

# **Cabinet**

Grand Jury Room, Town Hall

28 January 2009 at 6:00pm

**The Cabinet deals with**

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

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# COLCHESTER BOROUGH COUNCIL CABINET

**28 January 2009 at 6:00pm**

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

## **AGENDA - Part A**

(open to the public including the media)

### **Pages**

#### **1. Welcome and Announcements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **5. Minutes**

To confirm as a correct record the minutes of the meeting held on 3 December 2008.

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

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

#### **7. Strategy**

##### **i. Strategic Plan 2009-12**

**1 - 17**

See report from the Interim Head of Corporate Management and minute 32 of the Strategic Overview and Scrutiny Panel meeting of

6 January 2009.

**ii. Strategic Collaboration between Colchester Borough Council and Braintree District Council** **18 - 24**

See report from the Programme Director, Colchester/Braintree Joint Working

**8. Strategy/Resources and Business**

**i. 2009/10 Revenue Budget and Medium Term Financial Forecast** **25 - 77**

See report from the Head of Resource Management

**ii. 2009/10 Housing Revenue Account Estimates 2009/10** **78 - 91**

See report by the Head of Strategic Policy and Regeneration

**iii. Housing Investment programme 2009/10** **92 - 97**

See report from the Head of Strategic Policy and Regeneration

**9. Neighbourhoods**

**i. Repairs and Maintenance Service and the Decent Homes Programme** **98 - 103**

See report from Head of Strategic Policy and Regeneration

**10. Performance and Partnerships**

**i. Partnership Strategy** **104 - 118**

See report by the Executive Director, Ann Wain.

**11. Street and Waste Services**

**i. Provision of Additional Dog Waste Bins** **119 - 121**

See report from the Head of Environmental and Protective Services

## **12. General**

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

**122 - 125**

To note the contents of the Progress Sheet

## **13. Exclusion of the Public**

In accordance with Section 100A(4) of the Local Government Act 1972 and in accordance with The Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 (as amended) to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).



## Cabinet

28 January 2009

Item  
**7(i)**

<b>Report of</b>	<b>Interim Head of Corporate Management</b>	<b>Author</b>	<b>John Gilbert</b> ☎ 282726
<b>Title</b>	<b>Strategic Plan 2009-2012</b>		
<b>Wards affected</b>	All		

**The Cabinet is invited to recommend to full Council that it adopts the Strategic Plan 2009-2012 at its meeting on 18 February**

### 1 Decision required

- 1.1. To agree the draft Strategic Plan 2009-2012 and recommend to full Council that it be adopted at its meeting on 18 February.

### 2 Reason for Decision

- 2.1. The last Strategic Plan was published in February 2006 and runs to 2009. It now needs to be refreshed in the light of changing circumstances and expectations.
- 2.2. The Strategic Plan is one of the core statutory elements of the Council's Policy Framework, as set out in Article 4 of the Council's Constitution. It must therefore be adopted by the full Council.
- 2.3. The Strategic Plan sets the framework for the Council's three-year Medium Term Financial Forecast and its Capital Programme. Both the Plan and the Budget will be debated at the same full Council meeting on 18 February.

### 3 Alternative Options

- 3.1. The current Strategic Plan expires at the end of this financial year. A new plan is therefore required, and needs to be adopted by full Council (see 2.2 above).
- 3.2. The absence of a Strategic Plan would create a significant risk of the Council failing to deliver on its core priorities.

### 4 Supporting information

- 4.1. The new Strategic Plan is shorter and focused on fewer key areas. The aim is to make it more accessible for all our residents. In addition, the economic environment is highly changeable and the Strategic Plan needs to be flexible. The Strategic Plan sets out the framework of Vision, Objectives and Priority Areas for Action for the Council over the next 4 years in serving the communities in Colchester. Summary action plans in the form of priorities on a page have been developed within this framework and are included with this report.
- 4.2. The Strategic Plan is focused on providing direction and vision for the aspiration for Colchester as a place for its people, the objectives for the Council guiding how it will

interact with residents and manage its own affairs and the main priority areas for action to realise the vision.

- 4.3. The planning process has included a review to indicate how the strategic priorities link with existing commitments, national performance indicators and partnership plans. There are many other documents, for example, the Local Area Agreement and National Indicators (which have replaced Best Value Performance Indicators) that detail these commitments. The strategic plan priorities on a page set out the specific actions to be taken to deliver the strategic plan.
- 4.4. The Strategic Plan sets the ambitious agenda for Colchester and its people; refreshes the guiding principles and is flexible to meet changing needs; it sets the delivery agenda to address the issues that the people of the borough have said are critical.
- 4.5. The Strategic Overview and Scrutiny Panel reviewed and commented on the draft Strategic Plan at its meeting on 6 January 2009 (minutes attached).

## **5 Strategic Plan References**

- 5.1. The new Strategic Plan will replace the existing plan that expires on 31 March 2009.
- 5.2. The Strategic Plan has three levels of statements:

An overarching vision for the borough:

**Colchester: A place where people really want to live.**

Three objectives:

**We will:**

- **listen and respond**
- **shift resources to deliver priorities**
- **be cleaner and greener**

**In order to improve the quality of life.**

And nine priority areas for action:

- **Addressing older people's needs**
- **Addressing younger people's needs**
- **Community development**
- **Community safety**
- **Congestion busting**
- **Enabling job creation**
- **Healthy living**
- **Homes for all**
- **Reduce, reuse, recycle.**
- 

## **6 Consultation**

- 6.1. We reviewed our approach to consultation to ensure value for money, avoid duplication of existing work, develop innovative approaches to consultation, include



direct consultation with groups that are harder to reach by traditional methods and offer a variety of channels for people to contribute to the consultation process.

- 6.2. IPSOS MORI was commissioned to produce an independent summary of our existing consultation and research work, and a comparison with national trends. This used data from the statutory general satisfaction survey in 2006, specific community strength analyses that had been undertaken by the Council and some benchmark comparisons with national data sets. This gave specific insights into where our residents' views reflected national trends and where they were relatively more or less concerned about issues than the national trends.
- 6.3. The "whole population" survey data review was then followed by qualitative face-to-face research with new communities, young people and minority ethnic groups to identify where there were potential differences of emphasis within the priorities.
- 6.4. Other new initiatives for the consultation stage of this Strategic Plan included a freepost survey in the Winter Courier, and an online survey asking people to say which of the nine priorities they felt was most important.

## **7 Publicity considerations**

- 7.1. The development of the strategic plan and the consultation has already received useful and positive publicity. The Courier and on-line general surveys were covered in the local media as "residents get to have their say on authority's proposals (and) to identify their personal priorities and tell the council where they want the budget to be spent."
- 7.2. In terms of communicating the plan once agreed, we intend to make best use of online methods of distribution such as e-mail or web versions of the finalised Plan, as well as more traditional methods.

## **8 Financial implications**

- 8.1. The financial implications of the action plans to deliver the priority areas for action within the plan are incorporated in the annual budgeting cycle and documents.

## **9 Equality, Diversity and Human Rights implications**

- 9.1. As part of our commitment to promoting equality and diversity, Equality Impact Assessments will be undertaken for the Plan itself, and as part of the process of developing the specific action plans to deliver the outcomes intended under the Plan.
- 9.2. The communication strategy for the Plan document will comply with the existing Council policies for access and availability in different formats appropriate to the individual's needs.
- 9.3. The consultation directly targeted hard to reach groups.

## **10 Community Safety implications**

- 10.1. The Strategic Plan positively promotes Community Safety as it is identified as a priority area for action within the Strategic Plan.

## **11 Health and Safety implications**

11.1. There are no Health and Safety implications of the Strategic Plan itself.

## **12 Risk Management implications**

12.1. Individual action plans supporting the priority areas for action will be formally risk assessed and a risk management action plan prepared.

12.2. The absence of a Strategic Plan would create a significant risk of the Council failing to deliver on its core priorities.

### **Reference documents:**

- Draft Strategic Plan 2009-12 (attached)
- Draft Priorities on a page supporting actions plans

### **Background Papers**

- Strategic Overview and Scrutiny report 6 January 2009
- Ipsos MORI Report on Public Priorities for Colchester
- c-consultation section of 'knowing your community' on [www.colchester.gov.uk](http://www.colchester.gov.uk)
- Strategic Plan 2006-09 – adopted February 2006.



# OUR VISION

## Colchester

*'a place where people really want to live'*

### Strategic Plan 2009 to 2012

#### We will:

- listen and respond
- shift resources to deliver priorities
- be cleaner and greener

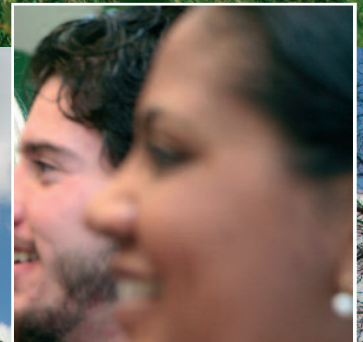
#### In order to improve the quality of life

#### Our priorities for action:

- Addressing older people's needs
- Addressing younger people's needs
- Community development
- Community safety
- Congestion busting
- Enabling job creation
- Healthy living
- Homes for all
- Reduce, reuse, recycle



Colchester



# Colchester

*'a place where people really want to live'*

## **Addressing older people's needs**

We will work with partners to ensure the very best health and wellbeing of our senior people by enabling them to live as independently as possible.

## **Addressing younger people's needs**

We will work with our partners to ensure all of our young people have the opportunities they need to join with their communities and aspire to all they are capable of achieving.

## **Community development**

We will make sure all our residents have the opportunities they need. We will do this by encouraging people to volunteer to support their communities so that residents can be proud of the places where they live.

## **Community safety**

We will work with our partners to make Colchester a safer place to live by tackling crime and anti social behaviour and reducing the fear of crime.

## **Congestion busting**

We will seek to change travel behaviour and improve accessibility, seek improvements for walking, cycling and public transport, and work in partnership to improve transport infrastructure.

## **Enabling job creation**

We will support a range of sustainable employment choices that match the aspirations of our residents.

## **Healthy living**

We will provide opportunities for residents to improve their health by encouraging healthier ways of living.

## **Homes for all**

We will work towards providing safe, secure, decent and affordable homes for all.

## **Reduce, reuse, recycle**

We will make Colchester a sustainable and clean borough for all those who live, work and visit us by greatly reducing the amount of residual waste going into landfill and maximising our street based resources.

If you need help with reading or understanding this document, please take it to our Customer Service Centre, Angel Court, High Street, Colchester, or call 282240.

Textphone users should dial 18001 followed by 01206 282222.

We will try to provide a reading service, translation or any other format you may need.

For more information and our action plan please visit [www.colchester.gov.uk/strategicplan](http://www.colchester.gov.uk/strategicplan) or e-mail [strategicplan@colchester.gov.uk](mailto:strategicplan@colchester.gov.uk)

## Addressing older people's needs

We will work with partners to ensure the very best of health and wellbeing of our senior people by enabling them to live as independently as possible

### Outcomes:

- Increase healthy life expectancy at age 65
- Increase the number of people over 65 stating that they receive the support they need to live independently at home
- Reduce the percentage of pensioners in low income
- Reduce the number of falls reported in each locality
- Increase the number of 65+ accessing life long learning opportunities
- Increase the employment rate of those aged 50-69 to reduce the difference between this and the overall employment rate
- Improve the feelings of safety for citizens in later life
- Promote independence in the home
- Dispel the myth that people in later life are a burden

*(from the "Essex Later Life Strategy")*

### Actions:

- Survey, analyse and review services using existing insight from partners and top 5 issues from older people's groups
- Create a "Younger & Older People's Community Development" resource
- Engage Essex County Council and NHS North East Essex as primary partners with strong links to named officers in both organisations
- Encourage take up of benefits by older people through Welfare Rights team
- Set up a quarterly Colchester "Older People's Forum" that feeds into setting annual key priorities
- Use the assessment of older people's housing needs to prioritise investment including investigating the potential of a Care Village

### Strong Links:

LAA2 Priorities 2 and 3

### Also Links:

LAA2 Priorities 6 and 7

### Key National Indicators:

NI 134, 135, 141, 120, 123

### Local Indicators:

LI 2.1, 2.2

## Addressing younger people's needs

We will work with our partners to ensure all of our young people have the opportunities they need to join with their communities and aspire to all they are capable of achieving

### Outcomes:

- Fewer 16-18 year olds not in education, training or employment
- Fewer persistent absentees from school
- Children & young people progress well and achieve more at each Key Stage
- Less youth offending
- Fewer complaints about youth related anti social behaviour
- Drop in youth Anti Social Behaviour Orders
- Increase in uptake of youth participation
- More positive activities for young people
- Safeguarding children is a priority for CBC and our partners when developing joint initiatives

### Actions:

- Lead the Colchester Children & Young People's Strategic Partnership in focusing on priority needs
- Work with key partners to ensure the safety and wellbeing of our children
- Increase collaboration between the council, local schools and their students
- Create a "Younger & Older People's Community Development" resource
- Assist in enabling a broader provision of voluntary/charitable youth groups/activities based in local communities
- Actively work with NHS North East Essex Healthy Schools team to implement prevention services targeted at children & families in deprived neighbourhoods
- Review and deliver the Colchester Play Strategy
- Ensure the work on raising skills levels in the Economic Prosperity

### Strong Links:

LAA2 Priorities 1 and 4  
Colchester Children and Young People's Plan

### Also Links:

LAA2 Priorities 3, 5, 6 and 7

### Key National Indicators:

NI 51, 56, 59, 60, 72-75, 78, 79, 83, 87, 87a, 117, 92-101

### Local Indicators:

Life Opportunities targets for education

## Community development

We will make sure all our residents have the opportunities they need. We will do this by encouraging people to volunteer to support their communities so that residents can be proud of the places where they live.

### Outcomes:

- Communities have more influence over decision making in their area
- Higher rates of skills amongst adults
- Reduce worklessness
- A strong voluntary sector contributing to our priorities
- A comprehensive understanding of community need is established to inform Planning Gain decisions
- Housing developments include appropriate community facilities
- Greater sense of community spirit and pride across our diverse communities

### Actions:

- Develop a Place Shaping strategy to delegate decision making and service delivery to local communities and respond to the opportunities provided by the Sustainable Communities Act 2007
- Work with a wide range of statutory and voluntary organisations to deliver the projects in the action plans for the skills and worklessness 'Life Opportunities' targets
- Invest in voluntary sector organisations to direct work at our Strategic Plan priorities
- Work with communities to release resources from a range of sources to deliver tangible community provision using the community facilities audit
- Identify and work with residents to build their skills to work in their communities
- Engage residents and community groups in target wards to foster increased community spirit and achieve community priorities

### Strong Links:

LAA2 Priorities – strategic indicators  
Priority 6

### Also Links:

LAA2 Priorities 3 and 5

### Key National Indicators:

NI 4, 5 and 7  
NI 6

### Local Indicators:

Life Opportunities targets for skills and worklessness

## Community safety

We will work with our partners to make Colchester a safer place to live by tackling crime and anti social behaviour and reducing the fear of crime

### Outcomes:

- The Borough and Town will feel safer to all
- Reduce the negative impacts of the night time economy so that all feel comfortable using the town at night
- Communities feel engaged in finding solutions for the problems in their area
- A range of partners, including the Police, feel that the Council is actively engaged in improving community safety and that each of them is encouraged to contribute fully to making Colchester a safer place
- Reduce the fear of crime

### Actions:

- Co-ordinate a series of 'Days of Action' to tackle crime and improve the quality of life in neighbourhoods
- Reduce crime and anti-social behaviour in the town centre and encourage greater use by people of all ages.
- Support the development and extension of the SOS & Community Bus Project.
- Together with our partners enable Communities to challenge anti social behaviour and develop Neighbourhood Action Panels to ensure community issues are being actioned and resolved

### Strong Links:

LAA2 Priorities: 7  
Crime and Disorder  
Reduction Annual  
Partnership Plan

### Also Links:

LAA2 Priorities: 5

### Key National Indicators:

NI 17 & 18, NI20, NI111, 115

### Local Indicators:

LAA2 7.1, LAA2 7.2

CDRP local indicators

Life Opportunities targets for  
crime and anti-social  
behaviour



## **Congestion busting**

We will seek to change travel behaviour and improve accessibility, seek improvements for walking, cycling and public transport, and work in partnership to improve transport infrastructure

### **Outcomes:**

- Increase the levels of people cycling
- Increase the number of people using alternative methods of travel to access the station and places of employment
- Provide new access and release land for housing and economic development through delivery of the A12 Junction and relieve congestion around the North Station area
- Increase the operational reliability of passenger transport especially in the town centre
- Increase the attractiveness of the town centre as a place to live, work, shop and visit
- Increase funding for transportation measures to address congestion through behavioural change
- Reduce greenhouse gasses produced by vehicles

### **Actions:**

- Devise planning policy which ensures new developments incorporate walking, cycle routes and public transport services at the initial planning stages
- Set up a travel behavioural change programme working with existing communities
- Work in partnership to release land and deliver the A12 junction, the Northern Approaches Road and the Busway.
- Consider a planning application and make available land to allow delivery of Park and Ride at North Colchester
- Upgrade existing and construct new cycle routes using newly acquired Cycling Town status and improve cycle security at rail stations to encourage residents to use bikes/public transport
- Commence the changes to the town centre to reduce traffic and improve reliability of the bus operation
- Improve the environments in and around Colchester's stations, increase the length of platforms at the Hythe station to allow for improved train operation and approve a pilot Travel Plan for Colchester Station
- Work with Essex County Council to deliver acceptable sustainable changes to the A133

### **Strong Links:**

Local Development Framework – Core Strategy  
 Sustainable Community Strategy  
 Local Area Agreement – Priorities 5 & 9  
**Also Links:**  
 Economic Strategy  
 Local Transport Plan  
 Haven Gateway Integrated Development Plan  
 Regional Spatial Strategy  
 Climate Change Indicators NI 186 and NI 188

### **Key National Indicators:**

ECC lead on 167, 175, 176, 177, 178

### **Local Indicators:**

LAA2 targets (LI5.1 and LI 5.2)  
 LDF and LTP targets (7)  
 Cycling Town Targets  
 LSP target of 30% reduction in CO<sub>2</sub> by 2020

## Enabling job creation

We will support a range of sustainable employment choices that match the aspirations of our residents

### **Outcomes:**

- The skills of the local workforce improved so people are able to compete effectively in changing economic conditions
- Colchester will have a below average level of worklessness
- Working closely with multiple sections of the business community a range of joint initiatives will be delivered to benefit the local economy
- Businesses continue to invest in developing their employment opportunities within the borough
- Improved signposting and take up of benefits designed to help all businesses
- The needs of local business are met within major development projects

### **Actions:**

- Exploit Colchester's strategic location between London, Stansted and the Haven Gateway ports to promote international trade, secure inward investment and major infrastructure projects
- Ensure the availability of sufficient quality employment land via our planning process to meet the employment needs of our residents
- Use planning gain and other funding streams to raise the number of apprenticeships and increase the take up of training and employment opportunities
- Increase incubation and grow-on space to sustain business growth
- Support the creation of new businesses by working in partnership with other agencies nationally and regionally to market Colchester as a preferred business location
- Sustain and where possible strengthen the independent retail sector within the retail offering in the borough
- Raise the skill levels of the local workforce to obtain better paid employment by innovative collaboration with employers, educational institutions and other key partners

### **Strong Links:**

LAA2 Priority 8

### **Also Links:**

LAA2 Priorities

### **Key National Indicators:**

NI 163, 164, 165, 171

### **Local Indicators:**

NI 151, LI 8.1, LI 8.2

## Healthy living

We will provide opportunities for residents to improve their health by encouraging healthier ways of living

### **Outcomes:**

- Reduce rates of smoking, childhood obesity and teenage pregnancies
- More young people have better knowledge of healthy eating and exercise
- More residents receive advice on grants to improve their home insulation
- More residents with chronic health conditions receive advice and financial support to insulate their homes
- Increase adult participation in sport
- Secure a lasting legacy for Colchester from the London 2012 Olympic and Paralympic Games

### **Actions:**

- Work with a wide range of statutory and voluntary organisations to deliver the projects in the action plans for the Local Area Agreement and 'Life Opportunities' targets on childhood obesity, smoking and teenage pregnancy
- Co-ordinate the Lottery-funded MEND (childhood obesity) scheme
- Deliver the NHS North East Essex collaboration plan for healthy lifestyles and attract funding for new health initiatives
- Give advice to residents on accessing grants to better insulate their homes
- Deliver the NHS-funded fuel poverty scheme ('Warm Homes 2')
- Deliver the Community Sport Network action plan and the Development Plan for Sport
- Work with partners to deliver the London 2012 Partnership Plan

### **Strong Links:**

LAA2 Priorities 3 and 6

### **Also Links:**

LAA2 Priorities 2 and 4

### **Key National Indicators:**

NI 8, 56, 57, 112 123 and 120

### **Local Indicators:**

Life Opportunities targets for Childhood obesity, smoking and teenage pregnancy

LI 3.1

## Homes for all

We will work towards providing safe, secure, decent and affordable homes for all

### **Outcomes:**

- The balance of Colchester's housing market is improved so that the right types of homes to meet resident's needs are built
- Public sector land is made available for affordable housing
- The Planning system is used effectively to deliver safe, secure, decent and affordable homes
- All Council tenants in Colchester have the opportunity to live in homes which are decent and well maintained
- More properties in the Private Sector are brought up to the decent homes standard
- More people are able to remain in their own homes

### **Actions:**

- Coordinate, provide and promote an advice service with partners to make sure people get all the help they need to remain in their own homes
- Lead a review of private and publicly owned sites including rural exception sites to deliver new affordable housing across the borough
- Implement Colchester's Local Development Framework, including a robust Affordable Housing Supplementary Planning Document, to seek 35% of all new homes to be affordable on sites with 3 or more homes in rural areas and 10 or more homes in urban areas
- Adopt a site allocations development plan document to ensure a 15 year rolling supply of housing sites
- Ensure that all council homes meet the decent homes standard
- Identify private properties to target for improvement to the decent homes standard and seek external funding to deliver
- Encourage the return of empty properties to use

### **Strong Links:**

Healthy Living priority re fuel poverty  
LAA2 Priorities  
Housing Strategy

### **Also Links:**

Haven Gateway IDP

### **Key National Indicators:**

NI 154, NI 155 (LAA L12.2), NI 158, NI 159

### **Local Indicators:**

Life chances indicators 10, 11, 13

## **Reduce, reuse, recycle**

We will make Colchester a sustainable and clean borough for all those who live, work and visit us by greatly reducing the amount of residual waste going into landfill and maximising our street based resources

### **Outcomes:**

- Significant behavioural change by residents in reducing their residual waste and recycling more at the kerbside and through bring sites
- Reduction by 10% of the residual waste produced by households in the Borough based on 2007/08 levels
- Increased recycling and composting is beyond 40% and the mechanisms are in place to achieve our aspiration of 50%
- A cleaner environment, increased awareness of the climate change issues and more visible street based services

### **Actions:**

- Prepare an options appraisal to identify potential future service delivery
- Extend the kerbside recycling service to all flats
- Carry out education and information programmes that persuades and encourages residents to reduce their waste and recycle all materials
- Carry out cleaning blitzes and increase visibility of street based staff and resources
- Investigate a food waste collection service
- Provide a free recycling service to all Schools
- Investigate the potential benefits to Colchester of an Inter Authority Agreement with Essex County Council
- Work with voluntary and charitable organisations to promote and enable the reuse of a range of household items and materials

### **Strong Links:**

LAA2 - Priority 9

### **Also Links:**

Nottingham Declaration  
Strategy and Action Plan

### **Key National Indicators:**

NI 191; NI 192 and NI 195  
NI 186 and NI 188

### **Local Indicators:**

Waste to Resources Strategy  
and Plan targets  
25% Carbon reduction by  
2012

## **Extract from the minutes of the Strategic Overview and Scrutiny Panel meeting of 6 January 2008**

### **32. The Strategic Plan 2009-2012**

Councillor Dopson, Portfolio Holder for Performance and Partnerships, supported by Mr. John Gilbert, Interim Head of Resource Management, introduced the new draft of the Strategic Plan 2009-2012.

Councillor Dopson said the new Strategic Plan has developed over recent months, with a shift to a short document deliberate, that lists the three main objectives, all underpinned by the nine priority areas to improve the quality of life for local people.

Mr. Gilbert said it was deliberate to keep the document short, for ease of reading, though the detail will be in the accompanying action plan that will align actions to the budget, with linkages to the Local Area Agreement and National Indicators. Mr. Gilbert explained the reasoning behind the consultation work undertaken during the creation process, and that highlighted resident's views, which were reflected in national trends.

Noting the brevity in the research data on older people by comparison with young people, Councillor Dopson said current government demographic data gives priority to younger people, and is reflected in the high priority for younger people by Essex County Council, though this will not change Colchester's priority links to services provided to the elderly and vulnerable, and the need in this current climate and an ageing population, to address issues around welfare rights and poverty.

Councillor Kimberley said the document was very general, with little detail and did not provide sufficient information for members to comment upon. Councillor Kimberley questioned the factualness of the comment that "we will improve the health of the public", with a more realistic, less ambitious aspiration being "to work towards improving the health of the public". Councillor Kimberley concluded by suggesting the comment that the Strategic Plan needed to be flexible was a get out clause, in that no-one knew what the future holds.

Councillor Dopson, in response to a 'flexible Strategic Plan', said this did not suggest there was no commitment, but that the nine priorities areas will remain a commitment, though the outcomes on delivery may differ, according to funding.

In response to Councillor Young, Councillor Dopson said the Council would need to look at innovative ways of providing the same services within the current budget restraints e.g. 'care villages' to help the elderly and vulnerable.

In response to Councillor Barlow, Councillor Dopson and Mr. Gilbert confirmed that a full range of other local authority strategic plans were looked at. The new format it was thought would be of greater benefit to local people

than that of a document the size of previous year's plans. Mr. Gilbert said local authorities have a history of 'slimming down' the size of documents over time, though saying it was important that the new plan was linked to budget priorities, the local area agreement and national indicators.

In response to Councillor Taylor's concern that objectives should be for local people and their needs and not for our partners, Mr. Gilbert said local consultation had shown people's priorities had changed little since 2007, e.g. traffic congestion, though they are more pertinent now than in 2007 due to the current economic downturn. Councillor Dopson said the impetus of the new plan was definitely for local people, to some extent, generic to the area, and linked through the Local Area Agreement and National Indicators to improved performance. Councillor Dopson confirmed that the Local Strategic Partnership was currently reviewing their arrangements in consultation with all partners, and a new Strategic Plan was expected shortly.

Councillor Arnold said that if the word 'Colchester' was taken out of the plan, the plan would work for almost every other authority in England, so how did the plan set Colchester apart from other local authorities? In response, Councillor Dopson said what sets us apart through the plan, is the enabling of residents to get on with their lives, supported by their local Council to provide the services they need, which was different to previous years and the aspiration to make Colchester a strategic centre of excellence.

Councillor Hazell whilst commenting that the plan lacked substance, was trusted that it would be fleshed out through the accompanying action plan. Councillor Dopson said the detail would be forthcoming.

Mr. Gilbert confirmed to Councillor Arnold that the document would be dated, that this had been a drafting omission.

*RESOLVED* that the panel considered and noted the proposed new Strategic Plan 2009-2012.



## Cabinet

Item  
**7(ii)**

28 January 2009.

<b>Report of</b>	<b>Programme Director,</b>	<b>Author</b>	<b>Peter Greig-Smith</b>
<b>Title</b>	<b>Colchester/Braintree Joint Working</b>		<b>☎ 07984 585758</b>
<b>Wards affected</b>	<b>All wards affected</b>		
	<b>Strategic Collaboration between Colchester BC and Braintree DC</b>		

This report summarises the achievements of the Working Together programme between Colchester BC and Braintree DC, and outlines the arrangements proposed for future collaboration between the two councils.

### 1. Decisions Required

- 1.1. To endorse the proposed way forward, comprising completion of the joint projects currently under way, and continued contact to ensure that future opportunities are identified and developed jointly where appropriate.

### 2. Reason for Decisions

- 2.1. At the outset of the joint working programme, it was agreed to review progress within the first year, so as to assess how well the approach was working and to confirm the strategic direction for future collaboration. The Cabinets of the two Councils recently carried out that review, resulting in the conclusions explained below.

### 3. Background

- 3.1. The joint working partnership between Braintree District Council and Colchester Borough Council was established in late 2007. It started with projects in several areas of service that seemed to hold promise of savings or other benefits. Successful outcomes in these projects might then lead to further collaboration.
- 3.2. This approach was designed to:
  - develop trust and a culture of joint working
  - test the success of various models for collaboration
  - indicate the value of broader integration across other areas



## **4. Achievements**

4.1. In a series of joint and separate meetings, both Authorities considered the lessons learned from these projects, and evidence about shared services elsewhere. This resulted in similar views about the programme:

- Mutual learning from each Council's experiences, processes and practices has been excellent and has led to many small but important improvements. (see Annex)
- Creation of a joint Parking Service, also involving Uttlesford DC, demonstrates the value of merging services in cases where the circumstances are favourable.
- Overall, however, it proved more difficult than anticipated to generate large savings by combining services between the Councils, without also needing significant investment, and incurring disruption or other risks. Therefore, the delivery of cashable efficiency savings has been limited.
- In some cases, it emerged that joint services between Colchester and Braintree are not necessarily the best solution for either council. Sometimes their interests may be better served by other partnerships or independent development of services.
- To make any significant contribution to the Councils' financial position through joint efficiency improvements would require a radically different approach, involving integrated management, the merger of a large package of services, or other big changes. Such major initiatives would have to be carefully planned in relation to both Councils' strategies and priorities.

## **5. Future Collaboration Arrangements**

5.1. Regarding future arrangements, all agreed that having a formal collaboration arrangement has stimulated more interactions and led to greater benefits than would otherwise have occurred. Excellent working relationships have been built in many services between Braintree and Colchester. It is important to continue this momentum into the future.

5.2. Given the limits on capacity, and other current pressures faced by the two councils, it has been decided to see the existing set of specific projects through to a conclusion. No other large new initiatives will be

started at this time. However, there may come a time when the Councils agree that a more extensive, radical change is appropriate, and future arrangements should allow for this. The following practical actions will be taken :

- Plans for a Parking Partnership involving Braintree DC, Colchester BC and Uttlesford DC will be pursued, leading to the launch of a combined new service in April 2009.
- Both Councils will follow up the projects on Revenues & Benefits, Building Control and Customer Services by exploring options separately, each in relation to their own position and priorities. This may or may not lead to the development of joint solutions.
- The Programme Board will remain in existence, and will meet at approximately six-monthly intervals, or as needs dictate. The next meeting will be in May 2009, when the Board will consider the progress of the new Parking Partnership, and any emerging opportunities for further joint action
- The senior management teams will also meet regularly (probably quarterly) to jointly review existing collaborations and new opportunities.
- As and when opportunities arise to create efficiencies, discussion will be held between both Councils and pragmatic solutions developed. This would not exclude the involvement of other Councils/organisations from any efficiency proposal.

## **6. Alternative Options**

- 6.1 Neither Council has the time, capacity or financial resources available to invest in a larger, more active programme of new joint projects at this time. On the other hand, stepping away completely from working together would waste the good learning that has been achieved so far, and risk missing future opportunities.

## **7. Strategic Plan References**

- 7.1 The programme is a contribution towards the Council's commitment to shift resources to deliver priorities.

## **8. Consultation & Communication**

- 8.1. All staff and managers will be made aware of the value of close liaison with Braintree and other potential partners, and the need to consider joint options as opportunities arise.

## **9. Financial Implications**

- 9.1. There are no direct financial consequences of this decision. Costs of maintaining the Programme Board arrangements and periodic meetings of senior managers will be met within existing budgets.

## **10. Community Safety, Equality, Health & Safety , Human Rights and Legal Implications**

- 10.1 None identified.

## **11. Risk Management Implications**

- 11.1 Risks of missing opportunities will be minimised by strong, regular liaison between senior officers in all service areas. Each new opportunity will be rigorously assessed before it is taken forward.

## **Examples of successes from Joint Working between Braintree DC and Colchester BC**

### **Customer Services**

- Braintree has learnt from Colchester's use of 'Mosaic' and 'Touchstone' software to obtain intelligence about the councils' customers
- Colchester is using Braintree's Customer Access Strategy as a model for developing its own documents.
- Comparison of call-centre procedures has led to an improvement in Braintree's call resolution and response times.
- The councils are giving reciprocal help on 'mystery shopping' to test their customer contact practices; this will save expenditure on engaging others to do so.
- The services are working on a common software facility to address the new National Indicator NI14 (the proportion of customer contacts that are 'avoidable').
- They will seek accreditation to the same Customer Service Excellence Standard as a replacement for Chartermark, resulting in a procurement saving.
- Colchester's workforce planning tool will be adopted by Braintree as its Customer Service Centre procedures are developed.
- A Channel Migration Manager employed at Colchester is also working for Braintree and a wider partnership network.
- Mutual support by acting as a 'critical friend' to help with the planning of internal improvements has been valuable in this area, and is a good model for wider adoption.
- Braintree will use Colchester's experience of operating town centre CCTV systems to help them develop a new facility.

### **Revenues & Benefits**

- Braintree plan to improve efficiency by using Colchester's legal team for fraud prosecutions
- Agreement has been made to give mutual support in the event of staff absences or emergencies
- The cost-effectiveness of training has been increased by adoption of the 'Synergy' training package and sharing resources where more advantageous than using external providers
- The services have agreed to use the same firms of bailiffs and debt agents, resulting in improved performance

## **Parking Services**

Creation of a joint Parking Service between Braintree, Colchester & Uttlesford will generate cashable and non-cashable savings, and enable a wide range of practical improvements :

- A single combined team will have smaller management, administration and other costs; the three Councils will share a net annual saving in running costs
- The combined pool of staff will provide a critical mass giving resilience between the partners and flexibility to adapt to short-term needs
- Expanded purchasing power on shared contracts will generate savings to be reinvested which authorities on their own could not contemplate
- Off-street car park operations will be streamlined by central monitoring of CCTV, an effective out-of-hours system, and security staffing to replace call-outs
- Economies of scale and a just-in-time approach will reduce costs of ticket-machine operations and enable advertising revenues to be realised
- A single central database, accessible from a wide area network, will provide real-time updates whenever penalties are issued
- A routing & scheduling server will optimise enforcement investigations by using the latest software to schedule tasks for operational staff
- Pooled specialist expertise will be available to all authorities, and sharing of in-house skills in maintenance and engineering will reduce reliance on contractors
- Paperless parking will be possible by implementing best practice in technology, joining up parking meters, mobile phone technology and officers' handheld computers
- Performance analysis and pricing strategy will be done centrally, to advise decision-makers within each authority. This will save duplication and consultancy costs, and ensure consistent, high-quality outcomes
- A single voice speaking for all partners will carry more weight in both political and commercial negotiations, including a case to the County Council to take on responsibility for parking-related Traffic Regulation Orders

## **Building Control**

- Comparison of procedures for plan-vetting has led to Braintree adopting more efficient practices, which enabled financial savings
- The services will undertake joint events for building industry clients, and share information from customer surveys and client databases
- The services will join forces to assess the practical implications of the government's Future of Building Control initiative

- Reviews of the two councils' own approaches, and those of partnerships elsewhere, have indicated innovations (e.g. in pay and reward) that could be introduced without having to set up new organisation

### **HR & Payroll**

- Braintree's procurement of new payroll arrangements will take account of Colchester's recent experience of setting up an integrated IT system for payroll and HR
- Collaborations on Health & Safety may include joint provision of H&S training, and a contingency agreement to help business continuity
- Braintree and Colchester will take opportunities for local collaboration (e.g. on recruitment from a common catchment area) to complement the Essex HR Partnership
- Both services will learn from the progress of their counterparts' initiatives (e.g. Colchester's introduction of self-serve HR systems, and succession planning processes)

### **Legal Services**

- Braintree has put legal work to Colchester's team in order to ease their workload and reduce the need to outsource jobs to the private sector.
- Following Colchester's approach, Braintree has implemented arrangements for the procurement of all Legal advice to be routed through the council's internal legal service.
- Braintree plans to use Colchester's legal team for fraud prosecutions.
- The Heads of the two Legal Services have set up a mechanism for mutual consultation and advice on professional issues



## Cabinet

28 January 2009

Item  
**8(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>2009/10 Revenue Budget and Medium Term Financial Forecast</b>		
<b>Wards affected</b>	n/a		

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

- **The 2009/10 Revenue Budget**
- **Colchester's element of the Council Tax for 2009/10**
- **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 overall in line with the approved Revenue Budget and that the position is being carefully monitored. (paragraph 3.4.).
- 1.2 To approve the cost pressures, growth items and saving / increased income options identified during the budget forecast process as set out at Appendices B, C and D.
- 1.3 To consider and recommend to Council the 2009/10 Revenue Budget requirement of £24,432k (paragraph 7.1) and the underlying detailed budgets set out in the Background Papers.
- 1.4 To agree that Revenue Balances for the financial year 2009/10 be set at a minimum of £1,700k and that £484k be applied to finance items in the 2009/10 revenue budget.
- 1.5 To agree the following releases (paragraph 11.12):-
  - £661k from the Capital Expenditure Reserve in 2009/10 to meet costs including accommodation, the community stadium and ICT Strategy.
  - £663k to be financed from the Renewals and Repairs Fund for specific projects
  - £100k from the insurance provision
  - £60k from the S106 monitoring reserve
  - £221k from the Regeneration Reserve to support delivery of the Renaissance Programme and provide support towards cost pressures
- 1.6 To agree and recommend to Council that £100k of Revenue Balances be earmarked for potential unplanned expenditure within the guidelines set out at paragraph 12.3.
- 1.7 To agree and recommend to Council that Colchester's element of the Council Tax for 2009/10 be set at £171.00 for Band D properties which is an increase of £4.59 per annum (2.76%) (paragraph 13.2).

- 1.8 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.
- 1.9 To note the Medium Term Financial Forecast for the financial years 2010/11 and 2011/12 (paragraph 14.6).
- 1.10 To note the comments made on the robustness of budget estimates at paragraph 16.
- 1.11. To agree and recommend to Council the Prudential Indicators, Treasury Management Strategy and Annual Investment Strategy (paragraph 17.7).

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

- 2.1 The 2009/10 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 2009/10***

- 2.2. The Revenue Budget for 2009/10 has been prepared against a background of meeting the Council's new Strategic Plan objectives whilst facing significant financial pressures from the economic slowdown. Every effort has been made to produce a budget that not only funds the delivery of high quality services and shifts resources for investment in priority areas but keeps the increase in Council Tax below the level of inflation (RPI). This has been very difficult, however, a high level of savings has been found and includes areas such as:

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

### ***Council Tax***

- 2.3. It is proposed to increase the Council's element of the Council Tax by 2.76% in 2009/10. This is below the current level of inflation (RPI =3% at November) and also below the increase in state pensions (5%). The Government has stated that it expects authorities to increase Council Tax by less than 5%. Colchester's increase is therefore well within this level.
- 2.4. A 2.76% increase in Colchester's element of the Council Tax equates to less than 9p per week for a Band D property. This is a modest increase when considered alongside £3.8m of cost pressures and areas of growth/investment set out in Appendices B & C respectively.
- 2.5. Further information on the budget is provided in the following paragraphs.

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



- 3.1 In order to inform the 2009/10 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 showing that the forecast outturn is, overall, in line with the budget. This represents a significant achievement given the pressures faced this year from forecast reduced income of circa £1m.
- 3.3. There remains some outstanding risks to the forecast and the position continues to be monitored and FASP on 24 February 2009 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 on budget and that the position will continue to be monitored.**

#### **4. 2009/10 Revenue Cost Pressures**

- 4.1 Appendix B sets out revenue cost pressures, over the 2009/10 base, of £3,186k which have been identified during the budget process. This includes an inflation allowance, impact of the economic downturn on income (mainly planning, building control, land charges and car parks) and the impact of higher energy costs
- 4.2 The cost pressures have mostly been previously considered by Cabinet, however, provision has now been included to reflect changes to inflationary assumptions (including pay and energy), an increase to the expected shortfall of planning and building control income and other impacts of the economic downturn such as the impact on the property market.

4.3 **Cabinet is asked to approve inclusion within the 2009/10 Revenue Budget of the cost pressures set out at Appendix B.**

#### **5. 2009/10 Revenue Growth**

- 5.1. Appendix C sets out growth items totalling £631k which have been identified during the budget process. These items will assist in enabling the Council to deliver its Strategic Plan objectives and include costs funded through Government grants and the use of Council reserves.
- 5.2. The main changes to report since the last Cabinet paper are the inclusion of £210k towards increasing recycling rates and £5k towards providing additional resources to support welfare rights.

5.3. **Cabinet is asked to approve inclusion within the 2009/10 Revenue Budget of the growth items as set out at Appendix C.**

#### **6. 2009/10 Revenue Saving/Increased Income**

- 6.1 Appendix D sets out savings/increased income totalling £2,489k The appendix provides an analysis of the risks to delivering the savings and steps taken or planned to mitigate these risks.

- 6.2. There are some changes to the report since Cabinet met on 3 December 2008. These include the continued identification of savings to mitigate the impact of reduced income, specifically within Environmental and Protective Services, steps to mitigate increased grounds maintenance costs and also proposed savings identified from specific service reviews including cultural services.
- 6.3. There will be some one-off costs required to deliver all the budget savings. A sum of £120k has therefore been included within the budget.

6.4 **Cabinet is asked to approve inclusion of the savings/increased income items set out at Appendix D within the 2009/10 Revenue Budget.**

## 7. Summary Total Expenditure Requirement

- 7.1 Should Cabinet approve the items detailed above, the total expenditure requirement for 2009/10 is as follows:

	<b>£'000</b>
2009/10 Budget	<b>23,998</b>
Less: 2008/09 one-off items	(894)
Cost Pressures (as per Appendix B)	3,186
Revenue Growth (as per Appendix C )	631
Savings/Increased Income (net of one off costs) (as per Appendix D)	(2,489)
<b>Forecast Budget 09/10</b>	<b>24,432</b>

### Note:

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

7.2 **Cabinet is asked to agree and recommend to Council the net revenue expenditure requirement for 2009/10 and the underlying detailed budgets set out in the Background Papers.**

## 8. Revenue Support Grant

- 8.1 The provisional Revenue Support Grant Settlement was announced in Parliament in November 2008. Our provisional grant settlement is £12,681k, which is in line with the announcement of the 3 year figures provided as part of the Comprehensive Spending Review 2007 (CSR 07).
- 8.2 The settlement represents an increase of £296k (2.4%) in cash terms on 2008/09. The three-year figures announced provide for a reducing increase in 10/11 as shown below:-

	Grant	Increase	
	£'000	£'000	%
09/10	12,681	296	2.4
10/11	12,911	230	1.8

8.3. The Settlement is provisional and subject to consultation. 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.

## 9. Council Tax

9.1 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.

9.2 Whilst the collection rate continues to be close to our target of 99.5% there has been an increase in the level of write offs, including prior years, and the growth in the number of properties seen in recent years has fallen meaning that it is anticipated there will be a no surplus or deficit at the year end. The MTFE had previously assumed that Colchester's share of the then anticipated surplus would be £60k and therefore this has impacted on the overall budget position.

## 10. Revenue Balances

10.1 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.

10.2. Cabinet, at its meeting on 3 December 2008, considered a report setting out the outcome of a risk management analysis in respect of the Council's Revenue Balances. Cabinet agreed with the analysis conclusion that Revenue Balances should be maintained at a minimum of £1.7m and that the situation would be reviewed based 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 £1.7m.

10.3. The cost pressures and growth items set out in the following table and included within the appendices to this report include a number of likely one-off cost which are recommended to be funded from general balances. It is important to note that £386k is planned to be added to balances from 08/09 budgets meaning that £98k is being used from existing balances.

	<i>Cost in 08/09 £'000</i>	<i>Note / Requirements</i>	<i>Additional</i>
Potential one-off costs to deliver budget options	120	See para 6.4	
One off costs to support recycling initiatives	100	See Growth items (Appendix C)	
One of costs related to HPDG c/f from 08/09	140	See Growth items (Appendix C)	
Contribution carried forward re: service review post	46	See cost pressures (Appendix B)	
General contribution towards potential one-off costs including empty rates charges and commercial rental shortfall etc	78		
<b>Total</b>	<b>484</b>		

- 10.4 In considering the level at which Revenue Balances should be set for 2009/10, Cabinet should note the financial position the Council is likely to face in the medium term both through the levels of future Government funding and the incremental pension burden highlighted in the Medium Term Financial Forecast.
- 10.5 The forecast position in respect of Revenue Balances as at 31 March 2009 is set out at Appendix F and shows balances at £1,847k as compared with a recommended minimum balance of £1,700k as set out in the agreed Risk Management Analysis. Taking account of the medium term position detailed above, Cabinet is recommended to approve that balances are retained at a minimum level of £1,700k and release £484k to assist in funding the 2009/10 Revenue Budget.
- 10.6 **Cabinet is recommended to approve Revenue Balances for the financial year 2009/10 at a minimum of £1,700k and that £484k be applied to finance items in the 2009/10 Revenue Budget.**

## 11. Reserves and Provisions

- 11.1. Cabinet at its meeting on 3 December 2008 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 2009/10. 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.
- 11.2. The proposed use of reserves and provisions should be viewed in the context of additional contributions made to reserves during the year. These have included:-
- £250k contribution to the Repairs and Renewals Reserve
  - A contribution of £130k to the Regeneration Reserve
  - £100k contribution to the capital expenditure reserve for opportunity purchases.

*Capital Expenditure Reserve (CER) – release of £661k*

### *Accommodation*

- 11.3. Cabinet considered releasing sums within the Capital Expenditure Reserve to mitigate the incremental cost impact of the accommodation portfolio changes decided in 2003/04. The release required to mitigate the impact for 2008/09 was £400k. It was agreed that this would be phased out from next year and for 2009/10 £205k is proposed with no further use from 2010/11 onwards which is reflected in the MTFF

### *Community Stadium*

- 11.4. 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 in the same way as the accommodation project. For 2009/10 the use of the reserve remains at £300k.

### *ICT Strategy*

11.5. The Council agreed the ICT Strategy within the capital programme. As the strategy has been developed there are some items that should properly be charged to revenue. These include £35k of cost pressures shown at Appendix C and a previously agreed use of £26k. In total £51k is proposed.

*Opportunity purchases*

11.6. £100k was transferred to the CER as part of the allocation of the 2007/08 outturn surplus to fund opportunity purchases. This budget remains uncommitted and it is therefore proposed that given the budget pressures faced for 2009/10 that the capital programme be changed by this amount and £100k be released from the capital expenditure reserve.

*Renewals and Repairs Fund – release of £663k*

11.7 Cabinet noted on 6 December that the estimated balance at 31 March 2009 on the Renewals and Repairs Fund stood at £2,931k and that the 2009/10 expenditure programme would be considered at this meeting. Appendix G sets out the recommended programme totalling £663k. The releases include £603k 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 2010/11.

*Regeneration Reserve – release of £221k*

11.8. The additional items shown at Appendix C include £166k in respect of resources within the Renaissance Delivery Unit to maintain the role of this team. It is recommended that for 2009/10 that this cost continues to be funded from the Regeneration Reserve.

11.9. In addition it is also proposed that a further £55k from the reserve be used to support the budget. The balance on this reserve after this contribution is still expected to be sufficient to fund the additional regeneration resources for 2010/11.

*S106 Monitoring Reserve – release of £60k*

11.10. 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 £30k to support the 2009/10 budget. However, given that the costs involved in monitoring are higher than this a contribution of £60k is now proposed. This reserve will still last for at least the next 3 years if used in a similar way.

*Insurance Provision – release of £100k*

11.11. During the tender process this year we were able to include subsidence cover for all the properties with our external insurers where as before we covered all subsidence costs from the provision. We have some run-off claims for properties that suffered structural problems prior to 1st August 2008 but everything after that is covered. Other issues have also been considered and in summary it would be possible to offer up £100k from the provision without an undue level of risk

11.12 **Cabinet is recommended to agree release of**

- **£661k from the Capital Expenditure Reserve in 2009/10**
- **£663k from the Renewals and Repairs Fund as set out at Appendix G**
- **£221k from the Regeneration Reserve.**
- **£60k is released from S106 monitoring reserve towards the costs of carrying out this function**
- **Release of £100k from the insurance provision**

## 12. Contingency Provision

- 12.1 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.
- 12.2 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 £1,700k and the Council would need to consider steps to reinstate balances at a later date.

- 12.3 **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.**

## 13. Summary of Position

- 13.1 Summary of the Revenue Budget position is as follows:

	<b>£'000</b>
Revenue expenditure requirement for 2009/10 (para 7.1).	24,432
Release from Capital Expenditure Reserve (para 11.3 to 11.6)	(661)
Release of General Reserve (para 10.3)	(484)
Release of Regeneration Reserve (para 11.8 and 11.9)	(221)
Release of S106 monitoring reserve (para 11.10)	(60)
Release of insurance provision (para 11.11)	(100)
<b>Budget Requirement</b>	<b>22,906</b>
Funded by:	
Revenue Support Grant (para 8.1)	12,681
Collection Fund Surplus (para 9.2)	0
Council Tax Payers requirement (before Parish element) see below*	10,225
<b>Total Funding</b>	<b>22,906</b>

<b>Council Tax*</b>	
Council Tax Payers requirement (before Parish element)	10,225
Council Tax Base – Band D Properties	59,797.8
<b>Council Tax at Band D</b>	<b>171.00</b>

- 13.2 **Cabinet is asked to agree and recommend to Council Colchester's element of the Council Tax for 2009/10 at £171.00 per Band D property, which is an annual increase of £4.59 (2.76%), 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.**

#### **14. Medium Term Financial Forecast – 2009/10 to 2011/12**

- 14.1 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 increased statutory pension payments and potential revenue implications of strategic priorities.
- 14.2 The Government three-year grant settlement has provided some certainty over future grant levels and aids longer term planning. However, 2010/11 is the last year of the CSR07 and therefore making assumptions for 2011/12 and beyond is difficult and can only be indicative at this stage. The Council already considers the longer term financial impact of its decisions and as part of the budget process consideration has been given throughout to the impact of costs pressures, savings and risks over the next three years.
- 14.3. The Medium Term Financial Forecast (MTFF) is attached at Appendix H with the key assumptions and savings required shown. This shows that the Council will continue to face the need to bridge a budget gap of circa £1.5m over the next two years from April 2010, with 2010/11 likely to be in the region of £1.2m. In the 2009/10 budget savings of £2.5m have been found. This is significantly higher than previous years which have been in the region of £1.3m. 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.
- 14.4. This year's budget process has included reviews of all service areas, with more detailed reviews of cultural services and sport and leisure and this process will continue for other areas over the life of the MTFF including housing services which has already started.
- 14.5. The Council is also continuing with a number of measures to improve how staff work and deliver efficiencies as part the accommodation and flexible working review.
- 14.6 **Cabinet is asked to note the medium term financial position forecast for the Council.**

#### **15. Capital Programme**

- 15.1 No changes to the capital programme are proposed at this stage other than other than the proposal set out at paragraph 11.6 in respect of opportunity purchases. Cabinet will consider the capital programme at the next meeting in March when consideration will be given to further releases. All revenue implications of the programme, including those in respect of Council's decisions in respect of the Purchase of Rowan House and revised cost projections for the FS:NS project have been included within the revenue budget.

#### **16. Robustness of Estimates**

- 16.1 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.
- 16.2 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 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.

16.3. The impact of the economic climate on the Council is significant. This includes income from areas such as planning and car parks, falling interest rates affecting investment returns, the property market affecting capital receipts and also the impact felt by local residents which puts greater pressure on essential services such as accessing benefits. Whilst I consider that reasonable assumptions have been made to account for these and other areas there remains a degree of risk with the key areas being:-

- Uncertainty over how long the impact of the economic downturn will be felt.
- The combined impact of falling 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 corporate targets such as those for salaries.
- Actual levels of grants received from Government, specifically Housing and Planning Delivery Grant (HPDG) and the new LABGI (Local Authority Business Growth Incentive Scheme)
- Any variation to payments in respect of concessionary fares
- Meeting income levels in particular in respect of planning, leisure and car parking.

16.4. These risks will be managed during 2009/10 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 £1.7m and it is currently forecast that uncommitted balances will be higher than this at the end of March 2009.

16.5 Delivery of the budget will continue to require financial discipline led by SMT in terms of the corporate budget initiatives and by budget holders, ensuring expenditure is not incurred without adequate available budget. Budget managers will continue to be supported through training and advice to enable them to do this.

16.6. Regular updates on forecast expenditure will also be important to ensure the budget is managed within the expenditure constraints set out.

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

## **17. Prudential Code Indicators**

17.1. 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.

17.2. 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.



- 17.3 In agreeing the Council's revenue budget and capital programme there is a requirement to approve the prudential indicators for the coming year.
- 17.4 The recommended Prudential Indicators for 2009/10 are set out in the background paper with relevant commentary.
- 17.5 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:
- Further capital expenditure has been agreed in respect of the Firstsite:newsite project (subject to certain conditions) to be financed through borrowing.
  - Further borrowing may also be required and has been allowed for in respect of the cremators scheme (circa £0.5m).
  - No further borrowing in respect of the Decent Homes programme is currently planned, however, a potential borrowing requirement of £1m has been identified in respect of the upgrading of communal aerial system in the Council's housing stock with the financing costs recovered through service charges.
  - 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.
- 17.6 Council is also 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 revenue budget for net interest earnings. This has been subject to detailed review by the Finance and Audit Scrutiny Panel in light of the impact of the credit crunch on financial markets and more specifically the issue of credit risk following the Icelandic bank situation.
- 17.7 **Cabinet is asked to agree and recommend to Council the Prudential Indicators, the Treasury Management Strategy and Annual Investment Strategy as set out at Appendix I.**

## 18. Strategic Plan References

- 18.1. 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. The proposed budget will enable the Council to deliver the services and priorities set out in the Strategic Plan which is subject to a separate report on this agenda.

## 19. Financial Implications

- 19.1 As set out in the report.

## 20. Publicity Considerations

- 20.1 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.

## 21. Human Rights Implications

- 21.1 None

**22. Community Safety Implications**

22.1 None

**23. Health and Safety Implications**

23.1 None

**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 will be reflected in the corporate risk register.

**25. Consultation**

25.1 The budget will be scrutinised by Finance and Audit Scrutiny Panel on 27 January 2009. The statutory consultation with NNDR ratepayers took place on 7 January 2009 and notes of the meeting are provided at Appendix J.

25.2 The budget proposals have been underpinned by the proposed new Strategic Plan which has been subject to consultation as outlined in the separate report on this agenda.

**Background Papers**

Detailed Service Group Expenditure Papers

Report to FASP 27<sup>th</sup> January 2009 - Treasury Management Strategy and Annual Investment Strategy and Prudential Indicators

Budget reports to Cabinet – 3 December 2008

<b>2009/10 Budget Timetable</b>	
<b>Budget Strategy April – July 2008</b>	
<b>April – May (SMT)</b>	Update MTFF /Budget Strategy Review cost pressures, growth and risks Consider approach to budget
<b>May - June 08</b>	Service budget summaries considered by Leadership team
<b>Cabinet –9 July 08</b>	<ul style="list-style-type: none"> <li>• Report on updated budget strategy / MTFF</li> <li>• Timetable approved</li> <li>• Approach to consultation outlined</li> </ul>
<b>SOSP – 26 August 08 (changed to 8 September 08)</b>	Review Cabinet report
<b>Detailed Budget preparation and Budget Setting Consultation</b>	
<b><u>Management Team regular sessions on progress / budget options</u></b>	Review progress on efficiencies
<b>Leadership Team (July / August)</b>	<ul style="list-style-type: none"> <li>• Review outcomes of budget reviews and agree and carry out further detailed work</li> </ul>
<b>Cabinet – 10 September 08</b>	<ul style="list-style-type: none"> <li>• Budget Update</li> <li>• Review of capital resources / programme</li> </ul>
<b>Cabinet – 22 October 08</b>	Budget Update (if required)
<b>Cabinet – 3 December 08</b>	<ul style="list-style-type: none"> <li>• Budget update</li> <li>• Reserves and balances</li> <li>• Grant settlement</li> </ul>
<b>FASP – 27 January 09</b>	Review budget position
<b>Cabinet – 28 January 09</b>	Revenue and Capital budgets recommended to Council
<b>Council – 18 February 09</b>	Budget agreed / capital programme agreed / Council Tax set

**2009/10 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 3 December 2008 are highlighted.

	Previous Forecast	Updated Forecast	
	£'000	£'000	Comment
Inflationary pressure	1,135	1,190	Net inflation impact, including an allowance for pay and prices and an increase in fees and charges. The provision includes an allowance for increased costs in respect of energy, fuel and other changes.
Incremental pension contributions	148	96	The triennial review of the pension fund has 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.
Minimum Revenue Provision (Commutation adjustment)	100	102	Increase in calculated figure based on statutory criteria.
Concessionary Fares	0	100	Provisional allowance based on take up of scheme / changes in operating hours. Now assumed will not be required due to negotiation on ongoing cost of scheme (see Appendix D – Savings).
Equality and diversity	15	15	Cabinet agreed to allocate £15k from the 2007/08 outturn position and this therefore needs to be included in the 2009/10 budget forecast.
Community Project Capacity	15	15	Funded through external income.
Planning income	500	683	Reduced income due to falling number of planning applications. Savings proposed to offset some of impact.
Building Control income	30	271	Reduced income forecast
Car Park Income	300	300	
Land charges income	100	100	

	<b>Previous Forecast</b>	<b>Updated Forecast</b>	
	<b>£'000</b>	<b>£'000</b>	<b>Comment</b>
Reduced rental income and ongoing NNDR costs (impact of economic downturn)		170	Estimated reduced rental from commercial properties and ongoing cost of empty rates within regeneration sites and as a result of delays in securing capital receipts.
Reduced Government grant for benefits administration		40	Benefit admin. grant reduced by Government.
Support to ICT strategy		35	Includes final year costs for channel migration post and support for the Council's website.
Support for on-going service reviews (continuation of previous review of planning, protection and licensing services)		46	Retaining learning from reviews of other service areas to support ongoing service reviews.
General Fund / HRA impact / misc. technical changes		23	Impact of changes in charges between General Fund and Housing Revenue Account (HRA) and other technical changes.
<b>Total</b>	<b>2,343</b>	<b>3,186</b>	

**2009/10 Revenue Growth items**

The following adjustments for growth items have been included within the current budget allocations. Changes since the report to Cabinet on 5 December 2007 are highlighted.

<b>Area</b>	<b>Amount in previous Forecast £'000</b>	<b>New Items / Change in Forecast £'000</b>	<b>Comment</b>
Street Wardens	80	80	Funding in this financial year has been reallocated to enable two new street wardens to be introduced. This cost represents the full year impact of this decision.
Planning, Protection and Licensing review.	80	30	Remaining one-off costs of review including IT development and training. Figure reduced by £50k reflecting a post no longer required at this stage given economic slowdown.
Costs funded through HPDG and other grants received in 08/09		140	Decisions have been made during the year to allocate some grant income received this year to meet costs in 09/10. This growth item will therefore be funded through these grants via use of balances.
Renaissance programme staff resources (Head of Service, PA, project support and communication staff resources).		166	Costs related to Renaissance Delivery Unit to enable staff to continue to focus on delivery of the regeneration projects. Regeneration Reserve to be used to fund these costs.
Welfare Rights		5	Contribution to increased welfare rights service in addition to other resources shifted within the Community Partnerships area.
Steps to increase recycling		210	Additional resources to support promotion of recycling and increased recycling services to flats within the Borough.
	160	631	

## Summary of Savings / Increased Income

	<b>Total</b>
<b>Service specific savings</b>	£'000
Corporate Management	213
Executive Management Team	132
Resource Management	537
Life Opportunities	194
Environmental & Protective Services	623
Strategic Policy and Regeneration	260
Street Services	55
Customer Service Centre	10
<b>Total Service Savings</b>	<b>2,024</b>
Energy Saving through LACM (Local Authority Carbon Management)	200
LABGI	50
Housing and Planning Delivery Grant	250
Area Based Grant	22
Increase in Concessionary fares grant	13
Interest / Minimum Revenue Provision	50
Less: Provision for one-off costs	(120)
<b>Total Service Savings</b>	<b>2,489</b>

*Note: the budget also includes the continuation of corporate savings targets in respect of salaries, procurement and income.*

*The following pages set out detailed delivery plans for all specific proposals.*

**Work Area: Resource Management**

**Who: Charles Warboys**

**Saving (£): £537,000**

<i>Outline of work</i>	<i>Specific Tasks and Timetable</i>	<i>Risks to delivery</i>	<i>Mitigating action</i>	<i>Monitoring arrangements</i>
Statutory Accounting - restructure of finance managers' roles (£8k)	Finance Manager post replaced with Financial Accountant at lower grade.	N/a as post appointed to.	n/a	Monthly budget monitoring
IT & control - Further extension of overpayment recovery service to Maldon DC (£19k)	Continued communication with Maldon DC.	Maldon withdraw from arrangement	Maldon have committed until the end of June and are a happy with service provided and have already extended arrangement on more than one occasion	Regular meeting with Maldon DC.
Concessionary fares (£510k) In the current year the Council has negotiated an agreement with other local authorities in the Essex area and the bus operators with regard to the cost of the new national scheme and this is expected to be continued into next year.	On-going negotiations on the arrangements that will apply for 09/10,	Negotiations fail and we have to fund the scheme at previous levels. This is not considered to be likely.	Negotiations have been positive so far and a saving of c£400k has been secured for 08/09.	Continued involvement with negotiations and monitoring usage of scheme during year.



**Work Area: Corporate Management**

**Who: John Gilbert**

**Saving (£): £213,000**

<i>Outline of work</i>	<i>Specific Tasks and Timetable</i>	<i>Risks to delivery</i>	<i>Mitigating action</i>	<i>Monitoring arrangements</i>
No elections in 09/10 (£80k) Streamlining administrative support (£27k)	n/a  Reduction of work requirement Release of resource	n/a  Ability to redeploy staff in good time to ensure cost savings are achieved. Expected process efficiencies are achieved without losing controls. Operational resilience if critical individuals are sick or absent.	n/a  Work flow management Supporting staff in redeployment Cross training in key activities	n/a  Performance management Monthly financial monitoring
Members Expenses (£15k)	The saving was anticipated as a consequence of two of the Portfolio Holders agreeing to forfeit half of their Cabinet Member Special Responsibility Allowance and the loss of one Panel Chairman position (Innovations Panel).	Change in approach to the number of portfolio holders, which is within the authority of the Administration. There is a risk to delivery in that three extra Special Responsibility Allowances have become payable due to the appointments to the Planning and Licensing Committees and the change in Chairman of the Finance and Audit Panel	This could be achieved in part through a reduction in the value of travel and subsistence claims submitted by Members.	Via financial reporting of expenses.

<b>Work Area: Corporate Management</b>					
<b>Who: John Gilbert</b>					
<b>Saving (£): £213,000</b>					
<i>Outline of work</i>	<i>Specific Tasks and Timetable</i>	<i>Risks to delivery</i>	<i>Mitigating action</i>	<i>Monitoring arrangements</i>	
Strategic HR – Reduce management consultancy provision (£3k)	Reduced demand for consultancy support following development in 08/09 of key changes.	Demand for new initiatives requiring outside support	Demand management and access to Essex Strategic HR partnership.	Via work plans and budget control	
Civic Offices - NNDR rebate for 07/08 carried into 08/09 (£6k)	Monitoring of NNDR assessments	Increases in NNDR above expectation included in budget	Financial management of other cost lines to cover any shortfall	Monthly via finance reports	
Courier (£18k)	Reduce to 3 editions per year	Costs of paper and print exceeding expectations	Continual review of content and format	Monthly via finance reports	
Print (£26k)	Alphaprint have sourced their own machines. Contract to be ended in 2008/9 with recurring saving from Apr 2009	Action completed	n/a	Monthly via finance reports	
Functions income (£12k)	TH business plan includes opportunity to grow contribution as facilities improve.	Plan originally included this for 2010/11 Economic environment Delays to facilities enhancements	Review business plan	Business plan Financial monitoring Project progress monitoring	
Corp. Facilities Mgmt - restructure planned for 2009 to deliver future business growth including delivery of the Town Hall business plan (£16k)	Staffing restructure undertaken. Recruitment to new structure being completed 08/09	Impact of flexible working on staffing establishment not included in the service budget.	Ensure service budget is changed at appropriate time when service definition completed.	Monthly via financial reports	

<b>Work Area: Corporate Management</b>					
<b>Who: John Gilbert</b>					
<b>Saving (£): £213,000</b>					
<i>Outline of work</i>	<i>Specific Tasks and Timetable</i>	<i>Risks to delivery</i>	<i>Mitigating action</i>	<i>Monitoring arrangements</i>	
Civic Fund (£5k)	Usage of Mayoral car reduced in 2008/09, carried forward to 2009/10	Depends on mayoral usage and civic commitments	Review on ongoing basis	Monthly reports	via financial
Service development and new Legal Service income by provision of service to external parties (£5k)	Build on existing business relationships – already in course	Business demand and partnership working	Develop relationships with wider parties	Monthly reports	via financial

<b>Work Area: Life Opportunities</b>				
<b>Who: Gareth Mitchell</b>				
<b>Saving (£): £194,000</b>				
<i>Outline of work</i>	<i>Specific Tasks and Timetable</i>	<i>Risks to delivery</i>	<i>Mitigating action</i>	<i>Monitoring arrangements</i>
Community Partnerships - unbudgeted external funding for community project worker capacity (£14k)	n/a	Potential for external funding to cease	Effective partnership working	n/a
Parks and Recreation – reductions in expenditure and additional income across the service (£100k)	Implement fees and charges and budget changes as part of the core service management process by end March 2009. Agree revised budgets with relevant contractors by end March 2009. Communicate changes to any relevant customers.	Income targets not achievable due to economic downturn. Potential inflationary pressure on grounds maintenance contract	Management action to reduce expenditure in year in line with income/inflation levels	Monthly budget monitoring
Sport and Leisure – reductions in expenditure and additional income opportunities across the sport and leisure business (£80k)	Implement fees and charges and budget changes as part of the core service management process by end March 2009	Income targets not achievable due to economic downturn Potential inflationary pressure on energy costs	Management action to reduce expenditure in year in line with income/inflation levels	Monthly budget monitoring

**Work Area: Environmental and Protective Services**

**Who: Roger Bailey**

**Saving (£): £623,000**

<i>Outline of work</i>	<i>Specific Tasks and Timetable</i>	<i>Risks to delivery</i>	<i>Mitigating action</i>	<i>Monitoring arrangements</i>
Ongoing impact of review of Environmental and Protective Services (£75k)	Establishment of professional support unit underway, with a reduction in post numbers	If voluntary redeployments are not achieved.		Ongoing monitoring by Head of Service responsible for implementation
Delete countryside post (shared post with Braintree) (£20k)	Contract for post finishes in July.	None envisaged	n/a	n/a
Museums - further saving from joint working (£20k)	General efficiencies			Monthly budget monitoring
Freezing vacant posts / redeployment (£300k)	Posts already held vacant. Redeployments underway –some in place	Redeployments fail	Alternative redeployments already being sought	Monitored monthly through standard performance monitoring system
Crematorium – forecast increased income (net of additional costs (£60k)	Charges agreed	Income figures not achieved		Monthly budget monitoring
Savings within planning and building control linked to downturn in workload (£40k)	General efficiencies already identified and removed from budget			Monthly budget monitoring
Savings within Museum Service (£41k)	As above			Monthly budget monitoring
General savings across whole service group (£67k)	As above	Exceptional circumstances – major planning enquiry; emergency weather situation; etc	Compensating efficiencies will be sought	Monthly budget monitoring

**Work Area: Strategic Policy and Regeneration**

**Who:** Lindsay Barker

**Saving (£):** £260,000

<i>Outline of work</i>	<i>Specific Tasks and Timetable</i>	<i>Risks to delivery</i>	<i>Mitigating action</i>	<i>Monitoring arrangements</i>
Festival saving (£55K)	Saving to be made from April 09. Will leave £25K contribution towards any festival activity.	Will be reliant on coordination and delivery by partners as minimal resource left in the service to contribute. Unknown impact of reduction on 2020 funding for festival.	Have already explored contributing to ECC festival coordination to extend activity in Colchester.	Through the Cultural services manager
Enterprise - Deletion of IT/web budget (£10k)	Full payment for 'grant finder' made during 2007/2008 and no further payments are due. Saving to be made from April 2009.	No risks identified as payment in full already made for the required service.	N/A	SLA in place with Grantfinder
Arts - freeze grants to Mercury Theatre and Arts Centre (£15k)	Will apply to funding from April 09. Organisations informed Jan 09	Will have an impact on the budget setting of these organisations	Notice of this proposed saving has been given to allow them to prepare their budgets	Through the SLA arrangements for these organisations
Project & Support - Deletion of Admin Support Assistant (£20k)	Saving to be made from April 09 as post currently vacant.	Lack of capacity in group support	Group support has been reviewed and reorganised to ensure all key tasks are covered	Through the group support coordinator
Arts Development (£80K)	Deletion of whole service including two posts (one vacant and one occupied) and	As this is the deletion of a service the main risks relate to the termination of contracts and the	Management of the termination and communication issues in place	Through the Head of Service

<b>Work Area: Strategic Policy and Regeneration</b>					
<b>Who: Lindsay Barker</b>					
<b>Saving (£): £260,000</b>					
<i>Outline of work</i>	<i>Specific Tasks and Timetable</i>	<i>Risks to delivery</i>	<i>Mitigating action</i>	<i>Monitoring arrangements</i>	
	notification to any third parties who have received funding and may assume funding in 2009/10. Due to statutory redundancy timing the service will cease from May 2009.	communication with partners.			
Tourism Manager (merger of post with vacant Economic Development post) (£35k)	Restructure the roles to create one post with a set of merged priorities. Enterprise Coordinator post currently vacant so only one applicant for the new role. Saving to be made from April 2009.	Reduced capacity in both Tourism and Enterprise activity.	Effective management of the change and clear agreement of priorities should help to mitigate.	Through the Head of Service and Enterprise Manager	
Reduced marketing budget (£15k)	The restructuring above should lead to some capacity to pool marketing resources and make more effective use of the minimal marketing resources across the council	A reduction in the ability to market Colchester and its offering to residents and visitors and to attract business investment.	Will have to work through the marketing coordination group to more effectively target the use of resources to the priority areas.	Through the Enterprise Manager (also chair of the marketing coordination group)	

<b>Work Area: Strategic Policy and Regeneration</b>					
<b>Who: Lindsay Barker</b>					
<b>Saving (£): £260,000</b>					
<i>Outline of work</i>	<i>Specific Tasks and Timetable</i>	<i>Risks to delivery</i>	<i>Mitigating action</i>	<i>Monitoring arrangements</i>	
Review of Visitor Information Centre (£30k)	Review to commence 12 Jan due to report end March 2009. Has a target savings level for 2009/10 of £30K	Timescales for the review are challenging	The chance to link into the work around the Public Service Village will help to provide opportunities	Head of Service and Tourism and VIC Manager to coordinate the review	



<b>Work Area: Street</b>				
<b>Who: Matthew Young</b>				
<b>Saving (£): £55,000</b>				
<i>Outline of work</i>	<i>Specific Tasks and Timetable</i>	<i>Risks to delivery</i>	<i>Mitigating action</i>	<i>Monitoring arrangements</i>
Creation and operation of the Braintree, Colchester and Uttlesford Parking Partnership (£25k)	<ul style="list-style-type: none"> <li>Financial details to be finalised for Partnership – February 2009</li> <li>All three authorities to sign final agreement – March 2009</li> <li>Joint working commences – April 2009</li> </ul>	<ul style="list-style-type: none"> <li>Actual financial figures do not match the budget figures supplied for 2009/10 and savings are not forthcoming</li> <li>Not all authorities sign agreement so joint working cannot commence</li> </ul>	<p>Meeting with three authorities to finalise figures – January 2009</p> <p>Each authority to work with Members to understand and mitigate concerns</p>	Monthly budget monitoring to ensure savings for all three authorities being achieved
Review of CCTV (£30k)	Removal of one Monitoring Centre Operator post	None – vacant posts exists to be deleted	N/A	N/A

<b>Work Area: EMT</b>					
<b>Who: Adrian Pritchard</b>					
<b>Saving (£): £132,000</b>					
<i>Outline of work</i>	<i>Specific Tasks and Timetable</i>	<i>Risks to delivery</i>	<i>Mitigating action</i>	<i>Monitoring arrangements</i>	
Reduced support to 2020 (£15K)	Delivered through deletion of vacant post and reassignment of work	None	n/a	On-going budget management.	
Delete post supporting project work with Braintree (£50k)	Contract terminated	n/a	n/a	n/a	
Removal of Executive Director post and impact of reduced contribution from Regional Cities East (£67k)					

<b>Work Area: CSC</b>				
<b>Who: Leonie Rathbone</b>				
<b>Saving (£): £10,000</b>				
<i>Outline of work</i>	<i>Specific Tasks and Timetable</i>	<i>Risks to delivery</i>	<i>Mitigating action</i>	<i>Monitoring arrangements</i>
Replacement of QAS (quick address system) with solution using other existing technology which has been cleansed, updated and developed (LLPG) (£10k)	The task has been completed as at December 08. The £10k saving will be effective for 09/10 and ongoing	Minimal as fully tested and works in live environment.	Reinstate the QAS system if needed	Ongoing

<b>Work Area: Technical Items / Non-Service Specific areas</b>				
<b>Who: Charles Warboys and Senior Management Team</b>				
<b>Saving (£): £572k</b>				
<i>Outline of work</i>	<i>Specific Tasks and Timetable</i>	<i>Risks to delivery</i>	<i>Mitigating action</i>	<i>Monitoring arrangements</i>
Energy Savings through LACM programme (£200k)	Delivery of LACM Strategy and Implementation Plan (SIP)	Delays in implementation. Plans do not deliver the level of financial saving forecast.	Provision has been made in the budget for increased energy costs. Some of the increase is not known and therefore potentially there may be a saving of energy budgets.	Energy budgets will be closely monitored during the year. Monitoring of LACM SIP.
Net Interest costs / MRP (Minimum Revenue Provision) (£50k)	Ensure we maximise interest earnings and minimise interest costs in accordance with the agreed Policy and Strategy.  Review liabilities for MRP under revised guidance.	Impact of falling interest rates on investments.  Impact of interest rates movements on planned borrowing activities  Impact on cashflow of economic slowdown.	Taking expert advice on timing of investment / borrowing decisions.  Using specialist advice to support review of MRP policy / liabilities.	Budget monitoring of interest budget.

<b>Work Area: Technical Items / Non-Service Specific areas</b>			
<b>Who: Charles Warboys and Senior Management Team</b>			
<b>Saving (£): £572k</b>			
<p>Changes to Government Grants:-  LABGI (£50k)  HPDG (£250k)  ABG (£22k)  Concessionary fares (£13k)</p>	<p>Await announcement of grants (note: ABG and concessionary fares already confirmed)</p>	<p>Grants are lower than budgeted.</p>	<p>The ABG grant has been confirmed. LABGI estimate based on indications provided within consultation paper.</p> <p>HPDG grant in 08/09 was over £900k and whilst the level for 09/10 is likely to be lower it is considered that £250k is a reasonable estimate.</p>
			<p>Grants will be notified during 209/10 and will be reported as part of normal budget monitoring reports to FASP.</p>

## Budget Analysis – Appendix E

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

**General Fund Balances  
Current Position**

	<b>£'000</b>	<b>£'000</b>
Balance as at 31 March 2008 (As per Statement of Accounts)		3,347
<b>Movement on balances during 2008/09:</b>		
• Financing carry forwards		(250)
• Funds released in 07/08 to carry forward to 08/09		(213)
• Supporting 2008/09 budget:-		
Items included in 2008/09 budget	(607)	
New emerging pressures	(325)	
		(932)
• Further changes to balances agreed by Cabinet / Strategy Portfolio Holder		(7)
• 2008/09 net budget (forecast to be on budget)		0
• Carry forward Of HPDG grant to meet costs in 2009/10		140
• Carry forward of provision for service review		46
• Carry forward saving on insurance contract through accounting change		200
<b>Projected Balances as at 31 March 2009</b>		<b>2,331</b>
Less anticipated support to 2009/10 budget		(484)
		<b>1,847</b>
 Proposed minimum balance		 <b>1,700</b>
 <b>Potential headroom as at 31 March 2009 (if 8/09 outturn is delivered on budget)</b>		 <b>147</b>

**Note:**

- This forecast is on the basis that there are no further calls on balances during the remainder of the year and that the current year's outturn is delivered on budget.
- The projected balance at 31 March 2009 reflects the level of balances retained when the 2008/09 budget was approved because of the difficult medium term position. A proposal is made within the main report (paragraph 10.6) to use £484k from balances to support the 2009/10 budget. This includes £386k in respect of budgets carried forward from 08/09.

## Renewals and Repairs 2009/10 Releases

<b>Scheme</b>	<b>Requested Value of Release</b>
<b>Various</b>	
Building Maintenance Programme	603,000
<b>Life Opportunities(all Colchester Leisureworld)</b>	
Pool water filters	20,000
Pipework and valves	20,000
Building Management System	20,000
 Total	 <b>663,000</b>



<b>Medium Term Financial Forecast</b>			
<b>2009/10 to 2011/12</b>			
	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Base Budget</b>	23,998	24,432	25,234
Remove one-off items	(894)	(21)	
Cost Pressures	3,186	1,063	850
Growth Items	631	(170)	0
Savings	(2,489)	(70)	22
<b>Forecast Base Budget</b>	<b>24,432</b>	<b>25,234</b>	<b>26,106</b>
Government Grant	(12,681)	(12,911)	(12,911)
Council Tax	(10,225)	(10,613)	(11,324)
Collection Fund Surplus	0	0	(10)
Use of Reserves	(1,526)	(526)	(360)
<b>Total Funding</b>	<b>(24,432)</b>	<b>(24,050)</b>	<b>(24,605)</b>
<b>Budget (surplus) / gap (cumulative)</b>	<b>(0)</b>	<b>1,184</b>	<b>1,501</b>
<b>Annual increase</b>		<b>1,185</b>	<b>317</b>

**Key Assumptions**

Inflation - Average 2.9%

Gov't Grant – Increase in line with 3 year settlement. As an initial assessment, the grant for 2011/12 assumed to be at a cash standstill.

Council Tax – 2.76% increase + 1% increase in tax base assumed for 10/11 and 11/12

Pensions forecast in-line with Actuarial review for 09/10 & 10/11. Next review will impact in 11/12 and a planning assumption of £250k has been assumed.

**Cost Pressures**

General Inflation	740	740	740
Net Inflationary pressures (pay, energy etc)	450		
Pensions	96	154	250
MRP (Minimum Revenue Provision)	102	13	10
Concessionary Fares (change in operating hours / usage)	100		
Core Strategy Examination		150	(150)
Best Value Surveys		15	
Equality and diversity	15		
PCT - Community Health	15		
<i>Income pressures:-</i>			
Car Park Income	300		
Planning Income	683		
Building Control Income	271		
Land charges Income	100		
Impact of commercial property market slowdown on rental income and empty rates costs	170		
Reduction in benefits admin grant	40		
Service Review Post (funded through c/f from 08/09)	46		
ICT related costs (including website)	35	(9)	
GF / HRA impact / misc changes	23		
<b>Total</b>	<b>3,186</b>	<b>1,063</b>	<b>850</b>

<b>Growth Items</b>			
Planning, Protection & Licensing (P, P & L) Review <b>(incl. one-off)</b>	30	70	
Renaissance Team – Resources	166		
Street Wardens	80		
HPDG c/f	140	(140)	
Welfare Rights	5		
Recycling	210	(100)	
<b>Total</b>	<b>631</b>	<b>(170)</b>	<b>0</b>

<b>Savings / additional Income</b>			
<i>Service savings</i>			
Corporate Management	213	(80)	
Executive Management Team	132		
Resource Management	537		
Life Opportunities	194		
Environmental & Protective Services	623	15	
Strategic Policy and Regeneration	260		
Street Services	55		
Customer Service Centre	10		
<i>Corporate Savings / Technical Items</i>			
Energy Saving through LACM	200		
LABGI	50		
Housing and Planning Delivery Grant	250		
Area Based Grant	22		(22)
Increase in Concessionary fares grant	13	15	
Interest / MRP	50		
less redundancy provision	(120)	120	
<b>Total</b>	<b>2,489</b>	<b>70</b>	<b>(22)</b>

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

## Addressing the Budget Gap

The MTFF shows a budget gap of circa £1.5m over the next two years. This is an increase on the previous situation reflecting the increased pressures on the Council's budgets and some of the one-off savings used to balance the budget.

There is no doubt that the current economic climate has impacted on the Council's budget proposals for 09/10 and is likely to continue having an impact during next year and beyond.

## Risk Areas / Comments

The key risk areas to the forecast are:-

Ref	Risk / Area of uncertainty	
1	<i>White paper – Strong and prosperous communities</i>	The White Paper set out a number of important financial issues for the Council. This includes responding to the proposals concerning communities, neighbourhoods and place-shaping and the impact of the new performance management framework and proposals around efficiency. The latter includes ambitious targets for efficiency savings (3% cashable savings over the next three years) and involving greater collaboration and partnership working.
2	<i>Government Grant and the Comprehensive Spending Review 07 (CSR07)</i>	Details of the CSR07 were announced in 2007 alongside a 3-year grant settlement. The grant Settlement for the last 2 years in this period (09/10 and 10/11) shows an increase of 2.4% and 1.8% respectively. Our housing target to achieve is 17,100 by 2021 and we are currently the highest district housing producer in the region on an annual basis. This requires a grant settlement that allows us the funding needed to provide basic services. The reducing Settlement will continue to place pressures on Council budgets.
3	<i>Pensions</i>	An allowance has been built in for increases in pensions costs based on the results of the recent actuarial review and therefore are fixed for the period of the MTFF until 2010/11. However, an updated review will be undertaken that will inform the cost for 2011/12 onwards. The recent and ongoing economic downturn is likely to impact on the pension fund and therefore whilst an increased allowance has been made for this will need to be reviewed closer to the time when we may have more reliable estimates.
4	<i>Concessionary Fares</i>	The budget for 2009/10 includes a net saving of circa £400k reflecting negotiations with bus operating companies. The service is demand led and therefore costs are uncertain and there remains a risk that with grant details already fixed we may face a funding shortfall.
5	<i>Fees and charges</i>	As has been seen in the past few years we have experienced pressures arising from changes in income levels. In 2008/09 we are experiencing significant shortfalls in income in respect of planning and building control fees and car park revenue (on and off street). This has been considered as part of the 2009/10 budget but remains a risk that we will monitor next year.
6	<i>Inflation</i>	An allowance for general inflation has been built into the

Ref	Risk / Area of uncertainty	
		09/10 forecast and MTFF, and specific increases allowed for items such as energy. Currently, economic indicators point to reducing inflation (RPI), however, not all the Council's costs are directly linked to RPI and therefore we will continue to monitor the impact of inflation on all Council costs
7	<i>Use of reserves</i>	The budget update includes proposals to use reserves to meet certain one-off costs. The forecast position on general balances makes assumptions regarding the current year's outturn.
8	<i>Legislation</i>	There may be new legislation over the life of the MTFF for which any available funding may not cover costs.
9	<i>Government grants and partnership funding</i>	The Council's budget has changed over recent years with a greater emphasis on funding from both partner organisations and Government bodies. These funding streams can rarely be guaranteed and can therefore add to our cost pressures. This year's budget includes funding in respect of HPDG and the LABGI scheme. It is likely that there will be changes to some of these or other funding sources over the life of the MTFF and as the position becomes clearer the budget forecasts will need to be adjusted.
10	<i>Impact of renaissance programme e.g. car park closure and staff resources</i>	As the renaissance programme progresses there will be an impact on income from car park income due to temporary and permanent closure of certain car parks and also the introduction of park and ride. We are currently using the Regeneration Reserve to meet some staffing costs to provide increased capacity to deliver the renaissance programme. The budget forecast includes funding for 2009/10 to ensure that the team can continue work and this has also been allowed for in the 2010/11 forecast.
11	<i>ICT strategy – change programme</i>	The ICT strategy was updated in 2007 and it is likely that there will continue to be a number of financial implications arising from changes. This may result in some costs in the short-term leading to longer term savings. This continues to be examined as part of detailed budget proposals.
12	<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 be continue to be considered in detail by the council's Property Forum and included in the on-going updates of the MTFF.
13	<i>Impact of growth in the Borough and demand for services</i>	A number of Local Authority services are directly impacted by the increase of population in the Borough, such as waste services, planning, benefits etc. As part of the budget it will be necessary to consider whether there is a need for additional resources in these or other areas in order to maintain levels of service. A further area of risk is any increase in the demands for Council services arising from the impact on residents of the

Ref	Risk / Area of uncertainty	
		economic environment.
14	<i>Delivery of 09/10 budget savings</i>	The 2009/10 budget sets some challenging targets for savings including those in respect of procurement and salaries.
15	<i>Net Interest earnings</i>	The budget is influenced by a number of factors including interest rates and cashflow movements. The treasury management strategy highlights the outlook for interest rates in the medium-term which points to unprecedented low levels during next year and potentially into 2010/11. Whilst it may be possible to provide some financial protection from the impact of these low rates, it is likely that there will be significant pressures on budgets during the medium term.

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

**NNDR Ratepayers Meeting  
7 January 2009**

Present:

Cllr Paul Smith, Portfolio Holder for Business and Resources

Nigel Myers, Enterprise Manager

Sean Plummer, Finance Manager

Representatives from:-

- Chamber of Commerce
- Colchester Retail Business Association (Corba)
- Federation of Small Business (FSB)

**Notes of Meeting**

The meeting started with a presentation of the Council's finances, budget process, budget position and medium term outlook. In addition, commentary was provided on a number of issues raised in advance by the FSB.

**Issues Raised / Questions**

- Comments were made that recent car park campaigns had been successful, however, needed to continue such steps to ensure affordable access to Colchester shops.
- In respect of proposed increase in recycling queries whether it was the best possible time to do this given falling prices paid for recyclables
- It was explained that schemes such as Supplementary Business Rates and workplace parking levy were matters to be decided by Essex County Council, however, it was stated by the business representatives that now was certainly not the time to impose further charges on local businesses.
- In respect of LABGI it was explained that the Government's proposed new scheme distributed grant in a different way with an allocation on an area basis.
- Congratulations to the Council were given on take up rates for small business rate relief and the impact of the targeted promotion of this support.
- Comments were made on whether it would be possible to pay local SMEs quicker to help them with cashflow especially during the difficult economic climate.
- It was also important to ensure that the Council promotes good news stories
- In general, those present welcomed the support they received from the Council and said that they felt that it was better than some other authorities and that the Council needed to continue to support local business.

## TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2009/10

### **1 Introduction**

- 1.1 The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 1.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.3 The suggested strategy for 2009/10 in respect of the following aspects of the treasury management function is based upon officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor, Sector Treasury Services. The strategy covers:
- the current portfolio position;
  - the economic background and prospects for interest rates;
  - the borrowing strategy;
  - debt rescheduling;
  - the investment strategy;
  - prudential indicators to 2011/12
- 1.4 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year 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 charges to revenue caused by increased borrowing, and any increases in running costs are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

### **2 Economic Background**

- 2.1 In the second and third quarters of the year the financial crisis erupted and escalated. In September Fannie Mae/Freddie Mac (the mortgage banks) and AIG, the insurance giant, had to be bailed out by the US Federal Government. Then in mid September, Lehman Bros., the New York investment bank, was allowed to fail. This triggered a domino effect with other banks and financial institutions having to be rescued or supported by governments around the world. The Government and Bank of England supplied massive amounts of liquidity to the banking market in an attempt to reignite longer interbank lending.
- 2.2 After the collapse into receivership of the Icelandic banks in early October, other countries then started to feel the strain and a number had to approach the IMF

for support. Even the Asian 'Tiger' economies were affected, and it became clear that the crisis had become a global one and no country was insulated from it.

- 2.3 The resulting dearth of lending from banks anxious to preserve capital led to economic forecasts being sharply reduced and recession priced into markets. This in turn led to sharp falls in oil and other commodity prices with the result that recession fears drove interest rate sentiment and policy. The housing market also came to a virtual standstill as lenders demanded larger deposits and higher fees. House sales and prices both dropped sharply.
- 2.4 UK growth was already slowing before the full impact of the credit crunch was felt, after which GDP fell to -0.3% and was then expected to continue to be negative going into 2009. Unemployment rose throughout the year with forecasts of 2 million unemployed by the end of the financial year and continuing to increase through 2010.
- 2.5 The financial crisis led to an economic crisis and there was a co-ordinated global interest rate cut with the Federal Reserve, ECB and MPC all cutting rates by 50 basis points (i.e. 0.5%) in October. The MPC subsequently cut interest rates by 150bp in November, 100bps in December and a further 50bps in January 2009 to reach 1.5%. The Fed subsequently cut rates by 50bp to 1% in October, and again in December to a band of 0.0% to 0.25%. The ECB reduced rates by 50bp in November, 75bp in December and 50bp in January to reach 2.5%.
- 2.6 Because of the credit fears and the reluctance of lenders to place cash for long periods 3 month LIBOR (London Inter Bank Offer Rate – the rate at which banks will lend to one another) has been substantially higher than Bank Rate, which eroded the MPC's power over monetary policy. However, the power of the Government over the semi nationalised banks has had considerable impact in enforcing pro rata reductions to the Bank Rate cuts on some borrowing rates.
- 2.7 Government finances deteriorated as income from taxation dropped and the cost of the bailout of the banks was added to the deficit. The Pre Budget Report on 14 November revealed the Government's plans for a huge increase in borrowing over coming years.
- 2.8 The Council has appointed Sector Treasury Services as treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates. **Schedule 1** (attached) draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates.
- 2.9 Sector's current interest rate view is that the Bank Rate will fall from current levels because of the intensifying global recession. Starting 2009 at 2.00%, the Bank Rate is forecast to fall to 0.5% in Q1 2009. It is then expected to remain there until starting to rise gently up from Q2 2010 till it reaches 4.0% in Q1 2012. There is a downside risk to these forecasts if the recession proves to be deeper and more prolonged than currently expected.



- 2.10 The Council's five-year contract with Sector expired on 31 December 2008. This has been extended to 31 March 2009, and the position will be considered again at that time.
- 2.11 The Council's treasury portfolio position at 31 December 2008 comprised:

		Principal £m	Av. rate %
Fixed rate funding	PWLB	27.9	4.58
	Market	34.5	6.74
<b>TOTAL DEBT</b>		<b>62.4</b>	<b>5.77</b>
Overnight		0.7	2.20
up to 3 months		8.0	5.92
up to 6 months		8.5	5.80
up to 1 year		2.0	6.35
over 1 year		4.0	6.34
frozen		4.0	5.81
<b>TOTAL INVESTMENTS</b>		<b>27.2</b>	<b>6.03</b>

### 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 borrow funds in respect of the purchase of Rowan House and additional funding for the Visual Arts Facility. Additional new borrowing is proposed with regards to new cremators, and the upgrading of communal aerial systems from analogue to digital in the Council's housing stock. It should be noted in both cases that the actual amount of borrowing required will not be known until a contractor has been appointed. No specific debt restructuring is planned although officers will periodically review the potential for savings through using this approach.

	2007/08 £'000 actual	2008/09 £'000 probable	2009/10 £'000 estimate	2010/11 £'000 estimate	2011/12 £'000 estimate
New borrowing during year	5,000	15,500	3,500	0	0
Alternative financing arrangements	0	0	0	0	0
Replacement borrowing	0	0	0	0	0
<b>TOTAL</b>	<b>5,000</b>	<b>15,500</b>	<b>3,500</b>	<b>0</b>	<b>0</b>

- 3.2 Forecasts for longer fixed interest rates are shown in **Schedule 1**. The Sector forecast for new PWLB borrowing is as follows:
- The 50 year PWLB rate is expected to remain around current levels of about 3.80 - 3.90% until Q2 2010 when it is forecast to rise to 4.00%. The rate then edges up gradually to reach 5.00% at the end of the forecast period.
  - The 25 year PWLB rate is expected to drop to 3.95% in Q1 2009 and stay around there until starting to rise in Q1 2010 and then to eventually reach 5.05% at the end of the forecast period.
  - The 10 year PWLB rate is expected to drop to 2.55% in Q3 2009 but then to start rising again in Q2 2010 to eventually reach 4.85% at the end of the forecast period.

- The 5 year PWLB rate is expected to fall to a floor of 2.15% during Q3 2009. The rate then starts rising in Q2 2010 to eventually reach 4.60% at the end of the forecast period.
- 3.3 This forecast indicates that there is a range of options available for borrowing strategy for 2009/10. Under 10 year PWLB rates are expected to be substantially lower than longer term PWLB rates so this will open up a range of choices for new borrowing, and would mean that after some years of focusing on borrowing at or near the 50 year period, the Council would be able to undertake borrowing in a markedly different period and so achieve a better spread in its debt maturity profile.
  - 3.4 Regarding long term rates, the 25 – 30 year period could be seen as being much more attractive than 50 year borrowing, despite the more expensive new borrowing rates, as the spread between the PWLB new borrowing and early repayment rates is considerably less. This then maximises the potential for debt rescheduling at a later time.
  - 3.5 Rates are expected to be slightly lower at the middle to end of the year than earlier on so it may be advantageous to borrow later in the year. A suitable trigger point for considering new fixed rate long term borrowing would be 3.95%. This rate will be reviewed in the light of movements in the slope of the yield curve, spreads between PWLB new borrowing and early payment rates, and any further changes that the PWLB may introduce to their lending policy and operations.
  - 3.6 The historically low Bank Rate opens up an opportunity to fundamentally review the strategy of undertaking external borrowing and consider the potential merits of internal borrowing. As long term borrowing rates are expected to be higher than rates on the loss of investment income the Council may look to avoid new external borrowing in the next financial year in order to maximise savings in the short term. The running down of investments also has benefits of reducing exposure to interest rate and credit risk.
  - 3.7 Against this background caution will be adopted with the 2009/10 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 Portfolio Holder for Resources and Business at the next available opportunity.
  - 3.8 In normal times the main sensitivities of the forecast are likely to be the two scenarios 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 rise in long and short term rates 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.
    - if it were felt that there was a significant risk of a sharp fall in long and short term rates long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.

## **4 Debt Rescheduling**

- 4.1 The introduction of different PWLB rates in 2007 for new borrowing as opposed to early repayment of debt, and the setting of a spread between the two rates, has meant that PWLB to PWLB debt restructuring is now much less attractive than before. However, significant interest savings may still be achievable through using LOBOs (Lenders Option Borrowers Option) loans and other market loans if these become available after the drying up of their supply during Autumn 2008.
- 4.2 Due to short term borrowing rates being expected to be considerably cheaper than longer term rates, there are likely to be significant 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 their short term nature and the likely cost of refinancing 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 rebalancing of the Council's debt maturities towards a flattening of the maturity profile as in recent years there has been a skew towards longer dated PWLB.
- 4.3 Consideration will also be given to the potential for making savings by running down investment balances by repaying debt prematurely as short term rates on investments are likely to be lower than rates paid on currently held debt. However, this will need careful consideration in the light of premiums that may be incurred by such a course of action and other financial considerations.
- 4.4 As average PWLB rates in some maturity periods are expected to be minimally higher earlier on in the financial year than later on, there should therefore be greater potential for making marginally higher interest rate savings on debt by doing debt restructuring earlier on in the year. Any positions taken via rescheduling will be in accordance with the strategy position outlined above.
- 4.5 The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings;
  - to help fulfil the strategy outlined above; and
  - to enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 4.6 All rescheduling will be reported to the Finance and Audit Scrutiny Panel as part of the Annual Report on Treasury Management.

## **5 Investment Policy**

- 5.1 The Council will have regard to the ODPM's Guidance on Local Government Investments issued in March 2004 and CIPFA's 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.
- 5.2 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to invest or on lend and make a return is unlawful and the Council will not engage in such activity.

- 5.3 Investment instruments identified for use in the financial year are detailed in **Schedule 2**. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.
- 5.4 Specified investments will be sterling denominated, with maturities up to maximum of one year, meeting the minimum 'high' rating criteria where applicable. Non-specified investments are those that do not meet these criteria. A maximum of £20m will be held in aggregate in non-specified investments.
- 5.5 Credit ratings are an assessment of an entity's ability to punctually service and repay debt obligations, which are used by investors as an indication of the likelihood of getting their money back in accordance with the terms on which they invested. They provide uniform global comparisons of the credit quality of institutions, and they are used by many organisations as a core part of their credit and investment policies.
- 5.6 The Council uses Fitch ratings to derive its counterparty criteria. Where a counterparty does not have a Fitch rating, the equivalent Moody's (or other rating agency if applicable) rating will be used. All credit ratings will be monitored on a monthly basis, as well as when considering making an investment.
- 5.7 Fitch has a four-way approach to credit ratings:
- **Short-term** ratings have an emphasis on the liquidity necessary to meet financial commitments in a timely manner. Organisations with a strong capacity for timely payment of financial commitments are rated as 'F1'. Some organisations may have an added '+' to denote an exceptionally strong credit feature. The Council limits its short-term lending to this top-tier.
  - **Long-term** ratings denote the level of credit risk, capacity for payment of financial commitments, and vulnerability to foreseeable events. Organisations with high credit quality are rated as 'A', whilst those with very high or the highest credit quality can be rated as 'AA' or 'AAA'. The Council uses 'A' rated organisations as a minimum for lending under one year, and 'AA-' for lending in excess of one year.
  - **Individual** ratings assess how a bank would be viewed if it were entirely independent and could not rely on external support. These denote the organisations' exposure to, appetite for and management of risk. The ratings range from 'A' to 'F', with 'A' being the highest. The Council uses 'B/C' rated organisations as a minimum for lending up to one year, and 'B' rated organisations as a minimum for lending in excess of one year.
  - **Support** ratings provide a judgement of a potential supporter's (e.g. sovereign state's or institutional owner's) propensity and ability to support the organisation should it become necessary. These range from '1' to '5', and the Council uses Support Rating '2' (high probability of external support) as a minimum for all investments.
- 5.8 The Council is alerted to changes in Fitch ratings through its use of the Sector creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council’s minimum criteria, its further use as a new investment will be withdrawn immediately.
- If a body is placed on negative rating watch (i.e. there is a reasonable probability of a negative rating change) and it is currently near the floor of the of the minimum acceptable rating for placing investments with that body, then no further investments will be made with that body. Other organisations on negative watch will be subject to approval by the Head of Resource Management and a record will be kept of decisions made.

5.9 Since the credit crunch crisis there have been a number of developments which require separate consideration and approval for use:

5.10 Nationalised banks in the UK have credit ratings which do not conform to the credit criteria usually used by local authorities to identify banks which are of high credit worthiness. In particular, as they no longer are separate institutions in their own right, it is impossible for Fitch to assign them an individual rating for their stand alone financial strength. Accordingly, they have assigned an ‘F’ rating which means that at a historical point of time, this bank failed and is now owned by the Government. However, these institutions are now recipients of an ‘F1+’ short term rating as they effectively take on the creditworthiness of the Government itself. They also have a support rating of ‘1’, meaning that on both counts, they have the highest ratings possible.

5.11 Some countries have supported their banking system by giving a blanket guarantee on ALL deposits (e.g. Ireland). The UK Government has NOT given a blanket guarantee on all deposits but has underlined its determination to ensure the security of the UK banking system by supporting eight named banks with a £500bn support package. Other countries such as the US, countries within the EU and Switzerland are currently providing major support packages to their banking systems.

5.12 Fitch produce sovereign debt ratings for individual countries, and there are currently 16 ‘AAA’ rated countries:

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

5.13 The Council’s approach will be to continue to rely on the credit ratings of the individual banks. However, the risk of investing in foreign banks will also be measured through the credit rating of sovereign debt, with the Council only using rated organisations within countries with a sovereign debt rating of ‘AAA’. In addition, the Council will take into account other professional advice that is available to us, and always use the lowest common denominator when making investment decisions.

## 6 Investment Strategy

- 6.1 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. The Council's investments that mature beyond 2009/10 are shown in the table below.

Principal Sums Invested for over 364 Days	Amount		
	£'000	Maturity	Rate %
Term Deposits - Banks & Build. Socs.	2,000	Jun-10	6.25
Term Deposits - Banks & Build. Socs.	2,000	Jul-10	6.44
	<u>4,000</u>		

- 6.2 Sector forecasts that the Bank Rate will be cut to 0.5% during Q1 2009. It is then expected to stabilise until starting to rise gradually with the first increase in Q2 2010, and then be back up to 4.00% during Q1 2012. The Council will therefore avoid locking into longer term deals while investment rates are at such low levels.
- 6.3 For 2009/10 the Council will budget for an investment return of 1.50% on investments placed during 2009/10. This assumes that the credit crunch will inflate investment rates by about 100 bps over Bank Rate through 2009-10.
- 6.4 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (over night to three months) in order to benefit from the compounding of interest.
- 6.5 At the end of the financial year, the Council will report on its investment activity as part of its Annual Report on Treasury Management.
- 6.6 The Council currently has the following investments frozen in Icelandic banks.

	Amount			Rate %
	£'000	From	To	
Term Deposits - Banks & Build. Socs.	3,000	02-Sep-08	02-Dec-08	5.82
Term Deposits - Banks & Build. Socs.	1,000	10-Sep-08	10-Dec-08	5.8
	<u>4,000</u>			

- 6.7 The Icelandic Government has stated its intention to honour all its commitments as a result of their banks being placed into receivership. The U.K. Government is working with the Icelandic Government to help bring this about. At the current time it is not possible to say with certainty that the Council will recover the entirety of its investments or when reimbursements will be made. The Local Government Association is coordinating the efforts of all UK authorities with Icelandic investments. Members will be periodically updated on the latest developments on these efforts.
- 6.8 The Government advised in November 2008 that it intends to make a regulation to require local authorities to delay recognising any loss on these investments that may eventually be incurred until the 2010/11 year.

## 7 Prudential Indicators 2009/10 to 2011/12

- 7.1 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.
- 7.2 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, and the Council has made reasonable estimates of its total capital expenditure.
- 7.3 **Prudential indicators of affordability.** The Prudential code specifies a range of indicators that inform whether the borrowing and resulting revenue costs of alternative levels of capital expenditure are affordable. These include the ratio of financing costs to net revenue stream and the incremental impact of capital investment decisions on the council tax and housing rents.

	2007/08	2008/09	2009/10	2010/11	2011/12
	Actual	Probable outturn	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
<b>Capital expenditure</b>					
Non-HRA	23,663	21,668	17,808	0	0
HRA	6,743	2,512	6,249	4,880	4,790
<b>Total</b>	<b>30,406</b>	<b>24,180</b>	<b>24,057</b>	<b>4,880</b>	<b>4,790</b>
<b>Ratio of financing costs to net revenue stream</b>					
Non-HRA	-9.01%	-4.88%	1.09%	1.28%	1.28%
HRA	13.66%	13.00%	12.02%	11.34%	10.80%
<b>Net borrowing requirement</b>					
B/fwd 1 April	19,577	19,749	35,600	39,100	39,100
C/fwd 31 March	19,749	35,600	39,100	39,100	39,100
In year borrowing requirement	<b>172</b>	<b>15,851</b>	<b>3,500</b>	<b>0</b>	<b>0</b>
<b>Capital Financing Requirement as at 31 March</b>					
Non-HRA	11,362	26,958	28,909	28,307	27,695
HRA	50,883	50,883	51,883	51,883	51,883
<b>Total</b>	<b>62,245</b>	<b>77,841</b>	<b>80,792</b>	<b>80,190</b>	<b>79,578</b>
<b>Incremental impact of capital investment decisions</b>					
Council Tax (Band D)			£1.17	£0.00	£0.00
Housing Rents			£0.00	£0.00	£0.00

- 7.4 The Capital Financing Requirement (CFR) reflects the council's underlying need to borrow for a capital purpose, although this borrowing may not necessarily take

place externally. It shows the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income.

- 7.5 **Prudential indicators of prudence** have an emphasis on Treasury Management, and have the objective of ensuring that external debt is kept within sustainable limits. For a financial strategy to be prudent, medium term net borrowing should only be used for capital purposes. To ensure this is the case, the Net Borrowing Requirement should not, except in the short term, exceed the total CFR in the previous year plus the estimates of any additional capital financing requirement for the current and next two financial years.

	2007/08 Actual £'000	2008/09 Probable outturn £'000	2009/10 Estimate £'000	2010/11 Estimate £'000	2011/12 Estimate £'000
<b>Authorised limit for external debt</b>					
Borrowing		77,700	81,500	81,500	81,500
Other long term liabilities		5,000	5,000	5,000	5,000
<b>Total</b>		<b>82,700</b>	<b>86,500</b>	<b>86,500</b>	<b>86,500</b>
<b>Operational boundary for external debt</b>					
Borrowing		70,600	74,100	74,100	74,100
Other long term liabilities		3,000	3,000	3,000	3,000
<b>Total</b>		<b>73,600</b>	<b>77,100</b>	<b>77,100</b>	<b>77,100</b>
<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 2009/10</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%

- 7.6 Treasury management creates the link between the Council's CFR and the structure of its external debt. The treasury management 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 for Treasury Management, which the Council adopted on 18th February 2004.

- 7.7 The level of external debt is a consequence of a treasury management decision about how much external borrowing to undertake. External borrowing arises as a consequence of all the Council's financial transactions. There are two indicators for external debt that encompass all borrowing whether for capital or revenue; the Authorised Limit and the Operational Boundary.



- 7.8 The Authorised Limit is the outer boundary of the Council's borrowing. It should reflect a level of borrowing which, while not desired, could be afforded but may not be sustainable. The capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Council must have regard to the Prudential Code when setting the 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'.
- 7.9 The Operational Boundary differs from the authorised limit in that it is based on expectations of the maximum external debt of the Council according to probable events. Cash-flow variations may lead to the occasional breach of the operational boundary. It therefore should allow a sufficient margin to allow time to take corrective action before the authorised limit is breached.
- 7.10 There is a need for integration between the Capital Programme and treasury management for the Council to be able to demonstrate the affordability of Capital projects. Where capital receipts are not available, the Council should show how much it intends to borrow, and that this is within the authorised limits for the year.
- 7.11 A best practice approach to treasury management is to reduce uncertainty surrounding fluctuations in interest rates, whilst retaining a degree of flexibility. The Council has set upper limits to both fixed and variable interest rate exposures.
- 7.12 The total principal sums invested indicator is an upper limit for each financial year for the maturing of long-term investments. This is to minimise the possibility that investments will need to be realised early, with the risk of losing some of the principal sum. It also demonstrates that the Council is not borrowing more money than it needs or in advance of its needs, purely in order to profit.
- 7.13 The Council could be exposed to the risk of having to refinance debt at a time when interest rates may be volatile. The code aims to assist authorities to avoid large concentrations of fixed rate debt that needs to be replaced at the same time. The indicator shows both the upper and lower limits of the maturity structure of borrowing. This expresses the amount of fixed rate borrowing that is maturing in each period as a percentage of the total projected fixed-rate borrowing.
- 7.14 There may be some changes to the Prudential Indicators arising from the finalisation of budget figures for the Housing Revenue Account and details of Parish Council Precepts. The Capital Programme will also be reviewed to confirm that there are no additional implications in respect of the 'Incremental Impact of Capital Investment Decisions' indicator. This will be completed before approval by Council. The 'Incremental Impact of Capital Investment Decisions' indicator currently takes into account additional funding required for flat recycling.

## 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 December 2008

	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 2010	Q/E1 2011	Q/E2 2011	Q/E3 2011	Q/E4 2011	Q/E1 2012
Base Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.75%	2.50%	3.25%	3.75%	4.00%
5yr PWLB Rate	2.50%	2.25%	2.15%	2.15%	2.15%	2.45%	2.80%	3.15%	3.65%	3.95%	4.20%	4.45%	4.60%
10yr PWLB Rate	3.10%	2.75%	2.55%	2.55%	2.55%	2.85%	3.25%	3.65%	4.15%	4.40%	4.70%	4.75%	4.85%
25yr PWLB Rate	4.00%	3.95%	3.95%	3.95%	4.00%	4.15%	4.35%	4.45%	4.60%	4.85%	4.95%	5.00%	5.05%
50yr PWLB Rate	3.85%	3.80%	3.80%	3.80%	3.85%	3.90%	4.00%	4.25%	4.40%	4.70%	4.80%	4.95%	5.00%

#### Capital Economics interest rate forecast – 12 January 2009

	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 2010
Base Rate	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5yr PWLB Rate	1.65%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
10yr PWLB Rate	2.65%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%
25yr PWLB Rate	4.15%	4.00%	3.80%	3.65%	3.65%	3.65%	3.65%	3.65%
50yr PWLB Rate	4.05%	3.95%	3.85%	3.75%	3.75%	3.75%	3.75%	3.75%

#### UBS interest rate forecast (for quarter ends) – 12 December 2008

	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009
Bank Rate	0.50%	0.50%	0.50%	0.75%
10yr PWLB Rate	3.75%	4.15%	4.35%	4.65%
25yr PWLB Rate	4.25%	4.55%	4.85%	5.05%
50yr PWLB Rate	4.30%	4.65%	5.00%	5.25%

### Survey of Economic Forecasts

HM Treasury – December 2008 summary of forecasts of 23 City and 12 academic analysts for Q4 2008 and 2009. Forecasts for 2010 – 2012 are based on 21 forecasts in the last quarterly forecast – November 2008.

	Actual	Qtr Ended		Ave. Bank Rate		
		Q4 2008	Q4 2009	Ave. 2010	Ave. 2011	Ave. 2012
Median	2.00%	2.00%	1.00%	3.11%	3.97%	4.49%
Highest	2.00%	4.50%	4.00%	4.70%	5.00%	5.25%
Lowest	2.00%	2.00%	0.50%	1.00%	2.25%	3.00%

## 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, AA-	A	£7.5m	5 years	5 years	
			A/B, B	£7.5m	5 years	5 years	
			B/C	£2.5m	1 year	1 year	
	Minimum F1	A+, A	A, A/B, B	£2.5m	3 mths	3 mths	
			B/C	£2.5m	3 mths	3 mths	
Non-rated Building Societies	Assets > £3bn			£1m	3 months		
UK Local & Police Authorities				£10m	1 year		
Govt. Securities (e.g. DMO)				£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:

- Country limit £10m
- UK limit £25m (Banks and Building Societies)
- Limit in non-rated UK Building Societies £5m
- Limit in all Building Societies £10m



Colchester

# Cabinet

28<sup>th</sup> January 2009

Item  
**8(ii)**

Report of	Head of Strategic Policy & Regeneration	Author	Lindsay Barker Darren Brown ☎ 282253
Title	Housing Revenue Account Estimates 2009/10		
Wards affected	All		

**This report presents the Housing Revenue Account (HRA) estimates for 2009/10 and the Medium Term Financial Forecast (MTFF) for 2009/10 to 2011/12**

## 1. Decision Required

- 1.1 To approve the 2009/10 HRA revenue estimates as set out in Appendix A.
- 1.2 To approve dwelling rents as calculated in accordance with the rent restructuring formula (set out in paragraph 4.6).
- 1.3 To approve rents for garages (set out in paragraph 4.9).
- 1.4 To approve the base management fee of £3,510,400 for Colchester Borough Homes (CBH) (set out in paragraph 4.22).
- 1.5 To note a revenue contribution of £402,000 to the Housing Investment Programme is included in the budget (paragraph 4.25 to 4.27).
- 1.6 To note the HRA balances position in Appendix B.
- 1.7 To note the Medium Term Financial Forecast (MTFF) set out at Appendix C.

## 2. Reasons for Decision

- 2.1. Financial Procedures require the Head of Strategic Policy and Regeneration to prepare detailed HRA estimates for approval by the Cabinet, setting the new rent levels for the new financial year.

## 3. Supporting Information

- 3.1 As part of the process for setting the 2009/10 HRA budget, it is necessary to revisit the 2008/09 position to forecast the predicted level of HRA balances along with identifying any risk areas or cost pressures which could have an impact in future years.

### ***2008/09 Revised Housing Revenue Account***

- 3.2 Appendix A shows the Revised Housing Revenue Account (HRA) estimates for 2008/09. There have been some amendments to the Original budget for 2008/09 during the course of the current financial year. A reconciliation is therefore provided in the following table between the Original and Revised budget for 2008/09:-

## Reconciliation between Original and Revised 2008/09 HRA Budget

	<b>Budget 08/09</b>	<b>Commentary</b>
	<b>£'000</b>	
<b>Original Budget Deficit</b>	<b>46</b>	Agreed 30 <sup>th</sup> January 2008
2007/08 Budgets c/fwd	170	Agreed by Head of Resource Management/Head of Housing and Environmental Policy
<b>Revised Budget Deficit</b>	<b>216</b>	

### **2008/09 Forecast Outturn Position**

- 3.3 When considering the financial position of the HRA, in addition to the adjustments to the 2008/09 original budget shown in the above table, it is important to note the 2008/09 forecast outturn position for the HRA. It is currently predicted that the HRA will be overspent by £45k compared to the revised budget for 2008/09. The table below provides a breakdown of this forecast underspend. In addition, commentary is provided on the major variations;

	<b>Budget 08/09</b>
	<b>£'000</b>
Additional Rental Income	(253)
Employee Costs	(62)
Premises Costs	110
Utility Costs	127
Legal and Consultancy Costs	100
Third Party Payments	23
<b>Forecast 2008/09 Under-Recovery</b>	<b>45</b>

- Additional rental income of £253k is forecast due to fewer Right to Buy sales and void properties than assumed within the budget.
- An underspend of £62k on Employee costs is predicted for the year primarily due to the effect of vacant posts to date.
- An overspend of £110k is currently predicted for Premises costs as a result of the Health and Safety works required at Ascott House and Bardfield House, for which no budget provision has been made.
- An overspend of £127k is currently being forecast for Electricity and Gas costs within our sheltered units, which reflects the price increases being incurred nationally.
- An overspend of £100k is currently predicted for Legal and Consultancy costs associated with the mediation process and the set-up of the interim repairs and maintenance arrangement.

- An overspend of £23k is predicted for Third Party Payments, which reflect late changes to the 2008/09 CBH Management Fee for Pensions and Data Link costs, which were agreed after the 2008/09 budget had been finalised.

#### **4. 2009/10 Housing Revenue Account Budget**

4.1 Appendix A shows the Housing Revenue Account (HRA) estimates for 2009/10. This shows a predicted HRA surplus of £213K which will be used to increase the level of uncommitted HRA balances.

##### ***Balances***

4.2 The estimated balances for the HRA are set out in Appendix B. The anticipated level of the uncommitted HRA balance as at 31<sup>st</sup> March 2009 is £215K. The recommended prudent level of balance is £600k. Therefore, we will use the budget surplus for 2009/10 to increase the uncommitted balance as mentioned in paragraph 4.1. Although the uncommitted balances will still be below the prudent recommended level, the MTFF is currently predicting a surplus in 2010/11, which would mean that by March 2011 the balances will have been re-instated to a prudent level.

4.3 Following the cessation of the Inspace contract and when the 2007/08 HRA final accounts were closed, the decision was taken by the Portfolio Holder for Resources, in the light of the financing of prior years Repairs and Maintenance works, to reduce the uncommitted HRA balance below the recommended prudent level, with the intention of reinstating the balance in future years. A request on how this would be achieved was subsequently made by the Accounts and Regulatory Committee on 30<sup>th</sup> June 2008.

4.4 The Medium Term Financial Forecast at Appendix C shows the uncommitted HRA balance increasing over the next 2 years. This has been achieved by reviewing existing budget provisions (Para 4.30), freezing the CBH Management Fee for 2009/10 (Para 4.22) and from the lower level of HRA subsidy payable to the Government (Para 4.24) than anticipated. Furthermore, the assumptions on rental loss through Right to Buys and empty properties have been reviewed. Details of each of these are included elsewhere within this report. However, the full impact of these savings has been largely offset by the substantial increase in the budget for utility costs and other cost pressures which have arisen as part of the budget process, referred to elsewhere in this report.

4.5 A risk assessment has been undertaken to review the minimum prudent level of HRA uncommitted balance the Council should maintain. The results of this review are set out at Appendix D and show that it would be reasonable to retain the uncommitted balance at £600k.

##### **Income**

##### ***Housing Rents***

4.6 2009/10 is the eighth year of transitional rent reform arrangements. The dwelling rents are set within Communities and Local Government (CLG) guidelines and so the annual increases in rents paid by tenants are set by reference to national Government policy. The average rent proposed for 2009/10 is £67.79 per week compared to a current average of £63.82 an increase of £3.97 (6.22%) per week. Given the current uncertainty over the level of inflation (RPI) in the short to medium term, it is difficult to anticipate future rent increases. However, if RPI were to continue at the level used to set the 2009/10 rent, then similar increases are anticipated in future years to ensure rents are set in accordance with DCLG's target rents by 2012.

- 4.7 Sales of council houses under the Right to Buy scheme could possibly reach 10 in 2008/09 (28 sold in 2007/08 and 37 sold in 2006/07), against sales of 50 expected in the 2008/09 HRA budget. The level of sales has reduced significantly in the current financial year, even when compared to the average number sales per year of 35 since 2004/05. The 2009/10 budget has been set assuming the sale of 20 properties, being broadly in line with the current level but still being prudent in case of an increase in interest following the recent falls in house prices and interest rates.
- 4.8 The budget for 2009/10 has been set using the assumption that there will be a loss of rental income of 1.25% resulting from empty properties. This is lower than the provision made in the budget for previous years, but is reasonable given the actual void loss in recent years.

#### ***Other Income - Fees and Charges***

- 4.9 The rent proposed for garages for 2009/10 is £6.81 per week compared to £6.41 in 2008/09. Although these rents are outside of the rent reform arrangements this increase is in line with the proposed increase in dwelling rents, i.e. 6.22%.
- 4.10 There are a range of other fees and charges for services which are made to Tenants and Leaseholders, which are agreed by the Portfolio Holders for Neighbourhoods and Resources. The budget for 2009/10 assumes that the demand for these services will remain the same as the current financial year.
- 4.11 The de-pooling of services charges to individual tenants was implemented in 2008/09. There have not been any new service charges introduced for 2009/10, only an update of existing charges to reflect the actual cost of the services provided.

#### **Expenditure**

##### **Service Improvement Bids**

- 4.12 The MTFF for the HRA shows that the level of uncommitted balances is expected to increase over the next 2 years, although as discussed elsewhere in this report it is forecast to worsen in 2011/12. It is important therefore to consider the overall impact on the MTFF when approving any new Service Improvement Bids, or indeed continuing those previously agreed. It is proposed that all Service Improvement Bids will continue to be reviewed for effectiveness and affordability.
- 4.13 There are no new Service Improvement Bids proposed for 2009/10, only a continuation of those agreed in previous years. Given the risks outlined in paragraph 4.28 and the need to safeguard the ongoing financial position of the HRA shown in the MTFF, these bids will be reviewed against the MTFF from 2010/11 onwards to see if they are both affordable and meeting the service objectives.

##### **Repairs and Maintenance**

- 4.14 The 2009/10 Housing Investment Programme has been drafted and is included elsewhere on the agenda for approval. New resources totalling £5,831,000 have been determined. In respect of revenue, £4,503,000 has been included in the budget for repairs of which £4,197,000 (£4,115,000 in 2008/09) is specifically for the planned and responsive works programme, which is being provided by CBH in the interim. The deed of variation which enables CBH to provide the interim Repairs and Maintenance service currently expires in December 2009, at which point the service will be provided by the organisation(s) awarded the new contract as a result of the competitive tendering process to be undertaken in the new year. The 2009/10 budget, however, provides for the full 12 months of the service.

### **Management Costs**

- 4.15 The 2009/10 HRA budget includes £5,943,100 for management costs, an increase from 2008/09 (£5,467,200). Management costs form a substantial part of the HRA annual expenditure, and they consist of budgets managed directly by the Council, as well as those which are managed on behalf of the Council by CBH. Further information along with an explanation for any material changes from the 2008/09 budget is given in the following paragraphs;
- 4.16 The budget for Employee costs has increased by £49,600 for 2009/10 which primarily reflects the provision for an annual pay increase, whilst the budget for Transport related expenses is largely unchanged.
- 4.17 The budget for Premises costs has increased by £439,700 for 2009/10. This is primarily due to an increase of £345,200 in the budget for Utilities, which is discussed further in the following paragraph. The budget for Contract Cleaning for 2009/10 has increased by £49,600 which reflects the anticipated price of the new contract, once it has been let. The budget for Grounds Maintenance has increased by £33,800, which is in accordance with the terms of the partnership agreement. The budget for Litter Picking has been increased by £16,700 to more accurately reflect the cost of the service.
- 4.18 The budget for Utility costs for 2009/10 is £677,700 (compared to £332,500 for 2008/09). The majority of these costs relate to our Sheltered Housing schemes and Homeless Persons Units. Energy costs have increased substantially in the last year and future increases are expected. The Council procures electricity and gas through the use of the OGC (Office of Government Commerce) which aims to purchase energy in bulk to secure efficiency in procurement. Utility costs can be recovered from tenants as a service charge and are included in the Fees and Charges report for approval by Portfolio Holders. Clearly, any increase in costs not passed on to tenants will cause a budget pressure on the HRA, with the impact of savings having to be made elsewhere or the HRA balance being retained below prudent recommended levels. Work will be undertaken during 2009/10 to review energy consumption and explore energy efficiency measures which could lead to future savings. A 5% saving has therefore been built-in to the 2009/10 budget to reflect this work.
- 4.19 The budget for Supplies and Service costs has reduced by £23,000. A review of all budgets has been undertaken which has resulted in savings in 2009/10, with the main areas involving provisions for Legal/Consultancy costs and postage costs.
- 4.20 The budgets for Third Party payments and Transfer payments remain largely unchanged for 2009/10. The only material variation is a reduction of £10,000 to the budget for removal and disturbance payments, which reflects the reduced level of decants.
- 4.21 The HRA receives a significant level of recharges from other Council services, along with a proportion of central support costs, such as Corporate and Democratic Core and Pension costs associated with the back-funding of the scheme. The total budget for 2009/10 is largely unchanged from 2008/09. There has been an increase of £17,000 which relates to ongoing back-funding costs of the pension scheme following the tri-annual review by Essex County Council, which has been offset by a reduction in other recharges to the HRA.



### ***Colchester Borough Homes Management Fee***

- 4.22 The management fee payable by the Council to CBH is funded entirely from the Council's HRA. Other resources such as those for housing repairs and the capital programme are delegated to Colchester Borough Homes to manage but do not form part of the management fee. The Management Fee for 2009/10 has been frozen in cash terms, which has resulted in a saving to the HRA of approximately £100k which will contribute towards the reinstatement of the HRA balance to the recommended prudent level. It is understood that the freeze in the Management Fee has not resulted in any cuts in service to tenants, with the bulk of the savings coming from salary and running costs budgets.

### ***Capital Financing Costs***

- 4.23 The budget includes the statutory charges to the HRA for the interest costs of the Council's borrowing in respect of the housing stock. These charges have increased greatly in recent years, given the significant level of investment in the housing stock from the decent homes programme, although the budget for 2009/10 has decreased which reflects the lower borrowing rates now being achieved. However, this decrease is offset by the decrease in the financing element of housing subsidy, which also includes the ALMO allowance. The ALMO allowance is the Government's revenue funding to support the cost of financing the capital investment in decent homes. It is currently paid at a rate of 8%. Given that the Council's Decent Homes borrowing approval has now been fully utilised, the level of HRA debt, and resultant interest costs, have stabilised and this is reflected in the MTFE.

### ***Subsidy***

- 4.24 The formulae for calculating subsidy entitlement is largely unchanged for 2009/10, except that CLG have recognised that there is an ongoing requirement to compensate authorities whose annual rent increases have been constrained in previous years, either due to the affordability limits placed on individual property increases as they move towards their target rent, or the 5% cap imposed by CLG in 2006/07 and 2007/08 following their review of rent restructuring undertaken in 2005/06. This is known as the "caps and limits" adjustment and has resulted in less subsidy payable of £363K in 2009/10. The summary HRA shown at Appendix A includes Government subsidy in respect of the Major Repairs Allowance (MRA). For 2009/10 this figure is £4.429million and has been taken into account when determining the 2009/10 Housing Investment Programme.

### ***Revenue Contributions to Capital Outlay (RCCO)***

- 4.25 The Council has continuously made revenue contributions to capital spending recognising the significance of targeting resources to invest in our Housing Investment Programme.
- 4.26 The revenue contribution included in the estimates is £402,000. Of this total, £140,000 has been provided for ICT, which is intended to support various projects. Furthermore, the review of the Housing Service which is being undertaken this year will consider the strategic requirements of the service in relation to ICT, which could impact upon how this budget is utilised. The revenue contribution also meets the Council's technical strategic asset management role within the repairs and maintenance arrangements with CBH, and supports the continuing work on ICT projects required to support the HRA and the maintenance and repairs programmes.
- 4.27 The balance of the RCCO, namely £150,000, will be used to fund the second year's programme of works to Sewage Treatment Plants. The 2009/10 Housing Investment Programme is included elsewhere on the agenda for Cabinet approval and the provision within the revenue budget reflects the funding for this capital scheme. Clearly, if the Housing Investment Programme is not agreed by Cabinet, then there will be a resultant impact on the figures contained within this report.

**Risk areas and budget review process**

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

<b>Area</b>	<b>Comment</b>
Rental Income	The budget makes assumptions on the future level of Right To Buy sales and void levels. These are to a certain extent demand led and due to the significance of Rental Income within the HRA, can have a significant effect on the level of the HRA balance.
Revenue Contributions to Capital (RCCO) / Prudential Borrowing	Work has been undertaken via CBH to establish the cost to complete the Decent Homes programme. Capital Resources have been provisionally allocated for 2009/10 within the Housing Investment Programme report contained elsewhere on the agenda. If these resources prove insufficient, then options exist to finance capital expenditure from revenue or undertake prudential borrowing, dependant on affordability. At the time of compiling the budget, no allowance has been made for either of these options. Clearly, if one of these options was pursued, then there will be a requirement to find additional resources from the HRA.
Repairs and Maintenance	There is an on-going pressure on Responsive and Void repair budgets. Given that this area is demand-led, any additional costs will have to be met either from savings elsewhere or from balances.
Utility costs	The budget makes assumptions on future prices increases for Gas and Electricity that are consumed within the Council's housing stock, such as Sheltered Schemes, Homeless Persons Units and Communal entrances in blocks of flats. Given there have been substantial increases in prices nationally, there is a risk that this could continue.
2008/09 Outturn	An overspend of £45k is predicted for this year. Any variance on the forecast will either be a contribution to or from balances.

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

<b>Review</b>	<b>Comment</b>
March 2009	Updated outturn forecast.
July 2009	Provisional pre-audit outturn / current year issues etc.
September 2009/ October 2009	Mid year review.
December 2009 / January 2010	Outturn review / Budget 2010/11.

### ***Savings and Efficiencies***

- 4.30 During the process of formulating the budget, officers have continued to review areas where savings and efficiencies can be made. A number of these savings have been built into the budget and include;
- Review of CBC budgets - £108K
  - Sewage Treatment Plants - £13K
  - CBH Management Fee frozen - £100K
  - Absorbing a lower BCIS increase on Repairs & Maintenance budgets - £83K
  - Provision for Energy Efficiency savings - £31k
- 4.31 Given the pressure facing the Repairs and Maintenance budget in recent years, the Council and CBH will continue to work closely together to ensure that the cost reductions arising from the interim service continue, and will explore further areas where savings and efficiencies may be achieved.
- 4.32 As indicated in paragraph 4.27 of this report and also the 2009/10 Housing Investment Programme contained elsewhere on the agenda, provision has again been made to undertake work to Sewage Treatment plants over a phased period which commenced in 2008/09. As these works are completed, it is proposed to transfer the sites to Anglian Water. The transfer of all the sites will achieve ongoing savings of approximately £70,000 per annum, as the requirement for the Council to maintain them will cease. These savings have been reflected in the Medium Term Financial Forecast.
- 4.33 It is recognised in the medium to long term that there will be substantial financial pressures on the HRA which will mean the Council working closely with CBH to identify areas where efficiencies can be made.

## **5. Supporting Information - Medium Term Financial Forecast (MTFF)**

- 5.1 As part of the budget process for 2009/10 a MTFF has been produced for the HRA. This sets out the indicative budget position for the period 2009/10 to 2011/12.
- 5.2 By nature the HRA is complex with a large number of variables. Therefore, the MTFF should mainly be viewed as indicative.
- 5.3 Appendix C sets out the MTFF for the period analysed by the main areas of expenditure and income. This shows that the level of uncommitted HRA balance is anticipated to be restored to prudent levels by 2010/11. However, due to the likely removal in 2011/12 of the benefit arising from the ALMO allowance discussed in the following paragraph, the MTFF shows the uncommitted HRA balance falling below the prudent level in 2011/12 and that position increasing moving forward. The recommended level of uncommitted balance on a risk based approach is £600k. There are several factors which can affect the forecast position, namely:-

### **➤ *Capital financing / ALMO allowance***

There continues to be a benefit of approximately £900k from the ALMO allowance in 2009/10. This arises from the methodology used to calculate the subsidy figures and may change depending on borrowing rates and any potential amendments to legislation. Whilst CLG have not given a definitive response regarding the likelihood of this benefit remaining, it is understood they have indicated to other authorities that this arrangement is likely to end after the financial year 2010/11. To be prudent, provision has been made within the MTFF for the loss of this income from 2011/12 onwards. Clearly, if the benefit of the ALMO allowance is lost, then compensating savings would need to be made within the HRA.

➤ **Rental income**

Rent forecasts have been updated for anticipated changes as the Council moves towards rent restructuring. A key component of this forecast is assumptions on future inflation levels but the CLG have not given any guidance on rates to assume when undertaking modelling of future rent increases. Rental income remains one of the areas of the MTFE in particular which is subject to change. The assumptions on the number of Right To Buy sales and the level of anticipated rent lost through void properties have been updated to reflect recent activity, but once again these are areas which can significantly alter the forecast of Rental Income and are to a certain extent demand led.

➤ **Housing subsidy**

There are regular changes to the methodology used to calculate housing subsidy, especially in respect of Management and Maintenance allowances. Furthermore, the assumptions used by the CLG for increases in notional rent income can have a major impact on the level of subsidy received. The MTFE assumes inflationary increases for future years broadly in line with those for 2009/10. As this is an area that is subject to CLG policy it is extremely difficult to forecast and therefore can have a significant effect on the financial forecast. The Government are in the process of reviewing the national HRA subsidy system with the CLG and HM Treasury. The purpose of the review is to ensure that there is a sustainable, long-term system for financing council housing and that the system is consistent with wider housing policy. The results of the review are expected in spring 2009 and there will be a period of consultation. Any changes as a result of this review are anticipated to be implemented from 2011/12.

➤ **Temporary Accommodation Unit Review**

A review of the use of temporary accommodation has been the subject of a Portfolio Holder report and a project team is moving this piece of work forward. If implemented, this is expected to generate savings to the Housing Revenue Account in future years. However, given the early stage of this project, no provision has been made within the MTFE at this point in time.

5.4 The MTFE provides a baseline position against which to make decisions as to the allocation of HRA resources and to determine the budget strategy. The MTFE will be updated on a regular basis.

5.5 A fundamental review of Colchester's Housing Services has commenced and will conclude in November 2009 to feed into the 2010/11 budget process. As this review is to be based on the principles of customer experience and satisfaction, efficiency and value, how resources are used to deliver the Housing services will underpin the review. Currently, no provision has been made within the MTFE for any possible outcomes from this review.

## **6. Strategic Plan References**

6.1 The revenue estimates presented here have been drawn up in accordance with the priority given by members to the services within the strategic plan.

## **7 Consultation and Publicity**

7.1 With the proposed commencement of the Digital TV project in 2009/10 along with the potential consideration of service improvements that would lead to new service charges for tenants, it is anticipated that an appropriate amount of consultation will be undertaken during the course of the financial year.

## **8. Financial Implications**

8.1 Are set out in this report.

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

9.1 This report has no specific human rights implications.

## **10. Community Safety Implications**

10.1 This report has no significant community safety implications

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

11.1 This report has no significant Health and Safety implications

## **12. Risk Management Implications**

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

### ***Appendices***

- Appendix A - Housing Revenue Account Estimates 2009/10
- Appendix B - HRA Balances Statement
- Appendix C - Medium Term Financial Forecast
- Appendix D - HRA Balances Risk Management Assessment

### ***Background Papers***

- None

<b>COLCHESTER BOROUGH COUNCIL</b>			
<b>Revenue Estimates 2009/10</b>			
<b>Housing Revenue Account</b>			
<b>Summary</b>			
<b>2007/2008</b>		<b>2008/09</b>	<b>2009/10</b>
<b>Actuals</b>	<b>Expenditure &amp; Income Analysis</b>	<b>Revised</b>	<b>Original</b>
<b>£000's</b>		<b>Budget</b>	<b>Budget</b>
		<b>£000's</b>	<b>£000's</b>
	<b>INCOME</b>		
(19,929)	Dwelling Rents (Gross)	(20,257)	(21,748)
(686)	Non-Dwelling Rents (Gross)	(710)	(738)
(1,935)	Charges for Services and Facilities	(2,401)	(2,350)
(210)	Contributions towards Expenditure	(231)	(278)
(116)	HRA Subsidy Receivable (including MRA)	0	0
<b>(22,876)</b>	<b>Total Income</b>	<b>(23,599)</b>	<b>(25,114)</b>
	<b>EXPENDITURE</b>		
6,462	Repairs and Maintenance	4,475	4,494
3,375	CB Homes Ltd Management Fee	3,487	3,510
5,463	Supervision and Management	5,601	5,943
102	Rents, Rates and Other Charges	113	116
917	Payment of Subsidy to CLG	2,269	2,896
201	Increased provision for Bad or Doubtful Debts	100	125
3,012	Interest Payable	2,917	2,772
12,876	Depreciation and Impairments of Fixed Assets	7,069	7,951
156	Amortisation of Deferred Charges	206	200
35	Debt Management Costs	33	33
<b>32,599</b>	<b>Gross Expenditure</b>	<b>26,270</b>	<b>28,040</b>
<b>9,723</b>	<b>Net Cost of Services</b>	<b>2,671</b>	<b>2,926</b>
(5,334)	Net HRA Income from the Asset Management Account	(206)	(200)
200	Amortised Premiums and Discounts	200	200
(97)	HRA Investment Income (including mortgage interest and interest on Notional Cash Balances)	(61)	(19)
<b>4,492</b>	<b>Net Operating Expenditure</b>	<b>2,604</b>	<b>2,907</b>
1,288	Revenue Contribution to Capital Expenditure	396	402
(3,422)	Transfer to/(from) Major Repairs Reserve	(2,784)	(3,522)
<b>2,358</b>	<b>Deficit/(Surplus) for the Year</b>	<b>216</b>	<b>(213)</b>
(3,856)	Deficit/(Surplus) at the Beginning of the Year	(1,498)	(1,282)
2,358	Deficit/(Surplus) for the Year	216	(213)
(1,498)	Deficit/(Surplus) at the End of the Year	(1,282)	(1,495)

**Housing Revenue Account - Estimate Balances**

	<b>£'000</b>
<b>Balance as at 1 April 2008</b>	<b>(1,498)</b>
<b>Committed</b> - Capital Spending in 2008/09 and onwards	1,022
Less budgeted deficit in 2008/09	216
Less Forecast overspend in 2008/09	45
<b><i>Unallocated balance at 31st March 2009</i></b>	<b>(215)</b>
Plus Proposed Contribution to balances from 09/10 Budget	(213)
<b>Estimated uncommitted balance at 31st March 2010</b>	<b>(428)</b>
<b>Recommended level of Balances</b>	<b>(600)</b>
<b>Forecast balances below prudent level at 31<sup>st</sup> March 2010</b>	<b>172</b>

**Note:**

This forecast is on the basis that there are no further calls on balances during the remainder of the year and that the 2008/09 budget overspends by £45k, as currently predicted at this stage. Any deviation from this forecast underspend would either increase or decrease our uncommitted balances.

## Housing Revenue Account – Medium Term Financial Forecast

<b>Area</b>	<b>Revised Budget 08/09</b>	<b>Budget 09/10</b>	<b>Budget 10/11</b>	<b>Budget 11/12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>				
Housing Rents	20,157	21,623	22,953	24,076
Other Income	3,342	3,367	3,531	3,742
	<b>23,499</b>	<b>24,990</b>	<b>26,484</b>	<b>27,818</b>
<b>Expenditure</b>				
Repairs & Maintenance	4,475	4,494	4,597	4,703
Running Costs	9,201	9,570	9,791	10,018
Capital Financing	7,374	7,415	7,525	7,603
Subsidy Payable	2,269	2,896	3,959	5,774
RCCO	396	402	402	252
Contribution to Balances	0	0	0	0
Other	0	0	0	0
	<b>23,715</b>	<b>24,777</b>	<b>26,274</b>	<b>28,350</b>
<b>Budgeted (Surplus)/Deficit</b>	<b>216</b>	<b>(213)</b>	<b>(210)</b>	<b>532</b>
Forecast 2008/09 Overspend	45	0	0	0
<b>Revised (Surplus)/Deficit</b>	<b>* 261</b>	<b>(213)</b>	<b>(210)</b>	<b>532</b>
Opening Balance	<b>(1,498)</b>	<b>(215)</b>	<b>(428)</b>	<b>(638)</b>
Committed Balance	<b>1,022</b>	-	-	-
(Surplus)/Deficit	<b>261</b>	<b>(213)</b>	<b>(210)</b>	<b>532</b>
<b>Uncommitted Closing Balance</b>	<b>(215)</b>	<b>(428)</b>	<b>(638)</b>	<b>(106)</b>

\* It should be noted that it is currently forecast the HRA will be overspent by £45k in 2008/09, which will result in a use of balances. Clearly, if this level of overspend is exceeded, then there is the potential that the HRA balance will fall further below our prudent levels.



## Review of Housing Revenue Account Balances 2009/10

## Risk Management Assessment

Factor	Assessed Risk		
	High £'000	Medium £'000	Low £'000
Cash flow (1% of £50m)	500		
Capital			
Inflation		75	
Emergencies		25	
Housing Subsidy			
New Spending		100	
Litigation			50
Partnerships			
	500	200	50

	Minimum Provision £'000
High Risk – 100%	500
Medium – 50%	100
Low – 10%	5
<b>Sub Total</b>	<b>605</b>
Other - say	-5
	600



## Cabinet

28<sup>th</sup> January 2009

Item

**8(iii)**

**Report of**      **Head of Strategic Policy and Regeneration**      **Authors**      **Lindsay Barker**  
**Darren Brown**  
**John Rock**

**Tel: 282762**

**Title**                      **Housing Investment Programme (HIP) 2009/10**  
**Wards affected**      **Not applicable**

**This report concerns the Housing Investment Programme for 2009/10**

### 1. Decision(s) Required

- 1.1 To approve the allocation of new resources totalling £5,831 million to the housing investment programme for 2009/10.
- 1.2 To note the Medium Term Financial Forecast for Capital (MTFFC) as set out at Appendix A.

### 2. Reasons for Decision(s)

- 2.1 Each year as part of the process to agree the council's revenue and capital estimates the Cabinet is required to agree the allocations to the Housing Stock Investment Programme. These allow for work to be done to maintain, improve, and refurbish the housing stock and its environment.
- 2.3 Members will be aware of the cessation of the Inspace contract and that following discussions between Colchester Borough Council (CBC) and Colchester Borough Homes (CBH) a Deed of Variation has been signed to allow CBH to provide the Maintenance Services. The services defined under the Deed were restricted to the essential work elements and did not include a continuance of the Decent Homes programme. The Deed has an end date of 31 December 2009 but regardless of the delivery arrangements after this date the capital programme will need to continue.
- 2.4 Work has been undertaken by CBH in conjunction with CBC to determine the cost to deliver statistical decency and also a programme which contains the delivery within the annually available Major Repairs Allowance (MRA).

2.5 The ALMO Board has not yet met to discuss and agree a 2009/10 Capital investment plan for submission to CBC for approval and funding. As such this report broadly seeks the release of funds under the same headings as described in the Deed of Variation but with approval and funding to support the continuation of the Decent Homes Programme. Once clarity has been achieved over the delivery options for the decent homes programme, revisions will be made to the 2009/10 Housing Investment Programme if necessary, which will include agreement by the Cabinet where appropriate in accordance with the Council's financial regulations.

### 3. Supporting Information

3.1 This report is considered as part of agreeing the Housing Revenue Account estimates as the funding for the Housing Investment Programme (HIP), which covers capital investment in the housing stock, is very much linked to the overall level of resources for housing.

3.2 As part of the budget process for 2009/10 a Medium Term Financial Forecast for Capital has been produced for the HRA. This is shown at Appendix A and sets out the predicted expenditure requirements and available resources for the period 2009/10 to 2011/12.

#### *How is the HIP funded?*

3.3. The HIP is funded from the following sources:

- Major repairs allowance (MRA)
- Prudential Borrowing
- Revenue contributions to capital (RCCO)

3.4 The MRA resources are directed for capital spending in specific areas, and can only be spent on works to council stock, and improving the community and environment. MRA is paid to the Council as part of the HRA subsidy settlement, and is calculated on the basis of stock numbers and an allowance per dwelling archetype. Therefore, the MRA figures for future years are based on assumed stock levels and estimated increases in allowances, but provide a reasonable estimate of the likely resources available.

3.5 In the past we have contributed a significant amount from the revenue budget to support the housing capital programme. However in more recent years this contribution has been less, especially given the additional ALMO funding from the DCLG. Given the pressures facing the revenue budget it is not considered appropriate at this time to make a Revenue Contribution to Capital (RCCO) to finance works to Council dwellings.

3.6 The estimated **new** resources in 2009 for 2009/10 are as follows:

	<b>2009/10</b>
	<b>£0'000</b>
MRA	4,429
Borrowing	1,000
RCCO	0,402
<b>TOTAL</b>	<b>£ 5,831 Million</b>

- 3.7 The estimated RCCO in 2009/10 is £402k. In recent years, this has been used to fund non-works programmes, such as Housing ICT and the capitalisation of costs associated with the Strategic Asset Management team. For 2009/10, provision has again been made within the RCCO to continue to fund works required to Sewage Treatment Works. Further details are given in paragraphs 5.7 and 5.8 below.
- 3.8 The MRA for 2009/10 is estimated as £4.429m. Of this total sum, £4.379m has been set aside to fund the Capital Investment Plan which CBH will recommend to the Council for approval. The remaining £50k has been earmarked for capital expenditure on properties where the Council has a lease responsibility for maintenance and the management responsibility sits outside the ALMO.
- 3.9 The estimated borrowing requirement for 2009/10 is £1.000m. This will be used to fund the upgrading of communal aerial systems from analogue to digital in the Council's housing stock, although it should be noted that the actual amount of borrowing required will not be known until a contractor has been appointed. The ongoing annual costs associated with this are recoverable from those tenants in receipt of the service as a service charge.

#### **4. Priorities for the Council**

- 4.1 To allocate appropriate funding to our ALMO within the resources that are available to enable stock investment to proceed, improving housing conditions for our tenants.
- 4.2 To ensure delivery of decent homes' targets and programmes of work and to monitor delivery through the ALMO delivery plan.
- 4.3. To build upon current monitoring arrangements and ensure programme delivery and the effective targeting of resources particularly in respect of Decent Homes and Adaptations for the people with disabilities.

#### **5. Proposals**

- 5.1 The report sets out a summary of the proposed allocation of new resources for 2009/10 with the following comments setting out the basis for this allocation.

##### ***Improving Homes***

- 5.2 **Decent Homes - £3.400 million** – This allocation acknowledges the work being done to determine the cost to complete but to allow the Decent Homes programme to continue, this substantial proportion of the overall allocation is recommended. It is also worth noting that the capital allocation provided for 2008/09 for the Inspace partnership has not been fully committed and following completion of the year end accounts this sum will be available for this programme. Currently this is estimated to be £1.5m
- 5.3 **Aids & Adaptations - £0.710 million** - The allocation remains high reflecting the need to specially adapt our properties to meet the special needs of our tenants and meet the high priority that Members put on this service. The allocation for 2008/09 was also £0.710, the allocation for 2007/08 was £0.708 and the total available allocation for 2006/07 was £871,400 inclusive of a reallocation of £401,000 of funding previously earmarked for Bardfield House and unspent in 2005/06.

- 5.4 **Emergency Failures (statutory obligation) - £0.200 million** – This allocation supports the experience gained through the first period of the Deed of Variation and generally reflects the necessity to recognise capital works in the voids process.
- 5.4 **Emergency failures structural works - £0.100 million** – As with the previous allocation this reflects experience gained through the first period of the Deed of Variation and is generally associated with premature failure of structural elements.
- 5.5 **Environmental Improvements - £0.369 million** – This allocation supports a variety of small schemes in addition to the requirement to continue the replacement canopies programme.
- 5.6 **Digital TV - £1.000 million** – This allocation supports the upgrading of communal aerial systems from analogue to digital in the Council's housing stock, in readiness for the switchover in 2011. This proposal has already received Portfolio Holder support. The associated annual borrowing costs will be recovered as a service charge from those tenants in receipt of the system.
- 5.7 **Non-Works Programmes - £0.252 million** – This is for the further development of the Academy Housing system, various other one off projects and also meeting the Council's technical strategic asset management role for repairs and maintenance capital projects.
- 5.8 **Sewage Treatment Works - £0.150 million** – A report was produced and given Portfolio Holder approval, to agree the proposed strategy for the transfer of all the local Housing Act Sewage Treatment works and associated land to Anglian Water commencing in 2008-9. The expenditure in 2009/10 therefore represents the second year of the intended 3 year programme of works. The disposal of the sewage treatment works to Anglian Water will significantly improve customer satisfaction and will generate ongoing savings within the Housing Revenue Account.

## 6. Strategic Plan References

- 6.1 The strategic plan acknowledges the need to increase quality of life and tackle deprivation these being central components of a healthy and vibrant community in:
- Delivering Decent Homes to our tenants
  - Improving housing conditions
  - Reducing deprivation
  - Increasing our efficiency in making best use of e-government and technology.

## 7 Consultation

- 7.1 As previously stated this report sets out a broad allocation of resources and is submitted to meet the reporting timelines but will need to be subsequently revised in the light of the outcome of the ongoing discussions surrounding the cost to complete the Decent Homes programme and also the specific recommendations of the ALMO Board when submitted although these will need to match the Deed of Variation headings.
- 7.2 It should also be noted that thorough consultation is carried out with tenants and leaseholders affected by any works to properties or areas as a result of expenditure agreed in this report.

## **8. Publicity Considerations**

- 8.1 The priorities for delivery of housing investment have a significant impact on the quality of life for local people. As a consequence the targeting and effectiveness of the programme has huge interest for members and the public as a whole. It is recognised that once agreement is reached on the completion of the Decent Homes programme then this will be publicised to the tenants in the areas remaining.

## **9. Financial implications**

- 9.1 As set out in report.

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

- 10.1 The equality of all tenants has been considered when planning this programme, with a particular emphasis on people with disabilities being able to remain in their homes as a result of adaptations being carried out.

## **11. Community Safety Implications**

- 11.1 These are taken into consideration in delivery of the HIP programme.

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

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

## **13 Risk Management Implications**

- 13.1 Risk management will be considered as the programme is developed, particularly the issues around the completion of the Decent Homes programme.
- 13.2 However, there is a general awareness that some areas of expenditure may need to be increased in future financial years in order to maintain the fabric of the stock and the appearance of the areas.

## HRA Capital Medium Term Financial Forecast – 2009/10 to 2011/12

## Appendix A

Expenditure	Notes	2009/10 £'000	2010/11 £'000	2011/12 £'000
Decent Homes		3,400	3,000	3,000
Adaptations		710	710	710
Emergency Failures/Structural Works		300	300	300
Environmental Improvements		369	450	510
Digital TV		1,000	0	0
<b>Stock Investment Sub - Total</b>		<b>5,779</b>	<b>4,460</b>	<b>4,520</b>
ICT		140	140	140
SAMS		112	112	112
Sewage Treatment Works	The programme of works is intended to be completed in 2010/11.	150	150	0.0
<b>Other Works Sub - Total</b>		<b>402</b>	<b>402</b>	<b>252</b>
<b>Total Programme</b>		<b>6,181</b>	<b>4,862</b>	<b>4,772</b>

Resources	Notes	2009/10 £'000	2010/11 £'000	2011/12 £'000
MRA	The 2009/10 resources include £400k of MRA not used in 2008/09, due to the temporary suspension of the Decent Homes programme in that year.	4,779	4,460	4,520
Prudential Borrowing	To fund expenditure on Digital TV	1,000	0	0
RCCO		402	402	252
<b>Total Funding</b>		<b>6,181</b>	<b>4,862</b>	<b>4,772</b>



Colchester

## Cabinet

28 January 2009

Item  
**9(i)**

<b>Report of</b>	<b>Head of Strategic Policy and Regeneration</b>	<b>Author</b>	<b>Lindsay Barker/Mike Scarlett</b>
<b>Title</b>	<b>Repairs and Maintenance Service and the Decent Homes Programme</b>		
<b>Wards affected</b>	All wards		

**This report concerns the proposed strategic direction for recommending the Decent Homes Programme, securing a long term Repairs and Maintenance Service and the preferred procurement routes for these services.**

### 1. Decision(s) Required

- 1.1 To agree the proposed strategic direction for recommencing the Decent Homes Programme with the aim to complete this programme by 2012 within the financial resources available to the Council.
- 1.2 To agree the proposed procurement route for the Decent Homes Programme so the procurement can commence to allow work to restart in 2009.
- 1.3.1 To agree the proposed procurement approach for securing a longer term Repairs and Maintenance Service to follow on from the interim arrangements established with Colchester Borough Homes in July 2008.

### 2. Reasons for Decision(s)

- 2.1 The Council remains committed to reaching the 'decent homes standard' for its housing stock and has received Government funding of £35m towards this programme.
- 2.2 The Council needs to achieve the Decent Homes standard to its Housing stock within agreed revised timescales and within available resources for the reasons set out in this report.
- 2.3 The management of the interim repairs and maintenance service was established by Colchester Borough Homes in July 2008 and is due to run for 18 months under a Deed of Variation to the Management Agreement, until December 2009.
- 2.4 There are a number of options that are available to follow to procure both the Decent Homes work and the longer term Repairs and Maintenance Service and so agreement is sought on the preferred route for both to enable officers to commence the tender work as soon as possible.

### 3. Alternative Options

- 3.1 The Decent Homes Programme is a national programme with agreed targets for completion and therefore Colchester Borough Council has no alternative but to recommence the Decent Homes Programme.



3.2 As the interim Repairs and Maintenance Service is due to operate until December 2009, a replacement long term service needs to be established to follow on from this date. It was agreed by Cabinet on 21 May 2008 that this service needs to be exposed to external competition and therefore subject to the test of best value for money. There is no alternative to this decision as the Council is legally obliged to provide a repairs and maintenance service as landlord to Council tenants and owners of the council's housing stock. The Council needs to demonstrate that it has obtained best value in accordance with its statutory obligations.

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

4.1 Following the cessation of the previous service arrangements as decided by Cabinet on 21 May 2008, the Council appointed Colchester Borough Homes in July 2008 to manage an interim service to ensure that repairs and planned maintenance would continue with minimal disruption to tenants.

4.2 This interim service has a defined work programme of

- a) Responsive repairs (emergency, urgent and routine)
- b) Annual gas, electrical, oil and other servicing required to enable the Council to comply with its statutory obligations
- c) Service contracts
- d) Bringing Council House voids up to the standard to be relet
- e) Emergency failures
- f) Emergency structural works
- g) Health and safety
- h) adaptations

4.3 The interim service is being provided contractually via a Deed of Variation to the Management Agreement and is due to expire in December 2009 although the interim arrangements can be extended by the Council with the agreement of Colchester Borough Homes.

4.4 It was also decided by Cabinet on 21 May 2008 that the Decent Homes work would be postponed to enable a number of key pieces of work to be carried out before the programme could be recommenced. These were identified as;

- i. Validation of the numbers of Decent Homes as declared by Inspace.
- ii. Assessment of the cost to complete the Decent Homes Programme
- iii. Identifying the most appropriate robust controls and monitoring arrangements for any future work
- iv. Identifying the preferred procurement route to complete the outstanding work.

4.5 Progress update on these key pieces of work

##### **i. Validation of the numbers of Decent Homes as declared by Inspace.**

The Council working with Colchester Borough Homes instructed Ridge and Partners LLP to complete this piece of work by the end of November 2008.

To put the future delivery of Decent Homes into context, it is important to recognise that this is not an isolated programme of work. The programme exists as part of a continuing programme of capital improvements to maintain our housing assets. To illustrate this and as an example, a kitchen assessed in 2000

to have a forecasted replacement date of 2012 will not be included in a 2010 assessment of statistical decency but the requirement to replace still exists.

The Council has invested resources into Codeman, an Asset Management database, which enables planning of future programmes of work. Ridge originally identified there were 1394 properties which required works to bring them up to the Decent Homes standard. Codeman has since been updated where works have been carried out during the year and this work has now been verified and the current number of properties requiring works to bring them up to the Decent Homes standard is 1209.

It is important to note that the number of properties not meeting the Decent Homes standard will vary year on year as different component parts require replacing. Previously the approach used was a geographical one where those wards with the highest levels of need were tackled first. The approach the Council is now proposing to adopt is where properties will be made decent when the relevant components actually need replacing which is consistent with any good Asset Management Strategy. This ensures the Council maximises the use of its assets and resources by only replacing components when the need arises, and not prematurely. This approach will enable the Council to achieve the decent homes standard to all properties where works have not been refused or access denied.

#### **Level of works to be carried out against the standard**

To ensure consistency the Government set a national standard for local authorities to bring their housing stock up to a level referred to as decent. The standard is very complex. When accessing each property against the standard four key components are considered. They are: The Fitness Standard (now replaced by HHSRS), Reasonable State of Repair, Reasonably Modern Facilities, and Reasonable Degree of Thermal Comfort. In recommencing the Decent Homes programme, each property will be assessed against the national standard which is consistent with the standard applied on Decent Homes work in Colchester from 2005.

#### **ii Assessment of the cost to complete the Decent Homes Programme**

As mentioned in the above paragraph the Council will be using Codeman (Asset Management database) to forecast future programmes of work which will be continually updated. The elemental costs in Codeman will be continually reviewed and are set at a level that reflects the current market conditions. This approach was recommended and validated through Ridge & Partners. Therefore, the Codeman system has produced an annual forecast of expenditure required in future years. This forecast needs to be balanced against affordability. To this end the system has been profiled to match the delivery of the programme over a number of years. This suggests this programme will need to continue for a further four years, using approximately £3m per annum plus the £1.5m available for 2008/9 when work was suspended.

This level of expenditure can be accommodated within the existing and predicted future Major Repairs Allowance (MRA) resources and is reflected in the 2009/10 Housing Investment Programme report included elsewhere on the agenda. Officers will also explore whether there is any potential to use prudential borrowing to speed up the delivery of the programme while considering the impact

on the Housing Revenue Account of this borrowing and maintaining the integrity of the proposed approach as outlined above.

**iii Identifying the most appropriate robust controls and monitoring arrangements for any future work**

As part of the interim arrangements with Colchester Borough Homes to provide the Repairs and Maintenance service, the Council and Colchester Borough Homes have already implemented a range of robust controls and monitoring arrangements. These are in place to enable both organisations to manage any risks to delivery effectively together and to ensure services continue to improve and offer value for money for both the Council and its tenants and leaseholders.

The current controls and monitoring arrangements in place are:

- A signed contract known as the “Deed of Variation” is in place between the Council and Colchester Borough Homes to provide the contractual framework for the interim Repairs and Maintenance service
- The Council provide Colchester Borough Homes with a High Level Delivery Plan which confirms the priorities of the Council and the available funding and budget for repairs and capital works for the year
- The Service Manager role now sits with the Council. The Service Manager is a key role within any programme to deliver both repairs and decent homes and capital works. The role is there to ensure that Colchester Borough Homes work within the agreed programme of works, agrees any variations to this programme, instructs additional works where appropriate and notifies Colchester Borough Homes where costs may be disallowed
- An Operational Site Meeting (OSM) is held weekly to discuss day to day issues. A formal OSM is held monthly and chaired by an officer from the Council. The formal meeting reviews a range of issues including spend against budget, performance against agreed Key Performance indicators, pressure points and new services that need to be considered.
- The Council and Colchester Borough Homes officer liaison meeting also reviews the work of Colchester Borough Homes Property services
- There is a standing agenda item at the monthly Portfolio Holder meeting with Heads of Service and Housing Managers which includes an update on the performance of the Repairs and Maintenance service
- The Repairs and Maintenance service is discussed at the Partnership meeting between both organisations. This meeting is attended by the Portfolio Holders for Neighbourhoods and Strategy, the Head of Strategic Policy and Regeneration at the Council and the Chief Executive and Chair of Colchester Borough Homes

It is expected that for both the future Decent Homes Programme and the long term Repairs and Maintenance service the above arrangements would be implemented as a minimum requirement. Further controls may also be considered as part of the procurement process and implemented.

**iv Identifying the preferred procurement route to complete the outstanding work.**

Following on from the Cabinet report dated 21 May 2008, officers have sought legal advice on the most appropriate procurement route to complete the outstanding Decent Homes Programme.

The advice received and agreed with the Portfolio Holders for Neighbourhoods and Strategy is that the Council should be the awarding authority and that Colchester Borough Homes should act as employer's agent for the Council.

The Council is required to follow the full EC Procurement Regulations (OJEU) given the size and value of works to be tendered. In consultation with Colchester Borough Homes, a project plan has been drawn up which meets the statutory requirements. The timescales are challenging, but officers are working towards recommencing the Decent Homes Programme in Autumn 2009. Any subsequent decisions to award contracts following this procurement route will be brought to Cabinet under the appropriate provisions.

- 4.6 In light of the above information it is clear that the original Government deadline of 2010 to complete the Decent Homes Programme, will not now be met. A number of Councils are in this position and have agreements to go beyond the 2010 deadline. The local government offices (Go East) have been kept informed of Colchester's position and will be informed of progress being made.
- 4.7 In addition to procuring the Decent Homes Programme, it was also agreed by Cabinet on 21 May 2008, and again supported by legal advice, that the longer Repairs and Maintenance service would need to be exposed to external competition also following a full EC compliant (OJEU) tender process. The Council will again be the awarding authority. As the priority is to restart the Decent Homes Programme the procurement for the longer term repairs service will commence later in the year.

## **5. Proposals**

- 5.1 To approach the completion of the Decent Homes procurement as outlined in paragraph 4.5 i) above whereby a programme of activity is based on assessing where work is needed to replace components due to their condition and not their location to ensure the council's Housing Stock is brought up to the Decent Homes Standard by 2012 within available resources
- 5.2 To follow a full EC procurement process for the Decent Homes Programme with the Council as the awarding body for any contracts placed and Colchester Borough Homes acting as the employer's agent to enable work to recommence in 2009.
- 5.3 To follow a full EC procurement process for the long term Repairs and Maintenance service to ensure best value for money by December 2009 (or as soon as possible thereafter with agreement of Colchester Borough Homes to extend the interim service as requested by the Council)

## **6. Strategic Plan References**

- 6.1 This decision is part of delivering against the Homes for All priority in the Draft Strategic Priorities 2009 – 12 by ensuring the decency and upkeep of the Council's housing stock. It is also a key action in the Housing Strategy adopted by Cabinet in 2008.

## **7. Consultation**

7.1 There will need to be further consultation with tenants where there is any choice to be made over the type of replacement component they would prefer once the procurement is complete and the contracts are in place.

7.2 The Council will also need to consult with its leaseholders in respect of any qualifying works in accordance with its statutory obligations.

## **8. Publicity Considerations**

8.1 Good communication with tenants is vital and the Council working closely with Colchester Borough Homes will need to issue information to its tenants to advise them of the restart of the programme, how it will affect them with ongoing updates as the programme progresses. Again this information will follow once the contracts are let and more detail is available.

8.2 A press release will be issued to inform the public of the progress made since the cessation of the previous service, covering the main issues outlined in this report.

## **9. Financial implications**

9.1 The financial implications are contained within the main body of the report.

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

10.1 There are none directly arising from this report.

## **11. Community Safety Implications**

11.1 There are none directly arising from this report.

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

12.1 Any health and safety issues arising from the Council's Housing Stock are being addressed through the interim service under statutory provisions.

## **13. Risk Management Implications**

13.1 By following an EC compliant tender process and by implementing the controls set out in this report, the Council is seeking to mitigate against any potential risks.



## Cabinet

28 January 2009

Item  
**10(i)**

<b>Report of</b>	<b>Executive Director</b>	<b>Author</b>	<b>Ann Wain</b> ☎ 282212
<b>Title</b>	<b>Partnership Strategy</b>		
<b>Wards affected</b>	All		

**This report requests Cabinet to agree a Partnership Strategy**

### 1. Decision required

- 1.1. To agree the Partnership Strategy as a tool for formalising our current partnership arrangements and for continuing to improving partnership working.

### 2. Reason for Decision

- 2.1 The Partnership Strategy is a tool to help improve the quality of our partnerships at a time when we are working more and more in partnership. There is more emphasis from external bodies such as the Audit Commission to demonstrate how we manage our partnerships and ensure that they are adding value. For example, the Annual Governance Statement asks a series of questions about partnership working and the introduction of a Partnership Strategy helps to provide clearer evidence that we are managing partnerships effectively.

### 3. Alternative Options

- 3.1 The alternative is to not have a partnership strategy and to continue without. This would continue to present a number of risks.

### 4. Supporting information

- 4.1 Partnerships are increasingly important in our work, both in delivery of services recognising that we can deliver more in partnership than we can on our own, through to the very complex partnerships across agencies locally and regionally.

- 4.2 The strategy is made up of a number of elements:

- 4.2.1 An outline strategy that describes why we work in partnership, defines what we mean by partnerships and what we don't consider to be a partnership as well as the risks involved;

- 4.2.2 Two tools for helping us to manage partnerships:

- i) A checklist for use each partnership at the beginning of the relationship
- ii) An improvement template for use when reviewing the effectiveness of partnerships;

- 4.2.3 A partnership register that lists our key partnerships. This explains the purpose and status of each partnership and defines the performance management arrangements.

## **5. Strategic Plan References**

- 5.1 A number of the priorities in the strategic plan are dependent on effective partnership working and this strategy will support that work.

## **6. Consultation**

- 6.1 While this is an internal tool to help improve the quality of our partnerships, it will impact on our partners and we will discuss the strategy with partners to take into account their views of how it should be used.

## **7. Publicity considerations**

- 7.1 There are no publicity implications

## **8. Financial implications**

- 8.1 There are no financial implications of the implementation of the strategy.

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

- 9.1 We need to ensure that performance management of partnerships is proportionate to the work they do and does not disadvantage partner organisations.

## **10. Community Safety implications**

- 10.1 There are no community safety implications

## **11. Health and Safety implications**

- 11.1 There are no Health and Safety implications.

## **12. Risk Management implications**

- 12.1 As we work with an increasing range and complexity of partners, the risks to service delivery if partnership are not effective is significant. The risk of failure of partnerships is currently in our top five risks as reported to Finance and Audit Scrutiny Panel.

# Partnership strategy

## Introduction

Over the last few years the importance of partnership working in local government has grown significantly. There have been a number of drivers:

- The introduction of Local Strategic Partnerships
- A move to increased sharing of resources
- Regional initiatives that look at a broader perspective for delivery
- The introduction of Local Area agreements

All underpinned by a recognition that organisations, particularly in the public and third sectors, can deliver better value for money by working together.

A major report by the Audit Commission in 2005 called Governing Partnerships identified a number of issues:

- They bring risks as well as opportunities, and governance can be problematic
- They may not deliver good value for public money, so local public bodies should ask searching questions about those they are engaged in
- Clear accountability is needed between partners to produce better accountability to the public, including redress when things go wrong.

It is these, and similar, issues that this strategy sets out to insure against.

As an authority we commit significant resources to partnership working both in terms of officer and Member time and, in some instances, financial support. We need to be confident that our partnerships are fit for purpose and that we are using our resources appropriately to support the relevant partnerships. We also need to ensure that they support our strategic objectives, deliver value for money and that we have the mechanisms in place to make these judgements.

## Why work in partnership?

We are clear that partnerships can add value. The aim of this strategy is to set out how we ensure that this is delivered. Partnerships provide a number of opportunities:

1. We can deliver more in partnership than we would working in isolation
2. We can ensure that we are not duplicating work of other organisations
3. We can improve value for money to the customer by making sure work is both joined-up and complimentary to that of our partners
4. By aligning strategic agendas we can make sure that all partners are working to the same goals
5. It is likely that additional sources of funding will be available by working in partnership
6. Support to deliver our priorities and a better service to our customers

## What do we mean by partnership?

“A relationship between two or more independent legal bodies, organisations or individuals working together to secure some shared objective”



Defining the different types of partnerships...

On a number of different spectrums:

- Strategic / operational
- Statutory / voluntary
- Single organisation / Multi organisation
- National/ regional/ local

### **And what is not partnership?**

We need to be clear about what we mean when we use the term partnership working.

This strategy is not applicable to:

- Groups where the Council has direct control over budgets or decision making
- Informal groups set up to discuss and consider specific topics for example consultation groups
- Appointments and/or financial commitments to outside bodies where the Council has no strategic or policy function
- Commercial agreements
- Contracts for delivery of service

While we will work with a partnership ethos in many of these circumstances there is a different relationship and these situations will be managed through different processes.

### **How do we get the best out of partnerships?**

Clarity of purpose

We need to absolutely clear at the outset what we are trying to achieve in each partnership. There also needs to be confidence that the aims and agendas of all participating organisations are in line.

Performance management

There will be a range of methods to suit different levels of partnership and the suitable performance management methodology for each partnership is identified in the partnership register. Performance management needs to be proportionate to the type and complexity of the partnership.

We have established frameworks in place for many of our partnerships. The suitability and effectiveness of these arrangements need to be monitored both by the Council and the individual partnerships.

## **What risks are involved in working in partnership?**

There are a complex set of risks in working in partnership:

- Performance management arrangements are ineffective and do not identify issues in time
- The agendas of participating organisations are out of line and cannot be reconciled
- Personalities change and previously effective partnerships become more difficult
- Trust breaks down
- Resources are not committed
- Priorities change
- They fail to deliver their objectives
- Agreement cannot be reached by partners on any range of issues
- It cannot be demonstrated that the partnership is adding value

The aim of implementing a more formal partnership strategy is to try and mitigate the range of risks.

## **Tools for improvement**

Attached to the Strategy are two tools to assist in managing partnerships. They are intended for guidance only and should provide useful checklists:

1. Partnership checklist – this is intended as a tool when a new partnership is about to be established. It asks a series of questions that will help in making sure that, for example, appropriate governance arrangements have been put in place. This checklist is based on Audit Commission guidance.
2. Partnership Improvement Tool – this is intended as a tool to assist in a review of a partnership. Again, it asks a set of questions that provide a framework for assessing how effective aspects of the partnership are. This is based on a good practise tool used by a number of organisations for assessing partnerships.

## Partnership checklist

1. Rationale for the partnership
  - a. Why does the partnership exist?
  - b. What are its agreed aims?
  - c. Where have these been published?
  - d. Can we identify a better way of serving the public
2. Added value from the partnership
  - a. How does the partnership add value
  - b. How do we demonstrate this added value to the public
  - c. How do we know whether funds are being well spent
  - d. How does the public know that partnership funds are being well spent
3. Governance arrangements
  - a. How do our partnership's corporate governance arrangements link to those of individual partners
  - b. How are decisions made
  - c. How are they recorded
  - d. Who makes sure they are acted on
  - e. Who scrutinises them
  - f. Who are they reported to
4. Performance management
  - a. How do we know which partnership targets we are meeting and which we are failing to meet
  - b. Who manages and reports progress
5. Financial management
  - a. Who provides the money
  - b. Who decides how to spend it
  - c. Can the money be reallocated
  - d. What are the financial reporting arrangements
6. Risk management
  - a. How do we know when things are going wrong
  - b. Who can take action when things go wrong
  - c. How do we resolve conflicts of interest
7. Termination arrangements
  - a. What are the arrangements if this partnership comes to an end
  - b. Or if we decide not to be involved any longer
  - c. How will resources be reallocated back to partners
8. Serving the public

- a. How effectively does this partnership communicate with the public
- b. How can the public and service users obtain redress when things go wrong
- c. Is there a complaints and suggestions process the public can use

## Partnership Improvement Template

Area of Practice	Yes	No	Action
Whether there is a 'Lead Officer' or 'Project Sponsor' who has responsibility for the Council's involvement in the partnership, but who will not necessarily be the Council's representative within the partnership.			
The clarity of the purpose of the partnership. There should be a rationale for why a partnership exists (eg to deliver co-ordinated packages of services, to tackle 'wicked' or complex issues or to reduce the impact of organisational fragmentation).			
The legal status of the partnership and whether it is appropriate for the objectives to be achieved through partnership working.			
Whether the Council has defined its Council's 'bottom line' in terms of what it wants to obtain from the partnership for itself and for local people.			
Clarity on council involvement in the partnership (eg leading or supporting).			
Whether there is a plan for how the Council's involvement is supported and managed (eg reporting arrangements and lines of accountability).			
'Rules of engagement' (eg whether the Council is simply funding a partnership and has minimal involvement, or whether it is a full and active partner and is carrying out practical activities on behalf of the partnership).			
Whether the rights and responsibilities of members of the partnership have been defined and are understood.			
Are decision making arrangements effective?			
Whether the partnership is appropriately resourced and whether consideration has been given to resources that might be made available from sources other than the Council.			

Area of Practice	Yes	No	Action
The effectiveness of performance management arrangements including scrutiny and evaluation.			
<p>How the partnership is held to account including:</p> <ul style="list-style-type: none"> <li>• Accountability between members of the partnership</li> <li>• Accountability back to the organisations involved, including to the Council (O&amp;S, Cabinet, Area Forums, SMT)</li> <li>• Accountability to local people and other stakeholders.</li> </ul>			
Whether there is a plan for the development of the partnership.			
The effectiveness of governance arrangements.			

January 2009

## Partnership Register

The aim of the partnership register is to keep a record of all key partnerships we participate in, to ensure that we are clear of their purpose and to check appropriate performance management arrangements are in place.

Partnership register

1. Name of partnership
2. Purpose
3. Status
4. Performance management arrangements
5. Lead officer/Member (if appropriate)

Name	Purpose	Status	PM arrangements	Lead officer/Member
<b>Strategic Multi-Agency</b>				
Local Strategic Partnership – Colchester 2020	A statutory strategic partnership, setting a long term vision for Colchester	Statutory Strategic Multi organisation	Annual review at Strategic Overview and Scrutiny Panel Quarterly reports to Leadership team Delivery of LAA Regular public meetings for consultation and reporting	Portfolio Holder Chief Executive
Public Sector Partnership	Performance Management of LAA on behalf of the LSP	Non Statutory Strategic Multi agency	Delivery of LAA Reporting to LSP	Chief Executive
Regional Cities East	A network of the region's leading towns and cities, collaborating to help deliver new homes, jobs and prosperity in a sustainable manner	Voluntary	Business Case	Leader Chief Executive
Haven Gateway Partnership	A partnership of councils and private sector aiming	Fully formed and functioning partnership of 8	Strategy and Action Plan that is regularly monitored and reviewed	Leader Chief Executive

Name	Purpose	Status	PM arrangements	Lead officer/ Member
	to help deliver sustainable growth	authorities with agreed terms of reference and partnership agreement		
Greater Haven Gateway Housing Partnership	Sub regional partnership to ensure sustainable housing working collaboratively	Strategic, informal		Head of Strategic Policy & Regeneration
Colchester Renaissance Partnership Board	Performance management of Colchester renaissance	Not a legal body. Four monthly review of partners – Essex CC, Colchester BC, EEDA.	Board to review the Regeneration Programme in Colchester – strategic issues prioritised	Executive Director
<b>Single Topic</b>				
Crime and Reduction Disorder Partnership (including membership of Responsible Authorities Group)	To develop and implement strategies to tackle crime and disorder including anti-social and other behaviour adversely affecting the local environment as well as the misuse of drugs in their area	Statutory	Annual Strategic Assessment of Crime drives Annual Partnership Plan with targets for delivery Annual review at Strategic Overview and Scrutiny Panel	Portfolio Holder Executive Director
CYPSP Board	To improve the lives of children and young people in the borough by leading and monitoring the delivery of Every Child Matters outcomes	Statutory	Colchester Children and Young People's Plan (CYPP) which sits under the county CYPP and is performance managed by the County CYPSP board	Portfolio Holder Head of Life Opportunities
Local Authority Carbon Management Programme	To reduce the Council's carbon emissions from its own operation by 25% by 2012	Carbon management strategy and implementation plan developed with the Carbon	Action plan that is monitored through the LACM core group involving project leads. Reductions in CO2 input into NI 185	Strategic Waste and Sustainability Manager



Name	Purpose	Status	PM arrangements	Lead officer/ Member
Development Team		Trust agreed by Cabinet Non-statutory	Purpose is to formulate to response from statutory consultees ie highways and relevant departments to major development proposals to assist with our NI157 performance. Team expanded to include PCT	Head of Environmental and Protective Services
<b>Strategic local partners</b>				
University		Informal partnership with key organisation.		Executive Director
Primary Care Trust		Informal partnership with key organisation		Head of Life Opportunities
<b>Delivery Partnerships</b>				
Colchester Borough Homes	Delivery of housing service	Interim service arrangements being developed which will include a governance structure	Will be agreed but performance indicators already have joint ownership	Portfolio Holder Head of Strategic Policy and Regeneration
Procurement Hub	A shared service arrangement with Braintree District Council for provision of a procurement service	Shared service, voluntary	SLA in place. Savings targets	Head of Resource Management
Ipswich and Colchester Museum Service	To create a single Museum Service for Ipswich and Colchester	Shared service	Joint Committee	Colchester and Ipswich Museum Service Manager
Braintree, Colchester and Uttlesford Parking Partnership	To create a single, flexible enterprise providing full parking services for a group of partner authorities	Shared service - All three authorities have approved the creation of the joint service under a Joint Committee and are working	Joint Committee	Portfolio Holder Head of Street Services

Name	Purpose	Status	PM arrangements	Lead officer/ Member
		on finalising the Agreement to be signed under delegated powers by 31 March 2009		
East Essex Waste Management Joint Committee	To deliver the policies and targets contained in the Joint Municipal Waste Management Strategy	The committee has its own constitution and Cabinet members sit on it with delegated powers.	Decisions made at the Joint Committee are subject to scrutiny by individual authorities	Portfolio Holder Strategic Waste and Sustainability Manager
CUBE	To identify joint working opportunities between Councils in waste and associated areas	Currently on hold Agreement to work together by Colchester, Uttlesford, Braintree and Essex County Council to identify efficiencies in Waste and possible associated areas (Transport, Fleet, Workshops)	Initial report will be looking at potential possible areas for further examination	Strategic Waste and Sustainability Manager
Public Sector Village	To provide a framework to co-ordinate a single point of access for customers across a range of partners including Police, FRS, PCT, ECC and the voluntary sector	Working group	To be agreed Project plan in place with milestones	Executive Director
<b>Third Sector</b>				
Third Sector		Informal partnerships with individual organisations as appropriate	Delivery targets, business plans agreed if appropriate	Community Partnerships Manager
<b>Regeneration</b>				
Firstsite:newsite		Non legal body - meets intermittently	Operates as a Project Board, only intervening when required. Once	Portfolio Holder Cultural

<b>Name</b>	<b>Purpose</b>	<b>Status</b>	<b>PM arrangements</b>	<b>Lead officer/ Member</b>
Community Stadium		Initially operating as a project board for the new Community Stadium. Once built, the Community Stadium Management Company will take up the responsibility of managing the asset	build is complete the Board will disband Contractual requirements clearly laid out for completion of the build. KPIs are being put in place for ongoing non-match day operations – to be enforced through contractual relationship of Company and Operator (which in short term will be the Football Club)	Services Manager Tbc
		Now Colchester Community Stadium Ltd, an independent company	Annual business plan/report to be submitted	Chief Executive
<b>Statutory/Small</b>				
Jobcentre Plus		Statutory	SLA in place Systems audits National & local indicators	Finance Manager
Rent Service		Statutory	SLA in place	Finance Manager
Tribunal Service		Statutory	SLA in place	Finance Manager
The Pension service		Statutory	SLA in place	Finance Manager
Jobcentre Plus Fraud Investigation Service		Statutory	SLA in place	Benefit Fraud Investigations Team Leader
Valuation Office		Statutory	SLA in place	Finance Manager - Collections & Control

Name	Purpose	Status	PM arrangements	Lead officer/ Member
Magistrates' Court		Statutory	Coordinated by Essex districts recovery managers.	Enforcement Manager

<b>Report of</b>	<b>Head of Environmental and Protective Services</b>	<b>Author</b>	<b>Beverley Jones</b>
<b>Title</b>	<b>Provision of Additional Dog Waste Bins</b>		<b>☎ 282593</b>
<b>Wards affected</b>	Potentially All		

This report concerns a proposal to install an additional fifty dog waste bins at agreed locations across the Borough

**1. Decision(s) Required**

- 1.1 To agree funding as set out in section 9 for the purchase and installation of an additional fifty dog waste bins for the collection of bagged dog waste at sites in the Borough which have been selected from a list submitted by ward councillors on behalf of their residents.

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

- 2.1 Over the past five years, because of budgetary pressures, the number of dog waste bins sited throughout the borough has not increased. This period has coincided with a period of extensive development and, as a result, many of our new residential areas have very few bins available for use by local pet owners.
- 2.2 Because of this imbalance, it is felt that an additional fifty bins should be installed and that these should be focused somewhat in areas where existing provision is poor.

**3. Alternative Options**

- 3.1 There is no strict legal obligation to provide dog waste bins in public places. One alternative is for dog owners to take their pet's waste home with them and place it, properly wrapped, in the dustbin. However, providing waste disposal facilities in appropriate locations is considered by the government to be good practice and helps to defeat any arguments by owners who may face legal action for failing to clear up after their pet.

**4. Supporting Information**

- 4.1 The first dog waste bins were installed in the Borough in the 1990s and coincided with the growing expectation that people should clean up after their pets using a "poop scoop". This expectation was made into a legal requirement when the Dogs (Fouling of Land) Act 1996 was introduced, replacing previous byelaws.
- 4.2 These byelaws were patchy in their coverage and the new national legislation was much clearer. It also introduced the concept of the fixed penalty charge for the first time, allowing offenders to discharge their liability to prosecution by payment of £50.00. This saved time and expense of taking people to court, often for derisory fines.

- 4.3 Over the following years a total of over 600 bins were distributed throughout the Borough and it is understood that this is more than most other local authorities of a similar size. However, whilst the one-off purchase and installation is relatively inexpensive, the ongoing cost in terms of staff time and resources of emptying the bins once or twice each week can be prohibitive.
- 4.4 For this reason a moratorium on the installation of additional bins was introduced around five years ago. Since that time the staff in the Animal Control team, working closely with Street Cleansing, have tried to accommodate urgent requests, without increasing the overall numbers, by moving some existing bins which are either not very well used or are sited close to other bins.
- 4.5 However, there are clearly limitations to this approach and over time many requests have unfortunately had to be refused. In recent years, the extensive regeneration of Colchester has resulted in large areas of new residential development where there are either very few or no dog waste bins located.

## **5. Proposals**

- 5.1 It is proposed that fifty new bins be installed in those locations in the Borough considered to be in greatest need and these will be selected, in the first instance, from a list of nominated sites submitted by ward councillors on behalf of their residents.
- 5.2 To assist members in their deliberations it has been suggested that suitable sites should be:-
- adjacent to open areas where dogs are likely to be walked.
  - out of direct view of nearby residential properties.
  - more than 25 metres from any dwellings.
  - sited in soil or on grass to facilitate installation.
  - accessible by vehicle to enable convenient emptying.

## **6. Strategic Plan References**

- 6.1 The removal of dog faeces from our streets and public areas contributes to our Strategic Plan's aims of being cleaner and greener, and promoting community safety and healthy living.

## **7. Consultation**

- 7.1 A request for proposals for sites to be submitted was sent to Ward Councillors with a suggested response date of the end of October to enable consultation with Parish and Town councils to take place. This has been completed and the final list has been agreed with the Portfolio Holder.

## **8. Publicity Considerations**

- 8.1 New "Dog Control Orders" are likely to be introduced in the Borough over the coming months. These will replace the existing dog fouling laws and extensive publicity will be needed to draw their attention to the public. The availability of dog waste bins, along with a stronger approach to enforcement against dog fouling, will be a key part of these changes and will be an aspect that is widely publicised. This will also include advice to the public of using litter bins as long as the dog waste is properly wrapped.

## **9. Financial implications**

- 9.1 The cost of purchasing and installing a new dog waste bin is approximately £200 depending on the exact location chosen. Thus the total cost of installing fifty new bins will be around £10,000. On 10 September 2008 Cabinet agreed a number of saving totalling £126,000, the majority of which are in respect of support service functions. Cabinet agreed to re-allocate some of this saving to increase the number of street wardens, however, there remains £61k unallocated. It is therefore proposed to allocate £10k from this sum to provide the necessary one-off budget for the purchase and installation of dog waste bins.
- 9.2 The increased expenses incurred in emptying the additional bins will be met within existing budget through reorganisation of resources and work programmes with Street Services. The implications of this have been discussed with the Portfolio Holder for Street and Waste Services. It is recognised that any further increase in dog waste bins beyond the 650 will require further investment in the Street Cleansing service.

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

- 10.1 The new bins ordered are of a design that will allow better access for people with disabilities particularly those who use wheelchairs.

## **11. Community Safety Implications**

- 11.1 The promotion of responsible dog ownership is a key function of the Council. This is done in a variety of ways including the collection of stray dogs from our streets and education programmes in schools and elsewhere. The prevention of indiscriminate fouling in public places, thereby posing a potential health and safety hazard from dog faeces which are not cleared up, is a major part of this role. This is done by the threat of legal action against offenders, whilst providing adequate facilities to encourage good owners to act properly.

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

- 12.1 The new bins facilitate a safer method of emptying by operatives as the bag is removed from the front of the bin rather than pulled out from the top.

## **13. Risk Management Implications**

- 13.1 The provision of dog waste bins at every location in the Borough where dogs may be walked is clearly totally impractical. It is therefore considered extremely unlikely that the absence of a bin will be considered adequate justification for anyone to allow their dog to foul without clearing it up.
- 13.2 However, the failure to provide any bins at all in some areas of the Borough is likely to attract criticism from some quarters and the lack of conformity to government guidance may be put forward as a defence by a few irresponsible owners. The existence of a nearby facility which could have been used would obviously defeat this argument.

PETITIONS, PUBLIC STATEMENTS, QUESTIONS

Date of Meeting	Details of Member of the Public	Subject Matter	Form of Response	Date Completed
Cabinet, 3 December 2008	Mr Heaton	Customer Service Centre	Oral response provided at the meeting by Portfolio for Communication and Customers and written response sent by Portfolio Holder for Communication and Customers on 9 December 2008.	9 December 2008
Cabinet, 3 December 2008	Bob Russell, MP	Essex County Council consultation on Secondary Education in Colchester, Visual Arts Facility	Written response sent by the Leader of the Council on 14 January 2009	14 January 2009
Cabinet, 3 December 2008	Dorian Kelly	Visual Arts Facility	Written response sent by the Leader of the Council on 12 December 2008.	12 December 2008



<b>Date of Meeting</b>	<b>Details of Member of the Public</b>	<b>Subject Matter</b>	<b>Form of Response</b>	<b>Date Completed</b>
Cabinet, 3 December 2008	Andy Hamilton	Visual Arts Facility and purchase of Rowan House	Written response sent by the Leader of the Council on 12 December 2008.	12 December 2008
Council, 11 December 2008	Mr Heaton	Customer Service Centre	Oral response provided at the meeting by Portfolio for Communication and Customers.	11 December 2008
Council, 11 December 2008	Mr McKinney	Design of the Christmas lights, the costs of the Visual Arts Facility, car parking revenue and members allowances	Oral response provided at the meeting by the Portfolio Holder for Culture, Tourism and Diversity and written response sent by the Leader of the Council on 14 January 2009	14 January 2009
Council, 11 December 2008	Bob Russell, MP	Colchester Community Stadium AGM, Essex County Council Consultation on Secondary Education in Colchester, Visual Arts Facility	Oral response provided at the meeting by the Leader of the Council and a written response sent by the Deputy Leader of the Council on 8 January 2009.	8 January 2009

<b>Date of Meeting</b>	<b>Details of Member of the Public</b>	<b>Subject Matter</b>	<b>Form of Response</b>	<b>Date Completed</b>
Council, 11 December 2008	Paula Whitney	Environment and transport issues	Oral response provided at the meeting by the Portfolio Holder for Planning and Regeneration and a written response sent by the Deputy Leader of the Council on 8 January 2009.	8 January 2009
Council, 11 December 2008	Abigail Stringer	Essex County Council Consultation on Secondary Education in Colchester	Oral response provided at the meeting by the Portfolio Holder for Performance and Partnerships and a written response sent by the Deputy Leader of the Council on 8 January 2009.	8 January 2009
Council, 11 December 2008	Adam Norgate	Essex County Council Consultation on Secondary Education in Colchester	Oral response provided at the meeting by the Portfolio Holder for Planning and Regeneration and a written response sent by the Deputy Leader of the Council on 8 January 2009.	8 January 2009
Council, 11 December 2008	Mr Capes	Essex County Council Consultation on Secondary Education in Colchester	Written response sent by the Deputy Leader of the Council on 8 January 2009.	8 January 2009

<b>Date of Meeting</b>	<b>Details of Member of the Public</b>	<b>Subject Matter</b>	<b>Form of Response</b>	<b>Date Completed</b>
Council, 11 December 2008	Richard Bourne	Essex County Council Consultation on Secondary Education in Colchester	Written response sent by the Deputy Leader of the Council on 8 January 2009.	8 January 2009
Council, 11 December 2008	Mr Barker	Visual Arts Facility	Written response sent by the Deputy Leader of the Council on 8 January 2009.	8 January 2009
Council, 11 December 2008	Dee Evans	Visual Arts Facility	Written response sent by the Deputy Leader of the Council on 8 January 2009.	8 January 2009
Council, 11 December 2008	Rob Brown	Visual Arts Facility	Written response sent by the Deputy Leader of the Council on 8 January 2009.	8 January 2009