

Scrutiny Panel

**The Auditorium, firstsite,
Colchester
23 July 2013 at 6.00pm**

The Scrutiny Panel examine the policies and strategies from a borough-wide perspective and ensure the actions of the Cabinet accord with the Council's policies and budget. The Panel reviews corporate strategies that form the Council's Strategic Plan, Council partnerships and the Council's budgetary guidelines, and scrutinises Cabinet or Portfolio Holder decisions which have been called in.

Information for Members of the Public

Access to information and meetings

You have the right to attend all meetings of the Council, its Committees and Cabinet. You also have the right to see the agenda, which is usually published 5 working days before the meeting, and minutes once they are published. Dates of the meetings are available at www.colchester.gov.uk or from Democratic Services.

Have Your Say!

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

Private Sessions

Occasionally meetings will need to discuss issues in private. This can only happen on a limited range of issues, which are set by law. When a committee does so, you will be asked to leave the meeting.

Mobile phones, pagers, cameras, audio recorders

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

Access

There is wheelchair access to the Town Hall from St Runwald Street. There is an induction loop in all the meeting rooms. If you need help with reading or understanding this document please take it to Angel Court Council offices, High Street, Colchester or telephone (01206) 282222 or textphone 18001 followed by the full number that you wish to call and we will try to provide a reading service, translation or other formats you may need.

Facilities

Toilets with lift access, if required, are located on each floor of the Town Hall. A vending machine selling hot and cold drinks is located on the ground floor.

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Scrutiny Panel – Terms of Reference

1. To fulfil all the functions of an overview and scrutiny committee under section 9F of the Local Government Act 2000 (as amended by the Localism Act 2011) and in particular (but not limited to):
 - (a) To review corporate strategies;
 - (b) To ensure that actions of the Cabinet accord with the policies and budget of the Council;
 - (c) To monitor and scrutinise the financial performance of the Council, performance reporting and to make recommendations to the Cabinet particularly in relation to annual revenue and capital guidelines, bids and submissions;
 - (d) To review the Council's spending proposals to the policy priorities and review progress towards achieving those priorities against the Strategic and Implementation Plans;
 - (e) To review the financial performance of the Council and to make recommendations to the Cabinet in relation to financial outturns, revenue and capital expenditure monitors;
 - (f) To review or scrutinise executive decisions made by Cabinet, the North Essex Parking Partnership Joint Committee (in relation to decisions relating to off-street matters only) and the Colchester and Ipswich Joint Museums Committee which have been made but not implemented referred to the Panel pursuant to the Call-In Procedure;
 - (g) To review or scrutinise executive decisions made by Portfolio Holders and officers taking key decisions which have been made but not implemented referred to the Panel pursuant to the Call-In Procedure;
 - (h) To monitor the effectiveness and application of the Call-In Procedure, to report on the number and reasons for Call-In and to make recommendations to the Council on any changes required to ensure the efficient and effective operation of the process;
 - (i) To review or scrutinise decisions made, or other action taken, in connection with the discharge of functions which are not the responsibility of the Cabinet;
 - (j) At the request of the Cabinet, to make decisions about the priority of referrals made in the event of the volume of reports to the Cabinet or creating difficulty for the management of Cabinet business or jeopardising the efficient running of Council business;
2. To fulfil all the functions of the Council's designated Crime and Disorder Committee ("the Committee") under the Police and Justice Act 2006 and in particular (but not limited to):
 - (a) To review and scrutinise decisions made, or other action taken, in connection with the discharge by the responsible authorities of their crime and disorder functions;
 - (b) To make reports and recommendations to the Council or the Cabinet with respect to the discharge of those functions.

COLCHESTER BOROUGH COUNCIL
SCRUTINY PANEL
23 July 2013 at 6:00pm

Members

Chairman : Councillor Beverly Davies.
Deputy Chairman : Councillor Marcus Harrington.
Councillors Dave Harris, Jo Hayes, Gerard Oxford,
Kevin Bentley, Nick Cope, Peter Higgins and Mike Hogg.

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

Agenda - Part A

(open to the public including the media)

Visiting Members of the Public

Parking is provided at firstsite for disabled visitors, and the parking bays are adjacent to the building via Lewis Gardens. Enter Lewis Gardens via the old bus station entrance at the bottom of Colchester High Street.

The bays are allocated on a first come, first served basis. Outside the building there is also a drop-off point for cars and coaches, with special access to the building for disabled visitors.

For all other members of the public visiting firstsite for the Scrutiny meeting, parking is available at the Priory Street Car Park. Pedestrian access to the site can be via High Street or Queen Street.

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

Pages

1. Welcome and Announcements

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

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

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

2. Substitutions

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

3. Urgent Items

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

4. Declarations of Interest

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

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

5. Minutes

To confirm as a correct record the minutes of the meeting held on 2 July 2013.

6. Have Your Say!

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

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

7. Decisions taken under special urgency provisions

To consider any Cabinet decisions taken under the special urgency provisions.

8. Referred items under the Call in Procedure

To consider any decisions taken under the Call in Procedure.

9. Items requested by members of the Panel and other Members

(a) To evaluate requests by members of the Panel for an item relevant to the Panel's functions to be considered.

(b) To evaluate requests by other members of the Council for an item relevant to the Panel's functions to be considered.

Members of the panel may use agenda item 'a' (all other members will use agenda item 'b') as the appropriate route for referring a 'local government matter' in the context of the Councillor Call for Action to the panel. Please refer to the panel's terms of reference for further procedural arrangements.

10. Pre-scrutinise the Cabinet decision 'To Close the Abbots Activity Centre'

1 - 32

See report from the Head of Community Services.

11. 2014/15 Budget Strategy, Medium Term Financial Forecast and Budget Timetable **33 - 60**

See report from the Assistant Chief Executive and supplementary report on the implications of the Spending Review for Colchester Borough Council.

12. Treasury Management – Annual Report 2012/13 **61 - 71**

See report from the Assistant Chief Executive.

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).



Scrutiny Panel

Item

10

23 July 2013

Report of	Head of Community Services	Author	Lucie Breadman
Title	Closure of Abbots Activity Centre		
Wards affected	All		

The Panel is invited to review the proposals set out in the covering report in terms of managing the closure of the Abbots activity centre.

The Cabinet report "Closure of Abbots Activity Centre" is attached for consideration.

The Scrutiny Panel are asked to review and comment on the attached report, recommendation and proposal.

The comments of the Panel will be considered by the Cabinet at the meeting on 4 September 2013.

Cabinet Report

4 September 2013

Item
10

Report of	Head of Community Services	Author	L Breadman; B Tighe; M Rundle; A Harley
Title	Closure of Abbots Activity Centre		
Wards affected	All		

The Cabinet is invited to review the proposals set out in the report in terms of managing the closure of the Abbots activity centre.

1. Decision Required

- 1.1 To approve the proposals set out in this report in terms of managing the closure of the Abbots activity centre.

2. Reasons for Decision

- 2.1 There are approximately 58,000 residents aged 50 or over living in the borough. At present, Abbots Activity Centre for people aged 50+, with a membership of 255, attracts less than 1% of this population.
- 2.2 With vastly reduced resources the Council has a duty to ensure facilities and services are providing more equitable benefits to residents across the whole Borough and are sustainable. The Centre currently requires a subsidy to operate of £74,000. This works out at around £290 per member.
- 2.3 The Centre has struggled to increase membership or participation since 2006 when its future was first questioned. This relentless scrutiny will inevitably carry on as government funding continues to be withdrawn from District and Borough Authorities and the only sustainable way forward is to encourage more volunteer / community- led alternatives.

3. Alternative Options

- 3.1 The alternative option would be to keep the centre open, however, this would mean continuing to find the subsidy required to run the centre at a time of considerable budget constraints and an uncertain future as expenditure tightens year on year.
- 3.2 To seek an alternative provider. This option was actively pursued by the Council. Two recent Expressions of Interest (EOI) have been undertaken, seeking alternative provision for Abbots Activity Centre. The initial exercise, in 2011 resulted in a successful provider in Colne Housing. Upon completion of a more detailed feasibility study grant funding was requested as the only viable way forward. This was considered and agreed, but to ensure a legal and equitable procurement process the EOI had to be repeated including this new 3 year grant funding package in 2012. Sadly this new EOI, with funding, did not elicit any viable responses. The only interested party sited that the Staff Transfer legal requirements made this unaffordable, even with the grant offered.

3.3 Essex County Council have also been approached by the Leader of the Council and have confirmed that they have no interest in running or subsidising Abbots Activity Centre.

4. Supporting Information

4.1 On 30 May a letter was sent to all members of Abbots Activity Centre informing them of the commencement of a 30 day consultation on the impacts of closure of the centre. This correspondence included a questionnaire which was also put on the Council's website so the wider public could provide feedback on the impact of the closure.

4.2 On 14 June a workshop was held at Abbots Activity Centre so members could give officers a more detailed response on the possible impacts of the closure.

The Portfolio Holder for Communities and Diversity also attended to answer questions and listen to the views of members.

4.3 The deadline for the return of questionnaires was Friday 28 June and all data received throughout the period was analysed and findings used to support the EQIA attached at Appendix 2.

4.4 Provision of Activity Centres or services of this nature are not a statutory function of the Council. However despite this the Council does endeavour to provide a considerable range of support and financial investment for older people within the Borough.

These services include (not exhaustive):

- Sheltered Housing
- Helpline
- Warm Homes project
- Welfare benefit maximisation grant funding to Age UK
- Grant funding to Age UK
- Over 50s club at Leisure World
- Support for the three main Arts organisations who run various activities and Clubs for Over 50s
- Lion Walk Activity Centre
- Older People's Forum

4.5 In addition Zone teams play a vital role in supporting and enabling community led activities. Some details of these are included on Appendix 1.

4.6 Colchester Borough Homes also produces a useful guide with advice and support for older people across the Borough: '[A Guide to Services, Organisations and Activities for Older People Living in Colchester Borough](#)'.

4.7 The Council recognises that while many activities and clubs exist, and there are a number of leaflets providing details of support and activities for the over 50s, they are not comprehensive, easily accessible to all or all up to date. We will endeavour to work with community groups and the voluntary sector, including CCVS to update current lists and create a single accessible source of information.

5. Proposals

- 5.1 Close the Abbots Activity Centre.
- 5.2 Work with the services using Abbots to find suitable alternative venues.
- 5.4 Provide signposting to other services, support, clubs and activities available in the borough to the over 50s.

6. Strategic Plan References

- 6.1 The [Strategic Plan 2012-15](#) does reference the council's commitment to supporting more vulnerable groups and also enabling local communities to help themselves.

7. Consultation

- 7.1 A consultation has been carried out both with the members of the centre and the wider public. Findings from both of these consultations, which sought views on the impact of the closure, have been used to complete the Equality Impact Assessment which is attached with this report.

8. Publicity Considerations

- 8.1 Members of Abbot's Activity Centre have all been written to regarding this decision and have had the opportunity to feed into a consultation on the impacts of any closure and attend a workshop at the Centre in June 2013. An initial press release was issued and details advertised on the council's website.
- 8.2 A press release detailing this proposed decision has also been publicised. Any eventual closure timetable will be fully disclosed to members of the centre.

9. Financial Implications

- 9.1 The 2013/14 net operating budget for Abbots Activity Centre is £39,500. This budget was based on the assumption that a cost saving would be made through an external provider delivering the service during the year following the Expressions of Interest Exercise. As reported earlier this did not happen and therefore the budget is not sufficient to meet the actual annual running costs which, after all income is included, are estimated at £74,000.
- 9.2. With increased pressure on the resources of the Council there is a need to review services and ensure that budgets are affordable and sustainable. The current subsidy of £74,000 is not sustainable and works out at around £290 per member or an equivalent cost of £1.34 per Band D Council Tax payer.

10. Equality, Diversity and Human Rights implications

- 10.1 An assessment of the impact of this decision, particularly on people with characteristics protected by law, has been made and is attached at Appendix 2.

This decision is judged as unlikely to break any human rights.

11. Background Papers

1. Consultation Questionnaire
2. Consultation Questionnaire analysis
3. Minutes of the workshop with members

Appendix 1

Closure of Abbots Activity Centre

1.0 Activities undertaken / supported by Community Zone Teams

Part of the remit of the Zone teams is to help enable and build capacity out in our communities and as such they are able to help local organisations and volunteers set up a range of sustainable, locally led clubs and activities.

This enabling function provides much needed support and advice to get things started but is not aimed at the Council running or maintaining functions that it does not have the finances or the statutory duty to sustain.

A sample of the current activities which have received support and are specifically aimed at residents aged 50 years and over in the relevant area are as follows:

- **Old Heath Friendship Club**, D'arcy Road Community Centre, Thursday at 2 – 4pm
- **Friendship Group** at Stillwaters Church, Brook Street offering friendship for the over 50's and use of a mini bus for trips – Every Monday from 1-3pm.
- **Home Help** available from Age UK
- **Community Lunch Club** at Salvation Army, Butt Road every Wednesday lunchtime
- **Tea Club** and various Wii events at Plum Hall and Holt Drive aimed at residents of sheltered housing.
- **Coffee Morning** at the Mariners Chapel, Rowhedge – 10am first Tuesday of every month
- **Activity Group**, St John's Church, Military Road – quizzes, socialising, activities, speakers, occasional lunch – Every other Monday, 10-12noon
- **St Stephen's Church, Canterbury Road:**
 - **Mens Club**, – table tennis, board games – Every 4th Friday 8-10pm
 - **Lunch Club** - Good fun, conversation, lunch for aged 60+, Every 2nd Monday 12.30pm
 - **Line Dancing** - every Thursday 1.30-2.45pm
- **St Barnabas Church, Abbots road:**
 - **Line Dancing** - Every Monday at 7.30pm
 - **Sewing Club** - Every Tuesday at 7.30pm
 - **Clog Dancing**, St Barnabas Church, Abbots Road
 - **Ladies Group** – social evenings – Twice a month, Thursday at 8pm
- **St Margarets Church, Stansted Road:**
 - **Tea & company** – afternoon social club, First Wednesday of the month, 1.30-3pm
 - **Fun & Games** – table tennis, carpet bowls & board games – Third Wednesday of the month, 1-3pm
- **MS society drop-in**, Hythe Community Centre, Ventura Drive – Meet and make friends – Every Friday 10.30am – 1.30pm

Summary and findings of Full Equality Impact Assessment

Conclusion

The Council believes; the identified negative impacts can be mitigated by effective signposting and support to access other available services, activities and provision both in the immediate area and within the wider Borough, and the closure of Abbots would not result in unlawful discrimination against any protected characteristics.

Findings	Action required
Likely negative impacts have been identified but are considered to be objectively justified by a legitimate aim. <input type="checkbox"/>	Sign off and finish.
Planned engagement with equality target groups will take place in order to gain sufficient evidence to make a judgement on impact. <input type="checkbox"/>	Sign off and review within 6 months.
Planned engagement has taken place: No likely negative impacts have been identified. <input type="checkbox"/>	Sign off and finish.
Planned engagement has taken place: Likely negative impacts have been identified but have been minimised or removed. X	Sign off and finish.
The policy could be discriminatory and will not be implemented. <input type="checkbox"/>	Finish without signing off.

6

Name and job title of person completing this form: Andrew Harley
(Equality and Safeguarding Co-ordinator, Colchester Borough Council)

Date of completion: 2 July 2013

The above conclusion has been reached on the basis of carrying out a full Equality Impact Assessment including consultation which appears on the pages that follow:

Section 1: screening stage

The stage of the process is to understand more about the service and its users. Name of policy, service or strategy to be assessed:

- The closure of Abbots Activity Centre, 39 Ladbroke Drive, Colchester, CO2 8RW

1. **What is the main purpose of the policy, service, strategy or decision being taken?**

- To help ensure the Council's continued fiscal sustainability without which it could no longer meet its statutory duties
- To help ensure the optimum prioritisation of available resources to best meet the Council's strategic plan objectives

2. **What main areas or activities does it cover?**

- The closure of the Abbots Activity Centre
- The relocation of hirers of the centre

3. **Are there changes to an existing policy being considered in this assessment?**

- No

4. **Who are the main audience, users or customers who will be affected by the policy?**

- The users of Abbots Activity Centre
- The families of those who use the Centre
- Volunteers who work in the Centre
- Groups and organisations that hire the centre

5. **What outcomes do you want to achieve from the decision, policy, service or strategy?**

- The Council should continue to be able to meet its statutory duties and strategic plan objectives across the whole Borough within Budget restrictions being imposed.
- The Council should continue to be able to meet its legal obligations under the Equality Act's PSED ('public sector equality duty').

6. **Are other service areas or partner agencies involved in delivery? If so, please give details below:**

- No

7. **Are you aware of any relevant information, data, surveys or consultations¹, which help us to assess the likely or actual impact of the policy, service or strategy upon customers or staff?**

- A consultation on the use of Abbots was carried out in 2009 but since then its usage, and the equality profile of its users, has changed. It therefore has limited value only in helping us to assess the potential impact of any decision to withdraw funding.

Note: A new consultation has been carried out on the potential impact of the closure of Abbots. See further below for the results of this consultation.

8. **How does the policy, decision, service or strategy help to further or facilitate to our `general duty'² to:**

- (a) eliminate unlawful discrimination, harassment and victimisation?
- (b) advance equality of opportunity between people who share a 'protected characteristic'³ and those who do not?⁴
- (c) foster good relations between people who share a protected characteristic and those who do not?⁵

The closure of Abbots will not directly help the Council to meet the 'general duty'. However, indirect benefits could accrue from the decision as closure would help the Council to afford to meet its statutory duties and its Strategic Plan objectives. These, in turn, help the Council to meet its Public Sector Equality Duty 'general duty'.

This decision will support better awareness of locally run activities and clubs which, if supported will help to make them more sustainable in the future.

¹Click on surveys or consultations for more information. The Council's surveys and consultations include 'equality monitoring information' to help us identify any particular concerns or views expressed by any particular group or 'protected characteristic'. It can also help us to assess how representative of our customers the respondent group is.

²These 3 points summarise the 'general duty' as it applies to public sector organisations in the Equality Act 2010

³The Equality Act's 'protected characteristics' include age, disability, gender reassignment, pregnancy and maternity, race, religion or belief and sex and sexual orientation. It also covers marriage and civil partnerships, but not for all aspects of the duty.

⁴This involves having due regard, in particular, to the need to: (a) remove or minimise disadvantages suffered by persons who share a protected characteristic that are connected to that characteristic; (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it, and (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

⁵This involves having due regard, in particular, to the need to (a) tackle prejudice, and (b) promote understanding.

9. **Is the policy or decision likely to particularly benefit or particularly disadvantage any of the ‘protected characteristics’?**

Positive impact: The decision is not likely to particularly benefit any of the protected characteristics.

Negative impact: (See below)

Age (50+)

The closure of Abbots could impact disproportionately upon this group. This is because membership is restricted to the age bracket of 50 or over. Further consultation has been carried out to learn more about the use of Abbots, the current and future use of alternative services, and the impacts of closure.

Disability

Older people are more likely to have disabilities than other age groups. (See below for evidence of this assertion⁶.) The loss of the Abbots facility and its services could therefore impact disproportionately upon this group. Further consultation has been carried out to learn more about disabled users.

Sex (women)

A disproportionately high number of women use the centre compared to men. Further consultation has been carried out to learn more about female users.

No other negative impacts were identified.

⁶ “The prevalence of disability rises with age. Around 6 per cent of children are disabled, compared to 16 per cent of working age adults* and 45 per cent of adults over State Pension* age in Great Britain.” (Source: Family Resources Survey 2010/11 as quoted by DWP ‘Office for Disability Issues’)

Section 2: Full Equality Impact Assessment

As there was insufficient evidence at the screening stage to make a judgement further consultation was carried out with users of the service. The action plan below provides a summary of this consultation and the findings:

Engagement and Consultation Action Plan

	Details of Planned Engagement	Date for Review	Summary of findings
Age	Consultation on: the use of Abbots, the current and future use of alternative services, and the impacts of closure.	July 2013	Of 148 respondents 70% were over 70. (This compares with 15.8% of the borough being over 65 according to the 2011 census.) Older people are likely to be disproportionately affected by the closure of Abbots. Respondents have provided information which helps us to mitigate this impact. See below.
Disability	Consultation on: the use of Abbots, the current and future use of alternative services, and the impacts of closure.	July 2013	Of 148 respondents 78 (53%) indicated that they had a mobility disability. This disability group is the most disproportionately affected by the closure of Abbots. Of 148 respondents 40 (27%) indicated that they had a long-standing illness. Of 148 respondents 20 (13.5%) indicated that they had a sensory disability. Respondents have provided information which helps us to mitigate these impacts. See below.
Sex	Consultation on: the use of Abbots, the current and future use of alternative services, and the impacts of closure.	July 2013	Of 148 respondents 108 (73%) were women. (This compares with 50.7% of the borough being women according to the 2011 census.) This group is likely to be disproportionately affected by the closure of Abbots. Respondents have provided views which help us to mitigate this impact. See below.

NB: Protected characteristics that are not affected have not been included in the above table. The results of the consultation can be seen in accompanying papers.

How have you been able to minimise or remove negative impacts?

1. Colchester Community Voluntary Service (CCVS) which is funded by the Council will help to:

- facilitate the setting up of older people's groups
- provide volunteers for older people's groups
- access funding for older people's groups

The Council will liaise with CCVS about how they will be able to support people with a physical and sensory disability through the Community Transport Scheme.

Where a person with a hearing impairment wishes to participate in an alternative activity in a building without a loop system the Council will work with the CCVS to try to secure funding to provide one. We will maintain on our website a list of local groups and organisations which can help support and advise people with a visual impairment (as well as other disabilities) on accessibility issues and the suitability of venues.

2. The Council will request that ward and parish councils provide information in their newsletters on facilities available in their local areas for older people.

3. The Council will ensure that local Zone Teams continue to help to facilitate and support new and existing community run groups for older people, paying particular attention to the area where Members of Abbots Activity Centre reside, Zone 5 (Berechurch, New Town, East Donyland and Harbour Wards). Where practical, Zone teams will work with Members to find suitable alternative activities already in place.

4. 41% of consultation respondents highlighted 'loneliness and social isolation' as a specific concern. This is the single most occurring concern raised. We will provide a full list of alternative activities and clubs across the borough and in particular for Zone 5 where a majority of respondents (56%) live. Users of Abbots will be able to access a number of the clubs and activities listed below depending upon individual needs:

- D'Arcy Road Community Centre – Old Heath Friendship Club - every Thursday at 2pm – 4pm
- Friendship Group at Stillwaters Church, Brook Street offering friendship for the over 50's and use of a mini bus for trips – Every Monday from 1-3pm.
- Home Help available from Age UK
- Community Lunch Club at Salvation Army, Butt Road every Wednesday lunchtime
- Coffee Morning at the Mariners Chapel, Rowhedge – 10am on the first Tuesday of every month

- Activity Group, St John’s Church, Military Road – quizzes, socialising, activities, speakers, occasional lunch – Every other Monday, 10-12noon
- St Stephen’s Church, Canterbury Road:
 - Mens Club, – table tennis, board games – Every 4th Friday 8-10pm
 - Lunch Club - Good fun, conversation, lunch for aged 60+, Every 2nd Monday 12.30pm
 - Line Dancing - every Thursday 1.30-2.45pm
- St Barnabas Church, Abbots road:
 - Line Dancing - Every Monday at 7.30pm
 - Sewing Club - Every Tuesday at 7.30pm
 - Clog Dancing, St Barnabas Church, Abbots Road
 - Ladies Group – social evenings – Twice a month, Thursday at 8pm
- St Margarets Church, Stansted Road:
 - Tea & Company – afternoon social club, First Wednesday of the month, 1.30-3pm
 - Fun & Games – table tennis, carpet bowls & board games – Third Wednesday of the month, 1-3pm
- MS society drop-in, Hythe Community Centre, Ventura Drive – Meet and make friends – Every Friday 10.30am – 1.30pm

In addition those affected will be encouraged to access a publication by Colchester Borough Homes, the Council’s ALMO: ‘[A Guide to Services, Organisations and Activities for Older People Living in Colchester Borough](#)’.

5. 20% of respondents identified the impact upon family and spouse as a particular concern. These respondents indicated that closure of the centre would result in additional caring duties for their family and spouses. The Council funds a post at Age UK with the specific remit of providing benefits advice to older people to ensure their income is maximised. The signposting to, and use of, this service will provide this group with additional income to help access additional support.
6. The consultation indicated that some hirers of the centre will need assistance in relocating to suitable alternative accommodation. Council officers will help in this task.

Conclusion

The Council believes that the identified negative impacts can be mitigated by effective signposting and support to access other available services, activities and provision both in the immediate area and within the wider Borough, and that the closure of Abbots would not result in unlawful discrimination against any protected characteristics.

Consultation Questionnaire for Abbots Members

Please confirm your answers to the following questions below. If you need to continue onto another sheet of paper please clearly indicate which question your response is in relation to.

1. Please confirm your name and address and membership number:

Membership no:

2. For how long have you been a member of Abbots Activity Centre?

3. In addition to Abbots Activity Centre, do you currently use Lion Walk Centre?

4. If so, how many days per month do you use it?

5. Would you be willing to use Lion Walk Activity Centre in the future?

6. If Abbots Activity Centre was no longer available is there anything the Council or others could do to help you access our other services? For instance, Lion Walk Activity Centre, Leisure World.

7. If Abbots Activity Centre closes, which services would you consider using instead? (Please tick all that apply)

- *Neighbourhood clubs for older people*
- *50+ activities at Leisure World Colchester*
- *50+ activities in your area*
- *Lion Walk activity centre*
- *Community bus to transport to any of the above*
- *Another service (please specify)*

.....

If you haven't ticked any of the options above, please tell us why

.....
.....

8. If Abbots were to close would anyone else in your family be affected and if so, how?

9. If Abbots were to close are there other ways in which you could be affected?

About Yourself

The following questions are optional but they help us to make sure that the right services are reaching the right people at the right time.

To help us to make sure we are doing this correctly it would be helpful if you would answer these questions about yourself. Some of the questions may feel a little personal, but the information we collect will remain confidential and will comply with the Data Protection Act 1998.

Q5 What is your age? (please tick)

50-54

55-59

60-64

65-69

70-74

75-79

80-84

85-89

90+

Prefer not to say

Q6 What is your ethnicity? (please tick)

Asian or Asian

British

Black or Black

British

Chinese

Mixed

White

Other ethnic group

Q7 Are you male or female?

Male..... Female.....

Q8 Do you have any of the following longstanding conditions? (Please tick all that apply)

Deafness or severe hearing impairment

Blindness or severe visual impairment

A condition which substantially limits one or more basic physical activities such as walking, climbing stairs, lifting or carrying

A learning difficulty

A long-standing illness

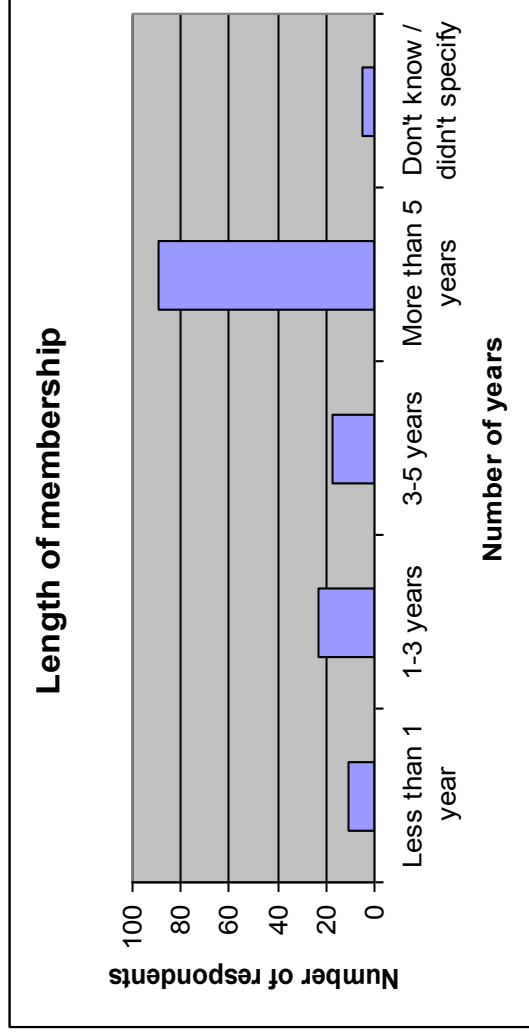
None of these

Abbots Consultation Questionnaire Analysis

This consultation was carried out between Monday 3 June and Friday 28 June 2013. Letters were sent to all members of Abbots Activity Centre, enclosing a questionnaire which invited a response. This was sent to 252 people. Colchester Borough Council received 148 responses from users of the centre. This gave a strong 57.5% response rate, which allows some confidence in assuming that results are likely to be representative of the centre members.

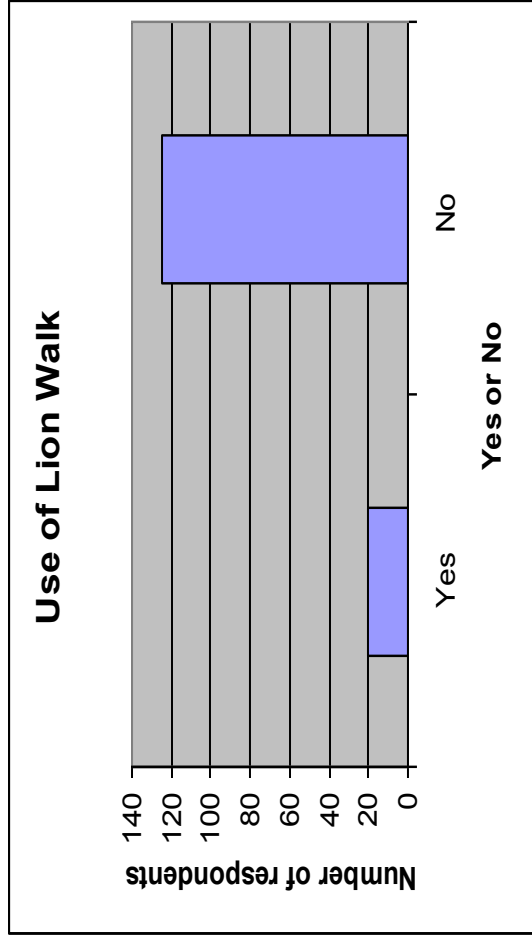
What follows is an analysis of the questions asked and the responses.

For how long have you been a member of Abbots Activity Centre?



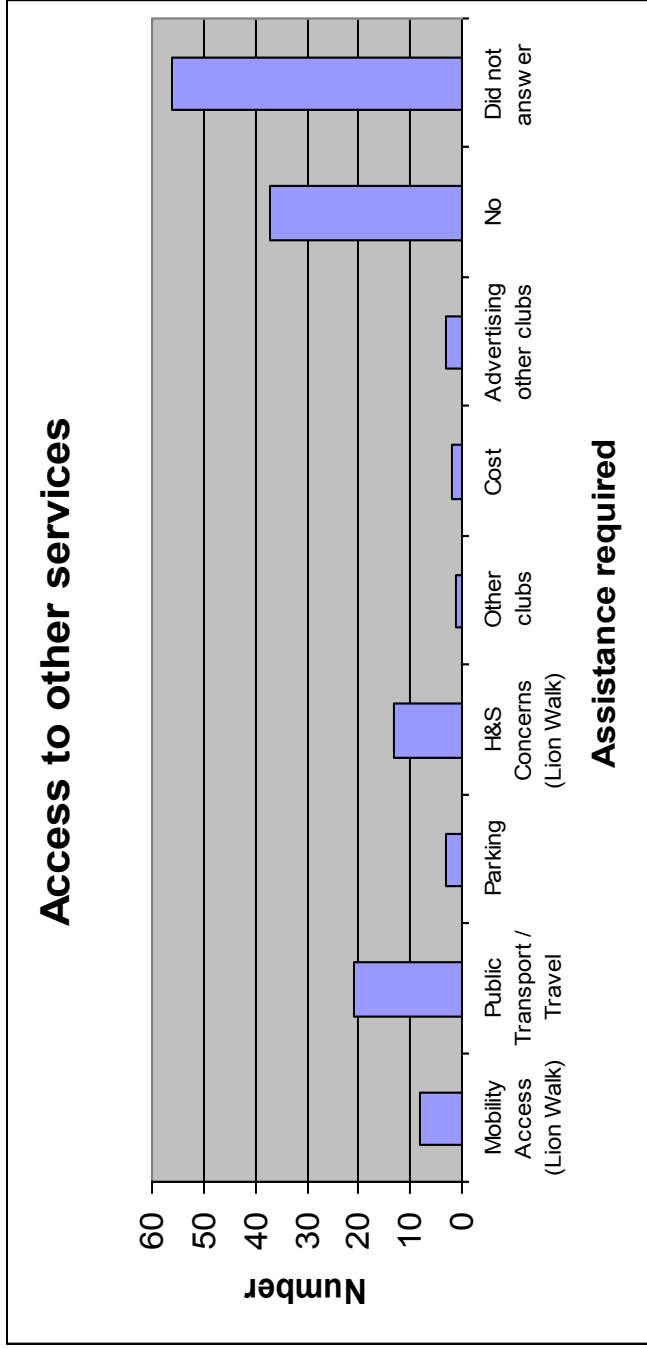
The above shows that 61% of those who responded (89 members) have been attending the centre for more than 5 years.

In addition to Abbots Activity Centre do you currently use Lion Walk Centre?



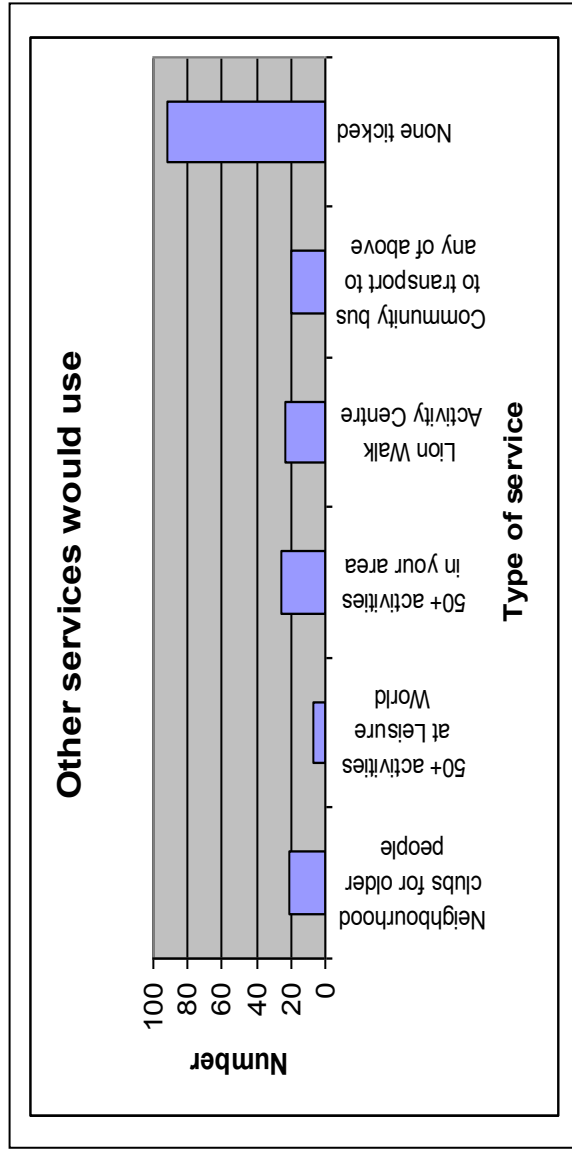
The above demonstrates that 13.5% of the Abbots members who responded (20 members), currently also use Lion Walk Activity Centre. In addition, 19% of respondents (27 members) said they would consider using Lion Walk Centre in the future.

If Abbots Activity Centre was no longer available is there anything else that the Council or others could do to help you access our other services?



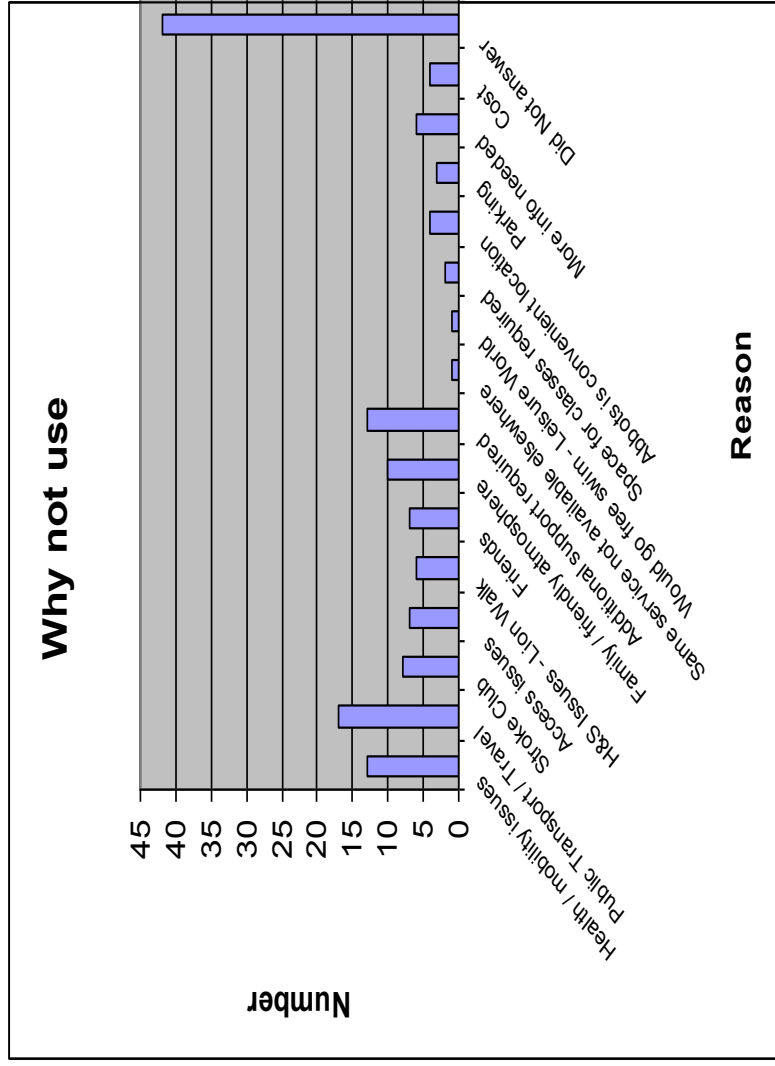
38% of respondents did not answer this question and 25% said there was nothing else that the Council or others could do to help them access other services. Of those who did answer, the results indicate that there are 3 areas where members would require assistance to access other services: information on public and other transport; health & safety reassurance regarding Lion Walk and ease of access to Lion Walk for members with a mobility need. However, information on public transport was the highest of these with 21 respondents indicating that this would assist them with accessing other services.

If Abbots Activity Centre closes, which services would you consider using instead?



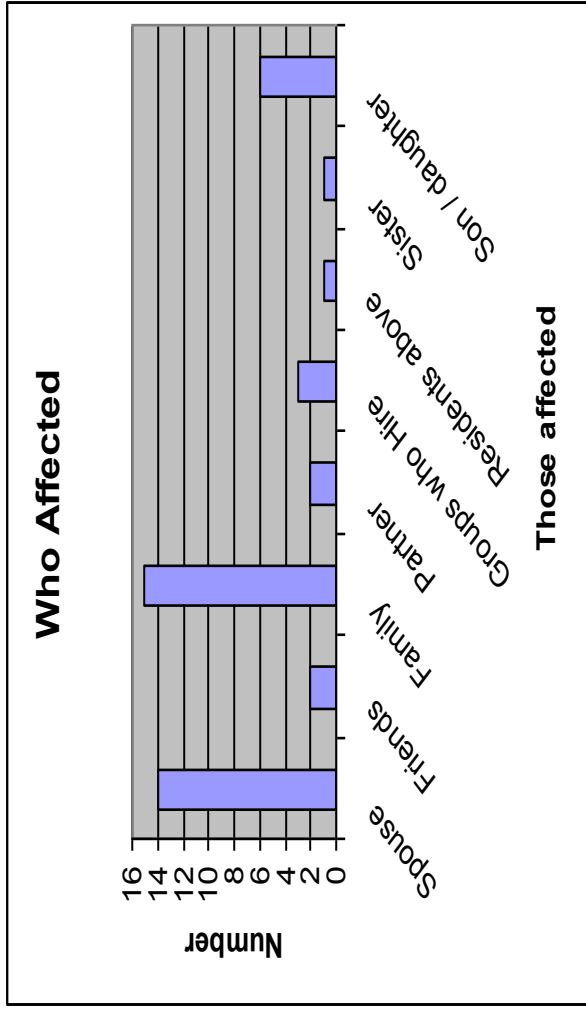
The above responses show that most respondents did not tick other services (62%). However, of those members that did indicate they would consider other services, the most popular were 50+ activities in their local area.

If you would use another service other than those listed above, or if you haven't ticked any, please tell us why?

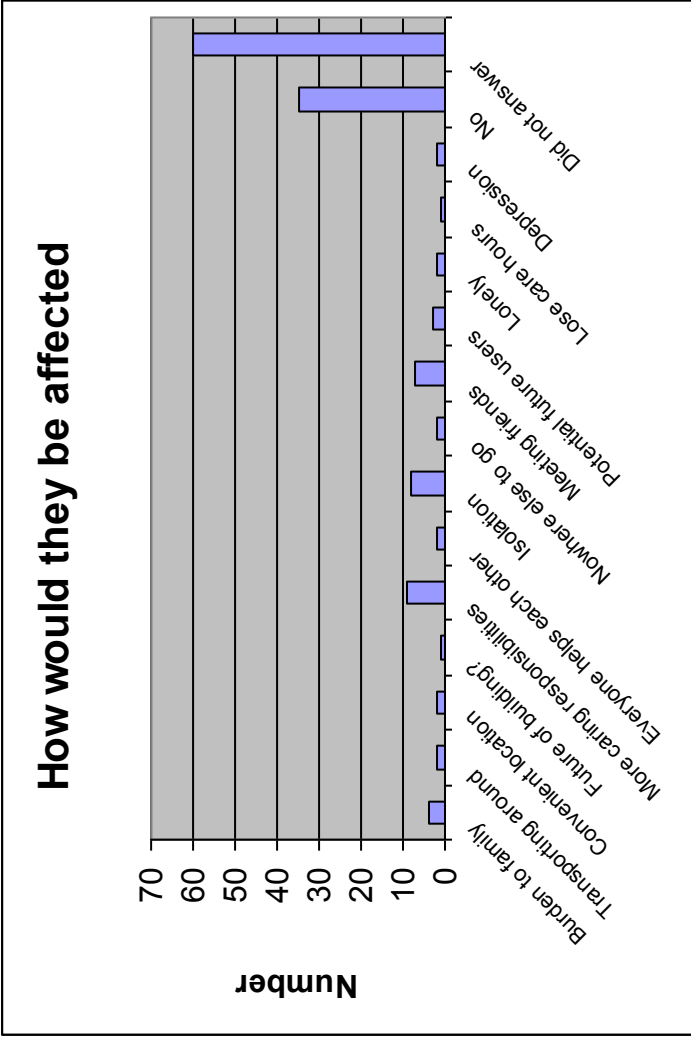


A high proportion of respondents did not answer this question (28%). However, responses received reveal that there are a variety of reasons members feel unable to access other services. The highest responses were regarding areas such as transport (11%), mobility issues and additional support required whilst using services.

If Abbots were to close would anyone else in your family be affected and if so how?

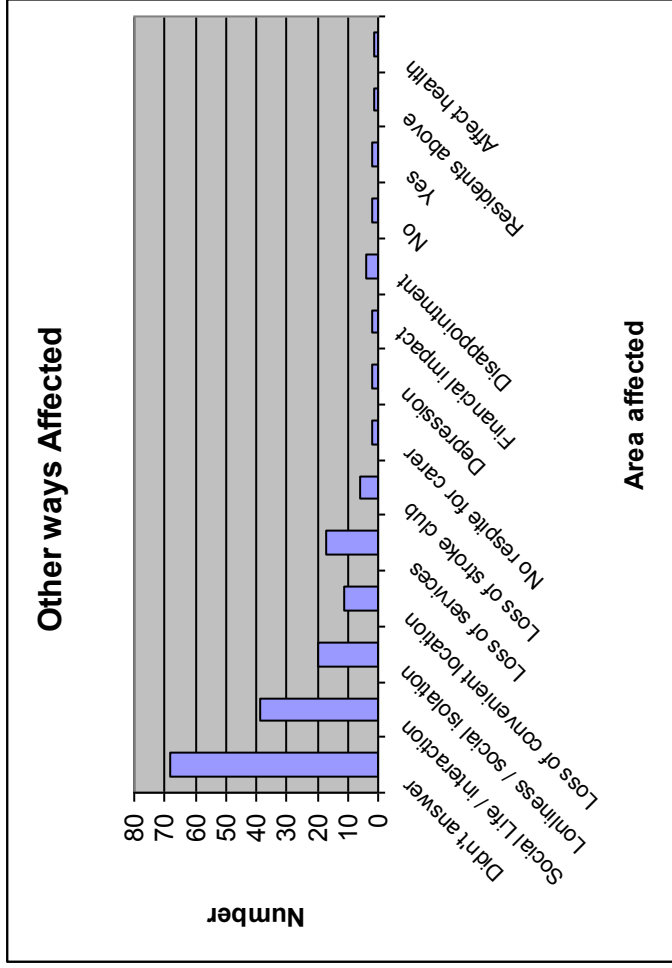


The above shows that the majority of members who answered this question feel that either their spouse of family members will be affected if Abbots closes.

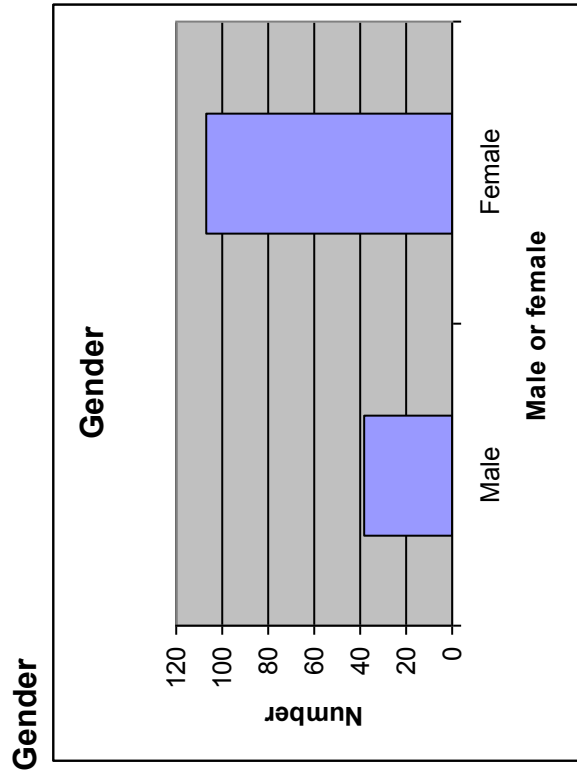


This graph indicates that the members who responded feel that if Abbots closes, their families will have to care for them more and that they will be socially isolated. However, 60% of respondents did not answer this question.

If Abbots were to close are there other ways that you could be affected?

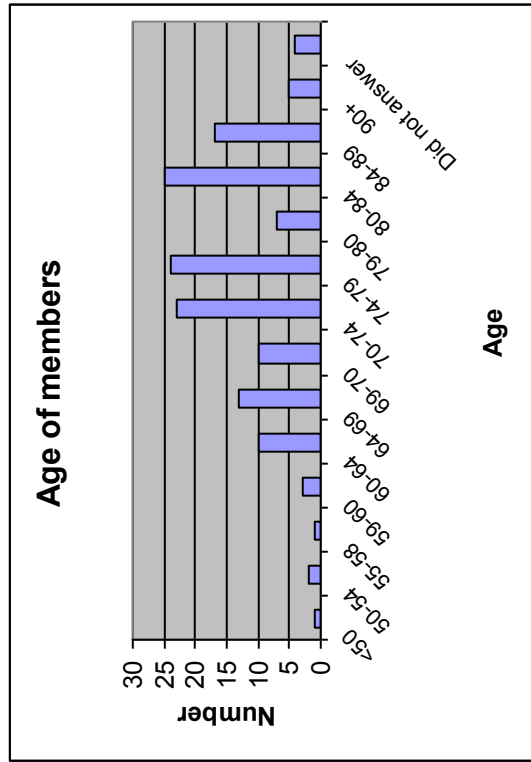


This identifies that 40% of the members who responded (59 in total) were worried that they will have no social life / interaction and will be isolated and lonely if Abbots closes



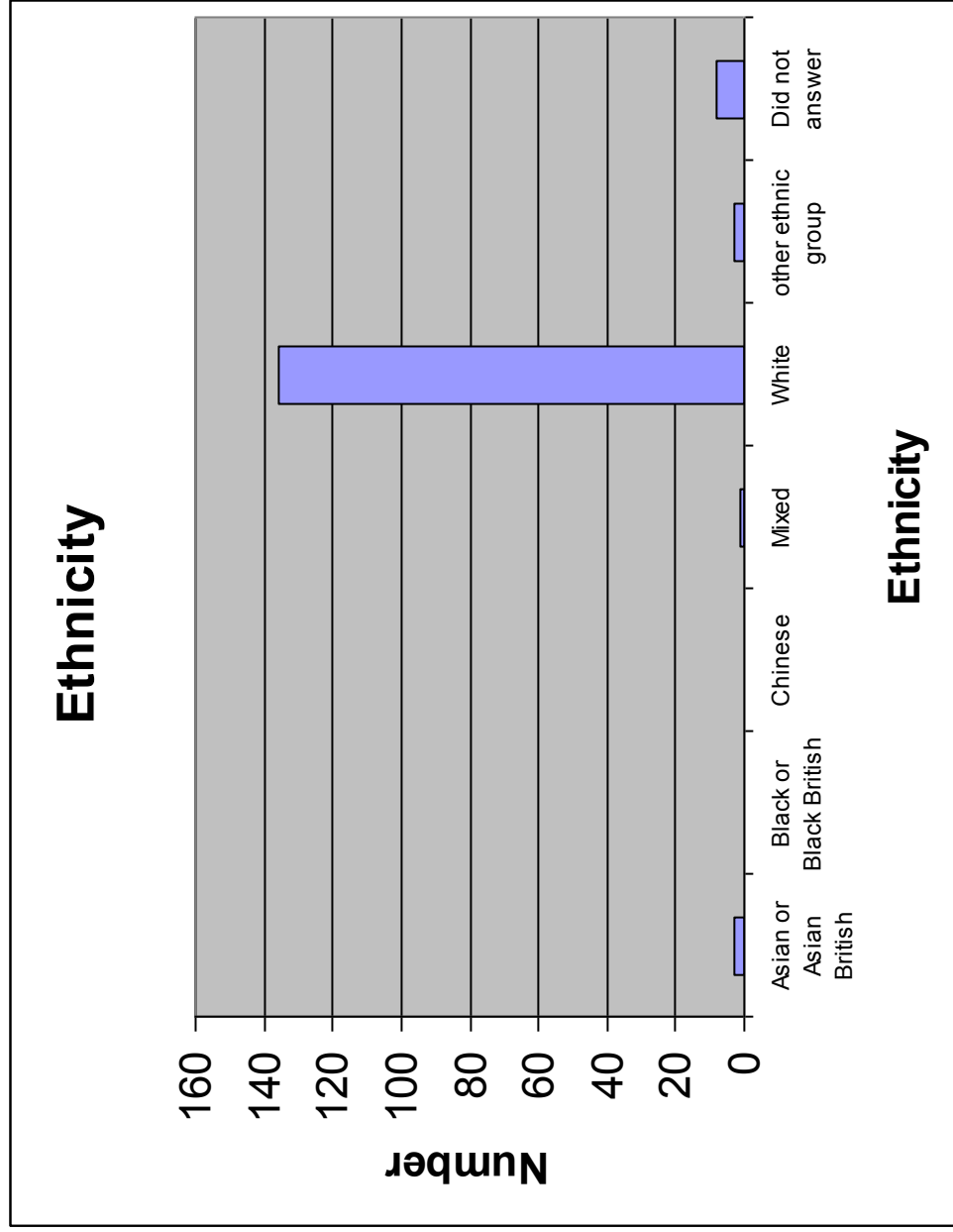
This graph shows that from the responses received, 73% (108) are female and 27% (40) are male users of Abbots Activity Centre currently.

Age of members



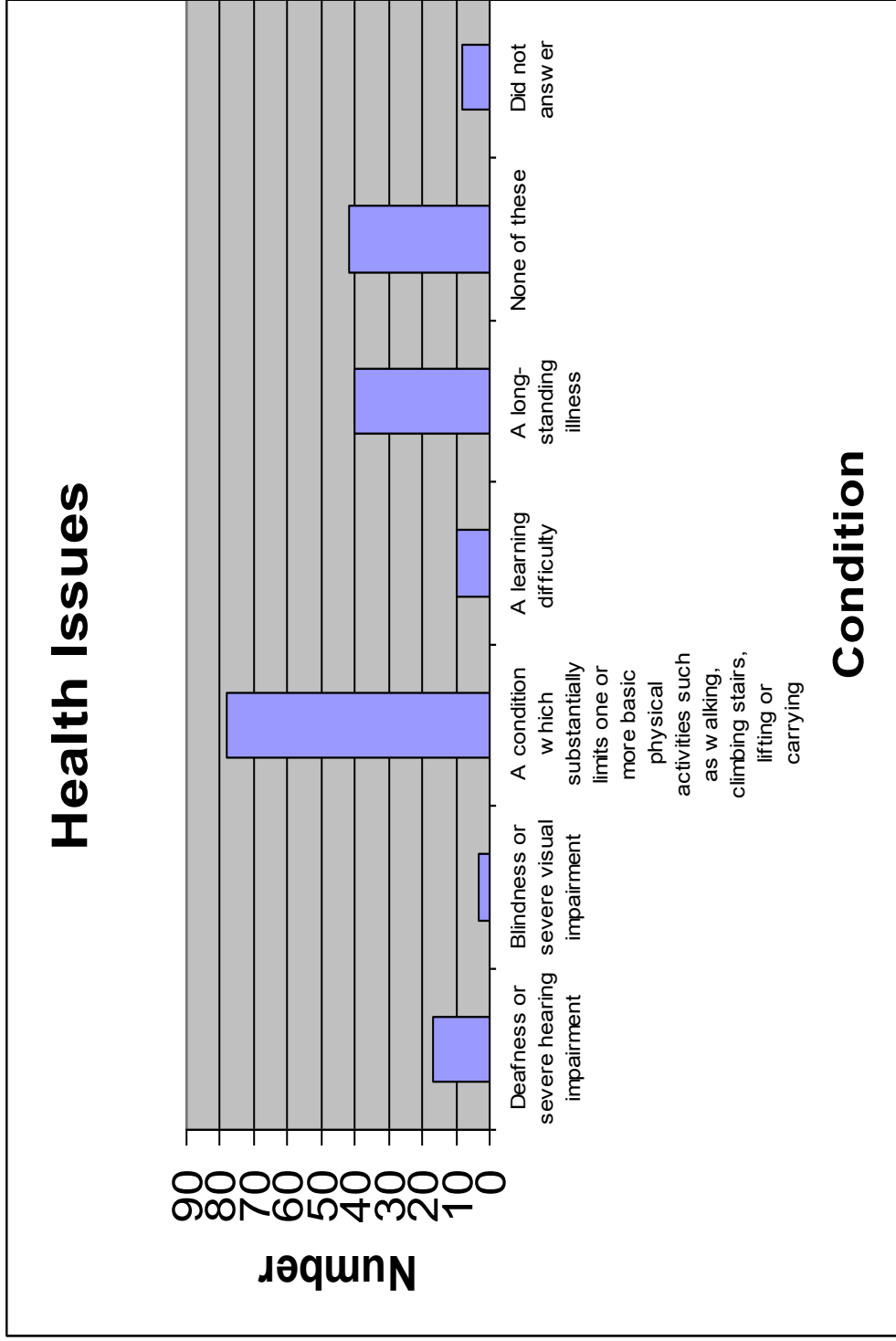
This chart identifies that of the members who responded 70% (103) are aged 70 or over.

Ethnicity



The majority of members who responded to this question (138) are White and this equates to 93%.

Do you have a long-term illness, health problem or disability that limits your daily activities?



This chart shows that over 70% of the respondents had a condition which substantially limited one or more basic physical activities such as walking.

Note of Abbots Workshop held on Friday 14 June 2013

Proposal: to discuss the impact of closure of the centre on the members

Present:

Bridget Tighe – Community Initiatives Manager, CBC
Melanie Rundle – Community Welfare Co-ordinator, CBC
Nicola French – Community Research Officer, CBC
Cllr Annie Feltham – Portfolio Holder for Communities and Leisure, CBC
Cllr Mary Blandon – Harbour ward councillor
Abbots Members
Volunteers at Abbots
Representatives from the Stroke Club

Members were asked 4 questions aimed at gaining insight into the impact of the proposal to close Abbots Activity Centre. The questions and responses are outlined below.

Question 1 – “Are you aware of any services similar to those provided at Abbots Activity Centre that are available in the Borough?”

- The response to this question was unanimously ‘no’.
- Bridget asked members whether they were aware of the D’arcy Road Centre or Lion Walk Activity Centre. Members responded that Darcy Road was not similar to Abbots as it did not provide lunches or activities on a daily basis.
- Members voiced concerns regarding wheelchair access, parking and accommodation at Lion Walk. They felt the accommodation was not suitable for disabled members and was not big enough to accommodate all the members.

Question 2 – “How would you find out about other services?”

- It was suggested by members that the Council conduct research on what is available and identify what the alternatives to Abbots were and produce a list for members.
- A member stated that not every club is open to all owing to access issues and that some clubs have certain requirements such as age, access and abilities and these restrictions should be included in the information provided.
- When asked how they would learn about the alternatives members stated they would telephone the Council or consult the Yellow Pages but would not access the Council’s website for any information.
- It was stated by one member that they felt ‘no one tells you anything, you have to find out for yourself, the Council should be sending out this information as people don’t have access to the internet.’ There was an overall feeling that computers were not used and members would prefer to be told information proactively by the Council and not have to go searching themselves.
- It was suggested that the Council produce a leaflet with all information regarding who the clubs are suitable for, what facilities are available, car parking information and any other relevant information.
- Members felt there was nothing else comparable to Abbots in the area that was an “activity centre” providing a meal 5 days a week.

- A member stated they did not wish to give the Council any information which would assist the closure of the centre. It was felt by this member that there was no other club in Colchester that treated the elderly and disabled in the same inclusive ways as they did at Abbots. He felt that other centres 'tolerated' disability and did not 'embrace disability' in the same way Abbots did.
- It was suggested that when sending out new bus passes details could be included of all activities and centres for older people in the area.
- The issues of funding and access to specialist care groups such as Stroke Support was raised
- Transport was an issue as members questioned how they would access other services?
- Members suggested advertising centres and clubs in the newspaper – members felt that Abbots was not widely advertised and this was why new members were not forthcoming.

Question 3 – “What will be the impact of the closure?”

- A carer for one of the members stated that her client would lose some of her extra allocated care if the centre was to close and would therefore become socially isolated and become withdrawn with lack of social access
- The sister of a deaf member stated her brother would become very lonely as the deaf club had also closed down and Abbots was the only place he felt really welcomed
- Another member who provided care for her husband stated that the local proximity of the club meant she could access it for a couple of hours and not have to leave her husband for too long. Accessing other clubs would not be a possibility as they would require too much travel time and therefore time away from her husband
- A member stated that she suffered from panic attacks and could not access the town for that reason. She felt that Abbots had given her a new lease of life and she would become isolated without it.
- Members suggested that the down turn in new member uptake was due to the uncertainty regarding the viability of the centre and this put new members off joining.
- A representative from the Stroke Club stated that a recent cost analysis showed her volunteers provided care throughout the year that would cost £25,000.
- The cost of parking in the town centre was raised by one of the Stroke Club's volunteers who stated she would no longer be able to help and give her time as she would not be able to afford the car parking costs.
- Members said they felt concerned regarding the health and safety at Lion Walk.

At this point in the meeting Bridget introduced Councillor Annie Feltham who opened the floor to questions and comments.

1. How much did the Tour cycle Series cost the Council compared to Abbots?
 - Cllr Feltham stated she did not have the figures with her but commented that the Council had to make choices that affected residents generally and for the whole borough regarding leisure and community. The decision to hold the Tour Series was taken to support local interests for residents and businesses and to help the life of borough. Members commented that it must have cost a lot of money as it required police

involvement. Annie stated that would not result in a cost to the Council but would be a matter for the police.

- Cllr Feltham informed the meeting that the Council made considerable investment in services for older people and had to look at providing the best value for money for all across the borough. She said she supported Age UK through providing a grant of £30K and this in turn enabled the organisation to access over 1 million pounds for Colchester's pensioners.
2. Members asked why Council Tax had not been put up to pay for things like the Centre?
- Cllr Feltham stated that the decision not to raise council tax for that purpose was a decision taken by the Cabinet and not just a decision for her. She said that budget cuts were being implemented by central government and had to be accommodated at a local level.
3. Members asked what would happen to the Abbots building if the centre closed?
- Cllr Feltham stated that there were two separate decisions to be made, 1) concerning whether Abbots Activity Centre would close and subsequent to that decision 2) what would happen to the building in the event of closure.
 - Councillor stated that the cost of running the centre was greater than the profits made and the Council was therefore making a large short fall to cover the running of the centre and where not enough members to make it viable but no decisions have been made yet and that all views were being taken on board.
4. What will happen to the residents who live above the Centre as they moved to live there as purpose built and for access to the Centre?
- Cllr Feltham stated that if the residents were members of the centre they will have been included in the consultation.
5. Some members stated that they did not receive a consultation form.
- Cllr Feltham stated that if any members had not received a form if they left their details with Debbie she would arrange a form to be sent to them.
6. What will be the impact on future generations if Centre is no longer open? What will replace it?
- Cllr Feltham stated that there was no way of telling this but hopefully there would be more locally provided clubs run by volunteers that they would be able to use.
7. Why did the Council spend £300k on arts centre? – First Site.
- Cllr Feltham responded that the Council serves the whole borough and has an obligation to provide services for all.

8. Lion Walk is not suitable for all and especially not disabled members.
 - Cllr Feltham commented that Lion Walk was less suitable for some members.
9. How much does it cost to run the Centre?
 - Cllr Feltham responded that the running costs for the centre for 13-14 were £114k. the income of the centre was estimated at £40k for the year and this left a shortfall of £74k.
10. Had anyone asked ECC to cover the shortfall?
 - Cllr Feltham said she did not know whether this was the case but would check with officers.
11. Questions were raised as to what services Lion Walk offered and how many people could access the services on a daily basis?
 - Cllr Feltham said she would ask about this and provide this information with the note of the meeting.
12. Members felt there has been constraints put on those who run the centre by the Council which has accounted for the lack of profit making, many suggested that if Debbie was given a 'free reign' to run it as she saw fit to make 'profit' and that the Council could have tried harder to keep it open.
 - Cllr Feltham stated that several attempts had been made to find someone else to run the centre but the Council had not received any viable tenders.
 - She commented that previous administrations had been faced with the same problems and had tried to resolve the funding issues to keep the centre open but it had now reached a point where the Council was experiencing severe financial cuts and had to take difficult decisions.
13. It was suggested that the Council close Lion Walk instead as it was not accessible?
 - Cllr Feltham commented that Lion Walk had more members, was less expensive and was located in the centre of town which made it more accessible to many of its members.
 - She mentioned that all members of Abbots could also attend Lion Walk, although she could not guarantee that if all members were to attend on one day it could accommodate them all.

14. Members felt Activity Centre was not very well advertised or promoted in local media

- Cllr Feltham informed the meeting that an advert had been placed in the Village Link and in the past a leaflet outlining services for older people (including the activity centres) was produced and is now available on the internet.

15. Concerns were raised as to how stroke victims will be able to access services, asked if Stroke Club would get funding for other services if Centre closed as access issues for stroke victims at Lion Walk were poor.

- Cllr Feltham stated that Leisure world could be an option for them and also that the group might consult with the NHS for the provision of some services as this area was not just the responsibility of the Council to assist. Members responded that stroke sufferers were not ill and therefore, did not come under the remit of the NHS.

16. Members put it to the Councillor that the Council was discriminating against those with disabilities.

- Cllr Feltham stated that making such an accusation was very serious and the reason for the workshop and consultation was to enable her to assess the impact on those, amongst others, with disabilities.

17. Members asked whether the Centre be used as a Family Centre and give Debbie a free hand to take the Centre forward?

- Cllr Feltham said the Council had tried to find an alternative provider but no viable bids had been received.

18. The members said wheelchair access and health and safety issues at Lion Walk were of great concern to them and would put them off accessing the centre.

- Cllr Feltham reassured members that these concerns would be investigated but she was sure that there was an annual health and safety inspection at the premises.



Scrutiny Panel

23 July 2013

Item

11

Report of	Assistant Chief Executive	Author	Robert Judd Tel. 282274
Title	2014/15 Budget Strategy, Medium Term Financial Forecast and Budget Timetable		
Wards affected			

The report on the 2014/15 Budget Strategy, Medium Term Financial Forecast and Timetable, as considered and agreed by Cabinet on 10 July 2013 is provided for the Panel's consideration.

1. Action required

- 1.1 The Scrutiny Panel is requested to consider and note the 2014/15 Budget Strategy, Medium Term Financial Forecast and Budget Timetable, presented to the Cabinet on 10 July 2013, and refer any comments or concerns back to the Cabinet for further consideration.

2. Reasons for Scrutiny

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

3. Standard and Strategic Plan References

- 3.1 The Council recognises that effective local government relies on establishing and maintaining the public's confidence, and that setting high standards of self governance provides a clear and demonstrable lead. Effective governance, of which scrutiny is a part, underpins the implementation and application of all aspects of the Council's work.
- 3.2 Scrutiny is a key function to ensure decisions have been subject to full appraisal and that they are in line with the Council's strategic aims. The role of scrutiny is also important in helping to check that risks are identified and challenged.
- 3.3 There is no publicity, equality and diversity, human rights, community safety, health and safety, risk management or financial implications in this matter.



Cabinet

10 July 2013

Item
7(i)

Report of	Assistant Chief Executive	Author	Sean Plummer ☎ 282347
Title	2014/15 Budget Strategy, Medium Term Financial Forecast and Budget Timetable		
Wards affected	Not applicable		

This report asks Cabinet to:

- **Note the current financial position for the financial years 2012/13 and 2013/14**
- **Agree use of balances**
- **Note the budget forecast and timetable for the 2014/15 budget**
- **Note the updated Medium Term Financial Forecast for the period to 31 March 2017**
- **Note an update of the Revenue Balances**
- **To note the Capital Programme.**

1. Decisions Required

- 1.1. To note the pre-audit outturn position for the financial year 2012/13.
- 1.2. To agree to release funding from balances for projects set out at paragraph 3.4.
- 1.3. To note the budget forecast, approach and timetable for the preparation of the 2014/15 budget and updated position in respect of balances.
- 1.4. To note the updated Medium Term Financial Forecast for the period to 31 March 2016 as set out at Appendix A.
- 1.5. To note the latest position in respect of the Capital Programme

2. Reasons for Decisions

- 2.1. The Council is required to approve a financial strategy and timetable in respect of the financial year 2014/15 and a Medium Term Financial Forecast (MTFF) for the two subsequent financial years.

3. Financial Overview 2012/13 and 2013/14

Financial Year 2012/13

- 3.1. The Pre-Audit Outturn report for the year to 31 March 2013 was presented to the Scrutiny Panel on 11 June 2013.
- 3.2. The position shows a net underspend on budgets of £543k after allowing for a number of agreed carry forward items. This position also means that the allocated risk factor of £285k has not been required and will now be held within balances.

3.3. The 2013/14 budget was based on the plan that the 12/13 outturn would be delivered “on budget”. However, it was noted that the latest forecast at that stage was for a net underspend of c£250k and that should this occur it would be considered as part of the 2014/15 budget strategy. The final position therefore reflects a significant improvement and the additional surplus has been added to balances.

3.4. *Financial Year 2013/14*

At this stage in the financial year it is difficult to assess potential variances (both positive and negative). However, there are a number of areas that have been identified which are recommended are funded from balances:-

Proposal	£'000	Comment
Town Walls – contribution towards on-going repair costs. One-off at this stage.	50	There are currently available capital allocations for various “walls”:- Town Walls £335k Castle Walls £480k Closed Churchyard walls £115k
Commercial Transitional Costs / Opportunity Purchases	200	Contribution to assist with one-off transitional costs associated with commercial land or property deals and towards possible opportunity purchases.
Allocation for parking study	40	Previously agreed to allocate from New Homes Bonus infrastructure allocation. This will therefore reinstate the £250k for this in the budget.
A12 / A120	14	Allocation of funding to allow the Zone teams to undertake fortnightly litter picking of the A12 and A120 following Essex County Council (ECC) confirming that they would no longer be providing funding to Colchester Borough to continue the service.
Proposed Allocations	304	

3.5. The impact of these proposals has been reflected in the balances position shown within this report.

3.6. Based on the above proposals balances would remain above our recommended level. Scrutiny Panel will receive reports during the year on the budget position.

4. Budget Forecast for 2014/15

4.1. Appendix A sets out a budget forecast for 2014/15 and a Medium Term Financial Forecast (MTFF) for the subsequent two years including the key assumptions. 2014/15 is the second year in which important and significant changes have been made to how Local Government is funded with the introduction of a scheme of locally retained business rates. This combined with the impact of the Local Council Tax Support (LCTS) Scheme provide a backdrop to a budget forecast which continues to contain a number of uncertainties and therefore risk areas.

4.2. The current forecast budget gap for 2014/15 is £1.3m and is summarised in the following table:-

	2014/15 £'000	Comment
Base Budget	22,986	
One off growth / cost pressure / saving adjustments	(667)	
Cost Pressures	1,085	Inflationary provision, pensions increase, and general risk contingency
Savings - Agreed	(405)	Mainly additional saving from Sport and Leisure FSR and increasing target for procurement.
UCC FSR	(815)	Increased net saving from 2 nd year of FSR.
Forecast Base Budget	22,184	
Government Grant	(4,370)	Based on figures provided in 2013/14 Settlement.
Retained business rates (baseline funding level)	(3,896)	As above, based on settlement figures provided. Assumes that the level of business rates retained is the same as the baseline.
Council Tax Freeze Grant	(109)	2 nd year of grant in respect of freeze in 13/14
New Homes Bonus	(2,616)	Assumes no increase in grant at this stage
Council Tax	(9,684)	Based on no increase in Council Tax
Use of Reserves	(230)	Ongoing use to fund community stadium and S106 reserve.
Total Funding	(20,905)	
Budget gap	1,279	
Budget Gap based on an increase in Council Tax of 2%	1,085	

4.3 The key assumptions in respect of the 2014/15 forecast are:

Government Funding & Business Rates

4.4. Alongside the 2013/14 Finance Settlement announcement the Government set out provisional figures for 2014/15. These figures reflect previously announced reductions in local government funding with the additional 2% departmental budget savings to be found in 2014/15 announced in the Autumn Statement.

4.5. The key figure for the Council's financial planning is the comparable level of start-up funding which shows **a reduction in 14/15 of £1.2m (12.6%)**. The start up funding assessment includes two elements: Revenue Support Grant and Baseline Funding Level. The latter represents the assumption of the level of business rates retained. The following table shows how the funding reduction is in respect of the grant. This means that a greater proportion of the Council's funding is now expected to be received from business rates as opposed to Central Government grant.

	2013/14 £'000	2014/15 £'000	Change £'000
<i>Revenue Support Grant</i> This is the grant that will be paid for the year	5,682	4,370	(1,312)
<i>Baseline Funding Level</i> This is starting point for assessment of locally retained business rates.	3,780	3,896	116
Start up funding assessment	9,462	8,266	(1,196)

4.6. The budget forecast currently assumes that the level of assumed business rates retained in 2014/15 will be the same as the baseline assessment. Part of the new arrangements for business rate retention is for the Council to agree an estimate of business rates income for the year. This includes making a number of key assumptions in respect of collections rates, growth in business rates and an allowance for the impact of revaluation appeals. These issues will be considered as part of future budget updates.

Inflation and costs

4.7 For 2014/15 a planning figure has been included for general changes to “pay and prices” in line with the approach used in recent years. It will be necessary to review forecasts for specific areas including pay and energy costs in due course and this is therefore subject to change.

4.8. Specific cost pressures has been included for two items. The costs of additional fleet vehicles planned for 2014/15 and an allowance for changes to pension costs. The next actuarial review will take place base on the position at April 2013. The outcome of this review will not be known until the Autumn and an assumption of an increased cost of £250k is currently shown and this will be refined in future years as the position becomes clearer.

Growth items

4.9. No allowance has been built in to the budget forecast for any growth items in 2014/15. However, the final budget proposals will reflect the investment in the food waste service. It is assumed that this will be funded from the agreed Government grant and as such there will be a cost neutral impact.

Income budgets

4.10. It is evident that there has been a reduction in recent years in some income budgets. The 13/14 budget includes an allowance for reductions in some income levels, however this is likely to remain a risk to the 14/15 budget forecast and the MTFF.

Savings (incl. UCC FSR)

4.11. At this stage the savings shown include the estimated additional savings from third year of the Sport and Leisure FSR and further savings on the ICT contract. The target for procurement savings included in the 13/14 budget has also been increased by £150k.

4.12. The largest area of additional saving includes a change of £815k resulting from the implementation of UCC FSR. This comprises additional savings or additional income in number of areas.

Council Tax

4.13. The budget forecast for 2014/15 now reflects an assumption of a freeze in Council Tax. This does not represent a formal proposal at this stage but indicates a desire to continue

with the approach of the last three years during which the Council has kept Council Tax unchanged. The table shows that the budget gap would reduce by £0.2m if an assumption of a 2% increase was used.

Local Council Tax Support (LCTS)

4.14 The Local Council Tax Support Scheme (LCTS) was approved by Full Council in December. This replaced Council Tax benefits and as has previously been reported places a number of changing risks to the Council such as:-

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

4.15 The Government funding for LCTS is provided within the revenue support grant and retained business rates figures which as explained earlier in the report is forecast to reduce by c12% in 14/15. Consideration will need to be given to the impact of this on any cost of LCTS.

New Homes Bonus (NHB)

4.16. The budget position shown includes no increase in the level of income from the New Homes Bonus received in 2013/14 of £2.616m.

4.17. The Government allocated £200m for the NHB scheme in 11/12 and £250m for each of following three years giving a total of £950m. It has previously been acknowledged that this is insufficient to fund the full costs of the scheme and that the gap will be met from the overall funding allocated for Local Government.

4.18. The New Homes Bonus is now a key element of the Government's financial support for local authorities. The methodology of the scheme means that we have a degree of certainty over at least a minimum level of funding in the short to medium term. The budget forecast and MTFP provides a breakdown on how the New Homes Bonus may change over the next few years and at this stage a 'worst case' situation is shown within the figures. It is clear that funding from the New Homes Bonus will be much higher than the figures shown. However, given the link with other Government funding a prudent approach is proposed at this stage.

Summary of Budget Forecast

4.19. There are a number of significant budget risks that will affect the 14/15 budget process and these are set out within Appendix A. The risks include items that could be positive to the budget forecast as well as negative. The current list of risks will be monitored and amended throughout the budget process.

4.20. In summary there is a forecast budget gap of circa £1.3m. This already reflects planned savings of £1.2m. It should also be noted that at this stage this gap could change based on a number of emerging factors.

Delivering the 2014/15 Budget

4.21. The Council's approach to the budget is that it is primarily driven by the Strategic Plan. We have adopted a number of different ways to identify savings or additional income to support Strategic Plan priorities and to meet a number of substantial cost pressures. The

strategy for last three years has been broadly based upon identifying opportunities to make efficiencies, mainly through the FSR process, maintaining and where possible increasing income and through exploring different ways to deliver services.

- 4.22. Looking ahead to 2014/15 and beyond it is clear that there is already a significant level of savings assumed, mainly through the UCC FSR. Some further reviews are already underway which build on the UCC FSR such as the Corporate and Financial Management FSR. However, if the identified level of cost pressures occur it will be necessary to identify further savings.
- 4.23. The Budget Group comprising Cabinet members and senior officers has operated for four years. It is intended that the Budget Group continues and has the overview of all possible budget opportunities, monitoring progress and taking relevant reports.
- 4.24. The Council's approach to budgets has always been to consider the longer-term impact of decisions. The budget process for 2014/15 will continue to reflect this by recognising that some service changes (reductions, income and growth) will often be delivered over a period longer than a year. This is likely to be particularly true for outcomes of the FSRs.
- 4.25 Appendix B sets out the proposed budget timetable.

Housing Revenue Account (HRA)

- 4.26. The HRA is a ring fenced account that relates to costs and income in respect of the Council's housing stock. The HRA budget and rent setting process is carried out alongside the General Fund budget and elements of the process are carried out simultaneously. The budget approach for the HRA will continue to be fully integrated within the General Fund budget process with the final budget report and rent setting being included within the overall budget and Council Tax decisions.
- 4.27. 2012/13 saw a significant change to the HRA with the implementation of reforms to the HRA subsidy system and creation of the self financing regime. This has assisted with financial planning and the impacts of these changes were fully reflected in the 2013/14 budget and the 14/15 budget will therefore be similarly developed within this new framework.
- 4.28. The separate report on this agenda considers the proposal relating to the New Housing Arrangements project and the financial implications of this will be considered alongside the 2014/15 HRA budget and medium term forecast.

5. Medium Term Financial Forecast

- 5.1. The Medium Term Financial Forecast (MTFF), as set out at Appendix A, shows a potential budget cumulative budget gap of c£3.1m by 2016/17. The key factors affecting the budget gap in later years include the assumed further reduction in Government funding.
- 5.2. The forecast needs to be viewed alongside the level of significant risks and uncertainty regarding a number of key factors that will impact on the Council's finances in the medium term. Most of the key risks outlined in the MTFF could result in recurring cost pressures for the Council. This will require recurring cost savings or additional income to be identified to minimise the escalation of these pressures.

- 5.3. The MTFF also shows that the Council continues to hold reserves and balances to support the Council's budgets. The position on these reserves will be reviewed during the year as the 2014/15 budget progresses.
- 5.4. In summary the MTFF sets out what is likely to continue to be a challenging financial outlook with an increasing level of uncertainty in future years. The budget process needs to establish that the Council's spending plans, in the medium term, are affordable and can be prudently financed.

6. Revenue Balances

- 6.1. Following completion of the final accounts for the year to 31 March 2013 uncommitted or unallocated revenue balances stand at £2.1m. This compares with the current approved minimum balance of £1.8m.
- 6.2. As this report emphasises the Council is expected to face many financial pressures in the medium term. Whilst some provisions have been made within balances for some of these there is a recognised view that further significant reductions in public sector spending will occur over the coming years and that there is an increased financial risk associated with many of the local government finance reforms such as localisation of business rates and the local council tax support scheme. It should also be noted that balances can by nature only be used once and so it is not generally appropriate to use them to support ongoing budget pressures.
- 6.3. As part of the 14/15 budget process it will again be necessary to review the risk assessment that informs the recommended level of balances. Given, the current uncertain financial outlook and implications of the significant changes introduced by the Government it was agreed that the recommend a level of balances be increased to £1.8m.
- 6.4. This is the first report in respect of the 2014/15 budget. The budget timetable sets out that the position on balances and other reserves and provisions will be reported later this year. The scope and option of using balances to support the revenue budget will therefore be considered in future reports.

7. Capital Programme Update

- 7.1. The capital outturn report for 2012/13 was reported to Scrutiny Panel on 11 June showing spend for the year of £13.3m. The 12/13 outturn figure represents 41.9% of the total 'live' programme. The remainder of the funds being expected to be spent in 2012/13 and 2013/14.
- 7.2. A review of resources available to support the Capital Programme has been carried out. This shows that based on current projected capital spend and receipts, there is currently an excess of resources. It should though be noted that this forecast includes certain future receipts and schemes which will be subject to formal decisions.

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Surplus Resources B/Fwd	(865.4)	(825.4)	(945.4)	(245.4)
Forecast Capital receipts	(4,452.0)	(695.0)	(975.0)	(200.0)
New schemes	4,492.0	575.0	1,675.0	400.0
Shortfall / (Surplus) C/Fwd	(825.4)	(945.4)	(245.4)	(45.4)

8. Strategic Plan References

- 8.1. The Council has agreed an over arching vision for the Borough: Colchester, the place to live, learn, work and visit. Alongside this are number of broad aims.
- 8.2. The 2014/15 budget and the Medium Term Financial Forecast will be underpinned by the Strategic Plan priorities and will seek to preserve and shift resources where needed to these priorities.

9. Financial implications

- 9.1 As set out in the report.

10. Equality and Diversity Implications

- 10.1 Consideration will be given to equality and diversity issues in respect of budget changes proposed as part of the budget process. This will be done in line with agreed polices and procedures including production of Equality Impact Assessments where appropriate.

11. Risk Management Implications

- 11.1 As set out in report.

12 Consultation

- 12.1. The Council is required to consult on its budget proposals. A consultation exercise took place as part of the production of the Strategic Plan agreed by Council in February 2012.
- 12.2. The budget strategy and timetable aims to ensure that information is available for scrutiny and input from all Members on proposals in the process. The aim is that detailed information will be available prior to the final budget report being submitted to Cabinet and approval by Council in February.
- 12.3. As has been the case in previous years the opportunity remains open for the leader of the opposition to meet with officers to assist with consideration of any alternative budget proposals.
- 12.4. Furthermore, we will continue with the statutory consultation with business ratepayers and will meet with parish councils in respect of grant funding.

13. Other Standard References

- 13.1 There are no direct Publicity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Background Papers

Revenue and Capital Outturn reports to Scrutiny Panel – 21 June 2013

Medium Term Financial Forecast 2013/14 – 2016/17

1. Introduction

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

- A summary of the 2013/14 budget including an analysis of all service budgets
- The budget forecast for next three years including current cost pressures, growth items and assumptions regarding use of reserves.
- A list of key risk items for 2014/15 and beyond
- The current position on Council General Fund balances including the risk assessment for 2013/14
- The current position on all other reserves and balances

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

2. 2013/14 Budget

The Council's General Fund includes all costs and income other than those in respect of the Council housing stock

Colchester's total net revenue budget for 2013/14 is **£20.4million**.

	£'000
Net Budget (incl: New Homes Bonus)	20,370
Funded by:	
Government Grant (incl: Council Tax freeze grant)	5,791 (28%)
Retained Business Rates (as shown in baseline assessment)	3,780 (19%)
Council Taxpayers (excl. parishes)	9,684 (48%)
Use of Balances / Reserves and Collection Fund deficit	1,115 (5%)
	20,370

The following table sets out a summary of the 2013/14 budget including changes made from the previous year.

2013/14 Summary Budget

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

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 13/14 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Corporate Grants</i>	0		0				0
Homelessness Grant	(192)		0		196		4
New Homes Bonus (NHB)	(1,525)		0			(1,091)	(2,616)
<i>Non-Service Budgets</i>	0		0				0
Grants to Parish councils	102		0	(85)	120		137
CLIA (net interest)	854		0			(150)	704
R&R Contribution	150		0				150
Min Revenue Provision	698		0			(50)	648
Pensions	2,494		102			(197)	2,399
One-off costs	100	(100)	0			500	500
GF/HRA impact (incl. tech items)	(3,040)		0		56	(65)	(3,049)
Total Below the Line	(104)	(100)	832	295	372	(1,388)	(93)
Total incl Below the line	20,092	(280)	2,120	565	372	(2,449)	20,370
Funded by:-							
General Reserve			(50)			(715)	(765)
Pensions Reserve	(97)	97	0			(102)	(102)
Capital Expenditure Reserve	(200)		0				(200)
Other Reserves - S.106	(70)	70	0			(30)	(30)
Government Grant (RSG / NNDR)	(8,404)		726				(7,678)

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 13/14 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax Freeze Grant (re 11/12)	(267)		0				(267)
LCTS Grant	0		0		(1,321)		(1,321)
Homelessness Grant	0		0		(196)		(196)
Council Tax Freeze Grant	(269)	269	0			(109)	(109)
Council Tax	(10,761)		0		1,201	(124)	(9,684)
Collection fund Transfer	26	(26)	0		(18)		(18)
Total	(20,092)	410	676	0	(334)	(1,080)	(20,370)

3. Budget Forecast 2013/14 to 2016/17

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

Medium Term Financial Forecast				
2013/14 to 2016/17				
	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000
Base Budget	21,567	22,986	22,184	22,804
One-off items	(280)	(667)		
Cost Pressures	1,780	1,085	890	890
Growth Items	565	0	720	0
UCC FSR (yoy) change	340	(815)	(990)	(890)
Savings	(1,358)	(405)	0	0
Parish Grant re LCTS	120			
Homelessness Grant (adjustment)	196			
Technical Items	56			
Forecast Base Budget	22,986	22,184	22,804	22,804
<i>Funded By:</i>				
<i>Formula Grant</i>	(7,678)			
<i>Council Tax Freeze Grant (re 11/12)</i>	(267)			
<i>Homelessness Grant</i>	(196)			
<i>LCTS grant</i>	(1,321)			
Start up grant funding (RSG and NNDR)	(9,462)	(8,266)	(7,586)	(7,207)
New Homes Bonus	(2,616)	(2,616)	(2,616)	(2,616)
Total Gov't grants	(12,078)	(10,882)	(10,202)	(9,823)
Council Tax	(9,684)	(9,684)	(9,684)	(9,684)
Council Tax freeze grant (re 13/14)	(109)	(109)		
Collection Fund Deficit / (Surplus)	(18)	0	0	0
Use of Reserves	(1,097)	(230)	(230)	(230)
Total Funding	(22,986)	(20,905)	(20,116)	(19,737)
Budget gap before changes (cumulative)	0	1,279	2,688	3,067
Annual increase	0	1,279	1,409	379

Alternative position based on a 2% pa increase in Council Tax:-

Total Funding	(22,986)	(21,099)	(20,507)	(20,330)
Budget gap before changes (cumulative)	0	1,085	2,297	2,474
Annual increase	0	1,085	1,212	177

Notes:

New Homes Bonus is shown within funding, although for accounting purposes it is shown within the net budget.

The table above does not show the late minor changes to the 13/14 budget reported to Full Council in February or reflect proposals for use of balances set out within this report. This will be shown in future updates.

	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000
Cost Pressures				
General Inflation (incl. risk factor of £400k)	500	640	640	640
Pensions	102	250	250	250
MRP (Minimum Revenue Provision)	0	0	0	0
Elections	(92)	85		
Castle Museum Closure (one off pressure in 13/14)	67			
Land Charges (recurring risk)	200			
Fleet	208	110		
Insurance - Vehicle premiums	182			
St James / Roman House	75			
Benefit Admin grant	61			
Shared Management Saving	30			
Trade Waste	45			
Firstsite - Repair & Mtce.	15			
Council Tax Benefits - base budget adjustment	150			
EMT income	27			
Digital Strategy	30			
Market Income	30			
Revenues and Benefits (funded by c/f)	50	<i>one off</i>		
Local Taxation - Court Fees	100			
Total	1,780	1,085	890	890
Growth Items				
Food Waste (net impact)	(100)		720	
Tour Series	40			
Affordable homes	105			
Growth linked to New Homes Bonus	250			
Eastern Enterprise Hub	75			
Ward Budgets (net of parish grants)	35			
PV Panels (one off)	15	<i>one off</i>		
Market Study (one off)	15	<i>one off</i>		
Strategic Plan Priorities (one off)	100	<i>one off</i>		
Welfare Reform (one off)	30	<i>one off</i>		
Total	565	0	720	0
Savings (incl. one off adjustments)				
Remove savings risk factor	(285)			
ICT	(265)	(40)		
Sport & leisure FSR	(618)	(195)		
Private sector leasing	(8)	(20)		
Estates regeneration	(30)			
Customer Excellence	(10)			
Rowan House lease	(5)			
Procurement Target	(50)	(150)		
Magistrates Court	(15)			

	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000
Audit fee	(60)			
Remove Pension Strain budget	(197)			
Planning Fees	(50)			
One off costs to deliver savings	500	one off		
Interest earnings (mostly one-off)	(150)	part one		
MRP	(50)	off		
Sharing agreement (extra)	(65)			
Total	(1,358)	(405)	0	0

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

Use of Reserves				
Balances (General)	715			
Funding c/f	50			
S106 monitoring reserve	30	30	30	30
Pensions Provision	102			
Capital Expenditure Reserve:- Community Stadium	200	200	200	200
Total	1,097	230	230	230

4. Risk Areas / Uncertainty

There are several key risk areas or areas where the outcome is uncertain which will impact on the 2014/15 budget forecast and potentially in later years. The main areas are:-

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

Ref	Risk / Area of uncertainty	
7	<i>Use of reserves</i>	The budget position for 2013/14 includes proposals to use certain reserves. The MTFF assumes the ongoing use of the capital expenditure reserve and S106 reserve. The 2013/14 budget included the proposal to agree that up to £0.7m be used to support the budget to meet one-off costs including £0.5m required to deliver the budget savings.
8	<i>Legislation</i>	There is likely to be several items of new legislation over the life of the MTFF for which any available funding may not cover costs or which may impact significantly on the Council e.g. universal credit.
9	<i>Impact of regeneration programme e.g. car park closure and staff resources</i>	As the regeneration programme progresses there will be an ongoing impact on income from car parks due to temporary and permanent closure of certain car parks and also the introduction of park and ride.
10	<i>Property review</i>	A review of our assets was carried out and a 5-year Building Repairs and Maintenance Plan produced. There will continue to be financial implications arising from this for both the revenue budget and capital programme and these will continue to be considered in detail and included in the ongoing updates of the MTFF. The 2013 budget forecast maintains the additional allocation of £150k in respect of planned repairs. This will continue to be reviewed to consider if it is sufficient to meet ongoing requirements.
11	<i>Impact of growth in the Borough and demand for services</i>	A number of Local Authority services are directly impacted by the increase of population in the Borough, such as waste services, planning, benefits etc. As part of the budget it will be necessary to consider whether there is a need for additional resources in these or other areas in order to maintain levels of service. The current financial assumption made is that the Council programme of FSRs will assist in identifying efficiencies to cope with changes in demand, however, this will be regularly reviewed.
12	<i>Delivery of budget savings</i>	The 2013/14 budget includes c£1.8m of savings or increased income. These items have been risk assessed and all are considered deliverable, however, the budget report considers the risk to delivering some of the income targets and if these cannot be achieved there is the risk in the MTFF of the ongoing impact.
13	<i>Net Interest earnings and investments</i>	The budget is influenced by a number of factors including interest rates and cashflow movements. The treasury management strategy for 2013/14 highlights the outlook for interest rates in the medium-term which points to continuation of unprecedented low levels into 2013/14. The budget forecast has been adjusted by £150k to reflect the ongoing benefit of the Councils ongoing strategy to 'internally borrow' to minimise our interest costs. The MTFF recognises that this is not an ongoing gain.

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

5. General Fund Balances – Risk Assessment

Introduction

A risk assessment has been undertaken to determine the prudent level of general fund balances as part of the 2013/14 budget process.

Background

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

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

The following table set out general fund balances over recent years:-

	£'000	
31 March 2007	2,708	(includes £902k to support 07/08 budget)
31 March 2008	3,347	(includes £1,232k to support 08/09 budget)
31 March 2009	2,891	(includes £1.17k to support 09/10 budget)
31 March 2010	3,926	(includes £1.89m to support 10/11 budget)
31 March 2011	3,457	(includes £1.6m to support 11/12 budget)
31 March 2012	4,919	(includes £3.1m to support 12/13 budget and beyond)
31 March 2013	5,893	See table at section 6

A thorough review of the balances position was reported to Cabinet as part of the 2013/14 budget exercise. This included a risk assessment to establish the minimum level, which was agreed at £1.8 million.

Risk Assessment

The risk assessment has been kept under review. The results of the current assessment are summarised below.

Factor	Assessed Risk		
	High £'000	Medium £'000	Low £'000
Cash Flow	950		
Capital (nil given reserves and receipts)			0
Inflation		100	
Investment Income	150		
Trading Activities and fees and charges		200	
Emergencies		50	
Benefits			100
New Spending – legal commitments			100
Litigation		150	
Partnerships			100
VAT Exemption Limit			350
Budget Process		100	
Revenue impact of capital schemes			150

Impact of Local Government Finance reforms (Welfare Reform, including LCTS and retention of business rates scheme)	300		
	1,400	600	800

	Minimum Provision
High Risk – 100%	1,400
Medium Risk – 50%	300
Low Risk – 10%	80
Sub Total	1,780
Unforeseen factors,	20
Recommended level	1,800

This shows the minimum level of balances being maintained at £1.8 million. It is then a matter of judgement whether it would be desirable to hold any further level of balances beyond this, or to seek to rebuild balances above this level to provide for future flexibility.

The main issues to mention concerning the assessment are: -

- The key reason for proposing to increase balances was the new risks associated with major Local Government reforms such as the creation of a Local Council Tax Support Scheme and the local retention of business rates. The analysis of the business rates retention scheme and specifically the operation of a safety net shows that there is a risk to the Council's budget of £283k
- While the possible requirement to meet capital spending from revenue resources is still recognised as a potential risk the assessment is "nil" because of the current level of funds held in the capital expenditure reserve and the introduction of the Prudential Code.
- Investment income has been identified as a risk area. In last year's risk assessment this was classified as a "high risk" and due to the continuing uncertainty in the world economy this has been maintained.
- The assessment includes the risk that the VAT exemption limit will be exceeded with a consequent loss of recoverable VAT. Regular monitoring and active management of new schemes minimises this risk.

Implications

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

- Ensure all spending aspirations for the coming year are assessed as part of the annual budget process. The continued development of the Medium Term Financial Forecast will assist in this.

- Recognise that it will not be possible to draw on balances to fund new discretionary initiatives identified in the year, however desirable they may be; an alternative source of funding would need to be identified.
- Realise future assessments could identify a need to rebuild balances
- Accept that the potential for interest earnings on balances will change depending on the level of balances held. (This will be reflected in the budget accordingly).
- Acknowledge that any balances desired for future flexibility/change management will need to be built up over and above the prudent level identified.

In addition it is acknowledged that it may be necessary for balances to fall below the recommended level. Balances are provided to mitigate unbudgeted cost pressures and as such at times they may be used to provide temporary support to the Council's budget.

6. General Fund Balances - Position

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

General Fund Balances

	£'000
Balance as at 31 March 2013 (As per Statement of Accounts)	(5,893)
Use of balances during 2013/14:	
• Financing carry forwards – Proposed carry forward of 13/14 budgets (Note 1)	594
• Existing items carry forward in balances (see Note 2)	901
• Existing allocations for 13/14 and future years budget (Note 3)	1,185
• Supporting the 13/14 Budget (Note 4)	867
• New releases proposed in this report (Note 5)	304
Projected Balances as at 31 March 2014	2,042
Proposed minimum balance	1,800
Potential Surplus Balances as at 31 March 2014	242

Notes:

1. This reflects items agreed as part of the 12/13 closure of accounts process as reported to Scrutiny Panel on 11 June 13.
2. This includes previous sums allocated from balances which have not yet been spent. For example it includes funding allocated for potential redundancy costs, funds allocated as part of the Jubilee Fund and provisions allocated in respect of certain key risks.
3. This includes funding allocated in balances in respect of a number of key risk areas such as the various Government welfare reforms and proposed changes in respect of NNDR. This also includes a provision for future cost pressure in respect of Community Stadium funding and the risk factor which has been carried forward from the 12/13 budget as reported to Scrutiny Panel on 11 July 13.
4. Agreed use of balances to support the revenue budget including the use of the pensions provision
5. Proposed releases from balances as set out in this report.

7. Earmarked Reserves and Provisions

The Council maintains a number of earmarked reserves and provisions, which allows it to prudently plan for future expenditure requirements. As at 31 March 2013 earmarked reserves totalled £5.7m and provisions £0.5m.

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

The position on these reserves will be reviewed as part of the 2014/15 budget process including forecasting and assessing the impact of future commitments.

Reserve	Amount 31/03/13 £'000	Estimate 31/03/14 £'000	Comment
Renewals and Repairs (including Building Maintenance Programme)	1,689	1,200	Maintained for the replacement of plant and equipment and the maintenance of premises. Annual contributions are based upon the estimated renewal or repair cost, spread over the life of the asset.
Insurance	263	200	The 13/14 budget includes the agreed annual contribution of £150k. To cover the self-insurance of selected properties. The balance of the fund is split with a proportion specifically identified as a provision against the cost of claims (see section B).
Capital Expenditure	943	500	Revenue provision to fund the capital programme. The reserve is fully committed to funding the current capital programme. However actual use of balance is dependent not only on progress of spending on approved capital schemes but also level of other resources, mainly capital receipts, received. This Reserve is also being used to support some financing costs of the Community Stadium
Asset Replacement Reserve	9	0	A reserve for the future replacement of vehicles and plant. The vehicle replacement policy has been reviewed. Revenue contributions to this reserve have now ceased and the funding is now sourced from the Council's Capital Programme.
Gosbecks	342	320	Maintained to provide for the development of the Archaeological Park. The main source of funding was a 'dowry' agreed on the transfer of land.
Heritage Reserve	5	4	This represents balance held of

Reserve	Amount 31/03/13 £'000	Estimate 31/03/14 £'000	Comment
Hollies Bequest	6	4	museums donations and as such represents a small element of the Council's support to heritage schemes. Provision for the upkeep of open space.
Section 106 monitoring	58	40	Required for future monitoring of Section 106 agreements. From 2010/11 onwards it has been agreed to use £70k from this reserve. Given the reduced balance the MTFF assumes a contribution of £30k from 2013/14.
Revenue Grants unapplied	1,383	500	Under new accounting rules any grant received where there are no clear conditions that the grant is repayable if not spent now have to be transferred to this reserve. For all these grants proposals for use of the money exist and the funds are held in the reserve until the money is spent.
Regeneration Reserve	71	50	Contribution to reserve in respect of balancing any deficit in funding schemes in particular years.
Parking Reserve	312	200	As part of the existing 'on street' parking arrangements there is requirement to keep any surplus funds separate from the General Fund. With the North Essex Parking Partnership (NEPP) there is also a requirement to hold separately funds provided to support TRO (Traffic Regulation Order) work and also initial funding provided by Essex County Council
Building Control	0	0	The Building (Local Authority Charges) Regulations came into force on 1 April 2010. The new charges allow Building Control to more accurately reflect the cost of chargeable services. In any year there is therefore the likelihood of a balance on this account that must be assessed as part of ongoing charges.
Heritage Mersea Mount	13	0	Funding received from English Heritage towards costs relating to Mersea Mount.
HRA retained Right to Buy (RTB) receipts - Debts	344	600	New Reserve following Government changes to the RTB scheme. From 2012/13 the Council can retain a proportion of RTB receipts to offset debt taken on by the HRA Self-Financing settlement. The reserve must be used for HRA purposes.

Reserve	Amount 31/03/13 £'000	Estimate 31/03/14 £'000	Comment
HRA retained Right to Buy (RTB) receipts - Replacement	280	500	New Reserve following Government changes to the RTB scheme. From 2012/13 the Council can retain a proportion of RTB receipts to fund affordable housing development. Receipts held within the reserve must be used within 3 years for this purpose, otherwise they must be repaid to the Government.
	5,718	4,118	

B. Provisions

Provision	Amount 31/03/13 £'000	Estimate 31/03/13 £'000	Comment
Insurance	501	300	This element of the fund is specifically set aside as a provision to meet the cost of identified claims including subsidence. It also includes a contingency for liable costs if a previous insurer, which has gone into administration, is unable to remain solvent.
	501	300	

2014/15 Budget Timetable	
Budget Strategy March 12 – July 2012	
March – June (SMT and Budget Group)	Budget Group Meetings Agreed Update MTFF /Budget Strategy Review potential cost pressures, growth and risks Consider approach to budget Initial budget reviews started
Cabinet – 10 July 13	<ul style="list-style-type: none"> • Report on updated budget strategy / MTFF • Timetable approved
Scrutiny Panel – 23 July 13	Review Cabinet report
Detailed Budget preparation and Budget Setting Consultation	
Budget Group / Leadership Team regular sessions on progress / budget options now - December	Review budget tasks Consider delivery of existing and new Fundamental Service Reviews
Cabinet – 4 September 13 and /or 9 October 13	<ul style="list-style-type: none"> • Budget Update • Review of capital resources / programme • Consider any impact arising from in year budget monitoring.
Cabinet – 27 November 13	<ul style="list-style-type: none"> • Budget update • Reserves and balances • Government Finance settlement (if available)
Scrutiny Panel – 28 January 14	Review consultation / Budget position (Detailed proposals)
Cabinet – 29 January 14	Revenue and Capital budgets recommended to Council
Council – 19 February 14	Budget agreed / capital programme agreed / Council Tax set

Leadership Team to review budget progress during year.

Supplementary Budget paper Spending Review 2013 – Briefing and Implications for CBC

1. Background

- 1.1. The purpose of the SR 2013 was to set out how the Government intends to spend £745billion (£694bn current and £50bn capital spending) across each public policy area in 2015/16.
- 1.2. This SR is an addition to the Comprehensive Spending Review (CSR) 2010 which covered the three-year period to 2014/15. In addition to the SR announcements the Government also provided detail of the capital and growth package for 2015/16.
- 1.3. This note highlights the key issues in the SR 2013 that affect this Council's financial assumptions.

2. Key Issues in the Spending Review for Colchester Borough Council

- 2.1. There are a number of specific issues raised by the recent announcements. The key areas covered within this note are:-
 - Overall funding levels / Government grants
 - Council Tax Freeze
 - Single Growth Fund and link to New Homes Bonus
 - Housing Rents

Overall funding levels / Government grants

- 2.2. The spending review sets out a cut of 10% cut in the budget of the Department for Communities and Local Government (DCLG) for 2015/16. The 10% cut is on top of the 33% reduction since 2010.
- 2.3. The reduction at this summary level provides an indication of the reduction that this Council might see. However, as the planning assumption included in the MTFP is based on a 5% reduction then a 10% cut would equate to a further cost pressure in 2015/16 of c£0.4million.

Council Tax Freeze

- 2.4. The Government announced that funding will be provided to support a freeze in Council Tax in 2014/15 and 2015/16. The following table sets out grants received by this Council following decisions made to freeze Council Tax showing that the amount and period over which the grant has been paid has varied each time.

	Grant £'000	Period paid / payable
<i>Grants Received:-</i>		
• Council Tax Freeze in 2011/12	267	4 years from 11/12 - 14/15
• Council Tax Freeze in 2012/13	269	12/13 only
• Council Tax Freeze in 2013/14	109	13/14 and 14/15

- 2.5. The indication is that the grant that would be available in 2014/15 and 2015/16 would be on the same basis as that provided this year i.e. a grant equivalent to a 1% increase payable over 2 years which would equate to c£109k for each year.
- 2.6. The Current budget forecast and MTFE sets out the position based on a freeze in Council Tax and also the change based on a 2% increase.
- 2.7. Although receiving the grant can clearly help authorities because the income is not built into base funding arrangements when the grant is withdrawn this leaves a gap to fill.

Single Growth Fund and link to New Homes Bonus

- 2.8. The Government announced the creation of a Single Local Growth Fund (SLGF) with over £2billion to be spent under the direction of the Local Enterprise Partnership (LEPs). It has been confirmed that £400million of this will come from the New Homes Bonus (NHB) with authorities being required to pool a proportion of their NHB income.
- 2.9. Consultation is promised on the mechanism for any pooling, although the Treasury has confirmed that the methodology for calculating the NHB will continue. NHB is currently un-ringfenced and in 2013/14 the Council is due to receive £2.6m.
- 2.10. The £400m for 2015/16 should be viewed in the context of a broad estimate total cost of NHB in that year of a figure in the region of £1.1billion. This provides an indication of the potential scope of any pooling requirements. The Government has confirmed that they will continue to support the NHB by £250k per year
- 2.11. The MTFE assumes no change in the level of NHB given the links already in place with other Government funding. Whilst more information is required on how any pooling would operate it is clear that it will be necessary to consider how the NHB is used to support future budgets.

Housing Rents

- 2.12. The Government has announced a £3.3 billion package to support new affordable homes over three years from 2015/16. The Government

has also announced that from 2015/16 social rents will rise by CPI plus 1% each year for the next ten years.

- 2.13. Dwelling rents are currently set within DCLG guidelines and so the annual increases in rents paid by tenants are set by reference to national Government policy. The Government expects local authorities to apply rent restructuring to all their HRA properties, and is the assumption the Government made when establishing the amount of debt we would take on under HRA Reform. The aim is that social rents reflect the condition and location of properties, local earnings and property size. Each property has a target rent calculated using the Government's formula, and this increases annually by the September RPI figure + 0.5%. Actual rents are expected to "converge" with the target rent by 2015/16. As our actual rents are lower than our target rents, this means an increase over and above RPI + 0.5% to "close the gap" and converge. There are however caps and limits in place to protect tenants from very large increases. The most an actual rent can increase in any one year is RPI +0.5% +£2 a week.
- 2.14. The May CPI figure was 2.7% compared to RPI for the same period of 3.1%. The difference between the two approaches is therefore currently minimal. The Government has though indicated that the policy of rent convergence will not extend beyond 2014/15.
- 2.15. The impact of the change in approach and methodology will need to be assessed as part of the HRA business plan.

Further Issues

- 2.16. The SR 2013 also sets a number of other issues that may impact on the Council's financial planning. These include:-
- Consultation will take place on allowing authorities some flexibility on the use of capital receipts to finance one-off costs of service transformation. Currently capital receipts can only be used to finance capital expenditure or to repay debt.
 - The Government has announced a further £200 million will be invested into the Troubled Families Programme.

3. Summary

- 3.1. The SR 2013 has provided an indication of funding levels for 2015/16 and sets out a number of key financial changes that will impact on this Council's budget strategy and financial plans.
- 3.2. Whilst, specific details are required in a number of areas and with most proposals subject to consultation, it is clear that the announcements will further reduce resources directly available to this Council.



Scrutiny Panel

Item
12

23 July 2013

Report of	Assistant Chief Executive	Author	Steve Heath
Title	Treasury Management – Annual Report 2012/13		
Wards affected	Not applicable		

The Panel is invited to review treasury management performance in 2012/13

1. Action required

- 1.1 To note the activities relating to treasury management in 2012/13 and consider performance.
- 1.2 To note the performance of the Council's treasury management advisors.

2. Reason for scrutiny

- 2.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management and the Council's Treasury Management Policy Statement both require an annual report to be considered.

3. Background information

- 3.1 Treasury management comprises all borrowing and investment activities of the Council. Details of treasury management activities during 2012/13 are provided as a background paper that should be read alongside this report. The key areas in this report are summarised in the following paragraphs.
- 3.2 The strategy for 2012/13 anticipated that the UK Bank rate would remain at a historically low 0.5% for the duration of the financial year. In this scenario the borrowing strategy was to continue to 'borrow internally', which is primarily due to investment rates on offer being lower than long term borrowing rates. This has the advantages of maximising short-term savings and reducing the Council's exposure to interest rate and credit risk. The investment policy reflected the Council's low appetite for risk, using counterparties with only the highest credit ratings, and was to avoid longer term deals while investment rates were at such low levels.
- 3.3 The Council's long-term debt as at 31 March 2013 remained at £136.1m, as a result of the strategy of internal borrowing. The average rate of the Council's debt therefore remained at 4.56%.
- 3.4 The Council has managed all of its excess surplus funds internally during the year. These mainly consist of overnight and short-term investments to cover cash flow needs and in respect of 'core' balances. The average rate earned on investments during the year was 0.68%, which was higher than the benchmark.
- 3.5 The Council's investments outstanding at the end of the year totalled £21.7m. This excludes the carrying value of the amount invested in Icelandic banks in September 2008, which suffered a default following the collapse of the Icelandic banking system.

- 3.6 All of the borrowing and investment activity during the year was in accordance with the Prudential Indicators approved by Council in February 2012.
- 3.7 The Council employ Sector Treasury to provide a consultancy service in respect of treasury management, to include advice on both debt and investments. During the year Sector provided advice on borrowing, investments, counterparty credit details and general capital accounting information.

4. Strategic Plan references

- 4.1 No direct links. However, prudent treasury management underpins the budget required to deliver all Strategic Plan priorities.

5. Financial implications

- 5.1 Interest paid and earned on borrowing and investments is shown within the Central Loans and Investment Account (CLIA). Outturn figures for 2012/13 show a budget surplus of £352k for the year. This is principally due to the ongoing strategy of 'internal borrowing'. Investment income was also higher than budgeted, despite rates being at historically low levels, as a result of a higher than anticipated level of cash balances.

6. Risk Management implications

- 6.1 Risk Management is essential to effective treasury management. The Council's Treasury Management Policy Statement contains a section on treasury Risk Management (TMP1).
- 6.2 TMP1 covers the following areas of risk all of which are considered as part of our treasury management activities:
- Credit and counterparty risk
 - Liquidity risk
 - Interest rate risk
 - Exchange rate risk
 - Refinancing risk
 - Legal and regulatory risk
 - Fraud, error and corruption, and contingency management
 - Market risk

7. Other Standard References

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

Background Papers

Annual Report on Treasury Management (as attached)

Annual Treasury Management Review 2012/13

1 Introduction

- 1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2012/13. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 During 2012/13 the minimum reporting requirements were as follows:
- an annual treasury strategy in advance of the year (Council 22 February 2012)
 - a mid year treasury update report (FASP 20 November 2012)
 - an annual review following the end of the year describing the activity compared to the strategy (this report)
- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 1.4 The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to the annual treasury strategy by the Finance and Audit Scrutiny Panel before it was reported to the full Council.
- 1.5 This report summarises:
- Capital financing activity during the year;
 - Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
 - The actual prudential and treasury indicators;
 - The overall treasury position;
 - The Treasury Management Strategy for 2012/13;
 - The economy and interest rates;
 - Borrowing activity; and
 - Investment activity.

2 Capital expenditure and financing 2012/13

- 2.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
 - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 2.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	2011/12 Actual £'000	2012/13 Estimate £'000	2012/13 Actual £'000
Non-HRA capital expenditure	7,910	15,342	8,735
HRA capital expenditure	80,040	9,100	7,112
Total capital expenditure	87,950	24,442	15,847
Resourced by:			
· Capital receipts	0	7,379	875
· Capital grants	6,023	1,542	3,836
· Capital reserves	6,963	7,050	6,268
· Finance Leases	218	4,350	2,359
· Revenue	642	250	1,540
New borrowing requirement	74,104	3,871	969

3 The Council's overall borrowing need

- 3.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2012/13 new borrowing requirement (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 3.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the Capital Programme, the Accountancy team organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.
- 3.3 The Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR. The total CFR can also be reduced by:
- the application of additional capital financing resources (such as unapplied capital receipts); or
 - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
- 3.4 The Council's 2012/13 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2012/13 on 22 February 2012.

- 3.5 The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

	31-Mar-12 Actual £'000	31-Mar-13 Estimate £'000	31-Mar-13 Actual £'000
CFR			
Opening balance	75,085	150,784	148,714
Add unfinanced capital expenditure (as above)	74,104	3,871	969
Add adjustment for the inclusion of on-balance sheet leasing schemes	218	4,350	2,359
Less MRP/VRP	656	657	657
Less finance lease repayments	37	48	116
Closing balance	148,714	158,300	151,269

- 3.6 Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.
- 3.7 In order to ensure that borrowing levels are prudent over the medium term, the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2012/13 plus the expected changes to the CFR over 2013/14 and 2014/15 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2012/13. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator. It should be noted that this indicator is changing to compare gross borrowing to the CFR with effect from 2013/14; this is expected to provide a more appropriate indicator.

	31-Mar-12 Actual £'000	31-Mar-13 Estimate £'000	31-Mar-13 Actual £'000
Net borrowing position	115,110	129,244	112,680
CFR	148,714	158,300	151,269

- 3.8 The authorised limit is the 'affordable borrowing limit' required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2012/13 the Council has maintained gross borrowing within its authorised limit.
- 3.9 The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.
- 3.10 The actual financing costs as a proportion of net revenue stream indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2011/12 £'000	2012/13 £'000
Authorised limit	165,884	169,350
Maximum gross borrowing position	136,094	136,094
Operational boundary	137,040	141,390
Average gross borrowing position	63,205	136,094
Financing costs as a proportion of net revenue stream	8.01%	6.77%

4 Treasury position as at 31 March 2013

- 4.1 The Council's debt and investment position is organised to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2012/13 the Council's treasury position (excluding borrowing by finance leases) was as follows:

	31 March 2011		31 March 2012	
	Principal £'000	Rate/ Return %	Principal £'000	Rate/ Return %
Fixed rate funding:				
PWLB	101,594	3.80%	101,594	3.80%
LOBO	14,500	4.04%	14,500	4.04%
Stock Issue	20,000	8.79%	20,000	8.79%
Total debt	136,094	4.56%	136,094	4.56%
CFR	148,714		151,269	
Over/ (under) borrowing	(12,620)		(15,175)	
Investments:				
- In house (excl. impaired)	19,059	0.86%	21,676	0.63%
Total investments	19,059	0.86%	21,676	0.63%

- 4.2 The maturity structure of the debt portfolio was as follows:

	31-Mar-12 Actual £'000	31-Mar-13 Actual £'000
Under 12 months	5,000	10,500
12 months and within 24 months	5,500	0
24 months and within 5 years	4,000	4,000
5 years and within 10 years	20,000	20,000
10 years and above	101,594	101,594
	136,094	136,094

- 4.3 All investments were for a period of less than one year, and there was not any exposure to variable rates of interest.
- 4.4 The outturn position for the Central Loans and Investment Account (CLIA) is shown below. This shows a favourable variance of £352k.

CLIA	Budget £'000	Actual £'000	Variance £'000
Total Interest Paid	6,903	6,627	(276)
Less: HRA recharge	(5,779)	(5,779)	(0)
Total less HRA	1,124	848	(276)
Total Investments	(169)	(255)	(86)
Less: Item 8 credit	20	30	10
Total less HRA	(149)	(225)	(76)
Total CLIA	975	623	(352)

4.5 The CLIA comprises the Council's borrowing costs and investment income. It is difficult to predict and can be affected by several factors. The majority of the Council's debt is on fixed rates reflecting the longer-term nature of the borrowing decisions. Investments are generally made for shorter periods, making returns more variable. This mix is generally more beneficial when interest rates are high or increasing. It is important to add that the exposure to interest rate movements is regularly monitored to minimise risks to changes in returns. There are a number of reasons that have contributed to the above variances:

- The Annual Treasury Strategy attempts to minimise the impact of reduced investment income through deferral of new borrowing in favour of disinvestment, which is known as 'internal borrowing'. This has resulted in budgeted interest costs for new borrowing being avoided during the year.
- The variance against interest income is as a result of a higher level of funds than was envisaged being available for investment, and the rates against some investments being higher than the recommended budgeted figure.

5 The strategy for 2012/13

5.1 The expectation for interest rates within the strategy for 2012/13 anticipated low but rising Bank Rate (starting in quarter 4 of 2014) with similar gradual rises in medium and longer term fixed borrowing rates over 2012/13. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

5.2 In this scenario, the treasury strategy was to continue to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk, by 'borrowing internally'.

5.3 The investment policy reflected the Council's low appetite for risk, emphasising the priorities of security and liquidity over that of yield. The main features of the policy were that the Council will only invest with institutions with the highest credit ratings, taking into account the views of all credit rating agencies, and always using the lowest rating from all the agencies (i.e. the lowest common denominator). Investment decisions also took into account other market data including Sector Treasury's creditworthiness service, which combines data from credit rating agencies with credit default swaps, sovereign ratings, rating outlooks and bank share prices.

- 5.4 The Council would only use approved counterparties from countries with the highest credit rating of 'AAA', together with those from the UK, including the institutions that have been nationalised or part-nationalised, or those that are covered by the UK Government's support package. The Council would also continue to avoid longer term deals while investment rates are at such low levels.

6 *The economy and interest rates*

- 6.1 The original expectation for 2012/13 was that Bank Rate would not rise in 2012/13 or 2013/14 and for it to start gently rising from quarter 4 2014. This forecast rise has now been pushed back to a start in quarter 1 2015 at the earliest. Economic growth (GDP) in the UK was virtually flat during 2012/13, due to the UK austerity programme, subdued domestic consumer expenditure, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the European Union (EU). This weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing (QE) by £50bn in July to a total of £375bn. Bank Rate, therefore, ended the year unchanged at 0.5%, while CPI inflation has remained stubbornly high and above the 2% target, starting the year at 3.0% and still being at 2.8% in March; however, it is forecast to fall to 2% in three years time. The EU sovereign debt crisis was an ongoing saga during the year, with an eventual very protracted agreement of a second bailout for Greece in December followed by a second major crisis, this time over Cyprus, towards the end of the year.
- 6.2 Gilt yields oscillated during the year as events in the ongoing Eurozone debt crisis ebbed and flowed, causing corresponding fluctuations in safe haven flows into / out of UK gilts. The actual movement in gilt yields meant that PWLB rates fell during the first quarter of the year to historically low levels. This was caused by a flight to quality into UK gilts from EU sovereign debt, and from shares, as investors became concerned about the potential for a Lehman's type crisis of financial markets, if the Greek debt crisis were to develop into a precipitous default and exit from the Euro. During the second and third quarters, rates rose gradually and agreement of a second bail out for Greece in December saw the flight to quality into gilts reverse somewhat, as confidence rose that the Eurozone crisis was finally subsiding. However, gilt yields then fell back again during February and March as Eurozone concerns returned, with the focus now shifting to Cyprus, and flight to quality flows into gilts resumed.
- 6.3 The Funding for Lending Scheme, announced in July, has resulted in a flood of cheap credit being made available to banks and this has resulted in money market investment rates falling drastically in the second half of the year. However, perceptions of counterparty risk have improved after the ECB statement in July that it would do "whatever it takes" to support struggling Eurozone countries. This has resulted in some return of confidence to move away from only very short term investing.
- 6.4 The UK coalition Government maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Moody's followed up this warning by actually downgrading the

rating to AA+ in February 2013 and Fitch then placed their rating on negative watch, after the Budget in March.

7 Borrowing

- 7.1 The Council's total debt outstanding at 31 March 2013 was £136.094m, which was unchanged from the figure at the end of the previous financial year. This means that the average interest rate on the Council's debt at the end of the year has remained at 4.56%.
- 7.2 The Council's approach during the year was to use cash balances to finance new capital expenditure so as to run down cash balances and minimise counterparty risk incurred on investments. This also maximised treasury management budget savings as investment rates were much lower than most new borrowing rates. No new short-term borrowing for cash flow purposes was undertaken during 2012/13.
- 7.3 No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

8 Investments

- 8.1 The Council manages its investments in-house, and its cash balances comprise revenue and capital resources and cash flow monies. The Council's investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Council on 22 February 2012.
- 8.2 The investment activity during the year conformed to the approved strategy, the Council had no liquidity difficulties, and no institutions in which investments were made during 2012/13 had any difficulty in repaying investments and interest in full.
- 8.3 The Council's internally managed funds earned an average rate of return of 0.68%. The comparable performance indicator is the average 7-day LIBID rate (London Interbank Bid Rate – the rate charged by one bank to another for a deposit) (uncompounded), which was 0.394%.

Details	2011/12 %	2012/13 %
Temporary Investments	0.70	0.71
Overnight and Deposit Account	0.72	0.64
Total	0.70	0.68
Benchmark (7 day LIBID)	0.48	0.39
Return as a % of the Benchmark	145.8%	172.6%

- 8.4 The Council had temporary investments totalling £21.7m outstanding as at 31 March 2013, excluding the carrying value of impaired Icelandic investments. Of this, £18.1m relates to fixed-term deposits that are due to mature during 2013/14, £1.1m is held in a 'AAA' rated money market fund, and the remaining £2.5m is held in a 35 day notice account. All of the deposits are with counterparties within

'AAA' sovereign rated countries or those from the UK, and there is no direct exposure to the Eurozone.

9 ***Icelandic bank defaults***

9.1 The Council currently has the following investments frozen in Icelandic banks

Bank	Date Invested	Maturity Date	Amount Invested £'000	Interest Rate	Carrying Amount £'000
Landsbanki Islands	02/09/2008	02/12/2008	3,000	5.82	1,277
Landsbanki Islands	10/09/2008	10/12/2008	1,000	5.80	425
			4,000		1,702

9.2 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, Administrators and other agencies continue to work with the Icelandic Government to help bring this about. The Local Government Association is co-ordinating the efforts of all UK authorities with Icelandic investments.

9.3 The Council charged a net impairment of £872k to the General Fund in 2010/11. This figure was the cumulative effect of impairment loss calculations and interest receivable. It was calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered.

9.4 At the current time, the process of recovering assets is still ongoing with the administrators. Investments outstanding with the two Iceland domiciled banks (Glitnir Bank hf and Landsbanki Islands hf) have been subject to decisions of the Icelandic Courts. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made distributions to creditors in February, May and October 2012. An element of the first distribution was in Icelandic Kroner, which has been retained in an escrow account in Iceland due to currency controls currently operating there.

Date	£'000
Feb 2012	1,191
May 2012	497
Oct 2012	233
Escrow (Dec-11)	30
	1,951

9.5 The current situation with regards to recovery of the sums deposited is covered by guidance issued by CIPFA (LAAP Bulletin 82 Update 7) in May 2013. Based on this guidance the Council reduced the net impairment to £347k in the 2012/13 accounts. This takes into account the Council's preferred creditor status, the claims including interest accrued up to the original expected maturity date of the investments, and the distributions received.

9.6 The current position on estimated future payouts is as shown in the table below, and the Council has used these estimates to calculate the impairment based on recovering 100p in the £.

Date	Total
Rec'd to 31-Mar-13	49.65%
Dec-13	7.50%
Dec-14	7.50%
Dec-15	7.50%
Dec-16	7.50%
Dec-17	7.50%
Dec-18	7.50%
Dec-19	5.35%
	100.0%

9.7 Recovery is subject to the impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claims, which may be denominated wholly or partly in currencies other than sterling. Members will be kept updated on the latest developments on these efforts.

