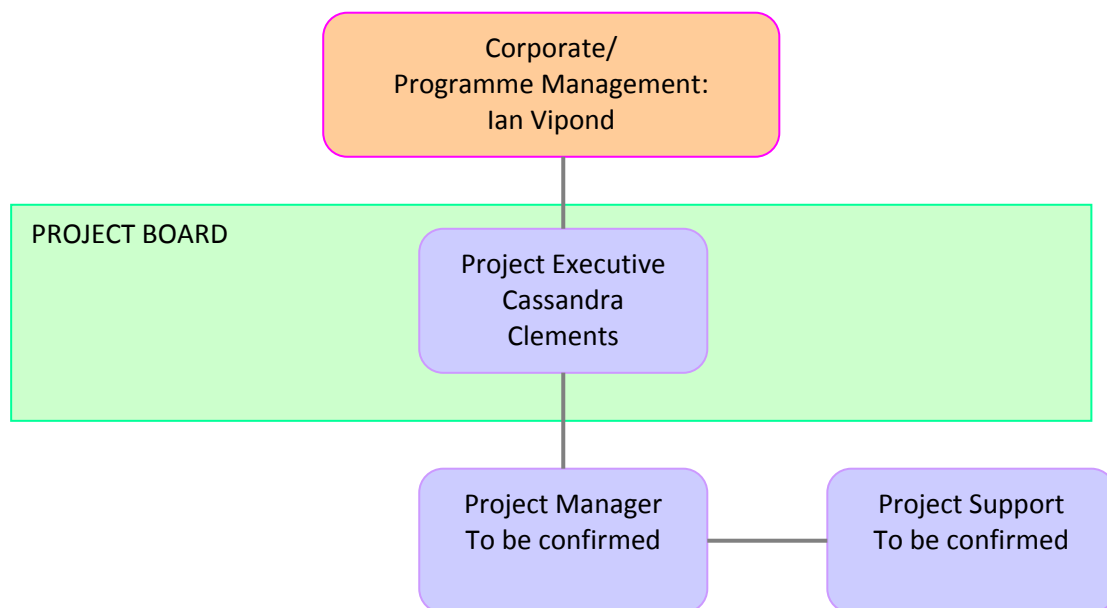
**Initial Risk Log**

The principle risks connected with this project are:

- The pre-requisites mentioned in the ‘constraints’ section above are not forthcoming
- We are not able to secure the involvement of a ‘community perspective’
- Unrealistic expectations amongst the community leaders being supported are created
- A community group decides it cannot continue delivering the service and the Council has to re-assume responsibility

These risks are manageable and detailed mitigation will be put in place should the project proceed.

**Project Organisation Structure**  
PROJECT MANAGEMENT TEAM STRUCTURE



**Communication Plan**

A detailed communications plan will be devised for this project.

23 January 2013

Report of	<b>Monitoring Officer</b>	Author	<b>Andrew Weavers</b> <b>☎ 282213</b>
Title	<b>Localism Act 2011 - Community Right to Challenge</b>		
Wards affected	Not applicable		

**This report requests Cabinet to approve proposals to deal with the Community Right to Challenge.**

**1. Decision(s) Required**

- 1.1 To note the contents of this report.
- 1.2 To approve the proposals contained in paragraph 3 of this report.

**2. Background**

- 2.1 The report was considered by the Policy Review and Development Panel at its meeting on 5 November 2012. The minutes are attached as appendix 2.
- 2.2 The Localism Act 2011 introduced with effect from 27 June 2012 a right for Parish Councils, community and voluntary bodies, charitable trusts and two or more local authority employees to submit an expression of interest in taking over the provision of a service on behalf of the local authority. The Act is supported by the Community Right to Challenge (Expressions of Interest and Excluded Services) Regulations 2012 and Statutory Guidance issued by the Secretary of State.
- 2.3 Where a valid expression of interest is received, the Council is required to undertake a procurement exercise for that service, which may lead to a contract for the provision of the service being awarded. This report provides information on the legislation and recommends the arrangements which the Borough Council should adopt in order to operate the new Community Right to Challenge which is an Executive Function.

**Who can submit an Expression of Interest?**

- 2.4 An expression of interest can be submitted by a “relevant body”, which are defined as: –
  - (a) A parish council, (but not limited to services or facilities within its area);
  - (b) A voluntary body – a body, other than a local authority, the activities of which are not carried on for a profit;
  - (c) A community body – a body, other than a local authority, which carries on activities primarily for the benefit of the community;
  - (d) A body or trust established for charitable purposes;
  - (e) Two or more employees of the local authority, whether or not they have formed themselves into a body for this purpose, or

- (f) Such other persons or bodies as may be specified by the Secretary of State by regulations. To date, no such regulations have been made.

2.5 There is no requirement for a Voluntary or Community Body to have any local connection, and any of these bodies can submit an expression of interest in partnership with any other organisation, including a commercial organisation, or propose to sub-contract the work to a commercial organisation. Providing that this is done, there is no requirement for the relevant body to undertake the majority of, or any particular share of the work.

### **What services can an Expression of Interest relate to?**

2.6 The expression of interest must relate to the provision of, or assisting in the provision of, a “relevant service”, which means any service which is currently provided by or on behalf of the Council. “Excluded services” cannot be the subject of an expression of interest and are those which include the exercise of a statutory power which cannot be delegated. For example the determination of a planning application cannot legally be taken by anyone other than the local authority, and so cannot be the subject of an expression of interest. However the processing of planning applications could be the subject of an expression of interest.

### **The Expression of Interest.**

2.7 The expression of interest must be in writing and meet certain requirements. These include the provision of :-

- (a) Information about the financial resources of the “relevant body” which is submitting the expression of interest;
- (b) Evidence demonstrating that by the time of any procurement exercise, the relevant body will be capable of providing or assisting in providing the relevant service;
- (c) Information about the relevant service sufficient to identify it and the geographical area to which the expression of interest relates;
- (d) Information about the outcomes to be achieved by the relevant body or, where appropriate, the consortium of which it is a part, in providing or assisting in the provision of the relevant service, in particular—
  - how the provision or assistance will promote or improve the social, economic or environmental well-being of the authority’s area; and
  - how it will meet the needs of the users of the relevant service; and
- (e) Where the relevant body consists of employees as described in the Act, details of how that relevant body proposes to engage other employees of the authority who are affected by the expression of interest.

### **Validation of Expressions of Interest**

2.8 The first stages comprise the validation and acceptance or rejection of each expression of interest.

#### *What happens when an expression of interest is received?*

2.9 When an expression of interest is received, the Council must check that it is submitted by a “relevant body” for a “relevant service” which is not an “excluded service”. If it fails to

meet these requirements, the person who submitted the expression of interest is notified that it is not a valid expression of interest and no further action is required.

If the expression of interest is valid, because it is submitted by a relevant body and relates to a relevant service of the Council, it could still be rejected if one of the grounds below exist.

#### *Can the Council reject a valid Expression of Interest?*

2.10 There are 10 grounds on which the Council may reject a valid expression of interest –

- (i) That the expression of interest does not meet the statutory requirements, because it is not from a relevant body or is not for a relevant service;
- (ii) That the supporting information is inadequate or incorrect;
- (iii) That any member of the body making the bid, or of their consortium, is not suitable to provide the service. This would cover absence of a necessary qualification, or past conduct;
- (iv) That the Council has already taken a formal decision to cease to provide the service. So an expression of interest cannot be used as a means to challenge an authority's decision to close a facility or cease a service;
- (v) That taking this service in isolation would result in a loss of integration with NHS services to the detriment of users of the integrated service (this is not relevant to Colchester);
- (vi) That the service is already the subject of a procurement exercise;
- (vii) That the Council is already in negotiations in writing with a third party for the provision of the service;
- (viii) That the Council has already published its intention to consider the provision of the service by a body to be set up by two or more employees;
- (ix) That the expression of interest is vexatious or trivial; and
- (x) That the acceptance of the expression of interest is likely to lead to a breach of law or statutory duty.  
This would cover an expression of interest which would require delegation of statutory powers which cannot be delegated or where it would lead to a breach of the Council's duty to secure best value, for example by causing greater cost by the break-up of shared service arrangements.

2.11 In addition, the Localism Act provides that the Council may specify periods during which expressions of interest may be submitted for those services. The Council is then able to refuse to consider an expression of interest which is submitted outside of these periods. This enables the Council to ensure that it can deal with them in a co-ordinated manner.

The Act also requires the authority, to consider whether the acceptance of the expression of interest would promote or improve the social, economic or environmental well-being of the area, but this does not form a separate ground for rejecting an expression of interest.

#### *Acceptance or rejection of an Expression of Interest*



- 2.12 Once an expression has been validated, it is necessary to conduct a review of the expression of interest to determine whether it falls within any of these criteria. This is partly a matter of fact and law, and partly a question of collecting information from the officer currently responsible for the running of the service. It is also a question of policy, because, where an expression of interest falls within one of these grounds for rejection, the Council still has a discretion and may decide to accept the expression of interest anyway. It must then notify the persons or body who submitted the expression of interest of its decision and of the reasons for that decision. If the Council acted unreasonably in rejecting an expression of interest, that decision would be open to judicial review.

#### *Shared services*

- 2.13 Particular attention needs to be given to how the Council will deal with expressions of interest for services which are provided on a joint arrangement with other authorities. Where this would result in the loss of efficiencies, it may justify rejection of the expression of interest on best value grounds. However, it is possible that expressions of interest for the relevant parts of the service have been submitted to each participating authority, so there may be a need to co-ordinate with the other participating authorities.

#### *Timescale*

- 2.14 The Council is required to set and publish (including on its website) the maximum period which will elapse between receipt of an expression of interest and notification to the body which submitted the expression of interest of its acceptance or rejection and may set different maximum periods for different cases, with 6 months being the maximum period, with the intention to start the procurement process earlier but will depending upon size and complexity. A proposed timetable is set out at Appendix 1

#### **A Procurement Exercise**

- 2.15 Once a valid expression of interest has been accepted, the Council must move into procurement mode, and must conduct an appropriate procurement exercise. The Council does not have the power to simply award the service to the body expressing interest.

#### *The Scale of the Procurement Exercise*

- 2.16 The scale of the procurement exercise will be dictated by the nature and value of the service concerned. For a Part A service which exceeds EU procurement thresholds (currently £173,934), the Public Contracts Regulations will require a formal procurement to be undertaken in accordance with the Regulations. For Part B services, the Regulations apply only to a limited extent. The Council will also need to comply with its own Contract Procedure Rules, which define different internal requirements which also set out procedures that need to be followed apply below the Regulations' tender thresholds.

#### *Timescale*

- 2.17 The Council is required to adopt and publish minimum and maximum periods between the acceptance of the expression of interest and the start of the procurement exercise, but may set different periods for different cases. Appendix 1 sets out the proposed timetable.

#### *Specifying the service*

- 2.18 The expression of interest will set out the range of the service (in terms of the service and the geographical area) to be the subject to a procurement exercise. The Council may only

vary the range of services with the agreement of the body or persons who submitted the expression. But the specification to which the service is to be provided, the contract terms and conditions, and the criteria for evaluation of tenders are for the Council to determine.

### *Tenders*

- 2.19 Although an expression of interest may be submitted by a genuine community or voluntary organisation, and the Council may wish to encourage such community involvement in service provision, once the authority goes out to open tender, it cannot prevent tenders being submitted by purely commercial organisations, and will be required to evaluate all tenders received on the same evaluation criteria.
- 2.20 The Council usually operates a tender via a restricted procedure for above and below EU Procurement Regulation limits which would require expressions of interest to be submitted in accordance with any published notice and for the submission of a Pre Qualifying Questionnaire. This would include the parties (assuming they respond to the published notice) who originally submitted the expression of interest referred to above. Thereafter, compliant expressions of interest would be evaluated against the agreed scoring matrix and a short list of candidates would then be invited to submit a formal tender.

### *In-house bids*

- 2.21 There is nothing in the legislation to prevent the authority submitting an in-house “tender” for the provision of the service. Although, this would usually be done via a shadow bid because the Council can not ultimately contract with its self. Any shadow tender would have to be evaluated in the same way as all other tenders received
- 2.22 The alternative to the above is for the Council to compare external bids against the known costs of providing the internal service without needing to receive a shadow bid.
- 2.23 Whichever option is selected the Council could award to the successful bidder or abandon the tender process if the shadow bid or in-house costs was deemed to offer best value in term of quality and price when compared against any external bids received.
- 2.24 If the Council abandoned any tender process it could be subject to a legal challenge, so it would need to be in a position to justify its procurement decisions on a fair open and transparent basis.
- 2.25 The employees within any internal service area should not be directly or indirectly involved in any procurement decisions or the creation of any tender documents if a shadow bid is to be received in order to avoid any argument that they had improperly influenced the manner in which the procurement exercise was conducted or that the tender documents were drafted in such a way as to favour the internal service provider.

### *Timescale*

- 2.26 The Council must set a minimum and a maximum time from the acceptance of an expression of interest to the start of the procurement exercise. This allows time for the preparation of a specification for the service and for the invitation to bidders. Where the expression of interest comes from two or more staff, it could allow time for them to form a staff mutual as a separate legal entity to prepare and submit the bid.

Where the EU Procurement Regulations apply minimum timescales are set for receipt of expression of interest and for the receipt of tenders.

## *Acceptance of Tenders*

- 2.27 The Council's Contract Procedure Rules set out when a tender may be accepted by officers and when it must be reported to Cabinet for acceptance.

## **Encouraging Voluntary Participation in Service Provision**

### *Encouraging Community and Voluntary Bodies*

- 2.28 As set out above, once the statutory process is activated, there is no guarantee that the community or voluntary organisation which initiated the process will be successful in the procurement exercise. Indeed, such a local community or voluntary body could be at a considerable disadvantage by reason of its smaller size, limited track record of service provision and lack of funds for bid preparation. The formal procurement process could also lead to a formal service contract rather than a genuine partnership for local service delivery.
- 2.29 To encourage community involvement in service provision, it will be preferable to encourage direct negotiation with community and voluntary bodies instead of a formal procurement exercise. This policy of being approachable demonstrates that the Council and other sectors should not require the use of the legislative provisions but to work together in the first instance. So, for example, the Council has the ability to enter an agency arrangement with a Parish Council, or to grant a lease of local community facilities to such a community or voluntary body, and to enter a grant agreement, without having to undertake a competitive procurement. This will only be possible where the grant agreement does no more than cover costs (rather than control of services) and where there is no developed commercial market for the services.
- 2.30 The Council must still be satisfied that such an arrangement provides best value for the authority, but such a voluntary arrangement can avoid the costs to the authority and to bidders of a formal competitive procurement. Grant situations are different in that the Council would not be specifying the service and have less control over the arrangement.

## **3. Proposals**

- 3.0 It is proposed that Cabinet agrees to the period specified for the receipt of expression of the interest and timescales set out in Appendix 1.
- 3.1 That any expressions of interest received are reported to the Cabinet once the validation process has been undertaken by Legal Services. Any decision to undertake a procurement process be managed by the relevant Service area in consultation with the Council's procurement team.

## **4. Strategic Plan References**

- 4.1 The Council's Strategic Plan sets out two categories of priority areas, one of these is "Leading our communities" to help make Colchester the place to live, learn work and visit. Providing clear information, arrangements and policy will help communities and individuals to exercise their rights under the Act.

## **5. Financial Considerations**

- 5.1 There will be an impact on resources when responding to any Expressions of Interest under the Community Right to Challenge legislation. On 6 July 2012, Communities Minister, Andrew Stunell MP, announced that over £30m of funding will be made available

to enable communities to take ownership and management of local assets and services under two Community Rights schemes. The schemes consist of:

- The Community Ownership of Assets programme, which will allow communities to take ownership of local assets and use the new Right to Bid power. This will receive £19m in funding; and
- The Community Right to Challenge programme, which will enable communities to bid to run their local services and use the Community Right to Challenge. This will receive £11.5m in funding.

The majority of the funding will be distributed in the form of grants to local communities, whilst the remainder will support a website, advice service and telephone helpline regarding the programmes.

- 5.2 The Borough Council, along with other local authorities has received a one off payment of £8,547 from DCLG for responding to Community Rights to Challenge. It is anticipated that the cost of dealing with any expressions of interest will be met within existing budgets but as it is not possible to indicate the level which will be received or the type of procurement exercises required, this will be kept under review.

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

- 6.1 In January 2011, Government undertook an equalities impact screening for the community right to challenge legislation and reported that no significant impact had been identified for any of the protected groups identified in the Equality Act 2010, however the equalities impacts of the policy will be kept under review.
- 6.2 There are no implications on the proposals set out in this report as all Expressions of Interest will be treated in the same manner and if a procurement exercise is triggered the specification and evaluation criteria will reflect the inclusion and diversity requirements of the service subject to the tender.

## **7. Publicity Considerations**

- 7.1 The information contained in this report will be published on the Council's website.

## **8. Consultation Implications**

- 8.1 None.

## **9. Community Safety Implications**

- 9.1 None

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

- 10.1 None

## **11. Risk Management Implications**

- 11.1 None.

**Colchester Borough Council  
Localism Act 2011**

**Timescales for Responding to Community Right to Challenge  
Expressions of Interest**

1. Expressions of interest may be submitted by relevant bodies under the Community Right to Challenge provisions of the Localism Act 2011 from 1 February to 31 March in each calendar year.
2. This period is to ensure that the Council can respond to the expressions of Interest in a co-ordinated approach and align with the Council's business and budget planning process.
3. Expressions of interest received outside of this three month period will not be considered.
4. When an expression of interest is received it will be acknowledged within 10 working days.
5. Within 28 days of the expression of interest being received the Council will notify the relevant body whether it regards the expression of interest as valid.
6. Within a further 28 days the relevant body will be notified whether the expression of interest is accepted or rejected.
7. An accepted expression of interest will trigger a procurement exercise, the appropriate route, scale and commencement date will be confirmed within 3 months of the expression of interest being accepted. The time period will allow the Council to prepare for the tender process and ensure the service requirements are properly considered and consulted upon.
8. The procurement process will commence within 6 months of the procurement route being confirmed.

**EXTRACT FROM THE MINUTES OF THE MEETING OF THE  
POLICY REVIEW AND DEVELOPMENT PANEL  
HELD ON 5 NOVEMBER 2012**

**16. Localism // Right to Challenge**

Andrew Weavers, Monitoring Officer, presented a report informing the Panel of the Community Right to Challenge.

The Localism Act 2011 introduced with effect from 27 June 2012 a right for Parish Councils, community and voluntary bodies, charitable trusts and two or more local authority employees to submit an expression of interest in taking over the provision of a service on behalf of the local authority. Where a valid expression of interest is received, the Council is required to undertake a procurement exercise for that service, which may lead to a contract for the provision of the service being awarded.

The Monitoring Officer's report provided information on the legislation and recommended the arrangements which the Borough Council should adopt in order to operate the new Community Right to Challenge which was an Executive Function.

There was no requirement for a Voluntary or Community Body to have any local connection, and any of these bodies could submit an expression of interest in partnership with any other organisation, including a commercial organisation, or propose to sub-contract the work to a commercial organisation. Providing that this is done, there is no requirement for the relevant body to undertake the majority of, or any particular share of the work.

The expression of interest must relate to the provision of, or assisting in the provision of, a "relevant service", which means any service which was currently provided by or on behalf of the Council. "Excluded services" cannot be the subject of an expression of interest and are those which include the exercise of a statutory power which cannot be delegated, such as the determination of a planning application.

The expression of interest had to meet certain requirements including the provision of :-

- Information about the financial resources of the "relevant body";
- Evidence demonstrating that by the time of any procurement exercise, the relevant body will be capable of providing or assisting in providing the relevant service;
- Information about the outcomes to be achieved by the relevant body, in particular how the provision would promote or improve the social, economic or environmental well-being and how it will meet the needs of the users;

The report also gave details of:

- What happened when an expression of interest was received;
- The grounds on which the Council could reject a valid Expression of Interest;
- The ability to specify periods during which expressions of interest may be submitted for services;
- Arrangements for expressions of interest for services which are provided on a joint arrangement with other authorities;
- Publication requirements for the timescales between receipt of an expression of interest and notification of acceptance or rejection;
- The conduct of the procurement exercise;
- Arrangements regarding in-house bids.

The report explained that, once the statutory process had been activated, there was no guarantee that the community or voluntary organisation which initiated the process would be successful in the procurement exercise. Indeed, such an organisation could be at a considerable disadvantage by reason of its smaller size, limited track record of service provision and lack of funds for bid preparation. The formal procurement process could also lead to a formal service contract rather than a genuine partnership for local service delivery.

In order to encourage community involvement in service provision, it would be preferable to encourage direct negotiation with community and voluntary bodies instead of a formal procurement exercise. This policy of being approachable demonstrates that the Council and other sectors should not require the use of the legislative provisions but to work together in the first instance. So, for example, the Council has the ability to enter an agency arrangement with a Parish Council, or to grant a lease of local community facilities to such a community or voluntary body, and to enter a grant agreement, without having to undertake a competitive procurement. This will only be possible where the grant agreement does no more than cover costs (rather than control of services) and where there is no developed commercial market for the services.

Particular discussion from the Panel members was in relation to:

- The three month for expressions of interest each year and the need to provide for adequate budgetary planning procedures;
- The implications of potential commercial bids being submitted as a consequence of the requirement to undertake a full procurement exercise.

*RESOLVED* that Cabinet be informed of this Panel's concerns in respect of the Community Right to Challenge in terms of the implications of potential commercial bids being submitted as a consequence of the requirement for the Council to undertake a full procurement exercise upon receipt of an expression of interest.

*RECOMMENDED* to Cabinet that:-

- (i) The period specified for the receipt of expression of the interest and timescales, as set out in Appendix 1 to the Monitoring Officer's report be agreed.
- (ii) Any expressions of interest received be reported to Cabinet once the validation process has been undertaken by Legal Services and any decision to undertake a procurement process be managed by the relevant Service area in consultation with the Council's procurement team.

23 January 2013

Report of	Head of Strategic Policy and Regeneration	Author	James Firth ☎ 508639
Title	Assets of Community Value - Community Right to Bid		
Wards affected	All		

**Cabinet is asked to agree the recommendation from Policy Review and Development Panel concerning assets of community value and agree the arrangements to be adopted by the Council, including any necessary changes to the constitution.**

**1. Decision(s) Required**

- 1.1. To agree the recommendation from Policy Review and Development Panel concerning assets of community value.
- 1.2. Agree the arrangements to be adopted by the Council as set out in the proposals section of this report (section 5).
- 1.3. Agree that the Monitoring Officer be requested to make any necessary changes to the constitution.

**2. Reasons for Decision**

- 2.1. The provisions of the Localism Act 2011 and the Assets of Community Value (England) Regulations 2012 place a number of requirements on the Council.
- 2.2. A report was made to Policy Review and Development Panel on the 5 November setting out the new legislative requirements and requesting that the Panel made recommendations to Cabinet on the arrangements to be adopted by Colchester Borough Council. The minutes of the meeting are attached at Appendix 2 to this report.
- 2.2. This report seeks agreement from Cabinet on the proposed arrangements as set out in section 5 below and also provides further information on the new legislative requirements.

**3. Alternative Options**

- 3.1. The Council is required by legislation to maintain a list of assets of community value and to consider community nominations. The proposed arrangements for processing and considering applications are set out in the proposals section of this report. Alternative options include placing responsibility for these functions within a different section(s) of the Council.

**4. Supporting Information**

- 4.1. The Localism Act 2011 introduced a right for Parish Councils, and other local groups such as community and voluntary bodies to nominate a building or other land as an 'asset of community value'. Local authorities are required to consider such applications, and maintain and publish a 'list of assets of community value'. The owner of any land or buildings on the list is required to give notice and comply with a moratorium period before



they sell or dispose of the land/building in order to give community groups an opportunity to bid for the land/building should they wish to do so (the Community Right to Bid).

- 4.2 *Part 5 Chapter 3 of the Localism Act 2011* (Sections 87 to 108) and *The Assets of Community Value (England) Regulations 2012* set out the processes and procedures which the Council is required follow and came into force on the 21 September 2012. The assessment of community nominations must be carried out on the basis of whether the land meets the definition of an asset of community value as defined in the legislation. Applications to dispose of land, listing reviews and compensation reviews must also be carried out as set out in the legislation. These technical processes are functions that it is appropriate to carry out at officer level. The regulations also specify that listing and compensation reviews must be carried out by an officer of appropriate seniority rather than at member level.
- 4.3 This report provides further information on these legislative requirements and makes recommendations on the arrangements to be adopted by Colchester Borough Council regarding assets of community value (Community Right to Bid). Flow charts showing how the process would operate in Colchester have been produced and are attached to this report as appendix 1. The first flow chart sets out the process for dealing with community nominations. The second flow chart sets out the process to be followed when an owner wishes to dispose of land which is listed as an asset of community value. The text below provides further details.

### **Community nominations**

- 4.4 Community nominations may be made by:
- a parish council;
  - a neighbourhood forum;
  - an unincorporated body with at least 21 local individuals and which does not distribute any surplus it makes to its members;
  - a charity;
  - a company limited by guarantee which does not distribute any surplus it makes to its members;
  - an industrial and provident society which does not distribute any surplus it makes to its members;
  - a community interest company.
- 4.5 Nominations from a parish council must relate to land within its area or a neighbouring area. Community bodies must have a local connection.
- 4.6 On receipt of a community nomination the Council is required to notify the parish council, the owner of the land, the freehold or leasehold estate holder (if not the owner), and any lawful occupant of the land that it is considering listing the land. Within eight weeks of receiving the nomination the Council must make a decision as to whether the land is an asset of community value. This must be done in accordance with the Localism Act which defines when land (including buildings/structures) should be considered of community value. It is defined as land where:
- the actual current main use of the land furthers social wellbeing or the social interests of the local community and it is realistic that such a non-ancillary use can continue; or
  - A recent main use of the land furthered the social wellbeing or the social interests of the local community and it is realistic that such a non-ancillary use could be carried out in the next five years.

‘Social interests’ include cultural, recreational and sporting interests.

- 4.7 Certain land is excluded by the legislation and may not be listed. This includes residential premises, however integral accommodation as part of a shop or public house which would otherwise be eligible for listing can still be treated as an asset of community value.
- 4.8 It is proposed that authority be given to the Spatial Policy Manager to decide whether nominated land should be considered to be an asset of community value.
- 4.9 Where the Council decides the land is of community value and intends to add it to the 'list of assets of community value', it must give notice of inclusion on the list to the relevant parties and advise the owner of the land of their right of appeal. Land which is added to the list is also recorded on the land charges register. Land remains on the list for five years.
- 4.10 If the Council decides not to add land to the list, the Localism Act and Regulations specify that written reasons must be given to the organisation that made the nomination and the land must be added to a 'list of land nominated by unsuccessful community nominations.'
- 4.11 The Council must publish both the list of assets of community value and the list of land nominated by unsuccessful community nominations. The lists must be available for inspection and one free copy must be provided to any person.

#### ***Requests for a listing review***

- 4.12 The owner of land which the council has decided should be added to the 'list of assets of community value' has a right to request a review of this decision:
- Such a request must be made within eight weeks of the day written notice was given of the Council's decision to add land to the list
  - The review must be conducted by an officer of appropriate seniority who did not take any part in making the decision to be reviewed
  - The owner may appoint any representative to act on their behalf
  - The Council must notify the owner of the procedure to be followed
  - An oral hearing must be held if requested by the owner
  - Representations may be made orally or in writing or both
  - The review must be completed within eight weeks or longer if agreed with the owner.
- 4.13 The right to request a review only applies to the owner of the land which the Council has decided should be added to the list and not to any other party.
- 4.14 It is proposed that authority be given to the Head of Strategic Policy and Regeneration to carry out and make decisions on listing reviews.
- 4.15 The owner of the land may choose to further appeal to First Tier Tribunal (HM Courts & Tribunals) should they wish to do so.

#### ***Moratorium on the disposal of listed land – Community Right to Bid***

- 4.16 If the owner of land included on the 'list of assets of community value' wishes to dispose of the land they must notify the Council.
- 4.17 It should be noted that some types of sale are exempted from this requirement. The types of disposals that are exempted are set out in section 95(5) of the Act, and others are in the Regulations. Such disposals include transfer made by gift, transfer within a family, transfer due to inheritance, and transfer where the listed community asset forms part of a larger estate.

- 4.18 On receipt of the notice the Council must update the list, notify the organisation that made the original community nomination, and publicise the matters in the area where the land is situated.
- 4.19 An interim moratorium period applies for six weeks (beginning the day the Council receives notification from the owner). During this period the owner is not permitted to dispose of the land.
- 4.20 If no written request is received from a local community group stating that they wish to be treated as a potential bidder during the six week interim moratorium period then the owner may proceed with the disposal of the land once the six weeks have expired.
- 4.21 If during this six week period the Council receives a written request from a local community group that they wish to be treated as a potential bidder, the Council passes this to the owner of the land informing them that the full moratorium period of six months now applies (beginning the day the Council received the original notification from the owner). The owner is not permitted to dispose of the land during the six month period. This gives the interested community bodies time to prepare a bid for the asset. At the end of the six month period the owner is able to consider all bids including any made by community groups and they may then proceed with the disposal of the land. The disposal of the land to a local community group is also exempt from the moratorium and is allowed during the interim (six week) or full (six month) moratorium periods. Sale to a community group can therefore proceed before the end of the moratorium periods if a community group's bid is accepted.
- 4.22 The provisions do not restrict who the owner of a listed asset can sell the property to, or at what price, so even if a community organisation puts forward a bid the owner does not have to sell to them.

### ***Compensation***

- 4.23 The owner or former owner of listed land is entitled to compensation from the Council where they have incurred loss or expense which would not have been incurred if the land were not listed. The regulations state that this may include (without prejudice to other types of claim) claims arising from any period of delay in entering into a binding agreement to sell the land which is wholly caused by the six week or six month moratorium periods. It may also include claims for reasonable legal expenses incurred in an appeal to First-Tier Tribunal. The Government's Impact Assessment (DCLG, Community Right to Bid – Impact Assessment, 21 June 2012) lists claims for expenses and claims for loss of asset value as the possible types of compensation that are most likely to be awarded. With regards to claims for expenses it is the owner's responsibility to prove that extra costs have been incurred as a direct result of the provisions of the legislation. Compensation claims for loss of asset value may apply where an asset being sold at a later date than it would otherwise have been, as a result of triggering the moratorium could lead to a fall or a rise in the capital value of listed assets.
- 4.24 Compensation claims must be made in writing to the Council; be made before the end of 13 weeks after the loss or expense was incurred; state the amount of compensation sought; and be accompanied by supporting evidence.
- 4.25 Compensation claims cannot be made by public authorities and bodies.
- 4.26 The DCLG Community Right to Bid Guidance (October 2012) states that as with other costs incurred by local authorities the estimated costs of compensation have been reflected in the new burdens funding. The compensation elements of new burdens funding are estimated on the basis of 40 successful claims for compensation across all

administering local authorities over a year. In addition to the amount included within the new burdens assessment, it is also stated that the Government will meet the cost of compensation payments of over £20,000 in a financial year. This could occur through a local authority paying out over £20,000 in one financial year either on one large claim or as a combined total on a number of smaller claims. Local authorities should write to the Community Assets Team at DCLG with a request for financial support providing evidence of the compensation costs incurred.

### ***Requests for a compensation review***

- 4.27 The owner making a claim for compensation may request a review of the decision on whether to pay compensation and/or a review of the amount of compensation that is to be paid. The review would follow the same procedures as the listing review:
- Such a request must be made within eight weeks of the day written notice was given of the Council's decision on the compensation award
  - The review must be conducted by an officer of appropriate seniority who did not take any part in making the decision to be reviewed
  - The owner may appoint any representative to act on their behalf
  - The Council must notify the owner of the procedure to be followed
  - An oral hearing must be held at the owner's request
  - Representations may be made orally or in writing or both
  - The review must be completed within eight weeks or longer if agreed with the owner
- 4.28 It is proposed that authority be given to the Head of Strategic Policy and Regeneration to carry out and make decisions on compensation reviews.
- 4.29 The person who requested the compensation review may appeal to the First Tier Tribunal against any decision of the Council in the review.

### ***Enforcement***

- 4.30 Listing of a property is recorded as a local land charge to help ensure compliance. To give a strong incentive to owners to comply with the scheme, the legislation provides that non-compliant sales will be void (ineffective), meaning that the change of ownership has not taken place. This is the case regardless of whether it has erroneously been registered on the Land Register which would have to be rectified once the fact that the sale was void was discovered.

### ***Additional guidance***

- 4.31 The Government has recently published additional guidance on this issue which provides further detail to the summary provided by this report. This can be found in the DCLG document, *Community Right to Bid: Non-statutory advice note for local authorities*, October 2012.

## **5. Proposals**

- 5.1 It is proposed that the Council's functions relating to assets of community value (community right to bid) are carried out by the Spatial Policy team in Strategic Policy and Regeneration. This includes:
- maintenance and publication of the list of assets of community value
  - maintenance and publication of the list of land nominated by unsuccessful community nominations
  - consideration of community nominations

- processing of notices of disposal and correspondence relating to the moratorium period
- applications for compensation

5.2 Officers from other departments will be involved in the decision making process including the community development team and sport and leisure department. In terms of decision making it is recommended that:

- *Community nominations and compensation decisions*  
Appropriate authority is given to the Spatial Policy Manager to make decisions on community nominations and compensation awards. Consultation to be carried out with an appropriate Cabinet member as necessary and dependent on the circumstances of the case.
- *Listing review and compensation review decisions*  
Appropriate authority is given to the Head of Strategic Policy and Regeneration or Executive Director to make decisions on listing and compensation reviews. Consultation to be carried out with an appropriate Cabinet member as necessary and dependent on the circumstances of the case.

5.3 The assessment of community nominations must be carried out on the basis of whether the land meets the definition of an asset of community value as defined in the legislation. It is therefore considered that these functions can be carried out effectively at officer level. The number of community nominations and applications to dispose of land that will be received by the Council is not known. It is possible, however, that relatively high numbers of applications may be received which must be considered within the time limits specified in the legislation. It should also be noted that the regulations set out the procedures for listing and compensation review and specify that it should be carried out by an officer of appropriate seniority rather than at member level.

## **6. Strategic Plan References**

6.1 The Council's role in the Assets of Community Value and Community Right to Bid process will help to achieve the objectives of the Strategic Plan concerning delivering high quality and accessible services. It will particularly support the Council's priority of 'enabling local communities to help themselves'.

## **7. Financial Considerations**

7.1 The carrying out of the Council's functions for Assets of Community Value and Community Right to Bid will have resource implications. The extent of resources required will depend on the degree of uptake and numbers of community nominations received.

7.2 There will be an impact on resources when dealing with community nominations and maintaining the lists of assets of community value required under the legislation. There will also be an impact on resources when dealing with notifications from owners of their intention to dispose of listed land. These stages all require notices to be sent to the relevant parties and local publicity to be undertaken as appropriate.

7.3 The listing and compensation review procedures also have resource implications and the legislation requires this to be carried out by officers of appropriate seniority.

7.4 Should an appeal be made to First Tier Tribunal then this would be likely to place considerable resource demands on the Council. A successful award of costs against the Council at First Tier Tribunal would also have financial implications.

7.5 As set out in the compensation section above the Council is required to compensate the owner or former owner of listed land where they have incurred loss or expense which would not have been incurred if the land were not listed. DCLG guidance states that the estimated costs of providing this compensation have been included in the new burdens funding. The Council has now received confirmation that the grant settlement for 2013/14 and 2014/15 will include £7,855 of Community Right to Bid grant which will be available to help meet the costs of compensation payments. Additionally if the Council pays out over £20,000 in one financial year (either on one large claim or as a combined total on a number of smaller claims) then the Council may write to the Community Assets Team at DCLG with a request for financial support providing evidence of the compensation costs incurred.

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

8.1 The Government has published an Impact Assessment of Community Right to Bid (DCLG, 21 June 2012). This includes assessment of the preferred option (now implemented) to provide a moratorium on the sale of an asset designated as an asset of community value, but with no right of first refusal, for community bodies. The equalities impact assessment of this option found that there were no foreseeable adverse impacts on any single equality group. The policy change was considered to provide greater opportunities for those affected by closure and disposal of private and public assets to obtain and run them. It is stated that mechanisms of support will be considered for those who require it, targeting those who lack the skills, expertise and knowledge to make a competitive bid for an asset.

8.2 There are not considered to be any particular equality or diversity implications for the proposals set out in this report as the assessment of community nominations will need to be carried out in a consistent manner in accordance with the requirements of the regulations. There will be a need to ensure documents relating to Assets of Community Value are available in accessible formats if required and that the lists are available to view at the Customer Service Centre as required by the legislation.

8.3 With regard to human rights implications the Government's Impact Assessment (DCLG, Community Right to Bid – Impact Assessment, 21 June 2012) recognises that imposing a moratorium on sale of a listed site will be an interference with the owner's property rights under Article 1 of Protocol 1 to the European Convention on Human Rights. It is stated that the interference is justified in the general interests of the community. The provision for compensation is considered to contribute to making the temporary restriction on sale a proportionate way of achieving the benefit for the community. Attention is also drawn to the right for a landowner to request an internal review by the local authority of its decision to list their land. In response to the results of national public consultation and to ensure Article 6 compliance, the legislation also allows landowners to claim compensation for loss of value and expenses incurred as a consequence of adhering to provisions. They are also able to appeal against a decision on a compensation claim.

## **9. Publicity Considerations**

9.1 Agreeing the arrangements to be adopted by the Council may generate significant publicity interest in the scheme and generate a large number of community nominations.

9.2 Publicity may be required at appropriate stages to invite community nominations, provide detail on how nominations or requests to dispose of land will be dealt with by the Council, and publicise official matters relating to the proposed disposal of land in accordance with the regulations.

## **10. Consultation Implications**

- 10.1 The assets of community value provisions are set out in the Localism Act 2011 and consultation has been carried out at national level. The government ran a consultation exercise seeking views on the proposed detail of the scheme to be set out in regulations and on the type of support that would be of most assistance. The consultation ran for 12 weeks and ended on 3 May 2011.

## **11. Community Safety Implications**

- 11.1 The Government's Impact Assessment (DCLG, Community Right to Bid – Impact Assessment, 21 June 2012) considers that the provisions will potentially promote greater social cohesion and build social capital strength as opportunities are being made available for communities to identify assets they consider are important and to develop them to best fit their needs.

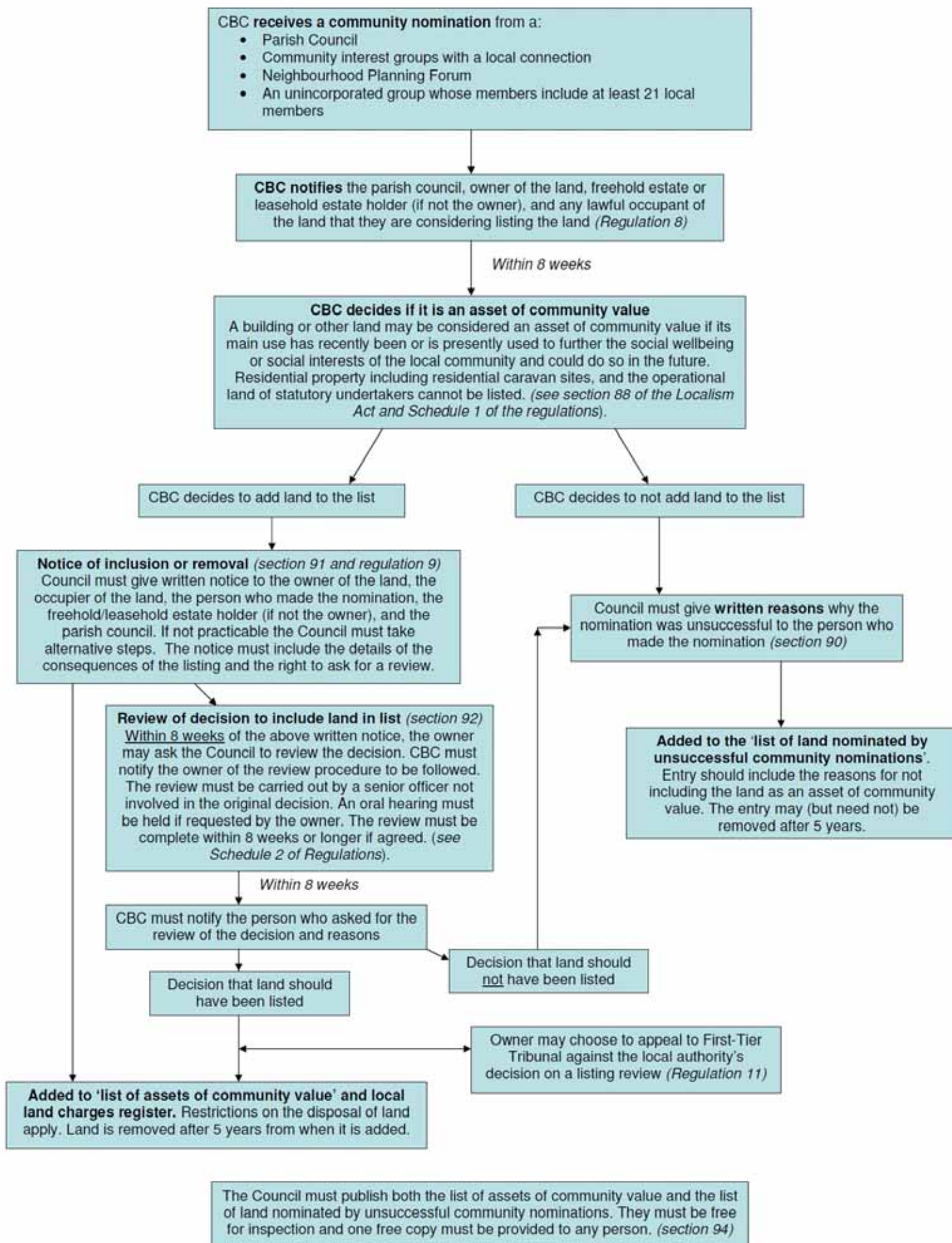
## **12. Health and Safety Implications**

- 12.1 None

## **13. Risk Management Implications**

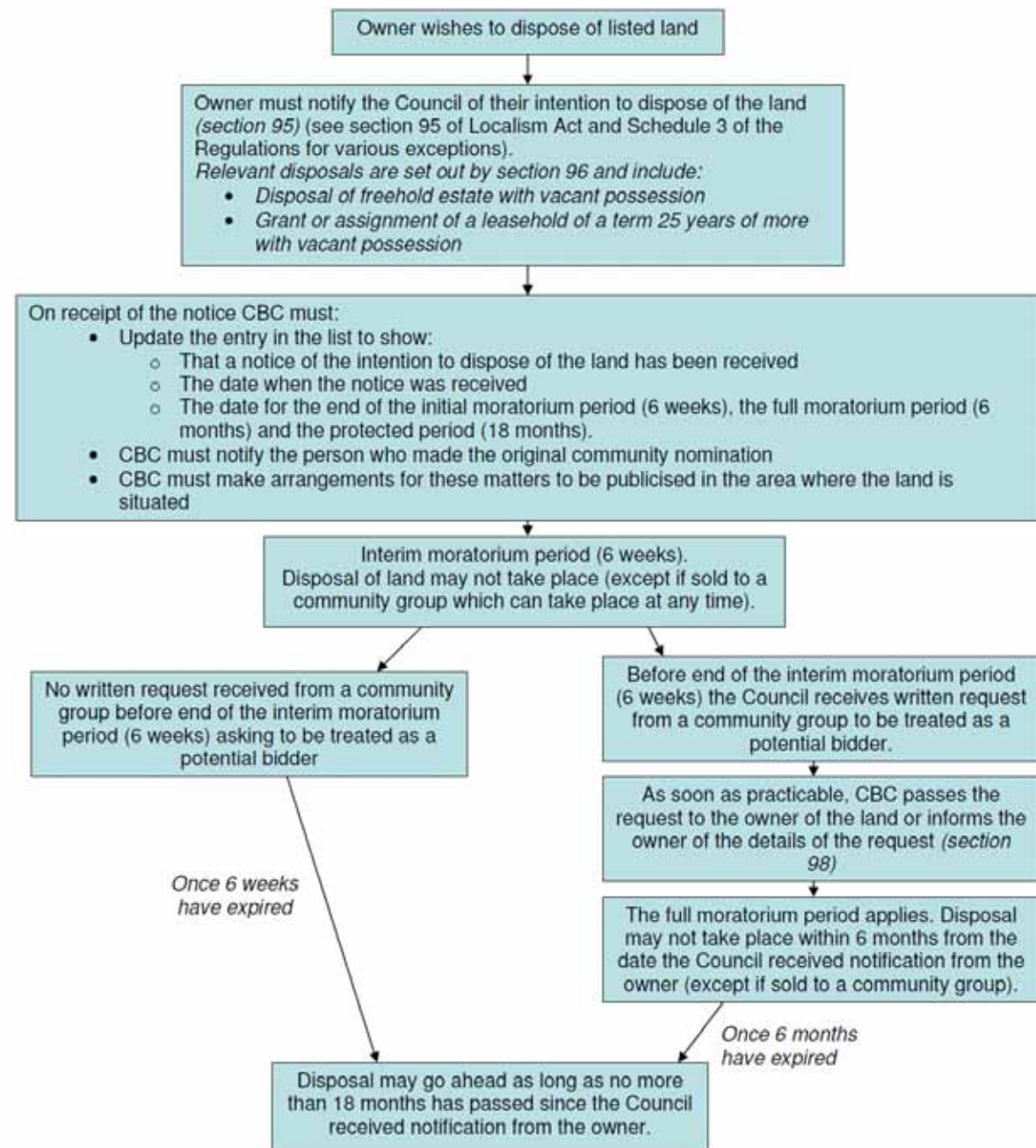
- 13.1 There is a risk that the Council may fail to correctly deal with community nominations for assets of community value, or fail to correctly fulfil its obligations under the disposal of listed land procedures (community right to bid). This may result in assets of community value not being appropriately identified, land disposals being unacceptably delayed or alternatively allowed to proceed when the moratorium period should have applied. There are also risks in terms of compensation and legal costs associated with the First Tier Tribunal process. The proposed processes and procedures set out in this report should help reduce these risks by implementing arrangements to ensure the Council fulfils all of its obligations.

## Assets of community value - Process chart for community nominations





## Assets of community value - Process chart for disposal of listed land



The owner or former owner of listed land is entitled to compensation from CBC of such amount as CBC may determine when that person has incurred loss or expense which would not have been incurred if the land had not been listed.

*(Section 99 and Regulation 14)*

The following types of claim can be made:

- Any period of delay in entering into a binding agreement to sell which is wholly caused by being prohibited to dispose of land during the 6 week period, or where the prohibition continues for six months any part of that 6 month period.
- A claim for reasonable legal expenses incurred in a successful appeal to the first tier tribunal against the Council's decision to list the land, refuse to pay compensation, or with regard to the amount of compensation offered or paid.

Claims must be made in writing before 13 weeks after the loss or expense was incurred, state the amount of compensation sought, and be accompanied by supporting evidence.

The person making the claim can request a review of the decision under regulation 16. This compensation review must follow the procedure in schedule 2 of the regulations (similar to the listing review procedure).

Where a local authority has carried out a compensation review, the person who requested the review may appeal to the First-Tier Tribunal (Regulation 17).

**EXTRACT FROM THE MINUTES OF THE MEETING OF THE  
POLICY REVIEW AND DEVELOPMENT PANEL  
HELD ON 5 NOVEMBER 2012**

**15. Localism // Assets of Community Value, Right to Bid**

James Firth, Planning Policy Officer and Karen Syrett, Spatial Policy Manager presented a report setting out the legislative requirements concerning assets of community value, considering the implications and make a recommendation to Cabinet on the arrangements to be adopted by the Council, including any necessary changes to the constitution.

The report explained that the Localism Act 2011 had introduced a right for Parish Councils, and other local groups such as community and voluntary bodies to nominate a building or other land as an 'asset of community value'. Local authorities are required to consider such applications, and maintain and publish a 'list of assets of community value'. The owner of any land or buildings on the list is required to give notice and comply with a moratorium period before they sell or dispose of the land/building in order to give community groups an opportunity to bid for the land/building should they wish to do so (the Community Right to Bid).

The legislation also set out the processes and procedures which the Council was required to follow which came into force on the 21 September 2012. The assessment of community nominations must be carried out on the basis of whether the land meets the definition of an asset of community value as defined in the legislation. Applications to dispose of land, listing reviews and compensation reviews must also be carried out as set out in the legislation. These technical processes are functions that it is appropriate to carry out at officer level. The regulations also specify that listing and compensation reviews must be carried out by an officer of appropriate seniority rather than at member level.

This report provided further information on the legislative requirements and proposed arrangements to be adopted by the Council regarding assets of community value (Community Right to Bid).

The report proposed that authority be given to the Spatial Policy Manager to decide whether nominated land should be considered to be an asset of community value on the basis that this work tied in with the responsibilities already being carried out within that team as a whole and authority be given to the Head of Strategic Policy and Regeneration to carry out and make decisions on listing reviews.

The provisions would not restrict who the owner of a listed asset could sell the property to, or at what price, so even if a community organisation puts forward a bid the owner would not have to sell to them. However, the owner of listed land would be entitled to compensation from the Council where they had incurred loss or expense which would not have been incurred if the land were not listed and payments of over £20,000 would be met by the Government.

The report further proposed that authority be given to the Head of Strategic Policy and

Regeneration to carry out and make decisions on compensation reviews.

Mr John Wallett, a resident representing the Community Cinema Project in Wivenhoe addressed the Panel, pursuant to the provisions of Meetings General Procedure Rule 5(1). He explained that the Community Cinema Project in Wivenhoe may consider nominating a building in the future and he sought further advice regarding:

- Whether the Council would assist in guiding community organizations through the process;
- The provision of advice to community groups as to which nominations would be potentially viable;
- Whether the Council could assist in advising how different groups could work together towards a common objective;
- Whether advice could be obtained prior to the submission of nominations regarding planning policies and associated potential obstacles.

It was confirmed that the council had the ability and expertise to offer certain types of technical advice to community groups but work would need to be undertaken to ensure that a clear differentiation existed between those parts of the organisation offering advice and those involved in determination of nominations. In terms of the 'first port of call' for these types of enquiries, it was likely that this would rest with the Council's Community Development Team managed by Bridget Tighe.

Councillor Hazell attended and, with the consent of the Chairman, addressed the Panel seeking clarification regarding a community group's rights in respect of the purchase of an asset.

Tracey Rudling explained that CCVS was able to assist in partnership working in order to help in the submission of applications. Other types of training related to this type of work were also available and it was likely that there may be issues in terms of capacity building.

Particular discussion from the Panel members was in relation to:

- The implications for the Council of the compensation issues;
- Potential Equality and Diversity implications in the light of competing local groups bidding for assets;
- The appropriateness of the Spatial Policy Team being given authority to administer the new arrangements

*RESOLVED* that the legislative requirements concerning assets of community value (also known as 'community right to bid'), as set out in the report by the Head of Strategic Policy and Regeneration, be noted.

*RECOMMENDED* to Cabinet that:-

- (i) The Council's functions relating to assets of community value (community right to bid) be carried out by the Spatial Policy team in Strategic Policy and Regeneration, to include:
  - maintenance and publication of the list of assets of community value;
  - maintenance and publication of the list of land nominated by unsuccessful community nominations;
  - consideration of community nominations;
  - processing of notices of disposal and correspondence relating to the moratorium period;

- applications for compensation.
- (i) Officers from other departments be involved in the decision making process including the Community Development Team and Sport and Leisure Services.
  - (iii) Authority be given to the Spatial Planning Manager to make decisions on community nominations and compensation awards, following consultation with the appropriate Portfolio Holder, as necessary, and dependent on the circumstances of the case.
  - (iv) Authority be given to the Head of Strategic Policy and Regeneration or Executive Director to make decisions on listing and compensation reviews, following consultation with the appropriate Portfolio Holder, as necessary, and dependent on the circumstances of the case.
  - (v) The Monitoring Officer be requested to make any necessary changes to the Constitution.



# Cabinet

Item  
**10(i)**

Colchester 23<sup>rd</sup> January 2013

Report of	Head of Strategic Policy & Regeneration	Author	Gareth Mitchell Darren Brown ☎ 506972
Title	Housing Revenue Account Estimates 2013/14		
Wards affected	All		

**This report presents the Housing Revenue Account (HRA) estimates for 2013/14, the Medium Term Financial Forecast (MTFF) for 2013/14 to 2017/18, and the 30 Year HRA financial model**

## 1. Decision Required

- 1.1 To approve the 2013/14 HRA revenue estimates as set out in Appendix A.
- 1.2 To approve dwelling rents as calculated in accordance with the rent restructuring formula (set out in paragraph 4.7).
- 1.3 To approve rents for garages (set out in paragraph 4.10).
- 1.4 To approve the 2013/14 management fee of £3,238,300 for Colchester Borough Homes (CBH) (set out in paragraph 4.16).
- 1.5 To note a revenue contribution of £2,812,000 to the Housing Investment Programme is included in the budget (paragraph 4.30).
- 1.6 To note the HRA balances position in Appendix B.
- 1.7 To note the Medium Term Financial Forecast (MTFF) set out at Appendix C and the 30 Year HRA financial position set out at Appendix E.

## 2. Reasons for Decision

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

## 3. Supporting Information

### ***Key Issues for 2013/14***

- 3.1 There are a number of key issues relating to the HRA budget for 2013/14, with further details being included within the main body of the report. However, in summary they are as follows. First, there is the introduction of Welfare Reform. This is expected to have a significant impact across social landlords, and provision has been included within this budget for expenditure on increased transaction costs, providing support to tenants who may need advice or assistance, as well as providing for any potential impact on rent collection levels. Secondly, we are entering the third and final year of the fundamental services review undertaken by Colchester Borough Homes, which is expected will continue the work from years 1 and 2 in delivering a more efficient and effective service. Finally, this is the second year of HRA Self-Financing. This has radically altered the funding of Council Housing, and the increase in investment in the housing stock and other projects is reflected in this report and the Housing Investment Programme report included elsewhere on the agenda.

- 3.2 As part of the process for setting the 2013/14 HRA budget, it is necessary to revisit the 2012/13 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.

**2012/13 Revised Housing Revenue Account**

- 3.3 Appendix A shows the Revised Housing Revenue Account (HRA) estimates for 2012/13. There have been some amendments to the original budget for 2012/13 during the course of the current financial year. A reconciliation is therefore provided in the following table between the Original and Revised budget for 2012/13:-

**Reconciliation between Original and Revised 2012/13 HRA Budget**

	<b>Budget 12/13</b>	<b>Commentary</b>
	<b>£'000</b>	
<b>Original Budget Deficit</b>	<b>466</b>	Agreed 25 <sup>th</sup> January 2012
2011/12 Budgets c/fwd	80	Agreed by Head of Resource Management/Head of Strategic Policy and Regeneration
<b>Revised Budget Deficit</b>	<b>546</b>	

**2012/13 Forecast Outturn Position**

- 3.4 When considering the financial position of the HRA, in addition to the adjustments to the 2012/13 original budget shown in the above table, it is important to note the 2012/13 forecast outturn position. It is currently predicted that the HRA will be underspent by £962k compared to the revised budget for 2012/13. The table below provides a breakdown of this forecast underspend. In addition, commentary is provided on the major variations;

	<b>Outturn 12/13</b>
	<b>£'000</b>
HRA Subsidy payable	(40)
Rental & Service Charge Income	(180)
Photovoltaic Income	(42)
<b>Sub-total</b>	<b>(262)</b>
<i>One-off/Technical Items</i>	
Capital Financing costs	(700)
Capitalisation of External Overview contract costs	(175)
Revenue Contribution to Capital	175
<b>Forecast 2012/13 Underspend</b>	<b>(962)</b>

- The actual final audited HRA subsidy claim for 2011/12 was lower than the estimated figure used for the closure of accounts, therefore there is a one-off benefit of £40k to the HRA from this prior year adjustment. The HRA subsidy system was abolished from 2012/13 onwards as part of HRA self-financing.
- It is forecast that we will receive more rental and service charge income of £180k. This primarily relates to less rental income lost through void dwellings and more income received from Tenant and Leaseholder service charges than anticipated. The budget also assumed a loss of garage rental income from the redevelopment of some sites. Given the stage these redevelopments are currently at, it is anticipated that we will receive more garage rental income than included within the budget.
- We have received the first payment of income relating to the installation of solar panels on housing properties. A proportion of the income was provided for in the 2011/12 accounts, therefore we have received £42k of income relating to the current financial year.
- The 2012/13 HRA Budget prudently assumed that the borrowing we would undertake to fund our HRA self-financing payment to DCLG would be at a rate of 4.5%. However, subsequent to the budget being set, DCLG reduced our final settlement figure by £0.644 million, and more significantly the actual loans we took out on the 28<sup>th</sup> March 2012 were at a lower average rate of 3.5%. This has produced recurring annual savings to the HRA which have been reflected in the forecast outturn position as well as the HRA budget for 2013/14 onwards.
- A larger proportion than anticipated of the external works programme relates to the installation of UPVC soffits and fascias this financial year (circa £175k), as opposed to painting. These works reflect an improvement to the property and hence can be capitalised, which has produced a revenue underspend of £175k in the current financial year, as well as leading to ongoing revenue savings in future years given these elements of the property are now UPVC and will not require painting. These ongoing savings are reflected in the HRA Medium Term Financial Forecast.
- As stated above, the transfer of external decorating costs from revenue to capital has led to a revenue underspend, but which in turn has increased the cost of the Housing Capital Programme by £175k. Therefore we will use the revenue underspend referred to above to make a larger Revenue Contribution to Capital to fund this capitalised expenditure.

### **HRA Reform**

- 3.5 Members will be aware of the implementation of the national reform of the Housing Revenue Account from April 2012. The 2013/14 budget therefore reflects the second year of the new financial arrangements for the HRA, with commentary included on the medium and long-term outlook in this report.
- 3.6 Appendix E summarises the 30 year financial modelling for Colchester's HRA. This is set out using the standard approach, which is to show each of the first 5 years individually, then group the remainder of the model in 5-year bands. Further information is provided at paragraph 6, including some of the underlying principles and assumptions that are included. Given the long time-span this modelling covers, it will clearly change as time progresses as both internal and external influences have an impact. However, what it does provide is an indication of the long-term viability of the Council's HRA, given the assumptions made and the plans the Council has already identified and committed to.

#### **4. 2013/14 Housing Revenue Account Budget**

- 4.1 Appendix A shows the Housing Revenue Account (HRA) estimates for 2013/14. This shows a predicted HRA deficit of £74K which will be funded by a use of uncommitted HRA balances.
- 4.2 It should be noted that the MTFF included within the 2012/13 HRA budget cycle and considered by Cabinet on 25<sup>th</sup> January 2012 estimated a deficit for 2013/14 of £835K. However, this position has now significantly improved given the gains in capital financing costs and additional rental income, which has enabled a greater RCCO to be made to fund the 2013/14 Housing Capital Programme and therefore preserve the borrowing headroom for other projects.

#### ***Balances***

- 4.3 As part of the 2012/13 HRA budget, the recommended prudent level of uncommitted balances was increased to £1,600k. This was to recognise the transfer of risk from Central to Local Government resulting from HRA Reform, as well as providing for any adverse effects of inflation, interest rates, or Right To Buy sales on the HRA. Provision was also made within the level of HRA balances for any potential additional revenue implications of our Sheltered Accommodation and Garage Site projects. Whilst there is now some certainty around interest rates given we have secured long-term fixed rates on our HRA Reform settlement debt, another risk has been introduced relating to welfare reform. Whilst provision has been made within the budget for the potential impact of this, it is prudent to recognise it in our assessment of HRA balances as well.
- 4.4 A risk assessment has been undertaken to review the minimum prudent level of HRA uncommitted balance the Council should maintain. The results of this review are set out at Appendix D and show that it would be reasonable to retain the uncommitted balance at £1,600k. This will continue to be reviewed annually. As we move through the early years of HRA Reform, we will have more certainty and resources will become greater, meaning we may revert to a lower minimum level of balances in the future.
- 4.5 The estimated balances for the HRA are set out in Appendix B. The anticipated level of the uncommitted HRA balance as at 31<sup>st</sup> March 2013 is £3,367K. The recommended prudent level of balance is £1,600k. Therefore, we are able to use part of the uncommitted balance to meet the budget deficit for 2013/14 as mentioned in paragraph 4.1.
- 4.6 The MTFF at Appendix C shows the use of uncommitted balances in 2014/15 to make a Revenue Contribution to fund the Housing Investment Programme in that year. This is because it is deemed to be a more economical use of resources, rather than fund the capital programme in that year by undertaking additional borrowing, thus incurring additional borrowing costs and using available borrowing headroom. This fits with the prioritising of resources indicated in this report and in the Housing Investment Programme elsewhere on the agenda. From 2014/15 thereafter, the assumption is that where required, revenue contributions to the capital programme will be made up to the point that the minimum recommended level of balance is reached.



## Income

### **Housing Rents**

- 4.7 2013/14 is the twelfth year of transitional rent reform arrangements. **Dwelling rents are set 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 has a target rent calculated using the Government's formula, and this increases annually by the September RPI figure + 0.5%. Actual rents are expected to "converge" with the target rent by 2015/16. As our actual rents are lower than our target rents, this means an increase over and above RPI + 0.5% to "close the gap" and converge. There are however caps and limits in place to protect tenants from very large increases. The most an actual rent can increase in any one year is RPI +0.5% +£2 a week. The average rent proposed for 2013/14 is £81.75 per week compared to a current average of £77.91, an increase of £3.84 (4.93%) per week. (It should be noted that the September 2012 RPI figure was 2.6%). Given the potential for the rate of inflation to vary in the short to medium term, it is difficult to anticipate future rent increases. However, modelling within the MTFF and 30 year financial modelling has been undertaken using reasonable estimates of inflation rates.
- 4.8 Sales of council houses under the Right to Buy (RTB) scheme could reach 15 in 2012/13 (16 sold in 2011/12 and 8 sold in 2010/11), which is in line with the number expected in the 2012/13 HRA budget. The level of sales has remained at a relatively low level in the current financial year considering the Governments changes to the RTB scheme (which primarily focused around increasing RTB discounts to tenants to stimulate the housing market). There has been an increase in applications compared to previous years, although it is difficult to gauge how much of this increased activity will result in actual completions. To be prudent, the 2013/14 budget has been set assuming the sale of 30 properties to reflect the potential increase in sales as a result of the number of applications received. This increase in provision has been reflected in the MTFF and longer term modelling and will be reviewed annually as part of our future budget setting.
- 4.9 The budget for 2013/14 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 2012/13 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. Provision has also been made in the budget for the anticipated cost arising from the changes to the Council Tax discount scheme for voids, although it is anticipated this could be partially offset by a further reduction in void turn-around times.

### **Other Income**

- 4.10 The rent proposed for garages for 2013/14 is £8.44 per week compared to £8.04 in 2012/13. Although these rents are outside of the rent reform arrangements this increase is in line with the proposed increase in dwelling rents, i.e. 4.93%. An assumption has been made for rental income that will be lost as a result of re-developing some of our garage sites for new affordable housing. Clearly the timing of these schemes and any knock-on impact on letting garages which are currently void will affect the level of income receivable in 2013/14.

- 4.11 There are a range of other fees and charges for services which are made to Tenants and Leaseholders, which are agreed by the Portfolio Holder for Housing. The budget for 2013/14 assumes that the demand for these services will remain the same as the current financial year, unless mentioned otherwise.
- 4.12 The de-pooling of services charges to individual tenants was implemented in 2008/09. There have not been any new service charges introduced for 2013/14, only an update of existing charges to reflect the actual cost of the services provided.
- 4.13 Finally, the 2013/14 budget includes an estimate of £70,000 for income generated from the first phase of the Photovoltaic (Solar Panel) installations on the Council's housing properties. However, this figure could be slightly higher once any inflationary increase has been applied. As originally agreed, the income in the early years of this project will be used to offset the set up costs which were temporarily funded from HRA balances.

### **Expenditure**

#### **Service Transformation**

- 4.14 As previously stated, 2013/14 will be the third year of CBH implementing their fundamental service review which is transforming the way services are delivered in Colchester. The CBH Board formally approved the business case in January 2011, with the anticipated further additional year 3 savings (over & above years 1 and 2) analysed in the table below to give an indication of the areas within the Councils HRA budget where the saving will be achieved;

	<b>Year 3</b>
	<b>2013/14</b>
	<b>£'000</b>
Management Fee	75
Property Services	35
<b>Total Savings</b>	<b>110</b>

#### ***Local Housing Review***

- 4.15 At the conclusion of the local housing review, the recommendation made by the project board was to progress the option to continue with its ALMO. As a formal decision is yet to be made by Cabinet on these new arrangements, no provision has been made within the 2013/14 budget for any organisational changes which may arise. It is anticipated that the financial impact of this review will be considered for approval as part of the business case to be considered later this year.

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

- 4.16 The management fee payable by the Council to CBH is funded entirely from the Council's HRA. Other resources such as those for housing repairs and the capital programme are delegated to CBH to manage but do not form part of the management fee. No provision has been made for inflation, given that a large proportion of the costs relate to staff for which there is currently no assumed pay award in 2013/14. The 2013/14 budget has been reduced by £75k to reflect the Year 3 efficiency savings arising from the FSR which relate to activities funded by the management fee.

### **Management Costs**

- 4.17 The 2013/14 HRA budget includes £5,717,900 for management costs, a decrease from 2012/13 (£5,907,200). Management costs form a substantial part of the HRA annual expenditure, and they consist of budgets managed directly by the Council, as well as those which are managed on behalf of the Council by CBH. Further information along with an explanation for any material changes from the 2012/13 budget is given in the following paragraphs;
- 4.18 The budget for Employee costs has decreased by £105,100 for 2013/14 which reflects the removal of the posts that directly managed our temporary accommodation units. This function is now provided by Colchester Borough Homes on behalf of the Council.
- 4.19 The budget for Premises costs has decreased by £18,000 for 2013/14. There has been a decrease of £58,300 in the budget for Utilities, primarily reflecting a lower price increase than originally anticipated along with a reduction in the numbers of our housing stock resulting from the temporary and sheltered accommodation projects being undertaken. Utilities are discussed further in the following paragraph. The budget for Grounds Maintenance has increased by £13,200 as provision has been made for an inflationary increase in accordance with the contract, along with an increase of £20,000 in the furnishings budget for communal areas in our sheltered accommodation schemes.
- 4.20 The budget for Utility costs for 2013/14 is £434,100 (compared to £492,400 for 2012/13). The majority of these costs relate to our Sheltered Housing schemes and Homeless Persons Units. The Council procures electricity and gas through the use of the OGC (Office of Government Commerce) which aims to purchase energy in bulk to secure efficiency in procurement. Utility costs can be recovered from tenants as a service charge and are included in the Fees and Charges report for approval by the Portfolio Holder for Housing.
- 4.21 The budget for Supplies and Service costs has increased by £153,200. The main reasons for this increase are as follows: Funding of £58,000 has been included for the potential costs of Welfare Reform, including banking and postage costs arising from direct payments to tenants. An additional provision of £40,000 has been included for potential one-off set-up costs associated with the implementation of the Council's new housing arrangements and the new management agreement with CBH. There is an increased provision of £28,000 on ICT costs, primarily to meet the rising demands on the revenue budget, along with the introduction of a £15,000 budget to meet the CBC costs of operating the Choice Based Lettings scheme, which had been omitted from previous year's budgets.
- 4.22 The budgets for Third Party payments and Transfer payments have decreased by £153,000. The budget for Removal and Disturbance payments has reduced by £163,000 given the fall-out of one-off costs included within the 2012/13 budget. The budget for Transfer Incentive Payments has been increased by £10,000 to support tenants who wish to move as they may be deemed to be under occupying and therefore would be subject to the "bedroom tax" under the Governments Welfare Reform proposals, which in turn could lead to a further reduction in the number of our void properties.

4.23 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 2013/14 has decreased from 2012/13, which predominantly relates to a reduction in ICT costs. Furthermore, there has been an increase in premiums relating to insuring our housing stock following the annual renewals process. It should also be noted that no provision has been made in services budgets for a pay award in 2013/14. Should one be agreed, then this would increase the salary element of any recharges from the General Fund to the HRA.

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

4.24 The 2013/14 Housing Investment Programme has been drafted and is included elsewhere on the agenda for approval. In respect of revenue works £4,978,700 has been included in the budget for repairs and maintenance (compared to £4,974,600 in 2012/13), of which £4,590,000 is specifically for works provided and/or managed by CBH Property Services. The balance of the budget is for works to sewage pumping stations, Homeless Persons Units and other CBH delegated areas. The revenue budget provides for repairs that are undertaken on a responsive basis, as well as works to void properties, and maintenance which is carried out under a planned programme such as external decorating and gas servicing.

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

4.25 The budget includes the statutory charges to the HRA for the interest costs of the Council's borrowing in respect of the housing stock. This represents a significant proportion of the Council's HRA expenditure each year. As previously mentioned the actual interest rates secured on the borrowing undertaken as a result of HRA Reform were significantly less than assumed within the 2012/13 budget, which has provided annual ongoing savings of around £750,000. The achievement of low cost borrowing also means we have been able to fund more of the Housing Investment Programme from revenue resources, preventing the need to undertake HRA borrowing in the short-term, and consequently preserving the HRA borrowing headroom for other priorities.

4.26 No provision has been made at this point in time for the repayment of any HRA debt, as there is no statutory duty to provide for it. However, the Council now has circa £125million of housing debt, and it would be prudent to start to consider providing for some repayment in the future. The Treasury Management Strategy Statement approved by Cabinet on 25<sup>th</sup> January 2012 stated "That the Council plans to make Voluntary Revenue Provisions (VRP) for the repayment of HRA debt to enable maturing debt to be repaid, whilst ensuring that this does not create an adverse impact on the business case".

4.27 The 30 year financial modelling undertaken as part of this years budget setting cycle currently indicates that surplus resources (over and above what is required to meet existing spending plans) would be generated from 2018/19 onwards (Year 6). Under the principle of HRA Reform these resources will increase year on year. However, it should be noted that the extent of this is based upon assumptions around inflation etc, which could increase/decrease the amount of resources available by the time this point is reached.

4.28 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 2013/14 budget or MTFF at this point in time.

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

4.29 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 new regime of HRA self-financing and the additional revenue resources subsequently generated, the Council is able to make significant revenue contributions to support the capital investment included within the Housing Investment Programme.

4.30 The revenue contribution included in the estimates is £2,812,000. The majority of this budget is to support the capital work programmes to the housing stock in 2013/14, which are included within the Housing Investment Programme report elsewhere on the agenda.

4.31 A provision of £110,000 has been included to meet the Council's technical strategic asset management role within the repairs and maintenance arrangements with CBH, and supports the continuing work on ICT projects required to support the HRA and the maintenance and repairs programmes. No RCCO is required to support the Housing ICT programme in 2013/14, as there are sufficient unspent resources from previous years to meet the expenditure requirements for next year. However, it is expected an RCCO for Housing ICT will be re-instated in the 2014/15 HRA budget. Finally, £150,000 has been included to fund the ongoing programme of works to Sewage Treatment Plants, which will result in their eventual adoption by Anglian Water leading to recurring revenue savings to the HRA.

**Risk areas and budget review process**

4.32 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.
Governments Welfare Reform	The budget includes an estimate of the impact of Welfare Reform, which is due to be introduced next year. Aswell as providing for additional transaction costs etc, the budget also includes an estimate of the potential impact upon rent arrears and consequently the level of bad debts provision we would need to maintain.
Revenue Contributions to Capital (RCCO) / Prudential Borrowing	Capital Resources have been provisionally allocated for 2013/14 within the Housing Investment Programme report contained elsewhere on the agenda. If these resources prove insufficient, then options exist to either finance capital expenditure from revenue, or undertake HRA borrowing subject to the HRA debt cap. Clearly, if one of these options was pursued, then there will be a

Area	Comment
	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, although it still needs to be recognised that any additional costs would have to be met either from savings elsewhere or from balances.
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, Homeless Persons Units and Communal entrances in blocks of flats. Given the volatility of utility prices previously experienced, there is a risk that prices could rise again, the cost of which would have to be funded from existing resources or HRA balances.
CBH Fundamental Service Review	The budget includes assumptions on the level of savings arising from Year 3 of the Fundamental Service Review at CBH. Given this is still in the implementation phase, there is the potential for this to alter, which could have a consequential impact upon HRA balances.
2012/13 Outturn	An underspend of £962k is currently predicted for this year. Any variance on the forecast will either be a contribution to or from balances.

4.33 As shown in paragraph 4.32 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 2013	Updated outturn forecast.
July 2013	Provisional pre-audit outturn / current year issues etc.
September 2013/ October 2013	Mid year review.
December 2013 / January 2014	Outturn review / Budget 2014/15.

### ***Savings and Efficiencies***

4.34 During the process of formulating the budget, officers have continued to review areas where savings and efficiencies can be made. A number of these net savings have been built into the 2013/14 revenue budget and include;

- Review of CBC HRA budgets - £71k
- FSR at CBH (Management Fee) - £75k
- FSR at CBH (Property Services) - £35k

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

5.1 As part of the budget process for 2013/14 a MTFF has been produced for the HRA. This sets out the indicative budget position for the period 2013/14 to 2017/18. Although we are operating under the new HRA Finance regime, and more certainty is now in place, assumptions still have to be made around inflation rates, void levels, bad debts and increases in costs etc, which can of course change. To that extent, the MTFF should still be viewed as indicative.

5.2 Appendix C sets out the MTFF for the period analysed by the main areas of expenditure and income. This shows that the level of uncommitted HRA balance is able to be maintained at prudent levels throughout the MTFF. This is after meeting all the running costs of managing & maintaining the housing stock, along with servicing the borrowing costs on all HRA debt. It is also after substantial revenue contributions have been made to support the Housing Investment Programme. Planning to run the HRA balance at the minimum prudent level fits with the principle that it is more cost effective to minimise/reduce borrowing costs where possible, rather than hold a higher revenue balance than is prudently required, whilst also providing reassurance to tenants and residents that the Council is wisely managing its finances and its housing stock in difficult economic times. This approach fits with the principle referred to in paragraph 4.6 above. The recommended level of uncommitted balance on a risk based approach is £1,600k. There are several factors which can affect the forecast position, namely:-

### ➤ **Capital financing**

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

### ➤ **Rental income**

Rent forecasts have been updated for anticipated changes as the Council moves towards rent restructuring. A key component of this forecast is assumptions on future inflation levels but the CLG have not given any guidance on rates to assume when undertaking modelling of future rent increases. Rental income remains one of the areas of the MTFF in particular which is subject to change. 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 (including the impact of the recent changes to the RTB scheme), 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**

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 doubled for the 2013/14 budget, and the MTFF assumes this will broadly double again by 2015/16. At this stage, the actual effect on our levels of rent arrears and subsequent write-offs is unknown, but these levels of increase are broadly in line with advice being provided by the housing sector in general. Provision has also been made to recognise the potential additional processing costs the Council might incur resulting from making direct payments to tenants, such as bank charges and postage. In total we have provided an additional £183k in the 2013/14 budget for the impact of Welfare Reform, with increases in subsequent years as previously mentioned.

➤ **Temporary Accommodation Unit Review**

Work is ongoing with this project, with a joint CBC/CBH group looking at the options for the remainder of the units. No financial implications arising from this review have been included in the MTFF at this point in time.

➤ **Fundamental Service Review at Colchester Borough Homes**

Provision has been made within the MTFF for the recurring savings in 2013/14 and beyond arising from this review, based on information supplied by CBH.

➤ **Sheltered Housing Accommodation Review**

At its meeting on the 12<sup>th</sup> October 2011, Cabinet considered a number of recommendations relating to making improvements to the Councils sheltered housing stock. The MTFF makes provision for the revenue impact of these decisions, whilst the Housing Investment Programme report elsewhere on the agenda reflects an estimated planned capital reinvestment of £10.393million in sheltered accommodation over the next 5 years. The revenue budget not only reflects the start of works at Worsnop House, but also makes provision for home loss & disturbance payments plus the potential interest costs that would be incurred if additional borrowing is undertaken to fund capital works at future schemes due for improvement.

➤ **Local Housing Review**

As previously mentioned, the recommendation from the project board was to progress the option to continue with its ALMO. As a formal decision is yet to be made by Cabinet on these new arrangements, no provision has currently been made within the MTFF for any costs/savings which may arise from any resultant organisational changes.

➤ **Universal Customer Contact Fundamental Service Review (UCCFSR)**

Given the wide-ranging impact the UCCFSR will have on the Councils structure and ways of operating, there is likely to be an impact upon the HRA. However, given the early stage of the implementation of this review, the detail of this impact is unknown. Therefore, no specific budget provision has been included within the MTFF at this stage.

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

**6. Supporting Information – 30 Year Financial Modelling**

6.1 The implementation of HRA Reform in 2012 brought the expectation that Councils will take a greater business planning role when managing their Housing Revenue Account. As part of the first year of the reforms, we produced a 30 year financial model which set out the long-term position of the Councils HRA and was considered by Cabinet at its meeting on 25<sup>th</sup> January 2012. As part of the 2013/14 budget setting process, this model has been refreshed and updated. This is summarised at Appendix E. This is set out using a standard approach, which is to show each of the first 5 years individually, then group the remainder of the model in 5-year bands. It incorporates expenditure & income for both revenue and capital, along with the HRA balances and debt position.

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



6.3 Officers have undertaken sensitivity analysis on the 30 year model to evaluate the impact any change or combination of changes in the assumptions could have. Further information on the work undertaken is provided at paragraph 6.24.

#### ***Income Assumptions***

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

6.5 It has been assumed that the Government will retain the current rent restructuring policy of increasing tenants rents by RPI + 0.5% for the duration of the 30 year model. There is no indication to suggest that this is going to alter, but it is the example the Government quoted within the HRA Reform debt settlement whereby if it were to change, then they would possibly re-open the original debt settlement.

6.6 Assumptions have been made within the model for loss of stock, not only through the various projects being undertaken, but more significantly from Right to Buy sales. These are consistent with those made in the budget and MTF. Although the Council has entered into agreement with DCLG to retain additional RTB receipts to deliver new affordable housing, it is not clear in this first year of the new scheme how much this will amount to. Therefore, no allowance has currently been made within the budget or modelling for any replacement units, additional capital resources generated or expenditure which might be incurred. This will be reviewed annually as part of the HRA budget setting process.

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

6.8 It has been assumed that income from garages will continue to increase in line with future dwelling rent increases. There is the potential for this to increase as a result of the joint CBC/CBH project group that has been set-up to review some of the possible options relating to these assets, which could be through reduced void levels as well as an increase in annual charges.

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

#### ***Expenditure Assumptions***

6.10 Similarly to income, inflation can have a significant impact upon expenditure levels within the 30 year financial model. It has been assumed that inflation on expenditure will be at the same rate as assumed for income.

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

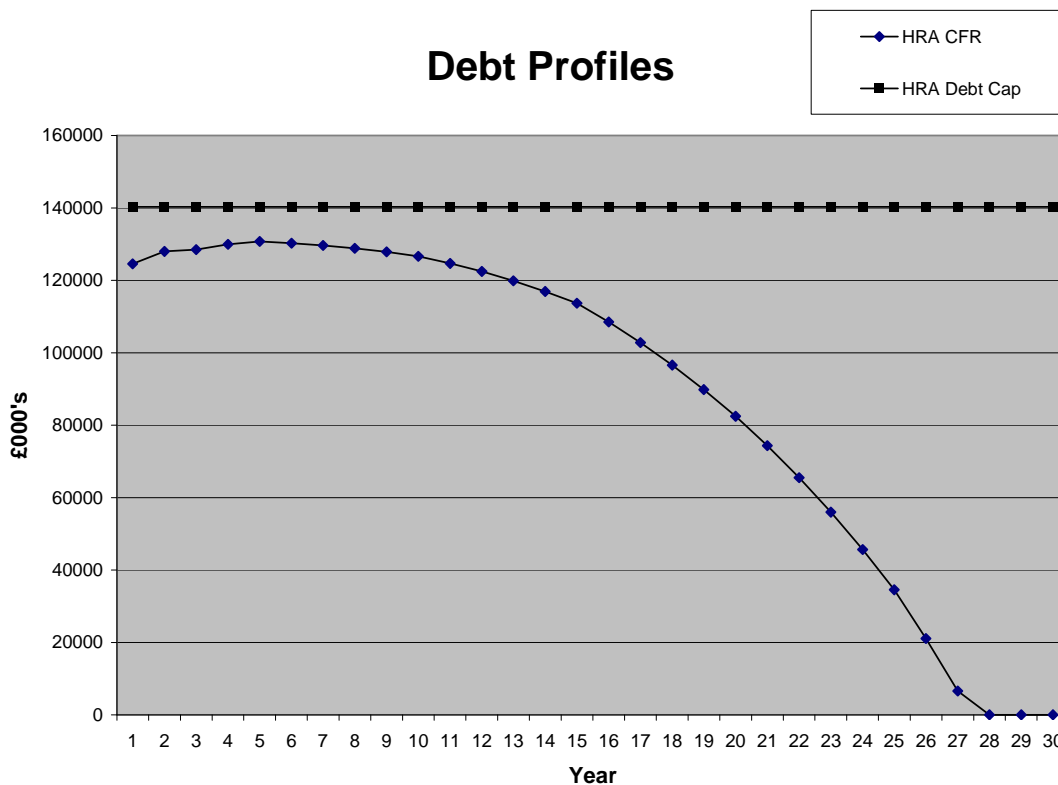
6.12 Maintenance costs have been extracted from the Council's 30 year Asset Management Strategy. Assumptions have been made around future increases in line with inflation, but these costs are also subject to changes to the BCIS (Building Cost increases) and market conditions that impact as contracts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

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

- 6.13 The Councils Asset Management Strategy includes the expenditure requirements of our housing stock over the next 30 years. This has been reflected in the 30 year financial model. The day to day repairs and maintenance costs are funded from the revenue account, whilst the capital expenditure requirements are funded from a variety of sources which is considered within the Housing Investment Programme (HIP) report elsewhere on the agenda
- 6.14 The priority of how resources are used to fund the HIP is contained within that report for 2013/14, which in summary is aimed at using specific grants and capital receipts first, then reserves, with the intention of preserving revenue resources as far as possible as they offer the greatest funding flexibility. Should there be no or insufficient revenue resources available, then additional borrowing utilising any available headroom would be the final approach. This is because borrowing carries a cost of doing so; therefore it is treated as the last option to gain the maximum use of revenue resources available.
- 6.15 Under HRA Reform, the primary source of funding the Housing Capital Programme, especially in the early years, is a charge to the HRA which reflects the cost of depreciation to the housing stock. This is calculated locally, with reference to our actual stock condition and asset management strategy.
- 6.16 As previously stated, we are able to plan with certainty for the borrowing costs relating to the HRA Reform debt settlement. The achievement of lower interest rates than we prudently budgeted for has provided around £22million more resources over the 30 year period, which is reflected in the 30 year financial model. We are currently assuming a rate of 4.5% on any future borrowing undertaken to support the Housing Capital Programme, which will be reviewed annually as part of the budget cycle. However, it should be noted that the impact of interest rates can be significant, given any 1% change in interest rates would result in an annual cost of £157k (based on the maximum amount of borrowing headroom currently unused).

### ***Debt***

- 6.17 The measure of an authority's debt under self-financing is the HRA Capital Financing Requirement (HRA CFR). Our opening HRA debt on 1<sup>st</sup> April 2013 is expected to be £124.577million. We have a debt cap of £140.275million, which is the limit the Government have imposed to control public sector borrowing under HRA Reform.
- 6.18 The following graph shows our current debt profile that is being generated by the 30 year financial model. This works on the principle that once all of the costs of managing & maintaining our housing stock have been met, and the interest costs of our HRA borrowing have been paid, any residual income can be used to repay debt. It is important to state that this is an indication of the ability to repay debt, as what actually dictates whether debt is reduced is where the Council actually repay loans as they mature.



6.19 The above debt curve is consistent with a business plan for which HRA self-financing works well. There is currently borrowing headroom in every year of the plan. The graph shows debt rising initially (due entirely to the additional investment in new build and the sheltered accommodation review in Years 1 to 5), but then peaking in Year 5 and starting to reduce in Year 6 as we are able to start repaying debt (or setting resources aside for repayment).

6.20 The difference between the HRA Debt Cap and the HRA CFR is known as the “borrowing headroom”, and represents the amount of additional resources the Council can generate through further borrowing. This is set to increase as time progresses, as the surplus resources generated within the model are used to repay debt (or set aside to repay debt if it is not able to be repaid at that point in time). The following table shows the predicted level of available headroom over the first 10 years of the current financial model, after taking into account the potential borrowing that may be undertaken to fund the Housing Investment Programme and any provision for the repayment of debt;

Year	Available Borrowing “Headroom” £000’s
2013/14	15,698
2014/15	12,301
2015/16	11,768
2016/17	10,292
2017/18	9,549
2018/19	10,003
2019/20	10,621
2020/21	11,419
2021/22	12,411
2022/23	13,617

### **Outlook Summary**

- 6.21 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, given HRA Reform has put Councils firmly in control of their business plans, 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.
- 6.22 The Councils current 30 year model shows that all HRA debt would be able to be repaid by year 28. This is taking into account the additional borrowing that is being undertaken to provide the 34 new units of affordable housing on garage sites, and the improvements to the sheltered housing accommodation. Were these projects not to go ahead, then all the debt would be able to be repaid approximately 2 years earlier.
- 6.23 Therefore, using the current set of assumptions and information available, alongside fully meeting the investment requirements of the Councils Asset Management Strategy, the 30 year financial model set out at Appendix E continues to show a viable long-term HRA for Colchester.

### **Sensitivity Analysis**

- 6.24 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 effect the base position. The following table sets out some examples of the sensitivity analysis undertaken and there 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 5	Year 5	Year 5	Year 5	Year 5
Year Debt Repaid	Year 28	Year 32	Year 25	Year 35	Year 28
Capital Investment over 30 Years	£374.3million	£324.8million	£433.8million	£324.2million	£432.9million
Surplus HRA Balance at Year 30	£41.5million	£1.9million	£107.5million	£1.9million	£45.6million

- 6.25 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 restructuring policy) increases at a higher rate than expenditure. Also, a large proportion of our costs are not affected by inflation, such as the fixed rate interest costs on our borrowing. Consequently, rising inflation results in a net gain to the HRA. Conversely though, lower inflation results in a net loss to the HRA, as we receive less rental income than we save in lower costs.
- 6.26 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.

## **7. Strategic Plan References**

- 7.1 The revenue estimates presented here link to the following areas of the Councils strategic plan:
- Regenerating our borough through buildings, employment, leisure and infrastructure
  - Promoting sustainability and reducing congestion
  - Providing more affordable homes across the borough
  - Supporting more vulnerable groups

## **8. Consultation and Publicity**

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

## **9. Financial Implications**

- 9.1 Are set out in this report.

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

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

## **11. Community Safety Implications**

- 11.1 This report has no significant community safety implications

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

- 12.1 This report has no significant Health and Safety implications

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

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

#### ***Appendices***

- Appendix A - Housing Revenue Account Estimates 2013/14
- Appendix B - HRA Balances Statement
- Appendix C - Medium Term Financial Forecast
- Appendix D - HRA Balances Risk Management Assessment
- Appendix E – 30 Year Financial Model

<b>COLCHESTER BOROUGH COUNCIL</b>			
<b>Revenue Estimates 2013/14</b>			
<b>Housing Revenue Account</b>			
<b>Summary</b>			
<b>2011/2012</b>		<b>2012/13</b>	<b>2013/14</b>
<b>Actuals</b>	<b>Expenditure &amp; Income Analysis</b>	<b>Revised</b>	<b>Original</b>
<b>£000's</b>		<b>Budget</b>	<b>Budget</b>
		<b>£000's</b>	<b>£000's</b>
	<b>INCOME</b>		
(22,983)	Dwelling Rents (Gross)	(24,594)	(26,093)
(749)	Non-Dwelling Rents (Gross)	(727)	(732)
(2,175)	Charges for Services and Facilities	(2,254)	(2,259)
(282)	Contributions towards Expenditure	(282)	(215)
<b>(26,189)</b>	<b>Total Income</b>	<b>(27,857)</b>	<b>(29,299)</b>
	<b>EXPENDITURE</b>		
4,717	Repairs and Maintenance	4,975	4,979
3,429	CB Homes Ltd Management Fee	3,313	3,238
5,381	Management Costs	5,987	5,718
109	Rents, Rates and Other Charges	123	188
4,655	Payment of Subsidy to CLG	-	-
134	Increased provision for Bad or Doubtful Debts	125	250
2,598	Interest Payable	6,330	5,567
13,816	Depreciation and Impairments of Fixed Assets	7,012	6,500
108	Amortisation of Deferred Charges	100	150
121	Debt Management Costs	100	106
<b>35,068</b>	<b>Gross Expenditure</b>	<b>28,065</b>	<b>26,696</b>
<b>8,879</b>	<b>Net Cost of Services</b>	<b>208</b>	<b>(2,603)</b>
(7,424)	Net HRA Income from the Asset Management Account	(100)	(150)
199	Amortised Premiums and Discounts	212	38
(22)	HRA Investment Income (including mortgage interest and interest on Notional Cash Balances)	(24)	(23)
<b>1632</b>	<b>Net Operating Expenditure</b>	<b>296</b>	<b>(2,738)</b>
642	Revenue Contribution to Capital Expenditure	250	2,812
(1,892)	Transfer to/(from) Major Repairs Reserve	-	-
<b>382</b>	<b>Deficit/(Surplus) for the Year</b>	<b>546</b>	<b>74</b>
(3,919)	Deficit/(Surplus) at the Beginning of the Year	(3,537)	(2,991)
382	Deficit/(Surplus) for the Year	546	74
(3,537)	Deficit/(Surplus) at the End of the Year	(2,991)	(2,917)

**Housing Revenue Account - Estimated Balances**

	<b>£'000</b>
<b>Balance as at 1 April 2012</b>	<b>(3,537)</b>
<b>Committed</b> - Capital Spending in 2012/13 and onwards	586
Less budgeted deficit/use of balances in 2012/13	546
Plus Forecast underspend in 2012/13	(962)
<b><i>Unallocated balance at 31st March 2013</i></b>	<b>(3,367)</b>
Less Proposed Use of balances in 13/14 Budget	74
<b>Estimated uncommitted balance at 31st March 2014</b>	<b>(3,293)</b>
<b>Recommended level of Balances</b>	<b>(1,600)</b>
<b>Forecast balances above prudent level at 31<sup>st</sup> March 2014</b>	<b>(1,693)</b>

**Note:**

This forecast is on the basis that there are no further calls on balances during the remainder of the year and that the 2012/13 budget underspends by £962k, as currently predicted at this stage. Any deviation from this forecast underspend would either increase or decrease our uncommitted balances.



## Housing Revenue Account – Medium Term Financial Forecast

<b>Area</b>	<b>Revised Budget 12/13</b>	<b>Budget 13/14</b>	<b>Budget 14/15</b>	<b>Budget 15/16</b>	<b>Budget 16/17</b>	<b>Budget 17/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>						
Housing Rents	(24,594)	(26,093)	(26,765)	(28,026)	(28,583)	(29,226)
Other Income	(3,263)	(3,206)	(3,244)	(3,279)	(3,408)	(3,505)
	<b>(27,857)</b>	<b>(29,299)</b>	<b>(30,009)</b>	<b>(31,305)</b>	<b>(31,991)</b>	<b>(32,731)</b>
<b>Expenditure</b>						
Repairs & Maintenance	4,975	4,979	4,893	4,913	5,011	5,100
Running Costs	9,548	9,394	9,733	9,973	10,126	10,333
Interest Payable	6,330	5,567	5,643	5,731	5,776	5,825
Depreciation	7,012	6,500	6,663	7,249	7,394	7,542
Other Capital Financing	288	121	86	86	87	104
RCCO	250	2,812	4,693	3,344	3,598	3,827
Contribution to Balances	0	0	0	0	0	0
Other	0	0	0	0	0	0
	<b>28,403</b>	<b>29,373</b>	<b>31,711</b>	<b>31,296</b>	<b>31,992</b>	<b>32,731</b>
<b>Budgeted (Surplus)/Deficit</b>	<b>546</b>	<b>74</b>	<b>1,702</b>	<b>(9)</b>	<b>1</b>	<b>0</b>
Forecast 2012/13 underspend	(962)	0	0	0	0	0
<b>Revised (Surplus)/Deficit</b>	* <b>(416)</b>	<b>74</b>	<b>1,702</b>	<b>(9)</b>	<b>1</b>	<b>0</b>
Opening Balance	<b>(3,537)</b>	<b>(3,367)</b>	<b>(3,293)</b>	<b>(1,591)</b>	<b>(1,600)</b>	<b>(1,599)</b>
Committed Balance	<b>586</b>	-	-	-	-	-
(Surplus)/Deficit	<b>(416)</b>	<b>74</b>	<b>1,702</b>	<b>(9)</b>	<b>1</b>	<b>0</b>
<b>Uncommitted Closing Balance</b>	<b>(3,367)</b>	<b>(3,293)</b>	<b>(1,591)</b>	<b>(1,600)</b>	<b>(1,599)</b>	<b>(1,599)</b>

\* It should be noted that it is currently forecast the HRA will be underspent by £962k in 2012/13, which will result in a contribution to balances. Clearly, if this level of underspend is not achieved, then there will be a resultant impact upon the level of HRA balances.

## Review of Housing Revenue Account Balances 2013/14

## Risk Management Assessment

Factor	Assessed Risk		
	High £'000	Medium £'000	Low £'000
Cash flow (1% of £53m)	530		
Interest Rate (2% on £16m)		320	
Inflation (Decrease of 1%)		150	
Emergencies		50	
Right To Buy Sales		250	
New Spending		100	
Litigation			50
Welfare Reform	250		
Sheltered Accommodation Project	200		
Garage Sites Project	200		
	1,180	870	50

	Minimum Provision £'000
High Risk – 100%	1,180
Medium – 50%	435
Low – 10%	5
<b>Sub Total</b>	<b>1,620</b>
Other - say	(20)
<b>Recommended Prudent Level</b>	<b>1,600</b>

## Housing Revenue Account – 30 Year Financial Model

	<u>Year 1</u> <u>2013/14</u> <u>£000's</u>	<u>Year 2</u> <u>2014/15</u> <u>£000's</u>	<u>Year 3</u> <u>2015/16</u> <u>£000's</u>	<u>Year 4</u> <u>2016/17</u> <u>£000's</u>	<u>Year 5</u> <u>2017/18</u> <u>£000's</u>	<u>Year 1-5</u> <u>Total</u> <u>£000's</u>	<u>Year 6-10</u> <u>Total</u> <u>£000's</u>	<u>Year 11-15</u> <u>Total</u> <u>£000's</u>	<u>Year 16-20</u> <u>Total</u> <u>£000's</u>	<u>Year 21-25</u> <u>Total</u> <u>£000's</u>	<u>Year 26-30</u> <u>Total</u> <u>£000's</u>
<b>Revenue Account</b>											
Income	(29,299)	(30,009)	(31,305)	(31,991)	(32,731)	47,860	(173,927)	(193,002)	(214,605)	(238,564)	(265,127)
Expenditure	29,373	31,711	31,296	31,992	32,731	10,393	173,926	192,869	214,423	238,363	225,757
(Surplus)/Deficit	74	1,702	(9)	1	0	3,737	(1)	(133)	(182)	(201)	(39,370)
Opening HRA Balance (Surplus)	(3,367)	(3,293)	(1,591)	(1,600)	(1,599)		(1,599)	(1,600)	(1,733)	(1,915)	(2,116)
Closing HRA Balance (Surplus)	(3,293)	(1,591)	(1,600)	(1,599)	(1,599)		(1,600)	(1,733)	(1,915)	(2,116)	(41,486)
<b>Capital Account</b>											
<b>Investment:</b>											
Stock Investment Programme	8,337	9,241	9,361	10,331	10,590	47,860	58,572	61,873	60,609	66,164	65,064
Sheltered Accommodation Review	2,023	2,946	1,765	2,137	1,522	10,393					
New Build	1,000	2,737	0	0	0	3,737					
<b>Total</b>	<b>11,360</b>	<b>14,924</b>	<b>11,126</b>	<b>12,468</b>	<b>12,112</b>	<b>61,990</b>	<b>58,572</b>	<b>61,873</b>	<b>60,609</b>	<b>66,164</b>	<b>65,064</b>
<b>Funded By (Resources):</b>											
Depreciation	(7,723)	(6,663)	(7,249)	(7,394)	(7,542)	(36,571)	(41,195)	(47,084)	(53,753)	(61,300)	(65,064)
Revenue Contribution	(2,812)	(4,693)	(3,344)	(3,598)	(3,827)	(18,274)	(17,377)	(14,788)	(6,855)	(4,864)	0
Capital Receipts	(825)	0	0	0	0	(825)	0	0	0	0	0
Grant	0	(170)	0	0	0	(170)	0	0	0	0	0
New Borrowing	0	(3,398)	(533)	(1,476)	(743)	(6,150)	0	0	0	0	0
<b>Total</b>	<b>(11,360)</b>	<b>(14,924)</b>	<b>(11,126)</b>	<b>(12,468)</b>	<b>(12,112)</b>	<b>(61,990)</b>	<b>(58,572)</b>	<b>(61,873)</b>	<b>(60,609)</b>	<b>(66,164)</b>	<b>(65,064)</b>
<b>Debt:</b>											
HRA Debt at Year End	124,577	127,974	128,507	129,983	130,726		126,658	113,659	82,460	34,558	0
Debt Cap	140,275	140,275	140,275	140,275	140,275		140,275	140,275	140,275	140,275	140,275
Available Headroom	15,698	12,301	11,768	10,292	9,549		13,617	26,616	57,815	105,717	140,275



## Cabinet

23<sup>rd</sup> January 2013

Item

**10(ii)**

<b>Report of</b>	<b>Head of Strategic Policy and Regeneration</b>	<b>Authors</b>	<b>Gareth Mitchell Darren Brown John Rock</b>
			<b>Tel: 506972</b>
<b>Title</b>	<b>Housing Investment Programme (HIP) 2013/14</b>		
<b>Wards affected</b>	All		

**This report concerns the Housing Investment Programme for 2013/14**

### 1. Decision(s) Required

- 1.1 To approve the Housing Investment Programme for 2013/14.
- 1.2 To note the Capital Medium Term Financial Forecast (CMTFF) set out at Appendix A.

### 2. Reasons for Decision(s)

- 2.1 Each year as part of the process to agree the Council's revenue and capital estimates the Cabinet is required to agree the allocations to the Housing Stock Investment Programme. These allow for work to be undertaken to maintain, improve, and refurbish the housing stock and its environment.
- 2.2 Members will be aware that following the Cabinet meeting on the 30 November 2011 it was agreed in principle to accept a proposed 5 year Housing Investment Programme (HIP) as the framework for procuring housing related planned works, improvements, responsive and void works and cyclical maintenance, subject to overall budget decisions in January 2012 and annually thereafter.
- 2.3 It was also agreed that the proposed 5 year investment programme would be linked to the Asset Management Strategy and reviewed annually in the light of available resources and for each annual allocation to continue to be brought to Cabinet for approval as part of the overall HIP report.
- 2.4 The Colchester Borough Homes (CBH) Board has been apprised of the content of the Cabinet report submitted on the 30 November 2011 and is now seeking approval for the 2013/14 Capital programme being the second year of the (HIP).
- 2.5 This report seeks the release of funds under grouped headings as described in the Asset Management Strategy and supported by the Deed of Variation which governs the contractual delivery relationship between Colchester Borough Council and Colchester Borough Homes.

### **3. Supporting Information**

#### ***Key Issues for 2013/14***

- 3.1 There are a number of key issues relating to the HIP budget for 2013/14, with further details being included within the main body of the report. However, in summary they are as follows. First, this is the second year of HRA Self-Financing and the continued increase in investment in the housing stock and other projects is reflected in this report. Secondly, provision has been made for the anticipated commencement of our own programme of house building on garage sites. Finally, construction works will commence at Worsnop House, signalling the commencement of improvements to a number of sheltered housing schemes over the coming years.
- 3.2 This report is considered as part of agreeing the Housing Revenue Account (HRA) estimates as the funding for the Housing Investment Programme (HIP), which covers capital investment in the housing stock, is very much linked to the overall level of resources for housing.
- 3.3 In recognition of the need to define future trends and changes influencing the needs of the housing assets, a 30 year investment model was established to support the HRA business planning process. This was undertaken as part of the Councils response to the proposal from the Government to disband the Housing Subsidy system and to introduce self financing from April 2012.
- 3.4 It is now the second year of the opening five years of this programme which is being recommended as the framework for procuring housing related planned works and improvements.

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

- 4.1 2013/14 is the second year of the new national HRA self-financing regime. This has fundamentally changed the way in which Council Housing is financed, and as a consequence a financial model for the HRA has been developed, which forecasts the HRA and HIP for each of the next 30 years, using a range of assumptions on areas such as inflation, stock numbers, future expenditure & income levels etc. This is considered further in the 2013/14 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 2013/14 HIP budget and financial forecasts are as follows;
- Specific Areas of Finance (e.g. Grants),
  - Capital Receipts,
  - Major Repairs Reserve (Depreciation),
  - Revenue contributions to capital (RCCO),
  - New Additional Borrowing
- 4.2 The assumption made when prioritising resources to fund the HIP is that resources specifically designated to the programme will be used first, followed by capital receipts. This is so the receipts can be re-invested in affordable housing, and be retained locally and not be clawed back by Central Government under the capital receipts pooling arrangements. The next form of resource to be used is the Major Repairs Reserve, which is the reserve that has been built up with resources under the former HRA subsidy system & the new depreciation charge to the HRA. This is the resource that is set aside to maintain the housing stock in its current form & condition. If there are insufficient resources within the Major Repairs Reserve to fund all of the capital works in the year, then the next call on funding is revenue. The amount of this resource will depend on the level of balances within the HRA and the extent to which they are directed to the HIP, as opposed to other budget priorities.

- 4.3 Finally, should there be insufficient revenue resources to fund the overall programme the assumption is that the Council will undertake HRA borrowing to fully fund the HIP. This is assumed to be the lowest priority source of funding, to minimise the resultant additional interest costs that would be incurred by the HRA. Further borrowing will be subject to the debt cap which applies under the new self-financing regime. Should this be breached, or should the Council decide it does not want to undertake additional HRA borrowing or use revenue resources etc, then the Council would need to re-consider the programme of works proposed and the corresponding budget provision. This could include foregoing works, or re-profiling the year in which they are undertaken.

## **5. 2013/14 Programme of Works**

- 5.1 The requested budget allocation for the 2013/14 programme is £11.360million. This continues to represent a substantial increase in investment compared to the years spent operating under the now-abolished HRA Subsidy system, which members will recall was replaced on 1<sup>st</sup> April 2012 by the HRA Self-Financing regime. A further breakdown of the areas of work that are planned to be undertaken is shown at paragraph 8.
- 5.2 Cabinet are also asked to note that provision has been made within the 2013/14 programme to provide second year funding for the Sheltered Housing review agreed by Cabinet on 12<sup>th</sup> October 2011. This is designed to contribute to the funding of Worsnop House being the first sheltered scheme to benefit from the investment programme. The third year of the programme (2014/15) will see the completion of Worsnop House coupled with a start on the second scheme where investment is scheduled to take place.

## **6. HRA Capital Medium Term Financial Forecast - 2013/14 to 2017/18**

- 6.1 As previously stated, on the 30<sup>th</sup> November 2011 Cabinet agreed in principle to accept a proposed 5 year Housing Investment Programme subject to overall budget considerations. As a result, the expenditure proposals from that report have been included in the capital medium term financial forecast at Appendix A and updated to take account of the first year being completed and a new fifth year being introduced. As previously stated there is a significant increase in capital investment in the housing stock compared to previous years, reflecting the need to maintain decency, and to start to invest in other work programmes identified in the asset management strategy for which the resources had not been available under the previous HRA subsidy system. It should be noted that the figures for 2014/15 onwards are indicative at this stage, and will be subject to confirmation and agreement by Cabinet in their appropriate year's budget setting cycle. This is primarily because the main source of increased resources under HRA Self-Financing is the retention of 100% of tenant's rental income locally. Future rent increases are not known until the Government announce the inflation figures in November of each preceding year, so at this stage future rent increases are based on an estimate of inflation. It should be noted that the assumed level of resources available to fund the HIP is not only influenced by future inflation levels, but also by other income and expenditure requirements within the HRA.
- 6.2 At its meeting on the 12<sup>th</sup> October 2011, Cabinet considered a number of recommendations relating to making improvements to the Councils sheltered housing stock. It was agreed that any capital receipts relating to disposals would be ring-fenced to the HRA, and that the financial implications of the in-principle decisions taken are modelled and reflected in the overall budget setting process. It was also indicated in the report that additional borrowing would be likely to be required to fund the programme of works, which would be via the use of the available borrowing headroom arising under HRA Reform. It is worth reminding Members that the 30 year Asset Management

Strategy already made provision for investment in the sheltered housing stock, therefore the borrowing required is as a result of bringing these works elements forward, rather than any shortfall in funding in the overall business plan. Therefore the 2013/14 budget, and the capital medium term financial forecast at Appendix A, show the indicative expenditure requirements and capital receipts relating to the review of sheltered accommodation, and have been taken into account when determining the sources of funding available and required.

- 6.3 Members will be aware that at its meeting on the 25<sup>th</sup> May 2011, Cabinet approved the Councils initial bid to the Homes and Community Agency (HCA) as part of their 2011-2015 Affordable Homes Programme to fund the building of 34 new Council-owned homes. As a result, the Council was awarded £170,000 of HCA funding. The bid to the HCA contained the indicative capital costs of the scheme to be incurred by the Council. Officers are currently undertaking work to progress this scheme, and an estimated split between 2013/14 and 2014/15 of the expenditure figures included within the HCA bid has been made and is included within the capital programme in 2013/14, as shown at Appendix A. Once the detailed timeline of construction works has been finalised, this will inform the profile of expenditure over the next 2 years with more certainty. Finally, the May 2011 Cabinet report stated the intention was to use a part of the borrowing headroom arising under HRA Self-Financing to finance the Councils expenditure relating to this scheme, which still applies.
- 6.4 The estimated RCCO in 2013/14 is £2,812k. In recent years, this has been used to fund non-works programmes, such as Housing ICT and the capitalisation of costs associated with the Housing Strategy and Solutions team. However, as indicated in the Housing Investment Programme report agreed by Cabinet on 25<sup>th</sup> January 2012, RCCO's are required to support the works element of the capital programme for 2013/14 onwards. These increased contributions are affordable as under HRA Self-Financing the Council now retains all rental income. Furthermore, as these resources increase in line with inflation, we are able to substantially increase investment in the housing stock and meet the needs contained within the Councils Asset Management Strategy. It should be noted that in 2013/14, no RCCO is required to support the Housing ICT programme, as there are sufficient unspent resources from previous years to meet the expenditure requirements for next year. However, it is expected an RCCO for Housing ICT will be reinstated in the 2014/15 HRA budget. Finally, provision has been made within the RCCO to fund the continued programme of works to Sewage Treatment Plants, which will lead to their adoption by Anglian Water.
- 6.5 The Medium Term financial forecast shows a requirement to undertake additional borrowing in the next 5 years. This is entirely related to the funding of the development of the 34 new units of accommodation on garage sites discussed at paragraph 6.3, and the proposed sheltered accommodation improvements discussed at paragraph 6.2. Were these projects not included in the spending plans for the next 5 years, then no additional borrowing would be required to fund the CMTFF shown at Appendix A. This confirms the approach that has been adopted, which is to ensure there is maximum flexibility in the early years of the programme to deliver the needs of the housing stock as well as the other projects the Council has committed to.

## **7. Priorities for the Council**

- 7.1 To use the new Colchester Housing Asset Management Strategy (AMS) as the basis for long term planning, provision and sustainability of Colchester borough Council's housing assets following Cabinet acceptance of the Strategy on 1 December 2010.

- 7.2 To allocate appropriate funding to CBH within the resources that are available to enable stock investment to proceed, improving housing conditions for our tenants.
- 7.3 To ensure that having achieved delivery of the decent homes' targets in December 2011 that the overall level of decency is maintained at the end of any one financial year but ensure compliance on a five yearly basis.
- 7.4 To build upon current monitoring arrangements and ensure programme delivery and the effective targeting of resources particularly in respect of maintaining the value of the asset and providing Adaptations for our customers with disabilities.

## 8. Proposals

- 8.1 The report sets out below a summary of the proposed allocation of new resources for 2013/14 as defined by the Asset Management Strategy (AMS) with the following comments setting out the basis of the allocation.
- 8.2 **Capital Investment Programme - £3.483million** – This allocation supports the (AMS) and acknowledges the work required to allow the decency standard to be maintained, therefore this substantial proportion of the overall allocation is recommended.
- 8.3 **Aids & Adaptations - £0.562million** - This continues to support the budget at historic levels. The proposed allocation achieves the requirement to adapt Council dwellings to meet the special needs of our customers and also meet the high priority that Members place on this service.
- 8.4 **Emergency Failures (statutory obligation) and Voids - £1.010million** – This allocation supports the (AMS) and the experience gained through the management controls exercised for the Deed of Variation. It reflects the necessity to recognise capital works in the voids process along with emergency failures. It is possible that this work will actually be spent using the contractual arrangements entered into with our Capital Improvement contractors.
- 8.5 **Emergency failures structural works - £0.281million** – As with the previous allocation this reflects the (AMS) and the experience gained through the management controls exercised for the Deed of Variation. The work is generally associated with premature failure of structural elements and in particular the continuance of the canopy replacement programme.
- 8.6 **Roofing Programme - £0.562million** – This allocation supports the Asset Management Strategy in starting a new roof replacement programme.
- 8.7 **Environmental Works - £1.461million** - This allocation supports the Asset Management Strategy by once again starting to address the improvements to the overall estate living environment. It will include door entry systems, boundary works and PVC installations to start to reduce the revenue reliance on painting programmes.
- 8.8 **Asbestos, Legionella, Fire Safety and Overall Contingency - £0.437million** – 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.
- 8.9 **Non-Works Programmes - £0.110 million** – This is to meet the Council's technical strategic asset management role for repairs and maintenance capital projects.



- 8.10 **Sewage Treatment Works - £0.150 million** – This is to provide funding for the continued programme of works, leading to the adoption of the sewage treatment plants by Anglian Water which will significantly improve customer satisfaction and generate ongoing savings within the Housing Revenue Account.
- 8.11 **Sheltered Accommodation Improvements - £2.023 million** – This allocation supports the refurbishment at Worsnop House for the second year of the programme. Individual delivery contracts will be reported to Cabinet as tenders are returned.
- 8.12 **Garages - £0.225 million** – This allocation supports investment in our garage stock to bring them back into use and is a recommendation by a sub-group of the Asset Management Group.
- 8.13 **Temporary Accommodation - £0.056 million** – This allocation supports investment which has been identified to bring the units up to a minimum standard.

## 9. Strategic Plan References

- 9.1 The Housing Investment Programme links to the following areas of the Councils strategic plan:
- Regenerating our borough through buildings, employment, leisure and infrastructure
  - Promoting sustainability and reducing congestion
  - Providing more affordable homes across the borough
  - Supporting more vulnerable groups

## 10. Consultation

- 10.1 As a result of the Cabinet report submitted on the 30<sup>th</sup> November 2011 members will be aware of the extensive consultation process which has been undertaken to arrive at a position where it has been possible to recommend this report and budget allocation.
- 10.2 The consultation process has been inclusive of tenants and leaseholders and the Asset Management Group.
- 10.3 It should also be noted that thorough consultation will be carried out with tenants and leaseholders affected by any works to properties or areas as a result of the works programmes proposed within this report.

## 11. Publicity Considerations

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

## 12. Financial implications

- 12.1 As set out in the report.

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

- 13.1 An impact assessment has been prepared and can be viewed through the following link  
<http://www.colchester.gov.uk/article/4962/Strategic-Policy-and-Regeneration>

### **14. Community Safety Implications**

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

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

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

### **16. Risk Management Implications**

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

## HRA Capital Medium Term Financial Forecast – 2013/14 to 2017/18

Appendix A

Expenditure	Notes	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Stock Investment Programme		7,515	8,418	8,510	9,469	9,708
Adaptations		562	566	588	594	609
Sheltered Accommodation Review		2,023	2,946	1,765	2,137	1,522
New Build		1,000	2,737	-	-	-
<b>Stock Investment Sub - Total</b>		<b>11,100</b>	<b>14,667</b>	<b>10,863</b>	<b>12,200</b>	<b>11,839</b>
ICT		-	144	147	150	153
SAMS		110	113	116	118	120
Sewage Treatment Works		150	-	-	-	-
<b>Other Works Sub - Total</b>		<b>260</b>	<b>257</b>	<b>263</b>	<b>268</b>	<b>273</b>
<b>Total Programme</b>		<b>11,360</b>	<b>14,924</b>	<b>11,126</b>	<b>12,468</b>	<b>12,112</b>

Resources	Notes	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Major Repairs Reserve	13/14 includes balance from previous years	7,723	6,663	7,249	7,394	7,542
Revenue Contribution to Capital	14/15 includes use of HRA balance down to minimum prudent level	2,812	4,693	3,344	3,598	3,827
Capital Grant		-	170	-	-	-
Capital Receipts		825	-	-	-	-
New Borrowing		-	3,398	533	1,476	743
<b>Total Funding</b>		<b>11,360</b>	<b>14,924</b>	<b>11,126</b>	<b>12,468</b>	<b>12,112</b>

**Extract from the minutes of the Council meeting on 6 December 2012**

**Petition - Sheltered Housing**

A petition in the following terms, containing approximately 2369 signatures, was received by the Council on 6 October 2012 and was referred to Council in accordance with Petition Procedure Rule 14.

“We the undersigned oppose the closures of Joyce Brooks House and Abbeygate House, and note that a further five sheltered accommodation schemes for older people are “under review” of closure. These actions make it clear that the future of publicly owned sheltered housing is under threat from council policy, and that a privatisation by stealth is planned. We call on the council to guarantee the future of all publicly owned sheltered housing.”

Andy Abbott addressed the Council in accordance with Petition Procedure Rule 15. The closure of Joyce Brooks House and Abbeygate House was a cut in the provision of sheltered housing, disguised as an improvement in the service. The Motion referred to the consultation undertaken by the Council but there had been no consultation with the residents of Joyce Brooks House, Abbeygate House or the residents of the scheme in Tiptree that was under threat. Residents had originally been assured that nothing would happen to the remaining sheltered housing for five years, but this had subsequently been reduced to two years. With an increasing elderly population, more rather than less sheltered housing was required. He sought an assurance that no more sheltered housing would be closed and more would be built. The Council's policy amounted to privatisation by stealth.

Tim Oxtan addressed the Council pursuant to the provisions of Council Procedure Rule 6(1). He drew parallels between the way the Council had handled the closure of Joyce Brooks House and Abbeygate House with how it had dealt with closure of the bus station.

It was PROPOSED by Councillor Bourne that:-

(i) In receiving this petition Council notes that a number of residents were concerned about the closure of two of our long established sheltered housing schemes.

(ii) Council notes that:-

- The Council is implementing the recommendations of the Sheltered Housing Review agreed by Cabinet in September 2011. The Review was developed in consultation with current and possible future sheltered housing tenants, where residents specified the type of amenity and accommodation they would wish to reside in. The results of the consultation were overwhelming in stating a requirement for a

separate kitchen/living/sleeping area rather than the current bedsit style accommodation offered by some of the older sheltered schemes.

- The Council is in the process of spending £3.8 million to refurbish some of our sheltered schemes to the standard that residents stated they desired for 21st century living. This shows an ongoing commitment by Colchester Borough Council to invest in its sheltered schemes for the benefit of current and future tenants. The Worsnop House refurbishment has been warmly received by residents, ward members and others.
  
  - The Council has set out its plan and budgeting commitments to invest in a major upgrade of suitable existing sheltered schemes. The proceeds received from the sale of Joyce Brooks House and Abbeygate House are being reinvested in part financing the significant refurbishment of Worsnop House and to the benefit of residents.
- (iii) That, in respect of the petition's request for Council to guarantee the future of all publicly owned sheltered housing, the Cabinet be recommended to continue with the implementation of the sheltered housing review in line with the consultation responses to develop a Colchester Standard.

The MOTION was CARRIED (MAJORITY voted FOR)



## Cabinet

Item  
**11(i)**

23<sup>rd</sup> January 2013

Report of	Head of Corporate Management	Author	Lee Spalding ☎ 282118
Title	Building Works in Conjunction with Colchester Castle Redevelopment Project		
Wards affected	Castle Ward		

**This report concerns building works to be undertaken in conjunction with the project to redevelop Colchester Castle Museum.**

### 1. Decision(s) Required

- 1.1 To agree to proceed with building works to be undertaken in conjunction with the Colchester Castle redevelopment project.
- 1.2 To agree to enter into a contract with the successful contractor to undertake the aforementioned works.

### 2. Reasons for Decision(s)

- 2.1 Colchester and Ipswich Museums Service was successful in its second round bid to secure grant funding from the Heritage Lottery Fund (HLF) for a project to redevelop Colchester Castle Museum.
- 2.2 The building works to be undertaken in conjunction with the main redevelopment are necessary partly to facilitate the redevelopment works themselves, but moreover to improve the Castle's accessibility and to bring the existing Castle roof, aging heating and electrical systems, and both customer and staff health and welfare facilities up to modern standards.

### 3. Alternative Options

- 3.1 Decide not to undertake the building works. However, this effectively means that the redevelopment project also cannot go ahead.

### 4. Supporting Information

- 4.1 Colchester and Ipswich Museums Service was awarded grant funding from the HLF in July 2011 for its project to redevelop Colchester Castle Museum.
- 4.2 The successful HLF bid included the building works summarised below and explained in more detail within Appendix A attached to this report:

- Refurbishment of existing roof;
- Replacement of existing heating system;
- Replacement of electrical installations;
- New Suspended Floor Installation;
- Provision of Second Lift;
- Refurbishment of Public and Staff WCs;

- Remodelling of Castle Entrance; and
- Replacement of Existing Pumped Waste Unit.

- 4.3 Whilst the building works will facilitate the main redevelopment works, they will also completely replace the building services within the Castle and upgrade the insulation and integrity of the existing roof which does not form part of the historic structure. These works would be impossible to undertake outside of the main project as they can only be completed with the Castle empty of its displays and exhibits. As such, opportunities to undertake these works are rare.
- 4.4 In addition to this, the installation of the suspended floor in conjunction with the new underfloor heating system, coupled with the provision of a second lift and the remodelling of the main entrance will greatly improve the accessibility of the Castle permitting mobility impaired customers to independently access parts of the building that to date they have not been able to access.
- 4.5 Similarly, the refurbishment of the existing public WCs will also increase the number of assisted WC facilities within the building as well as increasing the number of WC facilities for able bodied customers.
- 4.6 The new heating system and upgraded roof insulation will deliver more comfortable and stable temperatures within the Castle galleries, improving not only the thermal comfort of both customers and staff, but also creating more stable conditions for the artefacts and exhibits to be displayed within the Castle.
- 4.7 Collectively the building works described above will save an estimated 18 tonnes of CO<sub>2</sub> per annum equating to an annual energy saving of around £4.5k (note that these are conservative estimates prepared by an external consultant as part of the project feasibility study and it is anticipated that the actual savings will be higher).
- 4.8 A project to deliver the aforementioned works has been developed by the Council's Framework Consultants NPS Ltd and six tenders were returned and opened in the presence of the Portfolio Holder for Planning, Community Safety and Culture Cllr Tim Young and the Portfolio Holder for Resources Cllr Paul Smith on Monday 3<sup>rd</sup> December 2012.

## **5. Proposals**

- 5.1 To enter into a contract with the successful contractor for the works.

## **6. Strategic Plan References**

- 6.1 The Council's vision as set out in its Strategic Plan is of "Colchester: a place where people want to live, work and visit." This vision is supported by three objectives - to listen and respond, shift resources to deliver priorities, and be cleaner and greener.
- 6.2 By undertaking the building works and indeed the main redevelopment project at Colchester Castle, the Council will be ensuring that a popular community and heritage asset that draws visitors from both within and outside of the Borough remains fresh and in good repair, as well as contributing to the delivery of its CO<sub>2</sub> savings target thereby clearly demonstrating its commitments to making Colchester a place that people want to visit and to being cleaner and greener.

## **7. Consultation**

- 7.1 The specification and proposals for the building works has been developed in close consultation with Colchester and Ipswich Museums Service as an integral part of the main redevelopment project. As such, the building works along with the main project have been discussed and developed with the assistance and involvement of the HLF, English Heritage, the Audience Development Group established as part of this project and the existing PORTAL Access Group.
- 7.2 In addition to the above, Colchester and Ipswich Museums has been releasing regular project updates by email and has also hosted a number of member, staff and customer events presenting the proposed project.

## **8. Publicity Considerations**

- 8.1 Major works being undertaken to a prominent building such as Colchester Castle is likely to, and in fact already has attracted press attention, particularly as the building works and redevelopment project mean that the Castle will be closed for more than a year.
- 8.2 Colchester and Ipswich Museums via the Council's Communications Team has issued a number of press releases to date regarding the project and will continue to do so at various stages throughout the project programme. It is important that these releases reiterate the drivers behind the project and the positive effect that the project will have upon the building as well as also confirming the programme for the works and building customer anticipation ahead of the Castle reopening in 2014.
- 8.2 The delivery of the Council's Carbon Management Programme (CMP) and CO<sub>2</sub> reduction commitment is also a good news story that has already had broad press coverage. It is intended that this will continue and press releases will be prepared as Phase 3 CMP projects such as the Castle redevelopment project are undertaken, promoting both the Council's commitment to be cleaner and greener and also its aim to take a lead role within the Borough in CO<sub>2</sub> reduction initiatives.

## **9. Financial implications**

- 9.1. The overall budget for the Castle redevelopment project is largely funded by the HLF grant awarded in July 2011 supplemented by match funding from Europe via Intereg and from Colchester and Ipswich Museums Service budgets and the Council's Building Maintenance Programme, as well as a number of smaller contributions from other organisations; for example the Friends of Colchester Castle.
- 9.2. Based on the tenders reported, the existing funding allocated within the overall project budget for the building works is sufficient to cover the cost of the tendered works and subsequent consultant fees.

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

- 10.1 The Castle redevelopment project has a comprehensive EQIA which is published on the Council's website and can be accessed by the link below:-

[Equality Impact Assessment](#)



10.2 In addition to the above Contractors that have tendered for the project have been asked a set of equality and diversity questions at the PQQ stage of the tender process to ensure that they are fully committed to equality and diversity.

10.3 These questions included:

- Requesting that a copy of the contractor's equal opportunities policy (if they have one) is submitted along with their tender.
- Confirmation that they are able to fully meet the requirements that all local authorities have, i.e. a statutory duty to outlaw discrimination based on race, sexual orientation, disability, age, religion or belief, gender and human rights, as this duty extends to organisations carrying out functions or works on the council's behalf also.

## **11. Community Safety Implications**

11.1 None directly arising from this report.

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

12.1 Due to the nature of the works to be delivered, the project falls within the jurisdiction of the Construction Design and Management (CDM) Regulations 2007 and as such, the Council as the "Employer" has appointed a CDM Coordinator and Competent Designer as it is required to do to properly fulfil its obligations under the Regulations.

## **13. Risk Management Implications**

13.1 There are no major risks associated with this project. However, the project will have its own risk management plan to ensure that potential risks are identified and mitigated wherever possible.

## **Background Papers**

None.

## APPENDIX A

### REDEVELOPMENT OF COLCHESTER CASTLE – BUILDING PROJECT SUMMARY

- **Roof Refurbishment:** Removal of existing lantern lights and infilling holes left by same. Refurbishment of central atrium including re-glazing and installation of automated natural ventilation louvers. Insulating existing roof to exceed current building regulation standards, including resurfacing.
- **Replacement of Existing Heating:** Removal of existing single pipe LTHW heating system and plant. Installation of new underfloor heating system fed via high efficiency gas fired condensing boilers. Replacement of existing building energy management system including provision for constant humidity control. Installation of solar assisted hot water system.
- **Replacement of Electrical Installations:** Complete electrical rewire of Castle, including new small power and lighting circuits, and capacity increase of incoming electrical supply. Small power circuits generally to be installed within new suspended floor to be as unobtrusive as possible. Electrical socket provision designed to provide maximum future flexibility.
- **New Suspended Floor Installation:** Construction of new timber suspended floor on top of existing Castle ground and first floors to convey underfloor heating pipework, insulation and small power circuits. New floor to include ramping designed to exceed requirements of Building Regulations Document M and the disability equality strand of the Equality Act 2010. Suspended floor will permit wheelchair access into areas of Castle that to date have been inaccessible, for example within fireplaces.
- **Provision of Second Lift:** Supply and installation of vertical platform lift to convey both able bodied and mobility impaired passengers between the ground floor and first floor mezzanine exhibition spaces. Platform lift will be in addition to the existing passenger lift which itself will be upgraded to Building Regulations Document M standards. New lift will operate within a free standing glazed shaft that can be installed without compromising the historic building fabric.
- **Refurbishment of Public and Staff WCs:** Complete refurbishment of Public WCs including replacement of existing sanitaryware and cubicles, hot and cold water services, drainage, ventilation and lighting. Refurbishment will also include the provision of additional facilities within both male and female WCs, improving existing assisted WC facilities and changing access into the WCs to remove the existing corridor and dead end. Staff WCs will receive new sanitaryware, hot and cold water services, drainage, ventilation and lighting and will be redecorated throughout.
- **Remodelling of Castle Entrance:** Replacement of two sets of existing manually opening entrance doors with single pair of automated doors including ramping from Castle entrance lobby to new suspended floor level. Door arrangement has been designed to comply with Building Regulations Document M and the disability equality strand of the Equality Act 2010. New doors will include a fixed leaf that can be manually opened to facilitate the movement of large items in and out of the Castle.
- **Replacement of Existing Pumped Waste Unit:** Replacement of aging pumped waste unit located within boiler house. Unit takes waste from public WCs and pumps it to the main sewer located in Colchester High Street.



## Cabinet

23 January 2013

Item

**12(i)**

<b>Report of</b>	<b>Head of Life Opportunities</b>	<b>Author</b>	<b>Lucie Breadman</b> 📞 282726
<b>Title</b>	<b>Half yearly Performance Report including progress on Strategic Plan Action Plan</b>		
<b>Wards affected</b>	'Not applicable'		

The Panel is invited to consider the performance report for the period up to end of September 2012 (which includes progress of our Performance measures and an update of progress of the Strategic Plan Action Plan).

### 1. Action required

The Cabinet is asked to consider / comment upon the performance update, as at Appendix 1, for the period up to the end of September 2012 in relation to our key performance measures and the progress update of the Strategic Plan Action Plan to the end of September 2012 as at Appendix 2.

The Strategic Overview and Scrutiny Panel review the report on 15 January and members are also asked to consider any comments from that scrutiny. The Panel's comments/minute extract will be circulated in a Supplementary Agenda.

### 2. Reason for scrutiny

Part of the Council's performance management framework includes the commitment to report our half yearly performance progress to Strategic Overview and Scrutiny Panel.

### 3. Background information

The Council has agreed a number of key performance areas which it uses as part of its Performance Management Framework to help monitor progress and improvement. This report provides an update of our indicators along with a half yearly review of progress against our Strategic Plan Action Plan. (See Appendix 1 and 2 attached).

### 4. Performance Summary

- Our overall basket of organisational performance measures shows that 71% (12) of our measures are green, 29% (5) amber and none are red.
- Monitoring of the actions within our Strategic Plan Action Plan shows that there is a huge amount of really positive activity being undertaken across the council and with our partners to achieve our Strategic Priorities. Most are progressing well and where there are challenges it remains in those areas most impacted by the economic climate, namely Inward Investment; Improving opportunities for local business; Regenerating the borough; and Providing more affordable homes.
- The Council has also received a number of awards and accreditations highlighted at the end of appendix 1.

## **5. Strategic Plan references**

This report provides an update of progress against the Strategic Plan Action Plan developed to support the delivery of the Councils agreed Strategic Plan Priorities.

## **6. Consultation**

The contents of this report do not have any direct implications with regard to consultation however the Strategic Plan and priorities were agreed following wide public consultation.

## **7. Publicity considerations**

The performance report contains key measures for our key Indicators and our SPAP many of which are used to monitor the performance of our services and as such these may be of public interest.

## **8. Financial implications**

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

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

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

## **10. Community Safety implications**

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

## **11. Health and Safety implications**

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

## **12. Risk Management implications**

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

## **Background Papers**

Not applicable.

## Performance Summary

The Council agreed a number of key performance areas for 2012/13 which are used as part of the Performance Management Framework to help monitor progress and improvement. This report provides a summary of our position at the end of Quarter 2, the half year stage.

71% (12) of our measures are green, 29% (5) amber and none are red. Of our organisational indicators sickness absence is being monitored closely along with three projects relating to budgetary savings in Street Services. Both areas have been flagged as 'Amber alerts' due to the challenges of meeting the targets but mitigating activity is in place. Figures for net additional homes provided last year have been confirmed at 1,000 against a target of 650 which is really positive in this climate, as is the fact that the prevention of homelessness performance is on track despite some real concerns at the start of the year. Planning continues to perform consistently well as does recycling. The amount of waste collected is higher than we would like it to be at this stage of the year, so more activity is going into encouragement and education to bring about reductions in overall levels of waste and recycle more, an important area both for the environment but also to manage the costs of this service for the taxpayers of Colchester. Improvements following the Fundamental Service Review of Benefits and Revenues are now evident in the performance data with the number of days being taken to process new claims at 14, a significant reduction from 20 days this time last year.

## Table of awards and accreditations achieved:

Clean Britain Awards	The Council's Zone Teams were awarded a 'four star' rating for the cleanliness of the borough.
RSPCA - Silver Footprint Award	Community Animal Welfare Footprint award for our work to address the issue of stray dogs.
Colchester in Bloom	Gold Award for displays in the 'small city' category after two years of silver-gilt.
Marine Conservation Society	West Mersea added to Good Beach guide (CBC has carried out environmental work to achieve this).
Green Flag Awards	Castle Park has received its eleventh consecutive Green Flag, with High Woods receiving its tenth.
Green Heritage Award – Castle Park	For the management and interpretation of a site with local or national historic importance.
Customer Service Excellence	Successful re-accreditation of Corporate Management, and Environmental and Protective Services.
CIPFA – CPD accredited employer	Our continuing professional development for finance and accounting staff meets industry standards.
LABC – building control awards	Firsites won the best community building category in the eastern region for our building control work.
LEXCEL	Achieved the Law Society's practice management standard for the thirteenth consecutive year.
PPMA HR awards	Vine (online Essex HR Partnership) won the Innovation in Workforce Skills and Development award.
BBC Countryfile Magazine awards	Colchester Castle - finalist is the 'best heritage attraction' category – 1 of the top 10 in the country.
Essex Countywide Business Awards	Finalist in the Environmental Awareness category – only council in the county-wide Newsquest finals.

<b>Alert Explanations</b>
<b>Green</b> The indicator is meeting performance expectations to date or as forecast to the next reporting period.
<b>Amber</b> The indicator is not meeting performance expectations to date. There are mitigating circumstances in most cases and improvement is likely but risks are being flagged in regard to this indicator.
<b>Red</b> The indicator is not meeting performance expectations to date and/or is unlikely to improve by year end, forecast is that it is very unlikely that the targets set will be achieved.

### 1. Progress of our Resources and Organisational Key Indicators

We are on target or exceeding targets in five of our seven Resources and Organisational Indicators. Our sickness rate position is flagged as Amber, but this is a position that is being closely monitored as is the Council Tax collected.

<b>Indicator</b>	<b>Target 2012/13</b>	<b>Performance April – Sept 2012</b>	<b>RAG</b>	<b>Service Comments</b>
<b>KI R1</b> % Council Tax collected	<b>98.5%</b>	57.8%	<b>A</b>	Performance accumulates up to the target by the end of the year. It is slightly behind where we were this time last year and there are more accounts in arrears at this point, attributable to the current economic climate. However, further enforcement and support for these customers should bring collection back to target by Q3.
<b>KI R2</b> % NDR Collected	<b>98.5%</b>	61.5%	<b>G</b>	On target. (also accumulates to the year end)
<b>KI R3</b> Sickness rate	<b>7.5 days</b>	8.15	<b>A</b>	Our current sickness figure of 8.15 days is better than it was at the same time last year (8.49 days). To continue to improve performance a very challenging 7.5 day target was set which combines long and short term sickness. For us to achieve this target, improvements in sickness will need to happen. Close monitoring continues along with sickness management workshops and training for managers. Individual cases are managed with HR and SMT review corporate and service performance monthly. Short term sickness currently makes up 35.5% of the overall days lost with long term sickness making up the remaining and larger proportion of 64.5% days lost.

**Appendix 1 - Performance Summary  
Quarter 2 - April 2012 to September 2012**

<b>KI R4</b> Reduce CO <sub>2</sub> from LA Ops	<b>25% less by Dec 2012</b>	20%	<b>G</b>	<p>This has been a rolling programme for which we are now in the final year. The overall target to reduce CO<sub>2</sub> by 25% equates to a reduction of 2,333 tonnes of CO<sub>2</sub>. We expect to exceed the target and estimate for total savings once all planned projects are complete are 3,268 tonnes which is a 35%, however it is not guaranteed that all projects will go ahead as some require funding to be identified or feasibility studies completed.</p> <p>Current forecast reported to FASP to be within budget.</p>
<b>KI R5</b> Forecast variance at year end	<b>-2% to +1%</b>	-1%	<b>G</b>	<p>June – Corporate Management had their yearly assessment and retained the CSE Standard.</p> <p>August – Environmental and Protective Services had their yearly assessment and retained the CSE Standard.</p>
<b>KI R6</b> New Customer Service Excellent Achievements	<b>1 award</b>	2 yearly assessments	<b>G</b>	<p>June – Corporate Management had their yearly assessment and retained the CSE Standard.</p> <p>August – Environmental and Protective Services had their yearly assessment and retained the CSE Standard.</p>
<b>KI R8</b> Achieve FSR savings	<b>£1.762m</b>	£1.548m (estimated)	<b>A</b>	<p>£1.561m of the £1.762m target for 2012/13 consists of £450k Housing, £435k Revenues and Benefits, and £676k Street Services. These have all been accounted for in the 2012/13 budgets for these 3 services, however Street Services budget forecast is currently flagging that not all anticipated income /savings are likely to be achieved which will create a possible shortfall of up to £214k. This specifically relates to projects including: yard partnership; void clearance and community alarms. In all cases mitigating activity is being taken to address the issues along with direct marketing resources to help minimise any possible shortfall. The £1.762m target also includes £201k being the agreed net Sport and Leisure FSR saving as shown in the full business case. The implementation stages are now underway for the Sport and Leisure FSR, and progress in achieving its target of £201k savings for 2012/13 will be reviewed through the year. Currently, it is expected that this will be achieved this year.</p>

## 2. Housing Key Indicators

We are on target in all but one of our Housing Indicators – number of affordable homes delivered, but it is to be noted that delivery is not evenly spread through out the year. Prevention of homeless cases in on track despite the difficult climate and challenging target.

<i>Indicator</i>	<b>Target 2012/13</b>	<b>Performance April – Sept 2012</b>	<b>RAG</b>	<b>Service Comments</b>
<b>KSI H1</b> Net add homes provided	<b>751</b>	330	<b>G</b>	Data only collected annually. All monitoring now undertaken by CBC (previously joint with ECC), so new systems being established which may allow more frequent reporting. Figures now available for 2011/12 which show just over 1,000 new homes were built (against a target of 650). The half year figure for 2012-2013 is based on Building Regulation completions data and can only be used as a guide.
<b>KSI H2</b> Number of affordable homes delivered (gross)	<b>149</b>	49	<b>A</b>	A total of 49 affordable homes have been delivered during the first 6 months of this year. Whilst this is lower than half the total target for the year, we know that delivery is not evenly spread through out the year. Our delivery partners have indicated that over the course of the year they will deliver the affordable homes to meet the annual target.
<b>KSI H3</b> Number - homelessness cases prevented	<b>260</b>	143	<b>G</b>	Our performance has improved and we are now on track to achieve this year's target. Some of this improvement has been achieved by diverting more resources to sourcing private accommodation for customers. Another part of the improvement has come from us starting to include aspects of the Housing Options team's work that the government's definition of prevention of homelessness allows, but which we were not counting before, such as our work to help young homeless people return and stay home.
<b>KSI H4</b> Rent Collected	<b>98.8%</b>	97.33%	<b>G</b>	The rent collection rate is where we would expect it to be at the mid-year point and remains on track to meet the year end target. Performance is better than for the same period last year which was 96.83%.



**Appendix 1 - Performance Summary  
Quarter 2 - April 2012 to September 2012**

<b>KSI H5</b> Average time to re-let council houses in days	General Needs - 19	16.81 days	<b>G</b>	Performance on void re-let times continues to improve and we are currently exceeding our targets for all property types.
	Sheltered 72	47.60 days		
	Temp - 32	27.47 days		

### 3. Key Planning Indicators

A positive half year set of results on our key planning indicators with all areas exceeding targets.

Indicator	Target 2012/13	Performance April – Sept 2012	RAG	Service Comments
<b>KSI P1</b> processing of planning applications	<b>Majors</b> 65%	71.8%	<b>G</b>	Performance continues to exceed national & local targets.
	<b>Minors</b> 70%	75.2%	<b>G</b>	
	<b>Others</b> 85%	89.6%	<b>G</b>	
<b>KSI P2</b> Planning appeals allowed against our decision to refuse	<b>30%</b>	25%	<b>G</b>	The Council continues to win significantly more appeals than the national average. This is encouraging. When last tested it was clear that this excellent performance is NOT being achieved simply by approving more applications than other authorities there by reducing the appeal risk.

#### 4 Waste and Recycling Key Indicators

Recycling levels have improved and half year performance is above target. Residual waste however continues to be a challenging target.

Indicator	Target 2012/13	Performance April – Sept 2012	RAG	Service Comments
<b>KSI W2</b> Residual household waste per household	<b>440kg</b>	233.kg	<b>A</b>	The target is based on total annual kg of waste per household, Q2 result accounts for the first six months of the current financial year and overall we would hope to encourage households to produce less waste so aiming for a lower figure is good performance. If we continue to collect the same level of waste for the next six months the year end weight will be more than we had hoped for. To try to reduce that and change behaviour further work is being carried out by the Zone teams to encourage households to recycle more waste and also reduce the overall amount of waste produced and placed out in the black sacks. There has also been an increase in the amount of litter and rubbish being collected by Zone teams due to an increase in clean-up activities. On the one hand this is good because it means we are providing a cleaner more attractive environment but sad because people drop it in the first instance and it adds to the overall weight of the waste collected.
<b>KSI W3</b> Household waste reused, recycled and composted	<b>43%</b>	44%	<b>G</b>	The data for the first six months of the year shows that we are exceeding recycling targets within the borough. The recycling rates were as follows – April 39%, May 42%, June 45%, July 48%, Aug 44% and Sept 44% showing a steady increase in recycling since the beginning of the financial year. It is likely that the following factors would have contributed to the recycling rates: <ul style="list-style-type: none"> <li>• Introduction of fortnightly collections for food waste trial areas</li> <li>• Increase in amount of garden waste collected during this period</li> <li>• Targeting of non-recycling households by Zone teams</li> </ul>

## 5. Benefits Key Indicators

Indicator	Target 2012/13	Performance April – Sept 2012	RAG	Service Comments
<b>KSI B1</b> Time to process Housing Benefit new claims and changes	<b>14 days</b>	14.08 days	<b>G</b>	There has been a significant improvement from the same period last year (20 days to 14.08 days) which has been largely due to the implementation of the Fundamental Service Review and the uptake of e-claims from a previous paper based application process. In addition with the implementation of a risk based verification process this has also reduced the number of days to process new benefit claims and changes.

## 6. Other Performance News – a summary of performance-related items from April to September 2012

### **DCLG Code of Practice on Data Transparency – opening up Council performance and financial information for the public**

This Code aims to open up information so that people can easily access data to help them assess how well councils are doing. The Code covers more than two dozen headings across many different areas and services, with an “as a minimum” list of data items which councils must provide. Much of this was already published in various places on our website, but we have drawn the threads together to give people a short list on a single webpage which mirrors the Code’s requirements, with links to similar Government requirements such as the Freedom of Information Act’s Publication Scheme – please see [our Data Transparency webpage](#). DCLG is currently consulting on extending the range of items covered.

### **Strategic Plan**

The Council’s webpage for the [Strategic Plan 2012-15](#) now includes the Strategic Plan Action Plan for 2012-13 as agreed by the Cabinet in July 2012. The [Strategic Plan 2009-12](#) webpage now shows all of the three year-end reports against its action plans, as an archive and/or audit trail.

### **Draft Local Audit Bill – proposals for a new local public audit framework for local government**

The Government consulted on its proposals for a new local public audit framework, following its announcement that the Audit Commission was to be disbanded after 2012. Resource Management co-ordinated our response as shown in this [Finance and Audit Scrutiny Panel](#) report. In July 2012, the [draft Local Audit Bill](#) was published for consultation and pre-legislative scrutiny. The draft Bill sets out the proposed new audit framework for local public bodies, the process for the appointment of auditors, and the regulatory framework for local public audit. The consultation period ran until 31 August 2012, and further developments are awaited.

### **The Council's Performance Framework**

The Council's existing [Performance Framework](#) had been due to run from 2009 to 2012. In the light of the draft Local Audit Bill mentioned above, we have carried out a 'refresh' of the existing content so that it remains current, and will carry out a full review when the Government's consultation process has been completed and the future national arrangements for performance management and audit have been agreed.

### **Single Data List**

DCLG published its first 'Single Data List' of all central departments' data requirements from local authorities in April 2011. Its revised set followed in July 2011, and there have been additions and deletions over the last year. The summary of the items which apply to district councils has been updated to reflect and summarise the July 2012 position. This has been sent to the Council services and officers concerned.

### **Quality of our performance data**

In line with our Data Quality Strategy, arrangements are made for Internal Audit to review some key indicators within this report each year. The audit's emphasis is very much on data quality – the processes, methodology, targets, and accuracy of measurement behind the indicator. Each year, we look to streamline and improve these arrangements, and this year we are working to bring together any items which are reported as key indicators for Colchester, have been retained in the Government's Single Data List after its initial introduction (as above) and are also in the Internal Audit Work Programme - but which are related/relevant to each other – to improve co-ordination and remove any potential duplication.

For example, the review of KSI H3 'homelessness prevented' which is part of this performance report is related to our 'activity under homelessness provisions of the Housing Act' in the Single Data List, and both of these will be incorporated into the planned 2012/13 Internal Audit of the homelessness/housing needs register.

## Appendix 2 - Strategic Plan - Action Plan for 2012-2013 - update

### Delivering high quality, accessible services

The priorities in this section of our action plan are about actual delivery of direct services either through our own Council resources or using others to provide services.



#### Delivery of an efficient benefits service

The key action here is to ensure continuous improvement through monitoring of our performance indicators and the development and ongoing implementation of our Fundamental Service Review (FSR) outcomes.

**Overall Rating G**

#### Output measures

- **Evaluation of FSR implementation by June 2012** – Implementation of the agreed actions have continued throughout the year and ongoing evaluation and monitoring is in place. Performance shows outcomes are being achieved but this is an ongoing process.
- **Ongoing monitoring of performance indicators and continuous improvement in place following FSR implementation** - There are a number of different performance measures used to measure progress and performance of both New Claims and changes in circumstances processing. One of these is also included in the corporate indicator set and all are currently performing well against targets. From 5<sup>th</sup> November Revenues and Benefits service will join the Customer Service Centre as a combined service due to new interim arrangements before the Universal Review of Services is agreed and implemented. The combined service will work together to deliver an efficient benefits service and continue to improve performance and outcomes for customers.



#### Reducing, reusing and recycling our waste

Key actions here include plans for our Shrub End Depot to provide improvement, income, efficiencies and partnership working opportunities for the future along with implementation of recycling educational activities, progress of Section 46 enforcement and the introduction of plastic recycling collections from flats.

#### Output measures agreed

- **Contract agreed with successful Bidder and Depot Improvement Plan agreed** – Due to the termination of the previous tender process work an options appraisal is being undertaken to agree the way forward in this area.

**Overall Rating G**



## Appendix 2 - Strategic Plan - Action Plan for 2012-2013 - update

- **Household waste reducing and recycling and composting rates increasing** - Residual household waste is currently exceeding the agreed target. Recycling rates are however also increasing which highlights the benefit of changes to the waste collection service and work to encourage behaviour change.
- **Progress of Section 46 enforcement activity** - Work has been carried out to understand the Councils implementation options for S46 following recent and on-going changes to the act by central government. A Portfolio Holder report will be produced adopting these powers for the Council.
- **Introduction of plastic recycling collections from flats** - A Full project plan has been developed and site surveys of flats will commence at the beginning of November. This improved collection service for flats will be in place by April 2013.
- **Other activities** – Our Zone teams have continued to work with local residents to try to help encourage reductions in household waste and increases in recycling. The teams are also being pro-active in cleaning up litter in their Zones and two successful days of action have brought partners, the council and residents together to help clear up their localities.



### Providing more affordable homes across the borough

Key actions here include the use of our own land and assets to facilitate the building of new affordable housing, with 35% of all new homes being affordable on sites with 3 or more homes in rural areas and 10 or more in urban areas. We also aim to ensure the Housing Trajectory demonstrates a 15 year supply of housing sites, including a 5 year supply of deliverable sites and we will undertake a range of measures to bring empty homes back into use.

### Overall Rating – Amber

#### Output Measures

- **400 new affordable homes to be built over three years** – This period started in 2012 so we are in the first year and currently do hope to achieve the three year target. Delivery is still strong in this first year. More affordable homes are needed but the strong ‘Growth Agenda’ is calling for flexibility from Councils with planning gain (S106). Officers continue to seek 35% of affordable housing but viability assessments often demonstrate that this percentage of affordable housing could jeopardise delivery of a whole site and therefore we sometimes have to accept less than 35%.
- **Qualifying sites achieve 35% of affordable housing and total number of homes secured** – During the period there have been no planning decisions on qualifying sites over the threshold for affordable housing.
- **270 empty homes bought back into use over the next three years** - Bringing back empty homes into use should gain a helping hand from a new Financial Assistance Policy for private homeowners in early 2013 offering new loans to help bring empty homes back into use. We are implementing an action plan, which includes new ways of working, to bring more empty homes into use. As part of

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this, we are running a trial to trace “hard to find” owners of empty homes which has no cost to the Council. As a result of all this work we have bought 13 homes back into use.

- **To update the housing trajectory which will inform the Annual Monitoring Report** - The Housing Trajectory is being updated through an annual review of the Strategic Housing Land availability Assessment.



### Improving our streets and local environment

Improved street cleanliness and shifting resources to increase responsiveness to environmental and cleanliness issues is a key action here along with Enabling Community Ownership to facilitate communities taking an active role in keeping their local environment clean, tidy and loved. Developing and maintaining strategic partnerships (Essex County Council, Bus and Rail operators) to help deliver improvements in air quality and sustainable transport infrastructure is an important action to improve our local environment.

#### Overall Rating G

#### Output Measures – Cleanliness & Air Quality

- Street Sweeping timetable reduced from 8 weeks to 6 weeks turnaround - The revised street sweeping timetables are working well and have shown improvements in the cleanliness of our streets. The new 6-week rota system enables more flexibility across the zones where the sweepers can be shared more easily when emergency requests come through.
- More staff trained to deal with environmental issues - Anti-Social Behaviour (ASB) Team members are currently being trained to issue Fixed Penalty Notices for littering and dog fouling and the ASB Team are training Parks and Recreation Officers/Rangers to issue Acceptable Behaviour Contracts (ABCs) to youths displaying unacceptable behaviour in Castle Park.
- In addition town centre litter picking routes have been re-organised to maximise the use of available resources and positive comments have been received on the improved cleanliness and street cleaning requests have reduced by 13% and street sweeping requests have reduced by 9% since introduction of the Zone system.
- Improved Air Quality - Improvement work includes the adoption of planning guidance which means that any future development within any of the Borough’s Air Quality Management Areas must not adversely impact the quality of the air and where possible, should seek to improve it. Air Quality further assessment work is complete with a draft report being considered and the results to inform further investigation for later this year and the Air Quality Action Plan (formally due in 2013-14). The updating and screening assessment has been completed in compliance with statutory requirements and submitted to DEFRA and the Air Quality Steering Group meetings are ongoing with representatives from ECC Highways, Transport Planning, Planning and the Town Centre Steering Group.

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### Output measures - Enabling community ownership & active participation

- Delivery of our Days of Action - Two Days of Action have been delivered so far this year (Stanway in March and Highwoods in July); and one more is planned (Castle in November). 16 organisations participated in the most recent day which was a great success and included key actions around responsible dog ownership, namely over 500 dog fouling information leaflets were delivered, 8 dogs were micro-chipped and dog waste bags given out free of charge.
- Key Zone performance indicators demonstrate improvement - The Zone Teams have integrated well into their local communities and key improvement can already be seen within the borough. The total number of street-based service requests has reduced from 3,510 between 1 October 2010 and 30 September 2011 to 2,564 over the same period in 2011/12 (27% reduction). This highlights the zones ability to 'see it and solve it', reducing the need for residents to report issues as they are dealt with far more quickly and efficiently. The Council was awarded 4 stars in the Clean Britain Awards. The overall report highlights some areas which were regarded as immaculate (including Wivenhoe, the University, Dedham, Marks Tey and Tipitree). It also highlighted some key areas for improvement particularly around the town centre. Zone 7 is considering utilising DEFRA's Voluntary Code of Practice for 'Food on the go' establishments as a way to improve food related litter in the town centre and the introduction of the new task management system will also give us increased data on Zone performance in the future.



### Tackling anti-social behaviour and using enforcement to support priorities

Our key actions for this priority include the achievement of Purple Flag accreditation, thereby recognising excellence in the management of town centres in the evening and at night and to raise standards and improve the experience of Colchester town centre after dark. We also want to focus and continue working with partners to deal with anti-social behaviour in its widest sense, including issues relating to noise, graffiti, litter and dog fouling as well as more traditional anti-social behaviour, with the emphasis on behaviour change rather than just enforcement. We aim to work with local communities to reduce anti-social behaviour and promote pride.

**Overall Rating G**

### Output measures

- **Undertake research on Colchester's Night Time Economy during 2012 and make an application for Purple Flag status** - Economic impact of Colchester's Night Time Economy report has been completed and key performance indicators identified for future performance monitoring. Purple Flag application will be submitted in the October 2012 – January 2013 window.
- **Shift resources to enable a targeted approach to enforcement and increase staff able to investigate and issue Fixed Penalty Notices** - ASB Team members are currently being trained to issue Fixed Penalty Notices for littering & dog fouling and are training Parks and Recreation Officers/Rangers to issue Acceptable Behaviour Contracts (ABCs) to youths displaying unacceptable behaviour in Castle Park. The team are also training the Street Team at the University of Essex to tackle ASB. In addition to helping increase skills and available enforcement resources the ASB team have undertaken lots of activities, including; support of Days of Action and



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Crucial Crew; during school holidays they worked with the Army to provide diversionary events for young people; the team achieved Respect Charter Accreditation (April) and Police Accreditation enabling improved information sharing (April) and have worked in partnership with the Police and Braintree DC to secure an ASBO regarding a young female causing problems throughout the Colchester, Braintree and Witham areas.

- **Delivery of shared Anti-Social Behaviour team with Colchester Borough Homes** - CBC/CBH Merger of ASB Teams – launched 3 April 2012. and a new ASB Policy developed in consultation with residents and partners and signed off by Colchester Borough Homes Board (September).
- **In addition to the above measures** the Zone teams have developed a number of initiatives within local areas to tackle anti-social behaviour, including a trial period of youth activities and the Tiptree youth hub which was developed with local children to give them fun and educational activities on a Friday evening. The Zone teams continue to work closely with PCSOs across all zones to fully understand local issues and tackle them together. The Weekend Noise Service has diversified, making best use of officers' skills and knowledge enabling checks to be made on licensed premises out-of-hours to ensure that licence conditions are adhered to and a Responsible Dog Ownership Strategy was launched in September and the Council has been awarded the RSPCA's Silver Community Animal Welfare Footprint award for our work on Stray Dogs.



### Enabling local communities to help themselves

Our key actions for this priority are to enable communities to improve or develop new facilities such as community centres, sport and recreational facilities and for Zone Teams to identify and engage with formal and informal community groups within the borough.

#### Overall Rating G

#### Output Measures

- **Use of S106 Funding for community developments** - A variety of projects have been funded from S106 open space sport and recreational facilities contributions, in partnership with Parish and Town Councils to provide new or improved facilities delivering community benefits.
- **Develop a plan in conjunction with Sport England to provide leisure facilities and activities in North Colchester** in response to local need - Sport England is providing support and resource to plan new facilities and an engagement event with National Governing Bodies has taken place, the findings of which are currently being analysed.
- **Community-led activities taking place in addition to planned and reactive service delivery** - The Zone teams are working closely with a wide range of organisations including Town and Parish Councils, community groups, charities and other local associations. The Zones have developed a range of activities with local people and groups such as:
  - Setting up a steering group in St Anne's Ward to enable residents to actively improve their own community.
  - Working with Voices of Greenstead to support projects that they are setting up.

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- Developing the Tiptree Youth Hub.
- Working with volunteer groups to help improve cleanliness of problem areas in the town centre.
- Coffee mornings which are used as a platform to educate residents of Council services and encourage recycling.
- Locality Budgets awarded to all Ward Councillors enabled up to a total of £120k of enhancements to be spent across the Borough through different local community projects. This has enabled a range of different things to be delivered including new tree planting, jubilee celebrations, new seating, play equipment, grit and salt bins, dog litter bins and in some cases the combining of ward funds to enable spend across a wider locality.
- The Council has invested £30,000 in Hythe Forward. Aided by a new website, and other more traditional means of communication, local residents, landowners and business owners within the Hythe community have been brought together to form a Development Trust. This will be used as a vehicle for the community to own assets, apply for funding from sources unavailable to the Council, and to be a voice in deciding the future priorities for change and investment in the Hythe.



### Supporting more vulnerable groups

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The main actions identified to help support vulnerable groups includes, working with partners in the voluntary sector and sub-region to provide new specialist support services to prevent households becoming homeless and to support and develop skills within vulnerable groups in respect of confidence and assertion to support independent living and safety. Another key action is to support and contribute to the Essex Families Pilot aimed at working with partners to support vulnerable families

### Overall Rating G

#### Output Measures

- **Support for Street Homeless - funding and agreement about new service level secured** - Significant funding has been secured from DCLG to provide a new service for street homeless people, and to help provide private rented accommodation for single people with no priority need throughout the sub-region and Uttlesford. Colchester is leading on this work. Grant awards have been made to The April Centre, Open Road and the Youth Enquiry Service to deliver specialist support and advice to residents to prevent them becoming homeless.
- **Ongoing monitoring of existing performance indicators** – Prevention of homelessness performance is more positive than anticipated given the challenging target and current climate. Increased resources, targeted support and monitoring processes are helping in this area.
- **No cold caller' zones** - Community Days of Action to be used as a means of gauging residents' interest in/the need for these zones in various parts of the borough. The responses received will be considered alongside any other available intelligence held by ECC Trading Standards and the Police.

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- **Skills training to assist vulnerable individuals** - We provide support and advice to 'Fresh Beginnings'. They are a voluntary organisation that assists migrants and refugees to live independently, by providing welfare advice, IT, Maths and English classes
- **'Crucial Crew' programme** - Crucial Crew has been delivered and included six scenarios which were shared with over 1500 pupils from our primary schools across Colchester. The scenarios included road and rail safety, bullying, drug and alcohol awareness, and internet safety.
- **Prototype approach and cross partner targets agreed for the Essex Families Pilot** – A multi-agency team is in place from the beginning of October and starting to work with some of the families in Colchester with complex needs. A set of high-level objectives have been agreed and data collection to assess current costs will begin very shortly to enable longer term monitoring of impact.
- **In addition** – activities and dedicated support has been put in place to help customers impacted by Welfare Reforms. This includes money advice guidance, assistance with understanding the changes and housing support where over occupation or high rent may impact families in the future. The Museums Service has delivered a number of projects that support vulnerable groups, these include Street Angels, part of the Out in the Open project and each year we award approximately £600,000 of Disabled Facility Grants to people with disabilities to enable them to continue living independently in their own homes. These grants fund a mixture of works including the installation of stair lifts to the building of extensions.



### Providing sport and leisure for all, alongside good quality green spaces and play areas

Our key actions here are to develop a sport and leisure service that embraces new technology and responds to customers' needs in order to improve access to services so that sports participation is increased. We also want to enable communities and work with partners to deliver better open spaces and leisure and work with local sports clubs, leisure providers and other partners to deliver projects that build on the energy and excitement resulting from the 2012 Olympic and Paralympics.

#### Output Measures

- **Improvements at Colchester Leisure World** – This includes the extension of the Activa Gym, new dance studio, new café and new technology which will include greater ability for self serve. This project is well underway and within timescales set.
- **Improvement work with our parks and open spaces** – this includes a number of projects, namely the new Clubhouse facility at Abbey Field, a tender process has been completed and work on site began on October 1<sup>st</sup>. We estimate approx 3 months to completion. The review of Old Heath Recreation Ground public consultation event took place on 29 September attended by approximately 100 residents and users, a website consultation continues until end October. We will share the consultation results with Ward Members in early November and then have a meeting with residents planned for the 24 November. Visitor attractions at High Woods Country Park are set to improve again and the visitor centre plans are in the final tender stages with a new wheeled sport facility being consulted on along with interest for a Segway experience.

#### Overall Rating G



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Despite the weather this years Tour Series was a success and offered 11 different activities as part of a Community Event that attracted over 500 participants. In addition to this our aim to increase participation included six Sport in the Park sessions (football & cricket) have been delivered in partnership with CUCST & Essex Cricket during summer holidays along with a holiday programme at Sports Centres including sessions in handball, basketball, volleyball, archery and table tennis. The town was packed once again for the Olympic Torch relay and the new sports Pavilion at the Garrison is now underway.



### Engaging with the voluntary sector

Our key aim for 2012/13 is to look for opportunities to transfer the management of assets and services to the voluntary sector where this can achieve improved services and efficiencies and work with the voluntary sector to address strategic issues, support communities and groups and further strengthen partnerships.

### Overall Rating G

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#### Output Measures

- **Creation of community awards grant pot for administration by the voluntary sector for community awards of up to £200** - This pot was created and of a total of £6,000 has been allocated to small projects.
- **Management Transfers** - The transfer of Abbots Activity Centre and the ex-Garrison gymnasium building are both still being progressed. Expressions of interest regarding Abbots has been revisited as the only interested party in the initial EOI identified the need for a grant so a new EOI round has been agreed by the portfolio holder to ensure fairness to all. Negotiations are continuing with Abbeyfield Church regarding the refurbishment and management of the Garrison Gym.
- **Other activities** – A review of our partnership Foodbank Service has demonstrated that this continues to be successful and with growing demand improvements are being planned. We continue to work with individuals and families impacted by cancer through our project with Macmillan and have once again supported the voluntary sector with the award of over £200k in grand funding. The Council is working with partners and communities to communicate and take forward rights, responsibilities and opportunities set out in the Localism Bill. A recent Scrutiny session reviewed a number of key areas that are changing and looked at ways that the council can work with voluntary partners and communities in the future.

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### Leading our communities

This section of the action plan is about influencing others in a range of functions where the Council does not have direct responsibility for delivery, but knows these things are vital to the future of the borough and its residents.



#### Regenerating our borough through buildings, employment, leisure and infrastructure

This is arguably one of the most challenging but important priorities for the Council in the current climate. The main actions here are to support the delivery of the key regeneration sites, and bring back existing buildings into use including stalled sites to deliver new homes and jobs. We also aim to bring forward the regeneration of key areas in the borough to provide enhanced community facilities and infrastructure, including public spaces, by working in partnership with the public and private sectors.

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#### Output Measures

- **Support the delivery of Greyfriars Hotel and East Hill House conversion** - Greyfriars hotel development is onsite and East Hill House planning application expected Spring 2013.
- **Development of the first Phase of the Severalls site** – commenced
- **Delivery of a Masterplan for the Cuckoo Farm South / Northern Gateway to deliver new leisure facilities and jobs including development of a hotel, health and fitness centre and associated retail** - Vision/Masterplan completed for Northern Gateway.
- **Completion of new hotel and new retail in the St Botolph's Quarter** - Hotel development operator going through internal restructure and further information awaited on timescales.
- **Adoption of Supplementary Planning Document for North Growth Area Urban Extension** - June 2012.
- **Consider for approval a planning application for North Growth Area Urban Extension** – Under Consideration.
- **Completion of Transcoast project delivering new pontoons and community benefits** - Underway with artists consultation in respect of wayfinding project.
- **Creation of a new public park within the Maltings Development** - Planning consent granted for Maltings development including publicly accessible park. Work commenced on site.
- **Creation of a Masterplan for the Coldoc / Fieldgates sites** – Work underway
- **Planning consent achieved for Phase 2 of the St Botolph's Quarter, providing new homes and retail opportunities** - Timescales regarding Phase 2 planning application currently under review.

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- **Complete Town Station (Oyster) Square and Berryfield extension to transfer the outside play area back to St Thomas More school as per the legal agreement** - planning consent obtained and discussions underway with Network Rail regarding start onsite date.



### Improving opportunities for local business to thrive including retail.

Key actions for this priority include the implementation of key projects within the Better Town Centre Programme Plan, including delivery of the new Creative Business Centre providing flexible work space and network and business support facilities for a priority growth sector. Also to deliver the Colchester Digital Strategy and develop local networks and business support to enable Colchester businesses to start up and to grow.

#### Output Measures

- **Securing a minimum of 6,000ft<sup>2</sup> of flexible workspace** and business support facilities creating up to 100 onsite and offsite jobs - Funding bids submitted to secure capital for refurbishment of Old Police Station building into Creative Business Centre.
- **Planning consent achieved for Vineyard Gate Shopping centre 2013-14** - Discussions ongoing with developer to complete legal agreements for Vineyard Gate.
- **Complete a review of what makes independent retailing route/s in the town centre special to Colchester in terms of history, events and characters and seek external funding up to £300,000 to deliver the resulting programme to create a 'Lanes-style' retail offering.** - Local Distinctiveness Audit completed by HEART Norwich July 2012 results and recommendations fed back to local business stakeholders September 2012. Appropriate funding bids are being researched.
- **Adoption of Town Centre Supplementary Planning Document** - Expected December 2012
- **Delivery of superfast broadband (50Mbps) and mobile connectivity (10 Mbps) by end 2013** - Negotiating contract and commercials with alternative provider of 4G enabled Wi Fi 'mesh' in the town centre and deployment scheduled for early 2013. Wireless broadband deployment by Briskona/Motorola due to commence in November 2012 and following their successful deployment in West Bergholt, our digital partner County Broadband are currently in negotiation with Abberton, Langenhoe and Eight Ash Green Parishes about deploying wireless broadband. We are also in negotiations to utilise the Council owned fibre network and ducting to provide superfast broadband in the town centre
- **Provide a virtual 'one stop shop' for business support, networking and procurement opportunities by end 2013** - Improved web signposting being developed. Also working with 'Colchester Works' and 'iEssex' to enable users to access current information on apprenticeships, training, skills and employment opportunities

#### Overall Rating A



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### Giving local people the chance to improve their skills

Our key actions here are to work with the Adult Community College and Job Centre Plus to increase the number of residents with skills for work by providing extra courses in community venues. We also want to help reduce the number of young people aged 18 to 24 in the borough who are not in employment, education or training (NEET) and increase the take-up of Apprenticeships in the borough.

#### Overall Rating G

#### Output Measures

- **7 Work Clubs with Job Centre Plus operating throughout the borough and deliver work-focused training for 50 people -** Approximately 100 residents are attending work clubs and approximately 10 participants have gained employment since April. Two of the clubs focus on young people and 1 work club runs from the April Centre to work with clients of the Nightshelter. The Executive work club is now run by volunteers and has an Open Day coming up at Firstsite. We continue to work with Garrison and service personnel in setting up a Garrison work club. Rolling programmes are currently running under the name of Pathways to Employment with 20 Learners already completing one of these accredited courses at Wilson Marriage, with referrals from Work Clubs and negotiations are in place to run one of these courses in a community setting at the Ark Centre in Highwoods.
- **Work with Essex County Council to deliver 30 'paid work experience' placements for young people in the NEET group by 31 March 2013 -** We are working with The Prince's Trust to deliver "Get Into" course in the Autumn for 12 NEETs and assisting ECC with marketing the 30 "paid for work placements". In addition we are developing complementary career advice, job search and CV/presentation skills development via Catten College (Flexible Support Fund). The Finding Futures project that provides one to one mentoring for 16-24 year olds, in partnership with Youth Enquiry Service, has received a further six months funding from the DWP under the Flexible Support Fund (will now run to Feb 2013). So far 60 young people have been assisted in some way with 40 going into employment, education or certified training. The Skills and Employment Fair on 18 September with 25+ agencies and employers attending. We are also working with the Colchester NEET Group to ensure that apprenticeships and other work/training initiatives benefit the Colchester NEET group and reduce the cohort numbers.
- **Working with Colchester Institute and BCT Consortium to secure 150 Apprenticeships by 31 March 2013 -** We are working with 'Sound Choices', Firstsite and ECC to deliver 25 Level 3 Creative & Media Apprenticeships we had a joint stand promoting apprenticeships at the Colchester Careers Convention held at Thurstable School on 16 October attended by more than 1,600 Year 11 students. We have worked to link Creative and Media sector apprenticeships and training to St Botolph's quarter development and to key local employers.
- **Other activities -** Our Welfare Reform Support Team has included a secondment from JCP to help those customers impacted by the reforms consider work alternatives and ways to attain new or better skills to aide with employability. The team have also worked with customers to help with money management skills. The council has participated in a number of Job / Careers Fairs and has worked to secure a number of internal apprenticeship opportunities within the councils own services.

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### Promoting sustainability and reducing congestion

Our key actions for this priority are to support the reduction of unnecessary traffic in the town centre. We also aim to use the public realm strategy to develop a package of measures to enhance the vitality and economic prosperity of the area. We want to develop, with Essex County Council, the sustainable transport infrastructure for the North Colchester Connectivity corridor and deliver Travel Change Behaviour programmes with transport providers to help address congestion and air quality. We also aim to review Nottingham Declaration strategy and develop a new Environmental Sustainability Strategy.

### Overall Rating G

#### Output Measures

- **Implement scheme to improve public transport access and reduce traffic in the High Street as part of the better town centre project** - Consultation on traffic regulation orders was undertaken at the end of 2011/12. Objections were received and we are now in discussion with ECC on the way forward to deliver traffic reduction in town centre in a way that addresses these objections.
- **Secure funding to move forward streetscape and public realm enhancements in the town centre** - Construction of the new Osborne Street bus station commenced in July. Refurbishment of lifts, toilets, paving, canopy, waiting lounge and information screens are being funded by CBC.
- **Improvements in air quality** - In 2011, the Council was awarded £31,500 grant funding by DEFRA to support our ongoing work to improve air quality within the borough. A further £85,000 has recently been awarded and the funded project (Love your Car), is run in partnership with Colchester's 20/20 Travel Plan Club. The aim is to raise awareness of, and encourage car sharing, smarter driving techniques and travel planning, all of which will reduce levels of NO<sub>2</sub>. The smarter driving element of the campaign raised awareness of fuel use reduction measures that everyone can adopt such as regular tyre pressure checks, driving at efficient speeds, and using other modes of transport like cycling and walking for short journeys. With the additional funding boost further promotion is possible along with a feasibility study for a low emission zone.
- **Sustainable Transport / Commence construction of 1,000-space Park and Ride facility at North Colchester** - Growing places funding provisionally allocated by LEP. Working with ECC to secure funding. ECC advise that the target is to open facility by end of 2013.
- **Sustainable Transport / Approve a solution for bus priority in the North Station Area through to the town centre** - ECC developing proposal to aid the operation of park and ride. Proposals yet to be formally presented to CBC.
- **Sustainable Transport / Prepare for the delivery of the NAR2 Rapid Transit Corridor** - Planning application to vary existing planning conditions has been submitted and is to be considered at November Planning committee. Growing places funding has been provisionally allocated.
- **Behaviour Change and Increase the use of public Transport** - Businesses and major organisations engaged to increase the use of public transport, walking and cycling. Bi-annual survey with partner organisations commenced to measure progress. The Hospital has



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committed to Travel Plan through its planning application and a new travel plan initiative is included as part of legal agreement to King Edward Quay student accommodation unit.

- **Behaviour Change and Transport strategies** containing a set of proposals to address issues in North Colchester, Stanway and commence preparation a draft for the Eastern Approaches - Draft strategy has been produced and released to the public as evidence based material to support growth. Strategy for Stanway is being drafted. A presentation has been delivered to members and shared with key stakeholders.
- **Environmental Sustainability** - A draft Sustainability Strategy has been developed to set out ways in which the Council will mitigate and adapt to climate change. Work is also being carried out to understand new initiatives including Green Deal, Climate Local and the new Home Energy Conservation Act (HECA) requirements will impact on the Council and to develop a plan to implement these in the best way for our customers



### Showing tolerance and changing behaviours to create better local communities

Our key actions for this priority is to work with partners to successfully introduce a new integrated offender management programme to reduce repeat crime. We also want to develop and agree a service level agreement with the Probation Service to enable positive use of the Community Payback scheme. We have an overarching aim to promote tolerance and work with partners and communities to meet the diverse needs across the borough, and consider equality and diversity implications in our policies on those with protected characteristics\* (\*age, disability, gender, race, religion and belief, pregnancy and maternity, marriage and civil partnership, sexual orientation and gender reassignment – Equality Act 2010).

#### Output Measures

- **Develop (with partners) new offender management programme** - The new Integrated Offender Management programme for Colchester and Tendring is operational. Housing and gaining employment have been identified as the two single issues with the first cohort. Planning work is underway to integrate this programme with our partnership with Job Centre Plus.
- **Develop SLA with the Probation Service to enable Community Payback scheme** – The SLA has been agreed and first placement achieved.
- **Consider Equality and Diversity and promote tolerance and diverse needs** – The Council continues to have a robust and embedded approach to equality and diversity with Equality Impact Assessments being undertaken on all policies, a dedicated resource in place, support and participation in groups and a number of activities and improvements being undertaken in services. The annual update to Policy Panel confirms examples of work being undertaken and the areas that we recognise need focus and ongoing action. Those examples include examples such as, the use of development gain monies, in the form of Community Section 106 funding, which have been used to support local projects as well as those that provide borough-wide services. Examples include awards to The

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Samaritans, Outhouse East and The Salvation Army, and improved disabled access to community buildings and new community buildings.

- **Zone working principles focusing on local needs** - The Zone Teams have enabled Street Services to interact more with 'hard to reach' groups to ensure that all residents can access Council services and support. This includes a significant increase in vulnerable adult visits and work with a number of community groups and organisations.



### Supporting tourism, heritage and the arts.

Our key actions for 2012/13 are to work with partners and local industry businesses to increase the economic impact of tourism in the borough. We also want to work in partnership with Colchester Arts Centre, Firstsite, the Mercury Theatre and the Museum Service to provide leadership and support to deliver the Creative Colchester strategy and increase skills, jobs, community development and forge new links between cultural, creative, tourism and hospitality sectors. We have our exciting Castle re-development project and the associated interpretation of the wider heritage in the borough and our aim to deliver increased visitor numbers, and encouraging day visitors to overnight/weekend stay visitors.

#### Outcome Measures

- **To increase trips to the borough and spending while here** - Each year we aim to increase the number of visitor trips to our Borough and the amount that is spent here. For 2012/13 our target is for visitor trips to increase by 0.5m so from 4.7m to 5.2m and half year figures show that we are on track with 4.9m trips having been made. Visitor spend aims were to increase from £224m to £230m and half yearly performance has already exceeded that with £239.7m. Acknowledging the limitations of statistical models, it is clear that there has been significant investment in Colchester's tourism offerings at Colchester Zoo, Firstsite and the retail experience which could help to explain this rise.
- **To increase the number of people employed in tourism from 3,910 to 4,100 ('full-time equivalent' by 31 March 2013)** - The employment figures (4,071) again shows that Colchester is broadly on track considering that the figures are mid-term.
- **Creative Colchester strategy / Deliver identified priorities within the Action Plan** – The Creative Colchester Strategy has been agreed by key stakeholders and work is ongoing to develop the action plan.
- **Deliver the Castle redevelopment project (end of 2012/13 through to 2013/14)**. - The procurement process for the principal building works contractor and for the main display fit out and for audio visual displays is underway. After the approval process work will commence in the new year. PR and marketing for the Castle project is in the process of being agreed and detailed planning is now in hand for the Castle closure period and the empty Castle open period. An alternative in-school learning programme has been developed for the closure period. The Castle will close to the public on 7 January 201 and will temporarily re-open on 9 March when it

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will give visitors the chance to see the Castle as an empty building for the first time since 1935. The Castle will then close again from 8 April 2013 until Easter 2014 when it will re-open following redevelopment.

- **Develop and maintain delivery mechanisms for improvement and maintenance of our heritage assets across the borough -** We have been building the Council's connections with local heritage groups in recent months. There has been ongoing engagement with a number of groups on various projects, including; Friends of Colchester's Roman Wall; Colchester Archaeological Trust; The Catholic Heritage Society; Mersea Island Museum Society and Friends of Colchester Castle Park. We have also continued to work closely with English Heritage on a variety of sites including the Town Walls, Mersea Barrow, Lexden Mount and Colchester Castle. This work is laying the foundations for the drafting of the Heritage Strategy and the associated action plan in the next few months.



### Bringing investment to the borough

Our key actions in 2012/13 are to work with Invest Essex to promote the Colchester offer and attract inward investment into the borough. Work with the Integrated County Strategy and Haven Gateway Partnerships to secure the infrastructure investment identified in Colchester's Local Investment Plan and target 20 companies in key growth sectors to secure additional investment in the borough in excess of £1m. We aim to secure funding from Growing Places Fund, Integrated County Strategy investment fund, Europe, private sector partners and other sources for key projects.

#### Outcome Measures

- **Target 20 companies in key growth sectors to secure additional investment in the borough in excess of £1m -** Currently working on 6 active leads, 2 of which were provided by Invest Essex.
- **Secure funding from Growing Places Fund, Integrated County Strategy investment fund, EU funding programmes, private sector partners and other sources for key projects -** two successful Growing Places Funding bids have been secured for Colchester which will bring £5m into Colchester for the Northern Connectivity Corridor and £2.4m for the Parkside Office Village development at the University of Essex. Bids have also been submitted to the EU and to the Department of Energy and Climate Change in respect of the proposed Creative Business Centre.
- **Other activities -** £3.2m has been secured from the Heritage Lottery Fund (HLF) for the redevelopment of Colchester Castle, with the total investment secured from a range of sources exceeding £4m. It is anticipated that the re-launch of the Castle Museum will attract annual visitor figures in excess of 100,000 and complements the existing diverse cultural offering which will boost the regional attraction of Colchester in relation to tourism and leisure visits and spend. The current planning application by Fenwick for investment of £30m into Williams and Griffin will be an important boost to Colchester High Street and Lancaster Group look set to invest a further £4m into North Colchester. The Council is also supporting Wilkin and Sons in progressing its redevelopment plans for the Tiptree Jam Factory which involve a £25 million investment in a new factory funded in part by residential development.

#### Overall Rating A



## Appendix 2 - Strategic Plan - Action Plan for 2012-2013 - update



### Working in partnerships to help tackle health and crime issues

Our key actions for 2012/13 include working with our partners on the Safer Colchester Partnership to agree a plan to reduce crime and support the Neighbourhood Action Panels we also aim to develop our partnership with Essex Probation Service. We want to work with ECC to improve health by reducing smoking rates and childhood obesity and continue joint working between EEC, Environmental Health and Sport & Leisure to coordinate and integrate our public health work with the wider agenda and the Public Health Outcomes framework.

### Overall Rating G

#### Outcome Measures

- **Plan agreed by Safer Colchester Partnership** - Partners on the Safer Colchester Partnership have produced an Annual Partnership Plan with one of its priorities being to reduce crime and the fear of crime.
- **Neighbourhood Action Panel meetings and action plan progression** – Panel continue to meet and progress their priorities.
- **Develop Service Level Agreement including work programme for Community Payback groups and first placement** - done
- **Life Opportunities health targets agreed and achieved** - Life Opportunities targets and action plans agreed with Public Health NHS North Essex/ ECC and Anglian Community Enterprise (ACE) in April 2012. In August 2012 smoking quitter figures show good progress towards meeting end-of-year NHS and Life Opportunity targets and CBC Sport and Leisure Services aim to tackle childhood obesity with their targeted Life Opportunity priority areas and schools activities. Data that became available in June 2012 suggests a downward trend in Reception and Year 6 children in Colchester who are overweight or obese. Work completed June 2012 to document CBC's contribution to wider Public Health agenda and Outcomes Framework. The newly formed Public Health and Enforcement Service contributes towards the delivery of the nationally agreed set of Public Health Outcomes. Specific contributions in 2012/13 include our ongoing work to improve air quality, our activities in preventing and tackling noise pollution, encouraging healthy eating in commercial premises through the administration of a Healthy Eating Award, and sharing intelligence with the Police and Trading Standards and tackling irresponsible drinking and alcohol related crime.
- **Intelligence Database** – delivery and then using it to increase efficient delivery of services Intelligence Database Software is a product developed and owned by the East of England Trading Standards Association (EETSA) - A visit has been made to ECC Trading Standards Dept. to receive a demonstration in the use of the system and this was well received. However, there are implications to its use including double keying of data plus the annual subscription fee, and therefore we have repeatedly requested further information from EETSA as to the actual benefits and positive outcomes delivered so that an informed decision can be made. This information has yet to be supplied.
- **Flytipping – SMARTWATER initiative and increased use of stop-checks** - SMARTWATER campaign – the Essex Regulatory Services Partnership has not yet progressed this initiative and owing to pressure on local authority resources, it is possible that this will not now take place in 2012/13.
- **SOS Bus** - Colchester's successful SOS bus continues to provide important late night services. Largely manned by volunteers, it is estimated to have reduced money spent and resources needed in A&E and ambulance call outs significantly.

**Extract from the minutes of the meeting of the Strategic Overview and Scrutiny Panel on 15 January 2013**

**21. Half Yearly Performance Report Including progress on the Strategic Plan Action Plan**

**The following Councillors declared non-pecuniary interests in the following item pursuant to the provisions of Meetings General Procedure Rule 7(5);**

**Councillor Bentley in respect of being an Essex County Councillor  
Councillor Frame in respect of being a Board Member of Colne Housing  
Councillor Naish in respect of being a Director of the Anglian Trust**

**Half Yearly Performance Report including progress on the Strategic Plan Action Plan**

Councillors Paul Smith, Portfolio Holder for Business and Resources, Councillor Martin Hunt, Portfolio Holder for Street and Waste Services, Councillor Tina Bourne, Portfolio Holder for Housing and Ms. Lucie Breadman, Head of Life Opportunities attended the meeting for this item.

The Half Yearly Performance Report was to be presented to Cabinet on 23 January 2013, and provided a performance update for the period up to the end of September 2012, including an update of progress of the Strategic Plan Action Plan.

The Chairman invited questions from Members of the Panel.

In response to Councillor Chuah's enquiry about KSI H2 "The Number of Affordable Homes delivered", Councillor Bourne said the garage sites to be redeveloped for future affordable housing are not included in the 49 homes so far delivered in 2012-13. There was no certainty of these sites being developed in 2012-13, although they would be included in future monitoring once the developments are completed. Councillor Bourne said the 49 homes delivered included 21 social rents, 5 intermediate rents and 23 (shared equity) Home buying Scheme properties. Councillor Bourne was hopeful that the indicator will achieve its target by year-end but the amber rating highlights some risks.

Councillor Bourne responded to Councillor Bentley by confirming the performance of the indicator KSI H5 "Average Number of Days to re-let Council Houses", 16.81 days against a target of 19 days was exceptional, and bringing void properties back into use at a faster rate provided more rental income that in turn provided a greater Housing Revenue Account surplus.

Councillor Bentley requested that the target and performance descriptions should all accurately reflect the indicator and unit of measure, to provide clarity when communicating to Councillors and Members of the Public.

In response to Councillor Naish in respect of indicator KSI H4 “Rent Collected”, Councillor Bourne said the performance was again exceptional and she did not expect the performance to drop in 2012-13, though changes to welfare reform will provide new issues. Councillor Bourne said officers are addressing the impact of welfare reform and actions are being put in place to mitigate against the potential issues.

Councillor Smith responded to Councillor Oxford in respect of indicator KI R1 “% Council Tax Collected”, saying there had been a change to the method of monitoring this indicator, now standardised to a nominal month rather than a complete calendar month. Councillor Smith said whilst the current performance was an improvement on previous years it was anticipated that the target will remain challenging due to welfare reform. These potential issues are being addressed and it was important that those who could not pay are identified as soon as possible, and those not paying are pursued vigorously.

Councillor Smith confirmed to Councillor Bentley that up to 8,000 households will in some way or another be affected by the council tax changes which are part of the welfare reforms.

Ms. Breadman responded to Councillor Offen in respect of indicator KI R3 “Sickness rate”, reminding the panel that there had been much debate and discussion by the scrutiny panel last year on the target being set and if it was indeed too challenging. In respect of benchmarking against performance in both the public and private sector Ms. Breadman explained that this is difficult. In the past there was a set methodology for reporting and monitoring sickness for all Local Authorities, thus you knew comparisons were fair. This had changed, and its now harder to access comparisons and be sure that they are measured in the same way, including all long and short term absence. Whilst the current annual sickness rate of 8.15 days per FTE is higher than we want it to be, it is similar to the same time last year (8.49 days) and continues to be an improvement on historical performance which has been as high as 12-13 days in past years.

In relation to use of the Bradford Factor measurement tool and the suggestion by Cllr Offen that this is often not actioned effectively, Ms. Breadman explained that this was taken into consideration with the review of the sickness policy. The new policy and procedure guidance has less discretion for managers and a much clearer stepped approach, ensuring managers are more proactive in identifying problems and managing the complete process. Following a number of comments from Panel members around sickness rates and monitoring, Ms. Breadman confirmed that the policy includes a return to work interview for all employees following sickness and performance is monitored at a number of different levels monthly. All staff involved in managing sickness have undergone management training and a recent training session on managing stress had been held. In response to specific questions about the Bradford Factor Ms Breadman confirmed that of the 90 cases currently being managed, 9% are not actively on step 1 or 2 of the process which is much fewer than in the past . There are cases of staff being

dismissed due to absence, again confirming that the policy is followed through by managers.

Ms. Breadman confirmed that sickness absence was higher than we would want and indeed the challenging target set reflects the importance of continuous improvement in this area, whilst it had improved over the years every effort was being made to reduce the current levels further. Ms. Breadman confirmed that the Council does look to share information and benchmark with other similar organisations..

Councillor Offen whilst acknowledging the current policy and procedures said he remained uncomfortable with the current high level of sickness target and performance.

Responding to Councillor Bentley and Frame in relation to specific reasons for absence, Ms. Breadman acknowledged organisation change and pressure of work are contributory factors in stress related illness. Support is in place to minimise this and Fundamental Service Reviews (FSR) are individually supported by an HR Business Partner to provide guidance and help with the potential sickness issues. Engagement with staff takes place throughout the process but inevitably this level of change does increase workloads and anxiety for some which may result in stress related illness at all levels in the organisation.

Mrs. Pam Donnelly, Executive Director confirmed that the management of sickness absence was supported by a nurse-led Occupational Health Service.

The Panel agreed with Councillor Bentley's suggestion that a more detailed review of sickness procedures and levels was undertaken before the end of the year, given the persistently high sickness levels.

In response to Councillor Oxford in respect of indicator KSI W2 "Residual Household Waste per Household", Councillor Hunt said a DEFRA Grant was being used to provide research about the Food Waste Trial to determine how residents will recycle following the trial, useful information in shaping the future service. Councillor Hunt said officers in the Zone Teams are visiting residents from where large numbers of black sacks are collected on a regular basis, to provide help and advice in changing their waste recycling habits.

Mr. Matthew Young, Head of Street Services said the service was looking to exceed the target of 440kg for 2012-13. Mr. Young said during the years 2006-07 and 2011-12 the performance had improved from 635kg per household to 449kg per household and it was hoped this continuing trend will continue. Mr. Young said in 2006-07 45,000 tonnes of waste was collected from 71,000 households improving to a current situation where 81,000 households produce 36,000 – 37,000 tonnes of waste. It was the Council's intention to reduce the number of black sacks of waste sent to landfill and officers will be working during the next month to find ways to ensure the target is met by the end of the year.

Members acknowledged the problems associated with collecting recycled waste from blocks of flats and the problems faced by householders living in tiny houses, maisonettes and flats with limited space to store recycling waste in multiple containers. A common solution was needed and this issue was being considered at County level.

Councillor Peter Higgins said he had observed refuse collectors sorting cans and glass from single containers and believed supplying two containers to store tins and glass separately would save 100s of man hours and could be self financing.

Councillor Offen suggested that all Planning Committee Members should be briefed on the Council's Planning Guidance in respect of the provision of waste and recycling storage areas.

Councillor Bentley agreed to talk to Councillor Louis, Portfolio Holder for Highways and Transportation at Essex County Council to find out what progress is being made in respect of the Borough's Air Quality Management Areas and the introduction of Low Emission Zones.

Councillor Offen said he felt the details within the "Delivery of an efficient benefits service" within the Strategic Plan Action Plan should reflect the vast improvements in the performance of the service. Councillor Smith confirmed that benefit changes are now processed in 14 days, down from 22 days a year ago. Councillor Smith said that despite an increase in benefit claims due to the economic downturn, the success of on-line benefit claim processing had enabled performance to improve.

Councillor Offen also asked for the list of initiatives listed within Appendix 2 of the Action Plan to capture some of the major initiatives happening within the Garrison Area of Colchester.

Councillor Naish said he would like to see "Providing Sport and Leisure for all" include Angling for the disabled at the High Woods Country Park (HWCP) and Castle Park, something that is very much beneficial to health and wellbeing. Councillor Naish said disabled access and signage to these sites needed improving. Councillor Oxford said platforms to provide areas for the disabled anglers to fish is provided at the HWCP but there remained difficulty for these people getting to these specific areas.

Ms. Breadman understood members wishing to add more information about good things that were happening and activities that demonstrated that we are working to meet the Strategic Priorities, and apologised for not capturing everything in the half yearly update but explained that it would be impossible to balance a short and concise update (which had been called for) with a complete record of everything that had been delivered, thus the aim was to update on "Key" activities or agreed specific outcomes through the period.

Given the level of detail within the performance report and the inevitable high number of questions asked, the Panel agreed to Councillor Bentley's



suggestion that to try to reduce the time spent reviewing performance at the Panel meeting, members would be invited to attend the Chairman's briefing for future performance reviews to obtain clarity and iron out queries in advance of the meeting.

In response to Councillor Frame, Councillor Smith said in respect of "Improving opportunities for local business", and the strategic aspiration to enable an increase in job creation, new businesses are being created. Councillor Smith also said that the Council's new procurement rules meant the impact on the local economy was a consideration when determining the supplier.

Councillor Bentley acknowledged Councillor Oxford's comments about the loss of the Network Colchester bus route(s) to High Woods and suggested this should be considered as part of an overall review of bus transportation in the Borough, and would be discussed in the following work programme item.

*RESOLVED* that the Panel:

- i) Considered and noted the Performance Report for the period up to the end of September 2012 that included a progress update on Strategic Plan Action Plan.
- ii) Requested that the target and performance descriptions should all accurately reflect the indicator and unit of measure, to provide clarity when communicating to Councillors and Members of the Public.
- iii) Agreed to a more detailed review of sickness procedures and levels at the meeting to be held on 12 February 2013.
- iv) Requested the Cabinet to consider for inclusion in the Strategic Plan Action Plan, angling for the disabled at the High Woods Country Park (HWCP) and Castle Park, an initiative that is beneficial to participant's health and wellbeing.



## Cabinet

Item  
**12(ii)**

23<sup>rd</sup> January 2013

Report of	Executive Director	Author	Patrick O'Sullivan ☎ 282976
Title	Re-procurement of the Services Agreement at the Community Stadium		
Wards affected	All		

**This report requests Cabinet to ratify the draft terms in respect of a re-procured Services Agreement at the Community Stadium (which include the key financial terms detailed in the exempt report)**

### 1. Decision(s) Required

- 1.1 Subject to the consideration of the full draft key financial items detailed in the exempt report included in this agenda to ratify the decision of the CCSL Board to approve the draft proposed terms of the re-procured Services Agreement at the Community Stadium.
- 1.2 To grant delegated authority to the Executive Director Ian Vipond, in consultation with the Portfolio Holder for Business and Resources to advise the Board of the Council's view on any final amendments to the Services Agreement which should be substantially in accordance with the draft key financial items detailed in the exempt report together with any necessary consequential amendments to associated leases at the Community Stadium.

### 2. Reasons for Decision(s)

- 2.1 In August 2008, following independent legal advice, the 5 year concessionary contract at the Community Stadium, in respect of conferencing and banqueting, together with estate management, and known as the Services Agreement, was awarded to Colchester United Football Club (CUFC).
- 2.2 This contract will expire in August 2013, and therefore requires re-procurement in early 2013. After consideration of all options and the potential terms, it is recommended that a ten year Services Agreement is agreed with CUFC.

### 3. Alternative Options

- 3.1 Market test the services and seek another party to perform these services. This would now require a possible extension of one year to the existing Services Agreement to provide sufficient time to re-procure the original concession.
- 3.2 The Council could seek to advise the CCSL Board to renegotiate the terms of the draft Services Agreement on different terms but the current negotiation is believed to have achieved a significantly improved arrangement from the Council's perspective
- 3.3 None of the above alternative options are recommended.

## 4. Supporting Information

- 4.1 The Council owns the freehold of the Community Stadium and has entered into a Head Lease of the Stadium to Colchester Community Stadium Limited (CCSL) in planning the development of the Community Stadium, part of the business case concerned the creation of a non-match day conferencing and banqueting operation. In addition, the provisions of the concessionary contract ensured that the opportunity supported the Council's community agenda, generated income for CCSL, together with a contribution to the service charge at the Stadium, and also provided a mechanism for CCSL to delegate its estate management responsibilities contained within the Head Lease.
- 4.2 Following independent legal advice, a 5 year concessionary non-match day contract was awarded to CUFC in August 2008. With CUFC already providing all the catering on match days, predominantly using the same equipment and facilities, this was an outcome that supported the desire to create a quality reputation for food and beverages at the Stadium. This in turn would provide the platform to build on the success of the non-match day conferencing and banqueting, envisaged by the Services Agreement.
- 4.3 In early 2012, the Board of CCSL commenced the process of re-procuring the Services Agreement. The options contained within paragraph 3 of this report were considered. However, it became apparent to the Board that potentially serious practical consequences could arise if a party other than CUFC were to provide non-match day conferencing and banqueting since CUFC were utilising the same equipment and facilities for match-day arrangements. Following detailed consideration it was decided to renegotiate the terms of the existing Services Agreement with CUFC, with a view to extracting more value for the Council. CUFC requested a longer contract period to enable them to obtain a return on any future investment made by them. In turn, the Council made the case for greater investment in the Stadium by CUFC, including capital investment. In addition, the Council sought increased revenue returns, and enhanced and more certain community benefits arising from any re-negotiated Agreement.
- 4.4 The proposed renegotiated terms include the following elements:
- A 10 year contract with the ability for CCSL to terminate at anytime if performance indicators are not met, together with a review at year 7.
  - Potential revenue income to be increased substantially over the course of the contract in accordance with the figures included within the confidential part of this report,
  - A Council requirement for a minimum of £500,000 to be invested in the Stadium by CUFC by the 5<sup>th</sup> year of the contract. At least 50% of which must be CCSL pre-approved capital expenditure and will remain at the Stadium at the end of the contract.
  - An opportunity, completely at the discretion of the Council, for discussions to be held in the 7<sup>th</sup> year for a renegotiated 5 year extension to be agreed, if "Golden Targets" are exceeded by CUFC. "Golden Targets" will include such matters as financial returns to CCSL and Community Yield targets.
  - The KPIs in the original Community Use Agreement to be improved and incorporated within the new Services Agreement, giving the CCSL Board the ability to terminate the Agreement for failure to meet targets.
  - A new concept of "Community Yield" to be incorporated within the Agreement. This will encourage a significant increase in the use of the Stadium, and require via the KPIs, "at cost" events specifically of community interest to the Council, and in a quantity likely to exceed those delivered under the 2008 Agreement.
- 4.5 The opportunities created by agreeing with the recommendations include the following:

- Increased income generation
- Capital investment in the Stadium
- Much improved community benefit
- Avoids the potential conflict arising from two separate providers utilising the same equipment on different days.
- Will enable the completion of the Head Lease and under leases at the Stadium

## **5. Proposals**

- 5.1 The Council agrees to grant CUFC a 10 year concessionary contract to provide non match day conferencing and banqueting at the Community Stadium, in accordance with the proposed draft Services Agreement which is a background paper to the exempt report included on this agenda.

## **6. Strategic Plan References**

- 6.1 These proposals will promote community development and contribute to the Council's future revenue stream.

## **7. Consultation**

- 7.1 Consultation during this process of negotiation has been restricted to Directors of CCSL and CUFC and elected Members within the Council.

## **8. Publicity Considerations**

- 8.1 None has taken place in respect of this proposed re-procurement

## **9. Financial implications**

- 9.1 The detailed financial proposals associated with the proposed Services Agreement are enclosed in the exempt report on this agenda.

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

- 10.1 Further to independent legal advice, the means of procuring this contract is fully compliant with Council procedures and Statute law.
- 10.2 An Equality Impact Assessment has been completed and no specific impacts have been identified, indeed it is felt that this decision would lead to a new concept of "Community Yield" to be incorporated within the Agreement. This will encourage a significant increase in the use of the Stadium, and require via the KPIs, "at cost" events specifically of community interest to the Council, and in a quantity likely to exceed those delivered under the 2008 Agreement. Increased diversity in the types of groups and people using the Community Stadium and an increase in the number of opportunities to meet will hopefully lead to opportunities to foster good relations between different protected groups.
- 10.3 An Equality Impact Assessment created for this Project can be viewed at <http://www.colchester.gov.uk/article/4962/Strategic-Policy-and-Regeneration>
- 10.4 This proposal does not present a change to existing policy nor the introduction of any new policies.

10.5 This proposal does not have any direct implications for the Council regarding the Human Rights Act

**11. Community Safety Implications**

11.1 None identified at this stage

**12. Health and Safety Implications**

12.1 None identified at this stage.

**13. Risk Management Implications**

13.1 The risk of no agreement being signed is that the Council will not then be able to complete a second re-procurement process in the time available prior to the expiry of the original contract in August 2013, or may not be able negotiate such preferential terms.

**Background Papers**

The proposed Services Agreement has been made available to Cabinet under the exempt report on this agenda.

PETITIONS, PUBLIC STATEMENTS, QUESTIONS

(i) Have Your Say speakers

Date of Meeting	Details of Member of the Public	Subject Matter	Form of Response	Date Completed
Cabinet, 28 November 2012	Jane Dabbs, Unison	Impact of the Fundamental Service Review of Customer Contact	Verbal response provided at the meeting by Adrian Pritchard, Chief Executive	28 November 2012
Cabinet, 28 November 2012	Richard Aldridge, Colchester Citizen's Advice Bureau	Fundamental Service review of Customer Contact	Verbal response provided at the meeting by Councillor Turrell, Leader of the Council and Portfolio Holder for Strategy	28 November 2012
Council, 6 December 2012	Angel Kalyan	Previous correspondence with the Council in respect of complaints/claims.	Verbal response provided at the meeting by Councillor Turrell, Leader of the Council and Portfolio Holder for Strategy	6 December 2012
Council, 6 December 2012	Nick Chilvers	The new bus station	Verbal response provided at the meeting by Councillor Lyn Barton, Portfolio Holder for Renaissance	6 December 2012
Council, 6 December 2012	Gabriel Valenzuela	The Council's contract with Veolia Environmental Services	Written response from Councillor Feltham, Portfolio Holder for Communities and Leisure Services, on 18 December 2012.	18 December 2012

**(ii) Petitions**

<b>Date petition received</b>	<b>Lead Petitioner</b>	<b>Subject Matter</b>	<b>Form of Response</b>	<b>Date Completed</b>
8 October 2012	Andy Abbott	The future of publicly owned sheltered housing	Petition referred to Council on 6 December 2012 in accordance with Petition Procedure Rules	6 December 2012

