

# The Council Meeting

Council Chamber, Town Hall  
16 February 2011 at 6.00pm

# Information for Members of the Public

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## Have Your Say!

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# COLCHESTER BOROUGH COUNCIL

**TO ALL MEMBERS OF THE COUNCIL**

16 February 2011

You are hereby summoned to attend a meeting of the Council to be held at the Council Chamber, Town Hall on **16 February 2011 at 6:00pm** for the transaction of the business stated below.



**Chief Executive**

## AGENDA

### **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 - 10**

A... Motion that the minutes of the meetings held on 9 December 2010 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. Personal Interests of Members**

Disclosures by Members under Council Procedure Rule 9(3) to 9(9) (if any).

### **6. Prejudicial Interests of Members**

Disclosures by Members under Council Procedure Rules 9(10) and 9(11) (if any).

(Note: Members should only declare personal and/or prejudicial interests on items that are to be considered at the meeting).

### **7. 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.

### **8. Recommendations of the Cabinet, Panels and Committees**

#### **i. 2011/12 Revenue Budget and Medium Term Financial Forecast**

**11 - 28**

B...Motion that the recommendations contained in minute 52 of the Cabinet meeting of 26 January 2011 and the recommendations contained in the Head of Resource Management's report entitled Precept and Council Tax Levels 2011/12 be approved and adopted.

The following amendment to this Motion has been proposed by Councillor Bentley:-

Motion that the recommendations contained in minute 52 of the Cabinet meeting of 26 January 2011 and the recommendations contained in the Head of Resource Management's report entitled

Precept and Council Tax Levels 2011/12 be approved and adopted subject to:

(i) In Appendix C to the Head of Resource Management's report the figure for the reduction in parish grants be amended to £50,000 so that the diminution of grant to third tier Councils broadly matches that of Colchester Borough Council over a 3-year period, and consequently;

(ii) The addition of the following text to Appendix C to the Head of Resource Management's report:-

"that this be financed by a corresponding £50,000 adjustment to the budget by transferring Colchester Borough Council responsibility for support of Neighbourhood Action Panels and associated functions in parished areas to the Parish/Town Councils".

(iii) The addition of the following text to Appendix G to the Head of Resource Management's report (Medium Term Financial Forecast) :-

"a reduction in Colchester Borough Council headcount of 100 per year in each of the next 3 years, by means of reducing the number of management layers, transferring operations along with their personnel to trusts or independent companies, and efficiency reviews", and consequently:-

(iv) Table 1 of the Medium Term Financial Forecast be adjusted to show additional saving in successive years, starting from 2012/13, of £2.5m, £5.0m and £7.5m respectively.

ii. Revised Whistleblowing Policy

**29 - 36**

C... Motion that the recommendation contained in minute 55 of the Cabinet meeting of 26 January 2011 be approved and adopted.

iii. Statement of Licensing Policy

**37**

D... Motion that the recommendation contained in minute 15 of the Licensing Committee's meeting of 12 January 2011 be approved and adopted.

**9. Braintree District Council and Colchester Borough Council Shared Management Arrangements - Issues and Challenges**

**38 - 84**

E... Motion that the recommendations contained in the Chief

Executive's report be approved and adopted.

#### **10. Notices of Motion pursuant to Council Procedure Rule 11**

At the time of the publication of this Summons, no such Motions had been received

#### **11. 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 Cook**

To the Portfolio Holder for Communities:-

“During the winter months across Colchester irresponsible drivers are parking their vehicles on council owned grass verges and greenswards causing, or contributing to, considerable damage to the greens.

As this is an offence of “criminal damage” to council property, what action against the offending culprit will the officers and portfolio holder take to recover the cost of repair of the damage that they have caused, providing that:-

(a) The offending vehicle and its registration number, having parked on the damaged area can be recorded by photographic evidence and presented to the council for action by a member of the public?

(b) From this photographic evidence the owner and/or driver of the offending vehicle can be traced and identified then presented with the damage recovery cost, to be paid in full.

Or will this Council and Essex County council continue as in the past to use tax payer's money to repair such damage at no cost to the offender?"

**12. Schedules of Decisions taken by Portfolio Holders**

**85 - 89**

To note schedules covering the period 27 November 2010 - 31 January 2011.

**13. 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.

**14. Reports Referred to in Recommendations**

**90 - 144**

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

Report to Cabinet 26 January 2011: 2011-12 Revenue Budget and Medium Term Financial Forecast

Report to Licensing Committee 2 January 2011: Statement of Licensing Policy

**15. 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

## 9 DECEMBER 2010

*Present :-* Councillor Sonia Lewis (the Mayor) (Chairman)  
Councillor Helen Chuah (Deputy Mayor)  
Councillors Christopher Arnold, Nick Barlow,  
Lyn Barton, Kevin Bentley, Mary Blandon,  
Elizabeth Blundell, John Bouckley, Nigel Chapman,  
Peter Chillingworth, Barrie Cook, Nick Cope, Mark Cory,  
Tina Dopson, John Elliott, Andrew Ellis,  
Margaret Fairley-Crowe, Margaret Fisher,  
Stephen Ford, Wyn Foster, Bill Frame, Ray Gamble,  
Christopher Garnett, Martin Goss, Scott Greenhill,  
Dave Harris, Pauline Hazell, Peter Higgins,  
Theresa Higgins, Mike Hogg, Martin Hunt (Deputy  
Leader ) , John Jowers, Margaret Kimberley,  
Justin Knight, Michael Lilley, Sue Lissimore,  
Jackie Maclean, Jon Manning, Richard Martin,  
Colin Mudie, Kim Naish, Nigel Offen, Beverley Oxford,  
Gerard Oxford, Philip Oxford, Lesley Scott-Boutell,  
Paul Smith, Henry Spyvee, Terry Sutton, Colin Sykes,  
Laura Sykes, Jill Tod, Anne Turrell (Leader of the  
Council ) , Dennis Willetts, Julie Young and Tim Young

Councillor Dopson was not present for items 39-46.

The meeting was opened with prayers by the Mayor's Chaplain, the Reverend Richard Allen.

### **39. Minutes**

The minutes of the meeting held on 13 October 2010 were confirmed as a correct record subject to the correction of the details of the Mayor's Chaplain to read the Reverend Richard Allen.

### **40. Have Your Say!**

Nick Chilvers addressed the Council pursuant to the provisions of Meetings General Procedure Rule 6(2). Given the tough choices that would have to be taken in the challenging financial climate, the Council should reduce the grant paid to Colchester 2020 by 75%. Colchester 2020's aims mirrored those of the Council and the role and purpose of Colchester 2020 were questioned.

Councillor T. Young, Portfolio Holder for Housing and Community Safety, responded that whilst all budgets would be reviewed, there was a statutory requirement to have a Local Strategic Partnership. Colchester 2020 had proved valuable, particularly in respect of its work on the Community Strategy. It provided a

forum where the Council and its partners could meet to discuss strategic issues and undertake "blue sky thinking". He offered to put Mr Chilvers in touch with the Chairman of Colchester 2020 so he could provide further information about the work it undertakes.

Andy Hamilton addressed the Council pursuant to the provisions of Meetings General Procedure Rule 6(2) about the Council's relationship with firstsite. He believed that the Council had made contradictory assertions about whether there was a Service Level Agreement with firstsite. firstsite had been guaranteed the lease of the Visual Arts Facility (VAF) but the details of the lease agreement were kept secret. However he believed that the Council had guaranteed it would cover firstsite's losses in the first five years of operation and the Council would remain responsible for future building renovation. The Council should act in the interests of the public that had elected it.

Councillor Smith, Portfolio Holder for Resources and Diversity, responded that the Audit Commission had recently praised the Council for its openness in matters relating to the VAF.

Owen Bartholomew addressed the Council pursuant to the provisions of Meetings General Procedure Rule 6(2) and presented a petition to the Mayor on behalf of young people in the Borough protesting against Essex County Council's decision to scrap the Bite + card which entitled students to half price travel.

Councillor Turrell, Leader of the Council and Portfolio Holder for Strategy and Performance, undertook to present the petition to Essex County Council at its meeting on 15 December 2010.

Mr Wilders addressed the Council pursuant to the provisions of Meetings General Procedure Rule 6(2) representing Connexions. Connexions was a service that gave young people support and advice on their life choices. It provided advice on issues such as relationships and personal development. Essex County Council were proposing to scrap all Connexions Services in Essex and Mr Wilders asked if Colchester Borough Council had been consulted on the impact this would have on young people in the Borough.

Councillor Turrell, Leader of the Council and Portfolio Holder for Strategy and Performance, undertook to present Mr Wilder's concerns to Essex County Council at its meeting on 15 December 2010.

Mr Wilkinson addressed the Council pursuant to the provisions of Meetings General Procedure Rule 6(2) to present a petition calling for the reinstatement of the school crossing patrol on Lucy Lane South. Private funding for the patrol would cease on 17 December and a temporary solution was requested whilst arrangements were made for a permanent solution. This was a dangerous crossing that was used by a large number of children and action needed to be taken before an accident occurred. Councillor Scott-Boutell and Councillor Bentley were thanked for their support for the campaign.

Councillor Bentley undertook to raise the concerns expressed and to present the petition to Councillor Norman Hume, the relevant Portfolio Holder at Essex County

Council.

#### **41. Mayor's Announcements**

The Mayor made the following announcements:-

- On 1 December 2010 the Mayor had hosted the Ode to Winter and Carol Singing event, which had been a great success;
- Tickets for the New Year's Eve function were selling well;
- The Mayor had recorded a Christmas Day message for soldiers serving in Afghanistan;
- The Mayor had written a letter of condolence to Air Assault Brigade on behalf of the Council following the death of a member of the brigade on active service.

The Mayor also paid tribute to Alderman Dr John Sanderson, who had recently died and asked that the Council's appreciation of the service provided by Alderman Dr John Sanderson MBE be formally recorded in the minutes of the meeting.

#### **42. Urgent items**

**The Mayor agreed to the following announcements being made by the Leader of the Council as a matter of special urgency pursuant to the provisions of paragraph 8(3)(16) of the Council Procedure Rules**

##### **(i) Shared Executive Arrangements with Braintree District Council**

The Leader of the Council made the following statement:

"I want to announce to Full Council that the Leaders of Braintree and Colchester Councils have asked their respective Chief Executives to jointly prepare a paper on the benefits and risks in considering a joint Chief Executive and the options for a more unified management structure.

I want to emphasise that this request in no way includes any question of merging our two Councils. Sovereignty of both Braintree District Council and Colchester Borough Council are sacrosanct and each Council will remain independent sovereign authorities.

However both leaders feel that in the environment we now find ourselves there may be a range of benefits in considering a single joint Chief Executive and further management options.

We have therefore asked for a detailed report giving consideration to our request to come to our January Cabinets with any business case to determine whether this is the right way forward for our two Councils.

Before the work commences I wanted to inform Full Council."

Councillors Bentley, T. Young and G. Oxford indicated their support for the proposals set out in the Leader of the Council's statement.

#### **(ii) Statement of Thanks to Officers**

The Leader of the Council thanked officers on behalf of the Council for the hard work and excellent service provided by officers, in particular the street and waste teams, during the recent inclement weather. A letter would be sent to all staff on behalf of Council thanking them for their efforts. A separate message of thanks would also be sent to Essex County Council thanking their staff.

Councillors Bentley, T. Young and G. Oxford indicated their support for the sentiments expressed by the Leader of the Council.

*RESOLVED* that the Council's thanks for the hard work and excellent service provided by officers during the recent inclement weather be formally recorded.

#### **43. Revised Financial Regulations**

*RESOLVED* that the recommendation contained in minute 12 of the Accounts and Regulatory Committee on 28 September 2010 be approved and adopted.

#### **44. Fundamental Service Review of Street Services**

*RESOLVED* that the recommendation contained in minute 45 of the Cabinet meeting on 1 December 2010 be approved and adopted.

#### **45. Funding of Phase 2 Carbon Management Programme Projects**

*RESOLVED* that the recommendation contained in minute 46 of the Cabinet meeting of 1 December 2010 be approved and adopted.

#### **46. Appointment of Deputy Mayor 2011-12**

It was PROPOSED by Councillor Hunt and supported by Councillors Bentley, T. Young and G. Oxford that Councillor Christopher Arnold be appointed as Deputy Mayor for the Borough of Colchester for the municipal year 2011-2012.

*RESOLVED* that Councillor Christopher Arnold be appointed Deputy Mayor for the 2011-2012 Municipal Year (UNANIMOUS).

**Councillor Stephen Ford (in respect of being a governor at Broomgrove Junior School) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

**Councillor Tim Young (in respect of being a governor of Colchester Academy) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

**Councillor Julie Young (in respect of being a governor of Colchester Academy and St Andrews Infants School) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

**Councillor Jon Manning (in respect of being a governor of Colchester Institute and his employment at St. Benedicts School) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

**Councillor Elizabeth Blundell (in respect of her membership of Essex University) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

**Councillor Peter Higgins (in respect of his employment by Essex University) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

**Councillor John Jowers (in respect of his membership of Essex County Council) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

#### **47. Notice of Motion // Higher Education**

Mo Metcalf-Fisher addressed the Council pursuant to the provisions of Meetings General Procedure Rule 6(2). He considered he was representing the silent majority of students who understood and welcomed the proposed changes to education. The motion was reckless and unsustainable in the current financial climate. Tax-payers should not continue to pay university tuition fees for those who stood to gain from that tuition. Evidence showed that a degree would pay for itself within a decade and there was no evidence that increasing tuition fees would put people off going to university.

Jimmy Chen addressed the Council pursuant to the provisions of Meetings General Procedure Rule 6(2). He was part of the first academic year that stood to be affected by the proposed changes. He believed that students would be put off attending university by the prospect of incurring up to £27,000 of debt on tuition fees alone. The proposals would restrict social mobility. On recent demonstrations members of the public had shown their support for the stance taken by students. Students made a great contribution to society in the long run and should not be crippled by the levels of debt incurred during their education.

It was PROPOSED by Councillor J. Young that:-

"(a) This Council notes with concern the government's proposed changes to education. It believes students in Colchester will be disadvantaged by the proposals for free schools, the withdrawal of the educational maintenance allowance, the rise in University Tuition fees and the scrapping of the schools sports partnership.

(b) This Council believes:-

(i) The Government's higher education funding proposals abandons the principle of public involvement in Higher Education with only subjects viewed as having particular importance getting funding.

(ii) Neither the Browne review nor the Government have considered properly the graduate tax model proposed by NUS in their Blueprint.

(iii) The scrapping of the compulsory bursary is regressive and offers no assurance to students from poorer backgrounds that institutions will give them support.

(iv) That the idea that markets in Higher Education will provide more choice through competition is deeply flawed. The ability for students to change their education providers is complicated and detrimental to academic attainment.

(v) That removing teaching funding for the majority of subjects (including all arts, humanities and social science subjects) is a deeply worrying development.

(c) This Council resolves:-

(i) To oppose the rise in the tuition fee cap.

(ii) To lobby decision makers to oppose the tuition fee rise, the removal of the educational maintenance allowance, the development of free schools, and the cancellation of the schools sports partnership.

(iii) To lobby all the Borough's MPs to vote against these proposals.

(iv) To oppose the teaching funding cuts, and to lobby for a continued public investment in university teaching."

A MAIN AMENDMENT was PROPOSED by Councillor Cory as follows:-

"The Motion concerning Higher Education be approved and adopted subject to the following amendments:-

(i) In paragraph (a)

- In the first sentence the deletion of the words "with concern" and the insertion of the word "higher" before the word "education";
- In the second sentence,
  - o the insertion of the word "some" before the word "students";
  - o the deletion of the word "will" and its replacement with the word "may";

- o the deletion of the word “the” before the word “proposals” ,
- o the deletion of the words “free schools, the withdrawal of the educational maintenance allowance, the rise in” ;
- o the deletion of the words “and the scrapping of the schools sports partnership”;
- o the addition of the following words at the end of the sentence “and student funding.” .

(ii) In paragraph (b),

- the deletion of sub-paragraphs (i), (ii), (iii) and (iv);
- after the word “believes” the addition of the following words: “that students need to be at the centre of higher education and no one should be deterred from entering higher education for financial reasons.”

(iii) In paragraph (c)

- In sub paragraph (ii) the deletion of all the words after “tuition fee rise”;
- The deletion of the wording at sub-paragraph (iii) and its replacement with the following wording “To continue to support and work with students and higher education institutions within the Borough to continue to provide a first class education accessible to all.”
- The deletion of sub-paragraph (iv)"

The MAIN AMENDMENT was not accepted by Councillor J. Young.

Councillor Sutton PROPOSED a motion that the Council move straight to the vote on the MAIN AMENDMENT which was CARRIED (MAJORITY voted FOR).

On being put to the VOTE the AMENDMENT was LOST (TWENTY FIVE voted FOR, THIRTY voted AGAINST and TWO ABSTAINED from voting).

Councillor Sutton PROPOSED a motion that the Council move straight to the vote on the MOTION which was CARRIED (MAJORITY voted FOR).

The MOTION was LOST (SIXTEEN voted FOR, TWENTY voted AGAINST and TWENTY ONE voted AGAINST).

A named vote having been requested pursuant to the provisions of Council Procedure Rule 15(2) the voting was as follows:-

Those who voted FOR were:-

Councillors Cook, Cory, Dopson, Ford, Goss, Harris, Hogg, Lilley, Manning, Naish, B. Oxford, G. Oxford, P. Oxford, Scott-Boutell, J. Young and T. Young.

Those who voted AGAINST were:-

Councillors Arnold, Bentley, Blundell, Bouckley, Chapman, Chillingworth, Elliott, Ellis, Fairley-Crowe, Foster, Garnett, Hazell, Jowers, Kimberley, Lissimore, Maclean, Martin, Sutton, Tod and Willetts.

Those who ABSTAINED from voting were:-

Councillors Barlow, Barton, Blandon, Cope, Fisher, Frame, Gamble, Greenhill, P. Higgins, T. Higgins, Hunt, Knight, Mudie, Offen, Smith, Spyvee, C. Sykes, L. Sykes, Turrell, the Mayor (Councillor Lewis) and the Deputy Mayor (Councillor Chuah).

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

<b>Questioner</b>	<b>Subject</b>	<b>Response</b>
<b>Pre-Notified Questions</b>		
Councillor Bouckley	Further to previous enquiries, will the Portfolio Holder kindly let me know the progress made and the current position with our partners over the proposed Colchester- Mersea off-road cycle route?	Direct verbal response given by the Portfolio Holder for Planning and Sustainability.
<b>Oral Questions</b>		
Councillor Ford	The impact of the removal of the School Sports Partnership on school children within the Borough.	Direct verbal response given by the Portfolio Holder for Communities.
Councillor Lissimore	What improvements had been made to the Planning Service in the last six months and why did the Portfolio Holder refuse to meet with residents opposing a recent planning application on Parsons Hill?	Written response to be sent by the Portfolio Holder for Planning and Sustainability.
Councillor Naish	Was security at the garrison compromised by the fact that Bob Russell MP shared an office with Mike Hancock, MP whose aide had recently been accused of spying for Russia.	Direct verbal response given by the Leader of the Council and Portfolio Holder for Performance and Strategy.
Councillor Frame	Who had paid for the recent television advert promoting Colchester as a shopping venue?	Direct verbal response given by the Portfolio Holder for Economic Development, Culture and Tourism.
Councillor Bentley	How much effort was been put into ensuring Colchester hosts an Olympic Team during the	Direct verbal response given by the Portfolio Holder for Communities.

## 2012 Games?

Councillor Spyvee	What plans were there to build on the excellent start made to the Christmas lights in the town centre?	Direct verbal response given by the Portfolio Holder for Economic Development, Culture and Tourism.
Councillor Sutton	Will the Portfolio Holder look into the errors made to Councillor contact details in recent errors of the Courier and explain what action will be taken to prevent such errors recurring?	Direct verbal response given by the Portfolio Holder for Street and Waste Services.

### **49. Schedules of Decisions taken by Portfolio Holders**

*RESOLVED* that the schedule of Portfolio Holder decisions for the period 30 September 2010 - 26 November 2010 be noted.

**COUNCIL**  
**9 DECEMBER 2010**

*Present :-* Councillor Sonia Lewis (the Mayor) (Chairman)  
Councillor Helen Chuah (Deputy Mayor)  
Councillors Christopher Arnold, Nick Barlow,  
Lyn Barton, Kevin Bentley, Mary Blandon,  
Elizabeth Blundell, John Bouckley, Nigel Chapman,  
Peter Chillingworth, Barrie Cook, Nick Cope, Mark Cory,  
Tina Dopson, John Elliott, Andrew Ellis,  
Margaret Fairley-Crowe, Margaret Fisher,  
Stephen Ford, Wyn Foster, Bill Frame, Ray Gamble,  
Christopher Garnett, Martin Goss, Scott Greenhill,  
Dave Harris, Pauline Hazell, Peter Higgins,  
Theresa Higgins, Mike Hogg, Martin Hunt (Deputy  
Leader ) , John Jowers, Margaret Kimberley,  
Justin Knight, Michael Lilley, Sue Lissimore,  
Jackie Maclean, Jon Manning, Richard Martin,  
Colin Mudie, Kim Naish, Nigel Offen, Beverley Oxford,  
Gerard Oxford, Philip Oxford, Lesley Scott-Boutell,  
Paul Smith, Henry Spyvee, Terry Sutton, Colin Sykes,  
Laura Sykes, Jill Tod, Anne Turrell (Leader of the  
Council ) , Dennis Willetts, Julie Young and Tim Young

**50. Adoption of Revised Executive Arrangements**

*RESOLVED* that the recommendations contained in the Monitoring Officer's report be approved and adopted (UNANIMOUS).

**Extract from the minutes of the Cabinet meeting on 26 January 2011**

**52. 2011/12 Revenue Budget and Medium Term Financial Forecast**

The Head of Resource Management submitted a report a copy of which had been circulated to each Member and a copy of which appears as Appendix A to these minutes in the Minute Book together with the minute of the Finance and Audit Scrutiny Panel's consideration of this item on 25 January 2011.

Tim Oxtan addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(2). He invited the administration at either this meeting or at full Council on 14 February 2011 to make a public declaration that it deplored the cuts made by central government. He also asked the Cabinet to confirm the exact numbers of members of staff it expected would be made redundant by March 2012.

Andy Abbott addressed the Cabinet pursuant to the provisions of Meetings General Procedure Rule 5(2). He drew comparisons between the political situation now and with those in 1945 and in the 1970s. He believed that the policies of neo-liberalism that had been followed for the last thirty years had failed and a different approach was now required. He stressed that the purpose of government was to benefit all of society, not just those at the top.

Councillor Turrell, Leader of the Council and Portfolio Holder for Strategy and Performance, indicated that written responses would be sent to Mr. Oxtan and Mr. Abbott.

Councillor Manning attended and, with the consent of the Chairman, addressed the Cabinet in his capacity as the Liberal Democrat spokesman on the Finance and Audit Scrutiny Panel to thank officers for their work in helping deliver a fair and balanced budget that protected frontline services. Many staff had made personal sacrifices in order to minimise redundancies. The administration's policy of keeping services in house was the right way forward as the Council's dedicated staff were the lifeblood of the organisation.

Councillor Turrell, Portfolio Holder for Performance and Strategy, endorsed Councillor Manning's comments.

Councillor Willetts attended and, with the consent of the Chairman, addressed the Cabinet in his capacity as the Deputy Leader of the Conservative Group. He indicated that the Conservative Group supported about 80% of the budget. However, he believed that the Medium Term Financial Forecast was essentially the same as the budget presented by the Conservative group in February 2010. For example, the freezing of Council tax, shared services and efficiency savings of £1 million were all contained in the Conservatives budget amendment. The proposals for Tymperleys to be put into a trust or community venture were noted and it was hoped that this was the start of a policy of the Council moving towards being a commissioning authority, rather

than a direct service deliverer. The same principles should be applied to the Cemetery and Crematorium and Leisure World.

Councillor Smith, Portfolio Holder for Resources and Diversity, responded to indicate that there were clear differences between the approach in the 2011/12 budget and those proposed by the Conservatives in 2010. The need to reduce expenditure was accepted, but this had been addressed without dramatic cuts to services. Wherever possible, income had been increased and shared services investigated. The Fundamental Service Review programme had improved the efficiency of services whilst protecting frontline service delivery. The grant-damping imposed by central government had cost the Council £1.3 million and it was not accepted that this had been redistributed to Councils in greater need. The administration had worked hard to produce a budget that protected Council services and was good for the people of Colchester. In response to Mr. Oxton's comments, Councillor Smith indicated that whilst it was difficult to give precise figures, between 20-30 posts would be lost. It was hoped that some of these would be lost by natural wastage.

Councillor T. Young, Portfolio Holder for Housing and Community Safety, indicated that he deplored the cuts imposed by central government. The administration disagreed fundamentally with the approach of the Conservative group. The budget protected frontline services.

Councillor Barlow, Portfolio Holder for Economic Development, Culture and Tourism, thanked the Council's business partners for their helpful comments at the consultation meeting on 20 January 2011.

Councillor Hunt, Portfolio Holder for Street and Waste Services, stressed that the administration had no intention of privatising the cemetery and crematorium.

Councillor Dopson, Portfolio Holder for Communities, stressed that the Council had been engaging with communities to minimise the impact on vulnerable groups. The settlement from central government had been harsh, in particular the "in year" cuts that had been imposed. The process of setting a budget had not been easy and the administration had been well supported by officers.

*RESOLVED* that:-

(a) The forecast outturn for the current financial year of an overspend of less than £200,000 be noted (see paragraph 3.4 of the Head of Resource Management's report);

(b) The cost pressures, savings and increased income options identified during the budget forecast process as set out at Appendices B and C of the Head of Resource Management's report be approved.

(c) It be agreed and *RECOMMENDED* to Council that the 2011/12 Revenue Budget requirement be set at £20,255,000 (paragraph 6.1 of the of the Head of Resource Management's report) and the underlying detailed budgets be as set out in the Background Papers to the Head of Resource Management's report.

(d) Revenue Balances for the financial year 2011/12 be set at a minimum of £1,500,000.

(e) The following releases be agreed (paragraph 10.7 of the Head of Resource Management's report):-

- £300,000 from the Capital Expenditure Reserve in 2011/12 to meet costs including the community stadium.
- £596,000 to be financed from the Renewals and Repairs Fund for specific projects.
- £70,000 from the section 106 monitoring reserve.

(f) Provision be created for future pension deficit costs as set out at paragraphs 10.5 and 10.6 of the Head of Resource Management's report.

(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 up to £600,000 of Revenue Balances be earmarked for the potential cost associated with delivering budget savings as set out at paragraph 9.6 of the Head of Resource Management's report

(i) It be agreed and *RECOMMENDED* to Council that Colchester's element of the Council Tax for 2011/12 be set at £175.23 for Band D properties which is a nil increase (paragraph 12.2 of the Head of Resource Management's report).

(j) 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 Revenue Support Grant Settlement announcement in early February. This will be prepared in consultation with the Leader of the Council.

(k) The Medium Term Financial Forecast for the financial years 2011/12 to 2014/15 be noted.

(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 Prudential Indicators, Treasury Management Strategy and Annual Investment Strategy be agreed and *RECOMMENDED* to Council (paragraph 16.7 of the Head of Resource Management's report).

#### *REASONS*

The reasons for the decisions were set out in detail in the Head of Financial Services' report.

#### *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

16 February 2011

Item  
**8(i)**

<b>Report of</b>	<b>Head of Resource Management</b>	<b>Author</b>	<b>Laura Skinner</b> ☎ 508769 <b>Sean Plummer</b> ☎ 282347
<b>Title</b>	<b>Precept and Council Tax Levels 2011/12</b>		
<b>Wards affected</b>	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 2011/12.**

### 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 in respect of the Council Tax for each band for the financial year 2011/12.

### 2. Reasons for Decision

- 2.1 The Council is required, in accordance with the Local Government Finance Act 1992, 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 26 January 2011 approved and recommended to Council that the 2011/12 revenue budget requirement should be £20,255,000. The final grant settlement notification was received on 31 January, with a further technical change received on 7 February. These set out an increase in our grant of £39k compared to the previously notified figure. The Settlement also included a change to the provisional grant for 2012/13. The table below sets out the revised grant figures for 2011/12 and 2012/13 compared to the figures shown in the budget report.

	<b>2011/12 Confirmed Grant £'000</b>	<b>2012/13 Provisional Figure £'000</b>	<b>Grant for both years £'000</b>
Provisional Settlement	9,262	8,425	17,687
Final Settlement	9,301	8,404	17,705
Change	39	(21)	18
Revised % reduction in Grant	15.2%	9%	

- 4.2 As shown above, whilst the confirmed grant for 2011/12 is more than previously announced the Council's provisional grant settlement for the following year is £21k less than that shown in the budget report. Given, the overall position it is proposed that a contribution to balances of £39k be made in 2011/12 to match the change in grant. The impact of this and the change to the grant for 2012/13 will be included within the report to Cabinet in July on the Budget Strategy for 2012/13 and Medium Term Financial Forecast (MTFF).
- 4.3 Cabinet recommended Colchester Borough Council's element of the Council Tax for 2011/12 be agreed at £175.23 for Band D properties, which represents a freeze on the current rate.
- 4.4 In approving Colchester's element of the Council Tax, account has to be taken of:
- Revenue Support Grant
  - National Non-Domestic Rate Grant
  - 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	20,255	20,958
<b>Less:</b> Use of Balances (updated to reflect £39k contribution to balances)	(331)	
Parish Councils' Requirement (Appendix 2)	19,924	
	1,034	
<b>Less:</b>		9,301
Revenue Support Grant	2,196	
Non-Domestic Business Rate Grant	7,105	
<b>Add: Deficit on Collection Fund</b>		58
<b>Council Tax Requirement</b>		<b>11,715</b>

- 4.5 Colchester's Council Tax at Band D for 2011/12 is £175.23 and is determined as follows:

Council Tax Requirement (as detailed at paragraph 4.4 above)	£11,714,946
Divided by Council Tax Base	60,953.5
Council Tax at Band D (including Parishes)	£192.19
Deduct Parish Element	£16.96
<b>Council Tax at Band D for Colchester Borough Council</b>	<b>£175.23</b>

## 5. Essex County Council, Essex Police Authority 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 Authority 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 meet on 22 February, the Essex Fire Authority on 9 February and Police Authority on 14 February, to approve formally their budgets and precept requirements. Any change to the information set out in this report will be reported to this meeting.

	<b>Council Tax at Band D</b>			
	<b>2010/11 £</b>	<b>2011/12 £</b>	<b>% Increase</b>	<b>£ Increase</b>
Colchester Borough Council	175.23	175.23	Nil	Nil
Essex County Council	1,086.75	1,086.75	Nil	Nil
Essex Police Authority	132.12	132.12	Nil	Nil
Essex Fire Authority	66.42	66.42	Nil	Nil
	<b>1,460.52</b>	<b>1,460.52</b>	Nil	Nil

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

<b>Band</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Borough</b>	116.82	136.29	155.76	175.23	214.17	253.11	292.05	350.46
<b>County</b>	724.50	845.25	966.00	1086.75	1328.25	1569.75	1811.25	2173.50
<b>Police</b>	88.08	102.76	117.44	132.12	161.48	190.84	220.20	264.24
<b>Fire</b>	44.28	51.66	59.04	66.42	81.18	95.94	110.70	132.84
<b>TOTAL</b>	<b>973.68</b>	<b>1135.96</b>	<b>1298.24</b>	<b>1460.52</b>	<b>1785.08</b>	<b>2109.64</b>	<b>2434.20</b>	<b>2921.04</b>

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. Set out at Appendix 3 is an overview assessment of the impact of the budget proposals on the Strategic Plan priorities.

## **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. Standard References**

- 10.1 Having considered consultation, 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 2011/2012 in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992:

- (a) 60,953.5 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.
- (b) Part of the Council's area for the parish of:

<b>Parish</b>	<b>Parish Tax Base</b>
Abberton & Langenhoe	445.4
Aldham	217.4
Birch	328.8
Boxted	602.0
Chappel	227.8
Copford	673.7
Dedham	907.5
East Donyland	675.9
East Mersea	118.2
Eight Ash Green	668.4
Fingringhoe	344.9
Fordham	332.8
Great Horkesley	960.6
Great Tey	382.2
Langham	494.4
Layer Breton	132.3
Layer de la Haye	714.4
Layer Marney	86.2
Little Horkesley	92.4
Marks Tey	939.6
Messing cum Inworth	170.5
Mount Bures	104.8
Myland	3,920.4
Stanway	3,165.7
Tiptree	3,513.0
Wakes Colne	234.6
West Bergholt	1,373.7
West Mersea	3,248.4
Winstred Hundred	487.6
Wivenhoe	2,844.4
Wormingford	199.9

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. The following amounts be now calculated by the Council for the year 2011/2012 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
- (a) 135,153,300 Being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) (a) to (e) of the Act. [Gross Expenditure]
  - (b) 114,194,800 Being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) (a) to (c) of the Act. [Gross Income]
  - (c) 20,958,500 Being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year. [Net Expenditure]
  - (d) 9,243,554 Being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed non-domestic rates and revenue support grant, increased by the amount of the sums which the Council estimates will be transferred in the year from its Collection Fund to its General Fund in accordance with Sections 97(3) and 98(4) of the Local Government Finance Act 1988. [Government Grants and Collection Fund adjustments]
  - (e) 192.19 Being the amount at 2(c) above, less the amount at 2(d) above, all divided by the amount at 1(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year. [Council Tax, including parishes]
  - (f) 1,034,481 Being the aggregate amount of all special items referred to in Section 34(1) of the Act. [Parish Precepts]
  - (g) 175.23 Being the amount at 2(e) above, less the result given by dividing the amount at 2(f) above by the amount at 1(a) above, 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. [Council Tax]

(h) Part of the Council's area

Abberton & Langenhoe	195.01
Aldham	207.37
Birch	201.44
Boxted	202.76
Chappel	221.58
Copford	211.18
Dedham	206.09
East Donyland	248.81
East Mersea	242.58
Eight Ash Green	205.29
Fingringhoe	202.03
Fordham	231.82
Great Horkesley	184.96
Great Tey	208.01
Langham	209.86
Layer Breton	175.23
Layer de la Haye	192.63
Layer Marney	175.23
Little Horkesley	200.85
Marks Tey	207.68
Messing cum Inworth	224.52
Mount Bures	194.23
Myland	191.12
Stanway	209.82
Tiptree	223.49
Wakes Colne	224.57
West Bergholt	204.49
West Mersea	226.22
Winstred Hundred	197.47
Wivenhoe	230.51
Wormingford	191.97
All other parts of the Council's area	175.23

Being the amounts given by adding to the amount at 2(g) 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.

## (i) 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	130.01	151.67	173.34	195.01	238.35	281.68	325.02	390.02
Aldham	138.25	161.29	184.33	207.37	253.45	299.53	345.62	414.74
Birch	134.29	156.68	179.06	201.44	246.20	290.97	335.73	402.88
Boxted	135.17	157.70	180.23	202.76	247.82	292.88	337.93	405.52
Chappel	147.72	172.34	196.96	221.58	270.82	320.06	369.30	443.16
Copford	140.79	164.25	187.72	211.18	258.11	305.04	351.97	422.36
Dedham	137.39	160.29	183.19	206.09	251.89	297.69	343.48	412.18
East Donyland	165.87	193.52	221.16	248.81	304.10	359.39	414.68	497.62
East Mersea	161.72	188.67	215.63	242.58	296.49	350.39	404.30	485.16
Eight Ash Green	136.86	159.67	182.48	205.29	250.91	296.53	342.15	410.58
Fingringhoe	134.69	157.13	179.58	202.03	246.93	291.82	336.72	404.06
Fordham	154.55	180.30	206.06	231.82	283.34	334.85	386.37	463.64
Great Horkesley	123.31	143.86	164.41	184.96	226.06	267.16	308.27	369.92
Great Tey	138.67	161.79	184.90	208.01	254.23	300.46	346.68	416.02
Langham	139.91	163.22	186.54	209.86	256.50	303.13	349.77	419.72
Layer Breton	116.82	136.29	155.76	175.23	214.17	253.11	292.05	350.46
Layer de la Haye	128.42	149.82	171.23	192.63	235.44	278.24	321.05	385.26
Layer Marney	116.82	136.29	155.76	175.23	214.17	253.11	292.05	350.46
Little Horkesley	133.90	156.22	178.53	200.85	245.48	290.12	334.75	401.70
Marks Tey	138.45	161.53	184.60	207.68	253.83	299.98	346.13	415.36
Messing cum Inworth	149.68	174.63	199.57	224.52	274.41	324.31	374.20	449.04
Mount Bures	129.49	151.07	172.65	194.23	237.39	280.55	323.72	388.46
Myland	127.41	148.65	169.88	191.12	233.59	276.06	318.53	382.24
Stanway	139.88	163.19	186.51	209.82	256.45	303.07	349.70	419.64
Tiptree	148.99	173.83	198.66	223.49	273.15	322.82	372.48	446.98
Wakes Colne	149.71	174.67	199.62	224.57	274.47	324.38	374.28	449.14
West Bergholt	136.33	159.05	181.77	204.49	249.93	295.37	340.82	408.98
West Mersea	150.81	175.95	201.08	226.22	276.49	326.76	377.03	452.44
Winstred Hundred	131.65	153.59	175.53	197.47	241.35	285.23	329.12	394.94
Wivenhoe	153.67	179.29	204.90	230.51	281.73	332.96	384.18	461.02
Wormingford	127.98	149.31	170.64	191.97	234.63	277.29	319.95	383.94
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 (g) and (h) 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.

3. It be noted that for the year 2011/2012 Essex County Council, Essex Police Authority 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**

<b>Precepting Authority</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
Essex County Council	724.50	845.25	966.00	1086.75	1328.25	1569.75	1811.25	2173.50
Essex Police Authority	80.08	102.76	117.44	132.12	161.48	190.84	220.20	264.24
Essex Fire Authority	44.28	51.66	59.04	66.42	81.18	95.94	110.70	132.84

4. Having calculated the aggregate in each case of the amounts at 2(i) and 3 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 2011/2012 for each of the categories of dwellings shown overleaf:
5. 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.

## 6. 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	986.87	1,151.34	1,315.82	1,480.30	1,809.26	2,138.21	2,467.17	2,960.60
Aldham	995.11	1,160.96	1,326.81	1,492.66	1,824.36	2,156.06	2,487.77	2,985.32
Birch	991.15	1,156.35	1,321.54	1,486.73	1,817.11	2,147.50	2,477.88	2,973.46
Boxted	992.03	1,157.37	1,322.71	1,488.05	1,818.73	2,149.41	2,480.08	2,976.10
Chappel	1,004.58	1,172.01	1,339.44	1,506.87	1,841.73	2,176.59	2,511.45	3,013.74
Copford	997.65	1,163.92	1,330.20	1,496.47	1,829.02	2,161.57	2,494.12	2,992.94
Dedham	994.25	1,159.96	1,325.67	1,491.38	1,822.80	2,154.22	2,485.63	2,982.76
East Donyland	1,022.73	1,193.19	1,363.64	1,534.10	1,875.01	2,215.92	2,556.83	3,068.20
East Mersea	1,018.58	1,188.34	1,358.11	1,527.87	1,867.40	2,206.92	2,546.45	3,055.74
Eight Ash Green	993.72	1,159.34	1,324.96	1,490.58	1,821.82	2,153.06	2,484.30	2,981.16
Fingringhoe	991.55	1,156.80	1,322.06	1,487.32	1,817.84	2,148.35	2,478.87	2,974.64
Fordham	1,011.41	1,179.97	1,348.54	1,517.11	1,854.25	2,191.38	2,528.52	3,034.22
Great Horkesley	980.17	1,143.53	1,306.89	1,470.25	1,796.97	2,123.69	2,450.42	2,940.50
Great Tey	995.53	1,161.46	1,327.38	1,493.30	1,825.14	2,156.99	2,488.83	2,986.60
Langham	996.77	1,162.89	1,329.02	1,495.15	1,827.41	2,159.66	2,491.92	2,990.30
Layer Breton	973.68	1,135.96	1,298.24	1,460.52	1,785.08	2,109.64	2,434.20	2,921.04
Layer de la Haye	985.28	1,149.49	1,313.71	1,477.92	1,806.35	2,134.77	2,463.20	2,955.84
Layer Marney	973.68	1,135.96	1,298.24	1,460.52	1,785.08	2,109.64	2,434.20	2,921.04
Little Horkesley	990.76	1,155.89	1,321.01	1,486.14	1,816.39	2,146.65	2,476.90	2,972.28
Marks Tey	995.31	1,161.20	1,327.08	1,492.97	1,824.74	2,156.51	2,488.28	2,985.94
Messing cum Inworth	1,006.54	1,174.30	1,342.05	1,509.81	1,845.32	2,180.84	2,516.35	3,019.62
Mount Bures	986.35	1,150.74	1,315.13	1,479.52	1,808.30	2,137.08	2,465.87	2,959.04
Myland	984.27	1,148.32	1,312.36	1,476.41	1,804.50	2,132.59	2,460.68	2,952.82
Stanway	996.74	1,162.86	1,328.99	1,495.11	1,827.36	2,159.60	2,491.85	2,990.22
Tiptree	1,005.85	1,173.50	1,341.14	1,508.78	1,844.06	2,179.35	2,514.63	3,017.56
Wakes Colne	1,006.57	1,174.34	1,342.10	1,509.86	1,845.38	2,180.91	2,516.43	3,019.72
West Bergholt	993.19	1,158.72	1,324.25	1,489.78	1,820.84	2,151.90	2,482.97	2,979.56
West Mersea	1,007.67	1,175.62	1,343.56	1,511.51	1,847.40	2,183.29	2,519.18	3,023.02
Winstred Hundred	988.51	1,153.26	1,318.01	1,482.76	1,812.26	2,141.76	2,471.27	2,965.52
Wivenhoe	1,010.53	1,178.96	1,347.38	1,515.80	1,852.64	2,189.49	2,526.33	3,031.60
Wormingford	984.84	1,148.98	1,313.12	1,477.26	1,805.54	2,133.82	2,462.10	2,954.52
All other parts of Council's area	973.68	1,135.96	1,298.24	1,460.52	1,785.08	2,109.64	2,434.20	2,921.04

## Parish Council Precepts 2011/12

Parish	Precept 2010/11 £	Precept 2011/12 £	Increase/ (Reduction) £	Increase/ (Reduction) %
Abberton & Langenhoe	8,563	8,810	247	3
Aldham	6,992	6,988	(4)	(0)
Birch	7,196	8,619	1,423	20
Boxted	16,512	16,573	61	0
Chappel	10,804	10,559	(245)	(2)
Copford	18,971	24,219	5,248	28
Dedham	21,561	28,008	6,447	30
East Donyland	38,685	49,736	11,051	29
East Mersea	7,961	7,961	0	0
Eight Ash Green	22,421	20,090	(2,331)	(10)
Fingringhoe	9,228	9,243	15	0
Fordham	15,524	18,833	3,309	21
Great Horkesley	9,104	9,347	243	3
Great Tey	10,500	12,530	2,030	19
Langham	16,299	17,122	823	5
Layer Breton	-	-	0	n/a
Layer de la Haye	11,177	12,431	1,254	11
Layer Marney	-	-	0	n/a
Little Horkesley	1,500	2,367	867	58
Marks Tey	28,361	30,488	2,127	7
Messing cum Inworth	8,663	8,404	(259)	(3)
Mount Bures	1,266	1,991	725	57
Myland	56,451	62,313	5,862	10
Stanway	104,642	109,490	4,848	5
Tiptree	122,751	169,526	46,775	38
Wakes Colne	11,574	11,574	0	0
West Bergholt	35,118	40,188	5,070	14
West Mersea	165,647	165,647	0	0
Winstred Hundred	8,900	10,842	1,942	22
Wivenhoe	151,223	157,235	6,012	4
Wormingford	2,982	3,347	365	12
Totals	930,576	1,034,481	103,905	11

## Impact of Budget Strategy

Strategic Overview and Scrutiny Panel requested that the implications of the budget changes on the Strategic Plan Action Plan were outlined as part of the budget process.

While it is not possible to make direct link to the Strategic Plan Action Plan, it is possible to make a high level assessment of the impact on the Strategic Plan priorities. It is not possible to make the link to the Action Plan as this is an annual plan that is written after the budget is approved and in the context of the resources agreed.

The Strategic Plan sets out nine priorities:

1. Addressing older people's needs
2. Addressing younger people's needs
3. Community development
4. Community safety
5. Congestion busting
6. Enabling job creation
7. Healthy living
8. Homes for all
9. Reduce, reuse, recycle

Given the size of the budget gap for 2011/12, it is inevitable that some changes will have an impact on the ability to deliver the range and scale of aspirations against all the priorities. The aim has been to reduce the impact in these priorities areas. It has also been inevitable that some of the changes will have an indirect impact on priorities.

Capacity across the organisation has been reduced and more choices will have to be made about which actions are to be delivered. This work is undertaken after the budget is agreed so that resources are known. However, the overall aim has been to consider the impact of budget changes on priority areas. The process to agree budget changes has taken a holistic view. Over the course of the year a group has met on a monthly basis to consider detailed options against the agreed budget strategy. Final proposals were then looked at as a whole and compared to ensure that those that would impact least on priorities were agreed.

The budget strategy with its five strands has also been fundamental to ensuring that this is not just about reducing cost, working to protect the ability to deliver the priorities. The five strands:

- Efficiencies, including but not exclusively Fundamental Service Reviews (FSRs)
- Income generation; an aspiration to increase our income both in traditional service areas and by exploring new options to reduce the pressure to cut budgets
- Shared services; we have a range of shared services that have delivered savings and continue to do so. We continue to talk to a range of authorities and other partners about options
- Total Place; a longer term strategy working with partners as how we could collectively deliver more by joining budgets across common themes

The focus on the five strands ensures that we are looking longer term, at more ambitious options to continue to address what we know will be a shrinking budget.

There are over 80 budget changes outlined in the budget and it is not intended to show how each of these impact on the priorities. However, almost 45% of the savings are delivered from 9 key actions:

<b>Item</b>	<b>Saving</b>	<b>Comment</b>
Shared Management	£150,000	Delivery of shared management is about reducing our overheads, and while it does carry some risks in terms of capacity, it helps to protect front line delivery
Reduced NNDR and income from Old Police Station	£100,000	The sale of two buildings and purchase of the Old Police Station, with the associated income, support the regeneration work in the town, and a range of priorities such as job creation
Communications review	£200,000	This review covers all communication and marketing spend and resources across the Council, including publications and staff resources. Through bringing resources together it is anticipated that efficiencies can be made. It is recognised that some of this spend helps to support income generation and the balance is to ensure that the appropriate resource is left to enable income to be supported. The level of spend is very significant and it is felt that this reduction will have less of an impact on the priorities than other areas
Arts grants	£100,000	The public consultation on the budget placed the arts as a lower priority for residents, and this is reflected in this reduction across the three arts organisations that the Council makes a contribution to.
Parish Grants	£100,000	As part of the local government framework it was felt that Parish Councils should be expected to take a reduction in their grant. This reduction represents 8.8% of total parish budgets
Monitoring Centre & Community Alarm teams	£104,000	There is an opportunity to merge these two services to deliver efficiencies. The aim is to maintain the service level therefore not impacting on the delivery of priorities
Street Services FSR	£400,000	This reduction is taken in the context of a fundamental review. The model has allowed us across a number of areas to reduce spend while also improving the service to the customer. The reduction is significant but we are confident that the changes to the service will support a number of priorities.
Revenues and Benefits FSR	£185,000	Again, an FSR that we expect to deliver improvements in service as well as very substantial savings
Housing Services FSR	£150,000	Second year savings from the FSR. This review has already delivered large savings and improvements in performance. This review and the review of revenues and benefits will help residents to be housed more quickly and to remain in their own homes, supporting the homes for all objective

It is not felt that any of these items will impact on the ability of the Council to deliver against its strategic priorities.

As can be seen, the Fundamental Service Reviews have been a crucial element of the budget strategy, allowing the Council to deliver very significant savings in a planned way, at the same time as looking at the service provided to the customer. This has enabled a much more thoughtful approach to reduction in cost and has helped to engage staff to a greater extent.

The impact of the Housing review has demonstrated that we have been able to reduce the cost of the service and improve performance. This is now being replicated across services. By putting this process in place some time ago we have been able to deliver significant change and still deliver against strategic priorities.

**Extract from the minutes of the Cabinet meeting on 26 January 2011**

**55. Revised Whistleblowing Policy**

The Cabinet considered minute 13 of the Standards Committee meeting on 26 November 2010, a copy of which had been circulated to each Member and a copy of which appears as Appendix D to these minutes.

*RESOLVED* that the revised Whistleblowing Policy be approved.

*RECOMMENDED* to Council that the revised Whistleblowing Policy be included in the Council's Policy Framework.

**REASONS**

(a) The Committee on Standards in Public Life recommended in 1997 that 'every local authority should institute a procedure for whistleblowing, which would enable concerns to be raised confidentially inside and, if necessary, outside the organisation'. The Government accepted this recommendation in 1998 and the Council duly introduced such a procedure, which has been updated subsequently.

(b) The Public Interest Disclosure Act 1998 provides employees with statutory protection against dismissal and victimisation when raising genuine concerns about crime, civil offences, miscarriages of justice and danger to health and safety and the environment, so long as the manner in which the concerns are raised complies with the requirements of the Act.

(c) The Whistleblowing Policy seeks to follow the latest guidance and supports the Council's strategy to help fight fraud and corruption. It makes it clear that concerns can be raised without fear of reprisals. It is intended to encourage and enable councillors, employees, contractors, suppliers and members of the public to raise concerns with the Council, irrespective of status, rather than overlooking the issue or reporting the matter.

(d) The Whistleblowing policy was reissued in April 2009 following a fundamental review of its contents. It is appropriate that it is reviewed on an annual basis to ensure that it is still meeting the Council's objectives.

**ALTERNATIVE OPTIONS**

Cabinet could decide not to approve the Whistleblowing Policy or approve it with amendments.

*For ease of reference the Revised Whistleblowing Policy as approved by Cabinet is attached for information*

# Colchester Borough Council

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## Whistleblowing Policy and Procedure

### 1. Introduction

- (1) Employees or Councillors are often the first to realise that there may be some form of inappropriate conduct within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of misconduct, but this can have serious consequences if wrongdoing goes undetected.
- (2) The Council is committed to the highest possible standards of openness, probity, accountability and honesty. In line with that commitment we expect employees, councillors and others that we deal with who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.
- (3) This policy document makes it clear that employees and councillors can do so without fear of victimisation, subsequent discrimination or disadvantage. This Whistleblowing Policy and Procedure is intended to encourage and enable employees and councillors to raise serious concerns within the Council rather than overlooking a problem or 'blowing the whistle' outside. With the exception of employment related grievances, this policy will apply to any act of Whistleblowing, as defined by the charity Public Concern at Work to mean;" A disclosure of confidential information which relates to some danger, fraud or other illegal or unethical conduct connected with the workplace, be it of the employer or of its employees." Examples of these matters are given below in paragraph 2.2.
- (4) This policy and procedure applies to all employees, councillors, partners, volunteers and contractors. It also covers suppliers and members of the public.
- (5) These procedures are in addition to the Council's complaints procedures and other statutory reporting procedures. Officers are responsible for making customers aware of the existence of these procedures.
- (6) This policy has been discussed with the relevant trade unions and has their support.

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### **2. Aims and Scope of this Policy**

2.1 This policy aims to:

- (a) encourage you to feel confident in raising serious concerns and to question and act upon concerns about practice without fear of recrimination.
- (b) provide avenues for you to raise those concerns and receive feedback on any action taken
- (c) ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied
- (d) reassure you that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made any disclosure in good faith.
- (e) advise you of the support that the Council will provide if you raise concerns in good faith.

2.2 There are existing procedures in place to enable you to lodge a grievance relating to your own employment. This Whistleblowing Policy and Procedure is intended to cover major concerns that fall outside the scope of other procedures. These include:

- (a) conduct which is an offence or a breach of law
- (b) disclosures related to miscarriages of justice
- (c) health and safety risks, including risks to the public as well as other employees
- (d) damages to the environment
- (e) the unauthorised use of public funds
- (f) possible fraud and corruption
- (g) other unethical conduct
- (h) unacceptable business risks.

2.3 This concern may be about something that:

- (a) makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Council subscribes to; or
- (b) is against the Council's Procedure Rules and policies; or
- (c) falls below established standards of practice; or
- (d) amounts to improper conduct.

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### **3. Safeguards**

#### **Harassment or Victimisation**

- 3.1 The Council is committed to good practice and high standards and wants to be supportive of employees and councillors.
- 3.2 The Council recognises that the decision to report a concern can be a difficult one to make. If what you are saying is true, you should have nothing to fear because you will be doing your duty to the Council and those for whom you are providing a service. In these situations you are a witness and not a complainant.
- 3.3 The Council will not tolerate the harassment or victimisation of any person who raises a concern. The Council's disciplinary procedures will be used against any employee who is found to be harassing or victimising the person raising the concern and such behaviour by a councillor will be reported under the Members' Code of Conduct.
- 3.4 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that already affect you if you are an employee.

#### **Confidentiality**

- 3.5 All concerns will be treated in confidence and the Council will use its best endeavours to protect your identity if you do not want your name to be disclosed. If investigation of a concern discloses a situation that is sufficiently serious to warrant disciplinary action or police involvement, then your evidence may be important. Your name will not however be released as a possible witness until the reason for its disclosure at this stage has been fully discussed with you.

#### **Anonymous Allegations**

- 3.6 This policy encourages you to put your name to your allegation whenever possible.
- 3.7 Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.
- 3.8 In exercising this discretion the factors to be taken into account would include the:
  - (a) seriousness of the issues raised;
  - (b) credibility of the concern; and
  - (c) likelihood of confirming the allegation from attributable sources.

#### **Untrue Allegations**

- 3.9 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If however, you make an allegation maliciously or for personal gain, disciplinary action may be

## REVIEW DRAFT

taken against you, or if you are a councillor a complaint may be made under the Members' Code of Conduct.

### 4. How to raise a concern

- 4.1 As a first step, if you are an employee you should normally raise concerns with your immediate manager or their superior. This depends however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that your line manager or one of their superiors is involved, you should approach the Chief Executive, an Executive Director, the Monitoring Officer, the Head of Resource Management (in his/her capacity as the Council's Chief Finance Officer) or the Audit Manager.
- 4.2 Concerns may be raised verbally or in writing. Employees or councillors who wish to make a written report are invited to use the following format:
- (a) the background and history of the concern (giving relevant dates); and
  - (b) the reason why you are particularly concerned about the situation.
- 4.3 The earlier you express the concern the easier it is to take action.
- 4.4 Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.
- 4.5 Advice and guidance on how matters of concern may be pursued can be obtained from:
- Chief Executive, Adrian Pritchard ☎ 282211  
Executive Director, Ian Vipond ☎ 282717  
Executive Director, Ann Wain ☎ 282212  
Executive Director, Pamela Donnelly ☎ 282212  
Monitoring Officer, Andrew Weavers ☎282213  
Finance Manager Audit and Governance, Elfreda Walker ☎282461.
- 4.6 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.
- 4.7 If you are an employee you may invite your trade union or a friend to be present during any meetings or interviews in connection with the concerns you have raised. If you are a councillor you may be accompanied by your group leader.

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### 5. How the Council will respond

- 5.1 The Council will respond to your concerns. Do not forget that testing out your concerns is not the same as rejecting them.
- 5.2 Where appropriate, the matters raised may be:
- (a) investigated by management, internal audit, or through the disciplinary process
  - (b) referred to the police
  - (c) referred to the Council's external auditor
  - (d) the subject of an independent inquiry.
- 5.3 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle, which the Council will have in mind, is the public interest.
- 5.4 Some concerns may be resolved by agreed action without the need for investigation.
- 5.5 Within **five** working days of a concern being raised, one of the Officers named at 4.5 above will write to you:
- (a) acknowledging that the concern has been received
  - (b) indicating how it is proposed to deal with the matter
  - (c) giving an estimate of how long it will take to provide a final response
  - (d) informing you whether any initial enquiries have been made
  - (e) supplying you with information on staff support mechanisms, and
  - (f) informing you whether further investigations will take place and if not, why not.
- 5.6 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you.

## REVIEW DRAFT

- 5.7 Where any meeting is arranged, off-site where appropriate, if you so wish, you can be accompanied by a union or professional association representative or a friend, or the group leader if you are a councillor.
- 5.8 The Council will take steps to minimise any difficulties, which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure and will help you with the preparation of statements.
- 5.9 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, you will receive information about the outcomes of any investigation.

### **6. The Responsible Officer**

- 6.1 The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. That officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will provide an annual report on the operation of the policy to the Standards Committee.

### **7. How the matter can be taken further**

- 7.1 This policy is intended to provide you with an avenue to raise concerns within the Council. The Council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:

- (a) the Audit Commission hotline - 0845 052 2646
- (b) your local Citizens Advice Bureau
- (c) relevant professional bodies or regulatory organisations
- (d) the police
- (e) Local Government Ombudsman
- (f) the Council's Standards Committee.

- 7.2 If you are considering taking the matter outside of the Council, you should ensure that you are entitled to do so and that you do not disclose confidential information. An independent charity, Public Concern at Work, can offer independent and confidential advice. They can be contacted on ☎ 020 7409 6609 or by email at [whistle@pcaw.co.uk](mailto:whistle@pcaw.co.uk)

### **8. Questions regarding this policy**

- 8.1 Any questions should, in the first instance, be referred to the Monitoring Officer.

REVIEW DRAFT

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**Extract from the minutes of the Licensing Committee meeting of 12 January 2011**

**15. Statement of Licensing Policy// Results of Consultation**

The Committee considered a report by the Head of Environmental and Protective Services on the comments that had been received following public consultation on the review of the Council's Statement of Licensing Policy and on the suggested changes to the policy following its examination by leading licensing Counsel, Mr Kolvin.

Mr Kolvin had been requested by the Committee to consider an amendment to tighten up the provisions of the Policy in relation to the application for a Temporary Event Notice by a premises licence holder who had previously been refused a full variation application for the same hours. He had responded that such an amendment would be unlawful since it would amount to a fetter on the authority's discretion and also because it would purport to confer a discretion on the authority that could only be engaged by police representation. The Chairman reported to the Committee that this issue had been raised by Bob Russell MP in the House of Commons.

*RECOMMENDED to Council that the draft revision of the Statement of Licensing Policy as amended be approved.*

*The report to the Licensing Committee is attached at item 14 of the Agenda. The Statement of Licensing Policy has not been reproduced in this Agenda but it is available to view as a Background Paper. Please contact Richard Clifford, Democratic Services Officer, 01206 507832 or [richard.clifford@colchester.gov.uk](mailto:richard.clifford@colchester.gov.uk) if you wish to obtain a copy.*



## Council

Item

9

16 February 2011

Report of	Chief Executive	Author	Adrian Pritchard ☎ 282211
Title	Braintree District Council and Colchester Borough Council Shared Management Arrangements – Issues and Challenges		
Wards affected	Not applicable		

**This report concerns the statement made by the Leader of the Council at the last meeting that a paper be prepared on the benefits and risks in considering senior management arrangements with Braintree District Council.**

### 1. Decision(s) Required

- 1.1 To progress with the shared management arrangements between Braintree District Council and Colchester Borough Council by: -
- i) Establishing a member group to address the issues and questions set out in this scoping report between March and May 2011 and report back to Full Council.  
And: -
  - ii) Subject to stage 1 that a full business case be developed by the end of September 2011 for final Full Council decision thereafter.

### 2. Reasons for Decision(s)

- 2.1 The government; the public sector financial position; and the need to work closer together on many of the macro issues facing local government are all encouraging authorities to consider the sharing of management arrangements and in particular senior management and shared Chief Executive arrangements.
- 2.2 The Leader of the Council at the last Full Council meeting announced that the Leaders of Braintree and Colchester Councils have asked their respective Chief Executives to jointly prepare a paper on the benefits and risks in considering a joint Chief Executive and the options for a more unified management structure.
- 2.3 The attached report at Appendix A begins that process by posing questions for members to debate in order that Full Council can determine whether or not a full business case for sharing senior management arrangements should be undertaken.

### 3. Alternative Options

- 3.1 The alternative is not to proceed to a full business case for sharing senior management arrangements and that sharing management between Braintree District and Colchester Borough Councils is not pursued.

#### **4. Supporting Information**

- 4.1 The issues and challenges paper considering the sharing of senior management arrangements is attached as Appendix A. With it are two Improvement and Development Agency publications entitled “Shared chief executives and joint management: a model for the future?” together with “Shared chief executives – the lessons.”

#### **5. Proposals**

- 5.1 The detail of the issues and challenges of a shared management arrangement is provided as Appendix A.

#### **6. Strategic Plan References**

- 6.1 The direct link to the Strategic Plan is that senior management are responsible for the delivery of the Strategic Plan of the Council. Sharing senior management arrangements with another Council would mean that the senior management must deliver both Councils strategic priorities.

#### **7. Consultation**

- 7.1 There has been no formal consultation to date. This will occur should the Council agree to the next stages of considering shared management arrangements.

#### **8. Publicity Considerations**

- 8.1 As with consultation above this will occur should the Council agree to the next stages of considering shared management arrangements.

#### **9. Financial Implications**

- 9.1 Both the costs and savings will be considered as part of the detailed business case which will be presented for decision back to a future Full Council meeting.
- 9.2 However shared services and shared management arrangements are part of the budget strategy over the coming years. Any arrangement for sharing senior management with Braintree District Council will make a contribution to that strategy.

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

- 10.1 The equality, diversity and human rights implications will be considered, covered and taken into account in the detailed business case. Issues around equality and diversity in employment will also be covered in the business case and by applying existing employment procedures covering recruitment and termination of staff affected.

#### **11. Community Safety Implications**

- 11.1 There are no direct community safety implications with this proposal.

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

- 12.1 There are no health and safety implications with this proposal.

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

- 13.1 The risks associated with sharing senior management arrangements with the two Councils will be covered in the detailed business case by way of a risk register.
- 13.2 The risk of not proceeding to the next stages of sharing senior management arrangements with Braintree District Council is one of needing to identify further management or shared service arrangements in order to achieve the future budget strategy as agreed by Council.

## **Shared Management Arrangement The Issues and Challenges**

### **1.0 Introduction**

The purpose of this paper is to set out the issues and challenges of any potential shared management arrangement between two Councils. This paper does not attempt to reach any specific conclusion; the purpose is to assist Members to weigh up the pros and cons of any shared management arrangement and to reach a judgement as to whether further resource investment should be made to develop a full business case, which supports a shared management arrangement.

### **2.0 Terms of Reference**

The terms of reference of this paper are:

- (a) To identify the issues, challenges and opportunities that need to be considered if Braintree DC and Colchester BC are to move towards a shared management arrangement between both Councils.
- (b) That any issues, challenges and opportunities identified in this paper do not in any way imply the merger of the two Councils. The individual sovereignty of each local authority is sacrosanct.

### **3.0 Background**

The economic crisis facing the country is well documented. This has translated through to the public sector finances culminating in the most recent Comprehensive Spending Review announcement. The public sector and local government in particular is facing significant financial reductions whilst operating in an economic climate which places more pressure on local government to deliver better local services at lower costs for many in our communities.

Equally, and for some time now, some smaller district councils have been conscious of their capability and capacity to operate into the future. Resilience and resources are or may become so tight that a sharing or joining together at some level is a pragmatic way forward.

Public sector agencies are now looking at a variety of ways to improve efficiency and effectiveness in the delivery of local services to local people. These opportunities range from sharing property (Fire and Police Services); sharing services with two or more organisations (regulatory services); sharing and unifying a single senior management structure across two or more organisations; merging individual councils at political as well as managerial level; through to piloting community based budgeting concepts which look to use a variety of public sector agency resources in different and often reduced ways. By doing so each of those is looking to achieve better or different outcomes which benefit the customer, resident or community most.

Shared management and mergers are still small in number and in their infancy so the experience of such approaches is limited; however, authorities are giving more consideration to working better together and to sharing resources. The current coalition government is also encouraging more of these opportunities to be seriously considered.

#### **4.0 The Overall Issue**

The Improvement and Development Agency (IDeA), in their publication 'Shared Chief Executives – the lessons', make the fundamental opening remark:

*'It is, therefore, important to be clear about why each authority is going into the shared Chief Executive arrangements and for both authorities to understand each other's positions.'*

It is essential that each Council is able to articulate the reasons why a shared management arrangement is being considered and that there is a mutual understanding between Councils. Most of the experience to date on shared management, the driving objective has not been financial, it has been through management vacancies, failing Councils that need support or from a shared

services approach, which led to shared management. Nevertheless, the recent public sector financial announcements have focused the minds more on the financial savings to be gained from such 'shared' arrangements.

Questions:

- (i) *Why is this approach being considered and what are the anticipated outcomes?***
  
- (ii) *Is there any synergy between the Councils, which underpins a philosophy of sharing and co-operation?***

### **5.0 Pros and Cons**

In any significant change there are pros and cons, wider benefits and potential risks. In simple terms some of the pros and cons could be:

#### **5.1 Pros**

- Savings on salary costs and the revenue spend.
- Greater resilience and broader skills capacity.
- An enabler to developing a single organisation and further cost reduction.
- If political alignment is possible on issues, the stronger the voice.
- Potential savings through systems and processes, if a fully shared organisational approach is taken.
- Bordering Councils, reasonable proximity.

#### **5.2 Cons**

- Reduces management capacity.
- Management pulled in different directions.
- Pride of working for one organisation is diminished.
- Potential for conflicts of interest.
- Cultural differences could limit success.

Questions:

- (i) Do the pros outweigh the cons or are there sufficient pros to move to a more detailed business case?*
- (ii) Is this the right approach at the right time for both Councils?*
- (iii) Is there a sufficient level of confidence that any shared arrangements will deliver each Council's aims and ambitions?*

## **6.0 The Experiences**

### **6.1 National**

There is still limited, but growing, experience of shared management across local government. Attached is the IDeA's publication on those experiences (Appendix 1a). In general those that have gone down the shared management route claim it to be positive and beneficial with significant cost savings.

The councils that have taken this approach to date have been relatively small district councils probably equating to two thirds of the size of Braintree DC or Colchester BC.

Many of the reasons for moving towards a shared management approach in the first instance were not necessarily about financial savings. In the IDeA report the reasons for sharing were:

- Progression from a bottom-up shared services approach.
- Gaps in the management structure.
- Failing councils that needed successful management support and
- The potential for financial savings.
- Resilience and capacity for the future.

Not all proposals for shared management have gone ahead although from information available the reasons are unclear.

6.2 Local Experience

There has been a strategic partnership agreement between Braintree DC and Colchester BC since 2008. The intention of this partnership was to develop shared services between the two Councils. The partnership did not deliver significant benefits to either Council; the shared services that were achieved was the parking service now managed by Colchester and the procurement hub managed by Braintree. It is fair to say that there were no significant financial savings albeit other tangible benefits have resulted, e.g. resilience, systems improvements.

It is therefore important to identify what has changed from this original commitment to share services that will now actually deliver greater tangible benefits.

Questions:

- (i) What factors have changed since the strategic commitment to work together since 2008?***
  
- (ii) Will the different approach from shared services to shared management be any more successful than the approach to shared services has been?***

7.0 Politics and Political Considerations

In any shared management and especially a shared Chief Executive arrangement, the politicians from each organisation must have trust and confidence in the shared Chief Executive and senior managers. Politicians from each organisation must also have some trust and confidence in the other organisation's lead Members. Without a degree of trust the relationship could become strained and ineffective to the detriment of both administrations, both Councils and the residents each serves.

Question:

- (i) ***Can strategic differences be represented by a shared management of both Councils without a conflict of views manifesting itself?***

## **8.0 Other Partnerships**

### **8.1 Shared Services with other Councils**

Whilst the sovereignty of each Council is sacrosanct, and it is free to make its own decisions regarding the methodology of service provision, it is important to understand the impact of other partnership working outside of any shared management arrangement.

Potential savings from shared services, in the main, are achieved through reductions in management and staffing costs.

It is possible that if a shared management arrangement was adopted there could be different methods of provision through other partnerships and the ability to achieve maximum benefits and economies of scale between the two Councils could be diminished.

It could also be the case that a shared management approach could lead to other partnership working arrangements being pursued which may not have been seen as attractive before.

### **8.2 Two-Tier Working and other Public Sector Working**

What is each Council's philosophy to working with Essex County Council and other public bodies and private sector providers? What are the working relationships between the tiers of local government and other public sector bodies? Is there a synergy of approach that indicates a similar direction of travel of both Councils?

Question:

- (i) ***What are the current partnership arrangements being undertaken and/or developed by each Council and would these be detrimental to any shared management arrangement?***

## **9.0 Financial Savings**

It is difficult to quantify the potential management savings that could be achieved between the two Councils through shared management arrangements without considering a detailed business case. Complexity of partnerships with other Councils, shared services already being explored or undertaken by each Council and other factors mean that savings today may not be the same savings tomorrow.

There may be greater potential efficiencies if both Councils are served by one integrated staffing organisation. Such a major change could take several years and the cost and initial change needs to be considered against the financial benefits; however, efficiency gains should be achieved.

Question:

- (i) ***Is there any constraint on the level of shared management for either Council?***

## **10.0 Management: Confidence, Trust and Relationships**

One of the key cultural issues that need consideration is that of trust between the organisations and ensuring that neither organisation perceives a 'take over syndrome' by the appointment to any posts from one particular Council.

It is a sensitive issue for both Members and staff to feel this is a partnership and that bias towards any organisation is unfounded.

Whilst 'take over syndrome' is more of a perception, it does go to the root of trust between management, Members and staff. Communication is critical to ensure

everyone is informed and so if it is decided to move to the next stage then a comprehensive communication and development plan will be needed.

## **11.0 Summary**

It is for Members to assess the opportunities of any shared management arrangement, which will require significant capacity and resources to address all the issues, set out below, and meet the future aims and objectives of their organisations and the needs of their communities.

- Financial implications
- Legal issues
- Employment issues
- Cultural matters
- Synergy between Councils
- Costs and transitional arrangements
- Risk and mitigation analysis

There is little doubt that a shared management arrangement will deliver financial savings; however as with any business that enters into a sharing arrangement consideration needs to be given to demonstrating best value to the taxpayer.

### ***Questions:***

- (i) Can shared management arrangements contribute to the longer-term vision of each Council?***
  
- (ii) Will improved customer service, better value and greater efficiency be achieved for local taxpayers in terms of District outcomes and value?***

**12.0 Decision**

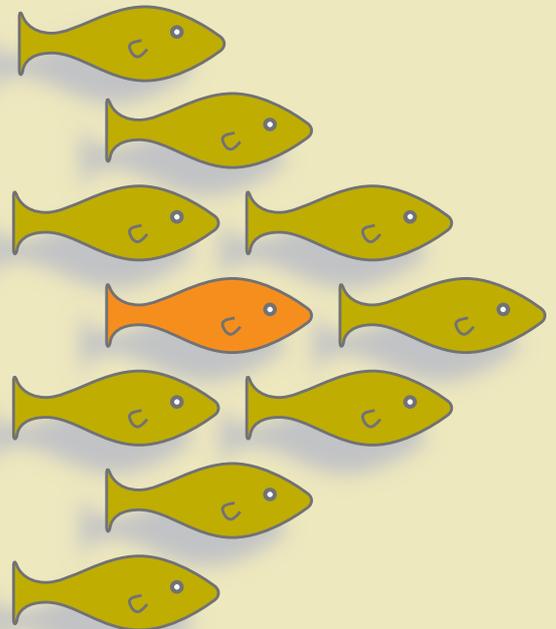
Should both Councils wish to progress any management sharing arrangement, it is proposed that a two-staged approach, with an indicative timeline, as set out in Appendix 2. Members are asked to consider moving to:

**Stage 1:** To establish a Member group to address the issues and questions set out in the scoping paper (March-May 2011).

**Stage 2:** Subject to Stage 1 that a full business case be developed (end of September 2011).

26<sup>th</sup> January 2011

# Shared chief executives the lessons



## **Improvement and Development Agency for local government (IDeA)**

The IDeA works for local government improvement so councils can serve people and places better.

Our offer is built around the real issues for local people, focusing on partnership working, place-shaping and tackling cross-cutting issues.

We use experienced councillors and senior officers, known as peers, who support and challenge councils to improve themselves.

We enable councils to share good practice through the national Beacon Scheme and regional local government networks. The best ideas are put on the IDeA website.

Our Leadership Academy programmes help councillors become better leaders so they can balance the diverse demands of people living in the same community.

Working with our national, regional and local partners, we help councils work through local partnerships to tackle local priorities such as health, children's services and promoting economic prosperity. We advise councils on improving customer service and value for money. We also promote the development of local government's workforce.

The IDeA is owned by the Local Government Association and belongs to local government. Together we lead local government improvement.

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# introduction

Partnership work is at the heart of good local government.

Councils are developing increasingly close relationships with other authorities, particularly where key priorities overlap, and where the challenges they face are replicated in other parts of the country. Councils continue to look for more efficient and effective ways to deliver services through partnership working and some issues can only be tackled with the support of others.

There are many examples of councils working together, either by helping neighbours with short-term support, or teaming up in an equal partnership with joint roles for key employees.

A number of authorities across the country have entered into arrangements to share a single chief executive, often to manage the authority during a state of flux, but sometimes as a permanent fixture.

For the organisations and their employees, it can take a relatively long time to establish partnerships that work really well, but the benefits can certainly be worth it.

As is always the case though, the pioneers of this innovative approach (both councils and individuals) have learned some interesting lessons in the process. They have hit a few hurdles along the way, giving them the insight and expertise that can help anyone else considering a similar change! Becoming chief executive of two

organisations is a major undertaking; it can be extremely time-consuming and physically demanding if it is not done with clear ideas about how to manage the task.

Not all of the shared arrangements made so far have lasted – not all were intended to. But those that have are starting to deliver real changes and benefits, while short term arrangements have proved vital during challenging times.

A selection of these innovating chief executives have been brought together by Stephen Fletcher, Regional Associate at the IDeA, working with Gordon Mitchell, an independent consultant, and their discussions have led to this paper.

The report is intended to be used by chief executives considering a shared arrangement, giving them a strong insight into what to expect, and how to handle it.



Lucy de Groot  
Executive Director

# reasons for sharing

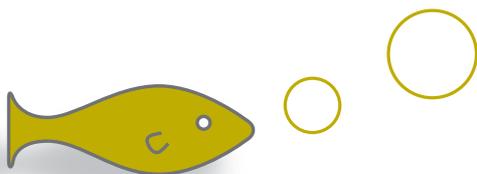
Councils have chosen to share chief executives for a variety of reasons. In some cases local authorities entered into a shared chief executive arrangement to help turn round a failing authority. For example Walsall Metropolitan Borough Council requested help from Telford and Wrekin Council. In other cases it was because of the need to cover the sudden loss of a chief executive through illness or dispute and more recently to explore closer working arrangements and shared services.

Over the year that the group met it became clear that the agenda is changing and there are ever more cases where councils are entering into a shared chief executive arrangement not because of a crisis but where there are opportunities for shared working and efficiencies, for example Adur District Council with Worthing Borough Council and South Hams District Council with West Devon Borough Council.

In the main, where authorities share a chief executive to help an authority in difficulty this is on an 'interim' basis, whereas where the sharing is to look at a shared services agenda, a more permanent solution usually follows an initial pilot phase.

It is therefore important to be clear about why each authority is going into the shared chief executive arrangement and for both authorities to understand each other's positions.

Listed below are the chief executives who have contributed to the network and this paper. We also give the background to the reasons for their sharing arrangement.



<p><b>Michael Frater</b></p> <p>Interim Chief Executive at Walsall Metropolitan Borough Council while still Chief Executive at Telford and Wrekin Council</p>	<p>Brought into act as an interim at failing Walsall Council to start the improvement programme. Once the foundations for improvement were laid Walsall was ready to take on a new chief executive and the interim chief executive phase finished.</p>
<p><b>Ian Lowrie</b></p> <p>Chief Executive at Worthing Borough Council and Adur District Council</p>	<p>A history of the two authorities working together meant that it seemed natural to share a chief executive after the chief executive of Worthing Borough Council left. Initially on a pilot basis but now agreed as a full-time appointment, together with joint directors and heads of service, working towards a fully joint officer structure.</p>
<p><b>Simon Baker</b></p> <p>Chief Executive of Staffordshire Moorlands District Council and Interim Chief Executive of East Staffordshire Borough Council</p>	<p>Simon was asked to step in on an interim basis to help East Staffordshire Borough Council whose chief executive was off due to ill health. The arrangement did not continue after the councillors of both authorities decided to withdraw from the arrangement.</p>
<p><b>Simon Baker</b></p> <p>Chief Executive of Staffordshire Moorlands District Council and High Peak Borough Council</p>	<p>Following the cessation of the East Staffordshire arrangement, Staffordshire Moorlands District Council entered into a sharing agreement with High Peak Borough Council, engaging Simon on a medium-term contract to look at a strategic alliance between the two. Simon is now jointly employed by both authorities.</p>
<p><b>Bill Taylor</b></p> <p>Chief Executive of West Lancashire District Council and Interim Chief Executive Fylde Borough Council</p>	<p>Initially brought in to help solve some of Fylde Borough Council's problems, Bill was also looking at the possibility of shared services with West Lancashire District Council as part of the new shared services agenda. It was decided not to take the shared service approach between the two councils forward and Bill is no longer acting as interim at Fylde.</p>
<p><b>David Incoll</b></p> <p>Chief Executive of West Devon Borough Council and South Hams District Council</p>	<p>David was initially brought in on a nine-month appointment to look at shared services and joint working between the authorities. This has now been extended for another two years. Since taking on the shared chief executive role, David has helped achieve a number of shared services, for example Environmental Health, Policy and Improvement, and Human Resources (HR) and Payroll.</p> <p>Many of these are part way to creating a wider shared services agenda with neighbouring Teignbridge District Council under the South Devon and Dartmoor banner. Culturally all staff now look to possible collaborative approaches when faced with new duties, loss of key staff or the need to procure services or ICT investment.</p>

<p><b>Bob Austin</b></p> <p>Chief Executive of Cotswold District Council and Interim Chief Executive at Tewkesbury Borough Council</p>	<p>Bob was brought in as an interim at Tewkesbury Borough Council, who were 'in engagement' with Communities and Local Government (CLG). Cotswold District Council saw it as an opportunity to share services and make further efficiency gains. Bob made good progress in helping Tewkesbury but the two authorities decided the time wasn't right to share services and the arrangement came to an end.</p>
<p><b>Peter Simpson</b></p> <p>Chief Executive of Hambleton District Council and Interim Chief Executive at Richmondshire District Council</p>	<p>Following the chief executive of Richmondshire District Council leaving, the authority requested help from Hambleton District Council on an interim six-month secondment for the equivalent of two days per week. This initial phase was to provide some leadership capacity at Richmondshire and to inform future options following a period of instability after the permanent chief executive left when other temporary solutions were put in place. Having decided that one chief executive running two councils without any other form of sharing was not the best option, a second phase of six months has been approved to explore some key shared service options to inform future decisions.</p>
<p><b>Stephen Baker</b></p> <p>Chief Executive of Suffolk Coastal District Council and Waveney District Council</p>	<p>After the Waveney District Council chief executive left in December 2007, interim cover was provided until April 2008, allowing time for a two-year shared chief executive arrangement with Suffolk Coastal District Council to be agreed. Stephen continues to be employed by Suffolk Coastal, but half his time is seconded and charged to Waveney. Both authorities were keen to explore shared services and improved efficiencies. Waveney has some performance issues to address, and both authorities are also now engaged in the process of local government reorganisation.</p>

At the time of writing (September 2008) the following authorities are also sharing chief executives, some on a trial basis:

- Vale of White Horse District Council and South Oxfordshire District Council
- Bromsgrove District Council and Redditch Borough Council
- Essex County Council and Brentwood Borough Council
- Carlisle City Council and Allerdale Borough Council

## key points raised

The lessons fall into eight key areas.

1. Considering taking on the shared role
2. Human Resources, pay, terms and conditions, and contractual issues
3. Starting as a shared chief executive for real and the work/life balance issues
4. Moving towards a permanent position
5. Member involvement
6. Winning the shared services argument
7. Service reviews – business improvements
8. Working in authorities with difficulties

“fantastic and rewarding”



## considering taking on the shared role

This document helps to list the learning from the chief executives who have worked in the shared chief executive role. It doesn't pretend to be the complete guide and ultimately each chief executive will need to take HR and legal advice about the role being considered.

### where can I go for advice?

All the chief executives listed in this publication have indicated their willingness to help colleagues. You can also apply to join the shared chief executive learning set and Community of Practice. Contact the IDeA for further information – see page 15.

Before jumping in to your new role, all the chief executives involved agree you should carefully analyse your reasons for taking it on:

- Is this a stepping stone for moving on?
- Are you clear about where you want to take it?
- Are you really motivated to take on the challenge and do you really believe in the role?
- Are you aware of the risks of burning out?

It is a very demanding job but also a very dynamic one – chief executives report their delight in watching people change.

### create a beneficial working structure

- Be clear and fix which evenings you will keep for home life during the week.
- Have a mentor and join an action learning set.
- Get regular feedback from members and officers on how they feel it is going.
- Decide on whether you should have one appraisal or two separate ones, one for each authority and whether you have two sets of objectives or one comprehensive framework.
- Joint appraisals force members from the separate authorities to come together.

Ultimately both councils must own the shared chief executive approach; they must understand and want it. It is important to get both leaders to sign and present the papers to their own authorities, to go ahead with, review or continue with the shared arrangement. It must not be seen as any one chief executive driving the process.

Make sure that both councils are clear about why they are entering into the arrangement. Originally, interim chief executives were brought in to help councils, now there is a move to a more complex situation where the shared chief executive is brought in to look at combined efficiencies through sharing services.

# human resources, pay, terms and conditions, and contractual issues

There are specific issues that need to be resolved before you can become the statutory 'Head of Paid Service' of an authority that is not your employer. If acting as the statutory Head of Paid Service in the 'receiving authority' you must have an appointment letter and be paid a nominal amount (say £5) per year.

Organise contracts and deals at the beginning, before you start. Many chief executives recognised it was all such a rush that this often wasn't done.

All chief executives in this role have had an increase or honorarium to recognise their increased responsibilities. Examples of current contractual arrangements are:

<p>Chief executive at Worthing Borough Council and Adur District Council</p>	<p>Chief executive, strategic directors and heads of service are all now permanent joint appointments to revised pay scales reflecting dual authority responsibilities. They are all technically employed by Adur District Council and Worthing Borough Council pays an agreed share of their costs to Adur. The share is based initially on a 40:60 split, in keeping with most variables for most heads of service, 50:50 for directors and chief executive. This is being monitored to be reviewed later.</p>
<p>Chief executive of Staffordshire Moorlands District Council and High Peak Borough Council</p>	<p>Following the cessation of the East Staffordshire Borough Council arrangement Staffordshire Moorlands District Council entered into an agreement with High Peak District Council to share chief executive between the two on a medium-term contract, to look at a strategic alliance between the two councils. Simon Baker is now jointly employed by both authorities (the only chief executive to be jointly employed).</p>
<p>Chief executive of West Devon Borough Council and South Hams District Council</p>	<p>The chief executive of West Devon Borough Council was initially brought in on a nine-month appointment to look at shared services and joint working between the authorities. This has now been extended for another two years and the employing contract is with West Devon.</p>
<p>Chief executive of Hambleton District Council and interim chief executive at Richmondshire District Council</p>	<p>Richmondshire District Council requested help from the chief executive of Hambleton District Council on an interim temporary six-month appointment through a secondment for up to two days per week. A second phase of another six months has been approved.</p>
<p>Chief executive of Suffolk Coastal District Council and Waveney District Council</p>	<p>The chief executive continues to be employed by Suffolk Coastal District Council, but half his time is seconded and charged to Waveney District Council for two years. Both authorities were keen to explore shared services and improved efficiencies.</p>

# starting as a shared chief executive for real and the work/life balance issues

You must look after your home authority. They are paying your wages and they are the ones you will go back to either at the end of the temporary period or if the arrangement breaks down.

You need to manage the politics in both places. There are two councils, two controlling groups, two leaders and at least two opposition leaders.

Short-term limited contracts can create a shorter time frame for you and the key individuals in both councils and therefore limit the commitment to a longer term solution. Permanent or longer term appointments strengthen the position of the chief executive and commitment by all parties to the shared role.

There is a need to manage staff and member expectations of being in two places at once in both authorities.

Shared chief executives do need to be careful of their workload and to take time out to look after themselves.

It is important for the chief executive to have PAs on site in both authorities unless you have a joint head quarters. This enables you to have that key link and intelligence in both authorities even when you aren't there. The PA can keep you informed of issues arising and tip you off about problems. It's also important to establish a good working relationship and link between the PAs so they become a team – this helps reduce the conflict on your time and can reduce the travelling between the two authorities.

Joint committees and joint management teams play an important part in helping to link the individual council issues and therefore bring the authorities and the 'two jobs' closer together.

Demands on your time double so you need to manage your time on any one issue or meeting. Shared chief executives have found that unless you are strict in allocating your time you cannot survive.

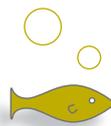
Reconsider your style as time will be more limited, so you will need to be stricter with how much time you devote to people and problems. One chief executive described it as having to be more 'brutal'. It is more important than ever to structure your schedule, to finish meetings on time, and don't let conversations run on. PAs will be an important filter.

You will no longer have time to deal with operational issues and will be forced to be strategic.

It's worth remembering you are not the only common thread between the authorities – the politicians and some staff do talk to each other, both formally and informally.

Reducing the time travelling between the authorities is essential. Dedicating certain days of the week to each authority can be helpful in getting members and staff used to you being around, and not around on set days. One suggestion is to always dedicate at least one day a week for each authority, (ie Monday for A and Tuesday for B, leaving the other three as flexible).

“You can end up shovelling twice as much work so look after yourself; it is easy to burn out. Watch personal fitness. Resist working a high number of hours. Try to look on it as one job, one business.”



You need to make the best use of travel time between the authorities; some chief executives have had a driver or even used a colleague to drive them so they could work in the car. A hands-free kit, while possibly frowned upon, has become an essential item for one particular chief executive travelling between authorities.

Consider your 'visibility'. Due to time constraints chief executives have less to spend on the social interaction with staff and members that they had when they were the chief executive of just one authority. Staff and members don't get the access they had.

Weekly newsletters and emails become more essential methods of communication. Chief executives have all found that this is particularly difficult following elections with so many new members to build relations with in both councils.

In order to communicate more effectively it is worth considering having joint staff as well as joint management events.

Time can be saved by:

- making one response from both councils to consultations
- having one meeting with the Audit Commission and partners
- using video and telephone conferencing
- rationing the number of external meetings – wherever possible organise meetings with external partners where you represent both authorities at the same time.

### **working together**

It is important to get the two management teams together early on to discuss the way forward.

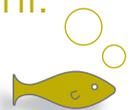
Consider joint training of the two management teams.

It can be a good idea to introduce the directors of the authorities involved to both executives at a joint event where directors can talk about themselves and their backgrounds. This helps to improve personal relationships, reduce the myths, remove the barriers between the two authorities and bring about mutual trust.

“I spend Monday and Tuesday in one authority and Wednesday and Thursday in the other authority with Friday as a floating day, used where I am needed most or for outside meetings.”

The employing authority may not be as prepared as they thought for losing half the time of their chief executive. Your Corporate Management Team (CMT) in particular may not realise how unprepared they are for less access to their chief executive. You need to be aware of how they may feel during your absence.

“The loss of personal leadership is only noticed after it has gone and you underestimate this at your peril.”



For shared district chief executives the relationship with the county council is obviously important, but it can also be a complication if you are representing two authorities with differing positions. Alternatively, you will be representing two authorities that will probably be more closely aligned.

Joint visioning events can be helpful for members and senior officers of both authorities.



## moving towards a permanent position

### how will you decide whether to continue?

The move from a temporary position to a more permanent arrangement will almost certainly change the dynamics and expectations, especially in the 'second or receiving' authority.

“Be careful not to always refer to authority A and B but to say authority B and A just as often.”



The move to permanency then raises the issues of a joint appointment process and shared employers.

Nearly all shared chief executives start to see the possibility of shared management teams and consider the implications of shared officer structures. Recognise that once you have a shared CMT it is difficult to go back to each authority appointing separate teams as they will have utilised the resulting savings. Also, that a single CMT would result in reduced management capacity, making it more difficult to implement changes or prepare for major transformational change, such as local government reorganisation.

If you want to combine CMTs, get the marker down early, state the timetable and move forward.

It is important to be clear with all staff and members about what is going on in both local authorities.

“It’s important to recognise that it is a brave decision for councils to share a chief executive and you can’t take it for granted that they will all be comfortable with the idea.”

## member involvement

Councils may have different reasons for sharing so it is important that members are brought together to discuss what they want to achieve and how they will measure the success of the shared chief executive and/or shared services before entering into an agreement.

Ultimately members will make the final decision on any sharing of services or staff so it is best to include them at an early stage in any service reviews.

Sharing chief executives is a big step for councils to take. It is important to recognise that councillors will not take the decision lightly to enter into an agreement with another authority, and not all members will be comfortable with the idea.

It is helpful if chief executives give members a better understanding of what the outcomes for the community will be rather than just the benefits for authorities of any shared arrangement, especially in the case of shared services.

Some councils have found that peer support from outside the council (for example IDeA accredited political peers) have been very supportive in helping councillors to better understand the wider issues involved.

Once in post the chief executive will need to understand the politics in both places and will need to act as the main conduit between the authorities managing the political interface in both places.

It is important to build trust and relationships between the two councils and in particular the wider council membership. Chief executives and leaders have found it critical to get members together from the two authorities. The chief executive will need to find ways to get them together, preferably to undertake joint work. In longer term relationships councils have found that the politics of the two authorities may start to merge, with similar views and issues being expressed or political positions being adopted.

Some authorities have agreed a common set of joint priorities.

# winning the shared services argument

It is also helpful to improve the working relationships between the councils if members from both authorities work closely together and support each other. For example chairs and portfolio holders with similar briefs can support their colleagues in the other authority.

As the common link between the two authorities any initiative involving both councils can often look like the chief executive's idea, even when it isn't, so it is really important for the chief executive to take both sets of members with them.

Chief executives have found it is their 'home' authority that starts to feel uncomfortable with the arrangement first and sometimes quite early on. The chief executives all agreed that they had to work hard to keep their original employer comfortable with the arrangement.

Some authorities found it useful to have combined meetings where, for example, both cabinets meet at the same time in the same room but with two separate agendas such as in Adur District Council and Worthing Borough Council.

When common issues are being considered by both councils they have found it better for both authorities to look at the same issue in the same week so time isn't lost between councils and frustration isn't created between them.

Chief executives in these arrangements have found it to be critical to keep all councillors on board by offering to go to any political group meetings where important issues will be discussed.

Many members still expect the chief executive to be available as often as if they were dedicated to that authority and tend to have full-time expectations even though the chief executive is on a part-time basis in both authorities.

**"You must look after your home authority and relationships with the members as they are paying your wages and they are the ones you will go back to."**

More of the work of shared chief executives is being driven by the need to make efficiency savings and by the Gershon and Varney agendas.

Joining up and the sharing of services between district councils is one way of achieving these savings and of delivering transformational change.

Authorities that have close links through shared services and shared chief executives have found that they therefore have a bigger bargaining position on partnerships such as the local strategic partnership, etc.

**"Professional terrorists can put up silos. Recognise that some officers maybe working actively to influence members against the shared agenda."**

While district/county working is important there are bigger savings for districts when sharing services with other district councils.

While not always voiced openly it has to be recognised that there is a fear among some politicians that improved two-tier working and the joining up of local authorities through shared services can lead to a unitary council through the back door.

Shared chief executives have found that when the directors are also shared across the two authorities in a combined management team this leads the directors to see obvious benefits in joining-up the services that report to them. This helps speed up the process.

Conversely they have found that some senior officers are resistant to changes in their 'professional' areas and can make things quite difficult in persuading the councils to link those services.

Joint services help in building confidences that enable the authorities to work together and that the shared service agenda is easier than officers and members think it is going to be. Sharing resources, staff, depots and offices, etc. brings lots of issues onto the table that need resolving, but once the first service has been cracked, confidence grows in linking further services.

“It is a hearts and minds job.”



It is important to empower project teams to act as pathfinders to unify services, perhaps looking initially at one frontline and one transactional. It is important to use the people who will run the shared service to design it.

Chief executives who have come up the transactional change route need to move to transformational change when doing a shared chief executive role. Shared chief executives have found that they quickly move from transactional to transformational as they start working at a more strategic level, seeing links and opportunities across the two councils.

Given this move towards transformational change they have also found that this can be easier when using external partners in order to achieve a step-change.

Joint committees and joint management teams play an important part in helping the two authorities to discuss the issues and to strengthen the links. This leads to better trust between individuals and between the councils which in turn opens the way for more cooperation and sharing.

Chief executives have found that it is better to look at sharing a smaller service area first in order to gain the two councils' confidence and prove that it can be done. This builds staff and councillor trust and proves to detractors that it's easier than they may have thought. Feasibility studies are an important part of the process in identifying which services to link up.

“Start small to test the ground and feasibility. Sort out the governance issues especially before going wider.”

It is important to establish joint governance arrangements between the two councils for shared

services. This is especially important for the first shared service where you want to build trust and good working relationships between the two sets of councillors and officers across the two councils.

Usually the initial drivers to combine services will be efficiency savings or technical improvement reasons. After a while a culture of 'combining services because it makes sense' helps to drive further sharing.

Interchanges that take place between the two authorities' professionals can also help to see where shared services or at least some level of cooperation makes sense and can be achieved

There can be a mindset among some councillors and officers that sharing services is a passing trend and that this is temporary, however the savings gained from shared services over a passage of time makes it more difficult to unpick the arrangements.

Some chief executives have found it helpful to directly explain how the savings achieved through shared services can result in a reduced need to increase the Council Tax.

Concerns were expressed by some chief executives that there are a few notable issues about the ability to share some staff. For example the ability to share a monitoring officer where there are a large number of parishes could seriously impact the workload of the ethical governance role.

The shared service agenda raises issues around different terms and conditions, pay rates and recent job evaluation (JE) in councils, resulting in grading differences for the same jobs. This is a messy area that can't be resolved with one solution. Consider a unified JE and pay scale for a new organisation.

Look at seconding staff then moving to a single employer later.

“Don't let the purists push you away from a pragmatic approach.”



# service reviews – business improvements

Remember that sharing services is not the only way to make efficiency savings. Some councils have used techniques such as 'systems thinking' to make major savings and efficiency improvements before sharing services.

It is important to set out the business case before trying to move forward on the shared service agenda.

Some authorities have used external consultants to look at future options and business cases before bringing services together.

Some Regional Improvement and Efficiency Partnerships may fund service reviews to help councils kick-start a move towards shared services.

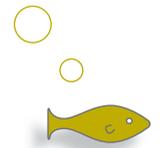
Some councils have trained their own staff in 'systems thinking' and Business Process Re-Engineering (BPR). They have created Business Process Improvement (BPI) teams who implement and drive efficiency savings on a service-by-service basis.

Shared services are not an alternative to BPI as joining two inefficient services together is never as good as joining two efficient ones.

It is very important to get the politicians on board, particularly those close to the services being shared. Consider having the portfolio holders from both authorities involved in the business review and in the new governance structure.

Do not underestimate how important it is for the chief executive to appear at all staff briefings especially the ones on the service reviews. In addition consider using staff from one authority to present to the other authority and vice versa to show it is not a takeover.

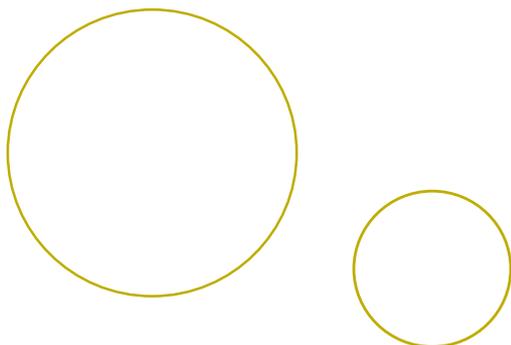
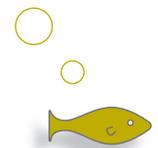
"It is important to remember that neither authority is good at everything and to get the best from both."



### going beyond two authorities

Some concern has been expressed that while it is relatively easy to bring two authorities' services together, inefficiencies can creep in when merging a larger number of authorities' services together.

"Collaboration is easier between two councils than it is with three or more, especially when the two councils share the same chief executive."



# working in authorities with difficulties

For some chief executives in a shared role, working in an authority which has some difficulties, there are specific issues that may need addressing.

There is a balance to be struck between being the chief executive from next door brought in to help out the neighbouring authority versus the role of turning round an authority with problems.

It is important that interim shared chief executives are assertive enough to bring about change.

Do not underestimate how useful political mentors are in helping both dysfunctional authorities and those that are having some difficulties.

Some chief executives have found unacceptable behaviour among some councillors that is seriously impacting on the authority. In some cases these member behaviour issues seriously affect performance and can be considered as bullying or harassment

In these cases consider implementing a 'Dignity at Work' policy' or harassment and bullying procedures. While ultimately referral to the Standards Board for England is a possibility this should be a last resort due to the relationship problems between the chief executive and the member that will result.

Help through the IDeA peer support scheme and through LGA party offices is also available.

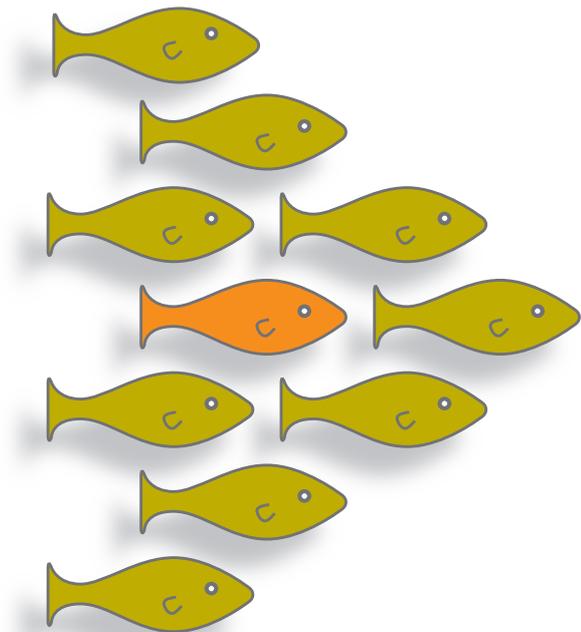
Use councillors from elsewhere (especially accredited peers) to get the message over for you. Using mentors and specially developed strategic team programmes have proved to be useful ways to improve the situation.

# find out more

For more information about the learning set and the Community of Practice please contact:

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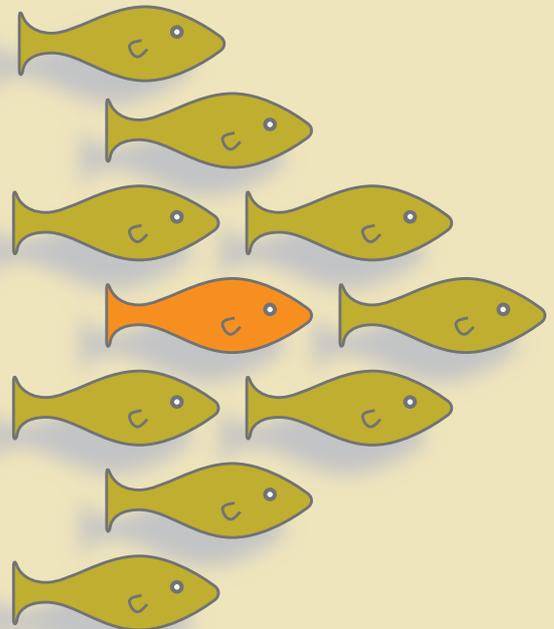
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# Shared chief executives and joint management: a model for the future?

October 2009



### **Improvement and Development Agency for local government (IDeA)**

The IDeA supports improvement and innovation in local government, focusing on the issues that are important to councils and using tried and tested ways of working. We work with councils in developing good practice, supporting them in their partnerships. We do this through networks, online communities of practice and web resources, and through the support and challenge provided by councillor and officer peers. We also help develop councillors in key positions through our leadership programmes. Regional Associates work closely with councils in their areas and support the Regional Improvement and Efficiency Partnerships (RIEPs).

[www.idea.gov.uk](http://www.idea.gov.uk)

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## Introduction

With the increasing pressures on local government finances many councils are looking at developing closer partnerships and collaborative ways of working in order to secure greater levels of efficiencies. Councils are becoming increasingly creative in their approach to service delivery, which can take many forms. A growing number of councils have chosen to deepen their partnership working by sharing their chief executive and management teams to facilitate shared services and achieve efficiencies.

In discussing joint management arrangements we are talking about two councils, remaining separate organisations, that agree to share a group of officers. They will carry out the full role of the management team to both councils and work on developing shared services. By shared services we mean a single group of officers or contractors that deliver a service for both authorities, beyond shared management.

In an earlier IDeA publication 'Shared Chief Executives: the lessons' we discussed some of the early developments, highlighting the reasons for the joint arrangements. In this report, a year later, we explore the impact of sharing chief executives on councils' integration, particularly in terms of efficiency savings and the shared services agenda.

The main reasons for appointing shared chief executives have evolved. Earlier examples were pragmatic responses to filling vacancies on an interim basis. Latterly joint arrangements have been entered into by councils seeking greater efficiencies and longer term partnerships. The efficiencies from developing shared services are now the key driver for looking at joint chief executives.

Councils have faced mounting financial pressures in recent years. For some councils the grant received from central government has been increasing at a very low rate. Nine of the councils in this study saw an increase of just 0.5 per cent in 2009/10.

The impact of the recession, coupled with the expectation that public spending is expected to fall following the next spending review in 2011, has led many more councils to rethink service delivery with the aim of achieving greater efficiencies and savings.

Joint management arrangements have evolved naturally using a bottom-up approach. They have developed alongside local government reorganisations (LGR) and two-tier pathfinders and have remained low profile.

With this context in mind a key question is whether joint management arrangements across two or more authorities can deliver efficiencies and a faster pace of change.

The IDeA believes the examples from the 10 joint chief executive arrangements highlighted in this report demonstrate that this approach is one that other councils should seriously consider when developing their approach to the issues above. It has to be accepted that circumstances differ, with an agreed local menu being the recipe for success.

**Thanks** – The IDeA wishes to thank all those councils named in the report for their time in helping us put this report together. Without their help and enthusiasm this report would not have been possible.

“The joint chief executive role can be quite a lonely position until you have a joint management team in place.”



## Joint management arrangements

Whilst chief executives had been shared as interims, more permanent shared chief executive arrangements began to appear in 2007. Since then there has been a slow growth in the number of formal arrangements. At the time of writing the councils that have a formalised joint chief executive/management arrangement are:

Adur District Council and  
Worthing Borough Council

Hambleton District Council and  
Richmondshire District Council

Suffolk Coastal District Council and  
Waveney District Council

South Oxfordshire District Council and  
Vale of White Horse District Council

Bromsgrove District Council and  
Redditch District Council

West Devon Borough Council and  
South Hams District Council

West Oxfordshire District Council and  
Cotswolds District Council

Staffordshire Moorlands District Council and  
High Peak Borough Council

Havant District Council and  
East Hampshire District Council

Essex County Council and Brentwood Borough Council (this example differs from the others as it is a county and district working closer together).

These councils are all at different stages of integration. However, the path the majority have taken, or are in the process of taking, is to move from a joint chief executive towards a joint senior management team across two authorities with shared service units.

In all these cases there has been a great deal of clarity and openness about the goals behind seeking greater integration. There has also been a

good degree of rigour in the development of the business cases for deeper integration. That said, councils have taken different approaches. Some have been very pragmatic, exploiting opportunities as they arise, while others have taken a systematic approach towards service integration.

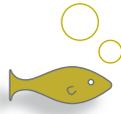
### To boldly go...

Following a period where the **Adur District Council** chief executive was also acting as interim chief executive for **Worthing Borough Council**, the first permanent joint chief executive of two authorities was appointed in 2007. The brief was to join up the officer arrangements. Whilst innovative and controversial at first, the lessons learned and obvious savings and advantages that began to emerge set the pattern for others to follow.

### A systematic approach

With a history of joint working (including shared accountancy, finance client side, benefit fraud and audit teams), a shared management team was an obvious next step for **South Oxfordshire District Council** and the **Vale of White Horse District Council**. In July 2008, the two incumbent chief executives proposed a plan for joint management arrangements. By February 2009 the councils had moved from two chief executives, five directors and 14 heads of service, to a combined structure with one chief executive, three directors and eight heads of service. The annual salary saving is £750,000 (the one-off transition cost was around £1.2 million). All appointments have been made from within the existing workforce. Following the appointment of a single management team, heads of service have been tasked with developing business cases for further service integration. There is an expectation that integration at the next level of management can achieve an additional £350,000 in savings per annum in total across both councils.

# “We are doing this to safeguard front-line services.”



## The benefits

Safeguarding services through greater efficiencies is now the main motivation for pursuing joint management arrangements and shared services. However, councils are clear that continuing to improve the quality of services and meet customer expectations are also important. It is not surprising that some authorities have come to this view. Most of the authorities highlighted in this report, although not all, are small in terms of employee numbers and turnover. They are well managed and have achieved significant efficiencies from within their own services. They also face very tight financial settlements. Joint arrangements provide them with the opportunity to explore further efficiencies and to become more influential in regional and even national debates.

A number of benefits of joint management arrangements have been identified by councils. These include:

- financial savings from reductions in the size of management teams
- greater opportunities for efficiencies from shared services
- savings from joint procurement
- a higher profile for the councils, which in some cases can represent combined populations of nearly 250,000 people
- the combined teams can be made up of the best individuals from both councils.

It is important to remember that many of these arrangements are still new and therefore it is a little early to look at the savings actually achieved which will be modest compared to the longer term view. To date the realisable savings are mostly from staff reductions.

For **Suffolk Coastal and Waveney**, where the joint chief executive appointment was made in April 2008, savings are around £90,000 per annum relating to the shared chief executive position. For others the savings are larger. **Adur and Worthing**, which was the first of the joint chief executive arrangements, now has £13.9 million being spent in joint services. The two councils have achieved savings for the two years to 2009/10 of £913,000. In 2010/11 savings will be running at over £1.5m per annum.

In a number of cases authorities have been in shared services partnerships prior to the move to appoint a joint chief executive. The partnership working between West Devon, South Hams and Teignbridge is an example. However, West Devon and South Hams are now taking forward their largest shared services project with the integration of the Revenue and Benefits Service.

Brentwood Borough Council now controls over c£2.5m of Essex County Council budget spend through a Local Highways Panel set up in March 2008 to make decisions on local priorities in the light of extensive community consultation, bringing decision making closer to the people of Brentwood. Closer working between the two councils has helped to deliver the £7m redevelopment of Brentwood town centre and high street.

### Collateral influence

One of the positive unforeseen impacts of the shared working arrangements is the influence it sometimes has on other organisations. In some examples, as the shared arrangements have bedded in, other stakeholders have changed their management arrangements to mirror the lead from the councils. For example for **Adur District Council** and **Worthing Borough Council** this has included: Police command units, the voluntary sector, local Unison branch, business representatives, and local strategic partnerships.

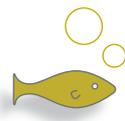
## Savings from joint management arrangements and shared services

Councils	Sharing arrangements	Savings from joint management (per annum)	Savings from shared services
<b>Adur and Worthing</b>	Joint chief executive and joint management team	Initial savings from joint chief executive and management team were £452,000. Further savings of £220,000 expected in 2010/11 as more management savings realised.	Cumulative savings of £2.2 million have been made since the beginning of the arrangements. The ongoing annual savings will be £1.5 million.  Savings of £652,000 p.a. realised in 2009/10 as a result of the first tranche of shared services: refuse and recycling, street cleansing, financial services, legal and democratic services, corporate services, and customer services. Further savings of £350,000 p.a. expected in 2010/11 due to extension of shared services across the councils: planning, parks, ICT, building surveying, and environmental health.
<b>Hambleton and Richmondshire</b>	Joint chief executive and joint management team	£84,440 for joint chief executive, increasing to £109,000 for joint management team.	Shared service plan establishes five blocks for exploration. Block one, the business case for ICT indicates net savings of £425,000 over four years to 2012/13 and potential ongoing annual savings in excess of £200,000.  An outline business case for joint waste management shows indicative savings of around £336,000 in the four years to 2012/13 and annual savings of £160,000 thereafter. Shared service propositions on a worst case basis show £300,000 annual savings and best case £750,000, with the total growing as shared services develop.
<b>Suffolk Coastal and Waveney</b>	Joint chief executive, moving towards sharing management team	Approximately £90,000 is being saved across the two authorities which relates to the joint chief executive post and other shared posts.	
<b>South Oxfordshire and Vale of White Horse</b>	Joint chief executive and joint management team	£1.1 million across both councils from joint management arrangements.	£500,000 in savings to be shared by the two councils from a new joint waste contract.  The councils are already benefiting from a joint revenues and benefits contract with Capita which is producing savings of £3 million over 10 years.

## Savings from joint management arrangements and shared services

Councils	Sharing arrangements	Savings from joint management (per annum)	Savings from shared services
<b>Bromsgrove and Redditch</b>	Joint chief executive, moving to joint management team	Current direct savings from joint chief executive appointment, approximately £80,000 across both councils.	Reported approximately £240,000 per annum across both authorities from shared services, which largely predate the joint appointment. Future 'approved' savings from shared services for 2010/11, 2011/12 and 2012/13 are £250,000, £390,000 and £390,000 respectively. In addition, the planned extensive transformation programme is expected to generate £3.4 million in savings across both councils in the period to 2012/13.
<b>West Devon and South Hams</b>	Joint chief executive and joint management team	Shared chief executive produces savings of around £70,000.	South Hams and West Devon combined cumulative savings to date are £775,000, with ongoing savings from 2010 of £600,000 per annum. Joint services: human resources (HR), environmental health, payroll, building control, and revenues and benefits, which started on 1 October 2009. The two councils are exploring a range of shared services together. In addition, the councils share services with Teignbridge District Council.
<b>West Oxfordshire and Cotswolds</b>	Joint chief executive (plus shared director of finance)	Savings from a shared chief executive from 1 November 2008 and joint finance director from 1 August 2009 (approximately £60,000 to £80,000).	Forecast savings £700,000
<b>Staffordshire Moorlands and High Peak</b>	Shared chief executive and joint management team	The establishment of a joint management team across the two councils and a reduction in the number of middle and senior managers from 37 to 21 will generate savings of £560,000 per annum from 2012.	The councils have introduced a number of shared services which will produce savings of over £1 million per annum from 2010/11. Current shared services are: combined ground maintenance, joint clean team, environmental health, and joint chief executive team, including combined policy function.
<b>Havant and East Hampshire</b>	Shared chief executive	£59,000 savings from shared chief executive.	Potential savings of between £600,000 and £1 million from shared management and shared services.
<b>Essex and Brentwood</b>	Shared chief executive	£100,000	Property rationalisation released capital receipt (approx £1.6m), creating £150,000 revenue income for Brentwood. Further savings made through sharing the internal audit service.

# “The biggest benefit is having a single voice at the top of the organisation.”



## Shared services

For the examples in this study, the pace of shared service development across two councils quickens following the establishment of joint management arrangements.

Many of the authorities have, or are, taking a comprehensive look at all their services to assess:

- political acceptance
- the degree of difficulty in bringing services together and
- the potential financial rewards resulting from a shared service.

The faster pace reflects the fact that elected members from both councils will have taken a positive decision to appoint a joint chief executive, often with the express intent of exploring the scope for greater efficiencies. Once in post, chief executives value having a single voice, theirs, at the top of the organisation.

There are differences in the approach taken to identifying services for integration. However, many of the approaches have the following characteristics:

- a shared understanding and vision across both councils
- political direction and ownership
- a phased approach, with high level business cases identifying where more detailed and resource intensive development work can be taken forward
- a sound evidence base with a good understanding of service costs, transition costs and projected savings.

It is important to note that even the most systematic approach to the integrated management of services has room for pragmatism. In the High Peak and Staffordshire Moorlands example, the decision on which services to integrate took into account vacancies in environmental health which made consolidation more straightforward.

Chief executives have noted the value of taking advantage of opportunities, such as staff vacancies, legislative change and new grant funding, to push forward service integration. Not all the benefits to be derived from a joint chief executive or joint management arrangements are transformational.

Whether the change being pursued is transformational or transactional, it is the case that the deeper the management integration the greater the opportunities to establish and deliver opportunities for working across two councils. It is also true that integration comes about more quickly therefore realising savings earlier.

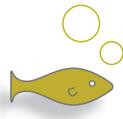
Through this process councils have identified short, medium and longer term opportunities for service integration. **Staffordshire Moorland District Council** and **High Peak Borough Council** established a three phased approach which identified a long-list of opportunities, the development of business cases and a prioritisation and selection process for the transformation programme. Members led the decision-making process at each stage.

The vision for the strategic alliance between the two councils is “to establish a shared approach to the delivery of key services that will improve the quality of people’s lives in the two authorities and deliver greater value for money”.

An evaluation process identified a long list of services including quick wins (eg chief executive support and communications) and those with potential for whole service transformation. Business cases were developed for 19 services. These were developed by heads of service with their teams, supported by a Joint Transformation Team. The business cases looked at financial implications, service continuity, governance, management of change, human resource issues, impact on partners, programme and performance management and reputation.

A small number of services were selected for whole service transformation projects including environmental services and property services.

“I have got nothing but praise for the staff from both councils.”



## The challenges

There are many challenges for two authorities seeking to develop and deepen joint management arrangements. These challenges are present for politicians, senior staff and for managers and staff within individual services.

The information set out above highlights that joint management arrangements and shared services come with start-up or transformation costs and the bulk of savings are spread over a number of years. There are quick wins, but not many, and the bigger rewards are likely to come from the larger projects with deeper integration; this points to the need for a long-term political commitment, which is robust enough to withstand electoral cycles and changes of political administration.

There are councils involved in joint management arrangements where opposition groups are openly hostile to the arrangements. However, there have been some notable examples where politicians have come together across political divisions to lead and champion the integration process. This does not preclude debate and difference. However, a process built on common priorities, shared principles, openness and good governance, allows differences to be explored without undermining the programme.

The savings from joint management arrangements and from shared services across two authorities are largely drawn from staff savings. This should not be surprising as for district councils the most significant area of cost is staffing, which brings the greater challenge of people management in achieving change. Such an approach leads to leaner and more efficient service delivery, but it is not clear to what extent the approach that councils are taking is fundamentally changing how services are delivered. In practice authorities have sought to integrate those services that have a large statutory element with prescribed practices. In essence there are stages of development from shared management, shared services and shared processes. Some or all of these are being undertaken simultaneously or in phases.

Other potentially transforming elements, such as overarching accommodation strategies, have been mentioned but not built into councils' plans at this stage. There are also sensitivities about the perception of mergers when following such strategies. An exception is Essex County Council and Brentwood Borough Council, where approximately £1.6 million in capital receipts and £150,000 in revenue income for Brentwood have been realised, by moving Essex staff into Brentwood Town Hall. The approach benefits Brentwood residents as it brings staff together from the county and district councils, and the Primary Care Trust, to support Brentwood to be a healthy community.

ICT is an issue with all integration projects. Incompatible systems impact corporately across both organisations and also at the level of individual service projects. Transformation costs for ICT can be expensive, but there are also efficiencies to be gained through better procurement and the integration of ICT support. Where possible it is an important issue to address at an early stage. It will bring benefits as an aid to further and deeper integration. There are also efficiency and symbolic benefits to being able to access systems in both councils.

A challenge for chief executives is recognising and convincing others that they are not simply doing the same job twice. Chief executives have described a very different role at the top of a joint management arrangement. The key difference is that the role is much more strategic and it is necessary to step away from some of the day-to-day detail. The change in role for chief executives has implications for corporate directors and other senior managers who must step up to the new challenges and take on more responsibility. A chain reaction means that many staff deep within each organisation will also feel the effects. Chief executives have, without exception, praised their staff for the maturity and commitment with which they have approached integration.

It is worth noting that chief executives did not identify the technical issue of advising two councils as being a significant challenge. The key point here is that the councils and the members remain separate bodies sharing a joint officer management team which advises both councils separately.

It is important to recognise the impact on managers leading the integration and developing shared services. Heads of service face competing claims on their time, not least the pressure to maintain service continuity and standards while at the same time managing integration. Recognition and corporate support for the integration process are valuable in these circumstances.

Some of the Regional Improvement and Efficiency Partnerships (RIEPs) have been very supportive of joint management arrangements and some councils have been able to access funding to support the integration process. In some authorities this has been used to bolster corporate support to those developing integrated services.

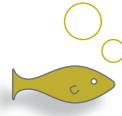
Geography matters. All of the joint arrangements considered here are councils that share a boundary. When the services that are being integrated are local and customer facing this makes sense. However, even within the proximity of neighbouring authorities the distances between the main administrative centres can be large and/or poorly served by transport links. This can reduce flexibility in the integration of services, particularly in relation to administrative staff on lower grades.

The chief executives point to a checklist of key factors which need to be in place to ensure two councils can share a management team:

1. ensure no large cultural differences
2. there must be similarities in the areas covered by the councils
3. the communities need to have some similarities
4. both authorities must trust the chief executive
5. there needs to be clear and well understood governance
6. politicians must be able to trust and work with each other.



# “Communicate, even if there isn’t anything to communicate.”



## Culture

Dealing with the cultural issues associated with change is an important element of the chief executive’s role and essential to effective integration.

A risk in the integration process is that one of the councils is perceived to have taken over the other. The authority that ‘donates’ the chief executive is often cast in this role. Chief executives have spoken about the need to communicate at all levels in the organisation and to continually reiterate the key messages.

Integration is complex and takes time and during the process there is a need to be as open as possible with staff. Of course there is a balance to be struck and this calls on the skill and judgement of the chief executive, together with leading members, to get that balance right.

The cultural differences between organisations will be seen in the espoused values, in the systems and processes, and also in the unwritten and unsaid assumptions. This will also be true of political cultures. There will be a need to address difference at all three levels.

The process of developing shared organisational priorities across the two councils can help people to understand and address different perspectives.

Differences in decision-making processes, access to members, and levels of autonomy for staff will also differ across the organisations. Listening to staff and working with them to standardise processes will be important.

One of the key areas faced by councils seeking to integrate has been differing terms and conditions for staff across the two organisations. These differences are important for two reasons. They can bring the integration process into stark relief as staff on different terms and conditions are brought together to work in joint teams. A second reason for paying attention to terms and conditions is that much of the culture of an organisation can be embedded in these systems. As a result harmonisation of terms and conditions can be both rewarding and challenging.

Councils have been pragmatic in their approach to dealing with HR issues. In some cases staff have been subject to TUPE eg in Adur and Worthing, where one of the councils has taken on the delivery of a service across both councils. In most cases staff have remained employed with their ‘home’ authority. With South Oxfordshire and Vale of White Horse they have started the process of engaging with staff on harmonising terms and conditions across the two authorities

## Joint management arrangements: an alternative model for taking forward shared services

Joint chief executives and joint management teams can save councils money. In cases where management teams are effectively halved in size, the savings can be substantial. However, the big savings will come from shared services.

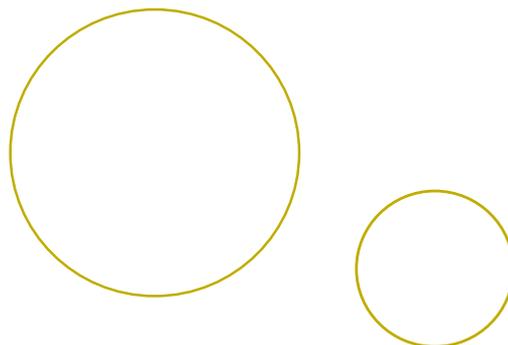
There are many approaches to shared services which do not require a joint management team. However, there are advantages to a single team at the top of an organisation driving the changes.

The joint chief executive role has inherent savings, but it also reduces the transaction costs of shared services in terms of the time and resources associated with partnership working. Bringing the partners under a single arrangement speeds up the process. A joint management team can accelerate the pace, by increasing the alignment of the organisation.

Examples of this overall approach can be seen with Adur and Worthing, South Oxfordshire and Vale of White Horse, High Peak and Staffordshire Moorlands, South Hams and West Devon and Hambleton and Richmondshire.

There is an important role for elected members in establishing at the outset strong leadership of the aims and objectives and sound scrutiny of the implementation.

Joint chief executive arrangements do not work in all cases and our previous report highlighted some of the reasons for them discontinuing. However, where they exist, they are supporting councils to realise savings from deeper integration.



# Annex

Authority	Formula grant 2009/10 (£million)	Formula grant, floor adjusted increase 2009/10 (per cent)	Population (thousand)
<b>Adur</b>	4.99	0.50	60.50
<b>Worthing</b>	7.91	0.50	99.60
			<b>160.10</b>
<b>West Oxfordshire</b>	6.08	0.50	101.50
<b>Cotswold</b>	5.26	0.83	83.90
			<b>185.40</b>
<b>South Oxfordshire</b>	7.82	0.50	128.40
<b>Vale of White Horse</b>	7.02	0.73	117.00
			<b>245.40</b>
<b>Richmondshire</b>	4.13	3.16	51.20
<b>Hambleton</b>	5.71	1.33	86.70
			<b>137.90</b>
<b>Redditch</b>	6.43	0.50	79.60
<b>Bromsgrove</b>	4.95	1.80	92.20
			<b>171.80</b>

Authority	Formula grant 2009/10 (£million)	Formula grant, floor adjusted increase 2009/10 (per cent)	Population (thousand)
<b>High Peak</b>	7.10	0.56	92.20
<b>Staffordshire Moorland</b>	7.55	0.51	95.40
			<b>188.30</b>
<b>West Devon</b>	4.27	1.53	52.10
<b>South Hams</b>	5.48	0.50	83.60
			<b>135.70</b>
<b>Suffolk Coastal</b>	8.10	1.96	124.40
<b>Waveney</b>	11.42	0.50	117.30
			<b>241.70</b>
<b>East Hants</b>	6.18	0.50	110.70
<b>Havant</b>	9.83	0.50	117.40
			<b>228.10</b>
<b>Brentwood</b>	5.20	0.50	71.60
<b>Essex</b>	245.00	238.90	1.36 million

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INVESTOR IN PEOPLE

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**Local Government Association**

The Local Government Association is the national voice for more than 400 local authorities in England and Wales. The LGA group comprises the LGA and five partner organisations which work together to support, promote and improve local government.



**REVIEW AND DECISION MAKING TIMETABLE**

<b>TIMELINE</b>	<b>DECISION MAKING</b>
Mid-February 2011	<ul style="list-style-type: none"> <li>• Each Council considers the issue of shared management and makes decisions as to whether it wishes to move forward to test the proposal further.</li> <li>• If the view is to move to the next stage by each Council then a joint Member group is established to review and reach a conclusion as to whether shared management could work between each Council.</li> <li>• If either Council does not wish to proceed, no further action is taken.</li> <li>• Communication to all Members and staff.</li> </ul>
End of April 2011	<ul style="list-style-type: none"> <li>• Completion of review, which will have tested the issues and challenges of shared management and reached a conclusion as to whether to move to a business case.</li> </ul>
End of May 2011/early June 2011	<ul style="list-style-type: none"> <li>• Each Council has considered the conclusions of the Member Working Group and makes a decision to proceed to a full business case or not. If the Councils agree to move to a full business case then the Member Working Group will be commissioned to develop a further business case with the expectation of moving towards a shared management arrangement.</li> </ul>
End of August 2011	<ul style="list-style-type: none"> <li>• Full business case completed.</li> </ul>
September 2011	<ul style="list-style-type: none"> <li>• Decision by both Councils to adopt a shared management arrangement.</li> <li>• Agree joint appointment panel to appoint Chief Executive.</li> </ul>
October 2011	<ul style="list-style-type: none"> <li>• Appoint a shared Chief Executive.</li> </ul>
November/December 2011	<ul style="list-style-type: none"> <li>• New Chief Executive reviews both organisations and makes recommendations to both Councils on integration.</li> </ul>
January/February 2012	<ul style="list-style-type: none"> <li>• Appointment Panel to make senior management appointments.</li> </ul>
1 March 2012	<ul style="list-style-type: none"> <li>• New management organisation operating for both Councils and programme agreed on service integration.</li> </ul>

## Record of Decisions taken under Scheme of Delegation to Cabinet Members 27 November 2010 – 31 January 2011

Portfolio – Communities						
Date	Number	Report Title	Author	Decision	Result	
20/12/10	COM-013-10	Consultation: Colchester Secondary Education Transformation Programme	Gareth Mitchell	Response from Colchester Borough Council to Essex County Council consultation document	Agreed 31/12/10	
14/1/11	COM-014-10	The crèche at Leisure World Colchester	Simon Grady	To approve the withdrawal of the crèche at Leisure World Colchester after 31 March 2011	Agreed 27/1/11	
14/1/11	COM-015-10	West Mersea Beach Huts	Bob Penny	To approve the fees for West Mersea beach hut rental effective from 1 April 2011	Agreed 27/1/11	
27/1/11	COM-016-10	Cycling in Lower Castle Park	Jane Thompson	To allow a consultation to take place on the proposal to allow cycling on the riverside path within the Lower Castle Park	Due 3/2/11	

Portfolio - Customers					
Date	Number	Report Title	Author	Decision	Result

**Record of Decisions taken under Scheme of Delegation to Cabinet Members  
27 November 2010 – 31 January 2011**

**Portfolio – Economic Development, Culture and Tourism**

Date	Number	Report Title	Author	Decision	Result
11/1/11	ECO-003-10	The Funding of Colchester's Town Walls	Peter Berridge & Philip Wise	To refer the issue of the future funding of the repairs to the Town Walls at Middleborough/Balkerne Way to the Cabinet for the release of £100,000 from the Capital scheme	Agreed 21/1/11
12/1/11	ECO-004-10	Economic Development Strategy 2010 to 2015	Nigel Myers	To adopt the Economic Development Strategy for the period December 2010 to December 2015	Agreed 21/1/11

**Portfolio – Housing and Community Safety**

Date	Number	Report Title	Author	Decision	Result
16/12/10	HOU-014-10	Housing Revenue Account Fees and Charges 2011-2012	Geoff Beales & Daniella Weston	Approval of proposed Housing Revenue Account fees and charges to take effect from Leasehold Year 1 April 2011 and Rent Year 4 April 2011	Agreed 31/12/10
6/1/11	HOU-015-10	Transfer of Housing Revenue Account Land at Darwin Close, Colchester to Colne Housing Society	Darren Marzell	To approve to transfer the freehold of a Housing Revenue Account former garage site at Darwin Close to Colne Housing Society at nil value	Agreed 14/1/11
11/1/11	HOU-016-10	Response to Government consultation paper 'Local decisions: a fairer future for social housing'	Tina Hinson & Joanne Webb	To agree the response to the Department for Communities and Local Government's consultation paper.	Agreed 31/1/11

**Record of Decisions taken under Scheme of Delegation to Cabinet Members  
27 November 2010 – 31 January 2011**

Portfolio – Planning and Sustainability						
Date	Number	Report Title	Author	Decision	Result	
22/11/10	PLA-003-10	NH Prop Co. Ltd (the former Betts site, Ipswich Road) Development Brief	Shelly Blackaby	To approve the NH Prop Co. Ltd (Betts) Development Brief	Agreed 3/12/10	
7/12/10	PLA-004-10	Tendring District Core Strategy and Development Policies Development Plan Document Proposed Submission Document	Karen Syrett	To agree Colchester Borough Council's consultation response to Tendring District Council	Agreed 23/12/10	
15/12/10	PLA-005-10	Purchase of Old Police Station, Queen Street, Colchester	Fiona Duhamel	Purchase of Old Police Station, Queen Street, Colchester	Decision can be implemented immediately as accompanied by an Urgency Authorisation Notice and therefore not subject to the 5 day call-in procedure	
20/12/10	PLA-006-10	Proposed Adoption of Guidance Notes produced by Essex County Council	Mark Edgerley	Approval to adopt three Essex County Council documents as Guidance Notes to inform the Local Development Framework, decision making and future developments	Agreed 4/1/11	

## Record of Decisions taken under Scheme of Delegation to Cabinet Members 27 November 2010 – 31 January 2011

23/12/10	PLA-007-10	New Homes Bonus Consultation	Ian Vipond	To agree the Councils response to the Governments consultation paper on the proposed New Homes Bonus	Agreed 4/1/11
11/01/11	PLA-008-10	Annual Monitoring Report	Laura Chase	To approve the Annual Monitoring Report	Agreed 19/1/11
17/01/11	PLA-009-10	Revision of Colchester's Statement of Community Involvement (SCI) – approval for public consultation	James Firth	To agree that a revised version of Colchester's Statement of Community Involvement (SCI) is released for public consultation.	Agreed 27/1/11

### Portfolio – Resources and Diversity

Date	Number	Report Title	Author	Decision	Result
6/12/10	RES-010-10	Disposal of land at Rowhedge Wharf, Rowhedge	Michael Timmins	To approve the disposal of the land on the terms as reported	Agreed 23/12/10
14/12/10	RES-011-10	Recoverable Court Costs and mortgage fees/charges	Peter Evans	To agree the level of recoverable court costs for Council Tax and Business Rates and mortgage fees for 2011/12 as detailed in report	Agreed 31/12/10

### Portfolio – Strategy and Performance

Date	Number	Report Title	Author	Decision	Result
15/12/10	STR-005-10	Waste Development Document: Issues and Options Paper	Shelley Blackaby & Elisabeth	To agree Colchester Borough Council's consultation response to Essex County Council	Agreed 23/12/10

## Record of Decisions taken under Scheme of Delegation to Cabinet Members 27 November 2010 – 31 January 2011

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Portfolio – Street and Waste Services					
Date	Number	Report Title	Author	Decision	Result
30/11/10	STS-005-10	Holiday Entitlement-Market Trading	Shane Taylor	To agree the change in the Colchester Charter Market Rules and regulations to include the provision of holiday entitlement for market traders	Agreed 31/12/10



Colchester

## Cabinet

26 January 2011

Item

**7(i)**

<b>Report of</b>	<b>Head of Resource Management</b>	<b>Author</b>	<b>Charles Warboys Sean Plummer ☎ 282350 ☎ 282347</b>
<b>Title</b>	<b>2011/12 Revenue Budget and Medium Term Financial Forecast</b>		
<b>Wards affected</b>	n/a		

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

- **The 2011/12 Revenue Budget**
- **Colchester's element of the Council Tax for 2011/12**
- **The Medium Term Financial Forecast**
- **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 overspend of less than £200k (paragraph 3.4.).
- 1.2 To approve the cost pressures, savings and increased income options identified during the budget forecast process as set out at Appendices B and C.
- 1.3 To consider and recommend to Council the 2011/12 Revenue Budget requirement of £20,255k (paragraph 6.1) and the underlying detailed budgets set out in the Background Papers.
- 1.4 To agree that Revenue Balances for the financial year 2011/12 be set at a minimum of £1,500k.
- 1.5 To agree the following releases (paragraph 10.7):-
  - £300k from the Capital Expenditure Reserve in 2011/12 to meet costs including the community stadium.
  - £596k to be financed from the Renewals and Repairs Fund for specific projects
  - £70k from the S106 monitoring reserve
- 1.6 To agree to create a provision for future pension deficit costs as set out at paragraphs 10.5 and 10.6.
- 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 up to £600k of Revenue Balances be earmarked for potential cost associated with delivering budget savings as set out at paragraph 9.6.
- 1.9 To agree and recommend to Council that Colchester's element of the Council Tax for 2011/12 be set at £175.23 for Band D properties which is a nil increase (paragraph 12.2).
- 1.10 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 Revenue Support Grant Settlement announcement in early February. This will be prepared in consultation with the Leader of the Council.
- 1.11 To note the Medium Term Financial Forecast for the financial years 2011/12 to 2014/15.
- 1.12 To note the comments made on the robustness of budget estimates at section 15.
- 1.13. To agree and recommend to Council the Prudential Indicators, Treasury Management Strategy and Annual Investment Strategy (paragraph 16.7).

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

- 2.1 The 2011/12 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).

### ***Delivering a Balanced Budget for 2011/12***

- 2.2. The Revenue Budget for 2011/12 has been prepared against a background of meeting the Council's Strategic Plan objectives whilst facing significant financial pressures from the reductions in 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 with no change to the Council Tax rate. 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
  - maximising new and existing income streams
  - making decisions on budget changes where necessary

### ***Council Tax***

- 2.3. It is proposed that the Council's element of the Council Tax be frozen for 2011/12. This has been achieved against a background of significant reductions in core government grant funding and other cost pressures and without the use of additional reserves to balance the budget.
- 2.4. Further information on the budget is provided in the following paragraphs.

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

- 3.1 In order to inform the 2011/12 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 a small overspend of less than £200k. This forecast shows an improvement on the position reported during the year and reflects work undertaken to identify budget savings in year. Delivering this budget position in the context of the reduction in Government funding of over £750k and shortfalls in other income has been a considerable challenge.

3.3. There remain some outstanding risks to the forecast and the position continues to be monitored and FASP on 22 February 2011 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 overspend of below £0.2m and that the position will continue to be monitored.**

#### **4. 2011/12 Revenue Cost Pressures**

4.1 Appendix B sets out revenue cost pressures, over the 2010/11 base, of £1,543k which have been identified during the budget process. This includes an inflation allowance and the impact of reduced income and the ceasing of some Government grants.

4.2 The cost pressures have been considered by Cabinet, and include a reduction in Government grant for administration of housing benefits and a change in the additional cost of pensions following a detailed actuarial review. The pensions cost includes the contribution to a provision for the increase in the pensions cost in 2012/13 and 2013/14.

4.3 **Cabinet is asked to approve inclusion within the 2011/12 Revenue Budget of the cost pressures set out at Appendix B.**

#### **5. 2011/12 Revenue Saving / Increased Income**

5.1. Appendix C sets out savings / increased income totalling £3,563k. The appendix provides an analysis by service including commentary.

5.2. This level of savings and increased income is significant and is the largest reduction in budgets in recent years reflecting the tough economic climate and deficit reduction decisions taken by Central Government. It can be viewed alongside the Budget strategy which included five tracks:-

- *Income generation*

Increases in income budgets account for c£0.5m of savings and includes increases in existing income streams and new sources of income.

- *Shared services*

The budget includes £150k in respect of shared service proposals, although some of the income items referred to above also include working with other authorities.

- *Total Place – projects with partners to look at how we reduce duplication*

It was explained within the budget strategy that savings as part of this approach would be more likely in future years and work continues to that end.

- *Efficiencies (including but not exclusively FSRs)*

The majority of the budget proposals can be considered as efficiencies and these total almost £2.5m. Of this, £0.9m is as a result of FSRs and other savings as a result of other corporate reviews such as communications, ICT and accommodation.

It should be acknowledged that a large number of the proposed efficiency measures are delivered through reduced resources, mainly staff. As such there will be a reduction in capacity and it will be necessary to ensure that ongoing robust performance monitoring continues to assess any impact. The introduction of new technology and procedures will help mitigate any risks to service delivery.

- *Cuts and reductions*

Cuts and reductions account for c£0.4m of the budget proposals, although it should be stressed that other savings will also result in reduced resources.

- 5.3. There are several changes to the report since Cabinet met on 1 December 2010. These include the setting of targets for a number of ongoing reviews and the introduction of further savings following the announcement of the grant settlement.
- 5.4. There will be one-off costs required to deliver some of the budget savings. This issue is considered as part of the review of revenue balances.
- 5.5. Three further issues to report include the Government Grant payable to authorities for agreeing to freeze Council Tax, the transfer of responsibility for concessionary fares to Essex County Council and changes to technical budgets.

#### *Council Tax Freeze*

- 5.6. As reported to Cabinet in December the Government announced as part of the Comprehensive Spending Review (CSR) that a grant equivalent to 2.5% of Council Tax revenue would be provided to authorities who do not increase the Council Tax rate in 2011/12. This grant is estimated to be £267k for 2011/12 and the Government has stated that it intends to provide this funding during the period of the CSR. There is no guarantee that funding will continue beyond this point and this is considered within the Medium Term Financial Forecast (MTFF).

#### *Concessionary Fares*

- 5.7. The responsibility for concessionary travel has transferred to 'upper tier' local authorities, such as Essex County Council, and as such the Government has made adjustments to grant funding to allow for this change. The net cost of concessionary fares in the 2010/11 budget is £1.755m and therefore this can be removed from the budget, reducing the level of revenue spending. The adjustment being made by the Government to the level of formula grant to allow for this is reflected in the figures set out later in this report.

#### *Technical Items*

- 5.8. 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 saving compared to the 2010/11 budget of £58k.

5.9 **Cabinet is asked to approve inclusion of the savings / increased income items set out at Appendix C within the 2011/12 Revenue Budget.**

## 6. Summary Total Expenditure Requirement

6.1 Should Cabinet approve the items detailed above, the total expenditure requirement for 2011/12 is as follows:

	<b>£'000</b>
2010/11 Budget	<b>25,670</b>
Less: 2010/11 one-off items	(1,313)
Cost Pressures (as per Appendix B)	1,543
Savings/Increased Income (as per Appendix C)	(3,563)
Grant in respect of Council Tax Freeze	(267)
Adjustment re: concessionary fares (see para. 5.7.)	(1,755)
Technical items (see para. 5.8)	(58)
<b>Forecast Budget 11/12</b>	<b>20,255</b>

**Note:**

Detailed service group expenditure is available in the Background Papers. A summary of service group expenditure is attached at Appendix D.

6.2 **Cabinet is asked to agree and recommend to Council the net revenue expenditure requirement for 2011/12 and the underlying detailed budgets set out in the Background Papers.**

## 7. Formula Grant (Revenue Support Grant)

7.1. The provisional Local Government Finance Settlement was announced in Parliament on 13 December 2010. Our provisional grant settlement is £9,262k. This represents a decrease on the adjusted 2010/11 grant of £1.702m or 15.5%.

7.2. The announced Settlement includes a number of important issues which should be noted as they will influence future funding. These include the concept of Revenue Spending Power, transitional grant and system of grant damping or grant floors.

*Revenue Spending Power*

7.3. The Settlement introduces the term "Revenue Spending Power". In simple terms this represents the total of our revenue grants from Government and level of Council Tax income. The following table shows the breakdown of revenue spending power for 10/11 and 11/12 showing the figure of a 6% cut in Revenue Spending Power:-

	10/11	11/12	Change	
	£'000	£'000	£'000	%
Council Tax (incl. parishes)	11,523	11,523	0	0.0%
Adjusted grant	10,964	9,262	-1,702	-15.5%
Benefit Admin Grant	1,201	1,149	-51	-4.3%
Preventing homelessness grant	141	197	56	40.0%
Council Tax grant for freeze		268	268	
<b>Total Revenue Spending Power</b>	<b>23,829</b>	<b>22,400</b>	<b>-1,429</b>	<b>-6.0%</b>

### *Transitional Grant*

- 7.4. The Government has established a Transition Grant of £85 million for 2011/12 and £14 million in 2012/13, to ensure that no authority in receipt of formula grant faces a reduction of more than 8.9% in 'revenue spending power' in 2011/12 or 2012/13. As shown in the earlier table our reduction is below this threshold.

### *Grant Damping - Floors*

- 7.5. As has been the case for the last three 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 £1.328m:-

2010-11 Adjusted Formula Grant	2011-12 Formula Grant Before Floor	2011-12 Formula Grant After Floor	Reduction		Reduction (before floor damping)		floor
(£ million)	(£ million)	(£ million)	(£ million)	%	(£ million)	%	(£ million)
<b>10.964</b>	<b>10.590</b>	<b>9.262</b>	<b>1.702</b>	<b>15.5%</b>	<b>0.374</b>	<b>3.41%</b>	<b>-1.328</b>

- 7.6. In prior years there was one grant floor figure for each class of authority. This Settlement introduces 4 bands. This has been worked out by looking at the proportion of an authority's budget requirement that is funded through grant. The methodology is simply to rank all authorities and then group these in "bands" of 50. The floors for each Band are shown below which also shows the maximum cut within each category, Colchester being in Band 3.

	Min	Max
Range before floors	-30.66%	11.50%
Band 1 - Most Dependent on Grant	-13.80%	-13.55%
Band 2	-14.80%	-14.32%
Band 3	-15.80%	-15.46%
Band 4 - Least Dependent on Grant	-16.80%	-16.16%

- 7.7. The Settlement shows that the level of the floor is now the critical factor in the grant allocation methodology.
- 7.8. The Settlement is provisional and subject to consultation which ends on 17 January 2011. Traditionally, there has been very little change between the provisional and actual Settlement. Any marginal change to the Council's grant entitlement will be reflected in the final budget recommendation to Council.
- 7.9. Looking ahead the Settlement shows that the grant for 2012/13 will be £8.425m, a further reduction of £772k (8.4%) on the adjusted 2011/12 grant. Beyond 2012/13 it is expected that further cuts in grant funding will occur and this is considered as part of the Medium Term Financial Forecast (MTFF).

## **8. Council Tax**

- 8.1 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.
- 8.2 The collection rate continues to be close to our target however a deficit on the fund is forecast of £58k mainly as a result of the position at the end of March 2010 being less than previously estimated.

## 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.
- 9.2. Cabinet, at its meeting on 1 December 2010, 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 maintained at a minimum of £1.5m 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. Based on the assumptions built into the budget it is considered prudent to maintain the recommended minimum level at £1.5m.
- 9.3. In considering the level at which Revenue Balances should be set for 2011/12, Cabinet should note the financial position the Council is likely to face in the medium term through the levels of future Government funding highlighted in the Medium Term Financial Forecast (MTFF).
- 9.4. The forecast position in respect of Revenue Balances as at 31 March 2011 is set out at Appendix E and shows balances at £2,102k, £602k above the recommended minimum balance as set out in the agreed Risk Analysis. Taking account of the medium term position detailed above, Cabinet is recommended to approve that balances are retained at a minimum level of £1,500k.
- 9.5. The proposed budget savings outlined within this report including the implementation of Fundamental Service Reviews which will require one-off costs to deliver. It is proposed that Cabinet recommend to Council that up to £0.6m be earmarked within balances to fund these costs.
- 9.6 **Cabinet is recommended to approve Revenue Balances for the financial year 2011/12 be maintained at £1.5m and that it be recommended to Council that up to £0.6m be earmarked for one-off costs to deliver budget savings.**

## 10. Reserves and Provisions

- 10.1. Cabinet at its meeting on 1 December 2010 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 2011/12. 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 - £300k*

- 10.2. The Council agreed that an approach to minimise the revenue pressure is to fund the annual MRP cost by identifying new capital receipts in the period of the borrowing. This then allows a release of revenue funds within the capital expenditure reserve. For 2011/12 the use of the reserve remains at £300k.

*Renewals and Repairs Fund – release of £596k*

- 10.3 Cabinet noted on 1 December that the estimated balance at 31 March 2011 on the Renewals and Repairs Fund stood at £1.8m and that the 2011/12 expenditure programme would be considered at this meeting. Appendix F sets out the recommended programme totalling £596k. The releases include £512k in respect of the 5-year building maintenance programme. The 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 and will again be considered as part of the budget strategy for 2012/13.

*S106 Monitoring Reserve – release of £70k*

- 10.4. This reserve was set up to provide funds to support the future monitoring of Section 106 agreements. Within the last budget report to Cabinet it was proposed to use £70k to support the 2010/11 budget and the same is proposed for 2011/12. Contributions to this reserve are made from S106 payments received in respect of monitoring. This reserve will still last for at least the next 2 years if used in a similar way.

*Pension costs*

- 10.5. Previous triennial reviews of the pension fund have shown a significant deficit due to market conditions and increased life expectancy. The latest review has resulted in a forecast total increase in pension costs over the next three years of £72k, with a reduction in 2011/12 followed by increases in each of the two subsequent years. The overall position is better than forecast, partly due to the option of spreading deficit payments over 30 years as opposed to 20 years, as permitted within the actuarial review.
- 10.6. It is proposed that to ease future budget pressures a contribution of £199k is made to a pensions provision to provide for the increases in 2012/13 and 2013/14.

- 10.7 **Cabinet is recommended to agree the:**
- **release of £300k from the Capital Expenditure Reserve in 2011/12**
  - **release of £596k from the Renewals and Repairs Fund as set out at Appendix F**
  - **release of £70k from S106 monitoring reserve towards the costs of carrying out this function**
  - **contribution of £199k to a pensions provision to provide for future 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 £1,500k 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:

Revenue expenditure requirement for 2011/12 (para 6.1).	<b>£'000</b> 20,255
Release from Capital Expenditure Reserve (para 10.2)	(300)
Release of S106 monitoring reserve (para 10.4)	(70)
<b>Budget Requirement</b>	<b>19,885</b>
Funded by:	
Revenue Support Grant (para 7.1)	9,262
Collection Fund Deficit (para 8.2)	(58)
Council Tax Payers requirement (before Parish element) see below*	10,681
<b>Total Funding</b>	<b>19,885</b>

<b>Council Tax*</b>	
Council Tax Payers requirement (before Parish element)	10,681
Council Tax Base – Band D Properties	60,953.5
<b>Council Tax at Band D</b>	<b>£175.23</b>

12.2 **Cabinet is asked to agree and recommend to Council Colchester's element of the Council Tax for 2011/12 at £175.23 per Band D property, which remains unchanged from 2010/11, noting that the formal resolution to Council will include Parish, Police, Fire and County Council precepts and any minor change arising from the formal Revenue Support Grant announcement.**

## 13. Medium Term Financial Forecast – 2011/12 to 2014/15

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 interest earnings and potential revenue implications of strategic priorities. However, the most significant factor that will impact on budget will be the level of Government grant support.

- 13.2. The Comprehensive Spending Review 2010 (CSR10) set out spending plans for the next 4 years and provided high level figures across all departments alongside welfare reforms and a number of other policy announcements / reforms. The grant Settlement provided details of grant for the next two years and a second two year Settlement is expected to follow for which Government intends to adopt a new allocation system.
- 13.3. The Medium Term Financial Forecast (MTFF) is attached at Appendix G showing that the Council will face the need to bridge a budget gap of £2.1m over the three years from April 2012 with the 2012/13 gap likely to be in the region of £0.3m. 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 Grants and Local Government Finance*

- 13.4. A reduction of 9% in Formula Grant equivalent to £837k pa in 12/13 has been allowed for with further reductions of 5% assumed for each of the following two years. Any assumptions for the latter two years must be treated with caution and these forecasts will need to be reviewed in due course.
- 13.5. The Government is currently considering responses to the consultation on the New Homes Bonus. This is a reward scheme intended to offer local authorities and local communities financial incentives to agree to new housing developments in their area by paying a grant based on the increase in the Borough taxbase (the equivalent number of Band D properties).
- 13.6. This could potentially provide an important source of grant funding, however, there remains uncertainty concerning a number of elements of the scheme which are expected to be made clear shortly. One important point to note is that initial central government funding is capped and all future funds will come from the overall formula grant allocation and so councils will see their grant reducing in order to pay for this Bonus. How this redistribution will impact on individual authorities such as Colchester is not known.
- 13.7. Further changes in Government funding over the course of the MTFF are likely with potential reductions in grants for benefit administration.
- 13.8. There are a number of areas where a there is an expected wider change to local government finance with potentially significant impacts for district councils in particular. The Government has stated that a Local Government Resource Review will be carried out in 2011 with the intention of delivering proposals for long term change to how local authorities are financed including local retention of business rates. An implementation plan for localising Council Tax Benefit is also expected in 2011.

*Pay, Inflation and costs*

- 13.9. The 2011/12 budget includes no allowance for a pay award. The same assumption has also been made for 2012/13 with an assumed increase of 2% for each following two years. For other price inflation a range of 1% to 1.5% has been used although it will be necessary to review forecasts for specific areas in due course.

- 13.10. An allowance for changes to pension costs following the actuarial review has been included. It is assumed that the increased cost in 2012/13 and 2013/14 will be funded by the provision set aside in the 2011/12 budget. Beyond 2013/14 an assumption of an increased cost of £250k is shown and this will be refined in future years as the position becomes clearer.

*Forecast savings*

- 13.11. The MTFF includes changes to forecast savings for 2012/13. These include the removal of one-off items and the full year impact of on-going savings. These changes total £411k with the most significant savings being those in respect of the Street Services and Revenues and Benefits FSRs.

*Economic Background – Fees and charges*

- 13.12. It is evident that there has been a reduction in some income budgets such as planning, car parking and net interest earnings in recent years. 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*

- 13.13. A planning assumption has been used of increase in Council Tax of 2.5%pa. This is shown for planning purposes only in the MTFF position and does not represent a proposal.

*Summary*

- 13.14. In the 2011/12 budget savings of £3.6m have been found which is significantly more than in previous years. 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.
- 13.15. This year's budget process includes assumptions in respect of savings anticipated through the fundamental service review process and these and other budget reviews will continue during 2011/12. The Budget Group has also noted a number of areas where savings in 2012/13 may be possible. This group is continuing to meet and has started considering steps necessary to deliver balanced budgets for future years.

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

## **14. Capital Programme**

- 14.1. The capital programme has been reviewed recently and as a result changes were agreed by Cabinet and Council in December. No further changes are proposed at this stage.

## **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 financial year, 2010/11, has so far been one of major change for all of the public sector with the Government's plan for deficit reduction resulting in cuts in grant funding in year. The Comprehensive Spending Review and subsequent grant Settlement has now provided some certainty over the extent of the reductions in resources facing the Council over the next two years and outline indications for two further years.
- 15.4. The continuing impact of reductions in income remains a budget pressure. This includes pressures on income from areas such as planning and car parks. Interest rates remaining at very low levels and more restrictive investment policy means that budget assumptions remain challenging. Steps have been taken to revise some income budgets such as car parking, however, these budgets will be closely monitored during the year to identify any possible variances.
- 15.5. By taking appropriate action within the proposed 2010/11 budget, exposure to further downgrading of assumptions has been reduced and to that extent some of the risk has been mitigated. However, the need to draw heavily on reserves to support the budget, albeit largely in respect of one-off items, is a concern and considerable financial discipline will be required to achieve balanced budgets over the medium term.
- 15.6. Whilst I consider that reasonable assumptions have been made to account for the pressures being faced there remains a degree of risk with the key areas being:-
- The combined impact of low interest rates and negative cashflow factors such as reduced levels or delays to securing capital receipts on the net interest budget.
  - The ability to deliver all savings included within the budget, including the assumptions in respect of fundamental service reviews and other corporate budget reviews.
  - Meeting income levels in particular in respect of planning, leisure and car parking and the new sources of income.
- 15.7. These risks will be managed during 2011/12 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 of £1.5m.
- 15.8 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.
- 15.9. Regular updates on forecast expenditure will also be important to ensure the budget is managed within the expenditure constraints set out.

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

**16. 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 2011/12 are set out in the background paper 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 2011/12 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 revised CIPFA Treasury Management in the Public Services Code of Practice, including the four amended clauses**
- **The revised Treasury Management Policy Statement**
- **The Treasury Management Strategy Statement and Annual Investment**

### **Strategy**

- **The Prudential Indicators for 2011/12**
- **The Minimum Revenue Provision Policy Statement**

**All of the above are set out in Appendix H**

## **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. This process for 2011/12 has though been dominated by the need to reduce costs and increase income in order to balance the budget with no real scope for additional investment or growth. The budget process has though ensured that resources have been maintained to deliver key front line services. Where budgets have been reduced for these areas, such as those within Street Services, it is mostly being done through the FSR process or other budget reviews.

## **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 and to produce the Council Tax Information Leaflet for distribution with the Council Tax bills. These will be 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 25 January 2011. The statutory consultation with NNDR ratepayers takes place on 20 January 2011 and notes of the meeting will be provided at Cabinet.

25.2. Residents were given the opportunity to put forward their views regarding the budget in a consultation exercise. This was important to assess their priorities and thoughts on the services we provide. Overall, we received a total of 865 responses, where 628 (73%) were submitted online.

25.3. The survey asked residents to prioritise services through ranking their 3 most and 3 least important services. The three services with the highest level of positive responses (rated first, second or third in terms of most important to the responder) are as follows:

- Waste and Recycling (357 responses)
- Tackling anti-social behaviour (219 responses)
- Housing and Homelessness (203 responses).

25.4. The services that received the highest number of negative responses (rated first, second or third in terms of least important to the responder) are as follows:

- Mayoral and Civic Duties (578 responses)
- Arts and Culture (351 responses)
- Street Wardens (165 responses).

25.5. The Budget Consultation also encouraged residents to submit ideas on making additional savings and generating income. General ideas were submitted, such as turning off every other street light, reducing the amount of printed material by communicating electronically where possible, removal of free bin bags for residents and stopping ceremonial events for two years.

25.6. The consultation has helped provide an indication of the priorities of residents and Cabinet and senior managers have reviewed all the comments received in detail. Some ideas have already been put in place and whilst it is not always practical to implement all of the ideas suggested the outcomes of the exercise has helped to inform budget decisions.

## **Background Papers**

Detailed Service Group Expenditure Papers

Budget reports to Cabinet – 1 December 2010

<b>2011/12 Budget Timetable</b>	
<b>Budget Strategy March 10 – July 2010</b>	
<b>March – June (SMT and Budget Group)</b>	Budget Group Meetings Agreed Update MTFF /Budget Strategy Review potential cost pressures, growth and risks Consider approach to budget Initial budget reviews started
<b>Cabinet – 30 June 10</b>	<ul style="list-style-type: none"> <li>• Report on updated budget strategy / MTFF</li> <li>• Timetable approved</li> </ul>
<b>SOSP – 20 July 10</b>	Review Cabinet report
<b>Budget Group / Leadership Team - June / July</b>	Consider review of capital programme Consider approach to consultation
<b>Detailed Budget preparation and Budget Setting Consultation</b>	
<b>Budget Group / Leadership Team regular sessions on progress / budget options now - December</b>	Review budget tasks (the 5 tracks) Consider outcomes of Fundamental Service Reviews
<b>Cabinet – 20 October 10</b>	Budget Update
<b>Cabinet – 1 December 10</b>	<ul style="list-style-type: none"> <li>• Budget update</li> <li>• Reserves and balances</li> <li>• Grant settlement</li> </ul>
<b>SOSP – 14 December 10</b>	Review Cabinet report / Budget Position (Strategic Review)
<b>FASP – 25 January 11</b>	Review consultation / Budget position (Detailed proposals)
<b>Cabinet – 26 January 11</b>	Revenue and Capital budgets recommended to Council
<b>Council – 16 February 11</b>	Budget agreed / capital programme agreed / Council Tax set

**2011/12 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 1 December 2010 are highlighted.

	Previous Forecast	Updated Forecast	
	£'000	£'000	Comment
Inflationary pressure	140	140	Net inflation impact, including the assumption of a nil pay award for 2011/12 and general increase averaging c1.5% with income rising by a similar amount.
Incremental pension contributions (including contribution to provision for future years)	250	72	Previous triennial reviews of the pension fund have shown a significant deficit due to market conditions and increased life expectancy. This financial pressure is one being felt by all local authorities and other organisations. The impact of the current triennial review has been considered as part of the 2011/12 budget and the reduced figure is in line with this review and includes the contribution to a provision to fund increases in later years.
Minimum Revenue Provision	71	71	Increase in calculated figure based on statutory criteria and decisions taken in respect of borrowing.
Car Parking Income	200	200	It has previously been reported that income from these services is below budget assumptions. Based on current forecasts it is considered appropriate to make an allowance for reduced income.
Planning and Cemetery and crematorium income	130	130	
Sport and Leisure Grants and introduction of contribution to repair and renewals (R&R).	130	160	It has previously been reported that there will be a cost pressure arising from the ending of the free swimming grant. In addition, it is currently anticipated that other reductions in funding will occur next year. A contribution of £30k towards the R&R is also now included.

	Previous Forecast	Updated Forecast	
	£'000	£'000	Comment
Government grants (HPDG, LABGI, ABG)	770	770	The budget forecast for 2011/12 had previously assumed that funding from these grants would cease in 2011/12., but they were removed in 2010/11.
Housing benefit administration grant and homelessness grant		50 (50)	The Government Grant Settlement provided confirmation of other grants. These included a reduction in housing benefit administration grant of £50k and an increase in homelessness grant of the same value.
<b>Total</b>	<b>1,691</b>	<b>1,543</b>	

## Summary of Savings / Increased Income

	<b>Total £</b>
<b>Service specific savings</b>	£
Executive Management Team	20,000
Corporate Management	589,400
Customer Service Centre	52,900
Environmental & Protective Services	421,100
Life Opportunities	543,500
Resource Management (incl. CDC)	510,000
Strategic Policy and Regeneration	212,000
Street Services	627,000
<b>Total Service Savings</b>	<b>2,975,900</b>
Shared Management	150,000
Reduction in parish grants	100,000
ICT review	50,000
Office Accommodation	40,000
Colchester Borough Homes – FSR	50,000
Communications review	200,000
<b>Total Service Savings</b>	<b>3,565,900</b>

*Notes:*

*The budget also includes the continuation of the savings target in respect of salaries of £315k which has been allocated across service areas.*

*Housing FSR savings are shown all within Life Opportunities, however, some saving will be within SP&R.*

*The table above excludes miscellaneous adjustments to technical / corporate budget items.*

*The following pages set out a breakdown for all specific proposals.*

<i>Saving Options</i>	<i>2011/12 £</i>	<i>Ongoing £</i>	<i>Comments e.g. impact on service / risk to delivery/ description of delivery</i>
<b>Corporate Management</b>			
Human Resources - Training	22,500	35,500	Reduced cost of corporate training including Leadership Days, reduced cost of in-house training and HR training and conference costs.
Staff costs - overtime	86,000	86,000	Introduction of flat time overtime rates across the Council. This means the same overtime rate is now applied across the Council. Discussed with Unison.
Staff costs - subscriptions	15,000	30,000	Contribution to professional subscriptions reduced by 50% from April 2011 and 100% from April 2012.
Carbon Management Programme	43,000	85,000	Reduced energy costs from LACM (local authority carbon management programme) projects
Civic Offices / Facilities Management	79,300	79,300	Procurement savings: cleaning contract, printers and vending. Also savings on furniture and reduction of hallkeeping at Rowan House through not replacing vacant post
Facilities Mgt / Building Mitce	38,400	38,400	Removal of vacant post and merger of two roles.
Land Charges	35,200	35,200	Not replacing 2 p/t staff; reduction in fees to Northgate, IT supplier
Legal Services	35,500	35,500	Not replacing member of staff following retirement
HR Manager	7,200	7,200	Reduction in hours of HR manager
Corporate ICT	12,000	12,000	Reduced officer hours
ICT costs	52,750	52,750	Saving through use of I-Connect service and other on going ICT initiatives
Head of Service	11,000	4,900	Small savings across service including eg stationery, printing etc
Staff costs - payslips	3,300	3,300	Move to electronic pay slips except where staff don't have access to IT
Communications	38,150	38,150	Review of external communications with a view to move to more on-line publications supported by a range of other communication mechanisms

<i>Saving Options</i>	<i>2011/12 £</i>	<i>Ongoing £</i>	<i>Comments e.g. impact on service / risk to delivery/ description of delivery</i>
Management Consultancy and Support and FSR Resources	47,000	47,000	Reduction in consultancy and support costs to Fundamental Service Reviews
Income target - Flexible Working, FSR's and learning & development	32,000	32,000	Income opportunities across a range of areas of expertise
Members public transport, hospitality and subsistence and training.	10,400	10,400	These costs have reduced and this saving reflects underpends in these areas
Messenger & timed post delivery	10,700	10,700	Internal service to be used for delivery of bags to Councillors
Civic Fund	10,000	10,000	Task and Finish Group reported to FASP 15/12/10 and suggested savings at this level
<b>Customer Service Centre</b>			
Uniform	2,000	2,000	A review of the CSC uniform policy to reduce costs
Website Review	5,900	5,900	Reduction in support from Website provider training in-house staff to do more
Reduce opening hours of CSC	45,000	45,000	Reduction in opening hours of the CSC by half an hour at the beginning and end of the day. Enquiries will be managed between 9am to 5pm and customers needing to contact the council outside of these hours will be supported either in an automated way, online or by staff calling customers back outside of these hours.
<b>Executive Management Team</b>			
Customer Excellence & Marketing	10,000	10,000	Reduced capacity to deliver Customer Excellence programme
Income target - Customer excellence	10,000	10,000	Development of training package to sell externally
<b>Environmental &amp; Protective Services</b>			
Reductions in office expenditure	9,900	9,900	Includes reduction in costs of mileage, hospitality, stationery, printing
Training budget	13,900	0	One off saving on training budget can be delivered but need to ensure that staff continue to develop professionally to keep level of expertise.

<i>Saving Options</i>	<i>2011/12 £</i>	<i>Ongoing £</i>	<i>Comments e.g. impact on service / risk to delivery/ description of delivery</i>
Reduction of IT software licences	3,000	3,000	Reduction in the number of licenses
Clerical Assistant Post	8,300	8,300	Vacant post not being filled
Animal Control Officer	21,800	21,800	Vacant post not being filled
Anti-Social Behaviour Manager	10,100	10,100	Vacant half post not being filled
Planning Officer	40,800	40,800	Vacant post not being filled
Professional Support Officer	7,400	7,400	Shift to electronic processing of mail reduces capacity needed
Rental income from Flower Chapel	3,000	3,000	Agreement with tenant to pay rent after first year of lease
Increase income by targeting enforcement activity to identify offences relating to fee-paying activities	10,000	10,000	Targeted enforcement
Planning Officer (reduce by 9 hours)	9,700	9,700	Service absorbed the reduction of 9 hours due to a staff absence and can do so on an ongoing basis
Health and Safety Technical Officer	17,200	17,200	Reduction in level of health and safety inspections - low-risk premises will no longer be inspected on a routine basis
Income target - Professional Services	60,000	60,000	Income from providing professional support on a consultancy basis to other Local Authorities (Urban Design, Landscape Design, Arboricultural Services)
Statutory planning applications	30,000	30,000	Negotiation of contract with local newspaper for the delivery of statutory Planning adverts to reduce cost
Cemetery and Crematorium - reductions in grounds maintenance provision, change in provision of music for services, reduction in energy costs	83,000	83,000	Reductions in energy costs are as a result of the new Cremators currently being installed, the reductions in grounds maintenance include a slight reduction in litter picking and a reduction in the frequency of grass cuts in the older part of the cemetery, introduction of "Wesley System" for providing music provides a staff saving
Tymperleys	23,000	23,000	Current negotiations taking place with local Heritage Groups in respect of the future for both Tymperleys building and Clock Museum.

<i>Saving Options</i>	2011/12 £	Ongoing £	<i>Comments e.g. impact on service / risk to delivery/ description of delivery</i>
Museums and arts (Museums)	70,000	70,000	Savings delivered by a range of reductions in expenditure, standardising closures of Museums across the service for specific days and reductions in staffing levels.
<b>Life Opportunities</b>			
Proportion of salary savings from removal of group manager post	29,000	29,000	Removal of vacant post from structure
Removal of community research budget	13,000	13,000	Saving made on an external research budget for community projects
Salary savings from reducing administrative support posts	36,000	36,000	Removal of vacant posts from structure
Increase sports pitches charges	5,000	5,000	Income is dependent on customer demand
In-house delivery of income-generating event in Castle Park	12,500	12,500	Income is dependent on customer demand
Provision of new beach huts locations at West Mersea	3,000	3,000	Income from ground rent on new locations - dependent on customer demand
Reduced maintenance costs from removal of one bowling green at Old Heath Recreation Ground	7,000	7,000	Current customer demand can be met by reducing number of bowling greens from 2 to 1
Increase in Beach Hut ground rent and transfer charges to levels comparable with near neighbouring authorities	36,500	36,500	Income is dependent on customer demand
Introduce consistent charging policy for use of Kings Meadow for parking during events	2,000	2,000	Income is dependent on customer demand
Removal of Castle Park putting green maintenance costs due to improvements in park facilities	1,500	1,500	Removal of putting green maintenance on site of new children's play area

<i>Saving Options</i>	<i>2011/12 £</i>	<i>Ongoing £</i>	<i>Comments e.g. impact on service / risk to delivery/ description of delivery</i>
Changes to Castle Park staffing arrangements	25,000	25,000	Review of security arrangements
Closure of Leisure World Colchester Creche	10,000	10,000	Impact on current creche customers and potential staff redundancies
Changes to Highwoods Sports Centre staffing arrangements	30,000	30,000	Minimal impact on customers and potential staff redundancy
Development of Aqua Springs offers and facilities to generate additional customer income	68,000	68,000	Income is dependent on customer demand and investment from repairs and renewals budget
Increase in Leisure World Colchester car park income through targeted offers	20,000	20,000	Income is dependent on customer demand and marketing support
Increased income through rental of meeting rooms to external customers	5,000	5,000	Income is dependent on customer demand
Reductions in Sport and Leisure repairs and maintenance budgets	80,000	20,000	£60k of savings are one-off only. Operation of facilities and generation of income depends on ability to respond to need for unforeseen repairs
Increased income from lunches and snacks at Activity Centres, along with changes to staff cover arrangements	10,000	10,000	Income is dependent on customer demand
General fund proportion of the savings delivered from the Fundamental Service Review of Housing Services. (note: includes savings within Strategic Policy and Regeneration).	150,000	150,000	New service went live on June 14 2010.
<b>Resource Management</b>			
Internal audit contract (450 audit days per annum)	20,000	20,000	Full tender exercise completed. New contract rates apply. No price escalation. Better audit planning.

<i>Saving Options</i>	<i>2011/12 £</i>	<i>Ongoing £</i>	<i>Comments e.g. impact on service / risk to delivery/ description of delivery</i>
Internal audit contract (further efficiencies)	20,000	20,000	Use of Assurance Mapping tool to reduce duplication of audits by using existing third party assurances. Small increased risk but manageable.
Procurement Hub rebates	20,000	20,000	Assumes continued use of frameworks. Assumes a higher target for the Hub to achieve but in line with 10/11 results.
Bailiff contract (no commission)	7,000	7,000	Agreed in new contract following tender exercise.
Reduced staff hours & increased annual leave / salary sacrifice	15,000	0	Reduced capacity in Finance team. One-off saving only.
Reduce use of tax advice, Finance Advisory Network etc.	15,000	15,000	May miss out on some relevant issue but risk is manageable.
Reduce printing of ad hoc leaflets in Benefits	4,000	4,000	May reduce benefit take up but other methods of communication are also used to mitigate any risk.
Reduce grounds maintenance	5,000	5,000	Savings on maintenance at commercial properties.
Review Single Person Discounts	25,000	25,000	Review in progress. Income is an estimate. Benefit seen in Collection Fund.
Reduced charges from Audit Commission	15,000	15,000	Await confirmation of exact figure from Audit Commission but principle is agreed.
Corporate subscriptions	4,000	4,000	Saving already made.
Asset Management Plan - action plan for delivery of Estates activities.	50,000	50,000	Additional rental income / reduced costs from more efficient use of properties. Delivery depends partly on market conditions.
Revenues and Benefits - FSR	185,000	335,000	Final structure agreed and recruitment completed. Now being implemented. Risk to delivery of service is mitigated by new technology and processes.
Reduced NNDR when sale of Roman House & St James House goes through and rental income from Old Police Station.	100,000	100,000	Delivery depends on completion of the sale of these two properties.
Reduce Accountancy staff by one post	25,000	35,000	Review commenced of finance tasks to see how to deliver this.

<i>Saving Options</i>	<i>2011/12 £</i>	<i>Ongoing £</i>	<i>Comments e.g. impact on service / risk to delivery/ description of delivery</i>
<b>Strategic Policy and Regeneration</b>			
Shared programme manager role in Housing and Regen	26,000	26,000	Merger of two project roles, one is vacant.
Loss of one support post	20,000	20,000	Review underway to implement from April 2011.
Spatial policy income from 'selling expertise'	36,000	36,000	Secured for 2011
Communications - Engagement and communications post in regeneration.	25,000	25,000	Post will end in June 2011 at end of 1 year contract.
Communications - Enterprise & marketing publications spend	5,000	5,000	Reduction in spend
Museums & Arts FSR (arts grants)	100,000	100,000	Exact distribution of saving across the three venues to be confirmed.
<b>Street Services</b>			
Remove Project budget and External printing costs from Community Street Wardens (CSW)	8,000	8,000	As we move to the proposed arrangement for Zone Working Zone Wardens will be encouraged to be more creative in advertising and getting free printing. There will be an emphasis on working closely with communities to deliver projections.
Increase in parking offer charge from 1.11.10 increasing the offer rate to £2.50 from £2.00	85,000	85,000	This forms part of the new charging structure for car parks which is designed to increase income whilst encouraging more usage of the Council's car parks by introducing tariff changes requested by traders.
Reduce Street Care resource by 1(25% of staff resource)	30,000	30,000	The duties of this post will be absorbed into Zone Working.
Merge Monitoring Centre and Community Alarms Teams	104,000	104,000	Following consultation with staff it is planned to implement the changes by April 2011.
Street Services	400,000	676,000	The Full Business Case has been agreed by Cabinet and the Implementation Plan is now out for consultation with staff.
<b>Technical Items / Corporate Reviews</b>			

<i>Saving Options</i>	<i>2011/12 £</i>	<i>Ongoing £</i>	<i>Comments e.g. impact on service / risk to delivery/ description of delivery</i>
Shared Management	150,000	150,000	We are currently progressing discussions with Braintree and Tending District Councils to consider sharing services and/or managers. In addition we continue to discuss with the County Council and others possibilities of sharing services and obtaining efficiencies.
Reduction in parish grants	100,000	100,000	Reduction in grant allocation agreed by Portfolio Holder
ICT Review	50,000	50,000	Review of ICT resources across the Council
Office Accommodation	40,000	40,000	Review of office space in Rowan House
Colchester Borough Homes FSR	50,000	50,000	General Fund
Communications - review of all resources across the Council	200,000	200,000	To be delivered from a number of different services included in the review
<b>Total s</b>	<b>3,565,900</b>	<b>3,976,900</b>	

**Budget Analysis – Appendix D**

	Adjusted Base Budget £	One-Off Items £	Cost Pressures £	Technical Items £	Total Savings £	Detailed 11/12 Budgets £
Corporate & Democratic Core	356		4		(19)	341
Executive Management Team	744		1		(20)	725
Corporate Management	6,734	(13)	70		(483)	6,308
Customer Services	1,135		2		(51)	1,086
Environmental & Protective Services	2,577		124		(420)	2,281
Life Opportunities	5,594	(15)	174		(440)	5,313
Resource Management	278	(87)	93		(496)	(212)
Strategic Policy & Regeneration.	2,973	(455)	14		(227)	2,305
Street Services	2,583	4	160		(710)	2,037
<b>Total Services</b>	<b>22,974</b>	<b>(566)</b>	<b>642</b>	<b>0</b>	<b>(2,866)</b>	<b>20,184</b>
<b>Technical Items</b>						
<i>Corporate Targets</i>						
Shared Services	0		0		(150)	(150)
FSR	0		0		(50)	(50)
ICT Review	0		0		(50)	(50)
Office Accommodation Review	0		0		(40)	(40)
Communications & Marketing Review	0		0		(200)	(200)
<i>Corporate Grants</i>						
LABGI	(100)		100			0
HPDG	(648)		648			0
Area Based Grant (ABG)	(22)		22			0
Council Tax Freeze Grant					(267)	(267)

	Adjusted Base Budget	One-Off Items	Cost Pressures	Technical Items	Total Savings	Detailed 11/12 Budgets
	£	£	£	£	£	£
<i>Non-Service Budgets</i>						
Grants to Parish councils	202		0		(100)	102
CLIA (net interest)	619		0			619
Min Revenue Provision	587		71			658
Pensions	2,352		72	(27)		2,397
Redundancy Provision	150	(150)	0			0
ECC Second Homes	(144)		0	(5)		(149)
Heritage Reserve	12		0	(3)		9
Invest to Save	(34)	19	0	15		0
Icelandic Investment Impairment	615	(615)	0			0
GF/HRA adjustments	(2,648)		(12)	(38)	(110)	(2,808)
Total Below the Line	941	(746)	901	(58)	(967)	71
<b>Total incl. Below the line</b>	<b>23,915</b>	<b>(1,312)</b>	<b>1,543</b>	<b>(58)</b>	<b>(3,833)</b>	<b>20,255</b>
<i>Funded by:-</i>						
General Reserve	(671)	671	0			0
Capital Expenditure Reserve	(1,210)	910	0			(300)
Regeneration Reserve	(166)	166	0			0
Other Reserves - S.106	(70)		0			(70)
Government Grant (RSG / NNDR)	(11,156)		1,894			(9,262)
Council Tax	(10,593)		0		(88)	(10,681)
Collection fund Transfer	(49)	49	58			58
<b>Total</b>	<b>(23,915)</b>	<b>1,796</b>	<b>1,952</b>	<b>0</b>	<b>(88)</b>	<b>(20,255)</b>

**General Fund Balances  
Current Position**

	<b>£'000</b>
Balance as at 31 March 2010 (As per Statement of Accounts)	3,926

**Proposed use of balances during 2010/11:**

- |  |     |
|--|-----|
| • Financing carry forwards – Proposed carry forward of 09/10 budgets | 196 |
| • Funds released in 09/10 carry forward to 10/11                     | 297 |
| • Supporting the 10/11 Budget (agreed as part of 10/11 budget)       | 671 |
| • Further Changes in 2010/11   | 510 |
| • Forecast overspend in year   | 150 |

**Projected Balances as at 31 March 2011**

Less: proposed earmarked sum to fund one off costs

Agreed minimum balance

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**2,102**

Up to 600

1,500

**Potential Surplus Balances as at 31 March 2011 (based on 2010/11 forecast outturn)**

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**2**

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## Renewals and Repairs 2011/12 Releases

## Renewals and Repairs 2011/12 Releases

<b>Scheme</b>	<b>Requested Value of Release</b>
<b>Various</b>	
Building Maintenance Programme	512,000
<b>Environmental and Protective Services</b>	
Cemetery - Chapel Decorations	12,000
Cemetery - Boundary Wall	20,000
<b>Life Opportunities (All Colchester Leisure World)</b>	
CLW Squash Court Refurbishment	20,000
Highwoods Sports Hall Floor	13,000
Closed Churchyard - Monuments	2,400
Closed Churchyard - Boundaries/Wall	6,700
Castle Park Café and Grounds - Roof/Railings	9,500
Total	<b>595,600</b>

**APPENDIX G**

<b>Medium Term Financial Forecast</b>				
<b>2011/12 to 2014/15</b>				
	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Base Budget</b>	25,670	20,313	20,179	20,826
Remove one-off items	(1,313)	0	0	0
Cost Pressures	773	277	742	890
Growth Items	0	0	0	0
Savings	(3,623)	(353)	(95)	0
Adjustments: Concessionary fares	(1,755)			
Changes to Gov't grants (LABGI, HPDG, Council Tax Freeze etc)	503	0	0	0
<b>Forecast Base Budget</b>	<b>20,255</b>	<b>20,179</b>	<b>20,826</b>	<b>21,716</b>
Government Grant	(9,262)	(8,425)	(8,004)	(7,604)
Council Tax	(10,681)	(11,003)	(11,334)	(11,676)
Collection Fund Surplus	58	0	0	0
Use of Reserves	(370)	(467)	(472)	(370)
<b>Total Funding</b>	<b>(20,255)</b>	<b>(19,895)</b>	<b>(19,810)</b>	<b>(19,650)</b>
<b>Budget (surplus) / gap before changes (cumulative)</b>	<b>0</b>	<b>284</b>	<b>1,016</b>	<b>2,066</b>
<b>Annual increase</b>		<b>284</b>	<b>732</b>	<b>1,050</b>

<b>Key Assumptions</b>
Inflation - Pay assumed at 0% for 12/13 and 2% for the following two years, other cost and income circa 1 / 1.5%
Gov't Grant – The grant for next two years is reduced in cash terms by 15.5%, 9%. For the following two years a reductions of 5% pa has been shown for indicative purposes
Based on an increase in Council Tax of 2.5% pa for next three years

<b>Cost Pressures</b>				
General Inflation		140	640	640
Pensions		97	102	250
MRP (Minimum Revenue Provision)		40	0	0
<b>Total</b>		<b>277</b>	<b>742</b>	<b>890</b>
<b>Savings</b>				
One off adjustments		153		
HR – Reduced IT costs		(13)		
Staff Costs – Subscriptions		(15)		
Carbon Management Programme		(42)		
Revenue and Benefits FSR		(150)		
Accountancy Review		(10)		
Street Services – FSR		(276)	(95)	
<b>Total</b>		<b>(353)</b>	<b>(95)</b>	<b>0</b>

<b>Use of Reserves</b>				
Balances (General)				
S106 monitoring reserve		70	70	70
Pensions Provision		97	102	
Capital Expenditure Reserve:- Community Stadium		300	300	300
<b>Total</b>		<b>467</b>	<b>472</b>	<b>370</b>

### Addressing the Budget Gap

The MTFF shows a budget gap of circa £2.1m over the three years from 2012/13. Whilst this is less than the gap for 2011/12 it should 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 Grant and the Comprehensive Spending Review 10 (CSR10)</i>	<p>The CSR10 sets out the background to public sector finances over the next 4 years. The grant settlement which followed in December provided grant figures for 2011/12 and 2012/13 showing a reduction of 15.5% and 8.4% respectively. Further reductions in later years are expected and a provision for cash reductions of 5% in each of the last two years of the MTFF has been included.</p> <p>The Government has announced the intention to review Local Government resources and is expected to announce proposals for change later this year. These are expected to include proposals relating to NNDR (business rates) and also the localisation of Council Tax benefits. These are likely to be significant for district councils such as Colchester.</p>
2	<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 for reductions in Government grants in respect of housing benefit administration and sport and leisure. Further changes are possible over the coming years.</p> <p>No provision has been made in the budget for the New Homes Bonus for which the consultation period ended in December 2010. Future budget reports will consider this source of funding and the implications for the MTFF.</p>
3	<i>Pensions</i>	<p>An allowance has been built in for increases in pensions costs based on the results of the recent actuarial review and which therefore are fixed until 2014/15.</p>

Ref	Risk / Area of uncertainty	
4	<i>Fees and charges and other income</i>	As has been seen in the past few years we have experienced a number of pressures arising from changes in income levels. In the current year income from off street car parks, sport and leisure, planning and cemetery and crematorium have all experienced a level of shortfall. Looking ahead to 2011/12 and beyond it is difficult to estimate how income levels may continue to be affected. The 11/12 budget assumes some decrease in revenue from car parking, planning and cemetery and crematorium and future updates of the MTFF will consider any changes to income.
5	<i>Inflation</i>	An allowance for general inflation has been built into the 11/12 forecast and MTFF, and specific increases allowed for items such as energy. The current (November 2010) CPI is 3.3% and RPI is 4.7% The economic forecasts published by HM Treasury point to inflation figures for 2011 of 2.8% and 3.5% for CPI and RPI respectively. Not all the Council's costs are directly linked to RPI and therefore we will continue to monitor the impact of inflation on all Council costs with particular attention on energy costs. An assumption of no annual pay increase has been shown for 2012/13 with an increase of 2% pa thereafter. Any changes to this will need to be considered in future updates.
6	<i>Use of reserves</i>	The budget position for 2011/12 includes proposals to use certain reserves. The MTFF assumes the ongoing use of the capital expenditure reserve and S106 reserve. The forecast position on general balances shows that due to the forecast 10/11 outturn there is currently headroom of c£0.6m above the recommended level. The budget includes the proposal to agree that up to £0.6m be made available to meet one-off costs required to deliver the budget savings.
7	<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.
8	<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.
9	<i>Property review</i>	A review of our assets was carried out and a 5-year Building Repairs and Maintenance Plan produced. There will continue to be financial implications arising from this for both the revenue budget and capital programme and these will continue to be considered in detail and included in the on-going updates of the MTFF.
10	<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

Ref	Risk / Area of uncertainty	
		<p>other areas in order to maintain levels of service.</p> <p>At this stage no allowance for these areas has been provided within the MTFF. Fundamental Service Reviews (FSR) have been carried out or are being implemented on some of the key areas affected by growth and such as benefits, housing and street services. The financial assumption made is that these reviews will assist in identifying efficiencies to cope with changes in demand, however, this will be regularly reviewed.</p>
11	<i>Delivery of budget savings</i>	<p>The 2011/12 budget includes a number of budget targets including cross cutting reviews such as ICT and communications as well as FSR and other budget changes. The MTFF assumes these will be delivered as proposed.</p>
12	<i>Net earnings and investments</i> <i>Interest and</i>	<p>The budget is influenced by a number of factors including interest rates and cashflow movements. The treasury management strategy highlights the outlook for interest rates in the medium-term which points to continuation of unprecedented low levels into 2011/12.</p> <p>The MTFF currently assumes no further recovery in this area. This will be monitored and considered again as part of the 2011/12 budget.</p> <p>No further provision has been made in respect of the Icelandic investment impairment. The situation will be monitored and any changes reported and reflected in the MTFF.</p>

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

# TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/12

## 1 *Introduction*

### **Background**

- 1.1 Treasury management is defined 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.”

### **Statutory requirements**

- 1.2 The Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Prudential Code and Treasury Management Code of Practice, and to set Prudential and Treasury Indicators for the next three years to ensure that capital investment plans are affordable, prudent and sustainable.
- 1.3 The Act therefore requires the Council to set out its strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act). This sets out the Council’s policies for managing its investments, giving priority to the security and liquidity of those investments.
- 1.4 The Department of Communities and Local Government (CLG) has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009.

### **CIPFA requirements**

- 1.5 The CIPFA Code of Practice on Treasury Management (revised November 2009) was adopted by the Council on 17 February 2010. The primary requirements of the Code are as follows:
1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.
  2. Creation and maintenance of Treasury Management Practices which set out how the Council will seek to achieve those policies and objectives.
  3. Reporting of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
  4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Finance and Audit Scrutiny Panel.

### Treasury Management Strategy for 2011/12

- 1.6 The suggested strategy for 2011/12 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Sector Treasury Services. The strategy covers:
  - The economic background and prospects for interest rates
  - The borrowing strategy
  - The investment strategy
  - Prudential and treasury indicators
  - The Minimum Revenue Provision strategy
- 1.7 The Council's treasury portfolio position at 31 December 2010 comprised:

		Principal £m	Av. rate %
Fixed rate funding	PWLB	27.9	4.58
	Market	34.5	6.79
<b>Gross debt</b>		<b>62.4</b>	<b>5.80</b>
Overnight		2.0	0.73
up to 3 months		6.2	0.44
up to 6 months		8.0	0.49
up to 1 year		5.0	0.95
over 1 year		0.0	0.00
frozen		4.0	5.81
<b>Total investments</b>		<b>25.2</b>	<b>2.80</b>
<b>Net debt</b>		<b>37.2</b>	

### Scheme of delegation

- 1.8 Full Council:
  - receiving and reviewing reports on treasury management policies, practices and activities
  - approval of annual strategy.
  - budget consideration and approval
  - approval of the division of responsibilities
- 1.9 Cabinet:
  - approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
  - approving the selection of external service providers
- 1.10 Finance and Audit Scrutiny Panel:
  - reviewing the treasury management policy and procedures and making recommendations to the responsible body
  - receiving and reviewing regular monitoring reports

- 1.11 The treasury management role of the Section 151 Officer:
- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
  - submitting regular treasury management policy reports
  - submitting budgets and budget variations
  - receiving and reviewing management information reports
  - reviewing the performance of the treasury management function
  - ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
  - ensuring the adequacy of internal audit, and liaising with external audit
  - recommending the appointment of external service providers.

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

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

## **2 *Economic Background***

- 2.1 Prior to the general election, credit rating agencies had been issuing repeated warnings that unless there was a major fiscal contraction the UK's AAA sovereign rating was at significant risk of being downgraded. Sterling was also under major pressure during the first half of the year. However, after the Chancellor's budget on 22 June, Sterling strengthened against the US dollar and confidence has returned that the UK will retain its AAA rating.
- 2.2 The coalition government has put in place an austerity plan to carry out correction of the public sector deficit over the next five years. The inevitable result of fiscal contraction will be major job losses during this period, in particular in public sector services. This is likely to have a knock on effect on consumer and business confidence and appears to have also hit the housing market as house prices started on a generally negative trend in mid 2010. Mortgage approvals are also at very weak levels and declining, all of which indicates that the housing market is likely to be very weak next year.
- 2.3 The outlook is for slow economic growth in 2011/12, although the Bank of England and the Office for Budget Responsibility are forecasting near trend growth (2.5%), which is above what most forecasters are currently expecting. Inflation has remained above the MPC's 2% target during 2010, but it is confident that it will fall back under the target over the next two years.
- 2.4 **Appendix A** draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. Sector's central view is that there is unlikely to be any increase in Bank Rate until the end of 2011. There is a downside risk to these forecasts if recovery from the recession proves to be

weaker and slower than currently expected. There are huge uncertainties in all forecasts due to the major difficulties of forecasting the following areas:

- the strength of economic growth in our major trading partners - the US and EU
- the danger of currency war and resort to protectionism and tariff barriers if China does not adequately address the issue of its huge trade surplus due to its undervalued currency
- the degree to which government austerity programmes will dampen economic growth and undermine consumer confidence
- changes in the consumer savings ratio
- the speed of rebalancing of the UK economy towards exporting and substituting imports
- the potential in the US for more quantitative easing, the timing of this, and its subsequent reversal in both the US and UK
- the speed of recovery of banks' profitability and balance sheet imbalances and the consequent implications for the availability of credit to borrowers
- the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy
- Political risks in the Middle East and Korea

### 3 **Borrowing Strategy**

3.1 The table below summarises all new borrowing that has taken place in the current and previous financial years, together with estimates of future borrowing needs. This assumes that the Council will continue to borrow internally for the foreseeable future in respect of the purchase of Rowan House, additional funding for the Visual Arts Facility, the Business Incubation Centre, and new cremators. The Council's borrowing requirement is as follows:

	2009/10 £'000 actual	2010/11 £'000 probable	2011/12 £'000 estimate	2012/13 £'000 estimate	2013/14 £'000 estimate
External borrowing	62,400	62,400	62,400	62,400	62,400
Alternative financing arrangements	11,569	14,467	14,911	14,264	13,626
Replacement borrowing	0	0	0	0	0
<b>TOTAL CFR (borrowing requirement)</b>	<b>73,969</b>	<b>76,867</b>	<b>77,311</b>	<b>76,664</b>	<b>76,026</b>

3.2 Forecasts for new borrowing rates from the Public Works Loans Board (PWLB) are shown in **Appendix A**. The Council's borrowing strategy will give consideration to new borrowing in the following order of priority:

1. The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking market loans at long term rates which will be higher in future years
2. PWLB variable rate loans for up to 10 years
3. Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

4. PWLB borrowing for periods under 10 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt
  5. Preference will be given to PWLB borrowing by annuity and EIP loans instead of to maturity loans
  6. Rates are expected to gradually increase during the year so it should therefore be advantageous to time new borrowing for the start of the year.
- 3.3 In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:
- if it were 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 were 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.

#### **External v Internal Borrowing**

- 3.4 This Council currently has a net debt of £37.2m. The general aim of this treasury management strategy is to reduce the difference between the gross and net debt levels over the next three years in order to reduce the credit risk incurred by holding investments. However, measures taken since 2008 have already reduced substantially the level of credit risk so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.
- 3.5 Over the next three years, investment rates are expected to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt. This would maximise short term savings.
- 3.6 The running down of investments also reduces exposure to interest rate and credit risk. However, short term savings by avoiding new long term external borrowing in 2011/12 will also be weighed against the potential for incurring long term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher.
- 3.7 The Council has examined the potential for undertaking early repayment of some external debt to the PWLB in order to reduce the difference between its gross and net debt positions. However, the introduction by the PWLB of significantly

lower repayment rates than new borrowing rates in November 2007, which has now been compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has meant that large premiums would be incurred by such action and would also do so in the near term; such levels of premiums cannot be justified on value for money grounds. This situation will be monitored in case these differentials are narrowed by the PWLB at some future date.

- 3.8 Against this background caution will be adopted with 2011/12 treasury operations. The Head of Resource Management will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the earliest opportunity.

#### **Policy on borrowing in advance of need**

- 3.9 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 considered carefully to ensure value for money and the security of such funds. In determining whether borrowing will be undertaken in advance of need the Council will:
- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
  - ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
  - evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
  - consider the merits and demerits of alternative forms of funding
  - consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
  - consider the impact of temporarily increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them

#### **Debt Rescheduling**

- 3.10 The spread between the rates applied to new PWLB borrowing and the repayment of debt has meant that PWLB to PWLB debt restructuring is now much less attractive than it was before. In particular, consideration would have to be given to the large premiums which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. However, some interest savings might still be achievable through using LOBO (Lenders Option Borrowers Option) loans, and other market loans, in rescheduling exercises rather than using PWLB borrowing as the source of replacement financing.
- 3.11 As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential for some residual 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 size of premiums incurred, their short term nature, and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt

portfolio. Any such rescheduling and repayment of debt is likely to cause a flattening of the Council's maturity profile as in recent years there has been a skew towards longer dated PWLB.

- 3.12 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 strategy outlined above, or enhancing the balance of the portfolio (maturity profile and/or volatility). Consideration will also be given to identify if there is any 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.
- 3.13 All rescheduling will be reported to the Finance and Audit Scrutiny Panel at the earliest meeting following its action.

## **4 Investment Strategy**

### **Investment Policy**

- 4.1 The Council will have regard to the CLG's Guidance on Local Government Investments and the 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. The Council's investment priorities are the security of capital and the liquidity of its investments.
- 4.2 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments. The borrowing of monies purely to invest or on lend and make a return is unlawful and this Council will not engage in such activity.
- 4.3 Investment instruments identified for use in the financial year are listed in **Appendix B**. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

### **Creditworthiness policy**

- 4.4 This Council uses the creditworthiness service provided by Sector. This service has been progressively enhanced over the last year and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element.
- 4.5 This modelling approach combines the credit ratings, with credit watches and credit outlooks from credit rating agencies in a weighted scoring system. This is then combined with an overlay of Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings, and sovereign ratings to select counterparties from only the most creditworthy countries. The end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments and could not be replicated using in house resources.

- 4.6 The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Sector’s weekly credit list of worldwide potential counterparties. The Council will therefore use counterparties within the following durational bands:
  - Yellow – 5 years (AAA rated Government debt)
  - Purple – 2 years
  - Blue – 1 year (applies to nationalised or semi nationalised UK Banks)
  - Orange – 1 year
  - Red – 6 months
  - Green – 3 months
  - No Colour – not to be used
  
- 4.7 Sole reliance will not be placed on the use of this external service. The Council will follow the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. This differs from the Sector creditworthiness service, which uses ratings from all three agencies in a risk weighted scoring system. In addition the Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.
  
- 4.8 The Council is alerted to changes to ratings of all three agencies, movements in CDS and other market data on a weekly basis through the Sector creditworthiness service. If a downgrade or an extreme market movement 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.

**Country Limits**

- 4.9 The Council has determined that it will only use approved counterparties from countries with a sovereign credit rating of ‘AAA’ from Fitch Ratings (or equivalent from other agencies if Fitch does not provide), as well as those from the UK. The list of countries that qualify using this credit criteria as at the date of this report is shown below. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Canada	Denmark	Finland	France
Germany	Luxembourg	Netherlands	Norway
Singapore	Sweden	Switzerland	UK
USA			

**Investment Strategy**

- 4.10 The Council’s in-house managed funds are mainly cash-flow derived and there is a core balance available for investment over a 2-3 year period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates. Current investments that mature during the 2011/12 financial year are listed below.

Principal Sums Invested for over 364 Days	Amount		
	£'000	Maturity	Rate %
Banks & Build. Socs.	1,000	Aug-11	1.70
UK Local & Police Authorities	2,000	May-11	0.72
	<b>3,000</b>		

- 4.11 The Bank Rate has been unchanged at 0.50% since March 2009. It is forecast to commence rising in quarter 4 of 2011 and reach 1.00% by the financial year end (March). However, there is a downside risk to the forecast if recovery from the recession proves to be weaker and slower than currently expected.
- 4.12 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 budget for investment returns on investments placed for up to three months during the 2011/12 financial year is 0.7%. This assumes that the Bank Rate starts increasing from November 2011. There is a downside risk to this forecast if the start of increases in Bank Rate is delayed even further.
- 4.13 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, 15 and 30 day accounts, money market funds and short-dated deposits (overnight to three months) to benefit from the compounding of interest.
- 4.14 The Council will report on its investment activity to the Finance and Audit Scrutiny Panel at the half-year stage, as well as at the end of the financial year as part of its Annual Report on Treasury Management. The Panel will also be informed of any other significant matters in the quarterly Capital Monitor reports.

#### **Icelandic Investments**

- 4.15 The Council invested a total of £4m in Icelandic banks in September 2008, which suffered a default following the collapse of the Icelandic banking system. The Council has followed the guidance issued by CIPFA detailing the impairments to be recognised in the accounts.
- 4.16 The estimated repayment to Landsbanki's preferential claimants is 95%, including interest to 22 April 2009. It is also estimated that repayments to depositors will be made annually between October 2011 and October 2018.
- 4.17 Recovery is subject to the following uncertainties and risks:
- Confirmation that deposits enjoy preferential creditor status which will have to be tested through the Icelandic courts.
  - The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim.
  - It is estimated that if preferential creditor status is not achieved the recoverable amount may only be 38p in the £.

## **5 Prudential Indicators 2011/12 to 2013/14**

- 5.1 Prudential and Treasury Indicators are relevant for the purposes of setting an integrated treasury management strategy. The first indicator is the adoption of

the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted on 18 February 2004 and the revised 2009 Code was adopted by the full council on 17 February 2010.

- 5.2 It is a statutory requirement under the Local Government Finance Act 1992, for the Council to produce a balanced budget, to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue caused by increased borrowing to finance additional capital expenditure, and any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.
- 5.3 It is a statutory duty for the Council to determine and keep under review how much it can afford to borrow. This amount is termed the “Affordable Borrowing Limit”. The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is ‘acceptable’.
- 5.4 Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion also incorporate financing by other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.
- 5.5 The Council’s Prudential and Treasury Indicators for 2011/12 to 2013/14 are shown in **Appendix C**.

## **6 *Minimum Revenue Provision Strategy***

### **Minimum Revenue Provision Policy Statement 2011/12**

- 6.1 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and will assess its MRP for 2011/12 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.
- 6.2 A proportion of the MRP for 2011/12 will relate to the historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 1 (Regulatory Method) of the guidance. Certain expenditure reflected within the debt liability at 31st March 2011 will be subject to MRP under option 3 (Asset Life Method), and will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.
- 6.3 The estimated life periods that are referred to in the guidance will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

- 6.4 As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

## Interest Rate Forecasts

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from the population of all major City banks and academic institutions. The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

### Individual Forecasts

#### Sector interest rate forecast – 6 January 2011

	Mar 2011	Jun 2011	Sep 2011	Dec 2011	Mar 2012	Jun 2012	Sep 2012	Dec 2012	Mar 2013
Base Rate	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.25%
3 month LIBID	0.60%	0.70%	0.80%	1.00%	1.25%	1.50%	1.75%	2.00%	2.50%
6 month LIBID	0.90%	1.00%	1.10%	1.20%	1.50%	1.80%	2.10%	2.40%	2.80%
12 month LIBID	1.40%	1.50%	1.60%	1.80%	2.10%	2.40%	2.70%	3.00%	3.20%
5yr PWLB Rate	3.30%	3.30%	3.40%	3.50%	3.60%	3.80%	3.90%	4.10%	4.30%
10yr PWLB Rate	4.40%	4.40%	4.40%	4.50%	4.70%	4.80%	4.90%	5.00%	5.10%
25yr PWLB Rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%
50yr PWLB Rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%

#### Capital Economics interest rate forecast – 12 January 2011

	Mar 2011	Jun 2011	Sep 2011	Dec 2011	Mar 2012	Jun 2012	Sep 2012	Dec 2012	Mar 2013
Base Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%
5yr PWLB Rate	3.20%	3.20%	3.00%	2.75%	2.75%	2.90%	3.00%	3.20%	3.40%
10yr PWLB Rate	4.75%	4.75%	4.25%	3.75%	3.75%	3.75%	3.75%	3.75%	3.90%
25yr PWLB Rate	5.25%	5.25%	4.85%	4.65%	4.65%	4.65%	4.65%	4.65%	4.75%
50yr PWLB Rate	5.30%	5.30%	5.20%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

#### UBS interest rate forecast (for quarter ends) – 6 January 2011

	Mar 2011	Jun 2011	Sep 2011	Dec 2011	Mar 2012	Jun 2012	Sep 2012	Dec 2012
Bank Rate	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
10yr PWLB Rate	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%
25yr PWLB Rate	5.25%	5.30%	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%
50yr PWLB Rate	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%	5.65%	5.70%

## Survey of Economic Forecasts

HM Treasury – December 2010

The current Q4 2010 and 2011 forecasts are based on the December 2010 report. Forecasts for 2010 – 2014 are based on 32 forecasts in the last quarterly forecast – in November 2010.

	Bank Rate Actual	Qtr Ended		Annual Ave. Bank Rate			
		Q4 2010	Q4 2011	Ave. 2011	Ave. 2012	Ave. 2013	Ave. 2014
Median	0.50%	0.50%	2.00%	0.90%	1.60%	2.40%	3.00%
Highest	0.50%	0.80%	0.80%	2.10%	3.10%	3.60%	4.50%
Lowest	0.50%	0.50%	0.50%	0.50%	0.50%	0.60%	1.20%

## Investment Policy

ORGANISATION	CRITERIA			MAXIMUM AMOUNT	MAX. PERIOD		
	Short-term	Long-term	Individual		Support Rating		
					1	2	3
Deposits with Banks and Building Societies (including unconditionally guaranteed subsidiaries)	Minimum F1+	AAA, AA+, AA,	A, A/B, B	£7.5m	2 years	2 years	
	Minimum F1+	Minimum AA-	Minimum B/C	£2.5m	1 year	1 year	
	Minimum F1	A+, A	A, A/B, B	£2.5m	6 mths	6 mths	
			B/C	£2.5m	3 mths	3 mths	
UK nationalised banks	F1+		E, F	£1m	1 year		
UK Government support to the banking sector**				£1m	1 year		
UK Local & Police Authorities				£10m	1 year		
Debt Management Agency Deposits				£10m	10 years		
Money Market Funds		AAA		£3m	60 days		
Multilateral Development Banks		AAA		£3m	1 year		
Investment schemes (e.g. bond funds)		AAA		£7.5m	5 years		

### Other Limits:

- Sovereign debt rating of AAA only
- Country limit £10m
- UK limit £25m (Banks and Building Societies)
- Limit in all Building Societies £10m
- Limit of £20m in aggregate in non-specified investments
- Limit of 20% of investment portfolio with one count

\*\* Where other criteria are not met. Banks eligible for support under the UK bail-out package are: Abbey (Santander), Barclays, HBOS (Lloyds), Lloyds TSB, HSBC, Nationwide Building Society, RBS, Standard Chartered.

Bank of Scotland, Clydesdale, Coventry Building Society, Investec Bank, Rothschild Continuation Finance PLC, Standard Life Bank, Tesco Personal Finance plc, West Bromwich Building Society, Yorkshire Building Society

## Prudential Indicators

	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual	Probable outturn	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
<b>Capital expenditure</b>					
Non-HRA	9,581	15,428	13,758	806	0
HRA	3,391	6,486	4,778	4,868	4,958
<b>Total</b>	<b>12,972</b>	<b>21,914</b>	<b>18,536</b>	<b>5,674</b>	<b>4,958</b>
<b>Ratio of financing costs to net revenue stream</b>					
Non-HRA	5.47%	6.56%	8.12%	8.27%	8.25%
HRA	11.14%	10.71%	10.18%	9.83%	8.81%
<b>Net borrowing requirement</b>					
B/fwd 1 April	49,319	60,762	64,222	65,322	64,222
C/fwd 31 March	60,762	64,222	65,322	64,222	64,222
In year borrowing requirement	<b>11,443</b>	<b>3,460</b>	<b>1,100</b>	<b>(1,100)</b>	<b>0</b>
<b>Capital Financing Requirement as at 31 March</b>					
Non-HRA	23,086	25,984	26,428	25,781	25,143
HRA	50,883	50,883	50,883	50,883	50,883
<b>Total</b>	<b>73,969</b>	<b>76,867</b>	<b>77,311</b>	<b>76,664</b>	<b>76,026</b>
<b>Annual Change in Capital Financing Requirement</b>					
Non-HRA	(438)	2,898	444	(647)	(638)
HRA	0	0	0	0	0
<b>Total</b>	<b>(438)</b>	<b>2,898</b>	<b>444</b>	<b>(647)</b>	<b>(638)</b>
<b>Incremental impact of capital investment decisions</b>					
Council Tax (Band D)			£0.00	£0.00	£0.00
Housing Rents			£0.00	£0.00	£0.00

## Treasury Indicators

	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual	Probable outturn	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
<b>Authorised limit for external debt</b>					
Borrowing		85,003	86,203	85,003	85,003
Other long term liabilities		0	0	0	0
<b>Total</b>		<b>85,003</b>	<b>86,203</b>	<b>85,003</b>	<b>85,003</b>
<b>Operational boundary for external debt</b>					
Borrowing		77,303	78,403	77,303	77,303
Other long term liabilities		0	0	0	0
<b>Total</b>		<b>77,303</b>	<b>78,403</b>	<b>77,303</b>	<b>77,303</b>
<b>Actual external debt</b>	62,400	73,843	77,303	78,403	77,303
<b>Upper limit for fixed interest rate exposure</b>			100%	100%	100%
<b>Upper limit for variable rate exposure</b>			50%	50%	50%
<b>Upper limit for total principal sums invested for over 364 days</b>			5,000	5,000	5,000
<b>Maturity structure of new fixed rate borrowing during 2011/12</b>					
	<b>&lt; 12 mths</b>	<b>1 - 2 yrs</b>	<b>2 - 5 yrs</b>	<b>5 - 10 yrs</b>	<b>&gt; 10 yrs</b>
Upper Limit	10%	50%	50%	70%	100%
Lower Limit	0%	0%	0%	0%	20%



## Licensing Committee

Item

7

12 January 2011

Report of	Head of Environmental and Protective Services	Author	Colin Daines ☎ 282596
Title	Three year Review of the Statement of Licensing Policy // Results of Consultation		
Wards affected	All		

**This report details the outcome of the consultation exercise undertaken in relation to the statutory three year review of the Statement of Licensing Policy and seeks the Licensing Committee's approval of the draft revised policy subject to its scrutiny by Counsel.**

### 1. Decision(s) Required

- 1.1 The Committee is asked to consider the results of the consultation exercise undertaken for the three year review of the Statement of Licensing Policy and the proposed suggested amendments to the policy. The Licensing Policy has been circulated separately.
- 1.2 The Committee is also asked to consider any suggested changes as a result of the scrutiny of the Policy by Counsel, Mr Phillip Kolvin. The comments of Mr Kolvin will be circulated separately due to the timescales involved in the production of this agenda.

### 2. Reasons for Decision(s)

- 2.1 The Licensing Authority is required by the Licensing Act 2003 to have consulted on the review of its three year Statement of Licensing Policy and have any revisions to that policy agreed and adopted.

### 3. Alternative Options

- 3.1 There is no legal alternative other than to comply with this requirement.

### 4. Supporting Information

- 4.1 The Licensing Act 2003 is entirely prescriptive about those parties who must be consulted with as part of the consultation process for the review of the Licensing Policy.
- 4.2 The Licensing Authority has therefore consulted with the Chief Officer of Police; the Fire Authority; representatives of holders of premises licences, club premises certificates and personal licence holders; and persons who are representative of businesses and residents in its area. In addition to this, all responsible authorities, Ward Councils, Parish and Town Council's, known Residents' Associations and many other trade and voluntary organisations that have connections to or interests in the licensed trade have been consulted. The consultation period ended on 31 December 2010.

- 4.3 Consultees were invited to not only give their views on how the current Statement of Licensing Policy had operated but also to put forward their views or ideas for changes that may be considered for inclusion in the revised policy.
- 4.4 At the time of writing this report only 3 responses to the consultation have been received and these are shown as Appendix 1. Any further responses received will be reported to the Committee at its meeting.
- 4.5 The Parish Council responses are largely supportive of the stance taken in the Policy and seek no further amendments. One comment requesting additional enforcement was received from Wivenhoe Town Council.
- 4.6 Councillor Spyvee has submitted a response to the consultation and comments on the issues of advertising on the premises and issues concerning minor variations. It is not considered that any changes are required to the policy although a minor change to consultation procedures is suggested.

- Advertising Application on the Premises

Councillor Spyvee is correct in his assumption that the requirement to place a notice on site is a statutory requirement and therefore does not need to be included in the Council's Licensing Policy. There is a requirement to place a notice on site for both minor and full variation applications and the wording of the notice is prescribed and therefore is not something that can be altered by the Licensing Authority. With regard to representations, these can be made by statutory consultees and interested parties such as residents and/or businesses in the vicinity of the premises. The rules governing who can object are the same for both types of application. Individual notification of an application does not take place for minor variations or for full variation applications.

- Minor Variations

The minor variations process can only be used to deal with applications that are considered unlikely to have a detrimental impact on the four licensing objectives. In view of this the notification process is not as stringent as that for a full variation and does not require a notice to be placed in a local newspaper, limiting public notification to a notice placed on site for the duration of the period for representations. Comment can be made by Ward Councillors on minor applications.

Borough Councillors, Parish and Town Councils and Residents' Associations are currently notified of any new or full variation applications received during the week by means of a table of applications sent out every Friday. This notification exceeds the requirements of the act but was considered essential, by the members of the then Licensing Committee when the Licensing Act 2003 came in to force, to keep members informed of matters within their wards. It is suggested that this be extended to include details of any minor variations received. It should be noted however that because of the very tight timescales there may be occasions when the table is sent out only a few days before the end of the period for objections.

- Attendance of Witnesses at Minor Variations

There is no mechanism for an opposed minor variation application to be reported to the Licensing Sub-Committee and therefore Councillors and/or residents are not able to address the Sub-Committee on a minor variation. If an objection is received to a minor variation application, the Licensing Manager must determine whether the objection is valid and whether to grant the application or not. In the case of an opposed application, where the objection is deemed valid, the application will be refused. The applicant, if they wish to proceed, must then apply again using the full variation application process. In this way, if a valid objection is lodged as part of that process, the matter can proceed

to a full hearing by the Licensing Sub-Committee. The specific case mentioned in Councillor Spyvee's letter referred to a full variation application where different rules apply and this matter has been dealt with separately.

## **5. Proposals**

- 5.1 It is proposed that the draft review of the Licensing Policy be approved and submitted to full Council for final approval and adoption on 12 February 2011.

## **6. Strategic Plan References**

- 6.1 The draft review of the Statement of Licensing policy attempts to strike a difficult but reasonable and proportionate balance between the different and often competing aspirations of licensed businesses and residents. This Policy recognises the importance of widening the choice and appeal of licensed premises and the development of cultural and social activities while at the same time offering reasonable protections to local residents, visitors and other non-licensed businesses. The policy is in line with the Council's vision for Colchester to develop as a prestigious regional centre. The Council and Licensing Authority wish to discourage anti-social behaviour, especially alcohol related anti-social behaviour and to encourage the effective and responsible management of licensed premises in a way that will proactively promote the four Licensing Objectives outlined in the Act.

## **7. Consultation**

- 7.1 The draft revised Policy has been the subject of a consultation process as required by the Licensing Act 2003. A copy of the draft revised Policy has been placed on the Council's web site under the Licensing home pages and will therefore also be available for public scrutiny, although it will not be available for any further public comment at this time.

## **8. Publicity Considerations**

- 8.1 The three year revision of the Statement of Licensing Policy has been publicised to all of the statutory consultees, responsible authorities, organisations, voluntary groups and interested persons who were invited to take part in the consultation process. There is no other requirement contained within the Licensing Act 2003 that requires the Licensing Authority to give wider publicity to this process.

## **9. Financial Implications**

- 9.1 Other than the as yet unknown costs of seeking a Barrister's opinion on the proposed draft revised Policy, there are no other direct financial implications for the Council in adopting and publishing the three year review of the Licensing Authority's Statement of Licensing Policy.

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

- 10.1 The draft revised Policy has been prepared in accordance with, and has taken account of, all relevant legislation and strategy. This may include the Human Rights Act 1998, Equalities Act 2010, Crime and Disorder Act 1998, Violent Crime Reduction Act 2006, Alcohol Harm Reduction Strategy and the Anti-Social Behaviour Act 2003 where it has been relevant or appropriate to do so.

## **11. Community Safety Implications**

- 11.1 The Licensing Policy is a key component in the Council's strategy to tackle crime and disorder and anti-social behaviour, particularly alcohol related anti social behaviour and as such it will contribute significantly towards improving overall community safety.

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

- 12.1 There are no known direct public health and safety issues arising from the adoption of the draft revised Licensing Policy.

## **13. Risk Management Implications**

- 13.1 A flexible yet robust revised Statement of Licensing Policy will continue to provide both the Council and the Licensing Authority with a sound basis for decision making in relation to licensed premises and a secure platform from which to promote the four Licensing Objectives as outlined in the Licensing Act 2003.
- 13.2 In order to minimise the potential risks and costs associated with defending the adopted and published version of the next three year Licensing Policy against any legal challenges or actions that may be brought against it, legal opinion/advice has again been sought by the Licensing Authority from a barrister who is a national authority on Licensing matters to ensure that the draft review is both lawful and robust within the terms and spirit of the Licensing Act 2003 and the Section 182 Guidance that accompanies the Act.

## **Background Papers**

List of consultees

Consultation letter

Proposed draft revised Statement of Licensing Policy

