

The Council Meeting

Council Chamber, Town Hall
20 February 2013 at 6.00pm

Information for Members of the Public

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Have Your Say!

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

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COLCHESTER BOROUGH COUNCIL

TO ALL MEMBERS OF THE COUNCIL

20 February 2013

You are hereby summoned to attend a meeting of the Council to be held at the Council Chamber, Town Hall on **20 February 2013 at 6:00pm** for the transaction of the business stated below.



Chief Executive

AGENDA

Please note that the business may be subject to short breaks at approximately 90 minute intervals.

Pages

1. Welcome and Announcements

(a) The Mayor to welcome members of the public and Councillors and to invite the Chaplain to address the meeting. The Mayor to remind all speakers of the requirement for microphones to be used at all times.

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

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

2. Have Your Say!

(a) The Mayor to ask members of the public to indicate if they wish to ask a question, make a statement or present a petition on any matter relating to the business of the Council – either on an item on the agenda for this meeting or on a general matter not on this agenda

(Council Procedure Rule 6(2)).

(b) The Mayor to invite contributions from members of the public who wish to address the Council on a general matter not on this agenda.

(Note: A period of up to 15 minutes is available for general statements and questions under 'Have Your Say!').

3. Minutes

1 - 8

A... Motion that the Minutes of the meeting held on 6 December 2012 be confirmed as a correct record.

4. Mayor's Announcements

Mayor's Announcements (if any) and matters arising pursuant to Council Procedure Rule 8(3).

5. 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.

6. Items (if any) referred under the Call-in Procedure

To consider any items referred by the Strategic Overview and Scrutiny Panel or the Finance and Audit Scrutiny Panel under the Call-In Procedure because they are considered to be contrary to the policy framework of the Council or contrary to, or not wholly in accordance with the budget.

7. Recommendations of the Cabinet, Panels and Committees

- i. 2013/14 Revenue Budget, Capital Programme and Medium Term Financial Forecast **9 - 26**

B... Motion that Council Procedure Rule 14(3) be suspended for this item only to allow the Leader of each political group to speak untimed on this item only.

A note setting out the procedure to be followed on the debate on the motion is attached.

C... Motion that the recommendations contained in minute 53 of the Cabinet meeting of 23 January 2013 and the recommendations contained in the Head of Resource Management's report entitled "Precept and Council Tax Levels 2013/14" be approved and adopted.

- ii. Tiptree Jam Factory Plan // Development Plan Document **27 - 28**

D... Motion that the recommendations contained in minute 18 of the Local Plan Committee meeting of 17 December 2012 be approved and adopted.

8. Notices of Motion pursuant to Council Procedure Rule 11

- i. Members' Allowances

Proposer: Councillor Quince

E... “At a time when many household budgets are under pressure, Council resolves to display its solidarity with the residents of the Borough by urging Members of the Council not to take up the proposed increase in Members’ allowances.”

As the Motion relates to a non-executive function, it will be debated and determined by Council.

9. Questions to Cabinet Members and Chairmen pursuant to Council Procedure Rule 10

To receive and answer pre-notified questions in accordance with Council Procedure Rule 10(1) followed by any oral questions (ie not submitted in advance) in accordance with Council Procedure Rule 10 (3).

(Note: A period of up to 60 minutes is available for pre-notified questions and oral questions by Members of the Council to Cabinet Members and Chairmen (or in their absence, Deputy Chairmen)).

The following pre-notified question has been received:-

Questioner: Councillor Lissimore

To the Portfolio Holder for Street and Waste Services

Following a non collection of black bag rubbish on the Westlands estate on Friday 1st February, I was informed that the reason it took until the following Tuesday to collect the bags, was due to holiday leave and sickness with the refuse truck therefore having only 1 regular loader - the other staff were from an agency. Could the Portfolio Holder for Street and Waste Services confirm how many hours have been covered, within the waste services team, by agency staff in this financial year. And also the additional cost to the taxpayer over regular staff.

Questioner: Councillor Elliott

To the Portfolio Holder for Housing

Could the Housing Portfolio Holder please speed up the progress on what is intended to be done with regards to the future of sheltered housing at Maytree Court in Tiptree. The elderly residents are most concerned about not knowing what their short or long term future is to be.

10. Schedules of Decisions taken by Portfolio Holders

29 - 34

To note schedules covering the period 22 November 2012 -1

February 2013

11. Reports Referred to in Recommendations

35 - 129

The reports specified below are submitted for information and are referred to in the recommendations specified in item on the agenda:

2013/14 Revenue Budget, Capital Programme and Medium Term Financial Forecast: report to Cabinet and Supplementary Paper, 23 January 2013

Tiptree Jam Factory Plan Development Plan Document: report to Local Plan Committee, 17 December 2012

12. Urgent items

To consider any business not specified in this summons which by reason of special circumstances the Mayor determines should be considered at the meeting as a matter of urgency.

13. Exclusion of the Public

In accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).

COUNCIL

6 DECEMBER 2012

Present :- Councillor Christopher Arnold (the Mayor) (Chairman)
Councillor Colin Sykes (Deputy Mayor)
Councillors Nick Barlow, Lyn Barton, Kevin Bentley,
Mary Blandon, Elizabeth Blundell, Tina Bourne,
Mark Cable, Nigel Chapman, Peter Chillingworth,
Helen Chuah, Nick Cope, Mark Cory, John Elliott,
Andrew Ellis, Margaret Fairley-Crowe, Annie Feltham,
Stephen Ford, Bill Frame, Ray Gamble, Martin Goss,
Scott Greenhill, Marcus Harrington, Dave Harris, Julia
Havis, Jo Hayes, Pauline Hazell, Peter Higgins,
Theresa Higgins, Mike Hogg, Martin Hunt (Deputy
Leader) , Brian Jarvis, John Jowers,
Margaret Kimberley, Cyril Liddy, Michael Lilley,
Sue Lissimore, Jackie Maclean, Jon Manning,
Richard Martin, Colin Mudie, Nigel Offen,
Beverley Oxford, Gerard Oxford, Philip Oxford,
Lesley Scott-Boutell, Paul Smith, Laura Sykes,
Anne Turrell (Leader of the Council) , Dennis Willetts,
Julie Young and Tim Young

Councillor Lissimore was not present for the items at minutes 36 - 47

Councillors Jowers and Kimberley were not present for the items at minutes 39 - 47.

Councillors Ellis, Manning and Scott-Boutell were not present for the items at minutes 40 - 47.

The meeting was opened with prayers by the Mayor's Chaplain, the Reverend Canon David Atkins.

32. Minutes

The minutes of the meetings held on 17 October 2012 were confirmed as a correct record.

33. Have Your Say!

Angel Kalyan addressed the Council pursuant to the provisions of Council Procedure Rule 6(1). She referred to previous correspondence with the Council, the Council's Insurer's Solicitor and Colchester Borough Homes and quoted from a letter sent to her by the Group Leaders following her comments at Council on 17 October 2012. She asked how it was possible to state that the results of investigations had been communicated to her when no records of the results or any investigations had been created, and from where information was obtained that results had been communicated

to her.

Councillor Turrell, Leader of the Council and Portfolio Holder for Strategy, stated that the letter sent to Mrs Kalyan following the last Council meeting, set out the Council's position.

Nick Chilvers addressed the Council pursuant to the provisions of Council Procedure Rule 6(1) about the new bus station. He stated that he hoped Councillors had taken the opportunity to use the new bus station and to establish whether it was working well. Those who were also Essex County Councillors had a particular obligation to find out residents views. Councillors had been conspicuously quiet with their views on the new station and he hoped to hear these expressed during the course of the meeting.

Councillor Barton, Portfolio Holder for Renaissance, replied that the bus station had been operating successfully and no major issues had been reported.

Gabriel Valenzuela addressed the Council pursuant to the provisions of Council Procedure Rule 6(1) to express concern about the Council's contract with Veolia Environmental Services. Veolia, which operated as a single legal entity, was involved in providing services for the Israeli authorities in East Jerusalem and the West Bank and was therefore complicit in the violation of humanitarian laws by Israel. He asked what action the Council would take in relation to this.

Councillor Annie Feltham, Portfolio Holder for Communities and Leisure Services, indicated that a written response would be sent.

34. Mayor's Announcements

The Mayor announced the following events:-

- The Garrison Christmas Concert, featuring the Military Wives, would be held at St Botolph's Church on 13 December 2012;
- The Civic Carol Service would be held at St Botolph's Church on 16 December 2012;
- The New Year Gala Concert would be held in the Moot Hall on 6 January 2013.

The Mayor announced that the announced that in the Queen Elizabeth II Fields Challenge, Landowner of the Year category, Colchester had the highest number of sites dedicated (12) and the highest total area of land protected (400 acres).

The Mayor announced that the Council had been awarded a four star award in the September 2012 Clean Britain Awards and presented the award to Andy Williams, Zone Manager. The Mayor also indicated that the Council had passed its interim 18 month reassessment for the Charter for Elected Member Development.

Councillor Barton, Portfolio Holder for Renaissance, announced that the Council and its Station Travel Plan Partners had won the Best Station Travel Plan Measure for Cycling

award in the ATOC National Cycle Rail Awards and presented the award to the Mayor.

Councillor Turrell, Portfolio Holder for Strategy, announced that the Council had now signed the Community Covenant.

35. Fundamental Service Review of Customer Contact

RESOLVED that the recommendation contained in minute 39 of the Cabinet meeting of 28 November 2012 be approved and adopted (UNANIMOUS).

36. 2013/14 Revenue Budget, Capital Programme and Financial Reserves

RESOLVED that the recommendation contained in minute 40 of the Cabinet meeting of 28 November 2012 be approved and adopted (MAJORITY voted FOR).

37. Localised Council Tax Support 2013/14

RESOLVED that the recommendation contained in minute 41 of the Cabinet meeting on 28 November 2012 be approved and adopted (UNANIMOUS).

38. Future Uses of the Magistrates' Court Task and Finish Group

RESOLVED that the recommendations of the Future Use of the Magistrates' Court Task and Finish Group, as set out in paragraphs 5(i) and 5(ii) of the Group's report to Cabinet on 28 November 2012, be approved and adopted (MAJORITY voted FOR).

39. Strategic Tenancy Strategy

Councillor T. Young (in respect of his position as Chairman of Colne Housing) and Councillor J. Young (in respect of her spouse's position as Chairman of Colne Housing) declared a Disclosable Pecuniary Interest in this item pursuant to the provisions of Meetings General Procedure Rule 7(5) and left the meeting during its consideration and determination.

RESOLVED that the recommendation contained in minute 44 of the Cabinet meeting of 28 November 2012 be approved and adopted (UNANIMOUS).

40. Appointment of Deputy Mayor for 2013-14 Municipal Year

RESOLVED that Councillor John Elliott be appointed Deputy Mayor of the Borough of Colchester for the 2013/14 Municipal Year (UNANIMOUS).

41. Review of Anti-Fraud and Corruption, Whistleblowing, Anti-Money Laundering and Benefits Fraud Sanctions Policies

Council expressed its thanks and appreciation to the Independent Members of the Standards Committee, Derek Coe, Peter Fitton and the late Sven Farmer, for their service on the Standards Committee.

RESOLVED that the recommendation contained in minute 4 of the Standards Committee meeting of 21 November 2012 be approved and adopted (MAJORITY voted FOR).

42. Review of the Local Code of Corporate Governance

RESOLVED that the recommendation contained in minute 5 of the Standards Committee meeting of 21 November 2012 be approved and adopted (MAJORITY voted FOR).

43. Suspension of Procedure Rules

RESOLVED that Council Procedure Rule 11(2) be suspended to permit the motion on sheltered housing to be debated at this meeting.

44. 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)

45. Questions to Cabinet Members and Chairmen pursuant to Council Procedure Rule 10

Councillor Chillingworth (in respect of being a trustee of Essex Environmental Trust) declared a Disclosable Non Pecuniary Interest in respect of the question on Cory Environmental Trust, pursuant to the provisions of Meetings General Procedure Rule 7(5).

Questioner	Subject	Response
Verbal Questions		
Councillor Harrington	As the Council develops the RNIB React scheme would the Portfolio Holder for Renaissance ensure that the Council would not charge residents and cover the charge levied by any other authority in respect of this scheme?	Councillor Barton, Portfolio Holder for Renaissance, indicated that the development of the scheme was ongoing. All other authorities involved in the scheme did levy a charge, except Brighton who had received funding from the EU to meet the costs of the scheme.
Councillor Blundell	Would the Leader of the Council agree that the programme of Fundamental Service Reviews be extended to Cabinet members to improve value for money for residents and to bring Colchester into line with neighbouring authorities?	Councillor Turrell, Portfolio Holder for Strategy, indicated that Colchester Borough Council effectively had a Cabinet of 7 members, as two members had "half" Portfolios. This was less than the previous administration. Colchester was the second largest borough in Essex and therefore a direct comparison with other authorities could be misleading.
Councillor Bentley	Would the Leader of the Council support a campaign to prevent the transfer of the trust that managed funding for Colchester under the Cory Environmental Trust, to an	Councillor Turrell, Portfolio Holder for Strategy, indicated that she would support such a campaign.

	Essex wide trust?	
Councillor Hazell	Whether the Portfolio Holder for Communities and Leisure Services had a back up plan if those bidding for the Eudo Road tennis courts pulled out due to ongoing uncertainty and whether the proposals to build houses on four courts had been shelved.	Councillor Feltham, Portfolio Holder for Communities and Leisure Services, explained that the process of testing the market was ongoing and Councillor Hazell was welcome to talk to officers for an update on the process. There had never been a proposal to build houses on the courts.
Councillor T. Higgins	Whether the Portfolio Holder for Renaissance was aware of the main features of the RNIB React fob system and progress on the introduction of the system at the new bus station?	Councillor Barton, Portfolio Holder for Renaissance, confirmed that she was aware of the system and the progress made.

46. Members Allowances Scheme

It was PROPOSED by Councillor Turrell that the recommendations contained in the Head of Corporate Management's report be approved and adopted.

A MAIN AMENDMENT was moved by Councillor T. Young that the recommendations contained in the Head of Corporate Management's report be approved and adopted subject to the following amendments:-

- In paragraph 1.1 the deletion of the words "consider and approve as appropriate" and their replacement with the word "refer";
- The deletion of all wording after the words "Independent Remuneration Panel" and their replacement with the words: "back to the Independent Remuneration Panel to take further evidence on the allowance for Licensing Committee members giving them the opportunity, if necessary, to reconsider their recommendation(s) in the light of their findings."
- The deletion of paragraph 1.2.

Pursuant to the provisions of Council Procedure Rule 14(10) Councillor Turrell indicated that that the MAIN AMENDMENT was not accepted.

On being put to the vote, the MAIN AMENDMENT was LOST (NINETEEN voted FOR, TWENTY FOUR voted AGAINST and ONE ABSTAINED from voting).

The MOTION that the recommendations contained in the Head of Corporate Management's report be approved and adopted was then put and was CARRIED (MAJORITY voted FOR).

47. Schedules of Decisions taken by Portfolio Holders

RESOLVED that the Schedules of Portfolio Holder decisions for the period 29 September - 21 November 2012 be noted.

Extract from the minutes of the Cabinet meeting of 23 January 2013

53. 2013/14 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast

The Head of Resource Management submitted a report a copy of which had been circulated to each Member. Cabinet also had before it minute 40 of the meeting of the Finance and Audit Scrutiny Panel meeting on 22 January 2013.

Councillor Smith, Portfolio Holder for Business and Resources, introduced an urgent supplementary paper updating the Head of Resource Management's report.

Councillor Harrington attended and, with the consent of the Chairman, addressed the Cabinet. He welcomed the proposal contained in the supplementary paper to freeze council tax, rather than increase it as was originally proposed. He suggested that the Councillor locality budgets could either be ceased or reduced in order to fund a reduction in council tax. The money used to fund locality budgets would be better used supporting the budgets of all households through a reduction in council tax rather than benefitting a few through the locality budgets.

Councillor Quince attended and, with the consent of the Chairman, addressed the Cabinet. He believed that the decision to not to proceed with the rise in council tax was a political decision and expressed concern that the administration was using Council reserves to part fund the freeze. He believed using reserves in this way was poor financial management. The administration had had several months to prepare the budget yet had changed its proposals at the last minute. Neighbouring Conservative authorities were cutting council tax. He called on the administration to make it clear that Councillor allowances would not be increased. He was proud of the role the Conservative group had played in pushing for a council tax freeze and paid tribute to the campaigns by the local media.

Councillor G. Oxford attended and with the consent of the Chairman, addressed the Cabinet. The late change in the budget proposals was a consequence of the full information on which to base decisions only becoming available at a late stage. For example the funding agreement with Essex County Council and Essex Fire Authority had only been signed on 18 January 2013. He praised the efforts of officers in bringing forward an amended budget. He supported the maintenance of locality budgets which were a good example of localism in action.

In response, Councillor Smith, Portfolio Holder for Business and Resources, indicated that the all party Policy Review and Development Panel had recommended that locality budgets be maintained. A number of Conservative authorities were using reserves to contribute to their budgets, on a much

larger scale. The funding that allowed the administration to propose a council tax freeze had only been finalised on 18 January 2013 and it would have irresponsible to budget on the basis of verbal assurances.

Councillor T. Young, Portfolio Holder for Planning, Community Safety and Culture, explained that he had not had the opportunity to study the detailed information on which the amended proposals were made or discuss it with the Labour Group. In the circumstances, the Labour members on the Cabinet were not able to vote in favour of the proposed budget. There were good reasons for supporting a rise in council tax. He noted that a number of Conservative authorities had recommended a rise. Freezing council tax was likely to store up problems for the future.

Councillor Smith, Portfolio Holder for Business and Resources, introduced the budget proposals. He indicated that the recommendation at paragraph 1.13 of the Head of Resource Management's report should be amended to exclude paragraph 7.4 of the Treasury Management Strategy Statement. This was because the temporary restriction to the duration limits of investments had now been lifted due to improved data from Europe and improved liquidity in financial markets.

Councillor T. Young, Portfolio Holder for Planning, Community Safety and Culture indicated his support for a number of elements of the budget. The budget proposed a number of growth items, which the public would support. It also made provision for a pay rise for staff, which was richly deserved. In respect of the comments made about Councillor allowances, Council had already agreed to implement the recommendations of the Independent Remuneration Panel. Therefore Councillor allowances fell outside the scope of the budget. It was up to each individual councillor to decide whether to accept the rise in the allowance.

Councillor Turrell, Leader of the Council and Portfolio Holder for Strategy, endorsed the comments on Councillor allowances and thanked officers on behalf of Cabinet for their work in bringing forward the budget.

RESOLVED (SIX voted FOR and TWO ABSTAINED from voting) that:-

(a) The outturn for the current financial year, forecast to be an underspend in the region of £250,000, be noted (see paragraph 3.4. of the Head of Resource Management's report).

(b) 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 of the Head of Resource Management's report (as amended to incorporate the additional information contained in the supplementary paper submitted to Cabinet) be approved.

(c) It be agreed and *RECOMMENDED* to *COUNCIL* the 2013/14 Revenue Budget requirement of £22,986,000 (as set out in paragraph 6.11 of the Head of Resource Management's report as amended by the supplementary paper

submitted to Cabinet) and the underlying detailed budgets set out in summary at Appendix E and Background Papers to the Head of Resource Management's report.

(d) Revenue Balances for the financial year 2013/14 be set at a minimum of £1,800,000 and that £765,000 of balances be applied to finance items in the 2013/14 revenue budget.

(e) The provisional Finance Settlement figures set out in Section 7 of the Head of Resource Management's report 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. of the Head of Resource management's report, be agreed.

(f) The following releases be agreed (see paragraph 10.6 of the Head of Resource Management's report):-

- £200,000 from the Capital Expenditure Reserve in 2013/14 to meet costs including the community stadium.
- £30,000 from the section 106 monitoring reserve
- £102,000 from the Pensions Reserve

(g) It be agreed and *RECOMMENDED to COUNCIL* that £100,000 of Revenue Balances be earmarked for potential unplanned expenditure within the guidelines set out at paragraph 11.3 of the Head of Resource Management's report.

(h) It be agreed and *RECOMMENDED to COUNCIL* that Colchester's element of the Council Tax for 2013/14 be set at £175.23 for Band D properties which is a 0% increase (see paragraph 12.2 of the Head of Resource Management's report and the supplementary paper submitted to Cabinet).

(i) It be noted 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 2013, to be prepared in consultation with the Leader of the Council.

(j) The Medium Term Financial Forecast for the financial years 2013/14 to 2016/17 be noted.

(k) The position on the Capital Programme shown at section 14 of the Head of Resource Management's report be noted and the following be agreed:-

- the releases set out at paragraph 14.6 of the Head of Resource Management's report.
- to *RECOMMEND to COUNCIL* that the refurbishment of the lift in the Lion Walk Activity Centre be added to the Capital Programme.

(l) The comments made on the robustness of budget estimates at section 15 of the Head of Resource Management's report be noted.

(m) The 2013/14 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out at Appendix I, with the exception of paragraph 7.4 of the Treasury Management Strategy Statement, be approved and *RECOMMENDED to COUNCIL*

REASONS

The reasons for the decisions were set out in detail in the Head of Resource Management's report and the supplementary paper submitted to Cabinet.

ALTERNATIVE OPTIONS

Various options were investigated at every stage of the budget setting process, due consideration of which was taken in order to meet the objectives of the Council's Strategic Plan.



Council

20 February 2013

Item
7(i)

Report of	Head of Resource Management	Author	Sean Plummer ☎ 282347
Title	Precept and Council Tax Levels 2013/14		
Wards affected	Not Applicable		

The purpose of this report is to set out the statutory resolutions the Council is required to approve in order to set the Council Tax for each band for the financial year 2013/14.

1. Decision Required

- 1.1 To approve the statutory resolutions as set out at Appendix 1 which are in accordance with the Local Government Finance Act 1992, as amended by the Localism Act 2011, in respect of the Council Tax for each band for the financial year 2013/14.

2. Reasons for Decision

- 2.1 The Council is required, in accordance with the Local Government Finance Act 1992, as amended by the Localism Act 2011, to set formally the Council Tax for each band, which will include precepting authorities.

3. Alternative Options

- 3.1 The resolutions are a statutory requirement.

4. Colchester Borough Council's Council Tax Requirement

- 4.1 Cabinet on 23 January 2013 approved and recommended to Council the 2013/14 revenue budget requirement. The final grant settlement notification confirmed the earlier provisional figures in respect of the total start up funding figures. However, there are two issues to bring to the attention of Council.

New Homes adjustment grant

- 4.2 The final settlement included an additional specific grant of £32,000. This is being described as the New Homes Bonus adjustment grant. The Government's overall funding assumptions include the estimate of the money that would be required for the New Homes Bonus. The final total cost of new homes bonus for 2013/14 is less than the sum allocated and therefore this is being redistributed to authorities. For clarity, this grant of £32,000 is not based or being distributed on the same criteria as the actual New Homes Bonus grant.
- 4.3 This is a one-off grant and it is therefore proposed that the previously recommended use of balances be reduced by £32k to reflect this funding.

Local Retention of Business rates

4.4 The Cabinet report set out the arrangements, issues and risks associated with the introduction of the local retention of business rates. It was outlined that the Council is required to submit a return of estimated business rates income for 2013/14 (the NNDR 1). The budget proposals in the Cabinet paper were based on the initial baseline funding level for 2013/14. It was proposed that given the uncertainty and the significant risks and assumptions associated with the first year of the scheme, any changes arising from the NNDR 1 return would be reflected in an adjustment to reserves.

4.5 The table below sets out how the baseline funding figures compare to the estimates set out in the NNDR 1, showing potential additional income to the Council of £16k which will be held in a specific reserve.

	Baseline funding £'000	NNDR 1 Figures £'000	Change £'000
Retained NNDR income	22,984	23,025	41
Less: Tariff payment	(19,204)	(19,204)	
	3,780	3,821	41
Less: Levy rate / preceptor contribution			(25)
Additional income (to be held in a reserve)			16

4.6 Cabinet recommended Colchester Borough Council's element of the Council Tax for 2013/14 be agreed at £175.23 for Band D properties, which represents a freeze on the current rate.

4.7 In approving Colchester's element of the Council Tax, account has to be taken of:

- Revenue Support Grant
- Retained Business Rates
- Any surplus or deficit arising from the Collection Fund

Colchester's Council Tax requirement also has to reflect Parish Council spending and the following table sets out the position:

	£'000	£'000
Colchester's Budget Requirement	20,229	
Less: Use of Balances	(1,065)	
	19,164	20,276
Parish Councils' Requirement (Appendix 2)	1,112	
Less:		
Revenue Support Grant	(5,682)	(9,462)
Retained Business Rates (baseline funding – see breakdown at paragraph 4.5)	(3,780)	
Less: Surplus on Collection Fund		(18)
Council Tax Requirement		10,796

4.8 Colchester's Council Tax at Band D for 2013/14 is £175.23 and is determined as follows:

Council Tax Requirement (as detailed at paragraph 4.7 above)	£10,796,100
Divided by Council Tax Base	55,265.4
Council Tax at Band D (including Parishes)	£195.35
Deduct Parish Element	(£20.12)
Council Tax at Band D for Colchester Borough Council	£175.23

5. Essex County Council, Essex PCC and Essex Fire Authority

5.1 In order to determine formally the overall level of Council Tax, account has to be taken of the precept requirements of Essex County Council, Essex Police & Crime Commissioner and Essex Fire Authority. The following table sets out the overall position based on information received at the date of writing this report. The County Council is due to formally approve the budget on 12 February and the Essex Fire Authority on 13 February. The Essex PCC has agreed its precept requirements. Any change to the information set out in this report will be reported to this meeting.

	Council Tax at Band D			
	2012/13 £	2013/14 £	% Increase	£ Increase
Colchester Borough Council	175.23	175.23	Nil	Nil
Essex County Council	1,086.75	1,086.75	Nil	Nil
Essex Police and Crime Commissioner (12/13 figure relates to the Police Authority)	136.71	141.48	3.49	4.77
Essex Fire Authority	66.42	66.42	Nil	Nil
	1,465.11	1,469.88	0.33	4.77

5.2 The overall position (excluding Parishes) for each band is as follows:

Band	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Borough	116.82	136.29	155.76	175.23	214.17	253.11	292.05	350.46
County	724.50	845.25	966.00	1,086.75	1,328.25	1,569.75	1,811.25	2,173.50
Police	94.32	110.04	125.76	141.48	172.92	204.36	235.80	282.96
Fire	44.28	51.66	59.04	66.42	81.18	95.94	110.70	132.84
TOTAL	979.92	1,143.24	1,306.56	1,469.88	1,796.52	2,123.16	2,449.80	2,939.76

The appropriate Parish elements are added to these figures. Full details of the tax rates are given in Appendix 1. (Details of the individual Parish Precepts are set out in Appendix 2).

6. Special Expenses

6.1 Special expenses are defined as those expenses incurred by the Council in performing, in part of the borough, a function performed elsewhere in the borough by a Parish

Council. The Local Government Act 1992 allows the Council to treat any special expenses as general expenses, i.e. as part of its own budget requirement for Council Tax purposes, provided the Council resolved accordingly.

- 6.2 It is reasonable for the Council to continue to treat special expenses as general expenses, and for clarity it is considered sensible to reaffirm this position on an annual basis. A resolution to this effect, therefore, is included within Appendix 1.

7. Strategic Plan References

- 7.1 The Strategic Plan objectives have informed all stages of the Council's budget setting process.

8. Publicity Considerations

- 8.1 The usual arrangements will be made to publish the approved tax levels in the local press and to produce the Council Tax Information Leaflet for distribution with the Council Tax bills. These will be in accordance with the legal requirements.

9. Financial Implications

- 9.1 As set out above.

10. Consultation

- 10.1. The budget report to Cabinet set out consultation in respect of the budget including the statutory NNDR ratepayers meeting. The notes of this meeting are now attached for information at Appendix 3.

11. Standard References

- 11.1. Having considered equality, diversity and human rights, community safety, health and safety and risk management implications, there are none that are significant to the matters in this report.

RESOLUTIONS

1. It be noted that the Tax Base has been approved and the following amounts were calculated for the year 2013/2014 in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992 as amended ("the Act):
- (a) 55,265.4 equivalent band D properties being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its Council Tax base for the year. (Item T in the Act)
- (b) Part of the Council's area for the parish of:

Parish	Parish Tax Base
Abberton & Langenhoe	409.6
Aldham	198.8
Birch	288.0
Boxted	563.8
Chappel	213.4
Copford	639.8
Dedham	859.5
East Donyland	601.5
East Mersea	110.4
Eight Ash Green	616.1
Fingringhoe	325.2
Fordham	298.7
Great Horkesley	966.4
Great Tey	362.4
Langham	472.1
Layer Breton	127.6
Layer de la Haye	678.8
Layer Marney	83.5
Little Horkesley	89.6
Marks Tey	885.1
Messing cum Inworth	167.6
Mount Bures	102.7
Myland	4,320.0
Stanway	2,864.9
Tiptree	3,164.1
Wakes Colne	232.5
West Bergholt	1,272.6
West Mersea	3,002.9
Winstred Hundred	465.3
Wivenhoe	2,703.8
Wormingford	175.3

Being the amounts calculated by the Council, in accordance with Regulation 6 of the Regulations, as the amounts of its Council Tax base for the year for dwellings in those parts of its area to which one or more special items relate.

2. Calculate that the Council Tax Requirement for the Council's own purposes for 2013/14 (excluding parish precepts) is £9,684,000

3. The following amounts be now calculated by the Council for the year 2012/2013 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
 - (a) 138,657,368 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act. [Gross Expenditure]

 - (b) 127,861,268 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act. [Gross Income including Government grants]

 - (c) 10,796,100 Being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax Requirement for the year. (Item R in the formula in Section 31B of the Act)

 - (d) 195.35 Being the amount at 3(c) above divided by the amount at 1(a) above, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year. [Council Tax, including parishes]

 - (e) 1,112,077 Being the aggregate amount of all special items referred to in Section 34(1) of the Act. [Parish Precepts]

 - (f) 175.23 Being the amount at 3(d) above, less the result given by dividing the amount at 3(e) above by the amount at 1(a) above (Item T in the formula), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.

(g) Part of the Council's area

Abberton & Langenhoe	198.76
Aldham	217.79
Birch	202.96
Boxted	211.97
Chappel	231.07
Copford	214.78
Dedham	206.00
East Donyland	256.03
East Mersea	240.36
Eight Ash Green	215.48
Fingringhoe	202.03
Fordham	257.22
Great Horkesley	197.82
Great Tey	215.07
Langham	211.47
Layer Breton	175.23
Layer de la Haye	192.87
Layer Marney	175.23
Little Horkesley	204.31
Marks Tey	216.83
Messing cum Inworth	216.88
Mount Bures	197.38
Myland	191.12
Stanway	207.65
Tiptree	223.98
Wakes Colne	227.06
West Bergholt	209.10
West Mersea	232.02
Winstred Hundred	199.46
Wivenhoe	255.66
Wormingford	195.90
All other parts of the Council's area	175.23

Being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 1(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basis amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(h) Parts of the Council's Area

Parish	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
Abberton & Langenhoe	132.51	154.59	176.68	198.76	242.93	287.10	331.27	397.52
Aldham	145.19	169.39	193.59	217.79	266.19	314.59	362.98	435.58
Birch	135.31	157.86	180.41	202.96	248.06	293.16	338.27	405.92
Boxted	141.31	164.87	188.42	211.97	259.07	306.18	353.28	423.94
Chappel	154.05	179.72	205.40	231.07	282.42	333.77	385.12	462.14
Copford	143.19	167.05	190.92	214.78	262.51	310.24	357.97	429.56
Dedham	137.33	160.22	183.11	206.00	251.78	297.56	343.33	412.00
East Donyland	170.69	199.13	227.58	256.03	312.93	369.82	426.72	512.06
East Mersea	160.24	186.95	213.65	240.36	293.77	347.19	400.60	480.72
Eight Ash Green	143.65	167.60	191.54	215.48	263.36	311.25	359.13	430.96
Fingringhoe	134.69	157.13	179.58	202.03	246.93	291.82	336.72	404.06
Fordham	171.48	200.06	228.64	257.22	314.38	371.54	428.70	514.44
Great Horkesley	131.88	153.86	175.84	197.82	241.78	285.74	329.70	395.64
Great Tey	143.38	167.28	191.17	215.07	262.86	310.66	358.45	430.14
Langham	140.98	164.48	187.97	211.47	258.46	305.46	352.45	422.94
Layer Breton	116.82	136.29	155.76	175.23	214.17	253.11	292.05	350.46
Layer de la Haye	128.58	150.01	171.44	192.87	235.73	278.59	321.45	385.74
Layer Marney	116.82	136.29	155.76	175.23	214.17	253.11	292.05	350.46
Little Horkesley	136.21	158.91	181.61	204.31	249.71	295.11	340.52	408.62
Marks Tey	144.55	168.65	192.74	216.83	265.01	313.20	361.38	433.66
Messing cum Inworth	144.59	168.68	192.78	216.88	265.08	313.27	361.47	433.76
Mount Bures	131.59	153.52	175.45	197.38	241.24	285.10	328.97	394.76
Myland	127.41	148.65	169.88	191.12	233.59	276.06	318.53	382.24
Stanway	138.43	161.51	184.58	207.65	253.79	299.94	346.08	415.30
Tiptree	149.32	174.21	199.09	223.98	273.75	323.53	373.30	447.96
Wakes Colne	151.37	176.60	201.83	227.06	277.52	327.98	378.43	454.12
West Bergholt	139.40	162.63	185.87	209.10	255.57	302.03	348.50	418.20
West Mersea	154.68	180.46	206.24	232.02	283.58	335.14	386.70	464.04
Winstred Hundred	132.97	155.14	177.30	199.46	243.78	288.11	332.43	398.92
Wivenhoe	170.44	198.85	227.25	255.66	312.47	369.29	426.10	511.32
Wormingford	130.60	152.37	174.13	195.90	239.43	282.97	326.50	391.80
All other parts of Council's area	116.82	136.29	155.76	175.23	214.17	253.11	292.05	350.46

Being the amounts given by multiplying the amounts at (f) and (g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. It be noted that for the year 2013/2014 Essex County Council, Essex Police & Crime Commissioner and Essex Fire Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

Valuation Bands

Precepting Authority	A	B	C	D	E	F
Essex County Council	724.50	845.25	966.00	1,086.75	1,328.25	1,569.75
Essex PCC	94.32	110.04	125.76	141.48	172.92	204.36
Essex Fire Authority	44.28	51.66	59.04	66.42	81.18	95.94

5. Having calculated the aggregate in each case of the amounts at 2(h) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2013/2014 for each of the categories of dwellings shown overleaf:
6. For the purposes of Section 35 of the Local Government Act 1992, any expenses incurred by the Council in performing in part of its area a function performed elsewhere in its area by a parish council or chairman of a parish meeting shall not be treated as special expenses.
7. Determines that the Council's basic amount of Council Tax for 2013/14 is **not excessive** in accordance with the principles approved under Section 52ZB of the Act, and as shown in the calculation below.

(a) Percentage increase defined by the Secretary of State as constituting an excessive increase for 2013/14: 2%

(b) Percentage increase in the Council's basic amount of Council Tax:

2012/13 amount	£175.23
2013/14 amount	£175.23

Percentage increase: 0%

The figure at 7(b) is less than the figure at 7(a) above and therefore the Council's basic amount of Council Tax for 2013/14 is **not excessive** and no referendum is required.

8. Parts of the Council's Area

Parish	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
Abberton & Langenhoe	995.61	1,161.54	1,327.48	1,493.41	1,825.28	2,157.15	2,489.02	2,986.82
Aldham	1,008.29	1,176.34	1,344.39	1,512.44	1,848.54	2,184.64	2,520.73	3,024.88
Birch	998.41	1,164.81	1,331.21	1,497.61	1,830.41	2,163.21	2,496.02	2,995.22
Boxted	1,004.41	1,171.82	1,339.22	1,506.62	1,841.42	2,176.23	2,511.03	3,013.24
Chappel	1,017.15	1,186.67	1,356.20	1,525.72	1,864.77	2,203.82	2,542.87	3,051.44
Copford	1,006.29	1,174.00	1,341.72	1,509.43	1,844.86	2,180.29	2,515.72	3,018.86
Dedham	1,000.43	1,167.17	1,333.91	1,500.65	1,834.13	2,167.61	2,501.08	3,001.30
East Donyland	1,033.79	1,206.08	1,378.38	1,550.68	1,895.28	2,239.87	2,584.47	3,101.36
East Mersea	1,023.34	1,193.90	1,364.45	1,535.01	1,876.12	2,217.24	2,558.35	3,070.02
Eight Ash Green	1,006.75	1,174.55	1,342.34	1,510.13	1,845.71	2,181.30	2,516.88	3,020.26
Fingringhoe	997.79	1,164.08	1,330.38	1,496.68	1,829.28	2,161.87	2,494.47	2,993.36
Fordham	1,034.58	1,207.01	1,379.44	1,551.87	1,896.73	2,241.59	2,586.45	3,103.74
Great Horkesley	994.98	1,160.81	1,326.64	1,492.47	1,824.13	2,155.79	2,487.45	2,984.94
Great Tey	1,006.48	1,174.23	1,341.97	1,509.72	1,845.21	2,180.71	2,516.20	3,019.44
Langham	1,004.08	1,171.43	1,338.77	1,506.12	1,840.81	2,175.51	2,510.20	3,012.24
Layer Breton	979.92	1,143.24	1,306.56	1,469.88	1,796.52	2,123.16	2,449.80	2,939.76
Layer de la Haye	991.68	1,156.96	1,322.24	1,487.52	1,818.08	2,148.64	2,479.20	2,975.04
Layer Marney	979.92	1,143.24	1,306.56	1,469.88	1,796.52	2,123.16	2,449.80	2,939.76
Little Horkesley	999.31	1,165.86	1,332.41	1,498.96	1,832.06	2,165.16	2,498.27	2,997.92
Marks Tey	1,007.65	1,175.60	1,343.54	1,511.48	1,847.36	2,183.25	2,519.13	3,022.96
Messing cum Inworth	1,007.69	1,175.63	1,343.58	1,511.53	1,847.43	2,183.32	2,519.22	3,023.06
Mount Bures	994.69	1,160.47	1,326.25	1,492.03	1,823.59	2,155.15	2,486.72	2,984.06
Myland	990.51	1,155.60	1,320.68	1,485.77	1,815.94	2,146.11	2,476.28	2,971.54
Stanway	1,001.53	1,168.46	1,335.38	1,502.30	1,836.14	2,169.99	2,503.83	3,004.60
Tiptree	1,012.42	1,181.16	1,349.89	1,518.63	1,856.10	2,193.58	2,531.05	3,037.26
Wakes Colne	1,014.47	1,183.55	1,352.63	1,521.71	1,859.87	2,198.03	2,536.18	3,043.42
West Bergholt	1,002.50	1,169.58	1,336.67	1,503.75	1,837.92	2,172.08	2,506.25	3,007.50
West Mersea	1,017.78	1,187.41	1,357.04	1,526.67	1,865.93	2,205.19	2,544.45	3,053.34
Winstred Hundred	996.07	1,162.09	1,328.10	1,494.11	1,826.13	2,158.16	2,490.18	2,988.22
Wivenhoe	1,033.54	1,205.80	1,378.05	1,550.31	1,894.82	2,239.34	2,583.85	3,100.62
Wormingford	993.70	1,159.32	1,324.93	1,490.55	1,821.78	2,153.02	2,484.25	2,981.10
All other parts of Council's area	979.92	1,143.24	1,306.56	1,469.88	1,796.52	2,123.16	2,449.80	2,939.76

Parish Council Precepts 2013/14

Parish	Precept 2012/13 £	Precept 2013/14 £	Increase/ (Reduction) £	Increase/ (Reduction) %
Abberton & Langenhoe	9,589	9,638	49	1
Aldham	7,988	8,460	472	6
Birch	8,619	7,985	(634)	(7)
Boxted	22,035	20,714	(1,321)	(6)
Chappel	10,559	11,916	1,357	13
Copford	26,444	25,303	(1,141)	(4)
Dedham	28,598	26,445	(2,153)	(8)
East Donyland	54,111	48,601	(5,510)	(10)
East Mersea	7,961	7,190	(771)	(10)
Eight Ash Green	24,173	24,798	625	3
Fingringhoe	9,176	8,715	(461)	(5)
Fordham	27,008	24,490	(2,518)	(9)
Great Horkesley	10,566	21,828	11,262	107
Great Tey	13,559	14,439	880	6
Langham	17,122	17,119	(3)	(0)
Layer Breton	0	0	0	n/a
Layer de la Haye	12,431	11,977	(454)	(4)
Layer Marney	0	0	0	n/a
Little Horkesley	2,699	2,606	(93)	(3)
Marks Tey	35,400	36,816	1,416	4
Messing cum Inworth	8,816	6,980	(1,836)	(21)
Mount Bures	2,380	2,275	(105)	(4)
Myland	63,423	68,633	5,210	8
Stanway	93,276	92,867	(409)	(0)
Tiptree	169,437	154,256	(15,181)	(9)
Wakes Colne	12,185	12,050	(135)	(1)
West Bergholt	42,208	43,100	892	2
West Mersea	193,573	170,520	(23,053)	(12)
Winstred Hundred	10,842	11,275	433	4
Wivenhoe	173,360	217,458	44,098	25
Wormingford	3,128	3,623	495	16
Totals	1,100,666	1,112,077	11,411	1

**Colchester Borough Council Budget 2013/14
Consultation with NNDR Ratepayers
29 January 2013**

Points raised by attendees:

1) What provision has been made for pensions?

Monies were set aside in a reserve in 2011 in anticipation of future cost pressures in 2013/14. It is recognised going forward that this will be an ongoing cost pressure for the Council. Councillors do not receive a pension.

2) How does the Council purchase its energy?

The Council is part of an energy buying consortium with a buying cycle running from October to September. Economic forecasts are indicating that wholesale energy prices will increase in 2013/14.

3) What is the Council Food Waste service?

The council is now rolling out a food waste collection service to all households. The service provides an environmentally friendly alternative to sending waste to landfill. This initiative also reduces the landfill tax levy. There are currently no additional by products such as methane being produced for use.

4) Why the Council Tax 'freeze'?

The confirmation of a funding agreement for sharing Council Tax income for second homes and other such items combined with the available Government grant for not increasing Council Tax meant that the provisional increase of 1.95% was no longer proposed.

5) Will the DCLG remove the New Homes bonus?

Unlikely in the current political administration as is seen as one way in which Local Authorities will be funded. It is difficult to be 100% sure of any funding not being withdrawn and therefore the Council was allocating part of this funding for one off projects.

6) Does the New Homes Bonus cause any conflict with Planning?

No. The budget process is totally separate from the planning process.

7) Does Colchester benefit from growth in terms of keeping a share of increased business rates?

CBC will keep a share of NNDR growth in excess of baseline figures. Any growth is though "shared" with the Government through a 50% levy and Essex County Council and Fire Authority. Similarly, there is also a risk of reduced business rate income.

8) How are local business benefitting from local government procurement opportunities?

More local businesses are now signing up for the Essex supplier portal and are tendering and winning contracts. Action: provide details of numbers/contract values

9) What are the current plans regarding the High Street?

Concerns expressed about the impact on businesses and the decision process. The evaluation study will consult with business and residential groups prior to a final decision being taken. County is receptive to all views from the business community including the independent study commissioned by the FSB.

Council 20 February 2013: Procedure note for the debate on item 7(i)

- Leader of the Liberal Democrat Group moves the suspension of Council Procedure Rules 14(3) to allow Group Leaders to speak untimed for this item of business only.
- Leader of the Council moves motion that that the recommendations in minute 53 of the Cabinet meeting of 23 January 2013 and in the report entitled “Precept and Council Tax Levels 2013/14” be approved and adopted (maximum of 10 minutes),
- Leader of the Liberal Democrat Group speaks (untimed);
- Leader of the Labour Group speaks (untimed);
- Leader of the Conservative Group speaks(untimed)
- Leader of the Highwoods Group speaks (untimed);
- Debate on the motion (maximum of 5 minutes for each speaker)
- Leader of the Council to invite Leader of the Liberal Democrat Group to sum up (10 minutes)
- Vote on Motion

Extract from the minutes of the Local Plan Committee meeting on 17 December 2013

Councillor Jowers (in respect of being a member of Essex County Council with a Cabinet responsibility for Communities and Planning) declared a non-pecuniary interest in this item pursuant to the provisions of Meetings General Procedure Rule 7(5).

18. Tiptree Jam Factory Plan // Development Plan Document

The Head of Strategic Policy and Regeneration submitted a report on the draft Tiptree Jam Factory Plan Supplementary Planning Document together with the report on the examination into the Tiptree Jam Factory Plan and the draft Development Plan Document. The Committee was requested to agree to recommend to Council that the Tiptree Jam Factory Plan Development Plan Document be adopted in accordance with Section 20 of the Planning and Compulsory Purchase Act 2004 (as amended).

Laura Chase, Planning Policy Manager, and Karen Syrett, Spatial Policy Manager, attended to assist the Committee with its deliberations. Paul Munson, Melville Dunbar Associates, addressed the Committee pursuant to the provisions of Meetings General Procedure Rule 5(3) on behalf of Wilkins and Sons. He wished to thank members and council officers for their support, guidance and advice in enabling the company's proposals for a new factory in Tiptree to be supported through the Local Plan. The Inspector's report gave a resounding endorsement of the Council's approach and he urged the Committee to approve the officer recommendation for the Plan to be submitted for approval at the next Council meeting. The Council's approval would enable the company to bring forward its planning applications early in 2013.

The Planning Policy Manager explained that the ten main amendments to the Plan had come forward through the process. All the issues had received a thorough airing at the two-day examination including the financial justification and requirement for supporting infrastructure. The Plan would provide the Council with guidelines for conditions in any subsequent planning applications.

Members of the Committee fully endorsed both the process and the draft Development Plan Document. There were some concerns regarding whether the intended highways infrastructure would be appropriate for the levels of vehicle movements and it was hoped that council officers would have a dialogue with the Highway Authority to ensure the formulation of proper arrangements. In response to a query on whether there would be any charging schedule for the development, the Spatial Policy Manager explained that there was no charging schedule in place at the current time.

RECOMMENDED to COUNCIL (UNANIMOUSLY) that –

- (a) The Tiptree Jam Factory Plan Development Plan Document be

adopted as recommended by the Inspector in accordance with Section 20 of the Planning and Compulsory Purchase Act 2004 (as amended).

(b) The Spatial Policy Manager be authorised to deal with all the necessary adoption documentation and other consequential matters in accordance with the appropriate regulations.

Agenda item 10
Record of Decisions taken under Scheme of Delegation to Cabinet Members
22 November 2012 – 1 February 2013

Portfolio – Business and Resources					
Date	Number	Report Title	Author	Decision	Result
10/12/12	BUS-004-12	Corporate Management//Fees and Charges 2013-14	Jessica Douglas	To approve fees and charges for Corporate Management services 2013-14	Agreed 17/12/12
11/1/13	BUS-005-12	Irrecoverable Debts over £5,000	Debbie Greenwood	To authorise the write-off of individual bad debts over £5,000	Agreed 18/1/13
25/1/13	BUS-006-12	Town Hall Car Park and Adjoining Land, High Street, Colchester – Williams and Griffin site compound and temporary store extension	Mike Shorten	Proposals for leasing part of the Town Hall Car Park, High Street, Colchester to Fenwick Ltd for a site compound and temporary store extension during their Williams and Griffin store refurbishment	Agreed 1/2/13

Portfolio – Communities and Leisure Services					
Date	Number	Report Title	Author	Decision	Result
10/12/12	COM-008-12	Charges for Activity Centre lunches and fees for membership from April 2013	Tamara Moreau	To approve fees and charges for Activity Centre 2013-14	Agreed 17/12/12
10/12/12	COM-009-12	Fees and charges for Sports and Leisure and Parks and Recreation for 2013	Simon Grady/ Bob Penny	To approve the fees and charges for Sport and Leisure and Parks and Recreation for 2013	Agreed 17/12/12
11/12/12	COM-010-12	Proposed transfer of a new village hall in Great Horkesley to the Great Horkesley Parish Council	Bridget Tighe	To agree the transfer of the freehold and the management of the new community centre in Great Horkesley	Agreed 18/12/12
1/2/13	COM-011-12	Donation of used gymnastics equipment as a grant to Icen	Ian Duggan	To agree the donation of used gymnastics equipment from Leisure	Due 8/2/13

Agenda item 10
Record of Decisions taken under Scheme of Delegation to Cabinet Members
22 November 2012 – 1 February 2013

21/12/12	COM-012-12	Gymnastics Club	World Colchester as a grant to Iceni Gymnastics Club		
		Allocation of Section 106 Borough Wide funding for building works 2012-2013	Bridget Tighe		Agreed 4/1/13
				To approve the Council's investment in 'not-for-profit', voluntary and community organisations through the Section 106 'building works' funding programme for 2012-2013	

Portfolio – Customers

Date	Number	Report Title	Author	Decision	Result
10/12/12	CUS-001-12	Fees & Charges for Crematorium and Cemetery Services from January 2013	Sally Harrington/ Penny Stynes	To approve fees and charges for Crematorium and Cemetery Services from 1 January 2013	Agreed 17/12/12

Portfolio – Housing

Date	Number	Report Title	Author	Decision	Result
10/12/12	HOU-008-12	Fees and Charges for Private Sector Housing Services from 1 January 2013	Karen Newman	To approve fees and charges for Private Sector Housing Services from 1 January 2013	Agreed 17/12/12
10/12/12	HOU-009-12	Fees and Charges for Helpline 2013/2014	Sam Preston	To approve fees and charges for Helpline 2013/2014	Agreed 17/12/12
14/12/12	HOU-010-12	Revenue Grants to Town & Parish Councils 2013/14	Steve Heath	To approve the distribution of grant to Town and Parish Councils for 2013/14	Agreed 21/12/12

Agenda item 10
Record of Decisions taken under Scheme of Delegation to Cabinet Members
22 November 2012 – 1 February 2013

14/12/12	HOU-011-12	Housing Revenue Account Fees and Charges 2013-2014	Daniella Woraker	To approve the proposed Housing Revenue Account fees and charges to take effect 1 April 2013	Agreed 21/12/12
25/1/13	HOU-012-12	Addendum to the Housing Revenue Account Fees and Charges 2013-2014 report dated 29 November 2012	Daniella Woraker	To approve the revised fees and charges to the Housing Revenue Account Fees and Charges report 2013-2014 to take effect from 1 April 2013	Decision can be implemented immediately as accompanied by an Urgency Authorisation Notice and therefore not subject to the 5 day call-in procedure

Portfolio – Planning, Community Safety and Culture					
Date	Number	Report Title	Author	Decision	Result
28/11/12	PLA-005-12	The Safety of Older People in Colchester	Sandra Culham	To approve an amount of £1,500 of funding to deliver a Crucial Crew for older people event to be held in Colchester in April 2013	Agreed 5/12/12
10/12/12	PLA-006-12	Fees and Charges for Planning & Building Control Service and Visitor Services from 1 January 2013	Beverley Jones/ Vincent Pearce	To approve fees and charges for Planning & Building Control Service and Visitor Services from 1 January 2013	Agreed 17/12/12

Agenda item 10
Record of Decisions taken under Scheme of Delegation to Cabinet Members
22 November 2012 – 1 February 2013

19/12/12	PLA-007-12	Response to Government Consultation Paper: "Extending permitted development rights for homeowners and businesses"	Vincent Pearce	To approve draft formal response to the Department for Communities and Local Government (DCLG)	Agreed 2/1/13
10/1/13	PLA-008-12	Response to Government Consultation Paper:- Planning performance and the Planning Guarantee	Vincent Pearce	To approve the draft formal consultation response be sent to the Department for Communities and Local Government (DCLG)	Agreed 17/1/13
10/1/13	PLA-009-12	Tendering District Local Plan Proposed Submission Document	Karen Syrett	To agree the Council's consultation response to Tendering District's Local Plan, Proposed Submission Document	Agreed 17/1/13
25/1/13	PLA-010-12	Investment in Colchester's Keep Safe Project	Bidget Tighe	To approve the award of £1,000 to set up Colchester's new Keep Safe Project	Agreed 1/2/13

Portfolio – Renaissance		
Date	Number	Report Title
	Author	Decision
		Result

Portfolio – Strategy					
Date	Number	Report Title			
	Author	Decision			
		Result			
18/12/12	STR-003-12	Colchester Zoo 'Stand Tall for Giraffes' funding contribution	Karen Turnbull	To agree to support Colchester Zoo's 'Stand Tall for Giraffes' large-scale public art event in 2013	Agreed 18/12/12

Agenda item 10
Record of Decisions taken under Scheme of Delegation to Cabinet Members
22 November 2012 – 1 February 2013

Portfolio – Street and Waste Services						
Date	Number	Report Title	Author	Decision	Result	
10/12/12	STW-003-12	Travel Concessions – Senior Railcards fees	Debbie Greenwood	To approve to keep the charge for a senior railcard sold under a discount scheme at £22.00	Agreed 17/12/12	
10/12/12	STW-004-12	Fees and Charges for Parking Services	Matthew Young	To approve fees and charges for Parking Services	Agreed 17/12/12	
10/12/12	STW-005-12	Fees and Charges for Recycling and Trade Services for 2013/14	Paul English	To approve fees and charges for Recycling and Trade services for 2013/14	Agreed 17/12/12	
10/12/12	STW-006-12	Fees and charges for Street Services – Market, Street Trading, Public Baths and Street Naming and Numbering for 2013/14	Cassandra Clements/ Sarah Welham	To approve fees and charges for Street Services-Market, Street Trading, Public Baths and Street Naming and \Numbering for 2013/14	Agreed 17/12/12	
10/12/12	STW-007-12	Fees & Charges for Environmental Health and Licensing Services from 1 January 2013	Karen Newman	To approve fees and charges for Environmental Health and Licensing Services from 1 January 2013	Agreed 17/12/12	
2/1/13	STW-008-12	Authorisation of use of powers under Section 46 of the Environmental Protection Act 1990 in relation to the presentation of household recycling and waste	Matthew Young	To authorise the use of powers available to the Council under section 46 of the Environmental Protection Act 1990 (as amended) in circumstances where households repeatedly fail to recycle and/or incorrectly present their waste for collection	Call-in received 11/1/13. Reviewed at Strategic and Overview Scrutiny Panel on 28 January 2013. Decision	

Agenda item 10
Record of Decisions taken under Scheme of Delegation to Cabinet Members
22 November 2012 – 1 February 2013

1/2/13	STW-009-12	Consultation on delivering the Government's policies to cut alcohol fuelled crime and anti-social behaviour	Gary O'Shea	To approve the Council response to the Home Office consultation paper 'A consultation on delivering the Government's policies to cut alcohol fuelled crime and anti social behaviour'.	confirmed can be implemented. (see minute 22) Due 8/2/13
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Cabinet

23 January 2013

Item
7(i)

Report of	Head of Resource Management	Author	Sean Plummer ☎ 282347
Title	2013/14 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast		
Wards affected	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 MTF. 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:

	£'000
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
Forecast Budget 13/14 (excl. New Homes Bonus)	23,051

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%
Start-up funding (see para 7.4 to 7.11)	10.189	9.462	-0.727	-7.1%
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%
Total Spending Power	22.753	22.964	0.211	0.9%

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	
Cost of floor	201	
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
Total Start up funding assessment	9,462

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
Total start up funding assessment	5,682	3,780	9,462

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
Total Grant re growth in taxbase	1,473	
Affordable homes bonus	52	Payable annually until 17/18
Total grant for 12/13	1,525	
Grant re growth in Oct 11 – Oct 12	986	Payable annually until 18/19
Affordable homes bonus	105	Payable annually until 18/19
Total grant for 13/14	2,616	
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 8th 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)
Total	727	

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:

	£'000
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)
Budget Requirement	19,353
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)
Total Funding	19,353

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

- 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)	
Cumulative Gap Before UCC FSR	1,881	3,970	5,034	
UCC FSR Savings (cumulative)	(815)	(1,805)	(2,695)	13.12
Cumulative Gap (after UCC)	1,066	2,165	2,339	
Annual increase	1,066	1,099	174	

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:

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

- 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.

Detail	£'000	Note
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
Balance available	(3,323.9)	
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 Appendix H
Total forecast balance carried forward	(812.9)	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

2013/14 Budget Timetable	
Budget Strategy March 12 – July 2012	
March – June (SMT and Budget Group)	Budget Group Meetings Agreed Update MTFF /Budget Strategy Review potential cost pressures, growth and risks Consider approach to budget Initial budget reviews started
Cabinet – 4 July 12	<ul style="list-style-type: none"> • Report on updated budget strategy / MTFF • Timetable approved
SOSP – 17 July 12	Review Cabinet report
Budget Group / Leadership Team - June / July	Consider review of capital programme Consider approach to consultation
Detailed Budget preparation and Budget Setting Consultation	
Budget Group / Leadership Team regular sessions on progress / budget options now - December	Review budget tasks Consider outcomes of Fundamental Service Reviews
Cabinet –3 October 12	<ul style="list-style-type: none"> • Budget Update • Review of capital resources / programme (if available)
Cabinet – 28 November 12	<ul style="list-style-type: none"> • Budget update • Reserves and balances • Government Finance settlement (if available)
FASP – 22 January 13	Review consultation / Budget position (Detailed proposals)
Cabinet – 23 January 13	Revenue and Capital budgets recommended to Council
Council – 20 February 13	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)
Total	1,556	2,120	

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
Total Growth Items	1,100	1,415	
Less use of specific grants		(850)	Waste grant
Net Growth cost		565	

APPENDIX D

Savings / Increased Income

Service	Opportunity	2013/14 £'000	Additional Comments e.g. impact on service / risk to delivery/ description of delivery
<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			

Service	Opportunity	2013/14 £'000	Additional Comments e.g. impact on service / risk to delivery/ description of delivery
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 MTRF 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.
Total Savings		1,793	
One-off costs to deliver savings		500	
Net Total savings		1,293	

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
Total Services	20,196	(180)	1,288	270	0	(1,061)	20,463
Technical Items							
<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	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 13/14 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Non-Service Budgets</i>							
Grants to Parish councils	102	0	0	(85)	120		137
CLIA (net interest)	854	0	0			(150)	704
R&R Contribution	150	0	0				150
Min Revenue Provision	698	0	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)
Total incl Below the line	20,092	(280)	2,120	565	372	(2,384)	20,435
<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)
Total	(20,092)	410	676	0	(334)	(1,145)	(20,435)

**General Fund Balances
Current Position**

	£'000	£'000
Balance as at 31 March 2012 (As per Statement of Accounts)		(4,920)
Use of balances during 2012/13:		
• 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)
Projected Balances as at 31 March 2013		3,459
• Existing allocations for 13/14 and future years budget (Note 4)		900
• Supporting the 13/14 Budget (Note 5)		700
Projected Balances as at 31 March 2014		1,859
Proposed minimum balance		1,800
Potential Surplus Balances as at 31 March 2014 (note 6)		59

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.

APPENDIX G

Medium Term Financial Forecast				
2013/14 to 2016/17				
	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000
Base Budget	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			
Forecast Base Budget	23,051	22,249	22,869	22,869
<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)
Total Gov't grants	(12,078)	(10,882)	(10,202)	(9,823)
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)
Total Funding	(23,051)	(21,183)	(20,704)	(20,530)
Budget (surplus) / gap before changes (cumulative)	0	1,066	2,165	2,339
Annual increase	0	1,066	1,099	174

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Cost Pressures				
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			
Total	1,780	968	890	890
Growth Items				
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)		
Total	565	(160)	720	0
Savings				
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)			
Total	(1,293)	(795)	0	0

New Homes Bonus				
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>
Affordable Housing element				
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>
Total New Homes Bonus	2,616	2,616	2,616	2,616

Use of Reserves				
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
Total	1,082	230	230	230

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**

Proposed Scheme	Forecast 2013/14 £'000	Notes	Live Prog 2012/13 £'000
Est. Surplus B/Fwd	(864.9)		
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

Proposed Scheme	Forecast 2013/14 £'000	Notes	Live Prog 2012/13 £'000
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
Subtotal	1,176.0		
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.	
Est. Surplus C/Fwd	(812.9)		



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
Total	87,983	22,349	19,300	17,316	12,426

- 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	87,983	22,349	19,300	17,316	12,426
Financed by:					
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
Net financing need	74,104	2,075	64	3,398	533

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
Capital Financing Requirement					
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
Total CFR	148,713	154,368	153,724	156,414	156,272
Movement in CFR	73,629	5,655	(644)	2,690	(142)

Movement in CFR represented by					
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
Movement in CFR	73,629	5,655	(644)	2,690	(142)

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

- 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
Total	142,676	142,740	146,138	146,671

- 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
Total	169,368	169,124	172,014	171,872

- 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
Total	140,275	140,275	140,275	140,275

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
Sector's Interest Rate View															
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%
Bank Rate															
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%					
5yr PWLB Rate															
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%					
10yr PWLB Rate															
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%					
25yr PWLB Rate															
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%					
50yr PWLB Rate															
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
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 as 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 deliver 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 – 23rd 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.



Local Plan Committee

Item
7

17 December 2012

Report of	Head of Strategic Policy and Regeneration	Author	Laura Chase 01206 282473
Title	Tiptree Jam Factory Plan Development Plan Document		
Wards affected	All		

The Local Plan Committee is asked to recommend to Council the adoption of the Tiptree Jam Factory Development Plan Document (DPD).

1. Decision(s) Required

- 1.1 To recommend to Full Council that it adopts the Tiptree Jam Factory DPD at its next meeting as recommended by the Inspector in accordance with Section 20 of the Planning and Compulsory Purchase Act 2004 (as amended).
- 1.2 The Spatial Policy Manager be authorised to deal with all the necessary adoption documentation and other consequential matters in accordance with the appropriate Regulations.

2. Reasons for Decision

- 2.1 The report of the Planning Inspector, following the Independent Examination in September, has been received by the Council. This report finds that the Tiptree Jam Factory Development Plan Document satisfies the requirements of Section 20(5) of the 2004 Act and meets the criteria for soundness in the National Planning Policy Framework.
- 2.2 Planning applications are expected for the site and it is considered important for the Council to have a comprehensive and effective local policy framework in place.

3. Alternative Options

- 3.1 The alternative option is to not to adopt the document. This is not advisable given the expectation that planning applications will be submitted.

4. Supporting Information

- 4.1 In 2011 Wilkin and Sons asked the Council to review land allocations in Tiptree, in particular land incorporating and adjacent their existing factory. They were seeking additional housing outside the Tiptree settlement boundary being justified as enabling development to fund construction of new factory accommodation within the village. The special circumstances of the case include that Wilkin and Sons is a major employer in Tiptree, with about 80% of staff living in the Tiptree area. The labour force has grown by 35% in the last five years and is expected to increase to 500 by 2030. Parts of the existing factory are over 100 years old and it has become increasingly challenging to make jam efficiently and to maintain the buildings to meet ever-more demanding food standards.

- 4.2 The Council considered that this issue could be revisited in the context of the Government's support for sustainable economic growth along with the localism agenda. The Council recognised that Wilkin and Sons plays a key role in providing local jobs in Tiptree and in enhancing the overall image of the Borough as the home of an internationally recognised brand. The Localism Act gives local communities more power to determine the amount of local development in their area. Government policy also seeks to promote economic development through the planning system as set out in the Plan for Growth and the National Planning Policy Framework.
- 4.3 Following various stages of public consultation the Tiptree plan was submitted to the Planning Inspectorate. An Inspector, appointed by the Secretary of State, conducted an Examination in September to consider the 'soundness' of the document. The Inspector has subsequently produced a report with recommendations that with modifications the Tiptree Jam Factory Plan satisfies the requirements of Section 20(5) of the 2004 Act and meets the criteria for soundness in the National Planning Policy Framework.
- 4.4 The Inspector concludes that the Tiptree Jam Factory Plan provides an appropriate basis for the planning of this part of the borough to secure in the medium term a new jam factory, providing a number of modifications are made to it. A full copy of the Inspector's report is set out in Appendix 1.
- 4.5 The Inspector has proposed that a number of modifications are made which were all suggested by the Council. These can be summarised as follows:
- inclusion of the national model policy on the presumption in favour of sustainable development;
 - the commitment to a new factory before the residential development in policy TJF 1 to be made more specific and thus effective;
 - open space requirements to be met in full in order to alleviate visitor pressure on Abberton Reservoir (a Natura 2000 site);
 - implementation clarification in terms of the new factory's timing and clearer infrastructure requirements in Table 1 and policy TJF 1;
 - an effective indication that design and landscaping separation features will be required between all the new development and Tolleshunt Knights;
 - clearer, effective text about sustainable construction requirements;
 - clearer text about the means of implementation and monitoring; and
 - the correct plan area to be shown on the Appendix A map in the Plan, and the allotment area to be shown and the settlement boundary redrawn to exclude open space on the Policies Map.

5. Proposals

- 5.1 It is proposed that the Committee recommend to Full Council the adoption of the Tiptree Jam Factory DPD.

6. Strategic Plan References

- 6.1 The Local Plan, which will incorporate the Tiptree DPD, helps the Council deliver its priorities for regenerating the borough through buildings, employment, leisure and infrastructure; it will improve opportunities for a local business to thrive; promote sustainability, support tourism, and enables local communities to help themselves.

7. Consultation

- 7.1 Full consultation has taken place at various stages in the preparation of the DPD. Those who made representations were also able to attend and take part in the examination hearing sessions which were held in September.

8.0 Publicity Considerations

- 8.1 The regulations require the Council to publish details of the Inspectors recommendations and the reasons given. As soon as possible after adoption the Council must make available the Tiptree Plan, the sustainability appraisal and adoption statement. This could generate publicity for the Council, the majority of which should be positive.

9. Financial Implications

- 9.1 None

10. Equality, Diversity and Human Rights implications

- 10.1 An Equality Impact Assessment has been prepared for the Local Development Framework and is available to view by clicking on this link:- <http://www.colchester.gov.uk/article/4962/Strategic-Policy-and-Regeneration> or go to the Colchester Borough Council website www.colchester.gov.uk and follow the pathway from the homepage: Council and Democracy > Policies, Strategies and Performance > Equality and Diversity > Equality Impact Assessments > Strategic Policy and Regeneration and select Local Development Framework from the Strategic Planning and Research section.

- 10.2 There are no particular Human Rights implications.

11. Community Safety Implications

- 11.1 None.

12. Health and Safety Implications

- 12.1 None

13. Risk Management Implications

- 13.1 Establishing a planning policy framework for the Factory site should minimise the risk of inappropriate development.



The Planning
Inspectorate

Report to Colchester Borough Council

by **David Vickery DipT&CP MRTPI**

an Inspector appointed by the Secretary of State for Communities and Local Government

Date: 4th December 2012

PLANNING AND COMPULSORY PURCHASE ACT 2004 (AS AMENDED)

SECTION 20

REPORT ON THE EXAMINATION INTO THE TIPTREE JAM FACTORY PLAN

Document submitted for examination on 28 May 2012

Examination hearings held on 12 and 26 September 2012

File Ref: PINS/A1530/429/6

Abbreviations Used in this Report

AA	Appropriate Assessment
CS	Core Strategy
DPD	Development Plan Document
LDS	Local Development Scheme
LP	Local Plan
MM	Main Modification
NPPF	National Planning Policy Framework
RS	Regional Strategy
SA	Sustainability Appraisal
SCI	Statement of Community Involvement
SCS	Sustainable Community Strategy

Non-Technical Summary

The Council has specifically requested that I recommend any modifications necessary to enable them to adopt the Plan. This report concludes that the Tiptree Jam Factory Plan provides an appropriate basis for the planning of this part of the Borough to secure in the medium term a new Jam Factory, providing a number of modifications are made to it. All of the modifications were proposed by the Council, and I have recommended their inclusion after full consideration of the representations from other parties.

The modifications can be summarised as follows:

- inclusion of the national model policy on the presumption in favour of sustainable development;
- the commitment to a new factory before the residential development in policy TJF 1 to be made more specific and thus effective;
- open space requirements to be met in full in order to alleviate visitor pressure on Abberton Reservoir (a Natura 2000 site);
- implementation clarification in terms of the new factory's timing and clearer infrastructure requirements in Table 1 and policy TJF 1;
- an effective indication that design and landscaping separation features will be required between all the new development and Tolleshunt Knights;
- clearer, effective text about sustainable construction requirements;
- clearer text about the means of implementation and monitoring; and
- the correct plan area to be shown on the Appendix A map in the Plan, and the allotment area to be shown and the settlement boundary redrawn to exclude open space on the Policies Map.

Introduction

1. This report contains my assessment of the Tiptree Jam Factory Plan in terms of Section 20(5) of the Planning & Compulsory Purchase Act 2004 (as amended). It considers first whether the Plan's preparation has complied with the duty to co-operate, in recognition that there is no scope to remedy any failure in this regard. It then considers whether the Plan is sound and whether it is compliant with the legal requirements. The National Planning Policy Framework (paragraph 182) makes clear that to be sound a Local Plan should be positively prepared; justified; effective and consistent with national policy.
2. The starting point for the examination is the assumption that the Council has submitted what it considers to be a sound plan. The basis for my examination is the submitted draft plan (May 2012) which is not the same as the document published for consultation in March 2012. I deal with the differences later in the report.
3. My report deals with the main modifications that are needed to make the Plan sound and legally compliant and they are identified in bold in the report (**MM**). In accordance with section 20(7C) of the 2004 Act the Council requested that I should make any modifications needed to rectify matters that make the Plan unsound and not legally compliant and thus incapable of being adopted. These main modifications are set out in the Appendix.
4. The main modifications that go to soundness have been subject to public consultation and, where necessary, Sustainability Appraisal (SA) and I have taken the consultation responses into account in writing this report. I consider that none of the responses made it necessary for me to re-open the hearings.

Assessment of the Duty to Co-operate

5. Section s20(5)(c) of the 2004 Act requires that I consider whether the Council complied with the Duty imposed on them by section 33A of the 2004 Act in relation to the Plan's preparation. A failure to do so would be fatal to the Plan as it would not be capable of correction.
6. The Duty requires local planning authorities to engage constructively, actively and on an ongoing basis in local plan preparation on strategic matters, and to consider whether joint agreements or plans are necessary. Authorities are also required to have regard to the activities of other bodies so far as they are related to local plan making.
7. The purpose of the Plan is to meet a particular local need to enable the provision of a new jam factory in Tiptree, and so it has a very restricted local impact. Nevertheless, the Council submitted a record of co-operation with neighbouring local authorities and other bodies to deal with cross-boundary issues arising from the Plan, such as traffic generation and possible settlement coalescence concerns. I am satisfied from the evidence presented that the Council has clearly demonstrated that the Plan has been prepared in full compliance with the Duty to Co-operate.

Assessment of Soundness

Preamble

8. Shortly prior to the submission of the Plan, the Government published in March 2012 the National Planning Policy Framework (NPPF), which combined previous national planning policies (e.g. in various Planning Policy Statements) into a shorter, comprehensive document. In order to clearly reflect and be consistent with the NPPF's policy of a presumption in favour of sustainable development, main modification **MM1** is necessary for soundness – it adds the national model policy to the Plan as policy TJJ 2, with explanatory text.
9. After publication of the Plan in March 2012, the Council found that the Appendix A map in the Plan incorrectly added two parcels of land which it had not intended to be part of the Plan area. These were the area of Birch Wood to the north-east of Area C, and a small area of land outside the existing factory area on the north-west corner of Area A. **MM2** is therefore recommended to remove both areas of land from the Appendix A map to show the plan area as intended and so make the Plan sound by making it effective in its delivery.

Main Issues

10. Taking account of all the representations, written evidence and the discussions that took place at the Examination hearings I have identified two main issues upon which the soundness of the Plan depends.

Issue 1 – Whether the harm caused by the potential loss of the Tiptree jam factory and the financial need for the proposed housing to provide for a new jam factory has a sound evidential basis

11. The Plan proposes additional housing development over and above that allocated in the Core Strategy solely in order to enable Wilkin and Sons Ltd to fund a new, modern, purpose-built factory on land already allocated for employment purposes in the Council's Site Allocations Development Plan Document (DPD). As the Plan states, the Wilkin family have farmed in the area for nearly 300 years and have been producing Tiptree preserves since 1885. The Council is keen to ensure the future economic prosperity of this local employer, and to retain the factory in Tiptree in order to maintain and, if possible, to increase local employment.
12. Parts of the factory are over 100 years old, and I accept that it is becoming increasingly difficult to make jam efficiently and also to comply with the increasingly more demanding food hygiene standards. I also accept that the site runs at a high capacity, as is evidenced by the shift working and the recent decision to store products off-site. Wilkin and Sons Ltd are clearly concerned local employers, as shown by its employee share and trust schemes, its policy of providing housing for its employees, and its active involvement in, and financial contributions towards, Tiptree's community life.
13. The factory is the largest private sector employer in Tiptree and one of the largest in the Borough – direct jobs in 2012 totalled 435, of which 307 were full-time. This clearly has a direct and indirect beneficial impact on the local and Borough-wide economies. In Tiptree itself the proposed new factory is

planned to increase full-time equivalent jobs from 267 in 2012 to 365 in 2021, and to 500 in 2030. If the factory was not constructed in Tiptree then the planned job increase might not take place or it might take place elsewhere. Whether the existing jobs would be lost is even more uncertain, but the lack of a modern factory in Tiptree would, at the very least, place a question mark over their retention as they would be dependant on the company's alternative plans for its business and where any new facilities might be located.

14. 51% of employees currently live within 2 miles of the factory. Thus, the retention of the factory in Tiptree would be a sustainable option due to the high number of local people able to walk or cycle to work. Moving the factory elsewhere would result in more journeys using the private motor car, even using the best location options canvassed during the Examination.
15. I am satisfied that not constructing a new factory would place future jobs, and possibly existing jobs, at substantial risk. The harm caused could be very significant, given not only the threat to jobs but also bearing in mind the company's close and intimate links with the local community, its role as a local social housing provider (73 homes), and the fact that it is a world famous food product which attracts tourists to the site with its associated Tea Rooms and Museum (120,000 visitors per annum). Moreover, it is the most sustainable development option in transport terms.
16. Thus, I find that the Council's intention in this Plan to assist Wilkin and Sons Ltd in the construction of a new factory is founded on a sound evidential analysis of the potential substantial harm that would otherwise be caused to the community and the Borough. It accords with the high priority that the Government gives to the promotion of sustainable economic growth and jobs as set out in the NPPF and in its 2011 "Planning for Growth" statement.
17. The questions that then arise are, firstly, whether the level of assistance is too little or too much and, secondly, how any residential development that might help pay for a new factory is tied (as a 'fail-safe') to its construction.
18. During the Examination the Council and Wilkin and Sons Ltd provided financial information to help answer the first question. This included an updated financial appraisal detailing costs and income, an independent report assessing the company's borrowing ability, a cashflow forecast covering the period of the proposed development from October 2013 to March 2017, and a copy of the company's published annual report and accounts for 2011. Much of this information has been prepared by the company's consultants, including their architects and quantity surveyors. However, the Council has also independently assessed the costs and projected income both through its own resources and by the use of outside consultant chartered surveyors.
19. In assessing the financial data I have had regard to the advice contained in *Viability Testing Local Plans* published in June 2012 by the Local Housing Delivery Group, which is a cross-industry group involving a broad range of stakeholders with an interest in home building in England, and which was carried out at the Government's request. I consider it to be directly relevant to the financial aspects of the Plan's proposals, and so I give its advice significant weight. The document was made part of the evidence base for the Examination so that all participants were aware of it.

20. I agree with the Council that the costs of implementing the proposed factory and the new residential development are reasonable and sufficiently detailed for this stage of the proposals' assessment. They have been accepted by the Council after independent assessment by its consultants. Given that the proposals are to be constructed within five years, I consider the detail of the costs complies with the advice in *Viability Testing Local Plans*.
21. I note that the proposed residential development would have a reduced level of affordable housing from that set as a target in the adopted Core Strategy policy H4 – 36 units overall rather than the 35% (88 units) set as the target, However, the policy allows for such flexibility, and the Council said that it had (as advised in the policy and its explanatory text) balanced the affordable housing requirement against other requirements, particularly the community's need for sustainable employment and the high development costs of delivering housing on the existing brownfield factory site. I do not disagree.
22. The income is based on four elements – a written offer by a developer made in Spring of 2012 for the Area C residential land (also extrapolated to the existing factory site's residential development); a loan to be taken out by Wilkin and Sons Ltd; income from the company's cash flow; and the sale of some of the company's assets (surplus land and buildings). On the last two income streams, I am satisfied that the evidence on their assumptions were realistic and reasonable. On the loan, I was provided with an initial indication from the company's bank, together with an analysis from an independent accountant who specialises in corporate finance, that a loan of the amount required would be realistic, with significant headroom for an increase. Although this was challenged at the Examination, I am satisfied that there is a reasonable prospect of the loan being made for the amount proposed.
23. This leaves the value of the residential land. The developer's offer, although confidential and not revealed in detail to the Examination, had been fully seen and assessed by the Council's independent chartered surveyors. I was told that it was a reasonable one for the current market and that, indeed, a higher value might be achieved if the land was fully marketed. It was made without conditions and assumed that the Area C land had planning permission, was fully serviced, and that the additional costs of the various requirements in the Plan were not included. Therefore all these costs had been included in the submitted financial viability and cashflow papers.
24. *Viability Testing Local Plans* advises in Appendix B that "*the impact of cashflow assumptions on viability assessments is an important consideration*", and one has been prepared here. Both the Council's cashflow analysis and the other financial viability papers were criticised for not being sufficiently 'stress tested' to apply known uncertainty factors. I accept that this has not been done in detail. However, the figures are prudent; contain robust assumptions with reasonable 'headroom' for increased costs; contain a reasonable 5% contingency; and apply over only a relatively short time period which increases confidence in their reliability because uncertainties are thus reduced. Moreover, policy TJF 1 contains a 'fail-safe' to prevent the residential development taking place without there being a commitment to the construction of the new factory (discussed below).
25. Overall, I am satisfied that the financial viability evidence demonstrates in

reasonable detail for this stage of the development process that additional finance of roughly the amount stated is required to enable the construction of the new factory and that, with the finance from all the sources set out above, the developments overall would be viable and deliverable. The proposals have met the advice set out in *Viability Testing Local Plans*.

26. On the second question, policy TJF 1 contains a 'fail-safe' to prevent the residential development taking place without a "commitment" to the new factory. The Council said that this "commitment" would be based upon the methods used for a similar successful scheme for Flakt Woods where a s106 obligation required that the residential development was not implemented until a contract to construct the new factory had been entered into and a material operation had been carried out in its construction. Unfortunately, the policy is not as clear as the Council's evidence and so it is not effective. To make it sound the **MM3** modification (as suggested by the Council) is recommended to state this "commitment" in the Flakt Wood terms.
27. Various suggestions were made about the Council's MM3 modification wording, and I have accepted one to make it clear that the operational start relates to the factory. Other suggestions made would water down the Plan's intention that there would be no residential development of the land to the north of the existing factory without, in effect, a new factory. And it has to be the new factory that is achieved by an operational start, not its ancillary elements such as the roundabout, access or sewerage works. However, I have added words to make it clear that this intention refers to the development of the land and not to its allocation.
28. It became clear during discussion on the financial aspects of the proposal that the new factory could not be provided in 2014 as required by the Plan. So in order to reflect that evidence and to be effective, and thus sound, point 1 of paragraph 6.2 has to be modified to say only that there will be a significant start on the new factory by 2014 (**MM4**).
29. Subject to the main modifications above, I consider that the Plan is based on a sound evidential basis which takes account of the financial issues, the viability of providing a new jam factory, and the potential harm that would otherwise result to the local community if a new jam factory were not to be constructed. I consider that the evidence justifies the principle of the Plan's development proposals. I turn next to their detail.

Issue 2 – Whether Plan's proposals for employment and housing are positively prepared, justified by the evidence, consistent with national policy, and effective

30. The Plan does not have as an objective or requirement that the proposed developments should meet reasonable levels of sustainable construction or renewable energy concerns under the Code or BREEAM, taking account of the relevant Core Strategy policy and the Council's SPD on the subject. This deficiency makes the Plan unsound as it would not be effective or consistent with national policy. The Council's suggested modifications at **MM5** would remove that unsoundness.
31. Policy TJF 1 allocates a site for a new sewerage works, but it is actually the

provision of the necessary infrastructure for the new development. In order to be clear, effective and thus sound I recommend modification **MM6** to clarify that this is just the provision of an associated infrastructure provision.

32. Table 1 sets out various infrastructure requirements which were refined during the course of the Examination. The nearby primary school, St Luke's, is currently full in three out of the seven year groups and is using three temporary classrooms. However, the Council said that there would be capacity at other primary schools in Tiptree for the proposed housing (e.g. at Tiptree Heath) and so overall capacity was not an issue. Therefore, the question of financial contributions towards primary education would be dependant on a future assessment of capacity and accommodation requirements. Table 1 does not say this and so it is ineffective, but the unsoundness can be removed by inserting a statement to this effect (**MM7**).
33. Open space infrastructure is mentioned in Table 1, but it does not indicate that this will also include allotments (which are a separate designation on the Policy Map), a children's play area, and associated car parking. This makes the Plan unsound as it is not effective in detailing all the facilities associated with the open space provision, but the **MM8** modification will remedy this.
34. The use of the existing Factory Hall on the factory site for the local community is included in the viability assessments but is not mentioned in the Plan. The evidence is that this would be used to supplement the existing community centre, which cannot cope with some community events and facilities, particularly with regard to a youth club. Modification **MM9** inserts this necessary infrastructure requirement into Table 1 of the Plan and so makes it effective and sound.
35. Policy TJF 1 says that design and landscaping features will be required to maintain the separation between Tolleshunt Knights and the factory site. But the Council explained that this was meant to also apply to the new housing on Area C. As the Plan does not say this, it is ineffective and thus unsound. The Council's suggested modification **MM10** makes the plan sound by applying this requirement to all new development in the policy. I agree with the Council that the proposals (particularly the new housing on Area C) would not adversely affect the perception of there being an adequate separation of open land between Tolleshunt Knights and Tiptree.
36. The Highway Authority assessed the likely traffic generation from both the proposed housing and the new factory based on a number of sources of information including from Wilkin and Sons Ltd consultant's Transport Assessment, the Council, and a recent traffic survey by Feering Parish Council on the A12 feeder roads in its area. The Highway Authority considered that its statement of October 2012 provided a full picture of the traffic implications of the Plan's proposals, and I agree.
37. I accept the Highway Authority's conclusions that the proposals would be unlikely to result in an increase in traffic flows above its 10% guidance limit, except on the localised road network around Factory Hill, Station Road, and Church Road (especially at their junction – see below). Above this 10% guidance limit a closer examination of the necessity for road improvements or other traffic measures would be necessary. Therefore, I agree that the

proposed improvement to Station Road at its junction with Church Road and Factory Hill, as set out in Table 1 of the Plan, is necessary in order to mitigate the impact of any additional queuing which may occur. This would also ensure that this part of the road network would continue to operate within its link capacities. I agree with the Highway Authority that the assessment does not justify any other road improvements, such as to the A12 feeder roads.

Other considerations within Issue 2

38. The Council's consultants have carried out a series of ecological surveys of Birch Wood and are of the view that a management plan would satisfactorily mitigate any harm caused by the Plan's proposals. There was no other contrary evidence, despite some doubts expressed about the reliability of the surveys. I am satisfied that the exact details of any management plan can be resolved as part of the relevant planning application, and that it should be implemented as stated in Table 1.
39. The monitoring of the Plan and its implementation are unclear and so the Plan is unsound in this respect. The Council said that the Plan would be implemented by means of planning applications, and that it would be monitored through the Annual Monitoring Report – and so modification **MM11** says this and thereby removes the unsoundness.
40. I conclude on this issue that, with the above modifications, the Plan is sound in that its proposals for employment and housing are positively prepared, justified by the evidence, consistent with national policy, and effective.

Assessment of Legal Compliance

41. My examination of the compliance of the Plan with the legal requirements is summarised in the table below. The Sustainability Appraisal (SA) did not comply with legal requirements because it did not adequately give the reasons for rejecting any reasonable alternatives. The Council said that it had previously considered two alternative areas of land owned by Wilkin and Sons besides that selected in the Plan, but had rejected them for a number of reasons (all of which I consider to be valid). The Council remedied this failure by republishing the SA with the alternative sites included and adding its reasons for rejecting them.
42. I agree with the Council that other areas of land suggested during the Examination are not reasonable alternatives and so do not need to be included in the SA. In particular, the "Area D" land promoted at the Examination (either on its own or in partial combination with other land) is not a reasonable alternative as it is clearly separated from the settlement boundary, would not be a logical extension of it, and would result in an isolated protrusion of built development into the countryside.
43. As I set out below, the SA concluded that the effect of potential visitors on the nearest Natura 2000 site at Abberton Reservoir would be unlikely to be significant. However, the Council said that on a precautionary basis increased levels of open space should be provided on the Area C land. However, policy TJF 1 does not actually say this and so the policy would be ineffective, not consistent with national policies, and thus unsound. The Council's suggestion in **MM12** of additional wording to clearly state that the open space

requirement must be met in full (with the reason for it) are therefore needed to make the Plan sound.

44. The Core Strategy sets out the minimum housing need figures for the District, which have been implemented in the Council's Site Allocations DPD. These can be exceeded provided the justification is sound and the infrastructure is provided. I have concluded above that the Plan meets these criteria.
45. The Site Allocations DPD allocates two parcels of land north and south of Grange Road, Tiptree for residential development and open space, upon which depends a community training and sports facility by Colchester United Football Club. The Council said that both this allocation and the Plan's proposals could be developed concurrently. It justified this with evidence showing that the probable delivery rate from both sites (estimated at around 85 dwellings per year for the period 2014-19) would be within an acceptable level of demand for the housing market area (and Tiptree in particular) and not out of proportion compared to the last ten years of housing delivery. I have no reason to disagree with this evidence.

LEGAL REQUIREMENTS	
Local Development Scheme (LDS)	The Plan is identified within the approved LDS of January 2011 (amended November 2011) which sets out an expected adoption date of July 2012. The Plan's content is compliant with the LDS, although its adoption timing has slipped.
Statement of Community Involvement (SCI) and relevant regulations	The SCI was adopted in June 2011 and consultation has been compliant with the requirements therein, including the consultation on the post-submission proposed 'Main Modification' changes (MM).
Sustainability Appraisal (SA)	SA has been carried out and is adequate (see above). The SA included a screening opinion under the Habitats Regulations which concluded that the effect on the nearest Natura 2000 site at Abberton Reservoir would be unlikely to be significant. Thus a Habitats Regulation assessment is not necessary.
National Policy	The Plan complies with national policy except where indicated, and modifications are recommended.
Regional Strategy (RS)	The Plan is in general conformity with the RS.
Adopted Development Plan	The Plan is consistent with the adopted Development Plan, particularly the Core Strategy the Site Allocations DPD.
Sustainable Community Strategy (SCS)	Satisfactory regard has been paid to the SCS.
2004 Act (as amended) and 2012 Regulations.	The Plan complies with the Act and the Regulations.

Overall Conclusion and Recommendation

- 46. The Plan has a number of deficiencies in relation to soundness and legal compliance for the reasons set out above which mean that I recommend non-adoption of it as submitted, in accordance with**

Section 20(7A) of the Act. These deficiencies have been explored in the Main Issues and Legal Compliance sections set out above.

47. The Council has requested that I recommend main modifications to make the Plan sound and legally compliant and capable of adoption. I conclude that with the recommended main modifications set out in the Appendix the Tiptree Jam Factory Plan satisfies the requirements of Section 20(5) of the 2004 Act and meets the criteria for soundness in the National Planning Policy Framework.

David Vickery

Inspector

This report is accompanied by the Appendix containing the Main Modifications

Appendix – Main Modifications

The modifications below are expressed either in the conventional form of ~~strikethrough~~ for deletions and underlining for additions of text, or by specifying the modification in words in *italics*.

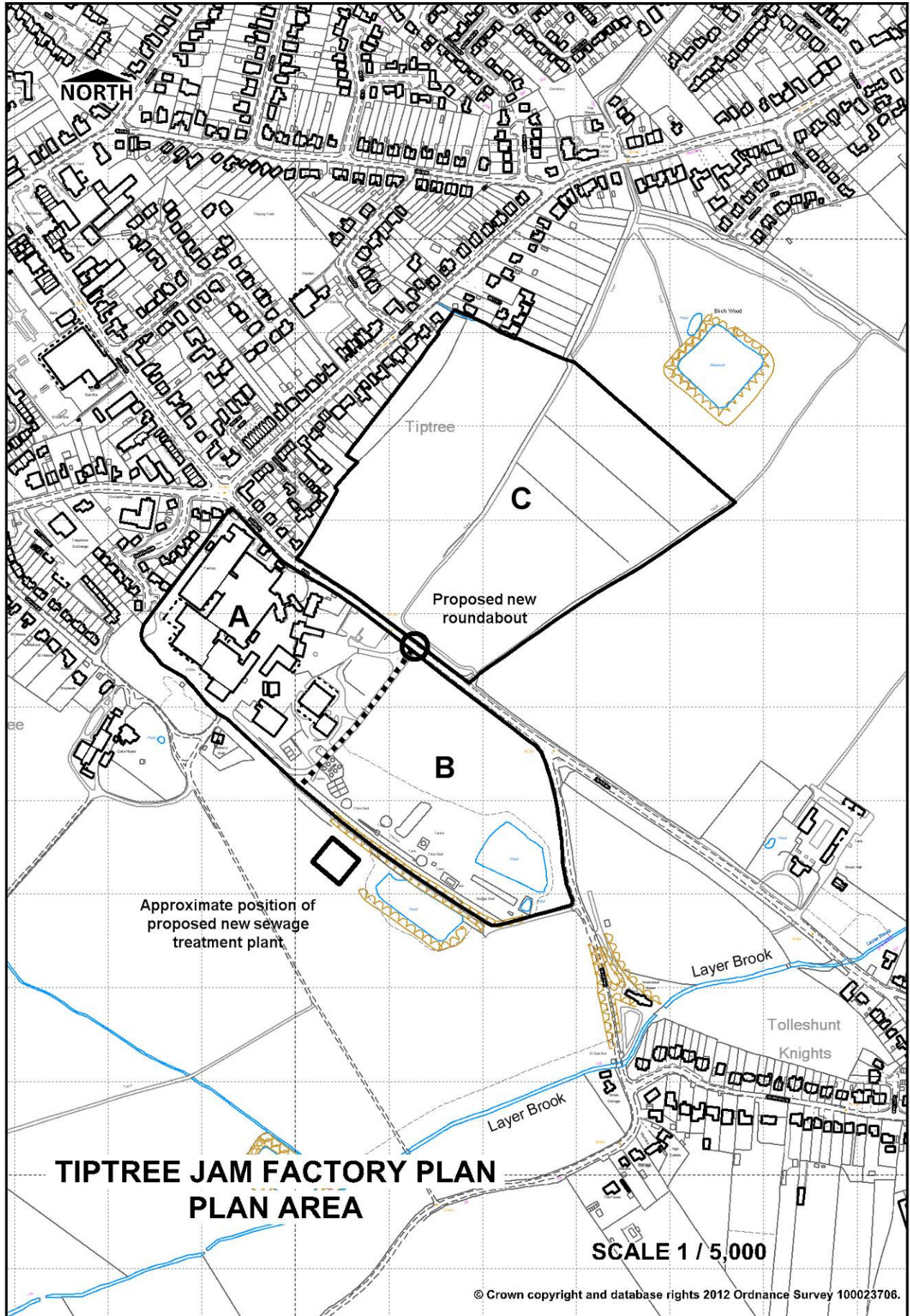
The page numbers and paragraph numbering below refer to the submission Plan, and do not take account of the deletion or addition of text. They do not include any minor changes (“additional modifications”) that might be proposed by the Council on adoption.

Mod	Page	Policy/ Paragraph	Main Modification
MM4	5	6.1	1. To identify sites for residential development which enable the provision of <u>commencement of a significant start on a new Jam Factory in Tiptree in by 2014</u>
MM5	6	6.2	<i>Insert at end:</i> <u>10. To promote the highest practicable standard of resource and energy efficiency in new developments</u> <u>11. To provide clear guidance for developers about adapting to or mitigating the harmful impacts of climate change</u>
MM5	7	7.8	<i>Insert after paragraph 7.8:</i> <u>7.9 Proposals for development within the plan area should be built to the highest possible standards of sustainable design and construction and should be in accordance with Core Strategy Policy ER1 relating to energy, resources, waste, water and recycling and with paragraphs 95, 96 and 97 of the National Planning Policy Framework. The proposals should also take into account the guidance set out in the Colchester Sustainable Design and Construction Supplementary Planning Document which will be a material consideration in making decisions on planning applications within the plan area.</u> <u>7.10 New development in the plan area should:</u> <ul style="list-style-type: none"> • <u>Be built to a minimum of Code for Sustainable Homes level 3 and BREEAM very good,</u> • <u>Minimise energy use in building design and construction to minimize climate change,</u> • <u>Conserve water,</u> • <u>Avoid waste,</u> • <u>Protect and enhance biodiversity,</u> • <u>Minimise flood risk.</u> <u>7.11 Planning applications should include a statement on the potential implications of the development on sustainable design and construction. The statement should address demolition, construction and long term management.</u> <u>7.12 An assessment of energy demand and carbon dioxide emissions of proposed major development will be required to</u>

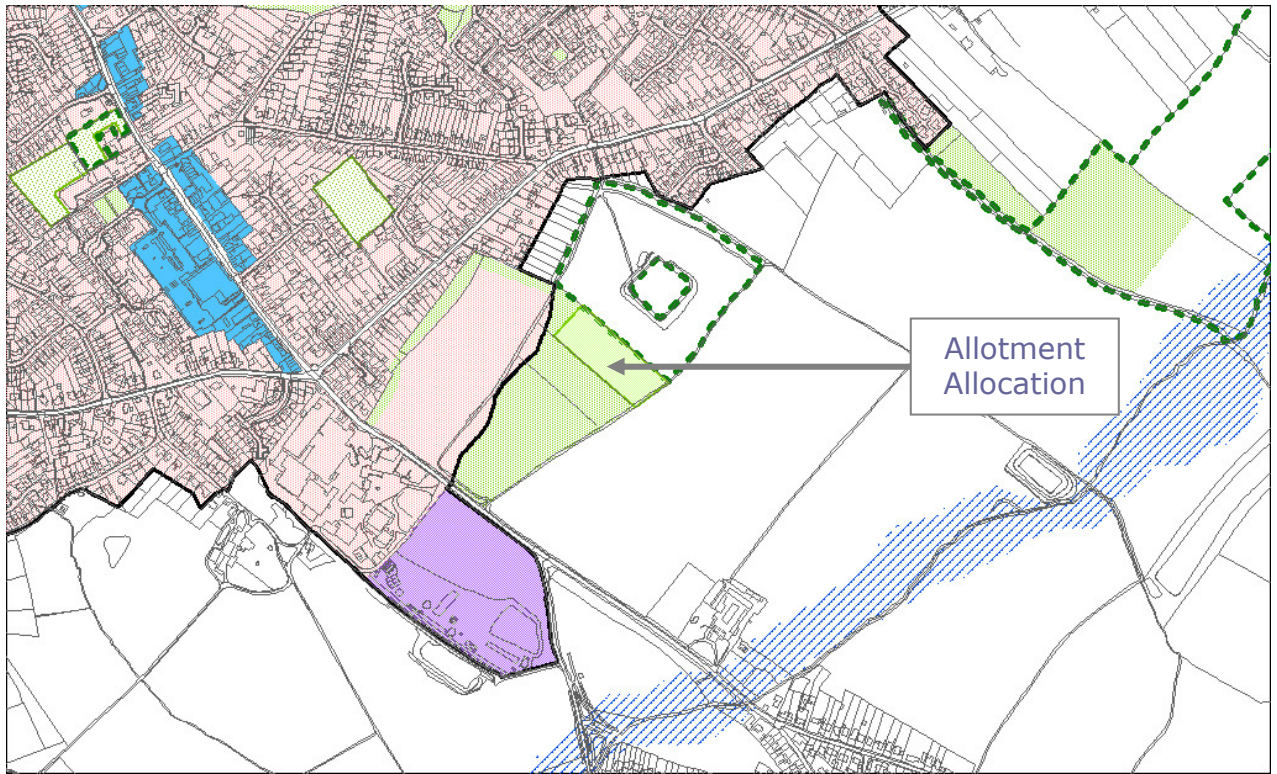
Mod	Page	Policy/ Paragraph	Main Modification
			<u>explain the steps taken to reduce the energy needs of the development, to supply energy efficiently and make use of renewable energy. The feasibility of a combined Heat and Power system should be investigated.</u>
MM7	10	Table 1	<i>Under 'Primary School Improvements' in the 'Further Considerations' column insert:</i> <u>Contingent on demonstration of capacity and/or accommodation requirements</u>
MM8	10	Table 1	<i>In the 'Infrastructure' column:</i> Provision of open space <u>including children's play areas, allotments and ancillary car parking</u>
MM9	10	Table 1	<i>Add new row at the bottom of Table 1:</i> <i>Infrastructure column:</i> <u>Provision free of charge of Factory Hall for use as a Youth Club</u> <i>Provider column:</i> <u>Developer</u> <i>Timing column:</i> <u>Prior to residential development on the former factory site</u>
MM11	11	12.6	<i>Insert after paragraph 12.6:</i> <u>12.7 The Plan provides a framework within which planning applications for development within the plan area can be considered. It will be for Wilkin and Sons to bring forward planning applications to set out the details of the proposals and subsequently to implement the development. The Council will monitor the progress of the development through its normal processes and will report this in its Annual Monitoring Report.</u>
MM10 MM6 MM12 MM3	11	TJF 1	... between the new factory site <u>development</u> and Tolleshunt Knights. A site for a new sewage treatment works is allocated <u>will be provided</u> to the west of the new factory site. ... items mentioned in Table 1 above. <u>The total area of open space proposed in the plan will be expected to be provided in full to meet new community needs in Tiptree and to alleviate visitor pressure on Abberton Reservoir.</u> The provision of affordable housing ... The allocation of land to the north of Factory Hill for residential development is solely to enable the development of the new Jam Factory on the allocated site and <u>that residential development will not be permitted to proceed without there being a commitment to the construction of the new factory therefore not be permitted to proceed without the relevant landowner(s) first entering into a legal agreement with the Council to ensure that no residential development can be commenced without a contract being entered into for the construction of the factory and an operational start being made in respect of the factory in accordance with Section 56 of the Town and Country Planning Act 1990.</u>
MM1	11		<i>After policy TJF 1 insert new paragraph:</i> <u>12.8 The National Planning Policy Framework requires local authorities to include a model policy within Local Plans to</u>

Mod	Page	Policy/ Paragraph	Main Modification
			<u>demonstrate that the presumption in favour of sustainable development has been taken into account.</u>
MM1	11		<p><i>After policy TJF 1 and new paragraph above, insert new policy:</i></p> <p><u>When considering development proposals the Council will take a positive approach that reflects the presumption in favour of sustainable development contained in the National Planning Policy Framework. It will always work proactively with applicants jointly to find solutions which mean that applications can be approved wherever possible and to secure development that improves the economic, social and environmental conditions in the area.</u></p> <p><u>Planning applications that accord with the policies in this Local Plan (and, where relevant, with policies in neighbourhood plans) will be approved without delay unless material considerations indicate otherwise.</u></p> <p><u>Where there are no policies relevant to the application or relevant policies are out of date at the time of making the decision then the Council will grant permission unless material considerations indicate otherwise – taking account whether:</u></p> <ul style="list-style-type: none"> - <u>Any adverse impacts of granting permission would significantly and demonstrably outweigh the benefits, when assessed against the policies in the National Planning Policy Framework taken as a whole: or</u> - <u>Specific policies in that Framework indicate that development should be restricted.</u>
MM2		Appendix A	<i>Amend the map in Appendix A to show the correct area covered by the plan as indicated after this table.</i>
		Policies Map	<i>Amend the Policies Map to alter the settlement boundary (black line) to exclude the open space allocations and to show the allocation of allotment land, as indicated in the plan after this table.</i>

Appendix A Plan (not to stated scale)



Policies Map



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TIPTREE JAM FACTORY PLAN

Adopted February 2013

TIPTREE JAM FACTORY PLAN

1. Introduction to Plan

- 1.1 This Plan has been prepared to review the planning policy for the Tiptree Jam Factory and adjoining land. It provides a policy framework in which planning applications for the area can be considered. It has been prepared in response to a particular local need to enable Wilkin and Sons to build a new factory in Tiptree.
- 1.2 The national planning policy context changed over the course of plan development. Initial work on the plan was carried out further to the provisions of the Town and Country Planning (Local Development) (England) (Amendment) Regulations 2004 as amended in 2008. The final stages were governed by the 2012 amendments to the Regulations issued in April 2012 and which replaced Local Development Frameworks with Local Plans. The adopted plan is part of the Colchester Borough Council Local Plan. Consultation on the plan included initial consultation by Wilkin and Sons in summer 2011 followed by formal consultation by Colchester Borough Council in Nov 2011-Jan 2012 and April-May 2012.

2. Background

- 2.1 The Tiptree Jam Factory is owned by Wilkin and Sons. The Wilkin family have farmed in the area for nearly 300 years and have been producing Tiptree preserves since 1885. Since production began in Tiptree the factory has been continually added to and refurbished. Today parts of it are over 100 years old and it has been increasingly challenging to make jam efficiently and to maintain the buildings to meet ever-more demanding food standards. A new factory is critical to enable the company to maintain its market position and to grow. The company has a long association with Tiptree and is a significant employer in the village. The company currently provides 270 full-time and 125 part-time jobs with about 80% of staff living in Tiptree and a further 10% within a distance of 10 miles. The labour force is expected to grow to 500 by 2030. The company farms about 320 hectares (800 acres) of land around Tiptree. Because of the strong links with the local area the company's preference is to build a new factory in Tiptree on land to the south-east of the existing factory. However because Wilkin and Sons has calculated that the costs of building a new factory in Tiptree exceed those of converting an existing building elsewhere in the County, they intend to part-fund factory construction with the development of new housing on the existing factory site and on land to the north of Factory Hill. This Plan therefore deals with the planning policy issues relating to the new factory and the associated housing development that is required to support it.

3. Location and Area Covered

- 3.1 Tiptree is located about 10 miles south-east of Colchester in north Essex. It is bisected by the B1022 Colchester to Maldon road and the B1023 Kelvedon to Tollesbury Road. It lies about 3 miles to the east of the A12 trunk road with access to it via junctions at Kelvedon, Feering and Rivenhall End. The nearest railway station is at Kelvedon, about 4 miles away.
- 3.2 The Tiptree Jam Factory is located to the south-east of the village on the south side of Factory Hill. This plan covers the existing factory site (Area A), land to the south-east of it extending to Tudwick Road (Area B) and land to the north of Factory Hill and east of Quince Court and Chapel Road (Area C). The map is attached as Appendix A.

4. Policy Context

- 4.1 The most relevant planning policy for the plan area is set out in national planning policy and in the Council's adopted planning documents. This DPD should be read alongside the other documents within Colchester's adopted Local Development Framework, which include the Core Strategy, Site Allocations and Development Policies DPDs, Proposals Map and Supplementary Planning Documents. Policies and allocations within these documents provide further guidance on policy for the area.
- 4.2 The Colchester Core Strategy adopted in 2008 identifies Tiptree as one of the main district settlements in the Borough which provide an important range of shopping, services and facilities to the surrounding hinterland and are expected to be the focus of limited new development. The Core Strategy therefore provides for a minimum of 680 new homes to be developed in Tiptree in the plan period to 2023 of which approximately 500 had been developed or permitted in 2006.
- 4.3 The Colchester Site Allocations Document adopted in 2010 provides for an additional allocation for housing and open space in Grange Road, Tiptree to meet the housing requirement identified in the Core Strategy. The existing Tiptree Jam Factory site is allocated as an employment policy area together with land to the south-east of it extending to Tudwick Road. The village settlement boundary bisects the existing factory site. The land to the north of Factory Hill is shown as countryside outside of the settlement boundary.
- 4.4 Wilkin and Son submitted a request for allocation of a greenfield site for housing during the initial Regulation 25 stage of consultation on the Site Allocations, but did not submit any supporting evidence concerning the requirement for enabling development. The council accordingly drafted its allocations for Tiptree on the basis of housing targets for Tiptree and Sustainability Appraisal work. Wilkin and Sons submitted

further evidence on the requirements for enabling development at the Regulation 27 submission stage for a smaller residential scheme. By this stage, however, the Council had produced what it considered to be a 'sound' plan and was not in a position to alter allocations unless this was required to make the overall document sound. Debate at the examination on Tiptree was focused on the level of new allocations it required, and the Inspector's conclusions reflect the view that the Council had made an appropriate allocation reflecting housing requirements and the findings of the Sustainability Appraisal. It is accordingly considered that while the Site Allocations DPD development process addressed the requirements of matching allocations to minimum housing targets for Tiptree, it did not address the detailed circumstances supporting enabling development for Wilkin and Sons.

- 4.5 At the national level the most relevant guidance is set out in the Plan for Growth, the National Planning Policy Framework and the provisions of the Localism Act. It is not the role of LDF documents to repeat policies set out in Government guidance but this Plan is consistent with the policies to promote sustainable housing and economic growth as set out in the aforementioned documents.
- 4.6 Government policy provides a context in which additional development in Tiptree can be considered. In his statement dated 23rd March 2011 the Minister of State for Decentralisation urged local authorities to make every effort to identify and meet the housing, business and other development needs of their areas and respond positively to wider opportunities for growth. This statement was in response to the Government's Plan for Growth which required local authorities to put in place development plans that are pro-growth. The National Planning Policy Framework published on 27 March 2012 seeks to boost significantly the delivery of new homes. It states that the housing supply in authorities with good delivery rates should include an additional allowance of 5% to ensure choice and competition for the market for land. At the same time the Localism Act is introducing a new type of development plan, the neighbourhood plan, which enables local communities and businesses to bring forward proposals for development in their areas, which as a minimum must meet Core Strategy requirements but can provide for additional development if there is local community support. This Plan is therefore being prepared in the context of new Government policy to provide for additional housing development in Tiptree to secure the retention and growth of a significant local employer.
- 4.7 The Plan is consistent with Colchester's Community Strategy approved in 2007 in which the vision for 2020 and beyond includes the Borough being renowned for sustainable economic growth.

5. Spatial Portrait of Tiptree

- 5.1 Tiptree is the largest village in Colchester Borough with a population of 7,516 at the time of the 2001 Census and is now estimated to have grown to 9,206. (CBC estimates) There are two main employment areas in the village at the Tower Business Park off Kelvedon Road and the Tiptree Jam Factory at Factory Hill. The 2001 Census indicates 3,700 work trips from Tiptree ward of which 23% remain in the ward with 12% and 11% respectively going to the adjoining Districts of Braintree and Maldon. There is a range of shops and services, mostly concentrated along Church Street, which serve the village and surrounding area. The village has four primary schools and a secondary school, which incorporates a sixth-form. The village is served by two main bus routes, the 75 between Maldon and Colchester and the 91 between Witham and Tollesbury. National Cycleway Network Route 1 between London and Ipswich passes through the village. Further residential development in Tiptree will add to demand for infrastructure, and Table 6d of the Core Strategy highlights that expansion of primary school facilities; sports pitches and allotments; and further Health Centre facilities would be expected to be delivered in the period to 2021.

6. Vision

Retention and expansion of Wilkin and Sons in Tiptree will promote the sustainable co-location of jobs and houses thereby minimising traffic impacts; support the community through the provision of open space and community facilities; and add to the stock of well-designed and sustainably constructed housing in Tiptree.

- 6.1 The aim of the Plan is to provide a planning framework which enables a new Jam Factory to be constructed in Tiptree, along with additional residential development.
- 6.2 The objectives of the Plan are:
1. To identify sites for residential development which enable the commencement of a significant start on a new Jam Factory in Tiptree by 2014
 2. To maintain a balance between housing and employment
 3. To provide a variety of house types, tenures and sizes within the development
 4. To promote high quality design and layout
 5. To promote active and healthy lifestyles
 6. To provide high quality open space

7. To support and promote the growth of tourism
8. To protect and enhance the natural and historic environment
9. To facilitate the provision of the necessary community facilities and infrastructure to support the new development
10. To promote the highest practicable standard of resource and energy efficiency in new developments
11. To provide clear guidance for developers about adapting to or mitigating the harmful impacts of climate change

7. Planning Considerations

- 7.1 Part of the area covered by this Plan is already allocated as an employment policy area by the Site Allocations Document adopted in 2010. The main planning issues therefore relate to the redevelopment of the existing factory site and the greenfield land to the north of Factory Hill.
- 7.2 The primary justification for development of the greenfield land is that its development for residential purposes is required as enabling development to help fund construction of a new factory within Tiptree to avoid the need to relocate the business elsewhere. Wilkin and Sons have accordingly submitted viability information to substantiate the costs involved in constructing a new factory and the revenue anticipated from use of the company's land for residential development. This information has established a general case for enabling development, but it is appreciated that changing financial circumstances could change the detailed figures and alter Wilkin and Sons preferred course of action. Accordingly, approval for greenfield development needs to be clearly tied to construction of the factory to ensure that residential construction does not occur on its own leading to an unsustainable pattern of out-commuting and the loss of local jobs.
- 7.3 Parts of the existing factory are over 100 years old and the land has been subject to industrial processes for that period. There are therefore potential issues relating to contamination that will need to be addressed as part of any redevelopment. The existing factory site also has heritage interest with Trewlands Farmhouse and the adjacent wall being listed as Grade 2. These heritage assets will need to be protected and enhanced as part of any development proposal.
- 7.4 In terms of landscape setting and capacity the area was assessed by the Landscape Capacity Study of Settlement Fringes in 2005. The plan area fell within Landscape Setting Area 2 of the Tiptree fringes and was identified as having moderate landscape value and sensitivity and with limited capacity for development. The Site Allocations DPD allocated land for a new factory outside the Tiptree settlement boundary which reduced the extent of separation between Tolleshunt

Knights and Tiptree. Proposed factory schemes address this issue through the use of design and landscape measures and these will need to be confirmed through the planning application process.

- 7.5 Although the Tiptree sewage works has some capacity to accommodate new residential development Anglian Water has established that the sewerage network is in need of improvement. Alternative treatment facilities will therefore be required as part of any development of the plan area.
- 7.6 The plan area is accessible to the main built-up area of Tiptree by foot and cycle. The site is also accessible to the bus services that run through Tiptree with bus stops being located on both sides of Church Road just north of the junction with Factory Hill and Station Road. A transport assessment has indicated that development of the plan area can be accessed via a new roundabout junction to Factory Hill and that the traffic generated from the development of the plan area can be accommodated on the local road network with minor improvements.
- 7.7 Birch Wood, located within the plan area, is identified as an Essex Wildlife Site. The ground flora in the wood is suffering from recreational pressure and dense shading with large areas of bare and trampled ground, while in addition the understory is lacking in structure. A management plan will be required for the woodland to show how these issues can be addressed.
- 7.8 The Health Impact Assessment submitted as part of the Evidence Base for the plan has indicated capacity problems for health care provision in Tiptree. The proposal will accordingly be required to address this issue through contributions to be agreed toward the provision of premises and/or land for new healthcare floorspace.
- 7.9 Proposals for development within the plan area should be built to the highest possible standards of sustainable design and construction and should be in accordance with Core Strategy Policy ER1 relating to energy, resources, waste, water and recycling and with paragraphs 95, 96 and 97 of the National Planning Policy Framework. The proposals should also take into account the guidance set out in the Colchester Sustainable Design and Construction which will be a material consideration in making decisions on planning application within the plan area.
- 7.10 New development in the plan area should:
- Be built to a minimum of Code for Sustainable Homes level 3 and BREEAM very good,
 - Minimise energy use in building design and construction to minimize climate change,
 - Conserve water,
 - Avoid waste,
 - Protect and enhance biodiversity,

- Minimise flood risk.

- 7.11 Planning applications should include a statement on the potential implications of the development on sustainable design and construction. The statement should address demolition, construction and long term management.
- 7.12 An assessment of energy demand and carbon dioxide emissions of proposed major development will be required to explain the steps taken to reduce the energy needs of the development, to supply energy efficiently and make use of renewable energy. The feasibility of a combined Heat and Power system should be investigated.

8. Evidence Base

- 8.1 The Plan is supported by a range of specialist studies and reports which are published separately. These include:
- A Transport Assessment
 - Contamination Reports
 - Ecological Assessment
 - Flood Risk Assessment
 - Tree Survey
 - Drainage Strategy
 - Financial Viability Assessment
 - Health Impact Assessment
 - Landscape Strategy.

9. Options Considered

- 9.1 As part of the preparation of this plan 4 options have been considered and have been the subject of consultation. These are:
- Option 1: No change
 - Option 2: Development of a new factory in accordance with the Adopted Site Allocations DPD
 - Option 3: Visitor Centre and Thursday Cottage retained, main factory moved out of Tiptree
 - Option 4: Redevelopment of the existing factory site for residential purposes, residential development on land to the north of Factory Hill, development of new factory to the south of the existing factory.
- 9.2 Following consultation on the options in 2011 and early 2012 the Council has selected Option 4 as the preferred option and this forms the basis of the proposals within this Plan.
- 9.3 The Proposals include:
- The redevelopment of the existing factory site for housing

- The residential development of land to the north of Factory Hill
- Public open space on land to the north of Factory Hill
- A new factory on land to the south of the existing factory on the employment site allocated in the Adopted Site Allocations Document

10. Sustainability Appraisal

- 10.1 A sustainability appraisal has been carried out of the Plan proposals and the options considered. This has been published separately. The conclusion of the appraisal in respect of the Plan proposals is:

“This option has positive impacts as a result of the retention of the factory in Tiptree but there are negative impacts as a result of the loss of greenfield land and the impact on Birch Wood. Wilkin and Sons is an important part of Tiptree’s culture and heritage and the loss of the factory would bring many adverse effects to the character and economy of Tiptree. This has been recognised by the adopted Site Allocations Document which allocates a site for a new factory to the south of the existing factory. The additional impact of this option therefore relates to the land to the north of Factory Hill. This option will require measures to mitigate the impact on Birch Wood.”

11. Consultation

- 11.1 The proposals included in this Plan have been the subject of extensive consultation between July 2011 and November 2012. A separate report setting out the details of the consultation and the responses supports this Plan.
- 11.2 In July 2011 Wilkin and Sons carried out its own consultation on the options. This included a local public exhibition, a facebook page and consultation with other organisations. In general terms some 98% of the 1475 responses received following the exhibition in Tiptree in July 2011 supported the development of new housing on land to the north of Factory Hill to enable the factory to remain in Tiptree. Details of the proposed scheme were amended in response to this consultation including the nature of the open space to be provided, the design of the new housing and the proposed style of the new factory.
- 11.3 At its 2 November 2011 meeting, the Council’s Local Development Framework Committee agreed that the Wilkin and Sons’ proposals could best be addressed through preparation of a development plan. Accordingly, consultation on the options under regulation 25 of the Town and Country Planning (Town and Country Planning) (Amendment) Regulations 2008 was carried out by the Council between November 2011 and January 2012. This included two local drop-in sessions and meetings with Tiptree and Tolleshunt Knights Parish Councils and Maldon District Council and with the consultation

material being available on the Council's website. 265 responses were received with 59.2% expressing a preference for Option 4.

11.4 The main issues raised during the consultation were:

- traffic impact on the local and wider road network, with access to the A12 through Feering and Kelvedon being a particular issue
- the impact on local services and facilities, particularly schools, doctors and dentists
- visual impact and impact on the countryside, particularly in the gap between the plan area and Tolleshunt Knights
- the impact on Birch Wood, which is a designated wildlife site.

11.5 Consultation on the Submission version of the Tiptree Jam Factory Plan ran from 2nd April 2012 to 11th May 2012. A total of 275 responses were received to the consultation. Of these 225 considered the Draft Submission Plan to be compliant/sound and 50 responses considered the Plan not to be compliant or sound. The submission document and all representations made were then submitted to the Planning Inspectorate in May 2012 for public examination in September 2012.

12. The Plan Proposals

12.1 The Council's Core Strategy promotes sustainable development to deliver jobs and houses subject to considerations of impact and capacity. It provides for the development of 680 housing units over the period 2001-2021, but these are minimum figures. Government policy encourages the development of additional housing beyond minimum levels, particularly when it has local support. In this instance, the Council considers that background work has demonstrated the sustainability, viability and deliverability of the proposal along with the provision of satisfactory mitigation for identified impacts and high levels of community support.

12.2 This Plan therefore proposes the allocation of land as set out in Option 4 above. This includes:

- The redevelopment of the existing factory site for housing
- The residential development of land to the north of Factory Hill
- Public open space on land to the north of Factory Hill
- A new factory on land to the south of the existing factory on the employment site allocated in the Adopted Site Allocations Document. This allocation will supersede that shown in the Site Allocations Document reducing the employment use from 8.95 ha to 4.52 ha.

12.3 The indicative number of dwelling units to be provided for the two residential sites is 250. This reflects the site's location at the edge of the village adjacent to the countryside which precludes development at a higher density.

- 12.4 These allocations will be shown on the Proposals Map.
- 12.5 However in order to mitigate the social and environmental impact of the proposals there will be a need for the development to be accompanied by improvements to infrastructure and social and community facilities as set out in the Table below.

Table 1
Tiptree Jam Factory Plan – Infrastructure Improvements

Infrastructure	Provider	Timing	Further considerations
Provision of new roundabout on Factory Hill, footpath and cycleway improvements	Developer	Prior to construction of new factory and residential development	
Junction improvements at Factory Hill/Church Road/Station Road	Developer	Prior to occupation of new factory and residential development	
Primary School Improvements	ECC	To be determined	Contingent on demonstration of capacity and/or accommodation requirements
Improvements to Tiptree Health Centre	PCT	To be determined	
Additional Dentists Surgery	PCT	To be determined	Wilkin and Sons to provide land
Off-site planting and landscaping	Developer	Prior to completion of development	Maintenance to be secured through planning conditions
Provision of open space including children's play areas, allotments and ancillary car parking	Developer	Prior to completion of development	Management plan for Birch Wood required Maintenance to be secured through planning

Infrastructure	Provider	Timing	Further considerations
			conditions
Provision free of charge of Factory Hall for use as a Youth Club	Developer	Prior to residential development on the former factory site	

- 12.6 The developer will be required to make appropriate contributions to the improvement of the social and community facilities to be determined through section 106 agreements for the planning applications in accordance with Policy SD2 of the adopted Core Strategy.
- 12.7 The Plan provides a framework within which planning applications for development within the plan area can be considered. It will be for Wilkin and Sons to bring forward planning applications to set out the details of the proposals and subsequently to implement the development. The Council will monitor the progress of the development through its normal processes and will report this in its Annual Monitoring Report.

Policy TJF 1

The existing Tiptree Jam Factory Site and land to the north of Factory Hill, Tiptree is allocated for residential development to enable the development of a new Jam Factory on a site to the south of the existing Jam Factory. A site is also allocated for 4.5 hectares of open space on land to the north of Factory Hill. A buffer strip will be required between Chapel Road/Quince Court/Wood View and the new housing. Design and landscaping features will be needed to maintain separation between the new development and Tolleshunt Knights. A site for a new sewage treatment works will be provided to the west of the new factory site. The development will be required to contribute to infrastructure provision in accordance with the Councils adopted policies. This includes community infrastructure and open space and may include those items mentioned in Table 1 above. The total area of open space proposed in the plan will be expected to be provided in full to meet new community needs in Tiptree and to alleviate visitor pressure on Abberton Reservoir. The provision of affordable housing will reflect the importance of increasing the supply of affordable housing as covered in Core Strategy Policy H4 (Affordable Housing) balanced against viability considerations arising from enabling development. The allocation of land to the north of Factory Hill for residential development is solely to enable the development of the new Jam Factory on the allocated site and will therefore not be permitted to proceed without the relevant landowner(s) first entering into a legal

agreement with the Council to ensure that no residential development can be commenced without a contract being entered into for the construction of the factory and an operational start being made in accordance with Section 56 of the Town and Country Planning Act 1990.

- 12.8 The National Planning Policy Framework requires local authorities to include a model policy within Local Plans to demonstrate that the presumption in favour of sustainable development has been taken into account.

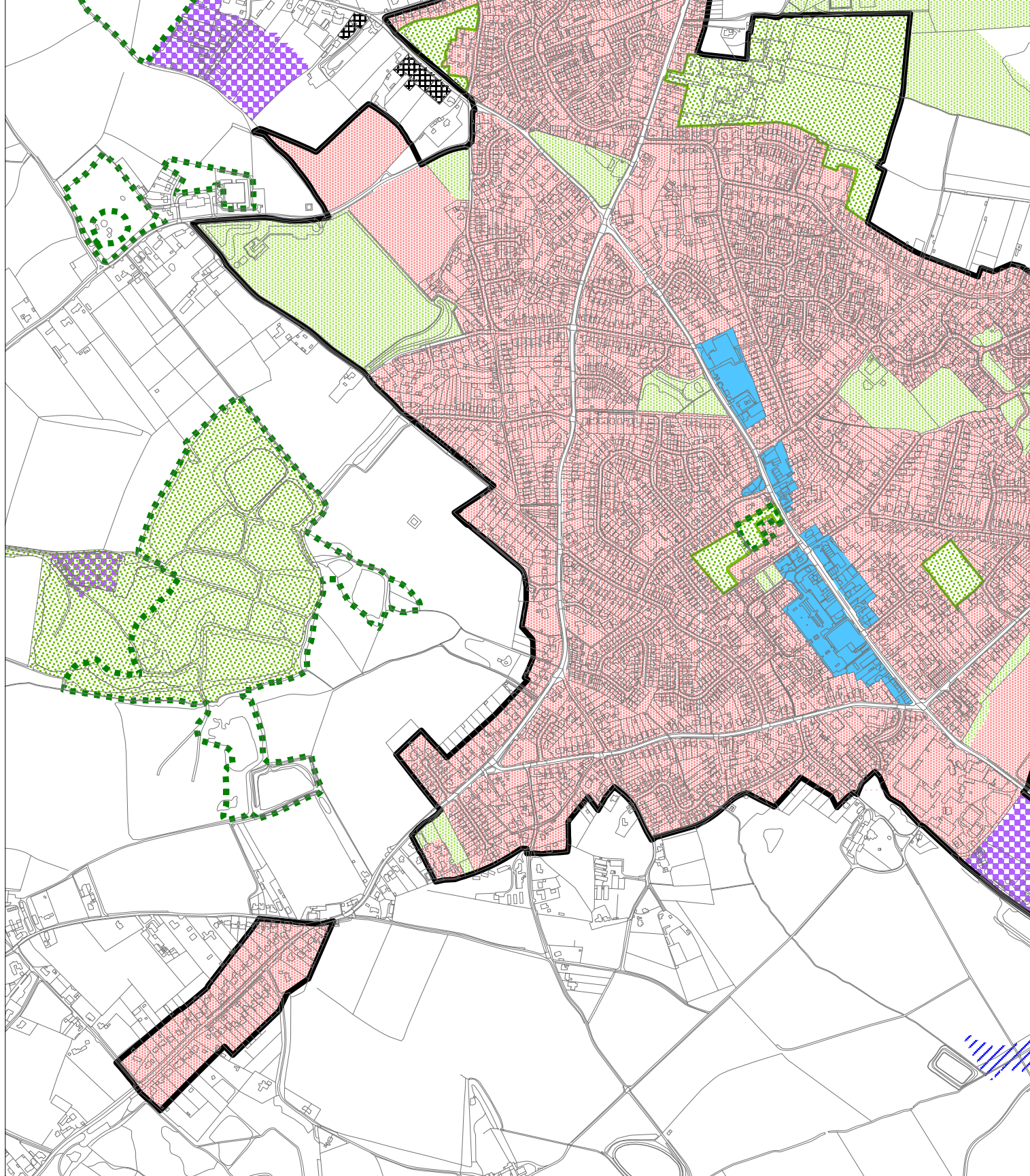
Policy TJF2

When considering development proposals the Council will take a positive approach that reflects the presumption in favour of sustainable development contained in the National Planning Policy Framework. It will always work proactively with applicants jointly to find solutions which mean that applications can be approved wherever possible and to secure development that improves the economic, social and environmental conditions in the area.

Planning applications that accord with the policies in this Local Plan (and, where relevant, with policies in neighbourhood plans) will be approved without delay unless material considerations indicate otherwise.

Where there are no policies relevant to the application or relevant policies are out of date at the time of making the decision then the Council will grant permission unless material considerations indicate otherwise – taking account whether:

- Any adverse impacts of granting permission would significantly and demonstrably outweigh the benefits, when assessed against the policies in the National Planning Policy Framework taken as a whole: or**
- Specific policies in that Framework indicate that development should be restricted.**












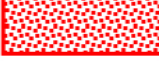






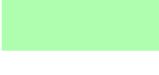






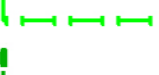



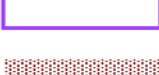











Colchester Borough Council Local Plan

**TIPTREE INSET
POLICIES MAP**

DECEMBER 2012

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	MIXED USE REDEVELOPMENT		CULTURAL FACILITIES
	MIXED USE		WEST MERSEA WATER AREA OF SPECIAL CONCERN
	INNER CORE		HISTORIC PARKS AND LANDSCAPE
	OUTER CORE		COLCHESTER LOCAL LANDSCAPE
	NEIGHBOURHOOD CENTRES		SITES OF SPECIAL SCIENTIFIC INTEREST
	RURAL DISTRICT CENTRES		REGIONALLY IMPORTANT (AND GEOMORPHOLOGICAL)
	URBAN DISTRICT CENTRES		RAMSAR
	CAR PARKS		COASTAL PROTECTED LANDSCAPE
	PARK AND RIDE PLUS SERVICE STATION		SPECIAL AREAS OF SCIENTIFIC INTEREST
	OPEN SPACE		SPECIAL PROTECTION CONSERVATION AREA
	PRIVATE OPEN SPACE		AREA OF OUTSTANDING LANDSCAPE VALUE
	CEMETERIES		RIVERSIDE WALKS
	ALLOTMENTS		PROTECTED LANES
	UNIVERSITY PURPOSES		GREEN LINKS
	COMMUNITY STADIUM		CONSERVATION AREA
	CARAVAN PARKS		LOCAL NATURE RESERVE
	GYPSY AND TRAVELLER ALLOCATIONS		CBC SCHEDULED MONUMENTS
	TRANSIT CORRIDOR		ENVIRONMENT AGENCY FLOOD ZONE
	ROAD IMPROVEMENT		COLCHESTER BOROUGH BOUNDARY
	JUNCTION 28 (A12)		

