

The Council Meeting

Council Chamber, Town Hall
22 February 2012 at 6.00pm

Information for Members of the Public

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Have Your Say!

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

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COLCHESTER BOROUGH COUNCIL

TO ALL MEMBERS OF THE COUNCIL

21 February 2012

You are hereby summoned to attend a meeting of the Council to be held at the Council Chamber, Town Hall on **22 February 2012 at 6:00pm** for the transaction of the business stated below.



Chief Executive

AGENDA

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

Pages

1. Welcome and Announcements

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

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

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

2. Have Your Say!

(a) The Mayor to ask members of the public to indicate if they wish to ask a question, make a statement or present a petition on any matter relating to the business of the Council – either on an item on the

agenda for this meeting or on a general matter not on this agenda (Council Procedure Rule 6(2)).

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

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

3. Minutes

1 - 6

A... Motion that the minutes of the meeting held on 8 December 2011 be confirmed as a correct record.

4. Mayor's Announcements

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

5. Personal Interests of Members

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

6. Prejudicial Interests of Members

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

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

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

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

8. Recommendations of the Cabinet, Panels and Committees

- i. 2012-13 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast

7 - 19

B... Motion that the recommendations contained in minute 54 of the Cabinet's meeting of 25 January 2012 and the

recommendations contained in the Head of Resource Management's report entitled "Precept and Council Tax Levels 2012/13" be approved and adopted.

The following Main Amendment to this Motion has been proposed by Councillor Kevin Bentley:-

"That the recommendations contained in minute 54 of the Cabinet meeting of 25 January 2012 and the recommendations contained in the Head of Resource Management's report entitled "Precept and Council Tax Levels 2012-2013" be approved and adopted, subject to the necessary amendments to give effect to the following measures which when taken together are cost neutral :-

1. That the Medium Term Financial Forecast is amended to limit the Council's Tax increases to zero % for the next two years, in line with Government Policy.
2. Financial savings of £27,000 are made by reducing the number of portfolio holders by two, and by freezing Councillors' allowances for 5 years.
3. Financial provision of £90,000 is made to restore a sense of civic pride to the Town Centre by using existing legislation to take action against any absentee owners or landlords who allow buildings to become derelict or an eyesore in the Town Centre, by increasing surveillance of trouble-spots by CCTV, and by extra street cleaning in the Town Centre.
4. Financial provision of £10,000 is made to better regulate the Night-time economy in the Town Centre, enabling licensing powers to be more effectively deployed to help control anti-social behaviour and heavy drinking with a "Zero Tolerance" policy, and seeking contributions from the night-time economy and fast food outlets for the clean-up of the mess their customers cause.
5. Financial provision of £320,000 is made to fund a feasibility study into the promotion of a proper bus/coach station to be provided in St Johns Street by a consortium of partners, using the template of the Chelmsford Bus Station, which includes information boards, coffee shop, loos, and seating.
6. Financial provision of £5000 is made to start an otherwise self-financing/sponsored "Bicycle loan" facility at the Rail stations, the Bus Station, and all Town Centre car parks.
7. Financial provision of £12,000 is made to re-introduce free parking in the Town Centre on Sundays, and to fund a study into rebalancing tariffs and using the planning system to increase the

parking capacity on the periphery of the town centre on all days of the week.

8. Financial provision of £200,000 is made to further accelerate the restoration and preservation of Colchester's Roman heritage, including the lighting of the walls, marketed by a reinvigorated tourism promotion team.

9. That a further financial provision of £20,000 is made, in addition to that proposed by Cabinet, for review of the LDF to explore why the provision of infrastructure in the town continues to lag considerably behind the provision of housing.

10. Financial provision of £200,000 is made to commence reinstating the revenue support grants for Parish Councils and that Neighbourhood/Parish Councils are actively promoted in all wards of the Borough that are currently without, so that all wards can participate directly in the localism agenda.

11. Financial provision of £100,000 is made to increase the Council's funding of the Colchester Citizens' Advice Bureau, which is a vital service and is currently amongst the poorest funded in Essex.

12. Financial provision of £1,100,000 is made to increase recycling by commencing the roll-out throughout the whole Borough of a weekly kerbside waste collection that incorporates collection of segregated Food Waste, complemented by supplying bags for remaining recyclables that do not fall apart in normal use.

13. Financial savings of £150,000 are made by signing the Essex County Municipal Waste Agreement to ensure Colchester regains its recycling record by actively participating in improvement in the efficiency of recycling and in the collection of household waste.

14. Financial savings of £680,000 are made by moving from direct service provision to a commissioning authority, replacing the current old fashioned, outdated and costly structure with more efficient service delivery models.

15. Financial savings of £500,000 are made by delivering services in conjunction with other local authorities and statutory service providers to make savings, eliminate doubling-up on service provision, and by marketing Colchester's expertise where the Council is the most efficient provider.

16. Financial savings of £250,000 are made by adopting a management structure and organisation more typical of a private

business of the size of Colchester Borough Council, reducing the number of tiers in the Council Staff Structure and reducing the ratio of managers to service-providers.

17. Financial savings of £450,000 are made by placing the Council's Sports and Leisure operations into a Trust, but retaining the long-term title to the assets."

ii. Treasury Management Strategy Statement **20**

C... Motion that the recommendations contained in minute 55 of the Cabinet meeting of 25 January 2012 be approved and adopted.

iii. Strategic Plan 2012-2015 **21**

D... Motion that the recommendation contained in minute 56 of the Cabinet's meeting on 25 January 2012 be approved and adopted.

iv. Review of Ethical and Corporate Governance Arrangements **22**

E... Motion that the recommendation in minute 59 of the Cabinet's meeting on 25 January 2012 be approved and adopted

9. Notices of Motion pursuant to Council Procedure Rule 11

At the time of the publication of the Summons, no motions had been received.

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

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

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

At the time of the publication of the Summons no pre-notified questions had been received.

11. Schedules of Decisions taken by Portfolio Holders **23 - 26**

To note schedules covering the period 26 November 2011 - 8 February 2012

12. Reports Referred to in Recommendations

27 - 134

The reports specified below are submitted for information and are referred to in the recommendations specified in item 8 on the agenda:

2012/13 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast: report to Cabinet 25 January 2012
Treasury Management Strategy Statement: report to Cabinet 25 January 2012

Strategic Plan 2012-2015: report to Cabinet 25 January 2012

Review of Ethical and Corporate Governance Arrangements: report to Cabinet 25 January 2012

13. Urgent items

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

14. Exclusion of the Public

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

COUNCIL MEETING

8 DECEMBER 2011

Present:- **The Mayor (Councillor Chuah)**

Councillors Barlow, Barton, Bentley, Blandon, Blundell, Bouckley, Chapman, Chillingworth, Cook, Cope, Davies, Dopson, Elliott, Ellis, Feltham, Ford, Frame, Gamble, Goss, Greenhill, Hardy, Harrington, Harris, P. Higgins, T. Higgins, Hogg, Hunt, Jowers, Kimberley, Knight, Lewis, Lilley, Lissimore, Maclean, Manning, Martin, Mudie, Naish, Offen, B. Oxford, G. Oxford, Quince, Scott-Boutell, Smith, Spyvee, Sutton, C. Sykes, L. Sykes, Turrell, Willetts, J. Young and T. Young.

Councillor Dopson was not present for the items at minutes 38 - 41.

Councillor Feltham was not present for the items at minutes 42 - 44.

The meeting was opened with prayers by the Mayor's Chaplain, the Reverend Mark Thompson.

38. Minutes

The minutes of the Extraordinary Council meeting and the Ordinary Council meeting held on 19 October 2011 were confirmed as a correct record.

39. Have Your Say!

Bobby Hunt addressed the Council pursuant to the provisions of Council Procedure Rule 6(1). He believed that the decision to close Joyce Brooks House had been based on a briefing that had been provided with incorrect information. A series of meeting leading to the decision had not been minuted. Despite the flaws in the decision making process only three Councillors had spoken out against the decision. The Council had advised that it would not accept a petition of 3500 signatures against the closure. The electorate would take account of this at the next election. A group of residents had taken legal advice and a letter before claim had been served on the Council.

Norman Bailey addressed the Council pursuant to the provisions of Council Procedure Rule 6(1). In considering the issue, the Council needed to take account of the fact that Joyce Brooks House was not just a building; it was a lively, friendly community where residents lived fulfilling lives enriched by other residents. The number of signatories on the petition showed the feelings of the public on this issue. The Council had deemed a debate on the issue inappropriate as a decision had already been taken, but this issue was too important for Cabinet to decide and should be subject to debate at Full Council.

Tim Oxtan addressed the Council pursuant to the provisions of Council Procedure Rule 6(1). He expressed concern that there was no record of the meeting in March 2011 where

the consultation was alleged to have taken place. There had been no mention of the closure of Joyce Brooks House or Abbeygate House at this meeting. The reasons given for the closure were spurious. Not all flats needed to be compliant with the requirements of the Disability Discrimination Act or have en suite bathroom facilities. Residents were content with the facilities as they were.

Andy Abbott addressed the Council pursuant to the provisions of Council Procedure Rule 6(1). When presenting the budget for this municipal year, the Council had said it would protect frontline services but it was now reducing services provided for elderly residents through the closure of Joyce Brooks House, Abbeygate House and Abbots Activity Centre. The Council was paying no respect to the right of the elderly to have a decent retirement. The Council should be ashamed of its decision which showed the ineptitude of modern politicians.

Councillor Cope addressed the Council pursuant to the provisions of Council Procedure Rule 6(1). He expressed his support for the residents of Joyce Brooks House who were having their expectation of the quiet enjoyment of their tenancy compromised. The residents were being moved to protect the rights of potential future disabled residents.

Councillor T. Young, Portfolio Holder for Housing and Community Safety, responded to the speakers to stress that the decision in respect of Joyce Brooks House had been taken by Cabinet on 12 October 2011 and it had been based on a proper assessment of all relevant information, including the outcome of the consultation with tenants. The decision, which had not been called in for review, was taken in the best interests of the borough as a whole and was not driven by the need to reduce costs, but by the desire to raise standards. The Council was committed to working with those who were affected by the decision to ensure the impact was minimised.

Tenants had been consulted in September/October before the decision was taken. The consultation in March referred to was with the Sheltered Housing Tenants Forum on minimum standards and this had indicated that tenants wanted facilities of the standard that the review was seeking to deliver. The Council would accept the petition if it was presented to the Council and would respond to the petitioner in accordance with Petition Procedure Rules. However, it would not trigger a full Council debate. The letter before claim had been received and was under consideration.

40. Mayor's Announcements

The Mayor made the following announcements-

- The Mayor expressed her thanks to those who had attended the Oyster Feast.
- The Mayor had judged the Christmas Shop Window Displays, which had been won by Minerva Chocolate Shop.
- The Garrison Christmas concert on 15 December 2011 had been cancelled due to poor ticket sales.
- Tickets were now available for a New Year's Eve dinner in the Old Library.
- The Mayor would be hosting a celebration of the Chinese New Year of the Dragon on 28 January 2012.
- The Teddy Bears' concert would take place on 5 February 2012 and the Annual Beer Tasting would be held on 10 February 2012.

The following Awards recently won by the Council were presented to the Mayor:-

- Councillor Turrell, Leader of the Council and Portfolio Holder for Strategy and Performance, presented the NQE Business Award for Environmental Awareness.
- Councillor Barton, Portfolio Holder for Renaissance, presented the NQE Business Award for Active and Sustainable Travel.
- Councillor Barlow, Portfolio Holder for Commerce and Sustainability, presented the Halfords Pride of the Tour Series award.

The Portfolio Holders expressed their thanks to the councillors and officers who had helped secure these awards and Council offered its congratulations.

41. Magistrates' Court Task and Finish Group

Alderman Wheeler addressed the Council pursuant to the provisions of Council Procedure Rule 6(1) on behalf all the Aldermen. He asked Council to give a specific assurance that there were no plans to sell the Town Hall. Whilst democracy was not the most efficient form of governing, it was the best. For democracy to flourish the Town Hall must remain as the centre of local government and a beacon for local democracy. The Town Hall needed a "buzz" to be created around it, perhaps by locating the Tourist Office there.

It was PROPOSED by the Leader of the Council that:-

"In accordance with the resolution contained in minute 45 of the Cabinet meeting of 30 November 2011 the Council indicate its support or otherwise of recommendation A of the Policy Review and Development Panel and the Council's view be referred to Cabinet at its meeting on 25 January 2012."

A MAIN AMENDMENT was moved by Councillor Bentley that the MOTION be approved and adopted subject to:-

- The deletion of word "indicate" and its replacement with the words "having considered".
- The addition of the following words at the end of Motion:-

"informs Cabinet that:

(a) It is the wish of Council that the Town Hall be retained as the Civic Centre of the Borough. Within the Town Hall the Council Chamber, the Moot Hall, the Principal meeting rooms, the Mayor's Parlour and suitable accommodation for the day-to-day work of the Cabinet and Borough Councillors should remain within the control of the Council. But Council also encourages Cabinet to make the main civic rooms available for public use on a secondary basis, in so far as it is practicable.

(b) It is encouraged to test the market in regard to future uses of the Magistrates' Courts when they revert to the Borough Council, along with the Old Library and any other surplus space in the Town Hall, but should note that future uses should be sympathetic with the purpose and dignity of the Town Hall as the Borough's Civic Centre."

Pursuant to the provisions of Council Procedure Rule 14(10) Councillor Turrell indicated that the MAIN AMENDMENT was accepted whereupon, with the consent of Council, the MOTION was deemed amended accordingly.

The MOTION as amended was thereupon approved and adopted (UNANIMOUS).

42. Appointment of Deputy Mayor 2012-13

It was PROPOSED by Councillor Hunt and supported by Councillors Bentley, T. Young and G. Oxford that Councillor Colin Sykes be appointed as Deputy Mayor for the Borough of Colchester for the municipal year 2012-13.

RESOLVED that Councillor Colin Sykes be appointed Deputy Mayor for the 2012-13 Municipal Year (UNANIMOUS).

Councillor Frame (in respect of his position as Chairman of Colne Housing) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3).

43. Questions to Cabinet Members and Chairmen

Questioner	Subject	Response
Verbal Questions		
Councillor Jowers	Would the Portfolio for Communities and Diversity accept his thanks for looking again at the issue of the coastal cabins on Mersea Island?	Verbal response provided by the Portfolio Holder for Communities and Diversity.
Councillor Lewis	What were the estimated costs, time schedule and priority ratings of actions arising from the Sheltered Housing Review and were they dependent on the sales of Joyce Brooks House and Abbeygate House?	Verbal response provided by the Portfolio Holder for Housing and Community Safety.
Councillor Lewis	The latest position on negotiations on the future of Abbots Activity Centre.	Verbal response provided by the Portfolio Holder for Communities and Diversity.
Councillor Chillingworth	Whether when a Councillor called in a planning application for consideration by the Planning Committee, it should be compulsory for that Councillor, or a Councillor nominated by them, to attend Planning Committee to explain the reasons for the call in.	Verbal response provided by the Chairman of Planning Committee.
Councillor G. Oxford	When were funds invested in Icelandic Banks likely to be returned to the Council?	Verbal response provided by the Portfolio Holder for Resources and Heritage.

Questioner	Subject	Response
Councillor Quince	Now that the new Community Zone teams had been introduced, would statistical information about the number of fines issued for dog fouling and littering be placed on the Council's website?	Verbal response provided by the Portfolio Holder for Street and Waste Services.
Councillor Manning	Did the Chairman of the Finance and Audit Scrutiny Panel recognise that she had breached the provisions of the Equality Act 2010 by preventing a member of the Panel from taking part in part of the meeting held on 23 November 2011?	Verbal response provided by the Chairman of the Finance and Audit Scrutiny Panel.
Councillor Bentley	The latest position on negotiations on Parish Grants and whether funds recovered from Icelandic banks could be redirected to Parish Councils.	Verbal response provided by the Portfolio Holder for Communities and Diversity.
Councillor Bentley	Was the Portfolio for Housing and Community Safety aware that despite the completion of the Decent Homes programme a number of tenants still required improvements to their homes?	Verbal response provided by the Portfolio Holder for Housing and Community Safety.
Councillor Lissimore	How much weight was put on the reform of the Housing Revenue Account in the decision to close Joyce Brooks House and Abbeygate House?	Verbal response provided by the Portfolio Holder for Housing and Community Safety.
Councillor J. Young	Whether a better system for notifying Councillors of the progress of planning applications they had called in was required?	Verbal response provided by the Chairman of the Planning Committee.
Councillor Blundell	Whether funds recovered from Icelandic banks could be used to keep Abbots Activity Centre open?	Verbal response provided by the Portfolio Holder for Communities and Diversity.
Councillor Blundell	Would the Leader of the Council ensure that the circulation of the minutes of the meetings relating to the Parish Council grants.	Verbal response provided by the Leader of the Council and Portfolio Holder for Strategy and Performance.

Questioner	Subject	Response
Councillor Sutton	Would the services at Abbots be provided at Abbots Activity Centre in future be a reduction when compared to those currently offered?	Verbal response provided by the Portfolio Holder for Communities and Diversity.

44. Schedules of Portfolio Holder Decisions

RESOLVED that the schedules of Portfolio Holder decisions for the period 5 October 2011 – 25 November 2011 be noted.

Agenda item 8(i)

Extract from the minutes of the Cabinet meeting 25 January 2012

Councillor Turrell and Councillor Barton (in respect of their membership of Essex County Council) and Councillor T. Young (in respect of his spouse's membership of Essex County Council) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3).

54. 2012/2013 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast

The Head of Resource Management submitted a report a copy of which had been circulated to each Member together with minute 39 of the Finance and Audit Scrutiny Panel meeting of 24 January 2012.

Councillor Willetts attended and, with the consent of the Chairman, addressed the Cabinet. He believed that the budget did not address the key issues facing the Borough such as the fall in recycling and the challenges facing business and tourism. The budget was propped up by the New Homes Bonus which encouraged the Council to increase development, contrary to the wishes of residents. Further efficiency savings of £1 million could be achieved quite easily. Concern was expressed about the shortfall in car parking income. This was a recurring feature of budgets and a long term coherent strategy for car parking needed to be developed.

Councillor Quince attended and, with the consent of the Chairman, addressed the Cabinet to suggest that a significant saving could be made by moving to four yearly elections. A four yearly election cycle would also give an administration the opportunity to implement a long term strategy. He also reminded Cabinet that he had been promised that figures for fines issued for dog fouling would be on the website by the end of January 2012.

Councillor Turrell, Leader of the Council and Portfolio Holder for Strategy and Performance, indicated that the issue of the election cycle was a matter for Council.

Councillor Smith, Portfolio Holder for Resources and Heritage, introduced the budget. He stressed that there was no rise in council tax for the second year in a row. The accountability provided by elections by thirds helped limit council tax rises. Frontline services were being protected and some, such as recycling, were receiving additional funding. The programme of Fundamental Service Reviews was ongoing to enable continued efficiency savings.

RESOLVED that:-

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

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

(c) It be agreed and *RECOMMENDED* to Council that the 2012/13 Revenue Budget requirement be set at £20,042,000 (see paragraph 6.13 of the Head of Resource Management's report) and the underlying detailed budgets be as set out in summary at Appendix E and Background Papers of the Head of Resource Management's report.

(d) Revenue Balances for the financial year 2012/13 be set at a minimum of £1,500,000.

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

- £200,000 from the Capital Expenditure Reserve in 2012/13 to meet costs including the community stadium.
- £70,000 from the S106 monitoring reserve
- £97,000 from the Pensions Reserve

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

(g) It be agreed and *RECOMMENDED* to Council that Colchester's element of the Council Tax for 2012/13 be set at £175.23 for Band D properties which is a nil increase (see paragraph 12.2 of the Head of Resource Management's report).

(h) It be noted that the formal resolution from Cabinet to Council will include the Parish, Police, Fire and County Council elements and any change arising from the formal Finance Settlement announcement in early February. This will be prepared in consultation with the Leader of the Council.

(i) The Medium Term Financial Forecast for the financial years 2012/13 to 2015/16 be noted.

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

- The release of £200,000 as set out at paragraph 14.5 of the Head of Resource Management's report.

- To *RECOMMEND* to Council that a provision of £2 million be included in the capital programme in respect of support for fundamental service reviews

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

REASONS

The reasons for the decisions were set out in detail in the Head of Resource Management's report.

ALTERNATIVE OPTIONS

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



Council

Item
8(i)

22 February 2012

Report of	Head of Resource Management	Author	Sean Plummer ☎ 282347
Title	Precept and Council Tax Levels 2012/13		
Wards affected	Not Applicable		

The purpose of this report is to set out the statutory resolutions the Council is required to approve in order to set the Council Tax for each band for the financial year 2012/13.

1. Decision Required

- 1.1 To approve the statutory resolutions as set out at Appendix 1 which are in accordance with the Local Government Finance Act 1992, as amended by the Localism Act 2011, in respect of the Council Tax for each band for the financial year 2012/13.

2. Reasons for Decision

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

3. Alternative Options

- 3.1 The resolutions are a statutory requirement.

4. Colchester Borough Council's Council Tax Requirement

- 4.1 Cabinet on 25 January 2012 approved and recommended to Council the 2012/13 revenue budget requirement. The final grant settlement notification confirmed the earlier provisional figures so no adjustment is required.
- 4.2 Cabinet recommended Colchester Borough Council's element of the Council Tax for 2012/13 be agreed at £175.23 for Band D properties, which represents a freeze on the current rate.
- 4.3 In approving Colchester's element of the Council Tax, account has to be taken of:
- Revenue Support Grant
 - National Non-Domestic Rate Grant
 - Any surplus or deficit arising from the Collection Fund

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

	£'000	£'000
Colchester's Budget Requirement	19,773	
Less: Use of Balances	(367)	
	19,406	20,507
Parish Councils' Requirement (Appendix 2)	1,101	
Less:		
Revenue Support Grant	165	8,671
Non-Domestic Business Rate Grant	8,506	
Add: Deficit on Collection Fund		26
Council Tax Requirement		11,862

4.4 Colchester's Council Tax at Band D for 2012/13 is £175.23 and is determined as follows:

Council Tax Requirement (as detailed at paragraph 4.3 above)	£11,861,600
Divided by Council Tax Base	61,408.8
Council Tax at Band D (including Parishes)	£193.16
Deduct Parish Element	£17.93
Council Tax at Band D for Colchester Borough Council	£175.23

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

5.1 In order to determine formally the overall level of Council Tax, account has to be taken of the precept requirements of Essex County Council, Essex Police Authority and Essex Fire Authority. The following table sets out the overall position based on information received at the date of writing this report. The County Council met on 7 February, the Essex Fire Authority on 8 February and Police Authority on 13 February, to approve formally their budgets and precept requirements. Any change to the information set out in this report will be reported to this meeting.

	Council Tax at Band D			
	2011/12 £	2012/13 £	% Increase	£ Increase
Colchester Borough Council	175.23	175.23	Nil	Nil
Essex County Council	1,086.75	1,086.75	Nil	Nil
Essex Police Authority	132.12	136.71	3.47	4.59
Essex Fire Authority	66.42	66.42	Nil	Nil
	1,460.52	1,465.11	0.31	4.59

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

Band	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Borough	116.82	136.29	155.76	175.23	214.17	253.11	292.05	350.46
County	724.50	845.25	966.00	1086.75	1328.25	1569.75	1811.25	2173.50
Police	91.14	106.33	121.52	136.71	167.09	197.47	227.85	273.42
Fire	44.28	51.66	59.04	66.42	81.18	95.94	110.70	132.84
TOTAL	976.74	1139.53	1302.32	1465.11	1790.69	2116.27	2441.85	2930.22

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

6. Special Expenses

6.1 Special expenses are defined as those expenses incurred by the Council in performing, in part of the borough, a function performed elsewhere in the borough by a Parish Council. The Local Government Act 1992 allows the Council to treat any special expenses as general expenses, i.e. as part of its own budget requirement for Council Tax purposes, provided the Council resolved accordingly.

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

7. Strategic Plan References

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

8. Publicity Considerations

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

9. Financial Implications

9.1 As set out above.

10. Standard References

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

RESOLUTIONS

1. It be noted that the Tax Base has been approved and the following amounts were calculated for the year 2012/2013 in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992 as amended ("the Act):
- (a) 61,408.8 equivalent band D properties being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its Council Tax base for the year. (Item T in the Act)
- (b) Part of the Council's area for the parish of:

Parish	Parish Tax Base
Abberton & Langenhoe	442.7
Aldham	216.0
Birch	331.1
Boxted	599.7
Chappel	227.2
Copford	677.9
Dedham	917.0
East Donyland	669.7
East Mersea	116.6
Eight Ash Green	668.9
Fingringhoe	342.4
Fordham	329.4
Great Horkesley	991.0
Great Tey	380.4
Langham	501.7
Layer Breton	131.7
Layer de la Haye	716.1
Layer Marney	86.2
Little Horkesley	91.6
Marks Tey	948.5
Messing cum Inworth	173.6
Mount Bures	107.4
Myland	3,991.9
Stanway	3,153.9
Tiptree	3,516.8
Wakes Colne	233.9
West Bergholt	1,369.5
West Mersea	3,264.4
Winstred Hundred	494.7
Wivenhoe	2,852.6
Wormingford	197.4

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

2. Calculate that the Council Tax Requirement for the Council's own purposes for 2012/13 (excluding parish precepts) is £10,761,000

3. The following amounts be now calculated by the Council for the year 2012/2013 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
 - (a) 143,106,643 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act. [Gross Expenditure]
 - (b) 131,245,043 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act. [Gross Income including Government grants]
 - (c) 11,861,600 Being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax Requirement for the year. (Item R in the formula in Section 31B of the Act)
 - (d) 193.16 Being the amount at 2(c) above divided by the amount at 1(a) above, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year. [Council Tax, including parishes]
 - (e) 1,100,666 Being the aggregate amount of all special items referred to in Section 34(1) of the Act. [Parish Precepts]
 - (f) 175.23 Being the amount at 2(d) above, less the result given by dividing the amount at 2(e) above by the amount at 1(a) above (Item T in the formula), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.

(g) Part of the Council's area

Abberton & Langenhoe	196.89
Aldham	212.21
Birch	201.26
Boxted	211.97
Chappel	221.70
Copford	214.24
Dedham	206.42
East Donyland	256.03
East Mersea	243.51
Eight Ash Green	211.37
Fingringhoe	202.03
Fordham	257.22
Great Horkesley	185.89
Great Tey	210.87
Langham	209.36
Layer Breton	175.23
Layer de la Haye	192.59
Layer Marney	175.23
Little Horkesley	204.70
Marks Tey	212.55
Messing cum Inworth	226.01
Mount Bures	197.39
Myland	191.12
Stanway	204.80
Tiptree	223.41
Wakes Colne	227.32
West Bergholt	206.05
West Mersea	234.53
Winstred Hundred	197.15
Wivenhoe	236.00
Wormingford	191.08
All other parts of the Council's area	175.23

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

(h) Parts of the Council's Area

Parish	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
Abberton & Langenhoe	131.26	153.14	175.01	196.89	240.64	284.40	328.15	393.78
Aldham	141.47	165.05	188.63	212.21	259.37	306.53	353.68	424.42
Birch	134.17	156.54	178.90	201.26	245.98	290.71	335.43	402.52
Boxted	141.31	164.87	188.42	211.97	259.07	306.18	353.28	423.94
Chappel	147.80	172.43	197.07	221.70	270.97	320.23	369.50	443.40
Copford	142.83	166.63	190.44	214.24	261.85	309.46	357.07	428.48
Dedham	137.61	160.55	183.48	206.42	252.29	298.16	344.03	412.84
East Donyland	170.69	199.13	227.58	256.03	312.93	369.82	426.72	512.06
East Mersea	162.34	189.40	216.45	243.51	297.62	351.74	405.85	487.02
Eight Ash Green	140.91	164.40	187.88	211.37	258.34	305.31	352.28	422.74
Fingringhoe	134.69	157.13	179.58	202.03	246.93	291.82	336.72	404.06
Fordham	171.48	200.06	228.64	257.22	314.38	371.54	428.70	514.44
Great Horkesley	123.93	144.58	165.24	185.89	227.20	268.51	309.82	371.78
Great Tey	140.58	164.01	187.44	210.87	257.73	304.59	351.45	421.74
Langham	139.57	162.84	186.10	209.36	255.88	302.41	348.93	418.72
Layer Breton	116.82	136.29	155.76	175.23	214.17	253.11	292.05	350.46
Layer de la Haye	128.39	149.79	171.19	192.59	235.39	278.19	320.98	385.18
Layer Marney	116.82	136.29	155.76	175.23	214.17	253.11	292.05	350.46
Little Horkesley	136.47	159.21	181.96	204.70	250.19	295.68	341.17	409.40
Marks Tey	141.70	165.32	188.93	212.55	259.78	307.02	354.25	425.10
Messing cum Inworth	150.67	175.79	200.90	226.01	276.23	326.46	376.68	452.02
Mount Bures	131.59	153.53	175.46	197.39	241.25	285.12	328.98	394.78
Myland	127.41	148.65	169.88	191.12	233.59	276.06	318.53	382.24
Stanway	136.53	159.29	182.04	204.80	250.31	295.82	341.33	409.60
Tiptree	148.94	173.76	198.59	223.41	273.06	322.70	372.35	446.82
Wakes Colne	151.55	176.80	202.06	227.32	277.84	328.35	378.87	454.64
West Bergholt	137.37	160.26	183.16	206.05	251.84	297.63	343.42	412.10
West Mersea	156.35	182.41	208.47	234.53	286.65	338.77	390.88	469.06
Winstred Hundred	131.43	153.34	175.24	197.15	240.96	284.77	328.58	394.30
Wivenhoe	157.33	183.56	209.78	236.00	288.44	340.89	393.33	472.00
Wormingford	127.39	148.62	169.85	191.08	233.54	276.00	318.47	382.16
All other parts of Council's area	116.82	136.29	155.76	175.23	214.17	253.11	292.05	350.46

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

4. It be noted that for the year 2012/2013 Essex County Council, Essex Police Authority and Essex Fire Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

Valuation Bands

Precepting Authority	A	B	C	D	E	F	G	H
Essex County Council	724.50	845.25	966.00	1086.75	1328.25	1569.75	1811.25	2173.50
Essex Police Authority	91.14	106.33	121.52	136.71	167.09	197.47	227.85	273.42
Essex Fire Authority	44.28	51.66	59.04	66.42	81.18	95.94	110.70	132.84

5. Having calculated the aggregate in each case of the amounts at 2(h) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2012/2013 for each of the categories of dwellings shown overleaf:
6. For the purposes of Section 35 of the Local Government Act 1992, any expenses incurred by the Council in performing in part of its area a function performed elsewhere in its area by a parish council or chairman of a parish meeting shall not be treated as special expenses.
7. Determines that the Council's basic amount of Council Tax for 2012/13 is **not excessive** in accordance with the principles approved under Section 52ZB of the Act, and as shown in the calculation below.

(a) Percentage increase defined by the Secretary of State as constituting an excessive increase for 2012/13: 3.5%

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

2011/12 amount	£175.23
2012/13 amount	£175.23

Percentage increase: 0%

The figure at 7(b) is less than the figure at 7(a) above and therefore the Council's basic amount of Council Tax for 2012/13 is **not excessive** and no referendum is required.

8. Parts of the Council's Area

Parish	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
Abberton & Langenhoe	991.18	1,156.38	1,321.57	1,486.77	1,817.16	2,147.56	2,477.95	2,973.54
Aldham	1,001.39	1,168.29	1,335.19	1,502.09	1,835.89	2,169.69	2,503.48	3,004.18
Birch	994.09	1,159.78	1,325.46	1,491.14	1,822.50	2,153.87	2,485.23	2,982.28
Boxted	1,001.23	1,168.11	1,334.98	1,501.85	1,835.59	2,169.34	2,503.08	3,003.70
Chappel	1,007.72	1,175.67	1,343.63	1,511.58	1,847.49	2,183.39	2,519.30	3,023.16
Copford	1,002.75	1,169.87	1,337.00	1,504.12	1,838.37	2,172.62	2,506.87	3,008.24
Dedham	997.53	1,163.79	1,330.04	1,496.30	1,828.81	2,161.32	2,493.83	2,992.60
East Donyland	1,030.61	1,202.37	1,374.14	1,545.91	1,889.45	2,232.98	2,576.52	3,091.82
East Mersea	1,022.26	1,192.64	1,363.01	1,533.39	1,874.14	2,214.90	2,555.65	3,066.78
Eight Ash Green	1,000.83	1,167.64	1,334.44	1,501.25	1,834.86	2,168.47	2,502.08	3,002.50
Fingringhoe	994.61	1,160.37	1,326.14	1,491.91	1,823.45	2,154.98	2,486.52	2,983.82
Fordham	1,031.40	1,203.30	1,375.20	1,547.10	1,890.90	2,234.70	2,578.50	3,094.20
Great Horkesley	983.85	1,147.82	1,311.80	1,475.77	1,803.72	2,131.67	2,459.62	2,951.54
Great Tey	1,000.50	1,167.25	1,334.00	1,500.75	1,834.25	2,167.75	2,501.25	3,001.50
Langham	999.49	1,166.08	1,332.66	1,499.24	1,832.40	2,165.57	2,498.73	2,998.48
Layer Breton	976.74	1,139.53	1,302.32	1,465.11	1,790.69	2,116.27	2,441.85	2,930.22
Layer de la Haye	988.31	1,153.03	1,317.75	1,482.47	1,811.91	2,141.35	2,470.78	2,964.94
Layer Marney	976.74	1,139.53	1,302.32	1,465.11	1,790.69	2,116.27	2,441.85	2,930.22
Little Horkesley	996.39	1,162.45	1,328.52	1,494.58	1,826.71	2,158.84	2,490.97	2,989.16
Marks Tey	1,001.62	1,168.56	1,335.49	1,502.43	1,836.30	2,170.18	2,504.05	3,004.86
Messing cum Inworth	1,010.59	1,179.03	1,347.46	1,515.89	1,852.75	2,189.62	2,526.48	3,031.78
Mount Bures	991.51	1,156.77	1,322.02	1,487.27	1,817.77	2,148.28	2,478.78	2,974.54
Myland	987.33	1,151.89	1,316.44	1,481.00	1,810.11	2,139.22	2,468.33	2,962.00
Stanway	996.45	1,162.53	1,328.60	1,494.68	1,826.83	2,158.98	2,491.13	2,989.36
Tiptree	1,008.86	1,177.00	1,345.15	1,513.29	1,849.58	2,185.86	2,522.15	3,026.58
Wakes Colne	1,011.47	1,180.04	1,348.62	1,517.20	1,854.36	2,191.51	2,528.67	3,034.40
West Bergholt	997.29	1,163.50	1,329.72	1,495.93	1,828.36	2,160.79	2,493.22	2,991.86
West Mersea	1,016.27	1,185.65	1,355.03	1,524.41	1,863.17	2,201.93	2,540.68	3,048.82
Winstred Hundred	991.35	1,156.58	1,321.80	1,487.03	1,817.48	2,147.93	2,478.38	2,974.06
Wivenhoe	1,017.25	1,186.80	1,356.34	1,525.88	1,864.96	2,204.05	2,543.13	3,051.76
Wormingford	987.31	1,151.86	1,316.41	1,480.96	1,810.06	2,139.16	2,468.27	2,961.92
All other parts of Council's area	976.74	1,139.53	1,302.32	1,465.11	1,790.69	2,116.27	2,441.85	2,930.22

Parish Council Precepts 2012/13

Parish	Precept 2011/12 £	Precept 2012/13 £	Increase/ (Reduction) £	Increase/ (Reduction) %
Abberton & Langenhoe	8,810	9,589	779	9
Aldham	6,988	7,988	1,000	14
Birch	8,619	8,619	0	0
Boxted	16,573	22,035	5,462	33
Chappel	10,559	10,559	0	0
Copford	24,219	26,444	2,225	9
Dedham	28,008	28,598	590	2
East Donyland	49,736	54,111	4,375	9
East Mersea	7,961	7,961	0	0
Eight Ash Green	20,090	24,173	4,083	20
Fingringhoe	9,243	9,176	(67)	(1)
Fordham	18,833	27,008	8,175	43
Great Horkesley	9,347	10,566	1,219	13
Great Tey	12,530	13,559	1,029	8
Langham	17,122	17,122	0	0
Layer Breton			0	n/a
Layer de la Haye	12,431	12,431	0	0
Layer Marney			0	n/a
Little Horkesley	2,367	2,699	332	14
Marks Tey	30,488	35,400	4,912	16
Messing cum Inworth	8,404	8,816	412	5
Mount Bures	1,991	2,380	389	20
Myland	62,313	63,423	1,110	2
Stanway	109,490	93,276	(16,214)	(15)
Tiptree	169,526	169,437	(89)	(0)
Wakes Colne	11,574	12,185	611	5
West Bergholt	40,188	42,208	2,020	5
West Mersea	165,647	193,573	27,926	17
Winstred Hundred	10,842	10,842	0	0
Wivenhoe	157,235	173,360	16,125	10
Wormingford	3,347	3,128	(219)	(7)
Totals	1,034,481	1,100,666	66,185	6

Extract from the minutes of the Cabinet meeting 25 January 2012

55. Treasury Management Strategy Statement

The Head of Resource Management submitted a report a copy of which had been circulated to each Member together with minute 42 of the Finance and Audit Scrutiny Panel meeting of 24 January 2012.

RESOLVED that:-

- (a) The 2012/13 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy be approved and *RECOMMENDED* to Council.
- (b) The revised Prudential Indicators for 2011/12 that take into account the additional borrowing requirement in the year as a result of Housing Revenue Account reform be approved and *RECOMMENDED* to Council.
- (c) The proposals for new borrowing in respect of the Housing Revenue Account reform settlement be approved and authority be delegated to the Head of Resource Management to raise the debt on 26 March 2012 in consultation with the Leader of the Council.

REASONS

- (a) The Council agreed to adopt the revised CIPFA Treasury Management in the Public Services Code of Practice on 17 February 2010. The Code requires the Council to approve an annual Treasury Management Strategy Statement, which should be submitted for scrutiny prior to the start of the year to which it relates, and to keep treasury management activities under review.
- (b) The Local Government Act 2003 introduced new freedoms for local authorities though the prudential borrowing framework. It also requires the Council to set Prudential and Treasury Indicators to ensure that capital investment plans are affordable, prudent and sustainable.
- (c) The Council is required to make a payment of £74.338m to Department of Communities and Local Government on 28 March 2012 in order to leave the housing subsidy system.

ALTERNATIVE OPTIONS

No alternative options were presented to Cabinet.

Extract from the minutes of the Cabinet meeting 25 January 2012

56. Strategic Plan 2012-2015

The Executive Director submitted a report a copy of which had been circulated to each Member.

RESOLVED that: the draft Strategic Plan 2012-2014 be approved.

RECOMMENDED to Council that the Strategic Plan be adopted as part of the Council's Policy Framework.

REASONS

(a) The last Strategic Plan was published in February 2009 and runs to 2012. It now needs to be refreshed in the light of changing circumstances and expectations.

(b) The Strategic Plan is one of the core statutory elements of the Council's Policy Framework, as set out in Article 4 of the Council's Constitution. It must therefore be adopted by the full Council.

(c) The Strategic Plan sets the framework for the Council's three-year Medium Term Financial Forecast and its Capital Programme. Both the Plan and the Budget will be debated at the same full Council meeting on 22 February 2012.

ALTERNATIVE OPTIONS

The current Strategic Plan expires at the end of this financial year. A new plan is therefore required, and needs to be adopted by full Council.

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

Extract from the minutes of the Cabinet meeting on 25 January 2012

59. Review of Ethical and Corporate Governance Arrangements.

The Monitoring Officer submitted a report a copy of which had been circulated to each Member together with an extract from the minutes of the Standards Committee meeting on 25 November 2011.

RESOLVED that the revised Ethical and Corporate Governance arrangements as detailed at paragraph 7 of the Monitoring Officer's report be approved.

RECOMMENDED to Council that the revised Ethical and Corporate Governance arrangements be adopted as part of the Council's Policy Framework.

REASONS

(a) The Council strives to meet the highest standards of corporate governance to help ensure it meets its objectives. Members and Officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.

(b) The Council's Ethical Governance arrangements are a key part of good Corporate Governance and two important component parts of this are the Council's Anti-Fraud and Corruption Policy and the Whistleblowing Policy. Both of these policies have been subject to regular review to ensure that they remain fit for purpose.

(c) Following the commencement of the Bribery Act 2010 earlier this year the Council is required to ensure that its Anti-Fraud and Corruption Policy reflects the requirements of the Act. In addition, the opportunity has been taken to raise fraud awareness generally within the organisation by means of a series of training sessions for staff both face to face and via e-learning.

ALTERNATIVE OPTIONS

No alternative options were presented to the Cabinet. However it was open to the Cabinet not to approve the arrangements detailed in the Monitoring Officer's report, or to approve them subject to amendments.

Agenda item 11
Record of Decisions taken under Scheme of Delegation to Cabinet Members
26 November 2011 – 8 February 2012

Portfolio – Communities and Diversity					
Date	Number	Report Title	Author	Decision	Result
23/11/11	COM-007-11	Allocation of investment in voluntary welfare organisations 2011-12-older persons activities grant	Bridget Tighe	To approve the Council's investment of £25,000.00 in "not-for-profit", voluntary and community organisations for projects aimed at tackling older people's isolation.	Agreed 2/12/11
1/12/11	COM-008-11	Approval to seek Fields in Trust protection for 11 open spaces across the Borough as submitted in response to The Queen Elizabeth II Fields Challenge	Bob Penny	To approve the proposed designation of 11 additional sites through The Queen Elizabeth II Fields Challenge campaign being arranged by the Fields in Trust	Agreed 9/12/11
20/12/11	COM-009-11	Revenue Grants to Town & Parish Councils 2012/13	Steve Heath	To approve the distribution of Revenue grant to Town and Parish Councils for 2012/13	Agreed 4/1/12
3/2/12	COM-011-11 ECO-008-11	S299a funding for proposed Clubhouse at Abbey Field	Ian Duggan	To agree to the use of S299a funding for the provision of a new Clubhouse at the Garrison Athletics Track at Abbey Field	Due 10/2/12

Portfolio – Customers					
Date	Number	Report Title	Author	Decision	Result

Agenda item 11
Record of Decisions taken under Scheme of Delegation to Cabinet Members
26 November 2011 – 8 February 2012

Portfolio – Economic Development and Sustainability					
15/12/11	ECO-004-11	Annual Monitoring Report	Laura Chase	To approve the Annual Monitoring Report for publication	Agreed 4/1/12
11/11/12	ECO-005-11	Proposed Supplementary Planning Document – North Growth Area Urban Extension (NGAUE)	Karen Syrett	To agree the draft Supplementary Planning Document (SPD) in respect of the NGAUE and to approve a period of public consultation	Agreed 20/1/12
3/2/12	ECO-007-11	Street Services Delivery Strategy Supplementary Planning Document	Cheryl Pashley	To agree to submit Colchester Borough Council's Draft Street Services Delivery Strategy Supplementary Planning Document (SPD) for public consultation	Due 10/2/12
3/2/12	COM-011-11 ECO-008-11	S299a funding for proposed Clubhouse at Abbey Field	Ian Duggan	To agree to the use of S299a funding for the provision of a new Clubhouse at the Garrison Athletics Track at Abbey Field	Due 10/2/12

Portfolio – Housing and Community Safety					
Date	Number	Report Title	Author	Decision	Result
23/12/11	HOU-008-11	Housing Revenue Account Fees and Charges 2012-2013	Geoff Beales. Daniella Woraker	To approve the proposed Housing Revenue Account fees and charges to take effect from Leasehold Year 1 April 2012 and Rent Year 2 April 2012	Agreed 6/1/12
23/12/11	HOU-009-11	Confirmation of preferred Registered Provider to develop garage sites in Colchester	Darren Marzell	Approval to appoint Estuary Housing Association as the registered provider who will redevelop five Council owned garage sites	Agreed 10/1/12

Agenda item 11
Record of Decisions taken under Scheme of Delegation to Cabinet Members
26 November 2011 – 8 February 2012

23/12/11	HOU-010-11	Review of the Council's Antisocial Behaviour Function and the Procurement of a Tenure-Neutral Antisocial Behaviour Service	Karen Newman	Review of the Colchester Borough Council Antisocial Behaviour function and to agree the proposed integration of this service within Colchester Borough Homes	Agreed 10/1/12
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Portfolio – Renaissance

Date	Number	Report Title	Author	Decision	Result
30/1/12	REN-001-11	Cycling in Lower Castle Park	Jane Thompson	Approval to allow cycling along the riverside path only within Lower Castle Park	Agreed 6/2/12

Portfolio – Resources and Heritage

17/1/12	RES-007-11	Irrecoverable Debts over £5,000	Debbie Greenwood	To approve the writing off of business rates and Housing Benefit Overpayment debts over £5,000 which have proved irrecoverable	Agreed 27/1/12
7/2/12	RES-008-11	Acquisition of land to provide extension to Colchester Cemetery, Mersea Road, Colchester	Colin Daines	To agree to the acquisition, from the Ministry of Defence, of an area of land at Valentinus Crescent, Berechurch, which is situated adjacent to the Council's Mersea Road Cemetery	Due 14/2/12

Agenda item 11
Record of Decisions taken under Scheme of Delegation to Cabinet Members
26 November 2011 – 8 February 2012

Portfolio – Strategy and Performance					
Date	Number	Report Title	Author	Decision	Result
30/1/12	STR-002-11	Waste Development Document Preferred Approach	Shelly Blackaby	To approve Colchester Borough Council's consultation response to Essex County Council's Waste Development Document Preferred Approach	Agreed 6/2/12

Portfolio – Street and Waste Services					
Date	Number	Report Title	Author	Decision	Result
15/12/11	STS-007-11	The Declaration of Air Quality Management Areas (AQMAS)	Belinda Silkstone	To approve the declaration of the proposed Air Quality Management Areas (AQMAS)	Agreed 4/1/12



Cabinet

Item
7(i)

25 January 2012

Report of	Head of Resource Management	Author	Sean Plummer ☎ 282347
Title	2012/13 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast		
Wards affected	n/a		

This report requests Cabinet to recommend to Council:

- **The 2012/13 General Fund Revenue Budget**
 - **Colchester's element of the Council Tax for 2012/13**
 - **The Medium Term Financial Forecast**
- The Capital Programme**

1. Decisions Required

- 1.1 To note that the outturn for the current financial year is forecast to be an overspend of less than £200k (paragraph 3.4.).
- 1.2 To approve the cost pressures, growth items, savings and increased income options identified during the budget forecast process as set out at Appendices B, C and D.
- 1.3 To consider and recommend to Council the 2012/13 Revenue Budget requirement of £20,042k (paragraph 6.13) and the underlying detailed budgets set out in summary at Appendix E and Background Papers.
- 1.4 To agree that Revenue Balances for the financial year 2012/13 be set at a minimum of £1,500k.
- 1.5 To agree the following releases (paragraph 10.7):-
 - £200k from the Capital Expenditure Reserve in 2012/13 to meet costs including the community stadium.
 - £70k from the S106 monitoring reserve
 - £97k from the Pensions Reserve
- 1.6 To agree and recommend to Council that £100k of Revenue Balances be earmarked for potential unplanned expenditure within the guidelines set out at paragraph 11.3.
- 1.7 To agree and recommend to Council that Colchester's element of the Council Tax for 2012/13 be set at £175.23 for Band D properties which is a nil increase (paragraph 12.2).
- 1.8 To note that the formal resolution from Cabinet to Council will include the Parish, Police, Fire and County Council elements and any change arising from the formal

Finance Settlement announcement in early February. This will be prepared in consultation with the Leader of the Council.

- 1.9 To note the Medium Term Financial Forecast for the financial years 2012/13 to 2015/16.
- 1.10 To note the position on the Capital Programme shown at section 14 and agree:-
 - to release £200k as set out at paragraph 14.5.
 - to recommend to Council that a provision of £2m be included in the capital programme in respect of support for fundamental service reviews
- 1.11 To note the comments made on the robustness of budget estimates at section 15.

2. Background Information and Summary

- 2.1 The 2012/13 Revenue Budget and the Capital Programme have been prepared in accordance with a process and timetable agreed at Cabinet and endorsed by the Strategic Overview and Scrutiny Panel (Appendix A).

Delivering a Balanced Budget for 2012/13

- 2.2. The Revenue Budget for 2012/13 has been prepared against a background of meeting the Council's Strategic Plan objectives whilst continuing to face significant financial pressures from the reductions in Government formula grant funding and the ongoing difficult economic background. Every effort has been made to produce a balanced budget that includes a high level of savings with no change to the Council Tax rate. This has been achieved through a budget strategy that has resulted in:-
 - the delivery of savings through the fundamental service review process
 - making efficiencies through specific budget reviews and contract renewals
 - maximising new and existing income streams
 - using new Government grant funding streams
 - making decisions on budget changes where necessary
- 2.3. The budget includes savings or additional income of £1.7m. This compares to £3.6m included within the 11/12 budget. Over these two years 74% of the savings have been identified through efficiencies, with 13% through income opportunities and 8% through shared working and alternative delivery arrangements. In total the level of service cuts has been 8%.

Council Tax

- 2.4. It is proposed that the Council's element of the Council Tax be frozen for 2012/13. This has been achieved against a background of significant reductions in core government grant funding and other cost pressures and without the use of additional reserves to balance the budget.
- 2.5. Further information on the budget is provided in the following paragraphs.
- 2.6. This report should be read and considered alongside the report on the Council's Treasury Management Strategy and Prudential Indicators and also the budget reports in respect of the Housing Revenue Account and Housing Investment

Programme to provide a full assessment of the Council's financial position and plans.

3. Current Year's Financial Position

3.1 In order to inform the 2012/13 budget process and forecast level of reserves it is useful to first review the current year's financial position. Revenue budgets are monitored on a monthly basis with regular reports to Senior Management Team and the Finance and Audit Scrutiny Panel (FASP). A considerable amount of work has been undertaken to determine a reasonable forecast of the year-end position.

3.2 The current position is that the forecast outturn is expected to be a small overspend of less than £200k. This forecast shows an improvement on the position reported during the year and reflects work undertaken to identify budget savings in year. Delivering this budget position in the context of shortfalls in income from car parking and interest earnings has been a challenge. The 2011/12 budget included c£3.6m of savings and increased income and as has been reported during the year these have largely been achieved.

3.3. There remain some outstanding risks to the forecast and the position continues to be monitored and FASP on 28 February 2012 will receive a report setting out a detailed position.

3.4 **Cabinet is asked to note that the forecast outturn position for the current year is anticipated to be an overspend of below £0.2m and that the position will continue to be monitored.**

4. 2012/13 Revenue Cost Pressures

4.1 Appendix B sets out revenue cost pressures, over the 2011/12 base, of £1,621k which have been identified during the budget process. This includes an inflation allowance and the impact of reduced income.

4.2 The cost pressures have been mostly considered by Cabinet. However there are a number of changes including a reduction in Government grant for administration of housing benefits, withdrawal of funding from Essex County Council towards the street warden function and other changes identified as part of the completion of detailed service budgets.

4.3 **Cabinet is asked to approve inclusion within the 2012/13 Revenue Budget of the cost pressures set out at Appendix B.**

5. 2012/13 Growth Items

5.1. Appendix C sets out revenue growth items totalling £696k which are recommended for inclusion in the budget. A number of these have been reported during the budget process however scope has been delivered within the budget to fund investment in services such as affordable housing, air quality monitoring and planning policy and also to provide funds to develop options for delivering income targets in future years through "invest to earn" initiatives.

5.2. Whilst not shown as new areas of growth it should be recognised that the Council is also making the investment in the important “street warden” work (now delivered through the zone teams) following the loss of other funding.

5.3. **Cabinet is asked to approve inclusion within the 2012/13 Revenue Budget of the growth items shown at Appendix C.**

6. 2012/13 Revenue Saving / Increased Income

6.1. Appendix D sets out savings / increased income totalling £1.696m. The appendix provides a summary by service.

6.2. This level of savings and increased income is less than that required for the 11/12 budget but remains a significant sum that has been identified. All proposals are set out within the appendix and are shown against the different budget tracks:-

- *Income - £224k*

Increases in income budgets account for £224k of savings and includes increases in existing income streams and new sources of income. These include proposals identified through using the Council’s assets such as delivering rental income from vacated office space at Rowan House and also the new digital strategy.

- *Alternative Service Delivery - £98k*

The Council’s budget strategy recognised that sometimes it is not possible to deliver savings on our own and that options should be considered for how services are delivered. These proposals reflect opportunities to continue to deliver important services through partner organisations such as other local authorities, the community sector and our own housing partner, Colchester Borough Homes (CBH).

- *Efficiencies (including FSRs)- £1,268k*

The majority of the budget proposals can be considered as efficiencies and these total almost £1.3m. Of this, almost £0.5m is as a result of FSRs and other service reviews.

The largest individual saving (£450k) relates to the outcome of the ICT contract renewal which was reported to Cabinet on 30 November.

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

- *Cuts and reductions - £106k*

Cuts and reductions account for c£0.1m of the budget proposals, although it should be stressed that other savings will also result in reduced resources.

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

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

6.3. As with previous years there are likely to be one-off costs required to deliver some of the budget savings. As part of the 11/12 budget a sum of up to £600k was

allocated from balances to help fund one off costs and a significant part of this remains uncommitted and is therefore available to meet any one-off costs. In addition the pensions budget includes provision for relevant one-off costs. However, it is proposed and reflected in the figures, that £30k be also allocated to develop proposals in respect of further efficiencies within the revenues and benefits service.

- 6.4. Within any year there will be risks attached to the delivery of proposed budget savings. The current year has shown that whilst a large proportion of savings are expected to be fully delivered it has been necessary to allocate a contingency or risk allocation.
- 6.5. The proposed savings for 2012/13 have been given a risk rating of high medium or low and a % applied to each category. Based on these it is recommended that a sum be set aside within the budget as a risk factor. The calculated sum using this approach is £285k.

New Homes Bonus

- 6.6. Alongside the announcement of formula grant we received confirmation of the New Homes Bonus payment for 2012/13. The 2012/13 grant includes three elements reflecting growth in the taxbase during 2009/10 and 2010/11 and also the bonus payable in respect of delivering affordable homes. In total the grant for 12/13 is £1.525m

	£'000	Note
(i) Grant re growth in Oct 09 – Oct 10	724	Payable annually until 2016/17
(ii) Grant re growth in Oct 10 – Oct 11	749	Payable annually until 2017/18
<i>Total Grant re growth in taxbase</i>	<i>1,473</i>	
(iii) Affordable homes bonus	52	Payable annually until 2017/18
Total grant for 12/13	1,525	

- 6.7. Colchester’s grant for 12/13 is the largest in Essex and the methodology of the scheme means that we will receive *at least* this level of grant until 2016/17 with the likelihood that the grant will continue to increase significantly.
- 6.8. It has been highlighted in previous Cabinet reports that specific funding allocated by the Government for the New Homes Bonus is insufficient to meet the total cost of the scheme, therefore any shortfall is met by the main ‘formula grant’ allocation. As such it is important that the New Homes Bonus is considered alongside the formula grant funding and this issue is considered later in the report and as part of the Medium Term Financial Forecast (MTFF).

Technical Items

- 6.9. The Council’s budget includes several technical items such as net interest, Council Tax on second homes, various budget provisions and the net impact of charges between the General Fund and the Housing Revenue Account (HRA). These budgets are compiled based on final budget proposals and in total there is a forecast net difference compared to the 2011/12 budget of £14k.

- 6.10 **Cabinet is asked to approve inclusion of the savings / increased income items set out at Appendix D within the 2012/13 Revenue Budget.**

6.11. Summary Total Expenditure Requirement

- 6.12 Should Cabinet approve the items detailed above, the total expenditure requirement for 2012/13 is as follows:

	£'000
2011/12 Budget (excl. Council Tax freeze grant shown in formula grant)	20,522
Less: 2011/12 one-off items	95
Cost Pressures (as per Appendix B)	1,621
Growth (as per Appendix C)	696
Savings/Increased Income (as per Appendix D) - Net of risk factor	(1,381)
New Homes Bonus	(1,525)
Technical items (see para. 6.9)	14
Forecast Budget 12/13	20,042

Note:

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

- 6.13 **Cabinet is asked to agree and recommend to Council the net revenue expenditure requirement for 2012/13 and the underlying detailed budgets set out in the Background Papers.**

7. Formula Grant (Revenue Support Grant)

- 7.1. The provisional Local Government Finance Settlement was announced in Parliament on 8 December 2011. Our provisional grant settlement is £8,671k. This represents a decrease on the adjusted 2011/12 grant of £833k or 8.8%.
- 7.2. The announced Settlement continues with the concept of "Revenue Spending Power" (the total of our Government grants and Council Tax Income) and transitional grant. The transitional grant is provided for those authorities whose change in revenue spending power fall below a set threshold to ensure that no authority receives a reduction in spending power of below a cut of 8.8%. Colchester's change is 4.1% therefore no transition grant is applicable.

Grant Damping - Floors

- 7.3. As has been the case for the last four years our grant has been reduced by the system of damping or floors. The floor methodology is designed to ensure that no authority receives a cut greater than a given level. The system is self financing between categories of local authorities. The table below shows that for Colchester the cost of damping is £1.165m:-

2011-12 Adjusted Formula Grant (£m)	2012-13 Formula Grant Before Floor (£m)	2012-13 Formula Grant After Floor (£m)	Reduction		Increase (before floor damping)		floor (£m)
			(£m)	%	(£m)	%	
9,236	9,569	8,403	0.833	9%	0.332	4%	-1.165

- 7.4. The Settlement shows that the level of the floor remains the critical factor in the grant allocation methodology and draft proposals for reforms to local government financing include the assumption that the baseline position will be the level of grant after damping.
- 7.5. Colchester, along with all other local authorities, did not increase Council Tax for 2011/12. Therefore, in line with the Government Council Tax Freeze scheme, the Council received a grant of £267k (equivalent to an increase in Council Tax of 2.5%). The Government has said it is committed to funding this grant within the period of the Comprehensive Spending Review (i.e. until 2014/15). This grant has now been included within the formula grant and is reflected in the £8.671m figure.
- 7.6. The Settlement is provisional and subject to consultation which ends on 16 January 2012. Traditionally, there has been very little change between the provisional and actual Settlement. Any marginal change to the Council's grant entitlement will be reflected in the final budget recommendation to Council.
- 7.7. Looking ahead the Government has published the response to the consultation on the Local Government Resource Review and specifically the issue of local retention of business rates. This and other issues will now be considered in the Local Government Finance Bill on which scrutiny on the legislation will begin in the House of Commons on 10 January 2012.
- 7.8. This Bill will change the way the Council is funded and detailed reports will be submitted to Cabinet during the coming year on the specific methodology of how the business rate retention scheme will work and the implications for future budgets. However, at this stage it should be noted that 2012/13 formula grant will be used to calculate the baseline funding. This will be based on the position after 'damping' to minimise the risks of further volatility from the changes.

8. Council Tax and Collection Fund

- 8.1 As part of the formal budget setting process, the Council is required to determine each year, as at 15 January, the estimated surplus or deficit arising from the Council Tax Collection Fund as at 31 March.
- 8.2 The collection rate continues to be close to our target although a small deficit on the fund is forecast of £26k.
- 8.3 As stated earlier it is proposed that the Council Tax rate for 2012/13 remains frozen for the second year running. The Government has announced that for those authorities that do not increase the Council Tax in 2012/13 a further grant will be paid equivalent to a 2.5% increase in Council Tax which for Colchester equates to £269k.
- 8.4 It is important to note that whereas the grant payable in respect of the decision to freeze Council Tax in 2011/12 is payable over 4 years the grant that would be payable in respect of any decision to freeze the grant in 2012/13 is for **one year only**. Therefore this will create a pressure for 2013/14 which is reflected in the MTFF.

- 8.5. On the 3 December changes to Council Tax were set out in the Localism Act provisions for Council Tax referendums. Whilst the proposal in this report is for no increase to Council Tax members should be aware of the proposed arrangements.
- 8.6. Schedule 5 of the Localism Act introduced a new Chapter into the 1992 Local Government Finance Act making provision for council tax referendums to be held if an authority increases its council tax by an amount exceeding principles determined by the Secretary of State and agreed by the House of Commons. The Localism Act also abolished the capping regime in England. All of these provisions were commenced on 3 December and are effective with respect of setting the 2012/13 Council Tax.
- 8.7. As part of the provisional finance Settlement the Secretary of State has announced that authorities will be required to seek the approval of their local electorate in a referendum, if compared with 2011/12, they set council tax increases that exceed:-
- 4% for the Greater London Authority, police authorities and single purpose fire and rescue authorities.
 - 3.75% for the City of London
 - 3.5% for other principal authorities. (e.g. Colchester Borough Council)
- 8.8. Where an authority exceeds the relevant limit it will be required to seek the approval of the local electorate in a referendum.
- 8.9. Currently, local precepting authorities (i.e. parish and town councils) are not included in the proposed principles. However, the Government has stated that it will monitor increases in this sector and has not ruled out setting principles that will apply to high spending town and parish councils in 2013/14.
- 8.10. The thresholds set out at paragraph 8.7. are subject to consultation and will be confirmed alongside the finance settlement and final agreed figures will be set out in the Council Tax setting report to Council.

9. Revenue Balances

- 9.1 The Local Government Act 2003 places a specific duty on the Chief Financial Officer to report on the adequacy of the proposed financial reserves of an Authority when the budget is being considered. This section and section 11 address this requirement.
- 9.2. Cabinet, at its meeting on 30 November 2011, considered a report setting out the outcome of a risk analysis in respect of the Council's Revenue Balances. Cabinet agreed with the recommendation that Revenue Balances should be maintained at a minimum of £1.5m and that the situation would be reviewed based on the implications and details of items such as the grant settlement, budget savings and other variables. Based on the assumptions built into the budget it is considered prudent to maintain the recommended minimum level at £1.5m.
- 9.3. In considering the level at which Revenue Balances should be set for 2012/13, Cabinet should note the financial position the Council is likely to face in the medium term through the levels of future Government funding and impending legislative changes to how local government is funded highlighted in the MTFF.

- 9.4. The forecast position in respect of Revenue Balances as at 31 March 2012 is set out at Appendix E and shows balances at £1,839k, £339k above the recommended minimum balance as set out in the agreed Risk Analysis. Taking account of the medium term position detailed above and also risks attached to the current year's budget position, Cabinet is recommended to approve that balances are retained at a minimum level of £1,500k.
- 9.5. It should be noted that the Council has reached an agreement in respect of outstanding issues in relation to the firstsite building. This brings proceedings to a close.

9.6. **Cabinet is recommended to approve Revenue Balances for the financial year 2012/13 be maintained at £1.5m.**

10. Reserves and Provisions

- 10.1. Cabinet at its meeting on 30 November 2011 considered the Council's earmarked reserves. As part of the budget process a review was undertaken into the level and appropriateness of earmarked reserves and provisions for 2012/13. The review concluded that the reserves and provisions detailed were broadly appropriate and at an adequate level, however, it was stated that a further review would be done as part of this final report. The proposed budget includes a number of releases from reserves, including some changes to those already proposed.

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

- 10.2. The Council agreed that an approach to minimise the revenue pressure is to fund the annual MRP (Minimum Revenue Provision) cost by identifying new capital receipts in the period of the borrowing for the community stadium. This then allows a release of revenue funds within the capital expenditure reserve. For 2012/13 the use of the reserve has been reduced to £200k to more accurately reflect the current MRP cost.

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

- 10.3. The building maintenance programme has been based on in-depth condition surveys of all Council building assets. The programme will continue to be developed over the coming year. The 2012/13 budget includes the proposal to add £150k to support the cost of future repairs. New releases are possible for next year and will be reported to Cabinet as required.

S106 Monitoring Reserve – release of £70k

- 10.4. This reserve was set up to provide funds to support the future monitoring of Section 106 agreements. It is proposed to use £70k to support the 2012/13 budget. Contributions to this reserve are made from S106 payments received in respect of monitoring. This reserve has reduced over time and therefore within the Medium Term Financial Forecast (MTFF) a forecast reduced annual sum of £30k is shown to be used from 2013/14.

Pension costs – release of £97k

- 10.5. Previous triennial reviews of the pension fund have shown a significant deficit due to market conditions and increased life expectancy. The last review resulted in a forecast increase in pension costs over the next two years. As part of the 2011/12 budget a provision was established to fund these increased costs. For 2012/13 the increase shown within the list of cost pressures is £97k.

Mercury Theatre Reserve – Roof repairs

- 10.6. In July, Cabinet agreed to include the roof repairs to the Mercury Theatre in the capital programme on the basis that the cost would be met from a combination of funds held in a reserve and the Trust Fund accounts. It was agreed that the specific funding issue would be dealt with within this budget report, however, this will now be addressed in a report to the next Cabinet meeting which will include the outcome of the tender exercise for the work.

- 10.7 **Cabinet is recommended to agree the:**

- **release of £200k from the Capital Expenditure Reserve**
- **release of £70k from S106 monitoring reserve towards the costs of carrying out this function**
- **release of £97k from the pensions provision to provide for the increase in pension deficit costs.**

11. Contingency Provision

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

- 11.2 It is recommended that £100k of Revenue Balances be specifically earmarked for potential items of unplanned expenditure. It should be noted that if this sum was used during the year it may take revenue balances below the recommended level of £1,500k and the Council would need to consider steps to reinstate balances at a later date.

- 11.3 **Cabinet is asked to agree and recommend to Council that £100k of Revenue Balances be specifically earmarked for potential items of unplanned expenditure which are:**

- **The result of new statutory requirements or**
- **An opportunity purchase which meets an objective of the Strategic Plan or**
- **Is considered urgent, cannot await the next budget cycle and cannot be funded from existing budgets**
- **Authorisation being delegated to the Leader of the Council.**

12. Summary of Position

12.1 Summary of the Revenue Budget position is as follows:

Revenue expenditure requirement for 2012/13 (para 6.13).	£'000 20,042
Release from Capital Expenditure Reserve (para 10.2)	(200)
Release of S106 monitoring reserve (para 10.4)	(70)
Release of pensions reserve (para 10.5)	(97)
Budget Requirement	19,675
Funded by:	
Formula Grant (para 7.1)	8,671
Collection Fund deficit (para 8.2)	(26)
Council Tax Freeze grant re 12/13 (para 8.3.)	269
Council Tax Payers requirement (before Parish element) see below*	10,761
Total Funding	19,675
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Council Tax*	
Council Tax Payers requirement (before Parish element)	10,761
Council Tax Base – Band D Properties	61,408.8
Council Tax at Band D	£175.23

12.2 **Cabinet is asked to agree and recommend to Council Colchester's element of the Council Tax for 2012/13 at £175.23 per Band D property, which remains unchanged from 2011/12, noting that the formal resolution to Council will include Parish, Police, Fire and County Council precepts and any minor change arising from the formal Revenue Support Grant announcement.**

13. Medium Term Financial Forecast – 2012/13 to 2015/16

- 13.1. This Council, in common with most other local authorities, faces an ongoing difficult position in the medium term due to a range of pressures including providing statutory services, ongoing pressures caused by reduction in several sources of fees and charges and interest earnings and potential revenue implications of strategic priorities. However, the most significant factor that will impact on budget will be the level of Government grant support including changes arising from the Local Government Resource Review and also implications of benefit reforms.
- 13.2. The Medium Term Financial Forecast (MTFF) is attached at Appendix G showing that the Council may face a budget gap of c£3m over the three years from April 2013, with the 2013/14 gap likely to be in the region of £0.7m. To formulate the MTFF it is necessary to make a number of assumptions. Generally, these do not represent decisions but are designed to show the impact of a set of options for planning purposes. The key assumptions and savings required are set out at the Appendix and summarised below:-

Government Grants and Local Government Finance Reforms

- 13.3. The Comprehensive Spending Review 2010 (CSR10) set out spending plans for 4 years and provided high level figures across all departments alongside welfare reforms and a number of other policy announcements / reforms. No indicative figures have been provided for 2013/14 and therefore an annual reduction of

reduction of 5% is assumed based on overall totals although the actual change that Colchester may see could be different.

- 13.4. Any grant forecast needs to also be viewed alongside the changes to be announced in the Local Government Finance Bill and also the continuing uncertainty over the economic outlook. The reforms will include the planned retention of business rates and also the localisation of Council Tax Benefits. There are significant doubts over the impact of these various reforms and therefore at this stage a further recurring reduction of £300k (circa 4%) has been allowed for in the MTFF.
- 13.5. As set out within this report the New Homes Bonus is now a key element of the Government's financial support for local authorities. The methodology of the scheme means that we have degree of certainty over at least a minimum level of funding in the short to medium term.
- 13.6. The MTFF provides a breakdown on how the New Homes Bonus may change over the next few years and at this stage a 'worst case' situation is shown within the figures. There is a clear likelihood that funding from the New Homes Bonus will be much higher than the figures shown. However, given the link with other Government funding (formula grant) a prudent approach is proposed at this stage.
- 13.7. Further changes in Government funding over the course of the MTFF are likely with potential reductions in grants for benefit administration.

Pay, Inflation and costs

- 13.8. The 2012/13 budget includes no allowance for a pay award. For 2013/14 and beyond an assumed annual increase of 2% has been provided for. For other price inflation a range of 1% to 1.5% has been used although it will be necessary to review forecasts for specific areas in due course.
- 13.9. An allowance for changes to pension costs following the actuarial review has been included. It is assumed that the increased cost in 2013/14 will be funded by the provision set aside in the 2011/12 budget. Beyond 2013/14 an assumption of an increased cost of £250k is shown and this will be refined in future years as the position becomes clearer.

Forecast savings

- 13.10. The MTFF includes changes to forecast savings for 2013/14. These include the removal of one-off items and the full year impact of on-going savings. These changes total £461k with the most significant saving being the additional savings arising from the ICT contract.

Economic Background – Fees and charges

- 13.11. It is evident that there has been a reduction in some income budgets such as car parking and net interest earnings in recent years. The budget proposals for 2012/13 have built in further adjustments to both these areas. On this basis the MTFF assumes a broadly neutral position over the next three years and this will need to be reviewed annually to ensure income targets are reasonable.

Council Tax

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

Growth items

- 13.13. No allowance has been built in to the MTFF for further growth items. The 2012/13 budget includes an allowance to support the food waste trial. As shown within this report the costs of any possible expansion of the scheme would need to be fully considered and the budgetary implications assessed.

Summary

- 13.14. A prudent approach has been taken to the MTFF and it is evident that it will be necessary to revise a number of the assumptions set out as the impact of significant Government reforms are clarified.
- 13.15. In the 2012/13 budget savings of £1.7m have been found which when looked at alongside the £3.6m identified in 2011/12 represents a significant level of budget savings found over 2 years. Whilst we will continue to look for other areas of savings and efficiencies it will be increasingly hard to balance budgets without considering variations to current services.
- 13.16. This year's budget process includes assumptions in respect of savings anticipated through the fundamental service review process and these and other budget reviews will continue during 2012/13. The Budget Group has considered a number of areas where savings and additional income in 2013/14 and beyond may be possible. This group is continuing to meet and has started considering steps necessary to deliver balanced budgets for future years.

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

14. Capital Programme

- 14.1. The funded element of the Capital Programme that was reported to FASP on 23 November totalled £23.704m. The report showed the total projected spend for the year is £17.254m. The remainder of the funded programme is expected to be spent in 2012/13 and 2013/14.
- 14.2. The spending review also highlighted that there is a forecast overspend on the capital programme of £236.9k in respect of the following schemes

Scheme	Over/ (Under)
	£'000
A12 Junction	205.0
Site Disposal Costs	25.0
Other minor variations	6.9
Total Net Overspend	236.9

- 14.3. A review of resources available to support the capital programme has been carried out including consideration of capital receipt items shown within this agenda.
- 14.4. This following table provides a summary position showing that based on current projected capital spend and receipts there is currently an excess of resources compared to the approved capital programme of £0.7m.

	£'000	Note
Total available funds	527.7	Includes received receipts of £0.7m
Projected receipts for 11/12	1,927.5	Receipts which are confirmed but not yet received
Commitments / releases agreed this year	(974.8)	Amounts agreed by Cabinet
New releases proposed now	(200.0)	See para 14.5
Forecast overspend on programme	(236.9)	See para 14.2
<i>Balance available</i>	<i>1,043.5</i>	
Un-released schemes	337.0	Amount required in respect of 'unfunded' part of programme
Total forecast balance on programme	706.5	Overall current forecast surplus

- 14.5. The recommended release at this stage is required to facilitate the use of the Capital Expenditure Reserve set out at paragraph 10.2.
- 14.6. The Council's budget proposals and Medium Term Financial Forecast set out a need to continue to find ongoing revenue savings. The Council's programme of fundamental service reviews (FSRs) is acknowledged as one of the key ways in which efficiencies can be identified and services improved. Previous FSRs have included requirements for capital investment, for example equipment and ICT, in order to implement reviews. It is therefore recommended that an amount of £2m be included in the capital programme as a provision to support FSRs. Cabinet will consider any proposals to release amounts from this allocation as part of the review of a FSR business case. The addition of this item in the capital programme can be accommodated given the forecast balance on the programme (see 14.4 above), the level of revenue support built into the budget to support possible new borrowing (see Appendix C) and also the forecast for projected future capital receipts as commented on below.
- 14.7. Looking ahead to 2012/13 and 2013/14 there are projected uncommitted receipts of £4.4m, most of which are expected to be confirmed within the next year. Against these likely available resources needs to be considered emerging capital requirements, some of which have been previously reported to Cabinet. These include remaining repair costs of Castle walls, the Vineyard Gate development referred to on this agenda and possible capital costs in respect of the food waste service.
- 14.8. It is proposed that a further report be considered by a future Cabinet meeting that considers future capital requirements and how this might be funded.

15. Robustness of Estimates

- 15.1 The Local Government Act 2003 placed a specific duty on the Chief Financial Officer to report on the robustness of estimates in the budget proposals of an Authority when the budget is being considered. This section addresses this requirement.
- 15.2 As set out in this paper a rigorous process and timetable has been followed throughout the budget setting activity this year involving the Cabinet, Leadership Team, Finance and Audit Scrutiny Panel, Senior Management Team, the Budget Group and budget holders. All key assumptions used have been reviewed and

scrutinised as part of this process. The result of this process has been a budget which is, in my view, challenging but deliverable.

- 15.3. This financial year, 2011/12, has so far continued to be challenging with the Council experiencing further pressures on some key income budgets such as car parking and interest earnings. Steps have been taken to revise some income budgets including both these areas.
- 15.4. By taking appropriate action within the proposed 2012/13 budget, exposure to further downgrading of assumptions has been reduced and to that extent some of the risk has been mitigated.
- 15.5. The savings and new income proposed in the budget have all been risk assessed. Based on this a provision has been made in the budget for the potential that some savings may not be fully achieved. This helps to provide a degree of comfort to the delivery of what is again a significant level of savings.
- 15.6. Whilst I consider that reasonable assumptions have been made to account for the pressures being faced there remains a degree of risk with the key areas being:-
 - The combined impact of low interest rates and negative cashflow factors such as reduced levels or delays to securing capital receipts on the net interest budget.
 - Meeting ongoing stretching income levels in particular in respect of planning, leisure and car parking and the new sources of income.
- 15.7. One of the main risks within the coming year is likely to be the need, and ability, to be able to plan ahead for the changes arising from the Local Government Finance Bill.
- 15.8. The budget risks will be managed during 2012/13 by regular targeted monitoring and review at Senior Management Team and Finance and Audit Scrutiny Panel. The Revenue Balance Risk Analysis considered these areas in establishing a minimum level of required balance of £1.5m.
- 15.9. Delivery of the budget will continue to require financial discipline led by SMT in terms of a number of budget reviews and by budget holders, ensuring expenditure is not incurred without adequate available budget and that income targets are achieved. Budget managers will continue to be supported through training and advice to enable them to do this.
- 15.10. Regular updates on forecast expenditure will also be important to ensure the budget is managed within the expenditure constraints set out and the Council is developing systems to provide better financial information through greater use of our commitments system.
- 15.11 **Cabinet is asked to note the comments on the robustness of budget estimates.**

16. Treasury Management and Prudential Code Indicators

- 16.1. The aims of the Prudential Code are to assist local authorities to ensure that:
 - Capital expenditure plans are affordable
 - All external borrowing is at a prudent and sustainable level

- Treasury management decisions are taken in accordance with good practice
- The authority is accountable in taking decisions by providing a clear and transparent framework.
- The framework is consistent with and supports local strategic and asset management planning and proper option appraisal.

16.2. Given the important changes in respect of the self financing arrangements of the Housing Revenue Account the Treasury Management Strategy and Prudential Indicators are considered within a separate report in this agenda.

17. Strategic Plan References

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

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

18. Financial Implications

18.1 As set out in the report.

19. Publicity Considerations

19.1 Arrangements will be made to publish the approved tax levels in the local press and to produce the Council Tax Information Leaflet for distribution with the Council Tax bills. These will be in accordance with the legal requirements.

20.1. Human Rights Implications

20.1 None

21. Equality and Diversity

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

22. Community Safety Implications

22.1 None

23. Health and Safety Implications

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

24. Risk Management Implications

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

25. Consultation

- 25.1. The budget will be scrutinised by Finance and Audit Scrutiny Panel on 24 January 2012. The statutory consultation with NNDR ratepayers takes place on 19 January 2012 and notes of the meeting will be provided at Cabinet.
- 25.2. The report on the Strategic Plan is included in this agenda. This sets out the results of the survey carried out to gather views to inform both the Strategic Plan and Budget.

Background Papers

Detailed Service Group Expenditure Papers
Budget reports to Cabinet – 30 November 2011

2012/13 Budget Timetable	
Budget Strategy March 11 – July 2011	
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 – 13 July 11	<ul style="list-style-type: none"> • Report on updated budget strategy / MTFF • Timetable approved
SOSP – 19 July 11	Review Cabinet report
Budget Group / Leadership Team - June / July	Consider review of capital programme Consider approach to consultation
Detailed Budget preparation and Budget Setting Consultation	
Budget Group / Leadership Team regular sessions on progress / budget options now - December	Review budget tasks (the 5 tracks) Consider outcomes of Fundamental Service Reviews
Cabinet – 7 September 11	<ul style="list-style-type: none"> • Budget Update (moved to 12 October meeting)
Cabinet – 12 October 11	<ul style="list-style-type: none"> • Budget Update • Consultation
Cabinet – 30 November 11	<ul style="list-style-type: none"> • Budget update • Reserves and balances • Grant settlement
SOSP – 13 December 11	Review Cabinet report / Budget Position (Strategic Review)
FASP – 24 January 12	Review consultation / Budget position (Detailed proposals)
Cabinet – 25 January 12	Revenue and Capital budgets recommended to Council
Council – 22 February 12	Budget agreed / capital programme agreed / Council Tax set

2012/13 Revenue Cost pressures

Heads of Service / Portfolio Holders have been asked to contain cost pressures within existing budget allocations wherever possible. The following are specific areas where budget allocations have been increased. Changes since the report to Cabinet on 30 November 2011 are highlighted.

	Current allowance £'000	Updated allowance £'000	Comment
Inflationary pressure	240	257	Net inflation impact, including the assumption of a nil pay award for 2012/13. This includes an increase of £100k as a provision against increases in energy prices. Figures increased to reflect energy costs within facilities management.
Incremental pension contributions	97	97	Additional cost arising from actuarial review which is being funded from reserve setup in 2011/12.
Minimum Revenue Provision	40	40	Increase in calculated figure based on statutory criteria and decisions taken in respect of borrowing.
Car Parking Income	400	400	It has been reported that there is an anticipated shortfall of car parking income in 2011/12. Further actions are being undertaken by the service in conjunction with other Council services and partner organisations to increase usage, particularly in those car parks that are under predicted capacity levels. It is considered prudent to include an allowance for reduced income.
Net interest earnings	300	100	Interest rates remain at historically low levels. More recently a number of projections for interest rates in the coming year point to the continuation at these very low levels for longer than previously expected. As such, it was considered prudent to revise the forecast for next year by £300k. It had been highlighted that legislative changes as part of HRA self financing reforms would result in a further budget adjustment due to the requirement to account in a different way for interest costs between the General Fund and HRA. The pressure has therefore been reduced to £100k
Repair & maintenance costs	150	150	The Council operates a Building Maintenance Programme in addition to other budgets for both planned preventive repairs and responsive repairs. A review is

	Current allowance £'000	Updated allowance £'000	Comment
			currently in progress to consider how these budgets are managed. It is likely that it will be necessary to allocate additional funds to ensure that the Council can maintain assets in a fit and proper state. An allocation of £150k is therefore proposed.
Delivery of ongoing 11/12 budget savings	150	150	Finance and Audit Scrutiny Panel (FASP) recently reviewed the 2011/12 budget position. This included an assessment of the status of delivering all budget savings included in the 2011/12 budget (c£3.6m in total). At this stage it has been identified that some savings may not be delivered on an ongoing basis. This relates to part of the shared management target and a reduction in resources to support service reviews. This therefore results in a pressure for the 12/13 budget.
Insurance Premiums	60	60	The Council's insurance arrangements were recently put out to tender. The resulting costs are higher than current budgets. The cost shown relates to the General Fund only.
Second Homes	25	25	Essex County Council (ECC) has given notice that it wishes to terminate the arrangement whereby ECC passes 60% of the additional income received in respect of second homes discount to Colchester. ECC had indicated that an alternative arrangement may be put in place based which would see the contribution reduce to 40%. However, an offer has now been made based on 50% which has reduced the cost pressure to £25k.
Magistrates court	36	36	Cessation of service charge from HMCS when magistrates move out of Town Hall magistrates courts and into a new building in April 2012. The existing courts in the Town Hall will not be in use pending work to explore options for its future. However, costs will be incurred for background heating, security lighting and responsive repair & maintenance in the meantime.

	Current allowance £'000	Updated allowance £'000	Comment
Elections	38	38	Most years when there are Borough Council elections there are other elections (e.g. County, European etc) at the same time and therefore the full cost of the elections can be shared. In 2012/13 there are no other elections planned and therefore the full costs will be met by Colchester and there will be no opportunity to claim back any of these costs. £38k is the additional cost for 2012/13 only.
Commercial Rental Income		40	There is a forecast reduction in income from industrial parks. It has been acknowledged that the current challenging financial climate means that maintaining commercial rental streams was a potential pressure.
Customer Service (Info point)		20	Notification of reduced income from partners has been received.
Bank Charges		10	The Council is required to pay transaction fees based on card transactions.
Community Infrastructure Levy (CIL)		15	The estimated cost of examination in respect of the CIL. This assumes a contribution from ECC towards the costs.
ICT costs		16	The ICT budget includes a number of costs relating to corporate ICT systems (software and support costs). Significant savings have been built into the 12/13 budget and therefore this remaining pressure cannot be met within the service.
Housing Benefit admin grant		45	The Government grant received to support housing benefit administration costs has been reduced by £45k.
Loss of Street Warden Grant from Essex County Council (ECC)		50	The grant support from ECC towards street wardens stopped this year and therefore it is necessary to reflect this loss of income in the budget. No proposals are made to reduce investment in this service accordingly.
Street Services – Fuel and other pressures		72	The cost of fuel (DERV) falls mostly within Street Services and based on current prices and usage there is a cost pressure of c£30k. The Street Services budget has been realigned to reflect the structure and changes made as part of the FSR. This has reflected the agreed savings. However, it has been necessary to correct budgets in respect of the previous small works team that had overstated internal “income”.
Total	1,536	1,621	

2012/13 Growth Items

The following are growth items included in budget proposals. Changes since the report to Cabinet on 30 November 2011 are highlighted.

	Current allowance £'000	Updated allowance £'000	Comment
Food Waste	200	200	The Council has agreed to allocate funding for a food waste trial to start in 2011/12 for a period of 12 months. The impact of the trial will be assessed and consideration given to the expansion of the scheme to the wider borough. The costs involved in any proposals and benefits will need to be fully considered in due course, however, it is considered appropriate to include a budget provision at this stage of £200k. The actual cost will depend on extent and timetable for any rollout and also any contribution from partners.
Tour Series	40	40	In previous years funding for the Tour Series event has been identified after the budget has been set. Given the intention to continue promoting this event in Colchester it is proposed that a budget allocation of £40k be allocated. Where possible sponsorship and other contributions will be sought to minimise the contribution by the Council.
Olympic Torch Relay	30	30	One-off cost to provide crowd management, waste and clean-up, project management and promotional support for the London 2012 Olympic Torch Relay.
Provision for borrowing costs		135	A provision is proposed for assumed revenue costs of possible new borrowing / additional interest costs.

	Current allowance £'000	Updated allowance £'000	Comment
LDF (Core Strategy)		120	Initial estimate based on cost of producing evidence base. A significant part of this is likely to be incurred beyond 12/13, however, given the uncertainty over timing it is proposed to fund this value and the carry forward any unspent sums.
Invest to earn / save		100	Provision to enable pump priming of projects that will provide additional income streams / cost savings that will help to close future budget gaps.
Air Quality Monitoring Assessment		19	The recently agreed declaration of Air Quality Monitoring Areas set out that there would be additional costs attached to carrying out the statutory review and assessment process.
Allowance for affordable housing		52	Growth achieved through New Homes Bonus element allocated to support affordable housing initiatives
Total Growth Items	270	696	

Summary of Savings / Increased Income

	Efficiencies	Income	Alternative Service Delivery	Service Reduction	Total
Service specific savings	£'000	£'000	£'000	£'000	£'000
Executive Management Team	12	10		32	54
Corporate Management	478		9		487
Customer Service Centre	40				40
Environmental & Protective Services	135	20	51		206
Life Opportunities	39		36	49	124
Resource Management (incl. CDC)	205	67	1		273
Strategic Policy and Regeneration	15	60		25	100
Street Services	294	67	1		362
Cross-cutting savings	50				50
Total Service Savings	1,268	224	98	106	1,696
Risk Factor					(285)
Allowance for one-off costs					(30)
Total Net Savings					1,381

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

Track	Service	Opportunity	2012/13 £'000	Additional Comments e.g. impact on service / risk to delivery/description of delivery
<i>Efficiencies</i>	CSC	Reduction in non-advisor posts	25	Restructure of CSC operational and support posts. This does not impact on front line staff.
<i>Efficiencies</i>	CSC	Reducing customer demand	10	Reducing customer demand: reduced avoidable contact, automation of info and processes and migration to self serve.
<i>Efficiencies</i>	CSC	Reduction in consultancy budget	1	Budget reduced by 50% reflecting a move away from consultancy budgets wherever possible.
<i>Efficiencies</i>	CSC	Reduction in printing budget	1	Budget reduced by 50% reflecting the reduction in the production of 'hard copy'.
<i>Efficiencies</i>	CSC	Payments from CSC to Serco:	3	Support costs for telephony included in new contract.
<i>Efficiencies</i>	EMT	Saving on Regional Cities East	12	The way in which the partnership was run has been reviewed and led to a reduction in the partner contributions
<i>Efficiencies</i>	RM	Ongoing accountancy review	25	Additional savings from restructuring implemented January 2012
<i>Efficiencies</i>	RM	Revenues and Benefits FSR	132	Final structure agreed and recruitment completed. Now being implemented. Risk to delivery of service is mitigated by new technology and processes.
<i>Efficiencies</i>	RM	Joint procurement of mailing and print for benefits service with Ipswich	15	The saving equates to almost 10% on current costs.
<i>Efficiencies</i>	RM	Change in software for housing benefit, council tax and NNDR reference materials	3	No impact expected.

Track	Service	Opportunity	2012/13 £'000	Additional Comments e.g. impact on service / risk to delivery/description of delivery
<i>Efficiencies</i>	RM	Reduction in external audit costs	30.0	The Audit Commission has announced fees for next year which indicate a saving of £30k.
<i>Efficiencies</i>	E&PS	Museums Service	30	Savings level agreed with Ipswich and built in to budget for 12/13
<i>Efficiencies</i>	E&PS	Sharing Cemetery & Crematorium software with two other authorities	2	Efficiency delivered by joint purchasing of the software package so there is no risk to delivery of the saving or impact on the service.
<i>Efficiencies</i>	E&PS	Vacant 0.6 FTE Housing enforcement officer	18	Saving delivered as part of process work with Anchor Housing to deliver our Home Improvement Agency function as agreed by Portfolio Holder earlier in the year.
<i>Efficiencies</i>	E&PS	Structure of service	85	Staff consultation process concluded on 21.12.11 – final decision on proposed structure will be confirmed in early January '12. Redundancy costs in 12/13
<i>Efficiencies</i>	SP&R	Savings from some members of team not working full time	10	
<i>Efficiencies</i>	SP&R	Redistribute some hours from vacancy in Spatial Policy/Transportation team and take remainder as saving	5	
<i>Efficiencies</i>	CM	Reduction of Hallkeeping Team to five	17	Change of current shift system to enable reduction in capacity.

Track	Service	Opportunity	2012/13 £'000	Additional Comments e.g. impact on service / risk to delivery/description of delivery
Efficiencies	CM	Renewal of ICT Contract Savings	450	Numbers may change during due diligence phase of implementation
Efficiency	Various	Carbon Management Programme	42	A range of schemes that reduce our carbon footprint and deliver savings through reduced energy use.
Efficiencies	Life Opps	Savings in private sector leasing scheme due to implementation of new scheme arrangements.	4	
Efficiencies	Life Opps	Restructuring of Communities management team	22	Already implemented – additional saving
Efficiency: £175k Income: £101k	Street	Street Services – FSR – 2012/13 savings and increased income	276	This is made up by the following: <ul style="list-style-type: none"> The implementation of the full staff saving in introducing Zone Working and the new processes including all the technological improvements. The partnership working at Shrub End Depot to increase Trade Waste income Increased income from the Community Alarms service Increased income from the Voids clearance service
Efficiencies	RM / SP&R	Estates/Regeneration review	50	Mini FSR to be undertaken starting Jan 12
			1,268	

Track	Service	Opportunity	2012/13 £'000	Additional Comments e.g. impact on service / risk to delivery/ description of delivery
<i>Income</i>	EMT	Customer Excellence	10	Additional Customer Excellence income is anticipated in 2012/13
<i>Income</i>	RM	Audit European claims in-house	2	Accountancy restructure moving claims out of audit section. Needs Audit/DCLG agreement
<i>Income</i>	RM	Taking on work for CBH on former tenant arrears and homelessness	25	Subject to agreeing an SLA
<i>Income</i>	RM	Accommodation - lease part of Rowan House to Colchester Borough Homes (CBH)	40	Income secured from Colchester Borough Homes (CBH) of £65k for the first year rising to £70k in second year and onwards. Saving is net of original target in respect of accommodation changes.
<i>Income</i>	E&PS	Planning Performance Agreements (PPA) & major Preliminary Enquiries (PE)	20	Above target for income target for PPA's and PE's this year. Increased income target built into budget for 12/13. Delivery of additional income does rely on the economic climate and the continuing major developments within the borough.
<i>Income</i>	SP&R	Digital Strategy – a number of opportunities to generate an income; use of CCTV furniture, use of CCTV ducting and advertising	60	Numbers subject to review, estimates at this stage but are considered prudent

Track	Service	Opportunity	2012/13 £'000	Additional Comments e.g. impact on service / risk to delivery/description of delivery
Income	Street	Community Alarms service. Increase number of customers for Helpline and Telecare services and expansion of the Telehealth Contract to include other Commissioners in partnership with NHS North East Essex	50	Aim to increase customers and income through more proactive marketing.
Income	Street	Market – increased income from third trading day	17	Aim to increase income through marketing strategies for both traders and customers. Third market day agreed for 12/13. All pitches taken up. Investment needed of £25,000 to bring stalls up to regional standard.
			224	
Alternative service delivery	E&PS	Shared Anti Social Behaviour team with CBH	10	Saving delivered by reduction in management resource as a result of combining the two teams.
Alternative service delivery	E&PS	Pest control	21	Alternative service delivery option for Pest Control Service. Options include either external outsourcing of service to a preferred supplier/partner or reduction in staffing resource for retained in-house service.
Alternative service delivery	E&PS	Dog Service	19	Alternative service delivery option for Dog Service. Options include either external outsourcing of service with private contractor or neighbouring authority or a shared service with a neighbouring authority with a resulting reduction in

Track	Service	Opportunity	2012/13 £'000	Additional Comments e.g. impact on service / risk to delivery/description of delivery
				management resource. This approach is clearly dependant being able to procure the appropriate level of services from a competent contractor/neighbouring authority.
<i>Alternative service delivery</i>	CM + other services	Facilities Management	7	Planned Preventative Maintenance (PPM) contracts to be retendered this financial year and to be compared to ECC Property Services contract. Economies of scale and more competitive marketplace could deliver savings of c5%.
<i>Alternative service delivery</i>	CM	Reduction in Messenger Service. Deliveries reduced to 2 per week	7	Any impact will be mitigated by other activities and carefully considering which days the service is available.
<i>Alternative service delivery</i>	Life Opps	Abbots Centre Activity	34	Cease operating the Abbots Activity Centre, lease the building to a community sector provider for operation as a community centre, increase capacity at Lion Walk Activity Centre and invest in alternative provision of activities for older people across the borough. Saving is dependant on being able to agree a satisfactory SLA with the community sector provider.
			98	
<i>Service reduction</i>	EMT	LSP funding removed	32	Colchester 2020 is not continuing in it's current form so funding will not be required.

Track	Service	Opportunity	2012/13 £'000	Additional Comments e.g. impact on service / risk to delivery/description of delivery
<i>Service reduction</i>	Life Ops	Removal of Joint NHS/CBC Health Specialist post due to NHS restructuring	30	Reduction in capacity to address public health agenda as a result of NHS North East Essex decisions around restructuring.
<i>Service reduction</i>	Life Ops	Removal of voluntary sector "one-off" project and development grant funding	19	This element of the Council's voluntary sector grant funding programme is awarded on an annual basis only to targeted projects aimed at addressing specific priorities. The Council's core funding of local voluntary sector organisations is unaffected by this reduction.
<i>Service reduction</i>	SP&R	Arts funding (firstsite grant)	15	Funding to Arts organisations like other areas need to accommodate a reduction in funding to meet our overall budget. It was considered that on this occasion the other arts organisations were less well placed to deal with a reduction in funding compared to firstsite.
<i>Service reduction</i>	SP&R	To reduce our levels of monitoring work for the LDF and investigate other ways of monitoring. The proposal is to stop funding ECC monitoring from 2012 onwards.	10	Will still need to ensure enough monitoring is carried out and may place some additional pressures on other teams
			106	

Budget Analysis – Appendix E

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Savings	Detailed 12/13 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	341		10			(30)	321
Executive Management Team	819		30			(54)	795
Corporate Management	6,401	6	201			(487)	6,121
Customer Services	1,040		20			(40)	1,020
Env. & Protective Services	2,308	14	(22)	19		(206)	2,113
Life Opportunities	5,173	60	114	30		(124)	5,253
Resource Management	(189)	15	213			(213)	(174)
Strategic Policy & Regen.	2,229		19	212		(100)	2,360
Street Services	1,969		564	200		(362)	2,371
Total Services	20,091	95	1,149	461	0	(1,616)	20,180
Technical Items							
	0						
<i>Corporate Budget targets</i>	0						
Savings Risk Factor	0		0			285	285
Shared Services	(150)		120				(30)
Cross cutting	15		0			(50)	(35)
<i>Corporate Grants</i>	0		0				
Homelessness Grant	(192)		0				(192)
New Homes Bonus	0		0			(1,525)	(1,525)
<i>Non-Service Budgets</i>	0		0				0

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Savings	Detailed 12/13 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants to Parish councils	102	0	0				102
CLIA (net interest)	619		100	135			854
R&R Contribution	0		150				150
Min Revenue Provision	658		40				698
Pensions	2,397		97				2,494
ECC Second Homes	(149)		25				(124)
Heritage Reserve	9		0				9
Invest to earn / Save	0		0	100			100
GF/HRA adjustments etc	(2,878)		(60)		14		(2,924)
Total Below the Line	431	0	472	235	14	(1,290)	(138)
Total incl Below the line	20,522	95	1,621	696	14	(2,906)	20,042
Funded by:-							
Pensions Reserve	0		(97)				(97)
Capital Expenditure Reserve	(300)		100				(200)
Other Reserves - S.106	(70)		0				(70)
Government Grant (RSG / NNDR)	(9,529)		858				(8,671)
Council Tax Freeze Grant (12/13)	0		0			(269)	(269)
Council Tax	(10,681)		0			(80)	(10,761)
Collection fund Transfer	58	(58)	26				26
Total	(20,522)	(58)	887	0	0	(349)	(20,042)

**General Fund Balances
Current Position**

	£'000
Balance as at 31 March 2011 (As per Statement of Accounts)	3,457
Proposed use of balances during 2011/12:	
• Financing carry forwards – Proposed carry forward of 10/11 budgets	292
• Funds released in previous years carried forward to 11/12 (note 1)	169
• Supporting the 11/12 Budget (Note 2)	600
• Further Changes in 2011/12 (Note 3)	557
Projected Balances as at 31 March 2012	1,839
Agreed minimum balance	1,500
Potential Surplus Balances as at 31 March 2012	339
<i>Potential net budget shortfall 2011/12 (Note 4)</i>	200
<i>Potential Revised surplus (Note 4)</i>	139

Notes:

1. This includes previous approved releases from balances which have not yet been spent and the previously approved transfer of £205k from the insurance provision
2. It was agreed to earmark up to £600k from balances to support one off-costs required to deliver budget savings.
3. Includes allocations agreed by Cabinet for Firstsite legal fees and also the unallocated balance of funding from the New Homes Bonus grant received in 11/12.
This also includes the £100k allocated in respect of potential costs of planning appeals which it is proposed should be retained at this stage.
4. The latest budget outturn forecast for 2011/12 reported to Finance and Audit Scrutiny Panel showed a potential shortfall of £262k. The latest position shows an improvement to this and a potential shortfall of under £200k is now expected.

Medium Term Financial Forecast				
2012/13 to 2014/15				
	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000
Base Budget	20,522	20,042	20,081	21,011
Cost Pressures	1,635	650	975	890
Growth Items	696	(150)	0	0
Savings - Agreed	(1,286)	(461)	(45)	0
New Homes Bonus	(1,525)			
Forecast Base Budget	20,042	20,081	21,011	21,901
<i>Funded By:</i>				
Government Grant	(8,404)	(7,984)	(7,585)	(7,205)
Council Tax Freeze Grant (re 11/12)	(267)	(267)	(267)	
Council Tax Freeze Grant (re 12/13)	(269)			
Provision for further grant reduction		300	300	300
Council Tax	(10,761)	(11,085)	(11,419)	(11,763)
Collection Fund Deficit / (Surplus)	26	0	0	0
Use of Reserves	(367)	(332)	(230)	(230)
Total Funding	(20,042)	(19,368)	(19,201)	(18,898)
Budget (surplus) / gap before changes				
(cumulative)	0	713	1,810	3,003
Annual increase	0	713	1,097	1,192
Key Assumptions				
Inflation - Pay assumed at 0% for 12/13 and 2% pa thereafter , other cost and income circa 1 / 1.5%				
Gov't Grant – 5% reduction pa has been shown for indicative purposes with a further reduction of £300k				
Based on no increase in 2012/13 and assumed increase in Council Tax of 2.5% for next three years				
Next pension fund actuarial review will impact in 14/15 and a planning assumption of £250k has been assumed.				

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Cost Pressures				
General Inflation	257	640	640	640
Pensions	97	102	250	250
MRP (Minimum Revenue Provision)	40	0	0	0
Car parks income	400			
Interest	100			
Repairs	150			
Insurance	60			
2nd homes	25			
11/12 Savings (shared management and WWW)	150			
Magistrates Court	36			
Elections	38	(92)	85	
CIL	15			
Commercial rental income	40			
CSC - infopoint income	20			
Benefit admin grant	45			
Street Services (fuel and other changes)	72			
Street Services (loss of ECC Grant)	50			
Bank charges	10			
Corporate Management	16			
Technical Items	14			
Total	1,635	650	975	890
Growth Items				
Food Waste	200			
Tour Series	40			
Torch relay	30	(30)		
Affordable homes	52			
Borrowing costs	135			
Invest to earn	100			
LDF	120	(120)		
AQMA	19			
Total	696	(150)	0	0
Savings (incl. one off adjustments)				
One-off adjustments	95			
Efficiencies	(1,268)	(421)		
Income	(224)	(55)		
Alternative service delivery	(98)			
Service Reduction	(106)			
Savings risk factor	285			
One off costs (revenues and benefits)	30	15	(45)	
Total	(1,286)	(461)	(45)	0

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
New Homes Bonus				
Growth re 09/10	724	724	724	724
Growth re 10/11	749	749	749	749
Growth re 11/12		x	x	x
Growth re 12/13			x	x
Growth re 13/14				x
<i>Total basic NHB</i>	<i>1,473</i>	<i>1,473</i>	<i>1,473</i>	<i>1,473</i>
Affordable Housing element				
re 10/11 delivery	52	52	52	52
re 11/12 delivery		x	x	x
re 12/13 delivery			x	x
re 13/14 delivery				x
<i>Total affordable homes bonus</i>	<i>52</i>	<i>52</i>	<i>52</i>	<i>52</i>
Total New Homes Bonus	1,525	1,525	1,525	1,525
Use of Reserves				
Balances (General)				
S106 monitoring reserve	70	30	30	30
Pensions Provision	97	102		
Capital Expenditure Reserve:- Community Stadium	200	200	200	200
Total	367	332	230	230

Addressing the Budget Gap

The MTFP shows a budget gap of circa £3m over the three years from 2013/14. Whilst this is less than the gap for 2011/12 it should be seen in the context of the risks and variables set out below and also in terms of reduced budgets and more efficient services resulting in savings that will be increasingly hard to deliver.

Risk Areas / Comments

The key risk areas to the forecast are:-

Ref	Risk / Area of uncertainty
1	<p><i>Government Grant and the Comprehensive Spending Review 10 (CSR10)</i></p> <p>The CSR10 sets out the background to public sector finances over the next 4 years. A cash reduction of 5% in each year of the MTFP has been included with a further reduction of a recurring £300k shown.</p> <p>The Government has recently produced a response to the consultation papers setting out proposals relating to NNDR (business rates) and also the localisation of Council Tax benefits. These are likely to be significant issues for district councils such as Colchester and will be considered as part of an update of the MTFP when more detail becomes known.</p>

Ref	Risk / Area of uncertainty	
2	<i>Government grants and partnership funding</i>	<p>The Council's budget has changed over recent years with a greater emphasis on funding from both partner organisations and Government bodies. These funding streams can rarely be guaranteed and can therefore add to our cost pressures.</p> <p>Provision has been made in the 2012/13 budget for the New Homes Bonus based on the grant received in 2011/12. Future budget reports will consider this source of funding and the implications for the MTFF.</p> <p>No provision has been made for changes in other Government grants, such as housing benefit administration, and these will be considered as details are announced.</p>
3	<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>
4	<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 income it has been reported that off street car parks, planning and cemetery and crematorium have all experienced varying levels of shortfall in recent years. Looking ahead to 2012/13 and beyond it is difficult to estimate how income levels may continue to be affected. The 12/13 budget forecast assumes a decrease in revenue from car parking and future updates of the MTFF will consider any other changes to income.</p>
5	<i>Inflation</i>	<p>An allowance for general inflation has been built into the 12/13 forecast and MTFF, and specific increases allowed for items such as energy.</p> <p>The current (November 2011) CPI is 4.8% and RPI is 5.2% The economic forecasts published by HM Treasury point to inflation figures for 2012 of 2.2% and 2.8% for CPI and RPI respectively. Not all the Council's costs are directly linked to RPI and therefore we will continue to monitor the impact of inflation on all Council costs. The budget forecast does include an additional provision of £100k in respect of energy costs.</p> <p>An assumption of no annual pay increase has been shown for 2012/13 with an increase of 2% pa thereafter. Any changes to this will need to be considered in future updates.</p>
6	<i>Use of reserves</i>	<p>The budget position for 2011/12 includes proposals to use certain reserves. The MTFF assumes the ongoing use of the capital expenditure reserve and S106 reserve.</p> <p>The 2011/12 budget included the proposal to agree that up to £0.6m be made available to meet one-off costs required to deliver the budget savings. A large proportion of this remains uncommitted and is therefore available to meet one off costs required to deliver the budget savings for 12/13.</p>
7	<i>Legislation</i>	<p>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.</p>

Ref	Risk / Area of uncertainty	
8	<i>Impact of regeneration programme e.g. car park closure and staff resources</i>	As the regeneration programme progresses there will be an ongoing impact on income from car parks due to temporary and permanent closure of certain car parks and also the introduction of park and ride.
9	<i>Property review</i>	A review of our assets was carried out and a 5-year Building Repairs and Maintenance Plan produced. There will continue to be financial implications arising from this for both the revenue budget and capital programme and these will continue to be considered in detail and included in the ongoing updates of the MTFF. The 2012 budget forecast includes an additional allocation of £150k in respect of planned repairs and this will be reviewed shortly to consider if it is sufficient to meet ongoing requirements.
10	<i>Impact of growth in the Borough and demand for services</i>	A number of Local Authority services are directly impacted by the increase of population in the Borough, such as waste services, planning, benefits etc. As part of the budget it will be necessary to consider whether there is a need for additional resources in these or other areas in order to maintain levels of service. At this stage no allowance for these areas has been provided within the MTFF. Fundamental Service Reviews (FSR) have been carried out or are being implemented on some of the key areas affected by growth and such as benefits, housing and street services. The financial assumption made is that these reviews will assist in identifying efficiencies to cope with changes in demand, however, this will be regularly reviewed.
11	<i>Delivery of budget savings</i>	The 2012/13 budget includes c£1.7m of savings or increased income. A risk assessment has resulted in £285k being set aside as a risk allowance.
12	<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 2012/13 highlights the outlook for interest rates in the medium-term which points to continuation of unprecedented low levels into 2012/13. The budget forecast has been adjusted by £300k to reflect the ongoing impact of low interest rates and the growing view that these low levels may continue for a significant time to come. This has been offset by £200k in respect of the impact of changes to the statutory recharges to the Housing Revenue Account (HRA) arising from the self financing reforms.

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

Impact of Budget Strategy 2012/13

The budget for 2012/13 has been prepared alongside the development of a new Strategic Plan. As the amended Strategic Plan has emerged it has been essential to ensure that the budget reflects these priorities.

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

The new strategic plan addresses two sets of priorities for the Borough and the Council:

- Leading our communities – influencing others in a range of functions where the Council does not have direct responsibility for delivery but knows that these things are vital to the future of the Borough and its residents
- Delivering high quality, accessible services – actual delivery of direct services either through our own resources or using others to provide services

As in 2011/12, the size of the budget gap for 2012/13 has meant that it is inevitable that some changes will have an impact on the ability to deliver the range and scale of aspirations against all the priorities. The aim has been to reduce the impact in these priorities areas. It has also been inevitable that some of the changes will have an indirect impact on priorities.

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

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

- Efficiencies, including but not exclusively Fundamental Service Reviews (FSRs)
- Income generation; an aspiration to increase our income both in traditional service areas and by exploring new options to reduce the pressure to cut budgets
- Alternative service delivery. This strand has been broadened from shared services to reflect a wider range of opportunities. Another set of opportunities have been delivered this year including the Parking Partnership. We continue to talk to a range of authorities and other partners about options.
- Partnership projects; a longer term strategy working with partners as how we could collectively deliver more by joining budgets across common themes. Joint procurement is also a growing theme with the ICT contract and Fleet procurement being prime examples of this approach delivering significant improvements.
- And as a last resort cuts and reductions

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

There are over 40 budget changes outlined in the budget and it is not intended to show how each of these impact on the priorities. However, there are a few higher value changes that are worth highlighting; almost 65% of the savings are delivered from 5 key actions:

Item	Saving	Comment
ICT contract	£450	Large savings from the new ICT contract, enabled by joint procurement and ongoing delivery with three other local authorities
Revenue and Benefits FSR	£132k	Second year implementation of the FSR
Street services FSR	£276	Second year implementation of the FSR
Accommodation	£65	Income from reducing the amount office accommodation we use through increased flexible working and subletting the vacant space to a partner
Restructure of Environmental & Protective Services	£85k	A review of the overall structure of the service and in particular a reduction in the number of managers

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

As can be seen, the Fundamental Service Reviews continue to be a crucial element of the budget strategy, allowing the Council to deliver very significant savings in a planned way, at the same time as looking at the service provided to the customer. This has enabled a much more thoughtful approach to reduction in cost and has helped to engage staff to a greater extent. We are starting to see improved performance in the Benefits service in terms of the speed at which claims are processed. By putting this process in place some time ago we have been able to deliver significant change and still deliver against strategic priorities.

In addition it has been possible to identify some areas of growth for 2012/13 to directly support improved impact on the Strategic Plan

Item	Level of growth	Comment
Affordable Housing	£52k	This is the amount of grant in the New Homes Bonus specifically paid for delivery of affordable homes. It has been agreed to allocate this to enable additional future affordable housing
Street wardens	£50k	Tackling anti social behaviour; Improving our streets and local environment; Enabling communities. Essex County Council has removed a grant to

		fund two street wardens. It has been agreed to increase the budget to maintain the additional resource. Support a range of Strategic Plan priorities
Air Quality	£19k	Promoting sustainability and reducing congestion; work in partnership with Essex County Council
Tour Series	£40k	Brings investment to the Borough; and supports tourism. The Tour Series has been very successful for the Borough. This growth item allows an ongoing commitment to hosting a leg of the Tour Series
Torch relay	£30k	Supports tourism. One off funding to support the Olympic torch relay through Colchester.
Food waste	£200k	The top priority in all our consultations our approach to waste; reducing, reusing and recycling. This additional money enables the food waste collection to be continued if the trail proves to be successful
Local Development Framework (LDF)	£120k	Further work on LDF to support a range of priorities



Cabinet

Item
7(ii)

25 January 2012

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

This report requests Cabinet to recommend to Council the 2012/13 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy

1. Decisions Required

- 1.1 To approve and recommend to Council the 2012/13 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.
- 1.2 To approve and recommend to Council the revised Prudential Indicators for 2011/12 that take into account the additional borrowing requirement in the year as a result of HRA reform.
- 1.3 To approve the proposals for new borrowing in respect of the HRA reform settlement, and delegate authority for the Head of Resource Management to raise the debt on 26 March 2012 in consultation with the Leader of the Council.

2. Reasons for Decisions

- 2.1 The Council agreed to adopt the revised CIPFA Treasury Management in the Public Services Code of Practice on 17 February 2010. The Code requires the Council to approve an annual Treasury Management Strategy Statement, which should be submitted for scrutiny prior to the start of the year to which it relates, and to keep treasury management activities under review.
- 2.2 The Local Government Act 2003 introduced new freedoms for local authorities though the prudential borrowing framework. It also requires the Council to set Prudential and Treasury Indicators to ensure that capital investment plans are affordable, prudent and sustainable.
- 2.3 The Council is required to make a payment of £74.338m to DCLG on 28 March 2012 in order to leave the housing subsidy system.

3. Treasury Management Strategy

- 3.1 The proposed Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy (TMSS) for 2012/13 is included as a Appendix 1 to this report. The follow paragraphs contain a summary of the strategy for 2012/13, which covers the following issues:
 - the capital plans and the prudential and treasury indicators;
 - the MRP strategy.

- the current treasury position;
 - the economic background and prospects for interest rates;
 - the borrowing strategy;
 - the investment policy and strategy; and
 - the policy on use of external service providers.
- 3.2 The Council's Prudential and Treasury Indicators for 2012/13 through to 2014/15 have been produced to support capital expenditure and treasury management decision making, and are designed to inform whether planned borrowing and the resultant revenue costs are affordable and within sustainable limits. The indicators take into account all the economic forecasts and proposed borrowing and investment activity detailed in the report. Cabinet is also asked to approve the revised indicators for 2011/12, which take into account the impact of HRA reform.
- 3.3 The Minimum Revenue Provision (MRP) Policy Statement for 2012/13 states that the historic debt liability will continue to be charged at 4%, with the charge for more recent capital expenditure being based on the useful life of the asset and charged using the equal annual instalment method.
- 3.4 The UK bank rate has been unchanged from a historically low 0.5% since March 2009. The current view from the Council's treasury advisers is that the UK economy is expected to be weak in the next two years, and the Bank Rate is not expected to start increasing until quarter three of 2013. **Appendix A** to the TMSS draws together a number of current forecasts for short term and longer term interest rates.
- 3.5 The Council currently has an under-borrowed position. The borrowing strategy is to reduce the difference between gross and net debt by continuing to 'borrow internally', which is primarily due to investment rates on offer being lower than long term borrowing rates. This has the advantages of maximising short-term savings and reducing the Council's exposure to interest rate and credit risk. This approach is intended to be maintained during the year, with the exception of the borrowing required for the HRA reform settlement.
- 3.6 The investment policy reflects the Council's low appetite for risk, emphasising the priorities of security and liquidity over that of yield. The main features of the policy are as follows:
- The Council will only invest with institutions with the highest credit ratings, taking into account the views of all credit rating agencies and other market data when making investment decisions.
 - The Council will use Sector Treasury's creditworthiness service, which combines data from credit rating agencies with credit default swaps and sovereign ratings. However, whereas this service uses ratings from all agencies in a weighted scoring system, the Council will continue to follow the approach suggested by CIPFA of using the lowest rating from all the agencies (i.e. the lowest common denominator).
 - The Council will only use approved counterparties from countries with the highest credit rating of 'AAA', together with those from the UK.
 - The Council will continue to avoid longer term deals while investment rates are at such low levels. The budgeted return on investments placed for up to three months during the year is 0.7%.
- 3.7 Investment instruments identified for use are detailed in **Appendix B** of the TMSS. It should be noted that whilst this includes a wide range of investment instruments, it is likely that a number of these will not be used. However, their inclusion enables the required credit controls to be stated if their use is to be considered.

4 HRA reform Borrowing Strategy

- 4.1 The new HRA self-financing proposals will require the Council to borrow in order to make the settlement payment of £74.338m to DCLG on 28 March 2012. The options available for the management of this debt are detailed in the HRA Reform Borrowing report that is included as Appendix 2 to this report. Having discussed the options with the Portfolio Holders for Resources and Heritage and Housing and Community Safety, it is recommended that the following approach is adopted:
- The Council follows the 'two pool approach' to splitting the current loan portfolio. This is the preferred option of DCLG, CIPFA and the Council's treasury advisers. It is also equitable for both the HRA and General Fund, provides transparency over the allocation of debt, and ensures that the HRA receives the full benefit of the low rate debt that is available.
 - That the new debt consists of a range of fixed rate, maturity loans from the PWLB. Fixed rate borrowing matches the certainty required in the business plan, PWLB borrowing provides the flexibility to repay or reschedule if required, and the lower margins that are available on 26 March present the opportunity to lock in to historically low rates. Maturity loans also provide additional flexibility to other types of loan that would require the repayment of principal in the early years of the plan, which in turn would necessitate the current assumptions for capital investment to be revised.
 - That the maturity of the new borrowing is evenly spread over the 25 to 50 year period, taking into account the maturity profile of the Council's existing debt. This will create the capacity for the Council to undertake further investment not currently within the business plan, whilst still allowing for the repayment of existing debt that matures within the period.
 - That the Council plans to make Voluntary Revenue Provisions (VRP) for the repayment of HRA debt to enable maturing debt to be repaid, whilst ensuring that this does not create an adverse impact on the business case.
- 4.2 The above proposals take into account the projected PWLB borrowing rates for 26 March 2012. It is also proposed that the authority to raise the debt of £74.338m on that date is delegated to the Head of Resource Management in consultation with the Leader of the Council to confirm an appropriate course of action for the type and structure of the debt should any of the above assumptions change.

5. Proposals

- 5.1 That the Treasury Management Strategy Statement for 2012/13 is approved.
- 5.2 That the revised Prudential Indicators for 2011/12 are approved.
- 5.3 That the proposals for new borrowing in respect of the HRA reform settlement are approved.

6. Strategic Plan References

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

7. Financial Implications

- 7.1 Interest paid and earned on borrowing and investments is shown within the Central Loans and Investment Account (CLIA). The strategy documents have been produced with reference to the agreed CLIA budget for 2012/13.

8. Risk Management Implications

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

9. Standard References

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

Appendices

Treasury Management Strategy Statement
HRA Reform Borrowing Report

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2012/13

1 *Introduction*

Background

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

Reporting requirements

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

1.7 **Annual Treasury Report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.8 Members will also be kept informed of any other significant matters that may occur as part of the quarterly Capital Monitor reports to the Finance and Audit Scrutiny Panel.

Treasury Management Strategy for 2012/13

1.9 The strategy for 2012/13 covers the following Capital and Treasury Management issues:

- the capital plans and the prudential and treasury indicators;
- the MRP strategy.
- the current treasury position;
- the economic background and prospects for interest rates;
- the borrowing strategy;
- the investment policy and strategy; and
- the policy on use of external service providers.

1.10 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CLG MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

2 The Capital Prudential Indicators 2011/12 – 2014/15

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

2.2 A key issue facing the Council is the introduction of HRA reform. This will see the abolition of the housing subsidy system in return for taking on a greater amount of HRA debt, and will see the HRA as a stand alone business. The legislation has yet to be enacted, but the Localism Bill has received Royal Assent so the Council needs to approve revised limits for 2011/12 in expectation of the reform going ahead.

2.3 The Council currently makes negative subsidy payments to the Government under the HRA subsidy system, and in order to cease making increasing future payments, from 1 April 2012 the Council is required to pay the CLG £74.338m. This payment is effectively HRA debt, and the prudential indicators have been adjusted to reflect this change. The actual payment will be made on the 28 March 2012 and so the indicators will take immediate effect from the approval of these limits by Council. The change will mean the Council will have more resources than under the current subsidy system.

Capital Expenditure

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

Capital Expenditure £'000	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Non-HRA	13,861	10,970	15,342	4,335	1,450
HRA existing	5,808	5,848	9,100	13,478	10,054
HRA settlement		74,338			
HRA	5,808	80,186	9,100	13,478	10,054
Total	19,669	91,156	24,442	17,813	11,504

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

Capital Expenditure £'000	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Total Expenditure	19,669	91,156	24,442	17,813	11,504
Financed by:					
Capital receipts	2,708	3,380	7,379	460	0
Capital grants	9,230	5,350	1,542	170	0
Capital reserves	5,773	5,600	7,050	8,321	7,212
Finance leases	95	207	4,350	0	1,450
Revenue	361	248	250	1,700	1,757
Net financing need	1,502	76,371	3,871	7,162	1,085

The Capital Financing Requirement

- 2.6 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
- 2.7 Following accounting changes the CFR includes any other long term liabilities (e.g. finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £95k of such schemes within the CFR. Members are asked to approve the CFR projections below:

£'000	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Capital Financing Requirement					
CFR – non housing	24,201	25,563	28,729	31,903	31,205
CFR - housing	50,883	50,883	125,221	128,508	129,593
HRA Settlement		74,338			
Total CFR	75,084	150,784	153,950	160,411	160,798
Movement in CFR	465	75,700	3,166	6,461	387

Movement in CFR represented by					
Net financing need	1,502	2,033	3,871	7,162	1,085
HRA Settlement		74,338			
Less MRP	1,037	671	705	701	698
Movement in CFR	465	75,700	3,166	6,461	387

MRP Policy Statement

- 2.8 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required.
- 2.9 CLG Regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:
- 2.10 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will follow the existing practice outlined in former CLG regulations (option 1). This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.
- 2.11 From 1 April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be the Asset Life Method (option 3) – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations. This provides for a reduction in the borrowing need over approximately the asset's life. Repayments included in finance leases are applied as MRP.
- 2.12 MRP is currently not required to be charged to the HRA. Under HRA reform, the Council will continue to be required to charge depreciation to the HRA on its assets, which given the additional investment in the housing stock will increase and therefore have a revenue effect. However, this will be offset by the savings the Council will make from no longer paying negative subsidy to the Government. Every local authority's HRA is in a different financial position, and therefore it has been recognised that some authorities may have an adverse impact from the increased depreciation charge to the HRA in the early years of HRA Reform. Therefore, in order to address this, regulations will allow the Major Repairs Allowance to be used as a proxy for depreciation for the first five years if Councils wish to.

Affordability Prudential Indicators

- 2.13 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:
- 2.14 **Actual and estimates of the ratio of financing costs to net revenue stream.** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Non-HRA	8.70%	8.33%	6.54%	6.63%	6.62%
HRA (inclusive of settlement)	10.15%	9.90%	22.72%	21.78%	20.82%

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

£	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Council Tax - Band D	0	0	0	0	0

3 Treasury Management Strategy

- 3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.
- 3.2 The Council's treasury portfolio position at 31 March 2011, with forward projections are summarised below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
External borrowing					
Borrowing at 1 April	62,400	62,495	137,040	141,390	141,390
Expected change in borrowing	0	0	0	0	0
HRA settlement		74,338			
Other long-term liabilities (OLTL)	95	207	4,350	0	1,450
Subtotal	62,495	137,040	141,390	141,390	142,840
CFR	75,084	150,784	153,950	160,411	160,798
Under / (over) borrowing	12,589	13,744	12,560	19,021	17,958
Investments at 31 Mar	12,146	12,146	12,146	12,146	12,146
Net borrowing	50,349	124,894	129,244	129,244	130,694

- 3.3 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its total borrowing, net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2012/13 and the following two

financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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

Treasury Indicators: Limits to Borrowing Activity

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

Operational boundary £'000	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Borrowing	136,833	137,040	141,390	141,390
Other long term liabilities	207	4,350	0	1,450
Total	137,040	141,390	141,390	142,840

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

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

Authorised limit £'000	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Borrowing	165,677	165,000	176,411	175,448
Other long term liabilities	207	4,350	0	1,450
Total	165,884	169,350	176,411	176,898

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

HRA Debt Limit £'000	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Total	140,919	140,919	140,919	140,919

4 Economic Outlook

- 4.1 The outlook for the global economy remains uncertain with the UK economy struggling to generate sustained recovery that offers any optimism for the outlooks for 2011 and 2012, or possibly even into 2013. Consumer and business confidence levels are low and with little to boost sentiment, it is not easy to see potential for a significant increase in the growth rate in the short term.

- 4.2 Economic forecasts for 2011 and 2012 have been revised lower on a quarterly basis as the UK recovery has stalled. With fears of a potential return to recession the Bank of England embarked on a second round of Quantitative Easing to stimulate economic activity.
- 4.3 The ratings agencies have recently reaffirmed the UK's AAA sovereign rating and have expressed satisfaction with Government policy at deficit reduction. They have, though, warned that this could be reviewed if the policy were to change, or was seen to be failing to achieve its desired outcome.
- 4.4 The Council has appointed Sector as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. **Appendix A** draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Sector central view.

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
Mar-12	0.50	0.70	1.50	2.30	4.20	4.30
Jun-12	0.50	0.70	1.50	2.30	4.20	4.30
Sep-12	0.50	0.70	1.50	2.30	4.30	4.40
Dec-12	0.50	0.70	1.60	2.40	4.30	4.40
Mar-13	0.50	0.75	1.70	2.50	4.40	4.50
Jun-13	0.50	0.80	1.80	2.60	4.50	4.60
Sep-13	0.75	0.90	1.90	2.70	4.60	4.70
Dec-13	1.00	1.20	2.20	2.80	4.70	4.80
Mar-14	1.25	1.40	2.40	2.90	4.80	4.90
Jun-14	1.50	1.60	2.60	3.10	4.90	5.00

- 4.5 Given the weak outlook for economic growth, Sector sees the prospects for any interest rate changes before mid-2013 as very limited despite inflation currently being well above the Monetary Policy Committee inflation target. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints. Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries.
- 4.6 Economic forecasting remains troublesome with so many external influences weighing on the UK. Key areas of uncertainty include:
 - a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
 - the impact of the Eurozone crisis on financial markets and the banking sector;
 - the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to exporting manufactured goods;
 - the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that increasingly seem likely to be undershot;
 - a continuation of high levels of inflation ;
 - the economic performance of the UK's trading partners, in particular the EU and US, with some analysts suggesting that recession could return to both;

- stimulus packages failing to stimulate growth;
 - elections due in the US, Germany and France in 2012 or 2013;
 - potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.
- 4.7 The overall balance of risks remains weighted to the downside. Lack of economic growth, both domestically and overseas, will impact on confidence putting upward pressure on unemployment. It will also further knock levels of demand which will bring the threat of recession back into focus.
- 4.8 This challenging and uncertain economic outlook has a several key treasury management implications:
- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
 - Investment returns are likely to remain relatively low during 2012/13;
 - Borrowing interest rates are currently attractive, but may remain low for some time. The timing of any borrowing will need to be monitored carefully;
 - There will remain a cost of capital – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

5 *Borrowing Strategy*

- 5.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high, and will be maintained for all borrowing excluding that required for the HRA reform settlement.
- 5.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2012/13 treasury operations. The Head of Resource Management will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- if it was felt that there was a significant risk of a sharp FALL in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
 - if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
- 5.3 The requirement for the HRA reform settlement to be made to the CLG on 28 March 2012 requires a separate consideration of a borrowing strategy. The

Council will need to have the cash settlement amount of £74.338m available by the 28th March 2012, so separate borrowing solely for this purpose is anticipated. The PWLB are providing loans at interest rates 0.85% lower than the usual PWLB rates solely for the settlement requirements. This provides a compelling reason to utilise this borrowing availability. The exact structure of debt to be drawn is currently being considered by officers to ensure it meets the requirements of the HRA business plan and the overall requirements of the Council. Whilst the debt can be drawn earlier than needed, this may incur a revenue cost, and will be considered when a review of the structure of actual prevailing borrowing and investment interest rates is undertaken nearer to the time.

- 5.4 The proposed course of action is included as a separate paper on the same agenda as this report.

Treasury Management Limits on Activity

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

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

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

Interest rate Exposures (£'000)	2012/13	2013/14	2014/15
Upper limit on fixed interest rates based on net debt	129,200	129,200	130,700
Upper limit on variable interest rates based on net debt	64,600	64,600	65,300
Maturity Structure of fixed interest rate borrowing 2012/13	Lower	Upper	
Under 12 months	0%	10%	
12 months to 2 years	0%	50%	
2 years to 5 years	0%	50%	
5 years to 10 years	0%	70%	
10 years and above	0%	100%	

Policy on Borrowing in Advance of Need

- 5.7 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Risks

associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Rescheduling

- 5.8 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings;
 - helping to fulfil the treasury strategy;
 - enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 5.9 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 5.10 Any rescheduling will be reported to the Finance and Audit Scrutiny Panel at the earliest meeting following its action.

6 Investment Policy

- 6.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security and liquidity of its investments, although the yield or return on the investment is also a key consideration.
- 6.2 In accordance with the above, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings and watches published by all three ratings agencies with a full understanding of what the ratings reflect in the eyes of each agency. Using the Sector ratings service banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.
- 6.3 Furthermore, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay that information on top of the credit ratings. This is encapsulated within the credit methodology provided by Sector.

- 6.4 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 6.5 The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk in one counterparty or country.
- 6.6 Investment instruments identified for use in the financial year are listed in **Appendix B**, which includes Counterparty, time and monetary limits. These will cover both 'Specified' and 'Non-Specified' Investments.
- 6.7 Specified Investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. Non-Specified Investments are those that do not meet the specified investment criteria. A limit of £20m will be applied to the use of Non-Specified investments (this will partially be driven by the long term investment limits).

Creditworthiness policy

- 6.8 This Council applies the creditworthiness service provided by Sector. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:
 - credit watches and credit outlooks from credit rating agencies;
 - CDS spreads to give early warning of likely changes in credit ratings;
 - sovereign ratings to select counterparties from only the most creditworthy countries.
- 6.9 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands:
 - Yellow 5 years (AAA rated Government debt or equivalent)
 - Purple 2 years
 - Blue 1 year (nationalised or semi nationalised UK Banks)
 - Orange 1 year
 - Red 6 months
 - Green 3 months
 - No Colour not to be used
- 6.10 This methodology does not apply the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Sector creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

- 6.11 The Council will however continue to use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council’s minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, and one meets the Council’s criteria while the other does not, that institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.
- 6.12 Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of Short Term rating F1, Long Term rating A, Viability ratings of c, and a Support rating of 2.
- 6.13 The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.
 - any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list.
 - if a downgrade results in the counterparty / investment scheme no longer meeting the Council’s minimum criteria, its further use as a new investment will be withdrawn immediately.
 - a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.
 - in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council’s lending list.
- 6.14 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

Country limits

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

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

7 Investment Strategy

In-house funds

- 7.1 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
- 7.2 The Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 3 of 2013. Bank Rate forecasts for financial year ends (March) are:
- 2011/ 2012 0.50%
 - 2012/ 2013 0.50%
 - 2013/ 2014 1.25%
 - 2014/ 2015 2.50%
- 7.3 There are downside risks to these forecasts if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate.
- 7.4 In light of the Eurozone situation Sector are advocating a restriction of duration limits of investments to a maximum of 3 months. The only exceptions to this being the UK Government and related entities (such as Local Authorities), UK semi-nationalised institutions and money market funds.
- 7.5 The Council will avoid locking into longer-term deals while investment rates are down at historically low levels unless attractive rates are available within the risk parameters set by the Council that make longer-term deals worthwhile. The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year for the next five years are as follows:
- 2012/13 0.70%
 - 2013/14 1.00%
 - 2014/15 1.60%
 - 2015/16 3.30%
 - 2016/17 4.10%
- 7.6 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, 15 and 30 day notice accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

Icelandic Bank Investments

- 7.7 The Icelandic courts have supported the view that the Council will be treated as a preferred creditor, thereby seeing a high proportion of the investment being returned. The actual repayment is currently expected to be partially in foreign currency assets. It is currently too early to provide a definitive policy on how this exchange rate risk will be managed, but the expectation will be that the risk will

be managed proactively and assets converted to sterling at the earliest opportunity.

8 *Policy on the use of external service providers*

- 8.1 The Council uses Sector as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
- 8.2 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

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

Notes:

- Sovereign debt rating of AAA only
- Country limit £10m
- Limit in all Building Societies £10m
- Limit of £20m in aggregate in non-specified investments
- Viability and Support ratings are only available from Fitch

* Covered by UK Government (explicit) guarantee

HRA Reform Borrowing

Report to Cabinet 25 January 2012

1 Introduction

- 1.1 The present HRA subsidy arrangements are to be replaced by a new self-financing regime, which is due to commence from 1 April 2012. Under the revised arrangements local authorities will become entirely self-sufficient as a result of an adjustment to their debt position. The intention is that this will give authorities greater control and allow them to manage their housing stock over the longer term.
- 1.2 The DCLG has produced a settlement valuation based on assumed levels of income and expenditure over the next 30 years. The settlement valuation is deemed to be supportable over the life of the 30 year business plan with interest rates of 6.5%, and DCLG has demonstrated its sustainability by showing that debt could be fully repaid within the 30 years.
- 1.3 It is important to note that although there are no proposals for any mandatory repayment of the HRA debt liability, it is prudent to plan for the repayment of principal. The Council therefore needs to consider an approach to the management of HRA debt. The result of this decision will impact on the strategy and funding requirements.
- 1.4 At present the Council is in a negative subsidy situation, whereby it is assumed that annual rental income is greater than the assumed level of expenditure. This 'excess' is paid to DCLG, and is largely redistributed to the authorities in the reverse position. The Council's negative subsidy liability for 2010/11 was £2.584m. This payment will cease under the revised arrangements and be replaced in the HRA by the revised cost of financing the settlement valuation, which was estimated at £140.919m. As this valuation is higher than the amount of borrowing supported by the current subsidy system, the Council will be required to make a payment to DCLG to effectively buy its way out of the current subsidy system.
- 1.5 The settlement of £74.338m due on 28 March is the difference between the settlement valuation and the subsidy CFR (£66.581m). It will need to be treated as capital expenditure and will have the effect of increasing both the HRA CFR and the Council's overall CFR.

2 Pooling Options

- 2.1 CIPFA was invited by DCLG to prepare guidance on the treatment of interest costs once the subsidy system finishes. CIPFA has proposed its preferred option of splitting existing borrowing into two pools, which is supported by DCLG (and is also the preferred approach of the Council's treasury advisors, Sector). However, it is not their intention to impose a single solution, and they recognise that authorities may choose to continue with one pool, retain the existing loans pool and establish separate pools for future borrowing, or "pursue other methods provided that they achieve the underlying principles", namely that:

- There is no detriment to the General Fund
- Any solution is broadly equitable for both the HRA and General Fund
- The HRA has greater independence certainty and control over its borrowing charges, subject to the overriding corporate issues of the Authority.

2.2 The two-pool approach recognises the splitting of the current loan portfolio and the subsequent addition of the debt to cover the settlement payment to produce a post settlement position for separate General Fund and HRA pools. The current housing debt requirement is top-sliced from the residual pool by dividing the HRA CFR by the residual loans total. This percentage can then be applied separately to both PWLB and market loans, as shown below. The debt related to the settlement payment is then added to the HRA pool.

	Residual Loans	Current HRA Requirement
	£	£
PWLB	27,900,000	22,750,500
Market	34,500,000	28,132,338
	<u>62,400,000</u>	<u>50,882,838</u>
HRA CFR	50,882,838	
% Share	81.54%	

2.3 The mechanisms for un-pooling make a fundamental assumption that where borrowing is less than the aggregate CFR, the reason is that available reserves elsewhere on the balance sheet have been used in lieu of borrowing. In determining whether these reserves are HRA or General Fund, the working assumption is that the majority of the reserves are General Fund. The results of Sector's analysis of the Council's Balance Sheet are consistent with this analysis.

2.4 As a result of these assumptions, more of the existing fixed rate external loans move to the HRA, which provides a greater degree of certainty over initial costs but may increase volatility within the General Fund arising from the increasing reliance on internal resources. As the proportion of existing borrowing decreases, the need to take external borrowing in the future increases, with any additional costs arising from this borrowing falling solely on the General Fund. This needs to be assessed against the starting point producing the lowest initial cost to the General Fund.

2.5 Providing the underlying principles relating to splitting loans are maintained, the Council could select a basket of loans for each pool rather than actually top-slicing all loans. It is proposed that loans that can be identified as being raised for a specific purpose (e.g. Decent Homes and the Community Stadium) are allocated in this way, with the remainder of loans being top-sliced. This results in the following allocation of debt and interest payments:

	Principal £	Interest £	Av. Rate %
HRA			
PWLB	22,750,500	1,010,658	4.44
Market	28,132,338	1,973,751	7.02
	50,882,838	2,984,409	5.87
General Fund			
PWLB	5,149,500	266,202	5.17
Market	6,367,662	368,399	5.79
	11,517,162	634,601	5.51
Total	62,400,000	3,619,010	5.80

3 *Borrowing Options*

- 3.1 The Council can borrow from a number of sources. Most commonly, authorities borrow from the PWLB. However the current margin charged by the PWLB means that many authorities had been considering borrowing either through the financial markets (via a bond issue, commercial paper or medium term note) or direct from banks.
- 3.2 On 18 September 2011 the Government announced that the 'buy' out' of the current system would be able to be funded at lower PWLB rates than previously expected. The methodology for determining the loan interest rate will reflect that which applied pre the Comprehensive spending review in October 2010. That is 11 to 15 basis points above government gilt rates for fixed rate loans, compared to the current margin of 100 basis points.
- 3.3 This means that margins will be lower and once again makes PWLB the cheapest form of fixed rate borrowing. The advantage of taking PWLB loans is it gives the Council options to repay or reschedule debt early if large surpluses are building up and this will enable us to reduce costs in future years. There are 3 types of loan available from the PWLB and their characteristics are shown below:

	Maturity	Annuity	Equal Instalments of Principal (EIP)
Description	The loan is repaid at the end of the term. For the term of the loan you are paying interest only	This works like a mortgage. You pay a set sum every year which represents some principal and some interest.	The principal is repaid in equal instalments over the period of the loan. The payments you make reduce each year
Interest Payments	Interest payments are consistent over the life of the loan	Interest payments start high and reduce over the life of the loan	Interest payments start high and reduce over the life of the loan
Principal Repayment	The principal is repaid at the end of the loan	Principal is repaid over the course of the loan. In the early years the principal repayments are small, but build up and by the end of the loan term the principal is fully repaid	The principal is repaid in equal instalments over the period of the loan
Replacement of Debt	Exposure to interest rates if a large sum matures in one year.	Small amounts of principal maturing in early years and increasing towards end of loan term.	Smooths out the maturity profile of debt.
Re-financing	Will be at higher rates	Will be at higher rates	Will be at higher rates

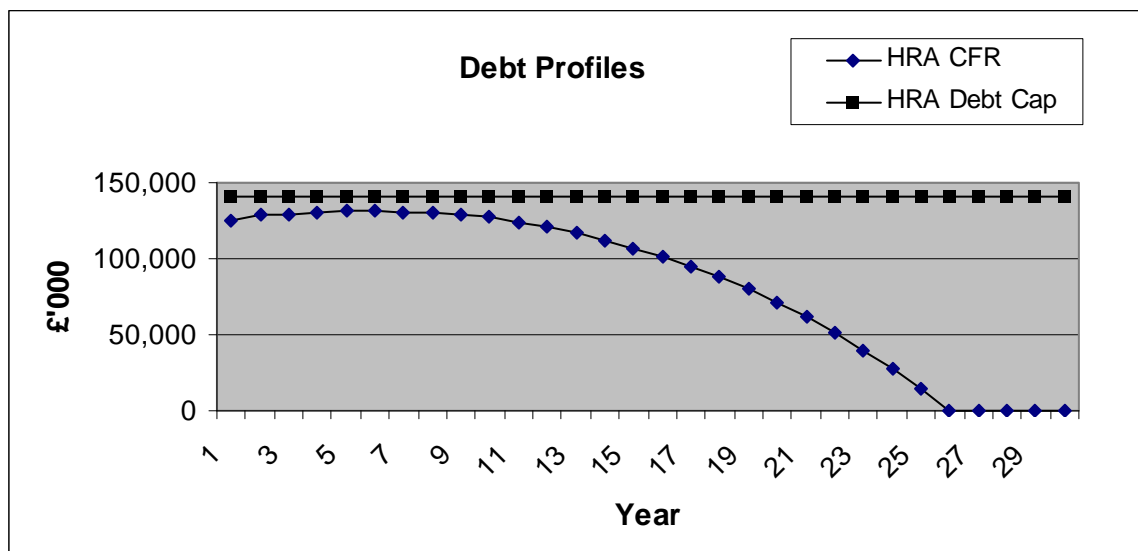
3.4 A comparison of typical rates that are currently available and the total interest payable on a single 30 year loan of £74.338m for each of the above loan types are shown below. However, the additional interest payments for maturity loans would be mitigated by the investment income available from investing the higher surpluses.

	Maturity	Annuity	EIP
Rate (%)	3.24	2.88	2.75
Total Interest (£)	72,256,536	37,684,301	31,686,573
Principal (year 1)	0	1,593,142	2,477,933

4 **Aligning borrowing with the HRA Business Plan**

4.1 The 30 year HRA Business Plan assumes total investment in the housing stock of £392m, as well as interest of 4.5% being paid on the balance of the HRA CFR. It therefore also assumes that the debt will be repaid during the period of the business plan (see **Appendix A** and chart below). The following options are available:

- Align borrowing with the business plan
- Borrow so that loans mature before the business plan anticipates they can be repaid
- Borrow so that loans mature beyond their requirement in the initial business plan.



4.2 Assuming the business plan is correct, aligning borrowing to the business plan is the lowest risk option as the borrowing will exactly match the requirements, and there will be complete certainty regarding the interest charges to the HRA.

4.3 An advantage of loans maturing before they can be repaid is that any loans maturing could be financed at cheaper rates for the remaining period, as shorter-term borrowing is currently the cheapest form of funding. However, the lower rates available on 26 March are distorting the impact of the yield curve, and this approach makes the assumption that the curve will remain positive and at current levels, which is unlikely.

4.4 Borrowing so that loans mature beyond their requirement builds in a position of 'excessive' loans above the level required to meet the needs of the business plan. Longer-term borrowing is more expensive, and will need to be re-financed at some point in the future when rates are not so attractive if provision is not made to repay the debt. This could be seen as 'mortgaging the future', if the opportunity to repay debt is not taken.

Exposure to fixed rate borrowing

4.5 The HRA has a bias towards fixed rate borrowing as it matches the certainty required in the business plan. If interest rates are low there is a bias towards taking fixed rate funding over a longer period. With the current PWLB margin being reduced for housing authorities, rates could be some of the lowest available to local authorities. There is a need to balance cost of carrying debt with the opportunity to lock in to these historically low rates.

4.6 The lower margin is only available for HRA reform settlement borrowing on 26 March, and Sector currently forecast that interest rates are likely to increase over time as the economy recovers. On balance, it is likely to be beneficial to take full advantage of the lower margins and borrow the maximum available, commensurate with the associated risks.

Use of internal borrowing

4.7 Internal borrowing could reduce the risk to the Council at the current time, and could provide a cheap source of funding to the HRA. However, the Council would only have the capacity to internally borrow a small proportion of the debt repayment figure, it would lose the opportunity to borrow at the rates available on 26 March, and it may need to undertake borrowing at a point in time where rates could be higher, reducing the level of cost certainty available to the HRA.

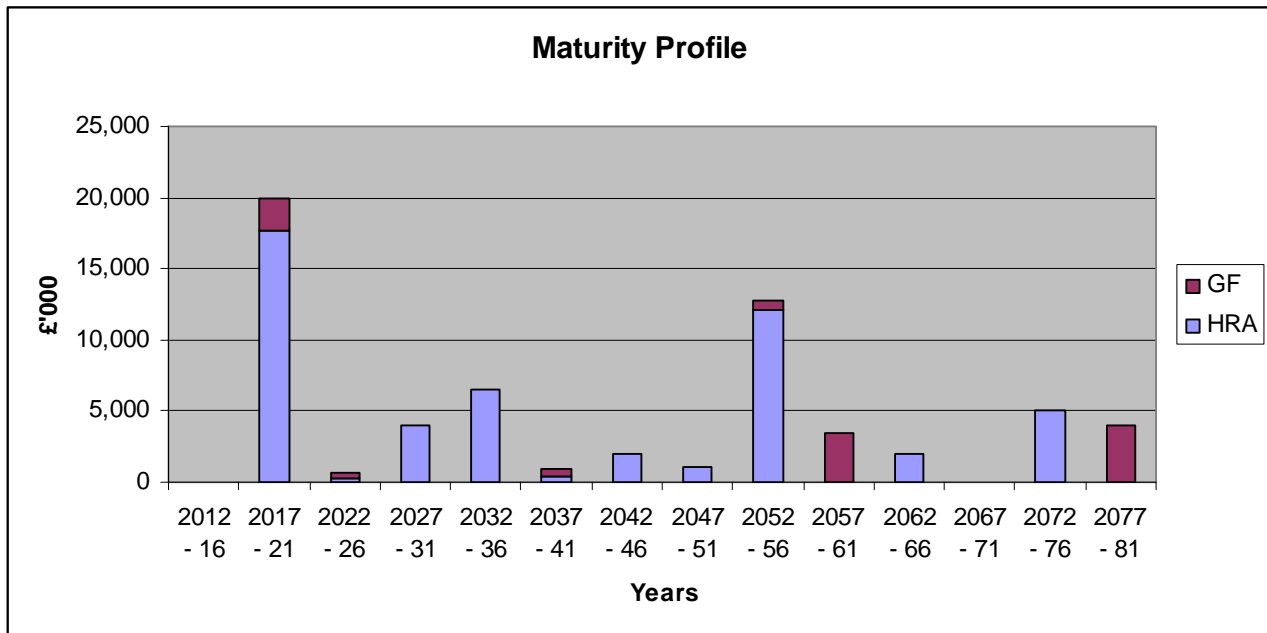
5 *Proposals*

5.1 It is proposed that the Council follow the 'two pool' approach to allocating existing debt as detailed above, taking into account those loans that were originally raised for a specific purpose. It is also proposed that the entire settlement payment should be funded by fixed-rate PWLB loans.

5.2 This report has considered the alternative forms of PWLB loans (Maturity, EIP and Annuity). It is shown above that the borrowing costs of EIP and Annuity loans are considerably lower than those for Maturity loans. However, the business plan shows that we are not in a position to repay principle during the initial years without changing the current assumptions for capital investment.

5.3 Taking into account the capacity for debt repayment shown in the business plan (see chart above), and the maturity structure of existing debt within the HRA pool, it can be seen that both existing debt and new loans in respect of the settlement payment could be repaid within the period of the business plan. As there is no capacity to repay principle in the early years of the business plan it is assumed that new borrowing in respect of the settlement would consist if a range of fixed rate Maturity loans. This will reduce the risk of having to re-finance a large proportion of debt in a period where rates could be high.

5.4 The Council's ambitions are to undertake additional significant investment in the housing stock over and above that shown in the current business plan, which could include additional borrowing up to the level of its debt cap. It is therefore proposed that the new borrowing should consist of a range of loans over the 25 to 50 year period, which should result in an even spread of maturities once the existing debt has been taken into account. This approach will still enable pooled HRA debt to be repaid providing that there is sufficient capacity available. It will also ensure that the Council takes full advantage of the opportunity to lock-in to historically low rates of debt, whilst providing long term flexibility. The maturity profile of the Council's existing debt is shown below.



5.5 It is recommended that annual voluntary revenue provisions in the HRA are considered to enable maturing debt to be repaid, ensuring that this does not create an adverse impact on the business case. This will be consistent with the approach taken in the General Fund, and represent a prudent approach. It will also provide flexibility should a change in the plan be required.

HRA Medium Term Financial Forecast

APPENDIX A

	Year 1 2012/13 £000's	Year 2 2013/14 £000's	Year 3 2014/15 £000's	Year 4 2015/16 £000's	Year 5 2016/17 £000's	Year 1-5 Total £000's	Year 6-10 Total £000's	Year 11-15 Total £000's	Year 16-20 Total £000's	Year 21-25 Total £000's	Year 26-30 Total £000's	Year 1-30 Total £000's
Revenue Account												
Income	(27,857)	(29,059)	(30,403)	(31,726)	(32,649)	44,070	(176,663)	(201,402)	(229,550)	(261,569)	(297,978)	(1,318,856)
Expenditure	28,323	29,894	30,391	31,726	32,649	8,201	176,661	201,233	229,316	261,303	221,475	1,242,971
(Surplus)/Deficit	466	835	(12)	0	0	3,762	(2)	(169)	(234)	(266)	(76,503)	(75,885)
Opening HRA Balance (Surplus)	(2,889)	(2,423)	(1,588)	(1,600)	(1,600)		(1,600)	(1,602)	(1,771)	(2,005)	(2,271)	
Closing HRA Balance (Surplus)	(2,423)	(1,588)	(1,600)	(1,600)	(1,600)		(1,602)	(1,771)	(2,005)	(2,271)	(2,271)	
Capital Account												
<i>Investment:</i>												
Stock Investment Programme	7,300	8,178	8,793	9,322	10,477	44,070	58,420	59,314	67,023	75,734	75,923	380,485
Sheltered Accommodation Review	1,800	1,538	1,261	1,615	1,987	8,201						8,201
New Build		3,762				3,762						3,762
Sub-Total	9,100	13,478	10,054	10,937	12,464	56,033	58,420	59,314	67,023	75,734	75,923	392,448
<i>Funded By (Resources):</i>												
Depreciation	(7,050)	(8,345)	(7,224)	(7,332)	(7,442)	(37,394)	(40,098)	(45,367)	(51,328)	(58,073)	(65,705)	(297,965)
Revenue Contribution	(250)	(1,591)	(1,782)	(2,763)	(3,543)	(9,948)	(18,323)	(13,947)	(15,695)	(17,661)	(10,219)	(85,792)
Capital Receipts	(1,800)	0	0	0	0	(1,800)	0	0	0	0	0	(1,800)
Grants	0	(170)	0	0	0	(170)	0	0	0	0	0	(170)
New Borrowing	0	(3,372)	(1,048)	(822)	(1,479)	(6,721)	0	0	0	0	0	(6,721)
Sub-Total	(9,100)	(13,478)	(10,054)	(10,937)	(12,464)	(56,033)	(58,420)	(59,314)	(67,023)	(75,734)	(75,923)	(392,448)
Debt:												
HRA Debt at Year End	125,221	128,593	129,641	130,463	131,942		127,638	107,287	71,598	14,647	0	
Debt Cap	140,919	140,919	140,919	140,919	140,919		140,919	140,919	140,919	140,919	140,919	
Available Headroom	15,698	12,326	11,278	10,456	8,977		13,281	33,632	69,321	126,272	140,919	



Cabinet

25 January 2012

Item
8(i)

Report of	Executive Director	Author	Ann Hedges ☎ 282212
Title	Strategic Plan 2012-2015		
Wards affected	All		

The Cabinet is invited to recommend to full Council that it adopts the Strategic Plan 2012-2015 at its meeting on 22 February

1 Decision required

- 1.1. To agree the draft Strategic Plan 2012-2015 and recommend to full Council that it be adopted at its meeting on 22 February.

2 Reason for Decision

- 2.1. The last Strategic Plan was published in February 2009 and runs to 2012. It now needs to be refreshed in the light of changing circumstances and expectations.
- 2.2. The Strategic Plan is one of the core statutory elements of the Council's Policy Framework, as set out in Article 4 of the Council's Constitution. It must therefore be adopted by the full Council.
- 2.3. The Strategic Plan sets the framework for the Council's three-year Medium Term Financial Forecast and its Capital Programme. Both the Plan and the Budget will be debated at the same full Council meeting on 18 February.

3 Alternative Options

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

4 Supporting information

- 4.1. The new Strategic Plan will replace the existing plan that expires on 31 March 2012.
- 4.2. The Strategic Plan sets the overall vision and a set of priorities for the borough and the Council for the next three years. An action plan will be developed to support the Strategic Plan. This will set out the specific actions to be taken to deliver the priorities in the Strategic Plan.
- 4.3. The Strategic Overview and Scrutiny Panel reviewed and commented on the draft Strategic Plan at its meeting on 13 December 2011.

4.4. The Strategic Plan has three levels of statements:

An overarching vision for the borough:

Colchester, the place to live, learn work and visit.

A number of broad aims:

Colchester as a vibrant Borough with a bright future wants to be known for:

- **Leading for the future**
- **Creating opportunities for all its residents**
- **Inspiring and innovating**
- **Being cleaner and greener**
- **Listening and responding**

and a number of priority areas in two categories. These can be seen in the plan attached.

5 Consultation

- 5.1. The Council undertakes significant amounts of consultation every year and with a recognition of the information available from recent consultations and the need to demonstrate value for money, specific consultation for the Strategic Plan and the Budget strategy for 2012/13 has been combined.
- 5.2. The main piece of consultation has been a survey that was made available on line, with hard copies placed in key locations including the Customer Service Centre and all the Libraries in the Borough
- 5.3. A press release was sent to all local media and a number of key organisations were notified of the consultation including Parish Councils. It was also emailed to all staff recognising that many staff are also residents
- 5.4. While the response rate to this consultation was low, it reflected the same results as the Budget consultation for 2011/12 in terms of the priorities for residents
- 5.5. The results of a range of other consultations, including our customer insight work, have also been taken into account in setting out the priorities for the Strategic Plan. Again, these all reflect the high level results of the specific consultation.

6 Publicity considerations

- 6.1. The development of the Strategic Plan and the consultation has already received useful and positive publicity.
- 6.2. Once adopted, the Strategic Plan will be a key document in communication with the public
- 6.3. We will make best use of online and new media methods of distribution as well as more traditional methods.

7 Financial implications

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

8 Equality, Diversity and Human Rights implications

- 8.1. An Equality Impact Assessment has been written and is available to view on the Colchester Borough Council website by following this pathway from the homepage: Council and Democracy>Policies, Strategies and Performance>Equality and Diversity>Equality Impact Assessments>Corporate Management>Strategic Plan".
- 8.2. The communication strategy for the Plan will comply with the existing Council policies for access and availability in different formats
- 8.3. The plan includes a priority about equality and diversity that meets the requirements of the new Equality Act.

9 Community Safety implications

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

10 Health and Safety implications

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

11 Risk Management implications

- 11.1. Individual action plans supporting the priority areas for action will be formally risk assessed and a risk management action plan prepared.
- 11.2. The absence of a Strategic Plan would create a significant risk of the Council failing to deliver on its core priorities.

Reference documents:

- Strategic Plan 2012-15 (attached)

Background Papers

- Strategic Overview and Scrutiny report 6 January 2009
- Equality Impact Assessment

Our customers...

A Leisure World customer

At the age of 85 John Guth learnt to swim for the first time at Leisure World Colchester. Before his lessons John hadn't been in a swimming pool since 1942. Asked about his lessons John said *"They are superb. There is so much going on at Leisure World for everyone"*



A visitor to one of our museums

Our museum school sessions enable students to investigate and challenge their ideas about the world around them and explore new and existing areas of learning.

A Teacher's view "Seeing the museum collections has made the subject seem 'real' and come alive for my class. The topic we covered during our visit fired their enthusiasm and resulted in them feeling more connected to their work, an excellent 'kick-start' for our new school project."

An eco-friendly family

The Council's Eco-SOS campaign, to improve the energy efficiency of my home, has been inspirational to all in our family. Being able to involve our children in the energy saving competition has helped create a better understanding that I hope will make them more eco-friendly in years to come. I really appreciate the support Colchester Borough Council has given me which has helped keep our home's energy costs to one of the lowest in Colchester. I'm looking forward to low bills this winter!



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Colchester

LIVE LEARN WORK VISIT

Strategic Plan



Colchester Borough Council performs two major roles in the lives of people and businesses

This is the overall direction of the Borough and the Council for the next three years

Vision

Colchester, the place to live, learn, work and visit

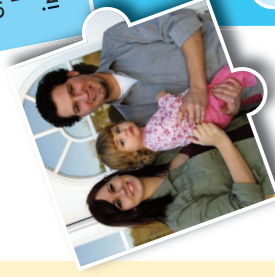
Colchester as a vibrant Borough with a bright future wants to be known for:

- Leading for the future
- Creating opportunities for all its residents
- Inspiring and innovating
- Being cleaner and greener
- Listening and responding

Leading our communities

The first is about influencing others in a range of functions where the Council does not have direct responsibility for delivery but knows these things are vital to the future of the Borough and its residents.

Regenerating our Borough through buildings, employment, leisure and infrastructure



Promoting sustainability and reducing congestion

Bringing investment to the Borough

Improving opportunities for local business and retail to thrive

Showing tolerance and changing behaviours to create better local communities

Working in partnerships to help tackle health and crime issues

Giving local people the chance to improve their skills

Supporting tourism, heritage and the arts



Supporting the more vulnerable groups



Reducing, reusing and recycling our waste



Improving our streets and local environment

Providing sport and leisure for all, alongside good quality green spaces and play areas

Delivering an efficient benefits service



Providing more affordable homes across the Borough

Tackling anti-social behaviour and using enforcement to support priorities



Enabling local communities to help themselves

Engaging with the voluntary sector



Delivering high quality, accessible services

The second role is actual delivery of direct services either through our own resources or using others to provide services.

LIVE
LEARN
WORK
VISIT

25 January 2012

Report of	Monitoring Officer	Author	Andrew Weavers ☎ 282213
Title	Review of Ethical and Corporate Governance Arrangements		
Wards affected	Not applicable		

This report provides the Cabinet with a review of the Council's Ethical and Corporate Governance arrangements

1. Decision(s) Required

- 1.1 To approve the revised Ethical and Corporate Governance arrangements detailed at paragraph 7 of this report.
- 1.2 To recommend to full Council that the revised and Ethical and Corporate Governance arrangements be adopted as part of the Council's Policy Framework.

2. Background

- 2.1 Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which such bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 2.2 The Council strives to meet the highest standards of corporate governance to help ensure it meets its objectives. Members and Officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.
- 2.3 The Council's Ethical Governance arrangements are a key part of good Corporate Governance and two important component parts of this are the Councils Anti-Fraud and Corruption Policy and the Whistleblowing Policy. Both of these policies have been subject to regular review to ensure that they remain fit for purpose.
- 2.4 Following the commencement of the Bribery Act 2010 earlier this year the Council is required to ensure that its Anti-Fraud and Corruption Policy reflects the requirements of the Act. In addition, the opportunity has been taken to raise fraud awareness generally within the organisation by means of a series of training sessions for staff both face to face and via e-learning.

3. The Bribery Act 2010

- 3.1 The Bribery Act 2010 became effective on 1st July 2011. The aims of the Act are to reduce the levels of corruption across the UK without being burdensome to business.
- 3.2 The Act generally defines bribery as giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so.

3.3 Genuine hospitality or similar business expenditure that is reasonable and proportionate is allowable and not covered by the Act. However, facilitation payments are considered bribes (payments to induce officials to perform routine functions they are otherwise obligated to perform).

3.4 There are four key offences under the Act:

General Offences:

- bribery of another person (section 1)
- accepting a bribe (section 2)

Commercial Offences:

- bribing a foreign public official (section 6)
- failure of a commercial organisation to prevent bribery (section 7)

3.5 All of the offences (save for the section 7 offence) may be dealt with in either the Magistrates' Court or the Crown Court. An individual convicted of an offence in the Magistrates' Court may be liable to a prison sentence of up to 12 months or a fine of £5,000, or both. However, in the Crown Court the maximum sentence significantly increases to a sentence of imprisonment of up to 10 years or an unlimited fine, or both. In respect of any other person (e.g. organisations) the maximum fine in the Magistrates' Court is £5,000 but in the Crown Court the fine is unlimited.

3.6 The section 7 offence of failure of a commercial organisation to prevent bribery is indictable only and must therefore be dealt with in the Crown Court where the maximum penalty is an unlimited fine.

3.7 Senior officers may also be convicted of an offence if they are deemed to have given their consent/connivance to giving/receiving a bribe or bribing a foreign official.

4. Implications for the Council

4.1 The Act supports the Council's principle of free and fair competition in contracting and procurement. However, section 7 of the Act introduces an offence by 'commercial organisations' if they fail to prevent bribery. Commercial organisations are defined as a body or partnership incorporated or formed which carries on a business, or part of a business in the UK. So long as the organisation in question is incorporated (by whatever means) or is a partnership, it does not matter if it pursues primarily charitable or educational aims or purely public functions, it will be caught if it engages in commercial activities.

4.2 The Courts will be the final arbiter as to whether an organisation "carries on a business" taking into account the particular facts in individual cases. However, the Council is clearly capable of falling within the definition of commercial organisation and therefore it could be liable if:

- a very senior person in the organisation commits a bribery offence. This person's activities could be attributed to the Council.
- a person associated with it, e.g. an employee or someone acting on behalf of the Council bribes another person (under section 1 or section 6) to gain a business advantage for the Council.

4.3 Section 7 of the Act provides a defence for commercial organisations against prosecution if there are adequate procedures in place to prevent bribery. The Secretary of State has published Statutory Guidance about procedures that relevant commercial organisations can put into place to prevent persons associated with them from bribing.

- 4.4 Council officers and Members are clearly caught by the offences of bribery of another person and accepting a bribe contained in sections 1 and 2 of the Act respectively. This is because these offences are concerned with “performance of a relevant function or activity” which include any function of a public nature, any activity connected with a business, any activity performed in the course of employment and any activity performed by or on behalf of a body of persons (whether corporate or unincorporated).
- 4.5 The extent to which there is a need for such procedures depends on the level of risk of bribery being committed on behalf of the Council. The following paragraphs consider the bribery risks for the Council overall and concludes that the highest risk is that of our staff accepting bribes in exchange for preferential treatment for service users or contract awarding etc.

5. Initial Bribery Risk Assessment

- 5.1 A full bribery risk assessment has yet to be completed and agreed by the Council. However, an initial assessment of the risks is outlined below to determine the extent to which procedures additional to those already in place may be required and make an early assessment of these.
- 5.2 The Council is a large organisation with many members of staff, contractors and service users. Some areas of business in which the Council works bring with them higher bribery risks than others (see below). However, the Council does not do a large amount of business outside of the UK and not with high risk countries in terms of bribery.
- 5.3 A relatively small amount of commercial work is undertaken by the Council and only a very limited amount is spent on providing hospitality to those outside of the Council.
- 5.4 The Council does work with others in sectors particularly susceptible to bribery - eg the building trade generally is traditionally a high risk sector. Additionally, the Council does undertake some transactions in relation to which officers are more at risk of being offered inducements:
- procurement and awarding of contracts
 - awarding of licences and permits
 - planning applications and building regulations
 - allocation of housing
 - assessment of entitlement to grants, benefits and other entitlements
 - partnership and commissioning of services
- 5.5 The Council if it receives allegations of possible bribery and corruption involving our staff will always investigate such cases via its Anti-Fraud and Corruption Policy and report as necessary. It is probable that such cases would indicate that the section 2 risk of our staff being bribed is the highest risk of the bribery offences. Unfortunately, bribery cases are very difficult to prove to a level where a criminal prosecution can take place.
- 5.6 In summary, an initial risk assessment would suggest that there is limited bribery risk across the Council. The most likely offence is that of our staff being bribed. As such, the risk of the Council being prosecuted for failing to prevent our staff/agents bribing others on behalf of the organisation is low.

6. Arrangements to mitigate the risk of bribery

- 6.1 The procedures in place to mitigate the risk of bribery should reflect the level of risk. The initial risk assessment suggests the main risk is that of our staff being bribed. This offence,

if proven, would result in prosecution of the individual rather than the Council. The Council itself is unlikely to face prosecution for not preventing bribery and have a legal need to rely on a defence of 'adequate procedures'. However, the guidance to the Act relating to 'adequate procedures' is soundly based for all bribery risks and in many respects the Council already has such procedures in place. The guidance suggest six principles of good procedures:

- **Risk Assessment** - the initial risk assessment is set out above but further risk assessment will be completed and agreed with Performance Management Board to ensure the above assessment accurately reflect the bribery risks faced by the Council.
- **Top Level Commitment** - those at the top of the organisation are in the best position to foster a culture of integrity in which any type of bribery is unacceptable. This commitment needs to be reflected and communicated in appropriate policies. The Council already has an Anti-Fraud and Corruption Policy and a Whistleblowing Policy and these will continue to be kept under review to ensure they contain the correct messages regarding the Council's zero tolerance towards bribery and the consequences to staff, members and others associated with the Council. At this stage it is not felt a separate policy on Bribery is necessary.
- **Proportionate Procedures** - the Council should have procedures proportionate to the bribery risks it faces.

Preventing bribery of others: (low risk)

- Financial Regulations are in place to control spending and provide for only authorised expenditure. They include provision that individuals and organisations who deal with the Council, internally and externally, will act with integrity and without thoughts or actions of fraud or corruption.
- Recruitment procedures include reference checks of staff before they are offered positions with the Council.
- The Council publishes all transactions over £500 in value to promote transparency of its spending activities.

Preventing Bribery of staff or partners: (higher risk)

- The Council has a Code of Conduct for both Members and staff that prohibits acceptance of financial inducements and details the rules regarding acceptance of Gifts and Hospitality. There is a specific Code for Members involved in planning, etc.
- Financial Regulations make it clear that accepting inducements is not acceptable.
- Contract Procedure Rules are in place to ensure fair competition in awarding of contracts. The regulations and standard documentation used for issuing tenders and awarding of contracts makes it clear that bribery of Council staff is not acceptable and that contracts will be terminated if there is evidence of this.
- The Council has well defined decision making arrangements which aim to ensure that decisions are made by those free of any conflict of interest including a requirement for Members to declare interests during meetings.

- The Council's Whistleblowing Policy provides for anyone who suspects bribery to report it.
- **Due Diligence** - in respect of the person(s) who will/do perform services for or on behalf of the Council. This area will be reviewed during 2012/13 to ensure it is sufficiently robust in light of the bribery risks faced by the Council.
- **Communication** - the Council already has procedures in place to ensure fraud and corruption policies and procedures are communicated and understood by all staff. These will include the provision of e-training in fraud risk. This will include offences under the Bribery Act. Additionally, messages on the Hub will be routinely posted to maintain an awareness of the policies and procedures. The need for targeted release of information to high risk staff (those in a position to be bribed) regarding the provisions of the Bribery Act and a clear message that such activity will not be tolerated is currently being considered. Contract documentation is clear that attempting to bribe Council officials will not be tolerated.
- **Monitoring and Review** - of the procedures in place to prevent bribery by persons associated with it and making improvements where necessary. It is intended to compare the above approach with that of other local authorities to ensure Colchester's risk assessment and approach is in line with other councils' arrangements.

7. Review of Anti-Corruption, Whistleblowing and Money Laundering Policies

- 7.1 In view of the above, the opportunity has been taken to review the Council's Anti-fraud and Corruption, Whistleblowing and Money Laundering policies. Revised policies are attached for Cabinet's consideration (Appendices 3, 4, 5 and 6). The current version of the Anti-Fraud and Corruption Policy contains both the organisational anti-fraud and corruption policy together with the statutory housing benefit fraud sanctions policy. The opportunity has been taken to separate the two policies make the organisational policy clearer and to include the Bribery Act provisions.
- 7.2 In addition, both the Whistleblowing and Money Laundering Policies have been reviewed and the only change was to the reporting structure for the reasons detailed below. It was also apparent that whilst the policies are separate there are links and the opportunity has been taken to create an overarching organisational statement of intent in relation to both Ethical and Corporate Governance which gives a high level organisational commitment to zero tolerance to fraud, corruption and bribery. Beneath this are the individual policies. The statement of intent is attached at Appendix 1.
- 7.3 It became evident when reviewing the policies that whilst they were fit for purpose it was not always very clear to staff how the reporting structures and processes worked in practice. Accordingly the opportunity has been taken to review the whole suite of documents within both the Council's Ethical and Corporate Governance arrangements to ensure that reporting lines are clear. Attached at Appendix 7 is a flowchart which indicates how all allegations will be dealt with in the future. It is proposed that a filtering system be implemented with either the Monitoring Officer or the Section 151 Officer filtering the allegations to ensure that they are dealt with in the most appropriate manner and to ensure that there is also corporate awareness of potential situations which could affect the organisation. An Ethical Governance Review Group (Appendix 2) has also been created which will be responsible for promoting an ethical governance culture within the relevant organisational processes.

7.3 These proposals were considered and agreed by the Council's Performance Management board on 16 November 2011 and the Standards Committee at its meeting on 25 November 2011. A copy of the minute of the Standards Committee's consideration is attached at Appendix 8.

8. Strategic Plan References

8.1 Governance forms parts of the Council's commitment to customer excellence which underpins the Council's Strategic Plan vision.

9. Financial Considerations

9.1 None.

10. Equality, Diversity and Human Rights Implications

10.1 No particular implications.

11. Publicity Considerations

11.1 Any amendments to the Council's policies will be included in the Constitution and will be placed on the Council's website.

12. Consultation Implications

12.1 None.

13. Community Safety Implications

13.1 None.

14. Health and Safety Implications

14.1 None.

15. Risk Management Implications

15.1 The bribery risks faced by the Council are identified and assessed in paragraph 5 above. Actions in place or to manage these risks currently or areas for potential improvement are identified in paragraph 6. In summary, the main bribery risk affecting the Council is that of Members or officers being bribed.

Appendices

Appendix 1: Ethical Governance Statement

Appendix 2: Ethical Governance Review Group

Appendix 3: Anti Fraud and Corruption Policy

Appendix 4: Benefits Fraud Sanctions Policy

Appendix 5: Whistleblowing Policy and Procedure

Appendix 6: Anti Money Laundering Policy

Appendix 7: Investigation Process Flowchart

Appendix 8: Extract from Minutes of Standards Committee meeting of 25 November 2011

Ethical Governance Statement

Colchester Borough Council will not tolerate breaches of its ethical governance policies.

The Council is committed to maintaining the highest standards of governance including the elimination of fraud and corruption and to ensuring that all activities are conducted ethically, honestly, openly and accountably so as to protect public safety and public money.

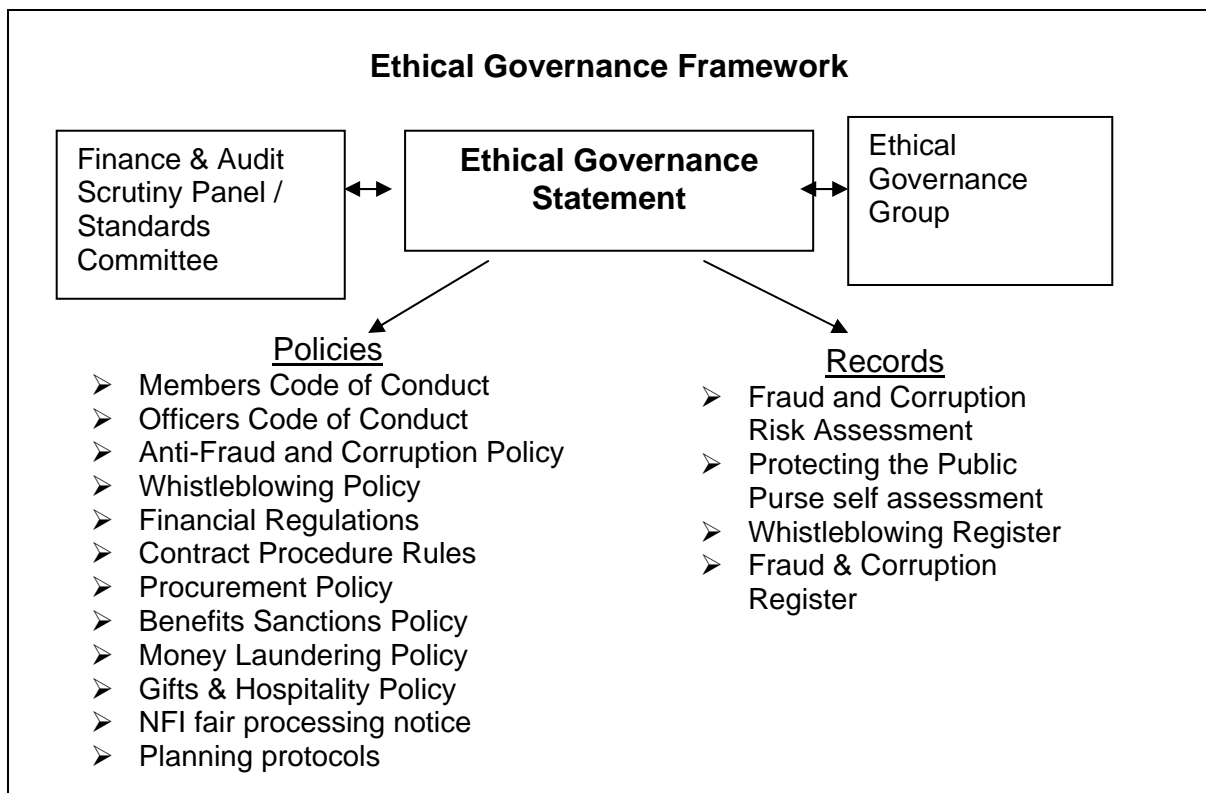
The Council expects the highest standards of conduct and integrity from all that have dealings with it including staff, elected members, suppliers, partners, volunteers and the public. Therefore policies have been put in place to outline the standards required and procedures have been introduced to enable any person to raise genuine concerns they may have about the conduct of anybody acting for or on behalf of the Council.

The Ethical Governance policies form part of the Council's overall Corporate Governance framework and details of all the policies have been published on the Council's website at www.colchester.gov.uk.

We will take all reasonable steps to ensure that concerns are investigated and appropriate action taken where necessary. There will be no distinction made in investigation between cases that generate financial benefits and those that do not.

Anne Turrell
Leader of the Council

Adrian Pritchard
Chief Executive



Ethical Governance Review Group**Suggested Membership**

Monitoring Officer
Finance Manager (Audit & Governance)
An officer from Human Resources
Procurement & Accounts Payable Manager
Risk & Resilience Manager
Investigation Manager, Revenues & Benefits
Policy & Projects Officer
Information officer (ICT) (new post proposed under the ICT review)
An officer from Colchester Borough Homes
External Person (to be agreed)

Reporting to

Chief Executive
Annual report to Standards Committee

Objective

To promote and embed a governance culture throughout the organisation.

Remit

To meet quarterly to review the ethical governance framework. Including, but not limited to:

1. Review of relevant policies and procedures
2. Identification and reporting of areas of concern
3. Reporting National Fraud Initiative outcomes
4. Identification of training requirements
5. Information sharing
6. Review of Internal Audit programme and relevant reports and recommendations.

COLCHESTER BOROUGH COUNCIL

ANTI-FRAUD AND CORRUPTION POLICY



January 2012

INTRODUCTION

Colchester Borough Council, like every Local Authority, has a duty to ensure that it safeguards the public money that it is responsible for.

The Council expects the highest standards of conduct and integrity from all that have dealings with it including staff, members, contractors, volunteers and the public. It is committed to the elimination of fraud and corruption and to ensuring that all activities are conducted ethically, honestly and to the highest possible standard of openness and accountability so as to protect public safety and public money.

All suspicions or concerns of fraudulent or corrupt practise will be investigated. There will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. Any investigations will not compromise the Council's commitment to Equal Opportunities or the requirements of the Human Rights Act or any other relevant statutory provision.

This policy has been created with due regard to the CIPFA better Governance Forum's Red Book 2 'Managing the Risk of Fraud' and the Audit Commission Publication 'Protecting the Public Purse'.

OVERVIEW

This policy provides an overview of the of measures designed to combat any attempted fraudulent or corrupt act. For ease of understanding it is separated into four areas as below:-

- Culture
- Responsibilities & Prevention
- Detection and Investigation
- Awareness & Monitoring

Fraud and corruption are defined by the Audit Commission as:-

Fraud – “the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain”.

In addition, fraud can also be defined as *“the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to mislead or misrepresent”.*

Corruption – “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.

The Council also abides by the Bribery Act 2010 which covers, amongst other things, the offences of bribing another person, of allowing to be bribed and organisational responsibility. Such offences include:

- The offer, promise or giving of financial or other advantage to another person in return for the person improperly performing a relevant function or activity

- Requesting, agreeing to receive or accepting a financial or other advantage intending that, in consequence a relevant function or activity should be performed improperly.
- Commercial organisation responsibility for a person, associated with the organisation, bribing another person for the purpose of obtaining or retaining business for the organisation

In addition, this policy also covers “*the failure to disclose an interest in order to gain financial or other pecuniary benefit.*”

CULTURE

The prevention/detection of fraud/corruption and the protection of public money are responsibilities of everyone, both internal and external to the organisation. The Council's elected members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will wherever possible be treated in confidence. The public also has a role to play in this process and should inform the Council if they feel that fraud/corruption may have occurred.

Concerns must be raised when members, employees or the public reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:

- A criminal offence
- A failure to comply with a statutory or legal obligation
- Improper or unauthorised use of public or other official funds
- A miscarriage of justice
- Maladministration, misconduct or malpractice
- Endangering an individual's health and/or safety
- Damage to the environment
- Deliberate concealment of any of the above

The Council will ensure that any allegations received in any way, including by anonymous letter or telephone call, will be taken seriously and investigated in an appropriate manner. The Council has a whistle blowing policy that sets out the approach to these types of allegation in more detail.

The Council will deal firmly with those who defraud the Council or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees/members raising malicious allegations) may be dealt with as a disciplinary matter (employees) or through Group procedures (members).

When fraud or corruption has occurred due to a breakdown in the Council's systems or procedures, Directors will ensure that appropriate improvements in systems of control are implemented in order to prevent a re-occurrence

RESPONSIBILITIES & PREVENTION

Responsibilities of Elected Members

As elected representatives, all members of the Council have a duty to protect the Council and public money from any acts of fraud and corruption. This is done through existing practice, compliance with the National and Local Code of Conduct for Members, the Council's Constitution including Financial Regulations and Standing Orders and relevant legislation. Conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. Officers advise members of new legislative or procedural requirements.

Responsibilities of the Monitoring Officer

The Monitoring Officer is responsible for ensuring that all decisions made by the Council are within the law. The Monitoring Officer's key role is to promote and maintain high standards of conduct throughout the Council by developing, enforcing and reporting appropriate governance arrangements including codes of conduct and other standards policies.

All suspected instances of fraud or corruption (apart from benefit claim issues) should be reported to the Monitoring Officer.

Responsibilities of the Head of Resource Management

The Head of Resource Management has been designated the statutory responsibilities of the Finance Director as defined by s151 of the Local Government Act 1972. These responsibilities outline that every local authority in England & Wales should:

“make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility or the administration of those affairs”

'Proper administration' encompasses all aspects of local authority financial management including:

- Compliance with the statutory requirements for accounting and internal audit;
- Managing the financial affairs of the Council
- The proper exercise of a wide range of delegated powers both formal and informal;
- The recognition of the fiduciary responsibility owed to local tax payers.

Under these statutory responsibilities the Head of Resource Management contributes to the anti-fraud and corruption framework of the Council.

Responsibilities of the Senior Management Team

Managers at all levels are responsible for the communication and implementation of this policy. They are also responsible for ensuring that their employees are aware of the Council's personnel policies and procedures, the Council's Financial Regulations and Standing Orders and that the requirements of each are being met. Managers are expected to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities. Special arrangements may be applied from time to time for example where employees are responsible for cash handling or are in charge of financial

systems and systems that generate payments, for example payroll or the Revenues & Benefits computer system. These procedures will be supported by relevant training.

The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts and agency staff. The Council's formal recruitment procedure contains appropriate safeguards in the form of written references, the verification of qualifications held and employment history. As in other public bodies Criminal Records Bureau (CRB) checks are undertaken for employees working with or who may have contact with children or vulnerable adults.

Responsibilities of Employees

Each employee is governed in their work by the Council's Standing Orders and Financial Regulations, and other policies on conduct and on IT usage. Included in the Council policies are guidelines on Gifts and Hospitality, and codes of conduct associated with professional and personal conduct and conflict of interest. These are issued to all employees when they join the Council. In addition, employees are responsible for ensuring that they follow any instructions given to them, particularly in relation to the safekeeping of the assets of the Council. Employees are expected always to be aware of the possibility that fraud, corruption and theft may exist in the workplace and be able to share their concerns with management.

Role of Internal Audit

Internal Audit plays a preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. Internal Audit may be requested to investigate cases of suspected financial irregularity, fraud or corruption, except Benefit fraud investigations, in accordance with agreed procedures. Within the Financial Procedure Rules in the Constitution, representatives of Internal Audit are empowered to:

- enter at all reasonable times any Council premises or land
- have access to all records, documentation and correspondence relating to any financial and other transactions as considered necessary
- have access to records belonging to third parties such as contractors when required
- require and receive such explanations as are regarded necessary concerning any matter under examination
- require any employee of the Council to account for cash, stores or any other Council property under his/her control or possession

Internal Audit liaises with management to recommend changes in procedures to reduce risks and prevent losses to the Authority.

Role of the Benefits Investigation

Due to the specialised nature of benefit fraud investigations a separate sanctions policy has been developed that covers all aspects of the benefit investigation process.

Role of the Ethical Governance Review Team

The team consists of various officers whose roles include governance issues and the objective is to promote and embed a governance culture throughout the organisation by implementing policies, reviewing issues, providing training and sharing information.

Role of the Audit Commission

Independent external audit is an essential safeguard of the stewardship of public money. This is currently carried out by the Audit Commission through specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems and arrangements for preventing and detecting fraud and corruption. It is not the external auditors' function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The Council contributes to the bi-annual Audit Commission led National Fraud Initiative which is designed to cross match customers across authorities too highlight areas where there are potential fraudulent claims.

Role of the Public

This policy, although primarily aimed at those within or associated with the Council, enables concerns raised by the public to be investigated, as appropriate, by the relevant person in a proper manner.

Conflicts of Interest

Both elected members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

Official Guidance

In addition to Financial Regulations and Standing Orders, due regard will be had to external and inspectorate recommendations.

The Council is aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Audit Commission (including External Audit and Inspection), other Government Inspection bodies, the Local Government Ombudsman, Standards for England, HM Customs & Excise and the Inland Revenue. These bodies are important in highlighting any areas where improvements can be made.

DETECTION & INVESTIGATION

Internal Audit plays an important role in the detection of fraud and corruption. Included within the audit plans are reviews of system controls including financial controls and specific fraud and corruption tests, spot checks and unannounced visits.

In addition to Internal Audit, there are numerous systems and management controls in place to deter fraud and corruption but it is often the vigilance of employees and members of the public that aids detection. In some cases frauds are discovered by chance or “tip-off” and the Council will ensure that such information is properly dealt with within its whistle blowing policies.

Detailed guidance on the investigation process is available separately.

Disciplinary Action

The Council’s Disciplinary Procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. Theft, fraud and corruption are serious offences which may constitute gross misconduct against the Council and employees will face disciplinary action if there is evidence that they have been involved in these activities, including Benefit fraud. Disciplinary action will be taken in addition to, or instead of, criminal proceedings depending on the circumstances of each individual case.

Members will face appropriate action under this policy if they are found to have been involved in theft, fraud and corruption against the Authority. Action will be taken in addition to, or instead of criminal proceedings, depending on the circumstances of each individual case but in a consistent manner. If the matter is a breach of the Code of Conduct for Members then it will also be referred to Standards for England - the national standards organisation.

Prosecution

In terms of proceedings the Council will endeavour to take action in relevant cases to deter others from committing offences against the Authority.

Publicity

The Council will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. Wherever possible, where the Council has suffered a financial loss action will be taken to pursue the recovery of the loss.

All anti-fraud and corruption activities, including the update of this policy, will be publicised.

AWARENESS & MONITORING

The Council recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of training and awareness for members and employees and will therefore take appropriate action to raise awareness levels.

The Monitoring Officer will provide an annual report to senior management and Members outlining investigations undertaken during the year.

This policy and associated procedures will be reviewed annually and will be reported to senior management and Members.

COLCHESTER BOROUGH COUNCIL

BENEFITS FRAUD SANCTIONS POLICY



- 1.1 Colchester Borough Council aims to provide a modern, customer focused, efficient, effective and secure Housing Benefit service that is continuously seeking to improve. This document sets out Colchester Borough Council's policy towards sanctions, including criminal prosecutions, for offences relating to benefit fraud.
- 1.2 This policy has been developed with the aim of providing a framework to ensure a fair and consistent approach to the use of formal sanctions. It refers to criteria relating to the offence, offender, value and duration of the fraud which have to be taken into account before considering whether a sanction is appropriate, and if so, which sanction to apply.
- 1.3 This policy needs to be considered in conjunction with the council's Anti-Fraud and Corruption Policy which sets out the commitment to prevent, detect and investigate benefit fraud.
- 1.4 Housing and Council Tax Benefits are administered by a local authority on behalf of the Department of Work and Pensions (DWP) as part of the statutory local government functions. Our policy is therefore a matter for our members. In practice, the policy broadly follows the approach of the DWP.

2.0 General Principles

- 2.1 Colchester Borough Council is committed to the prevention, detection, correction, investigation and, where appropriate, prosecution of fraudulent benefit claims.
- 2.2 The aim is to prevent criminal offences occurring by making it clear to our customers that they have a responsibility to provide accurate and timely information about their claims; to punish wrongdoing; and to deter offending.
- 2.3 This policy provides a full response to the need to be effective against fraud in the full range of welfare benefits.
- 2.4 Each potential fraud is assessed against local criteria by Colchester Borough Council's Housing and Council Tax Benefits Investigation Team. This assessment will result either in cases being investigated further under criminal investigation standards or referred to the Housing and Council Tax Benefits Review Team. Review action usually comprises of an interview regarding any changes in circumstances and the allegation concerned. Further action will depend upon the outcome of the interview but they will be reminded of their responsibilities and may be advised about their future conduct and required to rectify or withdraw their claim.
- 2.5 Each case that is subject to criminal investigation is considered on its own merits, having regard to all of the facts, before an appropriate sanction is administered.

3. Organisation

- 3.1 Criminal investigations are undertaken in accordance with:
- Police and Criminal Evidence Act 1984 and its code of practice
 - Criminal Procedures and Investigation Act 1996 and its code of practice
 - all other relevant legislative and common law rules
 - Departmental Policy
 - advice from internal legal department
- 3.2 Fraud Investigators receive Professionalism in Security (PINS) training which is accredited by Portsmouth University. Additional guidance is provided by the Fraud Procedures and Instruction Manual which is regularly updated to ensure that:
- investigations are conducted in a legal and professional manner
 - policy and legislation is correctly applied, and
 - approved working methods are applied
- 3.3 Colchester Borough Council has a legal team who provide advice and guidance to investigators throughout the investigative and prosecution process if required. They do not conduct any part of the investigation but advise on the investigator's obligations, evidential requirements and any appropriate charges. Colchester Borough Council's legal team are also responsible for identifying those cases which are not suitable for criminal prosecution for evidential reasons.
- 3.4 Colchester Borough Council also has access to free technical support and/or legal advice from the DWP prosecution division.
- 3.5 Colchester Borough Council also works closely with the DWP Fraud Investigation Service (FIS) team operating under similar prosecution practices and has a Fraud Partnership Agreement (FPA) with them to support joint working activity such as joint interviews under caution and investigations, to aid in the tackling of fraud in the full range of welfare benefits.

4. Sanction Process

Where an offence has been committed the Investigation Team can consider administering a caution, offering an administrative penalty, or instigating a prosecution. The choice will depend on the factors below and taking into account the criteria within section 4.4.1.

Cautions:

- 4.2.1 A formal caution is an administrative sanction that a local authority in England and Wales is able to offer as an alternative to a prosecution as long as specific criteria are met, and the case is one that Colchester Borough Council could take to court if the caution was refused.

4.2.2 Cautions are usually aimed at the less serious benefit frauds and those where the overpayment is under £2,000. It also provides an additional tool for the Investigation Team to use in those cases where the deterrent effect is considered a sufficient and suitable alternative to prosecution or an administrative penalty.

4.2.3 The offender must admit to the offence in an Interview Under Caution (IUC) and provide informed consent to being cautioned. To be able to offer a caution requires the same standard of criminal evidence as for a prosecution and should only be offered if the authority could prosecute should the caution be refused.

4.2.4 If the customer is consequently prosecuted for another benefit offence the caution can be cited in court.

4.3 Administrative Penalties

4.3.1 An Administrative Penalty is the offer to the customer to agree to pay a financial penalty where the customer has caused benefit to be overpaid to them, by either an act or omission. The amount of the penalty is currently stipulated at 30 percent of the amount of the gross overpayment.

4.3.2 These penalties will be offered where the case is deemed to be not so serious to deserve any other sanction and an Administrative Penalty is considered to be a suitable alternative to prosecution and where the gross overpayment is less than £2,000. Unlike cautions, no admission of guilt is required from the customer before offering an administrative penalty, although there is a statutory requirement for investigators to ensure that there are grounds for instituting criminal proceedings for an offence relating to the overpayment.

4.4 Prosecutions

4.4.1 If there is sufficient evidence Colchester Borough Council will refer the case to the solicitors internally for consideration of criminal prosecution where one or more of the following criteria are met:

- the gross adjudicated overpayment is £2,000 or over
- false identities or other personal details have been used
- false or forged documents have been used
- official documents have been altered or falsified
- the person concerned is in a position of trust
- the person concerned assisted or encouraged others to commit offences
- there is evidence of premeditation or organised fraud
- the person concerned has relevant previous convictions
- the customer had previously been convicted of benefit fraud
- the amount of the adjudicated overpayment is under £2,000 and the offer of an administrative penalty or formal caution is not accepted.
- Is the person in sound mind and in good physical position?
- Are there any social factors (eg death in the family)?

4.4.2 In all cases, including those which do not fall within any of the above criteria, Colchester Borough Council retains discretion as to whether criminal proceedings are started.

5. Proceeds of Crime Act (POCA)

5.1 Colchester Borough Council Investigation Officers must consider in all suitable cases the ability for a court to obtain restraint and/or confiscation orders of identified assets. A restraint order will prevent a person from dealing with specific assets. A confiscation order will enable the council to recover losses from assets which are found to be the proceeds of crime.

6. Loss of Provision:

Social security (Loss of Benefit) Regulations 2001 as amended by the Social Security (loss of benefit) Amendment Regulations 2010 allow for reduction or withdrawal of Social Security benefits and allowances in payment to individuals and their partners who have accepted the offer of a caution or administrative penalty. This includes both DWP and Local Authority benefits, such as Council Tax and Housing benefit.

This provision allows the DWP and local authorities to apply a sanction in the form of a 4 week benefit sanction period where a person accepts an Administrative Penalty, caution or is convicted of benefit fraud on one occasion. Benefits can be withdrawn for the 4 week period.

7. Recovery of Debt:

7.1 Where an overpayment arising from fraud is identified Colchester Borough Council will take steps to recover the resultant debt, including taking action in the civil courts if necessary, in addition to any sanction it may impose in respect of that fraud. The council has an overpayment policy which is updated regularly.

8. Summary

8.1 This policy sets out the main areas that the council takes into consideration when investigating potentially fraudulent claims for benefits. As well as the above, the council is working towards achieving the performance standards set by the DWP for its counter fraud work.

8.1.2 Whilst the council appreciates that the majority of customers are honest, it will continue to fight abuse of the system by those who falsely claim benefits to which they are not entitled. All investigations will be completed by trained staff who will respect the rights of all customers.

Colchester Borough Council

Whistleblowing Policy and Procedure

1. Introduction

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

2. Aims and Scope of this Policy

2.1 This policy aims to:

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

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

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

2.3 This concern may be about something that:

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

3. Safeguards

Harassment or Victimisation

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

Confidentiality

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

Anonymous Allegations

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

Untrue Allegations

3.9 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If however, you make an allegation maliciously or for personal gain, disciplinary action may be taken against you, or if you are a councillor a complaint may be made under the Members' Code of Conduct.

4. How to raise a concern

4.1 You should normally raise concerns with the Monitoring Officer or the Section 151 Officer. However if your concern relates to one of these officers you should raise your concerns with the Chief Executive

4.2 Concerns may be raised verbally or in writing. Employees or councillors who wish to make a written report are invited to use the following format:

- (a) the background and history of the concern (giving relevant dates);
and
- (b) the reason why you are particularly concerned about the situation.

4.3 The earlier you express the concern the easier it is to take action.

4.4 Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.

4.5 Advice and guidance on how matters of concern may be pursued can be obtained from:

Chief Executive, Adrian Pritchard ☎ 282211

Monitoring Officer, Andrew Weavers ☎282213

Section 151 Officer, Sean Plummer ☎282347

Finance Manager Audit and Governance, Elfreda Walker ☎282461.

Risk & Resilience Manager, Hayley McGrath ☎508902

4.6 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.

4.7 If you are an employee you may invite your trade union or a friend to be present during any meetings or interviews in connection with the concerns you have raised. If you are a councillor you may be accompanied by your group leader.

4.8 Further guidance on protection for anyone raising a concern can be found in the Public Interests Disclosure Act 1998.

5. How the Council will respond

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

arrange for you to receive advice about the procedure and will help you with the preparation of statements.

- 5.9 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, you will receive information about the outcomes of any investigation.

6. The Responsible Officer

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

7. How the matter can be taken further

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

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

- 7.2 If you are considering taking the matter outside of the Council, you should ensure that you are entitled to do so and that you do not disclose confidential information. An independent charity, Public Concern at Work, can offer independent and confidential advice. They can be contacted on ☎ 020 7404 6609 or by email at whistle@pcaw.co.uk

8. Questions regarding this policy

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

9. Review

- 9.1 This policy will be reviewed and will be reported to senior management and Members.

Colchester Borough Council

Anti-Money Laundering Policy

1. Introduction

Although local authorities are not directly covered by the requirements of the Money Laundering Regulations 2007, guidance from CIPFA indicates that they should comply with the underlying spirit of the legislation and regulations.

Colchester Borough Council is committed to the highest possible standards of conduct and has, therefore, put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

All organisations, including the Council, must report any money laundering suspicions for cash transactions over £9000. To help prevent money laundering, the Council has set a cash payment limit of £8,000. No cash payments above £8,000 will be accepted by any Council service.

This is not designed to prevent customers making payments for Council services but to minimise the risk to the Council of high value cash transactions.

2. Scope of the Policy

This policy applies to all employees, whether permanent or temporary, and Members of the Council.

Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the Council. Individuals who have a concern relating to a matter outside work should contact the Police.

3. Definition of Money Laundering

Money laundering describes offences involving the integration of the proceeds of crime or terrorist funds into the mainstream economy. Such offences are defined under the Proceeds of Crime Act 2002 ("the Act") as the following 'prohibited acts':

- Concealing, disguising, converting, transferring or removing criminal property from the UK
- Becoming involved in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquiring, using or possessing criminal property
- Doing something that might prejudice an investigation e.g. falsifying a document
- Failure to disclose one of the offences listed in a) to c) above, where there are reasonable grounds for knowledge or suspicion

- Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation

Provided the Council does not undertake activities regulated under the Financial Services and Markets Act 2000, the offences of failure to disclose and tipping off do not apply. However, the Council and its employees and Members remain subject to the remainder of the offences and the full provisions of the Terrorism Act 2000.

The Terrorism Act 2000 made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism.

Although the term 'money laundering' is generally used to describe the activities of organised crime, for most people it will involve a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

Potentially very heavy penalties (unlimited fines and imprisonment up to fourteen years) can be handed down to those who are convicted of one of the offences above.

4. Requirements of the Money Laundering Legislation

The main requirements of the legislation are:

- To appoint a money laundering reporting officer
- Maintain client identification procedures in certain circumstances
- Implement a procedure to enable the reporting of suspicions of money laundering
- Maintain record keeping procedures

5. The Money Laundering Reporting Officer (MLRO)

The Council has designated the Monitoring Officer as the Money Laundering Reporting Officer (MLRO). He can be contacted on 01206 282213 or at andrew.weavers@colchester.gov.uk

In the absence of the MLRO or in instances where it is suspected that the MLRO themselves are involved in suspicious transactions, concerns should be raised with the Section 151 Officer.

6. Client Identification Procedures

Although not a legal requirement, the Council has developed formal client identification procedures which must be followed when Council land or property is being sold. These procedures require individuals and if appropriate, companies to provide proof of identity and current address.

If satisfactory evidence is not obtained at the outset of a matter, then the transaction must not be progressed and a disclosure report, available on the Hub, must be submitted to the Money Laundering Reporting Officer.

All personal data collected must be kept in compliance with the Data Protection Act.

7. Reporting Procedure for Suspicions of Money Laundering

Where you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under the Act, you must disclose this as soon as practicable to the MLRO. The disclosure should be within “hours” of the information coming to your attention, not weeks or months later.

Your disclosure should be made to the MLRO using the disclosure report, available on the Hub. The report must include as much detail as possible including:

- Full details of the people involved
- Full details of the nature of their/your involvement.
- The types of money laundering activity involved
- The dates of such activities
- Whether the transactions have happened, are ongoing or are imminent;
- Where they took place;
- How they were undertaken;
- The (likely) amount of money/assets involved;
- Why, exactly, you are suspicious.

Along with any other available information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable him to prepare his report to the Serious Organised Crime Agency (SOCA), where appropriate. You should also enclose copies of any relevant supporting documentation.

If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327 – 329 of the Act, then your report must include all relevant details, as you will need consent from SOCA, via the MLRO, to take any further part in the transaction - this is the case even if the client gives instructions for the matter to proceed before such consent is given. You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline;

Once you have reported the matter to the MLRO you must follow any directions he may give you. You must NOT make any further enquiries into the matter yourself: any necessary investigation will be undertaken by the SOCA. Simply report your suspicions to the MLRO who will refer the matter on to the SOCA if appropriate. All members of staff will be required to cooperate with the MLRO and the authorities during any subsequent money laundering investigation.

Similarly, at no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, even if the SOCA has given consent to a particular transaction proceeding, without the specific consent of the MLRO; otherwise you may commit a criminal offence of “tipping off”.

Do not, therefore, make any reference on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

8. Consideration of the disclosure by the Money Laundering Reporting Officer

Upon receipt of a disclosure report, the MLRO must note the date of receipt on his section of the report and acknowledge receipt of it. He should also advise you of the timescale within which he expects to respond to you.

The MLRO will consider the report and any other available internal information he thinks relevant e.g.:

- reviewing other transaction patterns and volumes;
- the length of any business relationship involved;
- the number of any one-off transactions and linked one-off transactions;
- any identification evidence held;

And undertake such other reasonable inquiries he thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to the SOCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.

Once the MLRO has evaluated the disclosure report and any other relevant information, he must make a timely determination as to whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that is the case; and
- whether he needs to seek consent from the SOCA for a particular transaction to proceed.

Where the MLRO does so conclude, then he must disclose the matter as soon as practicable to the SOCA on their standard report form and in the prescribed manner, unless he has a reasonable excuse for non-disclosure to the SOCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information).

Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then he must note the report accordingly; he can then immediately give his consent for any ongoing or imminent transactions to proceed.

In cases where legal professional privilege may apply, the MLRO must liaise with the Section 151 Officer to decide whether there is a reasonable excuse for not reporting the matter to the SOCA.

Where consent is required from the SOCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the SOCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the SOCA.

Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then he shall mark the report accordingly and give his consent for any ongoing or imminent transaction(s) to proceed.

All disclosure reports referred to the MLRO and reports made by him to the SOCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the SOCA.

9. Training

Officers considered likely to be exposed to suspicious situations, will be made aware of these by their senior officer and provided with appropriate training.

Additionally, all employees and Members will be familiarised with the legal and regulatory requirements relating to money laundering and how they affect both the Council and themselves.

Notwithstanding the paragraphs above, it is the duty of officers and Members to report all suspicious transactions whether they have received their training or not.

10. Conclusion

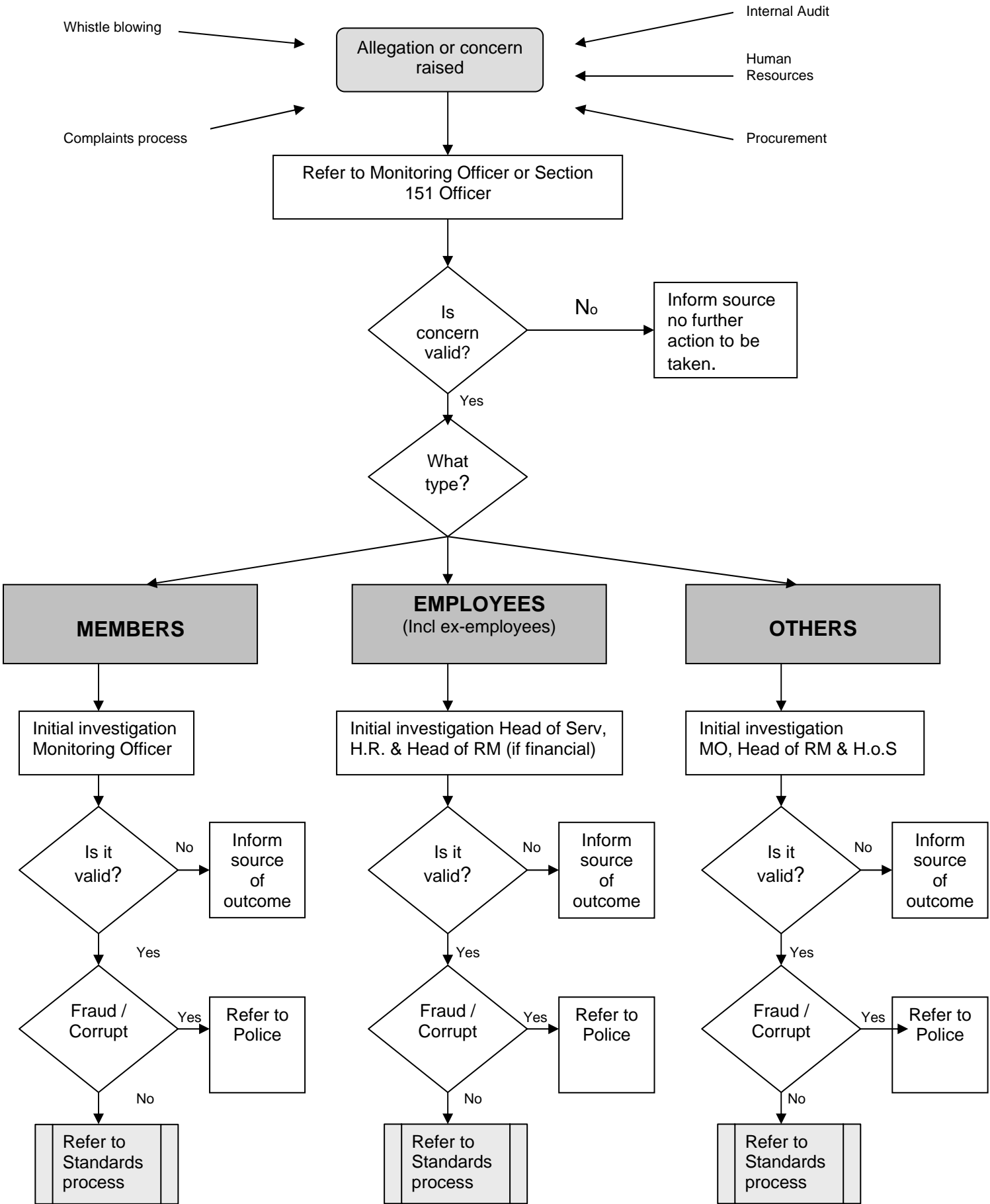
Given a local authority's legal position with regard to the legislative requirements governing money laundering, the Council believes that this Policy represents a proportionate response to the level of risk it faces of money laundering offences.

11. Review

This policy and associated procedures will be reviewed annually.

Investigation Process Overview

For use when reviewing organisational issues, not for benefit investigations



Extract from the minutes of the Standards Committee meeting on 25 November 2011

Review of Ethical and Corporate Governance Arrangements

The Committee considered a report from the Monitoring Officer setting out the details of a review of the Council's Ethical and Governance arrangements.

The Monitoring Officer explained that the review of ethical and corporate governance arrangements had been triggered by an internal audit report that had indicated that not all staff were fully aware of the Council's anti-fraud and corruption measures, together with the need to review the arrangements in the light of the introduction of the Bribery Act 2010. Particular attention was drawn to the Ethical Governance Statement. This set out for the first time the Council's position on ethical governance and stressed the Council's zero tolerance approach. The document would be positioned and promoted so it would be visible to staff and it would be published on the Council's website. The ethical and corporate processes had been redesigned so that all allegations would be channelled through the Monitoring Officer or the Section 151 Officer who would assess whether the concern was valid and if so, what process it should be determined under.

The Monitoring Officer emphasised that these new arrangements had top level commitment from the political and managerial leadership of the Council. Awareness sessions for members and for officers would follow. The sessions for officers would commence once the new arrangements were approved so that the Council's commitment to these arrangements could be emphasised.

In response to an enquiry from the Committee, the Monitoring Officer explained that it was not yet clear as to whether the external person on the Ethical Governance Review Group would be the Independent Person appointed under the provisions of the Localism Act. However, the external challenge this role would provide was an integral element of the new arrangements.

RESOLVED that the revised Ethical and Governance Arrangements detailed at paragraph 7 of the Monitoring Officer's report be approved.

RECOMMENDED to CABINET that it endorse the revised Ethical and Corporate Governance arrangements and they be referred to Full Council for adoption in the Policy Framework.

