

Cabinet

**Grand Jury Room, Town Hall
25 January 2012 at 6.00pm**

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

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COLCHESTER BOROUGH COUNCIL CABINET

25 January 2012 at 6:00pm

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

AGENDA - Part A

(open to the public including the media)

Pages

1. Welcome and Announcements

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

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

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

2. Urgent Items

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

3. Declarations of Interest

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

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

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

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

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

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

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

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

4. Have Your Say!

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

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

5. Minutes

To confirm as a correct record the minutes of the meeting held on 30 November 2011.

6. Call-in Procedure

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

7. Strategy and Performance/Resources and Heritage

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

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12. General

i. Progress of Responses to the Public **202 - 203**

To note the contents of the Progress Sheet.

13. Street and Waste Services

i. Supply of Fleet Procurement and Maintenance Services **204 - 213**

See report by the Head of Street Services

14. Exclusion of the Public

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

**COLCHESTER BOROUGH COUNCIL
CABINET**

25 January 2012 at 6:00pm

AGENDA - Part B

(not open to the public or the media)

Pages

15. Resources and Heritage

i. Development Agreement - Phase 2, Plot C2K, Axial Way, Colchester

The following report contains exempt information (financial/business affairs of a particular person, including the authority holding information) as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

See report by the Head of Resource Management

16. Renaissance

i. Vineyard Gate - Approval of Heads of Terms

The following report contains exempt information (financial/business affairs of a particular person, including the authority holding information) as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

See report by the Head of Strategic Policy and Regeneration

17. Street and Waste Services

i. Supply of Fleet Procurement and Maintenance Services

The following report contains exempt information (financial/business affairs of a particular person, including the authority holding information) as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

See report by the Head of Street Services



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
<hr/>	
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 grant development 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

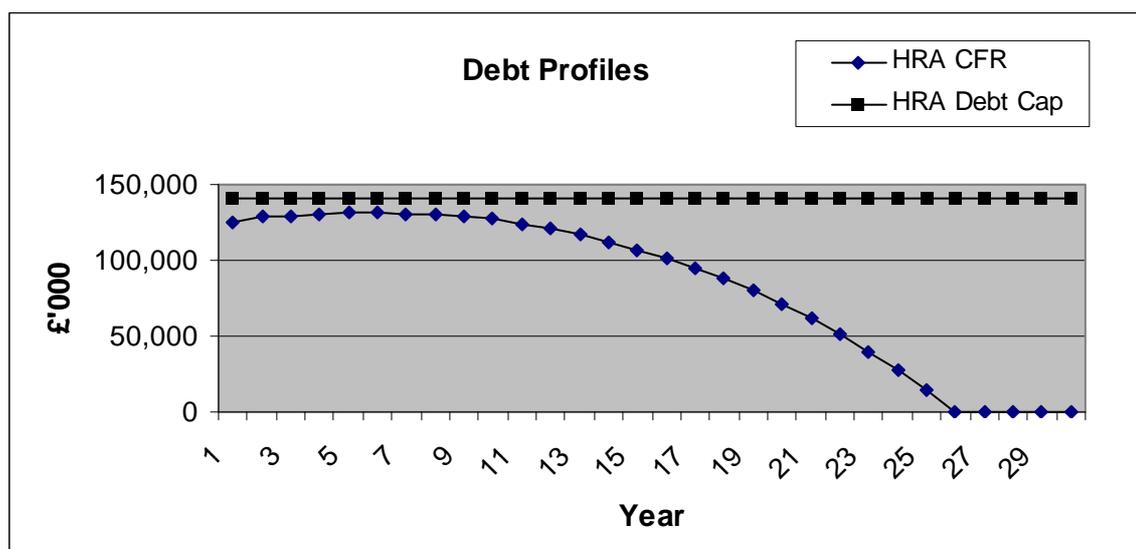
3.4 A comparison of typical rates that are currently available and the total interest payable on a single 30 year loan of £74.338m for each of the above loan types are shown below. However, the additional interest payments for maturity loans would be mitigated by the investment income available from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

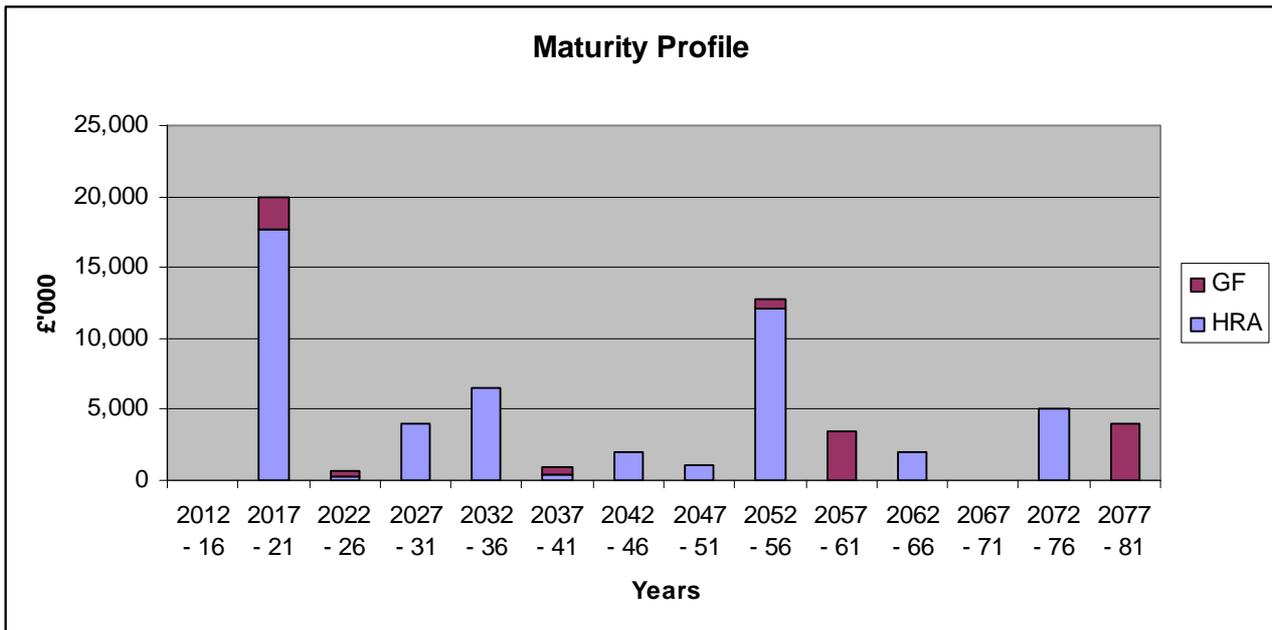
5 *Proposals*

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

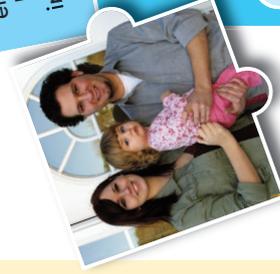
Colchester as a vibrant Borough with a bright future wants to be known for:

- 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



Cabinet

25 January 2012

Item
8(ii)

Report of	Head of Corporate Management	Author	Lucie Breadman 📞 282726
Title	Half Yearly Performance Report including progress on Strategic Plan Action Plan		
Wards affected	'Not applicable'		

Members are invited to consider the performance report for the period up to end of September 2011 (which includes progress of our Performance measures and an update of progress of the Strategic Plan Action Plan).

1. Action required

- 1.1 To consider / comment upon the combined performance update, as at Appendix 1, for the period up to the end of September 2011 in relation to our key performance measures and progress of the Strategic Plan Action Plan (SPAP) as at Appendix 2.
- 1.2 Consider the comments from the Strategic Overview and Scrutiny Panel, as per section 5 below, following their review of the report on 13 December 2011.

2. Reason for Decision

Part of the Council's performance management framework includes the commitment to report our half yearly performance progress to Cabinet.

3. Alternative Options

No alternative options proposed in the light of the nature of the report.

4. Background information

- 3.1 The council has agreed a number of key performance areas which it uses as part of its Performance Management Framework to help monitor progress and improvement of our priorities. This report provides an update of our measures along with a half yearly review of progress against our Strategic Plan Action Plan (SPAP). (See Appendix 1 & 2 attached).

5. Performance Summary

- Our overall basket of organisational performance measures shows that 65% of indicators are forecast to meet year end targets.
- 17.5% are showing amber alerts and as such are being monitored closely. 17.5% of our indicators are red, or forecast to not meet year end expectations.
- Monitoring of the actions within our Strategic Plan Action Plan shows that 85% of the actions are currently progressing on target with 14% at risk and only one action report as not likely to be achieved.
- The council has also received a number of awards and accreditations highlighted at the end of appendix 1.

5. Comments from Strategic Overview and Scrutiny Panel

The half year performance report including the SPAP update (as per Appendix 1 and 2) was scrutinised by SOSP on 13 December 2011.

The Panel have requested a number of items of further information to help them with future scrutiny of performance in key areas and also requested that Cabinet consider the cost and value added for awards and accreditations such as Lexcel accreditation for Legal Services.

6. Strategic Plan references

This report provides an update of progress against the Strategic Plan Action Plan (SPAP) developed to support the delivery of the Councils agreed Strategic Plan Priorities.

7 Consultation

The contents of this report do not have any direct implications with regard to consultation however the Strategic Plan and priorities were agreed following wide public consultation.

9. Publicity considerations

The performance report contains both Key Performance Indicators (KPIs) and actions from our SPAP. These are used to monitor the performance of our services and progress against our priorities and as such these may be of public interest.

10. Financial implications

Our budget strategy is tied to the provision of services and actions agreed within the Strategic Plan Action Plan and as such monitoring of progress, improvement and outcomes forms part of the budget setting process.

11. Equality, Diversity and Human Rights implications

Our performance measures and Strategic Plan Action Plan have been introduced to monitor service provision and progress of priorities aimed at improving the quality of life for local people across the borough. Where required, specific Equality Impact Assessments (EQIAs) will exist for policies and activities rather than individual performance indicators or actions.

12. Community Safety implications

There are performance measures and actions within the SPAP which aim to improve community safety and as such this report provides progress updates in this area.

13. Health and Safety implications

This report has no direct implications with regard to Health and Safety.

14. Risk Management implications

We aim to deliver against key Indicators and the SPAP as both form a key part of our performance framework and expectations around delivery of our priorities to the residents of Colchester Borough.

Background Papers

Not applicable.

1. Performance Summary

The Council agreed a number of key performance areas for 2011/12 which are used as part of the Performance Management Framework to help monitor progress and improvement. This report provides a summary of our position at the end of Quarter 2, the half year stage. 66% (15) of our measures are green, 17.5% (4) amber and 17.5% (4) red. Comparisons year on year are difficult given the extent of change in the old and new basket of indicators.

Housing performance stands out as having the most challenging half year position but overall the areas with red alerts are perhaps not surprising given the pressure on resources, service changes and up surge in activity. Improvement work is in place.

Following consultation with the portfolio holder one indicator has been removed from the set - KSI Housing -Reduce Decent Homes Gap. This was a voluntary local target agreed as part of our Life Opportunities partnership working. Having improved 12 homes in the target area using grants funded by the NHS, further progress has stalled with our Home Repair Loans not attracting take-up. With further external funding to be able to offer grants unlikely in the current economic climate, this target has been cancelled.

On a very positive note planning performance has had an excellent start to the year with performance in all areas exceeding targets set.

Strategic Plan Actions:

The Strategic Plan is focused on providing direction and vision for the aspiration for Colchester as a place for its people. We have developed an action plan to help deliver the strategic improvement priorities set out in the Strategic Plan.

Appendix 2 to this report provides a table with all the current actions (totalling 117) and their performance. In summary (100) 85% of the actions are currently progressing on target with (16) 14% at risk and one action that is not likely to be achieved. There is also a summary of each priority area in section 6 below.

Alert Explanations

- Green** The indicator is meeting performance expectations to date or as forecast to the next reporting period.
- Amber** The indicator is not meeting performance expectations to date. There are mitigating circumstances in most cases and improvement is likely but risks are being flagged in regard to this indicator.
- Red** The indicator is not meeting performance expectations to date and/or is unlikely to improve by year end, forecast is that its very unlikely that the targets set will be achieved.

2. Progress of our Resources and Organisational Key Indicators

We are on target or exceeding targets in six of our eight Resources and Organisational Indicators. The only red indicator in this section is days lost to sickness which is being monitored closely. It is not unusual to see an upward trend in times of great change but with access to good breakdown data, a new policy, management training and close monitoring we are working hard to improve the performance. Our budget position remains a challenge and is flagged as Amber, but again this is a position that is being closely monitored and activity within services to identify further efficiencies or income opportunities continues to be a priority.

Indicator	Target 2011/12	Performance April – Sept 2011	RAG	Service Comments
KI R1 % Council Tax collected	98.5%	63.8%	G	Performance accumulates up to target by year end. Currently above target but continues to be challenging due to the effects of the economic climate and an increase in requests to pay Council Tax later in the year rather than earlier.
KI R2 % NNDR Collected	98.5%	64.8%	G	Performance accumulates up to target by year end. Currently above target but as above the target continues to be challenging due to the effects of the economic climate and an increase in requests to pay NNDR later in the year.
KI R3 Sickness rate – average days lost.	8 days	8.49 days	R	The Senior Management Team continues to monitor sickness on a monthly basis and our new policy is more streamlined with less management discretion around action taken. The problem is not universal across all services, indeed some have reduced their sickness levels to record lows and there is now more long term sickness than short term. There are a number of persistent long term cases in specific areas such as Street Services where a combination of inherited sickness from shared service staff and the physical nature of the roles make reducing sickness more challenging. Having said that every case is being actively managed and ill health capability action has resulted in 11 dismissals in Street. With such unprecedented change it is perhaps not surprising but remains a priority with action being taken at all levels.
KI R4 Reduce CO2 emissions from Local	To reduce by 25% by 2012	2% reduction in period 09/10 – 10/11	G	Projects within the Carbon Management Programme are on-going and achieving good CO2 reductions. A 2% reduction was achieved between 09/10 and 10/11 through the implementation of projects through the CMP.

Appendix 1 - Performance Summary Quarter 2- April 2011 to September 2011

Authority Operations				Some projects have achieved lower savings than estimated such as powerperforator, however others have far exceeded targets such as the Leisure World fitness pool refurbishments. Projects are being developed to meet full target reduction.
KI R5 Budget Forecast variance at year end	-2% to +1%	+1.5%	A	Measure is to retain any variance to between -2% to +1% of Budget. Current forecast outturn for the year points to a potential bottom line budget shortfall of around 1.5%. This is mainly to do with some income targets not likely to be achieved.. The position remains under monthly review with activities in all services to find efficiencies and manage their budgets. A new set of savings and income generating initiatives has been identified and this has helped to significantly reduce the forecast position from that reported at the end of June.
KI R6 Customer Service Excellent Achievements	3 Awards	3	G	Environmental and Protective Services achieved the CSE Standard in April and Corporate Management achieved their 1-year on-going CSE assessment in June. Resource Management also maintain their CSE Standard.
KI R7 Avoidable Contact	10% of contacts	6.1%	G	Work with service areas is still proving beneficial in keeping the level of avoidable contact on target.
KI R8 Achieve FSR savings	£3.9m	£1.158m	G	£3.9m is cumulative performance over three years - the 2011/12 target is £1.158m of this. (£450,000 Housing / £303,000 Revenues and Benefits / £405,000 Street Services.) The 2011/12 savings for Housing + Revs and Bens were accounted for in their budgets at the start of the year to reflect the new structures and ways of working already in place. Street (the remaining £405,000) started their implementation stage more recently, but as at October the new budget structure has been finalised. This confirms that the forecast £405,000 saving has been made, and the employee costs section of the budget has been adjusted to reflect this saving.

3. Housing Key Indicators

Some challenges for our housing indicators at the half year stage. The red alert is for re-let figures and while mitigating work is being put in place to improve performance in this area it does not currently look like the targets we have set will be met. On a more positive note 150 affordable homes have been delivered in this period.

Indicator	Target 2011/12	Performance April – Sept 2011	RAG	Service Comments
KSI H1 Net add homes provided	650	Annually Reported	G	Data is collected annually against this indicator although delivery is estimated to be on track according to current building control information.
KSI H2 Number of affordable homes delivered (gross)	117	150	G	Target has been achieved. A high number of affordable homes were delivered in the 1 st quarter. This was anticipated as our development partners had indicated that the majority of completions would be during the 1 st and final quarters of 2011-12, it is therefore unlikely that this level of activity will be sustained throughout the year.
KSI H3 Number - homelessness cases prevented	280 cases	133 cases	A	Performance is slightly behind where we would like to be against target at this point in the year, this is in part due to the reduced availability of private rented properties. Quarter 2 performance has improved with 82 cases of homelessness prevented in contrast to 51 cases in the first quarter.
KSI H4 % non-decent council homes	8%	9%	G	A total of 619 properties have received decent homes works so far this year. Performance is on track to meet this year's target as we continue to deliver the planned programme of work.
KSI H5 Rent Collected	98.8%	96.83%	A	Rent collection is slightly lower than at the same point last year 97.91%. Following a recent restructure of staff we anticipate an increased focus to support further reduction in arrears. The first of the rent-free weeks falls in the next quarter, and we would expect further improvement in performance by between 0.5 - 1% as in previous years.

KSI H6 Average time to re-let council houses	Overall 24 days	31 days	R
	General 15 days	22 days	
	Sheltered 45 days	66 days	
	Temp 28 days	31 days	

The re-let time has been affected by a small number of properties which have been difficult to let, either as a result of the condition of the property or location. Properties in more rural locations where access to schools or local facilities are more difficult to let. Sheltered housing bedsits are difficult to let and attribute to the high letting period and overall average re-let time. Re-let times for temporary accommodation have significantly improved from performance for the same period in 2010-11 which was 78 days.

4 Key Planning Indicators

A positive half year set of results on our key planning indicators with all areas exceeding targets.

Indicator	Target 2011/12	Performance April – Sept 2011	RAG	Service Comments
KSI P1 processing of planning applications	Majors 65%	76.0%	G	Excellent performance levels continue to be achieved despite increase in workloads and no additional resources. Other areas of work are beginning to come under pressure as resources become stretched dealing with an increased application and revenue generation workload.
	Minors 70%	78.6%	G	
	Others 85%	91.1 %	G	
KSI P2 Planning appeals allowed against our decision to refuse	30%	23.5%	G	Sustained high performance with a better than national average success rate at appeal. It should be noted that when refusal rates were analysed for the quarterly Planning Committee performance report in July 2011 the Council's rate of refusal matched the national average and so high appeal performance is not likely to be down to abnormally low refusal rates. (i.e. we do not approve everything)

4. Waste and Recycling Key Indicators

The introduction of 4 day week collections has impacted on missed collections but this is expected to improve as the system beds in. Residual household waste collection and recycling are achieving performance levels.

Indicator	Target 2011/12	Performance April – Sept 2011	RAG	Service Comments
KSI W1 No. of weekly missed collections	15 - to be altered	Refuse 40	R	New processes and four day collections has changed both the collection methods, technology and methodology of this indicator to such a degree that performance is no longer comparable with the measure in place before June 2011. The indicator and target will be altered to reflect the most relevant new measure available. Performance in the first half of the year will however remain behind expectations as we go through a period of 'settling in' with the new processes and as crews and residents adapt to the changes. Missed collections have improved significantly since September and we expect that trend to continue.
	15 – to be altered	Recycling 21.4	R	
KSI W2 Residual household waste per household	450 kg per house hold	235.671kg	G	Reducing the amount of household waste we collect is important, but very difficult. This year's figure is currently 1.14% lower than the same point last year, so this is good performance. The figure is adjusted at the end of the year, when the accurate property count has been published.
KSI W3 Household waste reused, recycled and composted	42%	42.39%	G	We are currently on target. However the rate is lower by 0.28% against the same period as last year, which is due to lower collection tonnage of dry recycling collected. The reduction in tonnage collected could be down to the current financial climate with household buying less, as well as packaging strategies from supermarkets.

5. Benefits Key Indicators

Indicator	Target 2011/12	Performance April – Sept 2011	RAG	Service Comments
KSI B1 Time to process HB new claims and changes	Half Year: 17 days, Year end: 6 days	20.08 days	A	Figure reflects overall cumulative performance across the year to date, including an increase and build up of work up to September, which has now been cleared. Recent statistics show significant improvements (9.78 days taken to process new claims for the last month and 4.85 days for the last week by way of example). If these improvements continue as anticipated the target should be achieved. However planned benefit changes in January could be challenging.

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6 Progress of our Strategic Plan Action Plan

The Strategic Plan is focused on providing direction and vision for the aspiration for Colchester as a place for its people. We have developed an action plan to help deliver the strategic improvement priorities set out in the Strategic Plan.

Appendix 2 to this report provides a table with all the current actions (totalling 117) and their performance. In summary 85% of the actions are currently progressing on target with 14% at risk and only one action report as not likely to be achieved.

Addressing Older People's Needs:

All actions within this priority are progressing well and include the award of grant funding to enable three new local clubs, support and investment in benefit take up campaigns with our partners which have secured around £200,000 of additional income for older people and improved patient discharge experience at hospital with dedicated support.

Addressing Younger People's Needs:

Overall most actions within this priority are on target with only one risk area linked to staff vacancies. Activities undertaken to support this priority include new apprenticeships, improved school attendance rates, learning opportunities for 7-14 year olds outside school hours,

personal and community safety training, youth funding, two new community play sites amongst a host of other council and partnership activities.

Community Development:

This priority hopes to achieve a number of outcomes linked to enhancing opportunities, increasing social inclusion and community cohesion and supporting communities to improve the lives of local people. Progress on the whole is positive with actions being achieved such as £250,000 investment for voluntary agencies to deliver improvements in communities, promotion of volunteering through developments like the Community Garden at Old Heath Recreation Ground, community projects such as ex-MOD gym, closer working with Parish Councils and the introduction of Zone Working throughout the Borough.

Community Safety:

On the whole this priority is on track to complete the actions agreed but there are a number of risks being flagged some of which link to reductions in resources in our partner agencies. Successful activities include days of action, enforcement such as the issue of Acceptable Behaviour Contracts and the Weekend Noise Service and continued closer working with partners to reduce Antisocial Behaviour and reduce domestic violence.

Congestion Busting:

This priority aims to provide better access into and around Colchester, reductions in car dependency as well as the provision of alternative forms of transportation and a shift towards healthier and greener modes of travel, such as cycling. On the whole actions are being achieved but there are a few being flagged at risk due to investment or funding uncertainties with partners. Amongst all the successful work being undertaken is an increase in cycling to the station by 25%, funding from Defra to support work on reducing the number of cars on the road, the adoption of a Public Realm Strategy, Cycle Colchester's win at the National Transport Awards and a successful Tour Series event which won us the Halfords Pride of the Tour Series.

Enabling Job Creation:

The aim is to reduce worklessness, support and enable job creation working with our partners and maximising the benefits from Colchester's superb location. Of the many activities taking place most are progressing well, with only one risk flagged around investment from Essex County Council. Some of the activities include, the Digital Strategy an associated activities which are well underway, provision of policy expertise, support to 18 companies to help retain, relocate or expand facilities and 17 of which were successful and the creation of 7 job clubs with Jobcentre Plus.

Healthy Living:

With close links to happiness and wellbeing our aim here is to provide the opportunities, support and awareness to enable people to live healthier and hopefully longer and happier lives. Most of the planned activities are progressing well and these include the delivery of actions to reduce childhood obesity including a programme of over 1000 free swimming lessons, a number of activities are underway with partners in preparation for the Olympics, we have supported over 500 people to quit smoking, extra dental services for children in St Anne's Ward and 18 Health Eating Awards are in place already against a target of 20 for the year.

Homes for All

A safe and secure place to live is vital to health, wellbeing and life expectancy and we continue to work hard, with our partners, in our aim to provide homes for all. Again, performance overall is positive with the majority of actions being completed. These include, the construction of new purpose built temporary accommodation, continued programme of decent homes works, proactive prevention of homelessness services that has successfully helped 133 households, award of grants to prevent homelessness, work is underway to return empty homes to use and enforcement in the private rented sector with 250 inspections and 75 houses improved.

Reduce, Reuse and Recycle

Last but by no means least, this final priority aims to support and encourage sustainable, clean and efficient approaches to waste reduction through recycling, behaviour change and use of new technologies and approaches. Unsurprisingly perhaps, some of the activities within this priority are challenging however many areas going well including the following, food waste trials have been agreed and will begin later in the year, energy savings activities are progressing well, including our project to install PV panels on around 2000 social housing properties and 8 commercial buildings and a number of behaviour change activities are taking place in schools around the Borough.

7. Other Performance News

7.1 Awards and accreditations for 2011/12 as at October 2011:

Cemetery and Crematorium - ICCM	Gold award for both burial and cremation services – one of only 23 councils to achieve this.
National Transport Awards	The Cycle Colchester project won the 'achievements in cycling' category.
Halfords 'Pride of the Tour Series'	Won the 'Tour Series' trophy, £1000 to invest in the local community and 10 Street Pod Cycle Stands.
Building Control – customer survey	All 352 customers in 2010/11 happy – 73% 'very satisfied' / 27% 'satisfied' - with the overall service.
Green Flag Award	For high quality parks and open spaces - Castle Park and High Woods Country Park

Green Heritage Award	For management and interpretation of a site with local or national historic importance.- Castle Park
ASA approved centre award	Leisure World achieved this following an assessment by ASA, the governing body for swimming.
Charter Status for Elected Member Development	For the Council's best practice in providing learning and development opportunities for councillors, to help ensure they have the skills and knowledge to effectively represent the community.
LEXCEL	Achieved the Law Society's practice management standard for the twelfth consecutive year.
Customer Excellence Standard	Successful re-accreditation by Resource Management and Corporate Management + first award of the Standard has now also been achieved by Environmental and Protective Services.

7.2 Other performance items as at October 2011:

- Our bid to become a [Community Infrastructure Levy](#) (CIL) Frontrunner was successful - one of just eight councils in the country. The CIL is a new levy which is intended to provide infrastructure to support the development of an area and can supplement other public sector funding streams to ensure that new community infrastructure (such as schools) can be provided to keep pace with population growth. Colchester Borough Council and Essex County Council were jointly successful in being awarded CIL Frontrunner status by the Department of Communities and Local Government and are consequently among the first to publish a preliminary charging schedule.
- [Castle Redevelopment](#) – In July, the Heritage Lottery Fund awarded £3,267,400 towards a major redevelopment of Colchester Castle, following a successful bidding process and application by CBC. In April the Friends of Colchester Museums and Art Galleries gave £30,000, and in July the Essex Heritage Trust awarded £5,000 towards the same project.
- Also in July, the Homes and Communities Agency confirmed that our bid to deliver new affordable housing using the 2011-15 Affordable Homes Programme was successful. This will contribute £170,000 of HCA funding towards the delivery of 34 homes.
- Colchester Business Awards –These awards recognise and celebrate business success in the borough, and Charter Hall is the venue for this annual event in November for around 600 local business people .
- Investors in People - We are due to be re-assessed in December 2011, and arrangements are in hand for this. We have been holders of this accreditation since 2005 and in order to retain it, re-accreditation must take place every three years.

7.3 Updated figures for the borough's population and homes

- **Population**
 - The latest population figure for Colchester borough is 181, 000. This is the Office for National Statistics (ONS) mid-2010 estimate, published July 2011. That is an increase of 22,100 people (13.9%) since the last Census in 2001.
 - The borough is already the largest and fastest growing district in Essex, and the second largest district in the country.
 - The population of Colchester borough is expected to grow by 21.9% to 215,900 people in 2021, more than twice the national average. This is an increase of 38,800 people over the 12-year period since 2009, and would be an increase of 57,000 people in the borough in the 20 years since the 2001 Census (35.9%) when the population stood at 158,900.
- **Homes**
 - The latest number of homes in the borough is 75,145 – (March 2011, Valuation Office) - 2,602 extra homes in three years (3.6%).
 - The speed of population growth is reflected in the annual increase in the number of homes - 74,469 in March 2010, 73,681 in March 2009 and 72,543 in March 2008.

7.4 Quality of our performance data

In line with our Data Quality Strategy, arrangements have been made for Internal Audit to review a number of the key indicators within this report. This annual review has been streamlined from the 12 or so indicators included in previous years, and will take place in November 2011. The audit's emphasis is very much on data quality – the processes, methodology, targets, and accuracy of measurement behind the indicator. The four indicators to be looked at are:

- KI R2 - percentage of National Non-Domestic Rates collected
- KI R3 - sickness rate
- KSI H6 - rent collected
- KSI W1 - number of weekly missed bin collections.

7.5 Single Data List

DCLG published the 'single data list' of all central departments' data requirements from local authorities in 2011-12 in April. It issued a revised version in July which now includes all 2011-12 requirements from arm's length bodies, non-ministerial departments, other public bodies and the Electoral Commission. Details have been sent to services and officers concerned.

Addressing Older People's Needs

Outcome		Actions		Outputs		Half-year update		RAG
Increased social activities and access to them for older people, leading to happier, healthier and longer lives.		Invest £20,000 of grant funding to new volunteer led clubs to help create activity and opportunities in the Borough	Increase in volunteer led clubs for older people.		A grant to this value was awarded in May 2011 and so far 3 local clubs have been established.		G	
		Deliver new activities for older people 50+ in sport and leisure	Increased take up of activities and Social Inclusion		2 new Cardiac Rehabilitation classes introduced at Leisure World Colchester with average of 15 – 20 participants each week. Additional Gentle Workout fitness class now also being provided.		G	
Reduce poverty and health inequalities for older people		Promote concessions for older people	Increased take up and accessibility of activities		New advert for 50+ in the latest CLW brochure which also provides more detail on the 50+ activities offered and this information is also now available on the website		G	
		Invest £30,000 to support the take up service by Age UK to help generate £300,000 extra income for older people.	Increased Benefit Take up for older people.		Age Concern's older people's take up campaign funded by Welfare Rights is exceeding targets; and has helped customers secure approximately £200k extra income so far this year.		G	
Support independent living for older people		Complete a strategic review of accommodation for older People. Complete a review, make recommendations and develop a joint implementation plan with CBH regarding the Council's sheltered housing schemes.	Strategic review document. Recommendations report and Implementation plan. Accommodation which better meets the needs and aspirations of older people and is fit for the future.		Review of Council's Sheltered Housing Schemes completed. Recommendations made to Cabinet in October 2011. Older Persons Task and Finish Group is looking at accommodation for older people across the whole borough and is progressing its workplan. Recommendations from this group will be made by March 2012.		G	

Outcome		Actions		Outputs		Half-year update		RAG
		Increase the number of customers using the services provided by community alarms.		Increase private household take up of Helpline products		A paper was presented to budget group setting out options to increase the number of private customers. The retirement of the Monitoring & Response manager has created an opportunity to refocus the position in order to generate more income.	G	
				Increase take up of Telehealth services to 60 users		Work is progressing with NEE NHS to increase the number of referrals from GP's and other units – current number of users is 50	G	
Effective partnership working to promote and safeguard the welfare of vulnerable adults in our community		Complete Essex Safeguarding Adults Board (ESAB) self-assessment audit for 2011		“Effective” overall self-assessment against ESAB standards		Essex Safeguarding Adults Board (ESAB) self-assessment audit for 2011 completed and returned within deadline. Summary feedback report awaited.	G	
Working in partnership across the public sector to provide a single point of access to customers.		Work with key strategic partners to develop a co-ordinated multiagency commitment to the Strategic Plan Priorities through Infopoint @Colchester		Evaluation of Infopoint@Colchester strategy		County services remain strong in Infopoint with a county advisor attending for 2 days a week serving older people with enquiries such as blue badges, social care and support for carers. We are reviewing NHS services in Infopoint with a view to continuing with health checks / promotions for things like falls prevention.	G	
		Develop partnership working with Libraries to enable access to Council Services through a network of 7 Libraries across the Borough.		Increased take up and accessibility of Council services Increased footfall into Libraries		Work continues to progress with the aim that libraries will be an extension of the CSC for borough services. Library staff continue to be trained to assist residents who want to self serve to access council services via their libraries and public access PCs.	G	
Improved patient experience of discharge from hospital		Improve co-ordination of access to services when discharged from hospital by co-ordinating information exchange between		Improved information exchange between Older people's Forum member agencies and Discharge		A new post has been appointed at the General Hospital to improve discharge for older people and act as a point of contact with the Older People's Forum and social care.	G	

Outcome		Actions	Outputs	Half-year update	RAG
		agencies and hospital.	Team at Colchester General Hospital and Increased customer satisfaction		
Using reminiscence activity and resources to support older people with short term memory to tap into their longer term memories in order to raise self-esteem, improve well being and relationships.	<p>Deliver funded reminiscence activity in partnership, amongst others, the Alzheimer's Society, Age UK and social services including:</p> <ul style="list-style-type: none"> • Delivery of sessions in care home and day care centres • Delivery of training for professional care givers and staff • High level of uptake for loan boxes to support reminiscence sessions 	<p>Reminiscence Sessions, training of staff and care givers and increased uptake of loan boxes.</p>	<p>This work is ongoing and the system of loan boxes is well established and take up continues to be good. A more formal appraisal and evaluation of this area of work will take place later in the year.</p>	G	

Addressing Younger People's Needs

Outcome		Actions	Outputs	Half Year Update	RAG
Effective partnership working to promote and safeguard the welfare of children in our community	<p>Proactive membership of and participation in the North East Essex Children's Partnership Board's "Stay Safe" sub-group.</p>	<p>Effective joint working locally to safeguard children and young people.</p>	<p>The Safeguarding Coordinator post has been vacant since August 2011. Cover arrangements are in place for attendance at "Stay Safe" sub-group.</p>	A	
Improve the	<p>Work with the North East Essex</p>	<p>Ensure the work on</p>	<p>Work continues with Essex County Council to secure</p>	G	

Outcome	Actions	Outputs	Half Year Update	RAG
skills of children and young people in the Borough.	<p>Education Business Partnership, including Heads of Schools and the Colchester Institute, to help ensure that the 14-19 agenda such as the National Apprenticeship Scheme has the appropriate level of business engagement</p> <p>Work with Monkwick and St John's Green primary schools to run 'Attendance Reward Schemes'</p> <p>Support for Colchester Children's University (CU) by ensuring all suitable children's courses delivered by Colchester Borough Council are approved by the university as part of its programme.</p>	<p>raising skills levels in the Economic Prosperity Strategy is focused on youth skills priorities</p> <p>Improved attendance rates</p> <p>Increase learning activities and experiences available to 7-14 yrs olds outside normal school hours.</p>	<p>additional places on the ECC paid work placement scheme for young people</p> <p>Promotion of the National Apprenticeship Scheme to business partners and Future Job Fund partners – 5 apprenticeships currently being advertised in the Borough</p> <p>Both schools have been engaged and Reward schemes have been run – results will be available shortly.</p> <p>A range of activities at all 4 CBC sports Centres have been validated by the Children's University</p> <p>Validation applications have recently been submitted for Basketball, Street 20 Cricket and Rookie Lifeguard courses. Further applications are being prepared for archery and street dance.</p> <p>CU logo is being used to highlight validated activities on LW websites and in quarterly brochures.</p> <p>Forest Schools sessions in Ghostwood and at High Woods Country Park have been undertaken during school terms and sessions have also been established and run in the woodland area at Pondfield.</p>	G
<p>Improve the Health, Fitness, Wellbeing and Safety of Children and Young People in the Borough.</p>	<p>Deliver the Crucial Crew programme for 90% of primary school children in Year 6</p> <p>Schools Partnership Projects: Agree SLA to provide £10k funding for CBSSP to increase participation in sport & physical activity in Life Opps Target Schools</p>	<p>New learning opportunities provided through Forest Schools at High Woods Country Park and Ghost Woods.</p> <p>Increased awareness of personal and community safety messages</p> <p>Joint agreement established along with priorities.</p>	<p>A successful 2-week event was held in June 2011 for every year 6 child in the borough.</p> <p>A new format Schools Sports Partnership comes into being from September 2011. CBC funding of £10k over 2 years has been agreed in principle, along with funding from NHS North East Essex. Draft Service Level Agreement (SLA) has been drawn up with Performance Indicators to be agreed by end of 2011</p>	G

Outcome	Actions	Outputs	Half Year Update	RAG
	<p>Deliver a number of projects with looked after children, children and young people with disabilities and young people from hard to reach groups in partnership with Essex and Suffolk CC's, the British Museum, LOCOG, schools and partner organisations.</p> <p>Partnerships involved to be agreed, plans drawn up and implemented then evaluated.</p>	<p>Increased opportunities for looked-after young people, people with disabilities and young people to access and participate in cultural activities</p>	<p>Several projects have been delivered this year and more are planned.</p> <p>The work in partnership with NCP and the Youth Offending Team has just delivered its second phase in the Nunn's Road Car Park.</p> <p>The 'Changing Lives' project (which forms part of Stories of the World – one of the major strands in the official Cultural Olympiad) in partnership with the Gilbert School has been substantially completed. The film produced to represent the young people's experiences in China was launched at an event at the Arts Centre on 2 July. The ten young people involved will continue to be involved through to the opening of the Treasures of China exhibition in July 2012.</p> <p>The 'Talking Objects' project (in partnership with the British Museum) involving a range of young people has just come to end with a film viewing and debate. It will now form the model for other projects in the future. Also all the young people involved have agreed to continue to work with the museum service as it developed its plans and concepts around the redevelopment of Colchester Castle.</p> <p>Work is ongoing in both Essex and Suffolk working with the agencies responsible for looked after Children. In Essex this will continue the work that has now been well established over several years and Suffolk it is involving building on the collaborative work first established last year.</p> <p>A number of other projects have also been delivered or are in preparation.</p>	<p>G</p>

Outcome	Actions	Outputs	Half Year Update	RAG
	Agree and implement Acceptable Behaviour Contracts (ABCs) and Parenting Contracts (NEW)	Reduction in ASB among younger people	2 ABCs and 3 Parenting contracts. So far this year there have been no families requiring Family Intervention support. However, at the point of CBC and CBH teams co-locating it is more likely that referrals will be made.	G
	Play area development plan implementation to be delivered to those communities where benefit of improved play opportunities will be greatest	Improvements to play sites targeted to locations where impact will have most benefit.	2 sites have been improved in targeted deprivation areas with the addition of new equipment and 2 further sites are being prepared.	G

Community Development

Outcome	Action	Outputs	Half Year Update	RAG
Support for Voluntary Organisation s Individuals or the Third Sector to help deliver Strategic Priorities for Communities .	Agree where investment should occur and ensure that in each case Service Level Agreements are signed, outcomes agreed and performance monitored. Promote and encourage volunteering opportunities and increase range and extent of volunteering opportunities for Colchester Countryside Volunteer Service	£250,000 invested clear measures and outputs to be agreed. Increased Volunteers	Approximately £250k investment agreed and awarded to voluntary agencies helping us achieve our strategic priorities. Agreements in place and performance monitoring underway. Volunteering has increased due to the engagement of community representatives involved in the development of the Community Garden at Old Heath Recreation Ground. Activity is supported by BTCV volunteers but there is a core of resident representatives who are overseeing the creation and establishment of this new facility.	G
Closer involvement between Local Government and communities	Improved communication amongst Parish Councils, and between Parishes and CBC Develop Community Infrastructure Levy (CIL) Charging Schedule as part of Frontrunners Project	Organise and chair 4 Forums meetings CIL Charging Schedule	Quarterly meetings being organised and chaired.	G
			Consultation on the Preliminary Draft Charging Schedule for the Community Infrastructure Levy has been completed. Report to Local Development Framework committee on 2.11.10 to agree and publish draft for	G

Outcome	Action	Outputs	Half Year Update	RAG
<p>in delivering services, managing and benefiting from community assets and decision making in their area.</p>	<p>Development of Community projects and working with communities to release resources from a range of sources to deliver tangible community provision, specifically:</p> <ul style="list-style-type: none"> • Work with local communities to agree management arrangements for the ex-MOD gymnasium, and the Braiswick Resource Centre. • Community Initiatives team members to attend Development Team fortnightly to consider planning gain needs from new developments 	<p>Clear Management Arrangements for gym and resource centre.</p> <p>Better understanding of planning gain needs and opportunities for new developments.</p>	<p>Planning Service continues to work with other services to prepare detailed report for Leadership of Place Team on state on S106 finances with a view to identifying unspent, allocated and at risk sums. New reporting system developed with Finance Service which should improve real time reporting and reconciliation</p> <p>A community partner for the ex-MOD gymnasium has been found; we continue to support the community group planning to manage the Braiswick building; Community Initiatives team are attending Development Team regularly and requesting s106 monies where appropriate</p>	<p>G</p>
<p>94</p>	<p>Supporting Parish and Town Councils and communities to increase awareness of the working of the new planning system and how local people can influence decisions through Neighbourhood Planning and Neighbourhood Development Orders.</p>	<ul style="list-style-type: none"> • Presentations • Workshops for communities and members • Articles in Common Ground and the Members Information Bulletin • Reports to Local 	<p>Recent planning engagement exercise undertaken in Myland led by the University – attracted over 300 people to be involved</p> <p>Two enquiries for Neighbourhood Plans made.</p> <p>Meetings and workshops with Myland and Stanway Parish Council's held.</p> <p>New round of parish planning topic workshops being prepared. Regular monthly liaison sessions now</p>	<p>G</p>

Outcome		Action	Outputs	Half Year Update	RAG
			Development Framework and Planning committee	extended to West Mersea.	
		Secure additional burial land by working in partnership with the aim of provision of a Jewish burial area and extension of the Anglican burial area	Land acquired Development of infrastructure needed for burial land (access etc) Development of defined Jewish burial area	Area within existing Cemetery designated for Jewish burials and formally consecrated on 11 September 2011. Negotiations are continuing over additional land required for extension to Anglican burials – conclusion expected shortly.	G A
		Develop a responsible dog ownership Strategy and work with communities to increase positive and responsible dog ownership	Educational and promotional events & communications School Education programme Increased enforcement Increased commercial activity in relation to sale of micro chipping service & dog waste bags	A draft strategy for responsible dog ownership has been produced and a meeting of all stakeholders is to be held in October. E&PS have promoted responsible dog ownership at the 'Greenstead Fun Day'. All schools in the Borough have been written to regarding receiving Responsible Dog Ownership presentations in assemblies. So far we have eighteen confirmed school talks booked and zone managers are helping with activities to tackle persistent dog fouling.	G
Respond to the new duties under the Equality Act from April 2011.	To promote equality of opportunity to help achieve a strong economy and a fair society. Transparent information for the public about the equality improvements we deliver to service users and to staff.	Performance data which shows that the new Duties are integrated into how our services are planned and delivered. Publish annual information about staff and service users which meets the letter and spirit of the new General Equality Duty. Seek out and where applicable adopt best	The Equality Act was followed by two key consultation papers from Government – the Policy Review Paper and the Reform of the Equality and Human Rights Commission – in Spring 2011, which have meant that 2011 has been a 'year of transition and change'. The detailed Codes of Practice and guidance are still awaited, and will hopefully be available shortly. In the meantime, we have updated our internal processes to reflect the Act, its general duty and the 'protected characteristics'; and continue to prepare and publish information such as Equality Impact Assessments, data about population, and staff equality monitoring data.	G	
	Address gaps and provide leadership and high standards both internally and				

Outcome		Action	Outputs	Half Year Update	RAG
Enhanced life opportunities and support for families with chaotic lifestyles.	externally with regard to Equality and Diversity. Partner agencies working together to provide joined up support, advice and approach for families with chaotic lifestyles. Specific actions for CBC are around spotting opportunities for family intervention support and make referrals	10 referrals Reduction in ASB	Of the families we have worked with this year there have been no specific needs requiring Family Intervention support. However, at the point of CBC and CBH teams co-locating it is more likely that referrals will be made. Much closer collaborative working with other partner agencies is producing results and direct action in specific cases. The ability to reach the target of 10 referrals will really depend on this collaborative working continuing and the relevant families requiring this support being identified.	A	
Increased social inclusion and life opportunities for hard to reach and vulnerable adults.	Delivery of a textile and garden project offering increased opportunities to hard to reach and vulnerable adults, namely: <ul style="list-style-type: none"> • Deliver the Out in the Open project with partners, Colchester and Tendring Women's Refuge, Beacon House and organisations working with and for people who are homeless or vulnerably housed in the Borough. • Deliver Big Garden project for homeless people Project to be established to offer regular participation for homeless people to participate in fruit and vegetable production on a model allotment site 	Project Implementation Plans Projects delivered and monitored Evaluation completed	The implementation phases of the Out in the Open project have been successfully completed and we are now in the delivery & evaluation phases While this has been a particularly challenging project for the staff involved it is proving to be a highly successful and creative project and is likely to form a case study and model for others across the country in conducting this type of work In total 32 clients accessed the Out in the Open project at the Big Garden over 35 sessions between March and August 2011. All the clients had experienced an aspect of homelessness, ranging from street homelessness to sofa surfing to sheltered accommodation.	G	
Increase community cohesion,	Implement and embed the new service delivery geographical zones as per the Street Services	Establish measures to assess community cleanliness	Zone working came into full force on 03.10.11 with all but 3 of 59 posts being filled. Currently work is focused on completing statutory tasks and also a focus on customer	G	

Outcome		Action	Outputs	Half Year Update	RAG
self reliance and involvement. A bespoke service introduced around the needs of each zone.		Fundamental Service Review.	Multi-skilled staff able to respond to customer demand Closer working between community groups and services	A training schedule is being developed with key courses already undertaken or booked in. All 60 Councillors have been contacted by Zone Managers to make sure close working is a normal way of working.	

Community safety

Outcome		Action	Outputs	Half Year Update	RAG
improve quality of life by reducing anti-social behaviour and fear of crime.		Co-ordinate a series of Community Days of Action to tackle crime and improve the quality of life in neighbourhoods.	3 Days of Action delivered with our partners	A successful Day of Action was held in Harbour ward in the summer with almost 100 officers from 15 agencies taking part. 2 further events are planned for later this year.	G
		Agree and implement night-time Acceptable Behaviour Contracts (ABCs) in conjunction with the police	Increased number of ABCs	We successfully issued 2 of these on the recent Night of Action in the town centre. However, this process is reliant on police resources which, at times, can be difficult to secure due to their stretched capacity but we are constantly promoting their use and seeking police commitment.	A
		Use ASB enforcement tools and other interventions to tackle behaviour amounting to public nuisance during the operation of the Weekend Noise Service.	Increased enforcement and prosecutions	The Weekend Noise Service is now being effectively used to visit and monitor specific addresses or sites with direct actions and outcomes secured as a result of evidence gathered, including the closure of one premises to prevent ASB.	G
		Work with police and other partners to identify repeat and vulnerable callers reporting ASB and tackle underlying	Increased focus on areas of need	Regular joint visits are carried out with the Police for repeat and vulnerable victims. Each case is unique and the underlying causes are therefore being identified and	A

Outcome		Action	Outputs	Half Year Update	RAG
		causes		tackled on a case by case basis, for example a breakdown in relationships with a neighbour, the root-cause of which was a dog attacking the boundary fence. This initiative has been hit hard by the Police restructuring however 14 visits have been carried out. Twenty one ABC's have been jointly issued.	
		Work with partners to develop the Neighbourhood Action Panels to ensure crime and quality of life issues are being resolved.	Review of panels carried out in the light of funding changes; all panels serviced	A review has been conducted and the Zone Managers have taken-over CBC representation.	G
Fewer people suffer violent crime		Work with partners to achieve the Life Opportunities targets of reducing overall levels of violent crime	Reduce overall violent crime by 1%	This action and target has been reworded following achievement and discussions with the Police regarding ongoing activities.	G
Encourage travel in safe licensed vehicles by increased awareness of controls over hackney carriages and private hire vehicles.		Development of Quality Taxi Partnership and Travel-Safe Taxi Campaign (linked to future QR technology)	Campaign Delivery	Initial discussions held with staff at Essex County Council responsible for organising the Quality Taxi Partnership. Travel-Safe Taxi Campaign discussed and agreed in principle with the Hackney Carriage/Private Hire trades and Police.	A G

Congestion Busting

Outcome		Actions	Outputs	Half Year Update	RAG
Delivery of new Northern Approaches Link Road, providing access and release of land for housing and economic development and reduction of congestion around the North Station area.	Partnership working with Essex County Council to agree detailed design (Winter 2011) for Northern Approaches Road (NAR) making provision for the Busway. Commence construction of Northern Approaches Road Spring 2012.	Detailed Design Delivered Construction underway	ECC advanced works on site for NAR3 and busway under way to allow construction to commence in spring 2012 for completion in late 2012	G	
Delivery of a Park and Ride at North Colchester thereby reducing traffic and congestion in the town centre.	Consider a planning application and make available land to allow delivery of Park and Ride at North Colchester Consider as a consultee the planning application to be made by ECC. April 2011 Agree heads of terms with ECC for lease of P&R site - August 2011 Provide support to ECC in order to secure funding - 2011/12	Planning Applications Terms of Lease Funding	CBC responded to ECC supporting Planning application for park and ride site. Application approved by ECC. CBC has sent ECC an initial offer on leasing the land for Park and Ride – response awaited. Meeting of key members arranged to agree delivery mechanism.	G	
Increase the	Develop submission for European	Funding Bid Submitted	Decision on allocation of funding awaited – expected	A	

Outcome		Actions		Outputs		Half Year Update		RAG	
number of people using alternative methods of travel to access schools, employment and the town centre	Regional Development Fund funding to promote travel change behaviour to businesses.		Funding achieved		December 2011. (The lack of significant match funding and Local Sustainable Transport Fund funding has not prevented us progressing the submission, and we remain optimistic that it will be supported.) A significant amount of Defra funding has been received linked to Air Quality Management Area project, and this work was started by CBC and TPC in November.				
	Continue to work with the 7 existing businesses in the North Colchester Business Park and seek new businesses to commit to the programme.		5 new businesses to commit to the programme.		Through personal approaches 5 new businesses have been attracted to commit to the programme since the delivery of the programme was taken over locally. ERDF funding will help support the TPC to do this work in 2012, however if it doesn't arrive the Club will still carry out the task at a reduced level. "Legs 11" walking for transport and health initiative to be launched in the New Year by TPC.		G		
	Set up a travel behavioural change programme working with existing communities, including: <ul style="list-style-type: none"> Continue to support and host the Colchester Travel Plan Club (CTPC) to coordinate and grow the activities of the club. Assist ECC in securing Local Sustainable Transport Funding to maintain momentum of existing programmes 		Increased activities of Colchester Travel Plan Club Local Sustainable Transport Funding		The Travel Plan Club has implemented its 2011/12 programme, including: <ul style="list-style-type: none"> Assisted TPC members to achieve the ECC Business Travel Plan Accreditation. New website, social media and themed TPC events. Supported members to promote sustainable travel at events e.g. freshers fairs, car share coffee mornings, Cycle Colchester, "pulp friction" events New bus ticketing initiatives e.g. First carnets and setting up systems to administer discounts. Developed relationship with the voluntary group "Walk Colchester" (WC), working jointly on "walk to work week" events, and having our own blogspot. Provided advice to TPC members about changes to HMRC's cycle to work scheme, and implemented pool bike schemes. 		A		

Outcome	Actions	Outputs	Half Year Update	RAG
<p>Increase the levels of people cycling.</p> <p>Improved cycle links across the borough</p> <p>To Reduce greenhouse gasses produced by transport</p>	<p>Enhance existing and construct new cycle routes and create opportunities through parks linking together existing routes using Cycling Town status, specific actions:</p> <ul style="list-style-type: none"> • Identify solutions where barriers to continuous cycle networks exist and work with ECC to continue to deliver cycling improvements. • Promote safe responsible cycling, especially on the routes delivered under the Cycle Town initiative and at events. • Adopt with support from ECC a Cycling Strategy Supplementary Planning Document to secure funding for cycle improvements, training and promotion through development. • Improve cycle security at rail stations to encourage residents to use bikes and train 	<p>Increased cycle networks</p> <p>Cycling Strategy Supplementary Planning Document</p> <p>Increased funding</p> <p>Increased training & promotion</p>	<ul style="list-style-type: none"> • New associate members, many of them smaller businesses from the private sector. <p>Although CBC commented on and supported ECC submission on Local Sustainable Transport Fund (LSTF) Bid, the Government decided not to allocate LSTF to ECC</p> <p>Cycle Colchester has won the National Transport Awards Cycle Improvement category</p> <p>Lower Castle park route consultation under review.</p> <p>Funding has been allocated in 2011/12 if CBC decide to go ahead with proposal</p> <p>Discussions held with Life Opportunities and CBH to create cycle links across land owned or managed by CBC.</p> <p>Share the Space leaflets distributed at events and to Street Wardens in the Greenstead area in response to a specific community concern.</p> <p>Cycling Strategy Supplementary Planning Document under development.</p> <p>To go out on Consultation November 2011</p> <p>Walking and Cycling projects identified in the Community Infrastructure Levy project.</p> <p>Over 150 tags have been issued for the new secure cycle parking facility at the Colchester station.</p> <p>Highly successful Tour Series cycle event held in June – Colchester won the Halfords Pride of the Tour Series award with a strong community event which also attracted Sport England grant funding.</p>	<p>G</p>

Outcome		Actions	Outputs	Half Year Update	RAG
Planning policy that supports change in behaviour around transportation ensuring a future that is cleaner, healthier and reduces greenhouse gasses.	Devise planning policy which ensures new developments incorporate walking, cycle routes and public transport services at the initial planning stages	Revised Planning Policy	Current Transportation Policy activity focused on the Cycling SPD and input into the Town Centre SPD	G	
Improved Town Centre – including changes to reduce traffic, improve reliability of the bus operation and air quality.	Support Publication of Traffic Regulation Orders for changes to the town centre highway network With ECC and Operators develop the public transport facility in the Osborne Street /Stanwell Street area – May 2011 ongoing Adopt the public realm strategy for the town centre	Publication of Traffic Regulation Orders (TROs) by ECC Design Agreeed	CBC officers closely engaged in development of TROs. TRO package currently being drafted by ECC to be in position to publish in December 2011 Osborne Street/Stanwell Street location for new bus station and facilities is being developed by ECC and CBC. Trial undertaken, detailed design works commenced to enable relocation to occur by Sept 2012 Public realm strategy adopted June 2011.	G	
	Identify funding streams and make submissions to secure funds to deliver the town centre improvements.	Funding Streams Identified Bids Drawn up and submitted	Awaiting detail of Government announcement on Growing Places Fund and release of funding through Local Enterprise Partnerships. European Union funding secured for Creative Business Centre and further bids in the pipeline	G	
Air Quality – protection of public health and improved quality of life	Work with partner agencies to develop an Air Quality Management Strategy. Specific actions include: • Responding to the recommendations of the 2011	Strategy developed. 1 or more Air Quality Management Areas identified. Interested parties	The 2011 Detailed Assessment has been submitted to, and accepted by Defra. The recommendations of that assessment have now been fully considered and it is anticipated that a report will be submitted to the Portfolio Holder for Street and Waste Services in October for a	G	

Outcome		Actions	Outputs	Half Year Update	RAG
		<p>Detailed Assessment</p> <ul style="list-style-type: none"> Appraising options for the improvement of air quality Developing an implementation plan 	<p>consulted. Air Quality Management Order(s) made. Funding opportunities identified and bids submitted.</p>	<p>Wider consultation will then commence with a view to developing the Action Plan and strategy for the improvement of air quality within the affected areas.</p> <p>Following the submission of a successful bid to Defra, we have been awarded £14K to support a project working with colleagues from Colchester's 20/20 Travel club. This project will promote smarter driving, car sharing and personalised travel plans, its aim is to reduce the number of cars on the road and where journey by car is necessary to minimise fuel consumption.</p>	
<p>Improve the environments in and around Colchester's town station, and improve access to Colchester North station through the pilot Travel Plan</p>	<p>Develop the Town Square to complement the new Magistrates' Court</p>	<p>Agreement with land owners Planning permission Complete detail design</p>	<p>Detailed design near completion. Planning Application submitted October.</p>	G	
	<p>Agree design with ECC (July 2011) and commence delivery of measures to improve St Botolph's Roundabout</p> <p>Increase the number of people using alternative methods of travel to access the station and places of employment by:</p> <ul style="list-style-type: none"> Increase and promote new cycle parking at North Station Produce and distribute bus 'Travel to the station' guide to existing and new users – May 2011 Promotion of public transport serving the station and Plusbus ticketing initiative – summer 2011 	<p>Agreed Design</p> <p>New cycle parking users New public transport users</p>	<p>Full designs have not yet been shared but progress is being made.</p> <ul style="list-style-type: none"> Cycling to the station has increased by 25% since the start of Cycle Town. Promotional material circulated locally targeting information to known groups who are likely to take up cycling. New south side cycle parking under construction. Material produced for "Travel to the Station" guide. "Plusbus" campaign starts in November and revised commuter bus service. National Transport Award achieved for improvements in Cycling. 	A	
<p>Spatial planning Activities</p>	<p>LDF Preparation: Supplementary Planning Documents</p>	<p>North Station Masterplan</p>	<p>North Colchester SPD progressing. First draft of Travel</p>	G	

Outcome		Actions	Outputs	Half Year Update	RAG
contributing to priorities in the overall task of place shaping and in the delivery of land uses, infrastructure and associated activities across the Borough.		due for adoption 2009 – 11. Area Action Plan for Town Centre.	North Colchester SPD Area Action Plan for Town Centre	Strategy received from ECC. Area Actions Plans to be scrapped by National Planning Policy Framework so SPD to be produced for Town Centre instead. Work is progressing well on this SPD.	

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Enabling job creation

Outcome		Actions	Outputs	Half Year Update	RAG
Colchester will have a below average level of worklessness by exploiting its strategic	Work with and lobby at County levels to secure additional inward investment leads Secure investment for improved digital infrastructure in urban and rural areas	10 Active Inward Investment Leads Investment for digital infrastructure	Invest Essex team from ECC visiting Colchester on 25 November to workshop the way forward for inward investment in the Borough. Digital Strategy agreed to deliver the next generation broadband and mobile infrastructure – significant investment committed by commercial partners.		

Outcome		Actions	Outputs	Half Year Update	RAG
location between London, Stansted and the Haven Gateway for promotion of intl trade, secure investment & infrastructure		Work in partnership with the Haven Gateway Wind Port Group and Essex County Council to ensure that local companies are able to access and benefit from renewable energy supply chain opportunities		Local companies identified as actual or potential second-tier beneficiaries of the renewable energy supply chain. Events organised by East of England Energy Group (EEEGr) to promote opportunities and meet first-tier suppliers in Basildon and Harwich – Enterprise Team attending and promoting these events to local companies	G
	ability of sufficient quality employment and via our planning process to meet the needs of our residents.	Provide policy expertise to help secure additional employment land defined as being of high quality	2.0 hectares of additional employment land to be defined.	Provided to projects in the development pipeline such as Stane Park and securing additional commercial rather than residential usage on a number of smaller development sites such as New Braiswick Park.	G
Increase incubation and grow-on space to sustain business growth.		Providing 80% of requesting local companies help to retain, relocate or expand existing facilities within the Borough to obtain a solution	Expansion and or retention of business in the Borough.	95% success - 18 companies assisted and retained ; 17 retained in the Borough, 1 company relocated	G
		Convert redundant rural buildings into commercial use	Conversion of 20 redundant rural buildings into commercial use.	Successful planning applications secured for 7 rural conversions to commercial buildings	G
Increase incubation and grow-on space to sustain business growth.		Submit funding bids such as the Regional Growth Fund for additional incubation space at the North Colchester BIC.	Additional Incubation space	Regional Growth Funding bid submitted in Rounds 1 & 2 – both bids unsuccessful – majority of RGF funding allocated to assisted areas (<i>only 1 successful bid in the East of England</i>)	G
		Increase the supply of creative industry workspace in the Borough	Increased supply of creative industry workspace.	Redevelopment of the Queen Street garage spaces being progressed and European Union funding secured to help progress the development of the Creative Business Centre. Creative Strategy launch event in November with the creative industries sector supported by £25K investment from the Haven Gateway partnership to aid delivery.	G

Outcome		Actions		Outputs		Half Year Update		RAG	
Working closely with multiple sections of the business community a range of local initiatives will be delivered to benefit the local economy	Implement agreed activities with the business community such as the Colchester Business Group and the Colchester Christmas Group which will deliver tangible and measurable benefits for the local economy	Lobby the major banks at the local level to provide more support and assistance for Colchester businesses. Improve the digital infrastructure to help enable more business to be transacted via the web.	Colchester Business Group will continue to focus throughout 2011/12 on key business issues affecting their members including skills acquisition, 2012, transport and digital infrastructure Colchester Christmas Group have in place a programme of coordinated activities commencing late November to increase footfall and retail spend in the lead up to Christmas	G					
	Actively support campaigns such as National Enterprise Week in November to encourage the growth of self employment and business start up activity	Increased self employment and business start up activity.	Enterprise Team to fully support this initiative using all available communication channels to the business community	G					
	Promote Colchester through targeted trade publications using editorial rather than paid for advertising	Increased footfall Increased promotion at less cost	Significant business related editorial generated in local, county, regional and national press and publications including Business in East Anglia, Essex Chamber of Commerce 'Leader' magazine and the Sunday Times. Value if paid for advertorial/advertising would exceed £20,000	G					
	Deliver in partnership a programme of coordinated events	Christmas Lights Colchester in Bloom	3 year contract secured with new supplier (Blachere) resulting in a significant improvement in the quality and impact of the Christmas Lights display. The switch on event attended by 8,500 people generated additional footfall, retail spend and overwhelmingly positive feedback from businesses, residents and visitors. 'Colchester in Bloom (CIB)' has used an annual grant from CBC of £8,000 to deliver the floral displays in the town centre. CIB has secured the prestigious 'Anglia in Bloom' silver award, has encouraged a three-fold increase in entries for the CIB competition and has undertaken extensive outreach work in Colchester	G					

Outcome		Actions	Outputs	Half Year Update	RAG
The skills of the local workforce improved so people are able to compete effectively in changing economic conditions and unemployed residents receive support to return to work	Contribution to other Town Centre initiatives to improve sense of place	Securing Purple Flag accreditation for night time hospitality and entertainment.	'Purple Flag' comprehensive assessment is complete involving many key stakeholders. Accreditation proposal paper to be presented to Senior Management Team/Leadership for consideration in Autumn 2011	G	
	Effectively signpost in collaboration with partner organisations skills, employment and business networking opportunities in the borough	Increased networking opportunities	The CBC 'Business Events' weblink coordinates a comprehensive listing of relevant events and opportunities in the Borough. The weblink has received 2,327 'hits' since its implementation in April 2011.	G	
	Raise the level of awareness and business engagement with University of Essex opportunities such as company placements and internships.	Increased company placements and internships	Promoted through the Colchester Business Group and COLBEA and CBC attendance at the Annual Options Fair on October 31 st . This year University Careers Centre delivered 92 work placements and 85 internships. More local businesses are now expressing an interest in taking on students placements in future years.	G	
	Work with Job Centre Plus to create additional job clubs across the borough.	Creation of 7 job clubs	7 clubs established with the support of Job Centre Plus secondees; with an executive club planned	G	
	Increase the number of adult learners in 2011-12 as per Life Opportunities Target.	60 adult learners achieved	2 Earn to Learn courses run so far for residents of Greenstead, Highwoods and New Town. 2 Options Fairs held so far.	G	
	Adoption of Supplementary Planning Gain proposal to utilise S.106 funding for the provision of training and apprenticeships	Use of S106 funding Additional funding streams	Resulted in securing s.106 funding from the redevelopment of the former Paxmans site to be deployed on projects that generate employment, training and upskilling for local residents.	G	
	Source, bid and secure additional	Increased	Promoting the new Work Programme prime contractors	G	

Outcome		Actions	Outputs	Half Year Update	RAG
		funding streams such as the Work Programme to increase take up of employment and training opportunities in the borough.	apprenticeships & training and Increased employment opportunities.	(Ingeus and Seetec) to the members of Colchester Works! (the local employability provider forum) to support local sub-contracting opportunities; Increasing the number of members of Colchester Works! from 30 to 40 to enhance consortium working and bidding; engaging with Jobcentre Plus to maximise bids for Flexible Support Funding for claimant unemployed groups.	
		Support employment opportunities for young people disproportionately affected by unemployment by employing four, one-year "Skills for the Future" posts and three, six-month Future Jobs Fund posts	External funding secured Recruited to the 7 posts Training and development delivered Posts completed	All four "Skills for the Future" posts appointed and progressing successfully. Our allocation from the Future Jobs Scheme was reduced to one post due to over commitment to the scheme, however the member of staff recruited to the remaining post has now been operating successfully for six months.	G

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Healthy Living

Outcome		Actions	Outputs	Half Year Update	RAG
Increase participation in sport through improved facilities and promotion of healthy lifestyles.		Work with Garrison Partners ((MOD and RMPA services plc) to deliver new clubhouse building at Garrison athletics track	A new building on Abbey Fields for community to use – with no ongoing financial commitment for CBC	Ministry of Defence (MOD) and RMPA have submitted initial plans for informal feedback from CBC Planning Dept. Some changes suggested to external appearance. Awaiting submission of formal planning application and costs from MOD / RMPA	A
		Work with Colchester Olympic Partnership to deliver Priority Action Plan for Colchester legacy from the London 2012 Olympic and Paralympic Games	Deliver projects: Walking your Way to the Games Biking your Way to the Games	Achieved Walking Your Way to the Games project has completed 2nd round of Leader led walks. 3rd round to start towards end of 2011. Cycling Your Way to the Games programme continues	G

Outcome		Actions		Outputs		Half Year Update		RAG	
Reduce Obesity in primary school children in the areas worst affected	G	Work with partners in the NHS to reduce obesity amongst children in the borough	Fewer obese primary school children in the areas worst affected	2011-12 Life	Opportunities target for reducing childhood obesity in target areas achieved	with regular leader led rides now took place on August 14th at Leisure World Highwoods	Sporting Champions Scheme – 6 athletes with potential to represent Team GB selected to receive grants of £500. Making regular appearances at events to promote sport. 2012 Open Weekend took place with 17 events staged in Colchester (the most in Essex). Approx 300 people attended free taster sessions at CBC sports centres.	G	
		Deliver NHS North East Essex-funded swim lessons with priority given to Life Opportunities Target Schools	All children have an opportunity to attain KS2 level of swimming 25m unaided	4 schools have participated in a 10 week programme of free swimming lessons including transport to and from Leisure World Colchester: Cherrytree – 22 children Willowbrook – 23 children Monkwick – 20 children Old Heath – 42 children Total – 107 children x 10 weeks = 1070 lessons Programme will continue with target schools					
Increase life expectancy and health and wellbeing through smoking cessation.		Work with partners in the NHS to reducing smoking rates in the borough in the areas of highest smoking prevalence		2011-12 Life	Opportunities target for increased quitting rates in target areas achieved	Good progress is being made to achieve this target. The latest data shows almost 500 people were helped to quit in 10-11 in the 5 target wards. Data for 11-12 will be available shortly.	G		
Reduce teenage pregnancies		Work with partners in the NHS to reduce the number of teenage pregnancies in the borough		2011-12 Life	Opportunities target for reducing teenage	The most recent borough-wide data shows a decrease from 36.0 conceptions per 1000 15-17 year olds in 2005-2007 to 32.4 in 2007-2009.	G		

Outcome		Actions		Half Year Update		RAG
Increase access to dental services for children in the areas with the lowest uptake	Plan and funding in place to improve access to dental services for children in the areas with the lowest uptake	pregnancy rates achieved	Agree project plan for work to improve access to dental health with NHS and Children's Centres	A Plan to target extra dental services to children in St Anne's ward via the Children's Centre has been agreed and funded.		G
	Support and advice to ease wellbeing and strain for those suffering the effects of long term or terminal illnesses	Ensure people affected by cancer receive timely advice on accessing benefits and support services by Launching MacMillan Welfare Service in Colchester and Tending.	Recruit staff and launch 4-year MacMillan Welfare service	These staff have been recruited and the service is due to launch in the Autumn.		G
Increased wellbeing of Colchester residents through participation of allotment gardening, community garden projects,	Increase land available for allotments	0.2 hectares of additional land available		It has not been possible to increase the new land available for allotments since April 2011. Additional land was made possible in 2010/11 with the reintroduction of allotment land as an extension to the Bergholt Road, Mile End allotments.		R
	Increase number of allotment holders	15 additional allotment holders		30 new plot holders have taken on plots at Bergholt Road extension and these would have been incorporated in 2010/11 figures. In addition existing plots which become vacant are being halved in accordance with the Allotment Strategy enabling more people to participate in allotment gardening. This has resulted in a increase of 17		G

Outcome		Actions	Outputs	Half Year Update	RAG
horticultural therapy and exercise.	Increase the participation of volunteers to support additional opportunities for exercise and walking activities.		10 additional volunteers	additional plot holders since April 2011 The Old Heath Community Garden and the Community Allotment in the Bergholt Road extension is providing new exercise opportunities. Volunteer numbers tend to fluctuate but there is a core membership in excess of 15 volunteers.	G
Increased quality of products available to Colchester residents.	Encourage and support local food businesses to participate in "Healthy Eating" award scheme.		Increased participation and awards	Currently have 18 "Healthy Eating" awards in place towards our target total of 20 for the coming year, with 3 others in the pipeline.	G
Improve health, safety, levels of crime and street scene through reduced levels of consumption and incidents of serious drunkenness.	As Licensing Authority, use a combination of education and enforcement initiatives to reduce "binge drinking" by young people.		Publicity campaigns around effects of excess alcohol consumption. Increased numbers of licence reviews for irresponsible sales.	Publicity planned to highlight the safety and health effects of excess alcohol consumption during the pre-Christmas and New Year festive period. Improved liaison has been developed with the Police and other relevant responsible authorities to ensure that any licensing related issues attract an appropriate level of attention. This initiative has been hit hard by the police restructuring and the redirection of resources to support the Dale Farm operation.	G A
Supports social inclusion and improvement s in well-being and self-esteem for participants.	Deliver a Heritage Lottery Funded project that provides evidence (through a formal mental health evaluation of heritage courses) that engaging with heritage can lead to improvements in mental health and well being.		External funding secured Participants can evidence improvements to their mental health and well being	An HLF bid was prepared and submitted but was unsuccessful. However, it has been possible to secure additional funding from the Museums, Libraries and Archives Council (MLA) to continue the existing work during this financial year while medium and longer term options are explored. We are currently considering an approach from University College London (UCL) to be a partner in a bid they are	G

Outcome	Actions	Outputs	Half Year Update	RAG
			making for AHRC funding The idea is to develop a heritage focused wellbeing measure that can be used by museums and galleries to evaluate the impact of their work on health and wellbeing.	

Homes for all

Outcome	Actions	Outputs	Half Year Update	RAG
Better outcomes for those people housed in temporary accommodation.	Implement the review of Colchester Borough Council's temporary accommodation.	Demolition of Ascott House Works commence on new purpose built temporary accommodation	Ascott House has been demolished, and new purpose-built accommodation is currently under construction.	G
The Council has a robust Housing Strategy and the priorities and actions in the Strategy reflect changes to the external and internal environment	Refresh evidence base and consider new opportunities and priorities Complete involvement and consultation work Refreshed strategy and action plan complete and signed off by Portfolio Holder.	A refreshed housing strategy for Colchester.	Refresh of the evidence base for the Housing Strategy has been completed. Housing Strategy Partnership has met and considered new opportunities and priorities.	G
The Planning	Implement Colchester's Local Development Framework, including a	Supplementary Planning Document	Affordable Housing SPD adopted August 2011	G

Outcome		Actions	Outputs	Half Year Update	RAG
system is used effectively to deliver safe, secure, decent and affordable homes.	robust Affordable Housing Supplementary Planning Document to seek 35% of all new homes to be affordable on sites with 3 or more homes in rural areas and 10 or more homes in urban areas. Maintain and update the Strategic Housing Land Availability Assessment to ensure a 15 year rolling supply of housing sites.	Annual updates to the Strategic Housing Land Availability Assessment (SHLAA)	Consultation underway week commencing 10 October 2011	G	
Improved quality of life for Council tenants	Continue the programme of works to Council homes to ensure they meet the decent homes standard. Ensure that the decent homes programme remains on target so that all Council Homes meet the Decent Homes Standard by December 2012.	Targets set for decent homes works to Council properties for 2011/2012 are met, with regular monitoring and reporting of progress. The programme is robustly managed and remains on target.	Decent Homes targets are being met. There is regular monitoring and reporting of progress. Monthly meetings take place with contractors, CBC and Colchester Borough Homes. Progress report on Decent Homes was presented to Finance and Audit Scrutiny Panel (FASP) in July 2011. This reported back on a number of performance measures previously agreed with FASP including % of budget spent, % of stock completed, refusals and reason as well as details of type of work completed.	G	
Preventing homelessness and provision of cost-effective resolution of housing problems with a decrease in local authority,	Work to prevent households threatened with losing their homes from becoming homeless by ensuring a pro-active housings options service is administered. Investment in Homelessness Prevention services with voluntary organisations and agreed Service Level Agreements Enable and support the provision of tenancy support, sustainment and debt advice to tenants by funding tenancy	Prevent 300 households from becoming homeless £60,000 invested Service level agreements signed Performance monitored Funding in place Signed SLA's Performance Monitoring	Performance is slightly behind where we would like to be against target at this point in the year, this is in part due to the reduced availability of private rented properties. Quarter 2 performance has improved with 82 cases of homelessness prevented bringing the cumulative position to 133 homelessness preventions. Grants for 2011-12 have been made to the April Centre, Youth Enquiry Service and Open Road.	A G	
			A grant to Youth Enquiry Service to enable homelessness prevention and tenancy sustainment work has been made and an SLA agreed.	G	

Outcome		Actions		Outputs		Half Year Update		RAG
health and social care intervention	sustainment and Youth Enquiry service.			in place				
Increase in the number of homes available to rent or buy	Support housing need through encouragement of the return of empty properties to use by completing and evaluating the Empty Homes Pilot.	Evaluation Report. Revised Strategy Document Reduced No. of properties on the council tax register empty for over 6 months.				Pilot started looking at a sample of 30 properties. The 30 properties are a representative sample of all empty properties in the borough in different locations. Initial findings are due in December 2011.	G	
	Rewrite and implement the Empty Homes Strategy to ensure the Council has a robust Strategy which can be used to focus and prioritise action.					Initial findings are due in December 2011 and pilot evaluation will be complete in Spring 2012. Options for the most cost effective way to tackle empty homes will be considered in the evaluation.	G	
Improved quality and supply of housing in the private sector	Introduce a Landlords Accreditation Scheme.	Accreditation Scheme in place				We are working with Essex County Council on developing an accreditation scheme with 14 districts and boroughs in Suffolk and Essex. The scheme will support private landlords in letting and managing their properties, provide a campaigning voice for landlords and improve the private rented sector for both landlords and tenants. Market testing has been completed. Tender for provider of the scheme is being prepared by Essex CC.	G	
	Ensure Private Sector Housing in Colchester is safe and secure	Increased enforcement activity: Efficient inspection regime				The Housing Enforcement and Inspection team have been proactively out in the district searching for Houses In multiple Occupation HMOs, and also reacting to a vast number of complaints which are range from general advice to action on enforcement of repairs in the Private sector. Specific outputs: 35 high risk HMOs have been licensed, 41 enforced improvements in the private sector 75 houses have been improved or had hazards removed Over 250 inspections	G	
Improved communication between Young	Launch and deliver Young People's Housing Forum	Organise and chair 4 meetings				Quarterly meetings are being organised and chaired by the Portfolio Holder.	G	

Outcome		Actions	Outputs	Half Year Update	RAG
People's housing providers and agencies					

Reduce, Reuse, Recycle

Outcome		Actions	Outputs	Half Year Update	RAG
Environmental benefits with the diversion of food waste from landfill	Design and implement food waste collection trials	Less waste to landfill and increased recycling/composting percentage	Trial to commence on 8 November 2011. The ordering of equipment is on schedule as well as briefing sessions with the councillors affected by the food waste trial. Participants have been notified by letter along with FAQs.	G	
Behaviour change and increased levels of recycling and composting leading to reductions in waste to landfill and environmental benefits.	Design and agree methods to strongly encourage participation in all waste minimisation and recycling schemes & introduce zone action.	Less waste to landfill and increased recycling/composting percentage	Strategy and Performance Officers in place following FSR restructure. Key action for these roles includes the development of a behavioural change strategy which will cover waste and recycling. The strategy will be developed using mosaic data to identify the most appropriate ways to engage with our residents, businesses, schools and communities. Zone teams are now in place and will work with the Strategy & Performance and Waste & Transport teams to carry out engagement work to increase recycling participation rates across all sectors.	A	
Make	Promote schemes and services to reduce food waste and to recycle food packaging and oils from food businesses Implement the key proposals in the	Combination of information and enforcement initiatives. Less visible litter and	Waste oil recycling being promoted and inappropriate disposal being monitored. Currently researching available services for trade food waste recycling. Proposing to promote this when CBC domestic trial has gone live. The current strategy is still in place until 2012 and so	G G	

Outcome		Actions	Outputs	Half Year Update	RAG
Colchester is a more sustainable and clean Borough for all those who live, work and a preferred destination for visitors, business location and investment.	Street Care Strategy through the introduction of zoned working	<p>debris</p> <p>Removal of fly posting in 24 hrs</p> <p>Abandoned vehicles investigated within 1 working day of report</p> <p>Increase in a variety of targeted enforcement methods</p> <p>Increase in community involvement</p>	<p>these working practices are being introduced to the new zone staff including the standards stated. The number of staff available to focus on the street scene has increased through zone working. We are looking in the very near future to look at the current street sweeping schedule which currently is every 8 weeks, and looking to reduce this to every 6 weeks. All schools are now being targeted to introduce a community litter pick, and new groups such as Junior warden schemes are educating children around recycling and refuse.</p>		
A viable and efficient Trade Waste service responsive-ness to the needs of its customers with investigation into recycling opportunities	Develop the Trade Waste service and improve its viability	Increase in Trade Waste income	<p>The Depot/Recycled Materials partnership tender process is to be recommended and set to be awarded April 2012. This will be focused on improving yard facilities and equipment as well as maximising the income from both domestic and trade collections.</p>	A	
More sustainable services that reduce	To deliver the action plan from the Energy Savings Trust (EST) one to one report	Implement the strategic action plan to improve the sustainability of service delivery across	<p>Following the FSR restructure the Strategy and Performance Officers will re-launch the Energy Saving Trust action plan to progress all actions. Progress to date has been good with following key</p>	G	

Outcome	Actions	Outputs	Half Year Update	RAG
<p>their environmental impact and contribute towards tackling climate change</p>		<p>the Council.</p>	<p>projects progressing;</p> <ul style="list-style-type: none"> - Project to install PV panels on around 2000 social housing properties and 8 commercial buildings - Funding secured for energy efficiency training for front line staff including train the trainer sessions - Climate skills fund training for planners is in place with Colchester hosting sessions - Sustainable Design and Construction SPD has been adopted - Various engagement events and partnership working with Essex Uni, PCT and NHS. - Good practice to be shared from the Sustainability East Leadership Programme 	
<p>Less emissions as a result of the delivery of services either in energy consumption or transport</p>	<p>Implement the actions from the Local Authority Carbon Management Programme action plan.</p>	<p>Reduction in carbon emissions of 25% by 2012 based on a baseline of 2006/07</p>	<p>Projects within the Carbon Management Programme are on-going and achieving good CO2 reductions projects to date have saved 1,337tonnes (a 14% reduction) CO2 since 2006.</p> <p>A 2% reduction was achieved between 09/10 and 10/11 through the implementation of projects through the CMP. Some projects have achieved lower savings than estimated such as powerperfector, however others have far exceeded targets such as the Leisure World fitness pool refurbishments. Projects are being developed to meet full target reduction.</p> <p>The PV project will also reduce CO2 emissions from several of our commercial buildings where arrays will provide a significant amount of the electricity used.</p>	<p>G</p>
<p>More material is taken from the waste stream and diverted for</p>	<p>Work with voluntary and charitable organisations to promote and enable the reuse of a range of household items and materials</p>	<p>Support is provided by the Council to voluntary and charities willing to engage in the reuse of materials</p>	<p>The Borough services textile collection bring banks for Salvation Army and Air Ambulance have enabled them to earn income from the contents. The Recycling & Fleet Manager is developing contacts with Charitable organisations who would be interested in household materials and the council also collects the left over</p>	<p>G</p>

Outcome	Actions	Outputs	Half Year Update	RAG
reuse rather than being sent to landfill			textiles from frock swaps taking place within the Borough.	
Increase in environmental behaviours and initiatives led by Schools in their communities Work with Eco schools to progress them through the stages of the national programme	Work with Eco schools to progress them through the stages of the national programme	Targets to be agreed with Portfolio Holder about numbers of schools achieving the various levels (MY/CD)	Strategy and Performance Officers are developing a behavioural change strategy which will set out a plan for engaging with schools on the eco-schools programme. The Zone teams will be responsible for the direct engagement with schools and will work with the strategy team to do this in a pro-active and effective way.	A

Glossary of Terms

ABCs	Acceptable Behaviour Contracts
AH SPD	Affordable Housing Supplementary Planning Document
APG	Area Planning Group
ASB	Anti Social Behaviour
A2	Change of use planning permission: A2 Financial and professional services - Financial services such as banks and building societies, professional services (other than health and medical services) including estate and employment agencies and betting offices
B1	Change of use planning permission: B1 Business - Offices (other than those that fall within A2), research and development of products and processes, light industry appropriate in a residential area
B8	Change of use planning permission: B8 Storage or distribution - This class includes open air storage
BIC	Business Incubation Centre
BTCV	Environmental volunteering charity, formerly British Trust for Conservation Volunteers
CBSSP	Colchester - Blackwater School Sport Partnership
CBIL	Community Infrastructure Levy
CLG	Communities and Local Government (Department of)
CSC	Customer Service Centre
CSWs	Community Street Wardens
CTPC	Colchester Travel Plan Club
DASTS	Delivering a Sustainable Transport System
DPDs	Development Plan Documents
ECC	Essex County Council
EEl	East of England International
East of England IDB	East of England IDB Ltd (EEIDB) is a joint venture company
EELGA	East of England Local government Association
ERDF	European Regional Development Fund
EST	Energy Savings Trust
FSR	Fundamental Service Review
HCA	Homes and Communities Agency
IDeA	Improvement and Development Agency now Local Government Improvement and Development
LAA	Local Area Agreement

LEA	Local Education Authority
LDF	Local Development Framework
LOC OG	London Organising Committee of the Olympic Games
LSP	Local Strategic Partnership
LTP3	Local Transport Plan
MIB	Members Information Bulletin
MOD	Ministry of Defence
NAP	Neighbourhood Action Panel
NAR	Northern Approaches Road
NEE	North East Essex
NHS	National Health Service
NS Masterplan	North Station Masterplan
NVQ	National Vocational Qualification
PFH	Portfolio Holder
P & R	Park and Ride
PRDP	Policy Review and Development Panel
QR	Quick Response
RMPA	RMPA Services plc is the contractor redeveloping and operating Colchester Garrison under a Private Finance Initiative (PFI). RMPA Services plc is a consortium, comprising Sir Robert McAlpine, W. S. Atkins plc, Sodexo and HSBC Infrastructure.
SHLAA	Strategic Housing Land Availability Assessment
SLA	Service level Agreement
T & F	Task and Finish

25 January 2012

Report of	Executive Director	Author	Ann Hedges
Title	Future use of Magistrates Court and Town Hall		
Wards affected	Not applicable		

This report concerns the future use of the Town Hall and Magistrates Court

1. Decision(s) Required

- 1.1 To agree the motion as proposed at Council
- 1.2 To reconvene the Task and Finish Group to oversee the implementation of the proposals and to take the final recommendation to Council

2. Reasons for Decision(s)

- 2.1 The Magistrates Court will relocate in 2012 and this will leave a budget pressure for the Council as service charges and maintenance costs are currently paid by the Courts.
- 2.2 In addition to the budget pressure, the space vacated will be available for other uses.

3. Alternative Options

- 3.1 There are a range of alternative options that were considered by the Task and Finish Group and reported to Policy and Development Review Panel

4. Supporting Information

- 4.1 The Magistrates move out of their current location in 2012. They have given notice and will move out in March. Costs for the building will revert back to the Council in November 2012.
- 4.2 The Task and Finish Group also looked the options for the future use and income opportunities for the whole of the Town Hall.
- 4.3 A motion to Council was debated and unanimously supported.

5. Proposals

- 5.1 The motion supported by Council will used as the basis for the work going forward.

6. Strategic Plan References

- 6.1 There is a requirement to ensure that cost pressure is not created to enable priorities to be supported.

7. Publicity Considerations

- 7.1 The public have an interest in the future use of the Town Hall and Magistrates Court. Updates will be provided to the press at appropriate points.

8. Financial implications

- 8.1 The vacation of the Magistrates Court presents a budget pressure of around £40k
- 8.2 Full financial implications need to be established from implementation of the recommendations will be assessed

9. Equality, Diversity and Human Rights implications

- 9.1 The future use of the Town Hall and Magistrates Courts will be assessed to ensure they remain appropriately accessible.

10. Other Standard references

- 10.1 There are no particular references to the community safety; health and safety or risk management implications.

Reference Documents

Motion to Council

Background Papers

Report to Policy Review and development Panel 7 November 2011

Agenda Item 9(i)

Future Use of Magistrates' Court and Town Hall

The Motion approved and adopted by Council at its meeting on 8 December 2011 was as follows:-

"Motion that in accordance with the resolution contained in minute 45 of the Cabinet meeting of 30 November 2011, the Council having considered 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 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."

The minute of Council's consideration of the Motion is set out below:-

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).

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 it's 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.

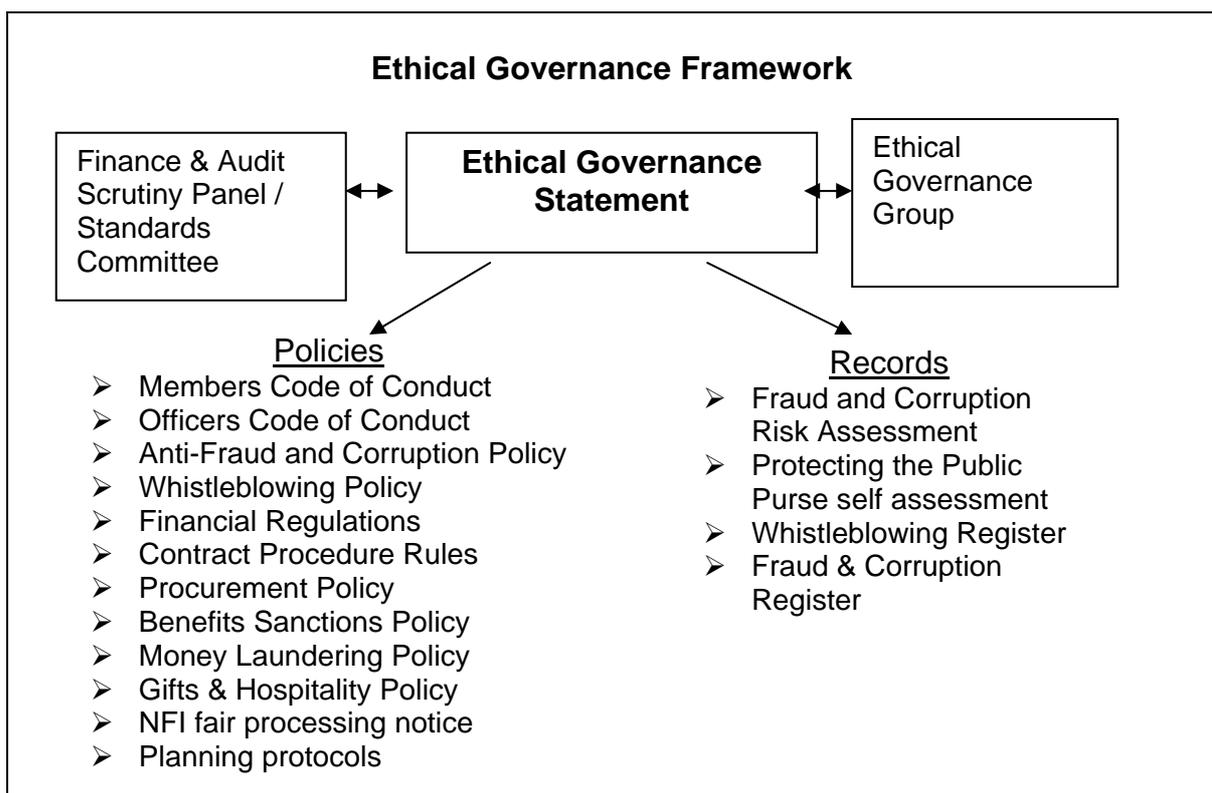
The Council expects the highest standards of conduct and integrity from all that have dealings with it including staff, elected members, suppliers, partners, volunteers and the public. Therefore policies have been put in place to outline the standards required and procedures have been introduced to enable 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 co-operate 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

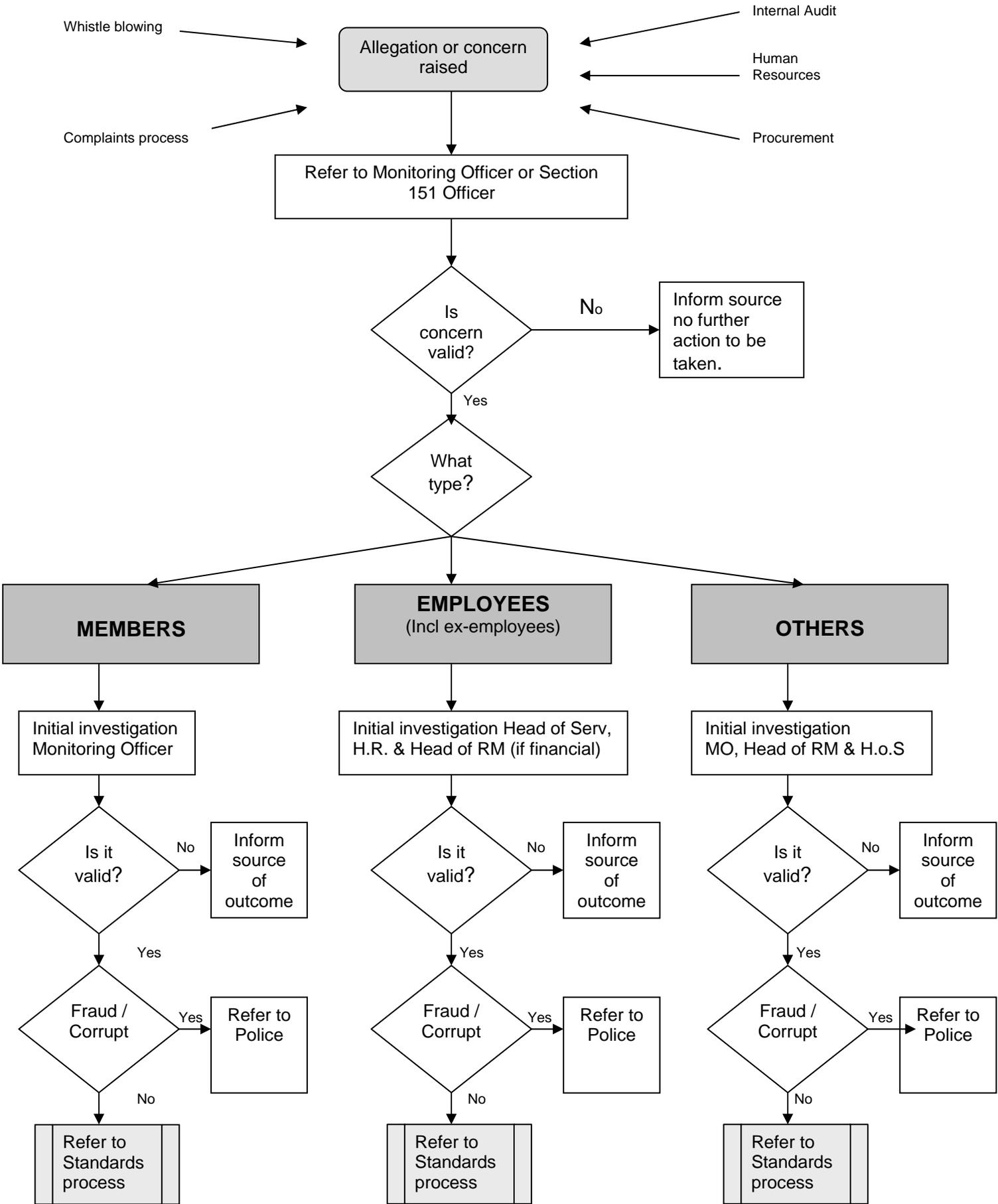
Given a local authority's legal position with regard to the legislative requirements governing money laundering, the Council believes that this Policy represents a proportionate response to the level of risk it faces of money laundering offences.

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.



Cabinet

Item
9(iii)

25th January 2012

Report of	Head of Resource Management	Author	Mike Shorten Estates Manager ☎ 282236
Title	Development Agreement – Phase 2, Plot C2K, Axial Way, Colchester		
Wards affected	Mile End		

This report invites Cabinet to note the decision on part B of the agenda seek approval to amend the development agreement for the disposal of the Second Phase land at Axial Way, Colchester. The transaction proposed for acceptance should secure a substantial capital receipt for the Council as well as settlement of a development account for infrastructure works carried out by the development partner.

1. Decision(s) Required

1. To note the following decisions that Cabinet will be invited to make when it considers the report on this matter in Part B of the agenda:-
 - 1.1 *To agree that the development agreement be amended on the terms reported by the Head of Resource Management.*
 - 1.2 *To authorise the Head of Resource Management in consultation with the Portfolio Holder for Resources and Heritage to settle final terms and consequential matters to complete the sale of the Second Phase land to Easter Developments (Colchester) Ltd (The Easter Group).*

2. Reasons for Decision(s)

- 2.1 Easter Group has purported to terminate the development agreement for an alleged fundamental breach of the agreement by the Council. This Easter Group claim arises from the installation of a drain crossing part of the Second Phase land by Essex County Council in connection with the new A12 junction.
- 2.2 The Council's position is that Easter Group were not entitled to rescind the contract for the reasons stated in the confidential report of this item.
- 2.3 The First Phase Land has already been transferred to Easter Group under the terms of the development agreement and the Infrastructure Costs determine the balance due in respect of the Second Phase Land.
- 2.4 The confidential report summarises the history relating to this dispute, legal advice received and details of the proposal presented by Easter Group to amend the development agreement to enable their proposed development to proceed.

3. Alternative Options

- 3.1 In relation to the Second Phase Land, the Council has 4 options as follows:
- (i) To agree the proposal presented by Easter Group to amend the development agreement.
 - (ii) To decline Easter Group's request to proceed as (i) above and to market the site possibly with other land owned by the Council.
 - (iii) The Council and Easter Group agree to a joint development of both the Second Phase land and adjoining plot on terms to be negotiated.
 - (iv) Mediation on a without prejudice basis which could change Easter Group's proposal to settle this dispute.

4. Supporting Information

- 4.1 The Council completed a development agreement with the Easter Group effective from February 2007 in respect of a development site comprising an area of about 14.4 acres at Axial Way, Colchester. The site is indicated by red and blue borders on the Ordnance Survey plan attached as Appendix 1.
- 4.2 Under the terms of this agreement, the Council conveyed the freehold interest of the First Phase land (shown by the red border) to the Easter Group free of charge but conditional upon completion of infrastructure works at Axial Way (shown hatched on the plan). Upon completion of these works the Council shall transfer the freehold interest in the Second Phase land. A balancing payment becomes due when the works are complete and the road is formally adopted by Essex County Council. The County Council confirms that the road was formally adopted on 17th October 2011.
- 4.3 A development account covering the infrastructure works has been approved by the Council's highways consultant to be in accordance with the specification of works.
- 4.4 In the event that the Second Phase land does not transfer to the Easter Group, the Council would be due to receive a balancing payment representing the difference between the agreed First Phase land value and the Infrastructure Costs.

5. Easter Group's Proposals

- 5.1 Easter Group has been in discussion to bring forward 4 occupier projects which would enable them to develop out the entire Second Phase land. Three of these requirements are for office facilities, workshop and storage and the fourth involves the relocation of a car dealership currently occupying premises in Colchester. In planning terms occupiers 1, 2 and 3 fit within the existing outline employment use categories. The car showroom and workshop would require a Sui Generis planning application and has "in principle" planning support.
- 5.2 Easter Group advise that these four businesses will employ about 130 people at the site including bringing 40 new jobs to the Borough and potential to expand their premises in the future.
- 5.3 Easter Group now proposes that:-
- 1) It withdraws its letter of rescission and the Council accepts that the letter is withdrawn
 - 2) The Infrastructure Costs become agreed

- 3) The contract be amended so that the completion of the Second Phase Land is conditional upon planning approval for the principle Sui Generis use on part of the site and subject to an absolute long-stop date of 6 months.

5.4 This proposal may give rise to an overage payment (in addition to the balancing payment) to the Council.

5.5 A new condition is introduced whereby the Easter Group agrees not to use or dispose of the Second Phase land as a waste transfer station or any similar use.

5.6 The principal terms of Easter Group's proposal are summarised in the confidential report.

6. Strategic Plan References

6.1 The disposal of this land will meet several of the objectives within the Council's Strategic Plan.

6.2 Development of the North Colchester area is a current and key project for the future of the town.

7. Consultation

7.1 The development agreement granted in 2007 followed adoption of the Local Plan and Master Plan for the area both of which were the subject of extensive public consultation.

7.2 A planning application will be required for the development of the Second Phase land which will be advertised in the usual way inviting representations.

8. Publicity Considerations

8.1 This land disposal should result in positive publicity for the Council as it will assist in bringing forward the development of business premises and associated job creation as planned.

9. Financial Implications

9.1 The Second Phase land is identified in the Strategic Asset Management Plan 2020-13 for disposal to assist delivery of the Capital Programme.

9.2 The detailed financial terms are highlighted in the confidential part of this item.

10. Equality, Diversity and Human Rights implications

10.1 It is considered that this transaction will not give rise to any equality and diversity considerations, nor impact on the promotion of equality and diversity in relation to gender, gender reassignment, disability, sexual orientation, religion or belief, age and race/ethnicity.

10.2 The relevant Equality Impact Assessment can be found on the Council's website at: [Home>Council and Democracy>Policies, strategies and performance>Equality and Diversity>Equality Impact Assessments>Resource Management>Disposals and Marketing](#)

Or;

http://www.colchester.gov.uk/Info_page_two_pic_2_det.asp?art_id=8000&sec_id=1988

10.3 This financial transaction does not result in any new policy or in any major change to existing policies.

10.4 It is considered that this financial transaction does not give rise to a breach of human rights.

11. Community Safety Implications

11.1 It is considered that this disposal will not have any adverse affect upon community safety, crime and disorder.

12. Health and Safety Implications

12.1 There will be no impact upon the health and safety of the general public by this transaction. When the site is developed by the purchaser health and safety will be the responsibility of the developer and construction team in the usual way and the usual regulations will apply.

13. Risk Management Implications

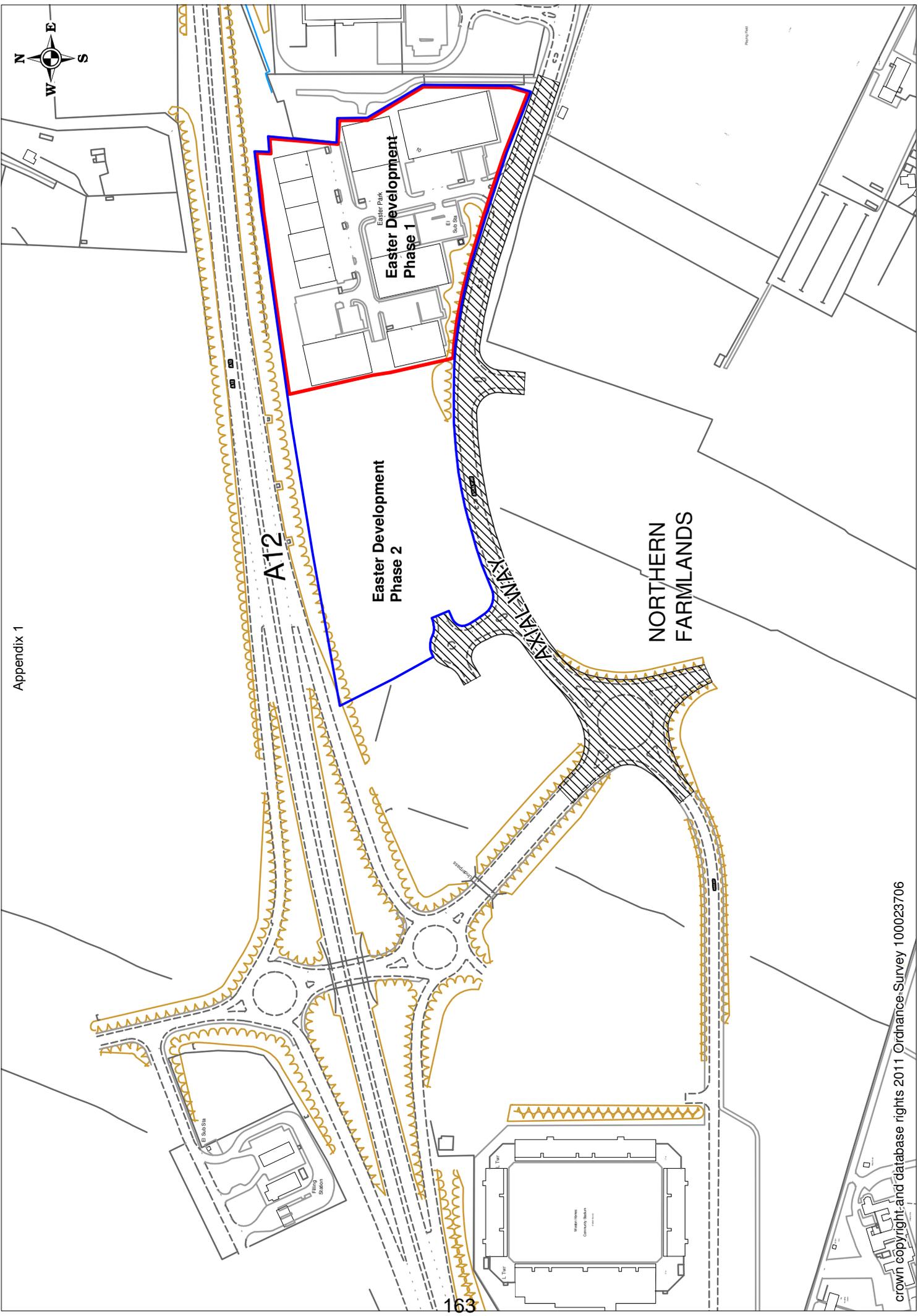
13.1 There is a risk that this property transaction does not proceed to completion. However, if that happens, the parties may agree not to take further action in relation to any claim for damages relating to the Second Phase land. The Council would then be free to reoffer the land for development by a new partner.

13.2 The risks relating to the wider development proposals in the North Colchester area are detailed further in the confidential report.

Background Papers

Appendix 1 - site plan

Property File - Plot C2K, Axial Way/Cuckoo Farm, Colchester





Colchester

Cabinet

25th January 2012

Item
10(i)

Report of	Head of Strategic Policy & Regeneration	Author	Lindsay Barker Darren Brown ☎ 282253
Title	Housing Revenue Account Estimates 2012/13		
Wards affected	All		

This report presents the Housing Revenue Account (HRA) estimates for 2012/13, the Medium Term Financial Forecast (MTFF) for 2012/13 to 2016/17, and the 30 Year HRA financial model

1. Decision Required

- 1.1 To approve the 2012/13 HRA revenue estimates as set out in Appendix A.
- 1.2 To approve dwelling rents as calculated in accordance with the rent restructuring formula (set out in paragraph 4.8).
- 1.3 To approve rents for garages (set out in paragraph 4.11).
- 1.4 To approve the 2012/13 management fee of £3,313,300 for Colchester Borough Homes (CBH), (set out in paragraph 4.18).
- 1.5 To note a revenue contribution of £250,000 to the Housing Investment Programme is included in the budget (paragraph 4.30).
- 1.6 To note the HRA balances position in Appendix B.
- 1.7 To note the Medium Term Financial Forecast (MTFF) set out at Appendix C and the 30 Year HRA financial position set out at Appendix E.

2. Reasons for Decision

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

3. Supporting Information

Key Issues for 2012/13

- 3.1 There are a number of key issues relating to the HRA budget for 2012/13, with further details being included within the main body of the report. However, in summary they are as follows. First, there is the introduction of the national changes to Council Housing Finance, often referred to as HRA Reform or HRA Self-Financing. This radically alters the funding of Council Housing, and whilst it provides the opportunity for significantly more investment and more stability for long-term planning, it brings increased responsibility, reflecting the additional amount of debt the Council will be taking on. Secondly, we are entering the second year of the fundamental services review undertaken by Colchester Borough Homes, which is expected will build on the work started in the current financial year to deliver a more efficient and effective service. Finally, the implementation stage of the Sheltered Accommodation review will have commenced, signalling the commencement of improvements to a number of sheltered housing schemes.

- 3.2 As part of the process for setting the 2012/13 HRA budget, it is necessary to revisit the 2011/12 position to forecast the predicted level of HRA balances along with identifying any risk areas or cost pressures which could have an impact in future years.

2011/12 Revised Housing Revenue Account

- 3.3 Appendix A shows the Revised Housing Revenue Account (HRA) estimates for 2011/12. There have been some amendments to the original budget for 2011/12 during the course of the current financial year. A reconciliation is therefore provided in the following table between the Original and Revised budget for 2011/12:-

Reconciliation between Original and Revised 2011/12 HRA Budget

	Budget 11/12 £'000	Commentary
Original Budget Deficit	93	Agreed 26 th January 2011
2010/11 Budgets c/fwd	114	Agreed by Head of Resource Management/Head of Strategic Policy and Regeneration
Use of HRA Balances	100	Release of funds earmarked to fund the Photovoltaic Project
Revised Budget Deficit	307	

2011/12 Forecast Outturn Position

- 3.4 When considering the financial position of the HRA, in addition to the adjustments to the 2011/12 original budget shown in the above table, it is important to note the 2011/12 forecast outturn position. It is currently predicted that the HRA will be overspent by £163k compared to the revised budget for 2011/12. The table below provides a breakdown of this forecast overspend. In addition, commentary is provided on the major variations;

	Budget 11/12 £'000
Capital Financing costs	40
Reduced HRA Subsidy payable	(40)
Sheltered Accommodation Review	67
Less Rental & Service Charge Income	96
Forecast 2011/12 Overspend	163

- As a result of actually borrowing £74.338 million on 28th March 2012 to fund our HRA self-financing payment, we will incur 4 days additional interest costs in the HRA in 2011/12. This is estimated to be around £40k. This will be reimbursed by a reduction in HRA subsidy payable to the Government by a corresponding amount.

- As mentioned above, we will pay the Government around £40k less HRA subsidy to compensate for the additional interest costs incurred in 2011/12 from the self-financing debt settlement payment.
- It is estimated that we will spend an additional £67k in 2011/12 on costs associated with the re-housing of tenants resulting from the improvements to the sheltered housing stock.
- It is forecast that we will receive less rental and service charge income of £96k. This is primarily due to less income from supporting people charges, which reflects the Portfolio Holders agreement to partially negate charges whilst the implementation of the new sheltered housing service was undertaken, following the reduction in funding from Essex County Council. Additionally, there is less income from garages than assumed within the budget.

HRA Reform

- 3.5 Members will be aware of the Governments proposals on the national reform of the Housing Revenue Account. The Localism Bill has now received royal assent, paving the way for the new self-financing regime to commence from 1st April 2012. The Government have stated that we will have to pay our debt settlement figure to DCLG on the 28th March 2012, given that the 1st April falls on a Sunday. As a consequence, we will not know the actual interest rates on the loans we enter into until the end of March. Therefore, the 2012/13 budget reflects the new financial arrangements for the HRA as far as they are currently known and using reasonable and prudent assumptions, with further commentary included on the medium and long-term outlook in this report.
- 3.6 Appendix E summarises the 30 year financial modelling for Colchester's HRA. This is set out using the standard approach, which is to show each of the first 5 years individually, then group the remainder of the model in 5-year bands. Further information is provided at paragraph 6, including some of the underlying principles and assumptions that are included. Given the long time-span this modelling covers, it will clearly change as time progresses as both internal and external influences have an impact. However, what it does provide is an indication of the long-term viability of the Council's HRA, given the assumptions made and the plans the Council has already identified and committed to.

4. 2012/13 Housing Revenue Account Budget

- 4.1 Appendix A shows the Housing Revenue Account (HRA) estimates for 2012/13. This shows a predicted HRA deficit of £466K which will be funded by a use of uncommitted HRA balances.
- 4.2 It should be noted that the MTFF included within the 2011/12 HRA budget cycle and considered by Cabinet on 26th January 2011 estimated a deficit for 2012/13 of £38K. Given the introduction of HRA Self-Financing, it is very difficult to draw a direct comparison between the previous forecast position for 2012/13 under the subsidy regime, and the proposed budget under the new system. However, it is reasonable to suggest that the increased deficit and resultant use of balances in 2012/13 is primarily linked to the revenue implications arising from the review of sheltered accommodation as previously reported.

Balances

- 4.3 One of the outcomes of HRA Reform is a transfer of risk from Central to Local Government, which has been recognised through the use of a relatively high discount factor of 6.5% in the debt settlement calculation by the Government. The risk primarily revolves around inflation levels in the future, and also that we will be fully exposed to interest rate fluctuations (whereas in the past these were compensated within the subsidy system). Inflation is a key-driver within the new regime, as this will determine future rent increases which we will be able to retain locally to deliver increased investment in the housing stock and services. Given the ability for inflation figures to vary annually, it is prudent to provide specifically against some impact of this by making provision in balances. With regard to interest rates, this can be partially mitigated by the treasury management approach we adopt when undertaking additional borrowing, especially regarding the initial debt take-on in March 2012. However, it is prudent to make provision for any increase in interest rates we might experience relating to re-financing upon maturity of existing debt, or when undertaking future borrowing to utilise our headroom.
- 4.4 Furthermore, there are a number of potential specific new risks that it would be prudent to recognise in our assessment of the minimum level of HRA balance that we operate with. The recent Government announcement on increasing Right To buy discounts could stimulate additional sales over and above the assumptions in the budget, therefore an allowance has been made. Furthermore, the projects we are undertaking on Sheltered Accommodation and Garage Sites contain a range of revenue implications, therefore it is prudent to recognise the potential impact these could have, over and above the assumptions made in the budget, within our HRA balance.
- 4.5 A risk assessment has therefore been undertaken to review the minimum prudent level of HRA uncommitted balance the Council should maintain. The results of this review are set out at Appendix D and show that given the additional risks referred to above, it would be prudent to increase the uncommitted balance to £1,600k. This should continue to be reviewed annually, especially given the impact that further risks such as welfare reform may have upon our finances when they are introduced in the future. Conversely, as we move through the early years of HRA Reform, we will have greater certainty and resources will become greater, meaning we may revert to a lower minimum level of balances.
- 4.6 The estimated balances for the HRA are set out in Appendix B. The anticipated level of the uncommitted HRA balance as at 31st March 2012 is £2,889K. The recommended prudent level of balance is £1,600k. Therefore, we are able to use part of the uncommitted balance to meet the budget deficit for 2012/13 as mentioned in paragraph 4.1.
- 4.7 The MTFE at Appendix C shows the use of uncommitted balances in 2013/14 to make a Revenue Contribution to fund the Housing Investment Programme in that year. This is because it is deemed to be a more economical use of resources, rather than fund the capital programme in that year by undertaking additional borrowing, thus incurring additional borrowing costs and using available borrowing headroom. This fits with the prioritising of resources indicated in this report and in the Housing Investment Programme elsewhere on the agenda. Furthermore, it is supported by the principle that the prudent minimum level of balances is increased, thereby not committing revenue resources to fund the capital programme without placing some safeguard within the revenue account should any unexpected shortfalls occur. From 2013/14 thereafter, the assumption is that where required, revenue contributions to the capital programme will be made up to the point that the minimum recommended level of balance is reached.

Income

Housing Rents

- 4.8 2012/13 is the eleventh year of transitional rent reform arrangements. **The dwelling rents are set within Communities and Local Government (CLG) guidelines and so the annual increases in rents paid by tenants are set by reference to national Government policy.** The average rent proposed for 2012/13 is £77.68 per week compared to a current average of £71.90, an increase of £5.78 (8.04%) per week. (It should be noted that the Governments rent policy uses the September inflation (RPI) figure as the base position for calculating annual rent increases). Given the potential for the rate of inflation (RPI) to vary in the short to medium term, it is difficult to anticipate future rent increases. However, modelling within the MTFE and 30 year financial modelling has been undertaken using reasonable estimates of inflation rates.
- 4.9 Sales of council houses under the Right to Buy (RTB) scheme could possibly reach 15 in 2011/12 (8 sold in 2010/11 and 14 sold in 2009/10), which is in line with the number expected in the 2011/12 HRA budget. The level of sales has remained at a low level in the current financial year, even when compared to the average number of sales per year of 20 since 2005/06. The 2012/13 budget has been set assuming the sale of 15 properties, being broadly in line with the current level and reflecting the national picture of diminishing numbers. The Government have recently announced their intention to increase RTB discounts to tenants, with the aim of stimulating activity within the housing market. However, given no firm detail has been given on how this might work, no allowance has currently been made within the budget for any resultant additional sales.
- 4.10 The budget for 2012/13 has been set using the assumption that there will be a loss of rental income of 1.50% resulting from empty properties. This is higher than the 2011/12 budget and is intended to provide for any additional void loss that may arise as a result of the sheltered housing accommodation project.

Other Income

- 4.11 The rent proposed for garages for 2012/13 is £8.04 per week compared to £7.44 in 2011/12. Although these rents are outside of the rent reform arrangements this increase is in line with the proposed increase in dwelling rents, i.e. 8.04%. An assumption has been made for rental income that will be lost as a result of re-developing some of our garage sites for new affordable housing. Clearly the timing of these schemes and any knock-on impact on letting garages which are currently void will effect the level of income receivable in 2012/13.
- 4.12 There are a range of other fees and charges for services which are made to Tenants and Leaseholders, which are agreed by the Portfolio Holder for Housing and Community Safety. The budget for 2012/13 assumes that the demand for these services will remain the same as the current financial year, unless mentioned otherwise.
- 4.13 Following the reductions in 2011/12 nationally to 'Supporting People' funding and the removal of the ring-fence that used to protect this funding at County level, the Council in conjunction with Colchester Borough Homes re-designed the sheltered housing service following approval from the Portfolio Holder for Housing and Community Safety. This resulted in a reduction in the amount of support service provided to tenants, to match the reduced level of Supporting People grant income received from Essex County Council. Furthermore, a new facilities management service was introduced which covers the onsite management of safety and maintenance of sheltered buildings and provides activity to support tenant's health and well being.

- 4.14 When formulating the budget for Supporting People income in 2012/13, it has been assumed that we will not receive any income for The Cannons. The support service at this extra-care scheme was supposed to be tendered by Essex County Council during 2011/12, but delays in the process have meant they have not yet awarded the contract. In the meantime, CBH are still providing a service at this scheme, but for the purposes of the budget it is assumed this will cease by 1st April 2012. As mentioned in the 2011/12 budget setting report, the supporting people contract with Essex County Council is held by CBC. Rent and service charges are made by the Council as the landlord. However, all funding received by CBC under these contracts is passed in total to CBH as part of the management fee to fund the service provision. Given the reduction in funding from the County Council, a reduction has been made to the CBH Management Fee to compensate for this loss of income.
- 4.15 The de-pooling of services charges to individual tenants was implemented in 2008/09. There have been new service charges introduced in 2012/13 for deep cleaning of 2&3 storey blocks, along with an update of existing charges to reflect the actual cost of the services provided.

Expenditure

Service Transformation

- 4.16 As previously stated, 2012/13 will be the second year of CBH implementing their fundamental service review which is transforming the way services are delivered in Colchester. The CBH Board formally approved the business case in January 2011, with the anticipated further additional year 2 savings (over & above year 1) analysed in the table below to give an indication of the areas within the Councils HRA budget where the saving will be achieved;

	Year 2
	2012/13
	£'000
Management Fee	76
CBC Delegated	10
Property Services	24
Total Savings	110

Review of Colchester's HRA

- 4.17 Members will be aware of the project board that has been created to undertake the local review of the Council's HRA. This amongst other things is looking at the various housing delivery models which are in existence, and the potential benefits and opportunities they could bring to both tenants and the Council, under the new HRA self-financing regime. Currently, no provision has been made within the 2012/13 budget for any costs which might arise as a result of this process, as no decision has yet been made on any favoured options. However, it should be noted that the pursuit of some options can incur significant costs, for example tenant consultation, consultancy and specialist advice etc. If this were the case, they would need to be included for approval in a subsequent report on the subject.

Colchester Borough Homes Management Fee

- 4.18 The management fee payable by the Council to CBH is funded entirely from the Council's HRA. Other resources such as those for housing repairs and the capital programme are delegated to CBH to manage but do not form part of the management fee. No provision has been made for inflation, given that a large proportion of the costs relate to staff for which there is no assumed pay award in 2012/13. The 2012/13 budget has been reduced by £76k to reflect the Year 2 efficiency savings arising from the FSR, and by a further £40k to reflect the restructuring of the sheltered housing service following the cut in Supporting People grant income from Essex County Council.

Management Costs

- 4.19 The 2012/13 HRA budget includes £5,907,200 for management costs, an increase from 2011/12 (£5,472,900). Management costs form a substantial part of the HRA annual expenditure, and they consist of budgets managed directly by the Council, as well as those which are managed on behalf of the Council by CBH. Further information along with an explanation for any material changes from the 2011/12 budget is given in the following paragraphs;
- 4.20 The budget for Employee costs has decreased by £109,900 for 2012/13 which primarily reflects the removal of the budget provision for severance costs following the re-design of the sheltered housing service in 2011/12.
- 4.21 The budget for Premises costs has increased by £73,400 for 2012/13. This is primarily due to an increase of £62,700 in the budget for Utilities, which is discussed further in the following paragraph. The budget for Grounds Maintenance has increased by £25,000 as provision has been made for an inflationary increase in accordance with the contract.
- 4.22 The budget for Utility costs for 2012/13 is £492,400 (compared to £429,700 for 2011/12). The majority of these costs relate to our Sheltered Housing schemes and Homeless Persons Units. The Council procures electricity and gas through the use of the OGC (Office of Government Commerce) which aims to purchase energy in bulk to secure efficiency in procurement. Utility costs can be recovered from tenants as a service charge and are included in the Fees and Charges report for approval by the Portfolio Holder.
- 4.23 The budget for Supplies and Service costs has reduced by £41,600. This is primarily due to the removal of the budget for the provision of meals at the sheltered schemes, as this service is provided externally now. This is offset by a compensating loss of income, from no longer charging for the service.
- 4.24 The budgets for Third Party payments and Transfer payments have increased by £147,500. The majority of the budget for R&M at the sewage treatment plants has been moved from Third Party Payments into Repairs & Maintenance, and the HRA contribution to the Zone Wardens is now accounted for as a recharge from the General Fund. The budget for Removal and Disturbance payments has been increased by £214,400 to provide for the costs associated with tenants moving home in 2012/13 as a result of the sheltered housing accommodation project.
- 4.25 The HRA receives a significant level of recharges from other Council services, along with a proportion of central support costs, such as Corporate and Democratic Core and Pension costs associated with the back-funding of the scheme. The total budget for 2012/13 has increased from 2011/12, which is predominantly resulting from CBH moving into Rowan House and therefore a proportion of the accommodation & facilities management costs of this building are attributable to the HRA as they are delivering part of the landlord function on behalf of the Council. Also, the HRA contribution to the Zone Wardens is now accounted for as a recharge. Furthermore, there has been an increase in premiums relating to insuring our housing stock following the annual renewals process.

Repairs and Maintenance

- 4.26 The 2012/13 Housing Investment Programme has been drafted and is included elsewhere on the agenda for approval. The requested budget allocation for the 2012/13 programme is £9.100million. In respect of revenue, £4,974,600 has been included in the budget for repairs and maintenance of which £4,640,000 (£4,475,000 in 2011/12) is specifically for the planned and responsive works programme being provided and/or managed by CBH.

Capital Financing Costs

- 4.27 The budget includes the statutory charges to the HRA for the interest costs of the Council's borrowing in respect of the housing stock. As from 28th March 2012, the Council's HRA Debt is set to increase by £74.338 million as a result of HRA Reform. The proposed treasury management approach to this new borrowing is considered as part of the Treasury Management Strategy Statement elsewhere on the agenda. Given that we will not know the actual interest rates payable on the loan(s) until the day we take them out in late March, a reasonably prudent estimated rate has been used based on current PWLB rates. There is of course the potential for interest rates to increase before March 2012, especially given the influence of global economic factors, but we are currently being advised there is unlikely to be any significant change before March. However, should the actual borrowing rate be higher than assumed within the budget, then the Council may need to re-consider some of the budgets included within this report and/or the Housing Investment Programme report elsewhere on the agenda. Finally, no provision has been made at this point in time for the repayment of any HRA debt.

Subsidy

- 4.28 Given the abolition of the HRA subsidy system following the introduction of HRA Reform, no budget is required for 2012/13.

Revenue Contributions to Capital Outlay (RCCO)

- 4.29 The Council has continuously made revenue contributions to capital spending recognising the significance of targeting resources to invest in our Housing Investment Programme.
- 4.30 The revenue contribution included in the estimates is £250,000. Of this total, £140,000 has been provided for ICT, which is intended to support various projects. It is planned to produce a medium term ICT strategy for the HRA, which will link into the Council's corporate ICT priorities and will inform the level of resources that need to be included in the HRA going forward. The revenue contribution also meets the Council's technical strategic asset management role within the repairs and maintenance arrangements with CBH, and supports the continuing work on ICT projects required to support the HRA and the maintenance and repairs programmes.
- 4.31 There is no requirement for a revenue contribution to be made to the housing investment programme in respect of works to the housing stock in 2012/13. This is due to the approach adopted in formulating the 5 year investment programme, thus preserving revenue resources in the HRA for future years use.

Risk areas and budget review process

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

Area	Comment
Interest Rates	Given that we will not know the interest rates we will have to pay on the borrowing we will undertake to pay our HRA Reform debt settlement to DCLG until 26 th March, there is the potential that they could be higher than assumed within the budget. If this happened, then the HRA budget and the Housing Investment Programme for 2012/13 would need to be reviewed to resolve this.
Rental Income	The budget makes assumptions on the future level of Right To Buy sales and void levels. These are to a certain extent demand led and due to the significance of Rental Income within the HRA, can have a significant effect on the level of the HRA balance.
Revenue Contributions to Capital (RCCO) / Prudential Borrowing	Capital Resources have been provisionally allocated for 2012/13 within the Housing Investment Programme report contained elsewhere on the agenda. If these resources prove insufficient, then options exist to finance capital expenditure from revenue or undertake prudential borrowing, dependant on affordability. At the time of compiling the budget, no allowance has been made for either of these options. Clearly, if one of these options was pursued, then there will be a requirement to find additional resources from the HRA.
Repairs and Maintenance	There is an on-going pressure on Responsive and Void repair budgets. Given that this area is demand-led, any additional costs will have to be met either from savings elsewhere or from balances.
Utility costs	The budget makes assumptions on future prices for Gas and Electricity that are consumed within the Council's housing stock, such as Sheltered Schemes, Homeless Persons Units and Communal entrances in blocks of flats. Given the volatility of utility prices recently experienced, there is a risk that prices could rise again, the cost of which would have to be funded from existing resources or HRA balances.
CBH Fundamental Service Review	The budget includes assumptions on the level of savings arising from Year 2 of the Fundamental Service Review at CBH. Given this is still in the implementation phase, there is the potential for this to alter, which could have a consequential impact upon HRA balances.
2011/12 Outturn	An overspend of £163k is predicted for this year. Any variance on the forecast will either be a contribution to or from balances.

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

Review	Comment
March 2012	Updated outturn forecast.
July 2012	Provisional pre-audit outturn / current year issues etc.
September 2012/ October 2012	Mid year review.
December 2012 / January 2013	Outturn review / Budget 2013/14.

Savings and Efficiencies

4.34 During the process of formulating the budget, officers have continued to review areas where savings and efficiencies can be made. A number of these savings have been built into the 2012/13 revenue budget and include;

- Review of CBC HRA budgets - £110k
- FSR at CBH (Management Fee) - £76k
- FSR at CBH (Delegated Budgets) - £10k
- FSR at CBH (Property Services) - £24k

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

5.1 As part of the budget process for 2012/13 a MTFF has been produced for the HRA. This sets out the indicative budget position for the period 2012/13 to 2016/17, and has been extended from the historical 3 year period to 5 years. This is now more meaningful, given that HRA Reform has provided more certainty given the abolition of the volatile annual subsidy system, and fits well with the principle of a 5 year capital investment programme. As previously mentioned, this has been produced on the basis of the new HRA Finance regime, and although more certainty is now in place, assumptions still have to be made around inflation rates, void levels, bad debts and increases in costs etc, which can of course change. To that extent, the MTFF should still be viewed as indicative.

5.2 Appendix C sets out the MTFF for the period analysed by the main areas of expenditure and income. This shows that the level of uncommitted HRA balance is able to be maintained at prudent levels throughout the MTFF. This is after meeting all the running costs of managing & maintaining the housing stock, along with servicing the borrowing costs on all HRA debt. It is also after substantial revenue contributions have been made to support the Housing Investment Programme. Planning to run the HRA balance at the minimum prudent level fits with the principle that it is more cost effective to minimise/reduce borrowing costs where possible, rather than hold a higher revenue balance than is prudently required. This fits with the principle referred to in paragraph 4.7 above. The recommended level of uncommitted balance on a risk based approach is £1,600k. There are several factors which can affect the forecast position, namely:-

➤ ***Capital financing***

The MTFF includes assumptions not only on the interest rate we will have to pay on the HRA Reform debt settlement, but also on the further HRA borrowing that would need to be undertaken to support the Housing Investment Programme, included elsewhere on the agenda. Given that any future additional borrowing would be undertaken at the prevailing interest rates at the time, for the purposes of the MTFF a reasonable assumption has been made on what those rates might be. This will be reviewed as part of the annual budget setting process.

➤ **Rental income**

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

➤ **Temporary Accommodation Unit Review**

Work is ongoing with this project, with a joint CBC/CBH group looking at the options for the remainder of the units that are not being transferred or disposed of. No financial implications arising from this review have been included in the MTFF at this point in time.

➤ **Photovoltaic Project**

No provision has been included within the MTFF for the income that will be generated to the HRA from these installations. It is assumed that this income will be re-invested into a range of initiatives, such as energy efficiency etc, which will provide further benefits to customers. Therefore the impact upon the MTFF is currently envisaged to be cost neutral.

➤ **Fundamental Service Review at Colchester Borough Homes**

Provision has been made within the MTFF for the anticipated savings in 2012/13 and subsequent years based on information supplied by CBH.

➤ **Sheltered Housing Accommodation Review**

At its meeting on the 12th October 2011, Cabinet considered a number of recommendations relating to making improvements to the Councils sheltered housing stock. It was agreed that the financial implications of the in-principle decisions taken are modelled and reflected in the overall 2012/13 budget setting process. Assumptions have therefore been made to reflect the loss of units of accommodation at Abbeigate House and Joyce Brooks House, along with provision for additional home loss & disturbance payments plus the potential interest costs that would be incurred if additional borrowing is undertaken to fund the capital improvement works.

➤ **Review of Colchester's Housing Revenue Account**

As previously mentioned, we are currently undertaking a review of the Council's HRA. This amongst other things is looking at the various housing delivery models which are in existence, and the potential benefits and opportunities they could bring to both tenants and the Council, under the new HRA self-financing regime. Currently, no provision has been made within the MTFF for any costs/savings which might arise as a result of this process, as no decision has yet been made on any favoured options. However, it should be noted that the pursuit of some options could incur significant (set-up) costs, or alternatively deliver significant savings. The project board will be presented with the financial implications of the various delivery models, and the impact of the eventual preferred option will need to be built into our future financial modelling.

5.3 The MTFF therefore provides a baseline position against which to make decisions as to the allocation of HRA resources and to determine the budget strategy over the next 5 years. The MTFF will be updated on a regular basis.

6. Supporting Information – 30 Year Financial Modelling

- 6.1 As a result of the implementation of HRA Reform, Councils will be expected to take a greater business planning role when managing their Housing Revenue Account. Therefore, we have produced a 30 year financial model which sets out the long-term position of the Councils HRA as it currently stands. This is summarised at Appendix E. This is set out using a standard approach, which is to show each of the first 5 years individually, then group the remainder of the model in 5-year bands. It incorporates expenditure & income for both revenue and capital, along with the HRA balances and debt position.
- 6.2 The information provided by the model for future years should be viewed as indicative. This is because a number of assumptions have to be made when projecting into the future, and the following paragraphs give some further details on these. Given the potential for these to vary, the impact upon the modelling could result in an improvement or decline in the position shown, dependant on the size of change and the degree of impact upon the plan. However, to offer some comfort, officers have been developing this model for the last 2 years, which has included external support and challenge. Furthermore, prudent assumptions are made wherever possible to protect the Councils financial position and to ensure the ongoing viability of the HRA.
- 6.3 Officers have undertaken sensitivity analysis on the 30 year model to evaluate the impact any change or combination of changes, in the assumptions could have. Further information on the work undertaken is provided at paragraph 6.23.

Income Assumptions

- 6.4 One of the key drivers within the financial model is inflation. This is the factor which determines future annual rent increases for tenants, and it is this income which we are able to retain in the future to meet the increased stock investment and additional borrowing costs resulting from increasing our debt arising from HRA Reform.
- 6.5 It has been assumed that the Government will retain the current rent restructuring policy of increasing tenants rents by RPI + 0.5% for the duration of the 30 year model. There is no indication to suggest that this is going to alter, but it is the example the Government quoted within the HRA Reform debt settlement whereby if it were to change, then they would possibly re-open the original debt settlement.
- 6.6 Assumptions have been made within the model for loss of stock, not only through the sheltered accommodation review, but more significantly from Right to Buy sales. To be prudent, these have been assumed to be at a higher level than the Government used in the calculation of the debt settlement, as well as the assumption that none of the receipts will be used for HRA purposes as is currently the case.
- 6.7 Assumptions have been made regarding rent lost from void properties and bad debts. An allowance has been made not only for ongoing operational voids, but also for a potential increased loss of income arising from the review of sheltered accommodation as tenants are re-housed. An assumption has also been made to increase the level of bad debts provision we may need to hold in the future, once the Governments welfare reforms come into effect.
- 6.8 It has been assumed that income from garages will continue to increase in line with future dwelling rent increases. There is the potential for this to increase as a result of the joint CBC/CBH project group that has been set-up to review some of the possible options relating to these assets, which could be through reduced void levels as well as an increase in annual charges.
- 6.9 All other income budgets are assumed to increase in line with inflation.

Expenditure Assumptions

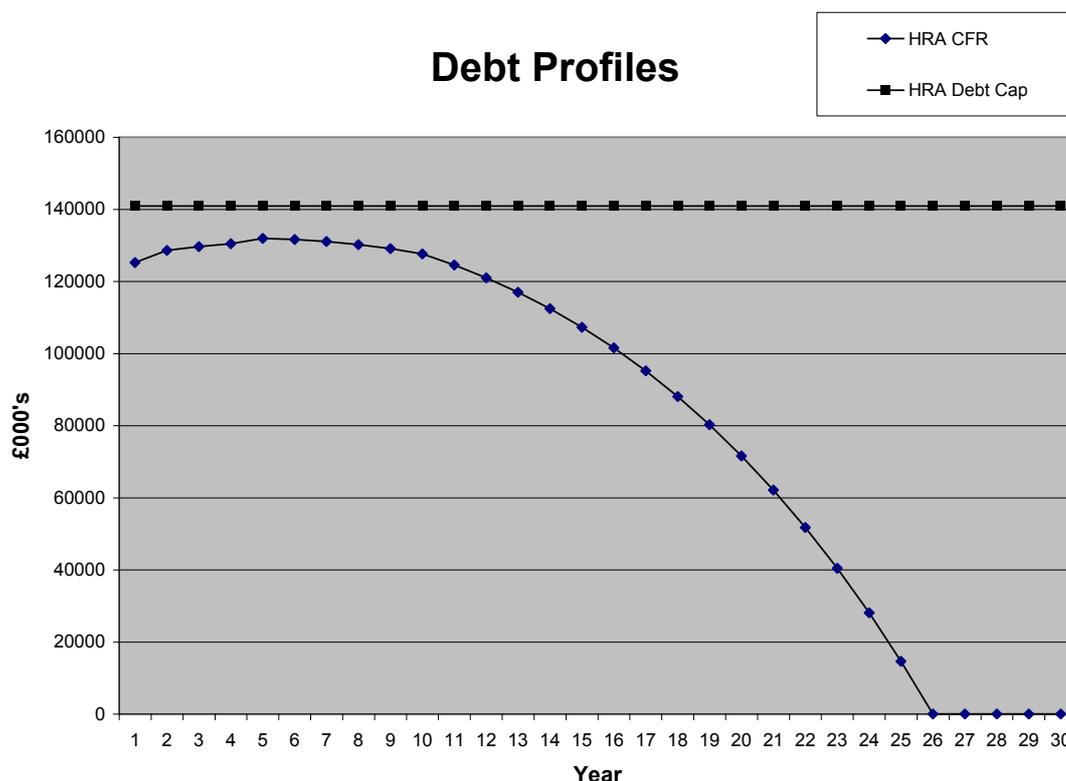
- 6.10 Similarly to income, inflation can have a significant impact upon expenditure levels within the 30 year financial model. It has been assumed that inflation on expenditure will be at the same rate as assumed for income.
- 6.11 Management costs have been assumed to remain at the current base level throughout the life of the 30 year model, subject to inflationary increases. The exception to this is where it is known they will alter, for example those costs such as home loss & disturbance payments relating to the current review of sheltered housing accommodation that will not be incurred once the review is complete.
- 6.12 Maintenance costs have been extracted from the Councils 30 year Asset Management Strategy. Assumptions have been made around future increases in line with inflation, but these costs are also subject to changes to the BCIS (Building Cost increases) and market conditions that impact as contracts are re-tendered.

Funding & Financing Assumptions

- 6.13 The Councils Asset Management Strategy includes the expenditure requirements of our housing stock over the next 30 years. This has been reflected in the 30 year financial model. The day to day repairs and maintenance costs are funded from the revenue account, whilst the capital expenditure requirements are funded from a variety of sources which is considered within the Housing Investment Programme (HIP) report elsewhere on the agenda
- 6.14 The priority of how resources are used to fund the HIP is contained within that report for 2012/13, which in summary is aimed at using specific grants and capital receipts first, then reserves, with the intention of preserving revenue resources as far as possible as they offer the greatest funding flexibility. Should there be no or insufficient revenue resources available, then additional borrowing utilising any available headroom would be the final approach. This is because borrowing carries a cost of doing so; therefore it is treated as the last option to gain the maximum use of revenue resources available.
- 6.15 Under the HRA subsidy system, resources to maintain the housing stock in its current condition took the form of the Major Repairs Allowance. This notional amount is used as a proxy for depreciation and is determined by the Government, and is taken into account when calculating the amount of negative subsidy we pay to the Government. Under HRA Self-Financing, the amount of depreciation will be calculated locally, with reference to our actual stock condition and asset management strategy. The amount of our capital investment is set to increase under HRA Reform, and depreciation will be the primary source of funding for the Housing Capital Programme, especially in the early years.
- 6.16 The Government issued updated debt settlement figures to local authorities on 21st November 2011. For Colchester, this means we will have to pay the Government £74.338million on the 28th March, 2012 to exit the current HRA subsidy system. This will be financed by new Council borrowing, which will most probably be from the Public Works Loan Board (PWLB). However, what is not yet known is the interest rate we will have to pay on this borrowing. This will not be known until the day we actually borrow the money, which will be the 26th March 2012. Therefore, an estimate has had to be used not only for the budget, but also for the 30 year financial model. We are currently assuming a rate of 4.5%, which at the current time is reasonably prudent, but there is the potential that rates could increase on the actual day as demand will be high. The impact of interest rates on the financial model can be significant, given any 1% change in interest rates would result in an annual impact of £743k (based on the additional debt take-on).

Debt

- 6.17 The measure of an authority's debt under self-financing will be the HRA Capital Financing Requirement (HRA CFR). Following the new HRA borrowing of £74.338million referred to in paragraph 6.16 above, the amount of our actual opening HRA debt on 1st April 2012 will be £125.221million. Furthermore, we will have a debt cap of £140.919million, which is the limit the Government have imposed to control public sector borrowing under HRA Reform.
- 6.18 The following graph shows our current debt profile that is being generated by the 30 year financial model. This works on the principle that once all of the costs of managing & maintaining our housing stock have been met, and the interest costs of our HRA borrowing have been paid, any residual income can be used to repay debt. It is important to state that this is an indication of the ability to repay debt, as what actually dictates whether debt is reduced is where the Council actually repay loans as they mature.



- 6.19 The above debt curve is typical of a business plan for which self-financing works well. As a general rule, this will apply to those authorities like us who have little high-rise or non-traditional stock, where the need to invest in the stock is greater than assumed within the self-financing debt settlement, but not dramatically so, and debt is relatively low and will be taking on debt under self-financing. The graph shows debt rising initially (due entirely to the additional investment in new build and the sheltered accommodation review in Years 1 to 5), but then peaking in Year 5 and starting to reduce in Year 6 as we are able to start repaying debt (or setting resources aside for repayment).
- 6.20 The difference between the HRA Debt Cap and the HRA CFR is known as the "borrowing headroom", and represents the amount of additional resources the Council can generate through further borrowing. This is set to increase as time progresses, as the surplus resources generated within the model are used to repay debt (or set aside to repay debt if it is not able to be repaid at that point in time). The following table shows the predicted level of available headroom over the first 10 years of the current financial model, after taking into account the potential borrowing that may be undertaken to fund the Housing Investment Programme and any provision for the repayment of debt;

Year	Available Borrowing “Headroom” £000’s
2012/13	15,698
2013/14	12,326
2014/15	11,278
2015/16	10,456
2016/17	8,977
2017/18	9,290
2018/19	9,855
2019/20	10,695
2020/21	11,829
2021/22	13,281

Outlook Summary

- 6.21 The main test adopted when determining the viability of an HRA business plan is whether the debt is able to be repaid by year 30. This mirrors the process that private funders adopt when considering a stock transfer proposal, as they want to be comfortable that their borrowing is capable of eventually being repaid. However, given HRA Reform is putting Councils firmly in control of their business plans, it is acknowledged that Councils may wish to retain debt, and in return use those resources which would otherwise have been used to repay debt to provide even greater investment locally, whether it be in relation to the existing housing stock, the provision of new affordable housing and/or improved services to tenants. Therefore, whilst the year by which all debt would be repaid is useful as a measure, it should be considered alongside the Councils overall position on repayment of HRA debt versus the desire to provide maximum investment locally.
- 6.22 The Councils current 30 year model shows that all HRA debt would be able to be repaid by year 26. This is taking into account the additional borrowing that is being undertaken to provide the 34 new units of affordable housing on garage sites, and the improvements to the sheltered housing accommodation. Were these projects not to go ahead, then the all debt would be able to be repaid approximately 2 years earlier.
- 6.23 Therefore, using the current set of assumptions and information available, alongside fully meeting the investment requirements of the Councils Asset Management Strategy, the 30 year financial model set out at Appendix E shows a viable long-term HRA for Colchester.

Sensitivity Analysis

- 6.24 A key part of business planning is understanding the factors that can influence the outputs, and their potential impact. Therefore, a number of sensitivities can be modelled, to see how they effect the base position. The following table sets out some examples of the sensitivity analysis undertaken and there resultant impact upon the 30 year HRA model, compared to the base position shown at Appendix E;

	Base Position	Variation to Base Position			
		Reduction in Inflation of 1% over 30 Years	Increase in Inflation of 1% over 30 Years	Reduction in Inflation of 1% over 30 Years & Increase in Interest Rates of 2% from Year 15 onwards	Increase in Inflation of 1% over 30 Years & Increase in Interest Rates of 2% from Year 15 onwards
Peak Debt Year	Year 5	Year 6	Year 5	Year 6	Year 5
Year Debt Repaid	Year 26	Year 30	Year 24	Year 33	Year 25
Capital Investment over 30 Years	£392.4million	£338.1million	£458.1million	£338.1million	£458.1million
Surplus HRA Balance at Year 30	£78.7million	£11.9million	£152.3million	£2.1million	£137.3million

- 6.25 From the sensitivity analysis undertaken, the scenario that could result in the Council not being able to repay HRA debt by Year 30, and thus falling outside the viability test, would be if interest rates increased for a significant part of the model (for example Years 15 to 30). However, this is unlikely to materialise, as it is anticipated that our approach to financing the debt take-on under HRA Reform will incorporate fixing interest rates for the medium to long-term, thus taking advantage of the historically low rates and the reduction in the PWLB rates by the Government.

7. Strategic Plan References

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

8. Consultation and Publicity

- 8.1 With the potential consideration of service improvements that would lead to new service charges for tenants, it is anticipated that an appropriate amount of consultation will be undertaken during the course of the financial year. Furthermore, extensive consultation has been undertaken with tenants regarding future works programmes, including those within the Housing Investment Programme, which have a resultant impact upon this budget report.

9. Financial Implications

- 9.1 Are set out in this report.

10. Equality, Diversity and Human Rights Implications

- 10.1 This report has no specific human rights implications. Consideration has been given to equality and diversity issues in respect of any 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.

11. Community Safety Implications

- 11.1 This report has no significant community safety implications

12. Health and Safety Implications

- 12.1 This report has no significant Health and Safety implications

13. Risk Management Implications

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

Appendices

- Appendix A - Housing Revenue Account Estimates 2012/13
- Appendix B - HRA Balances Statement
- Appendix C - Medium Term Financial Forecast
- Appendix D - HRA Balances Risk Management Assessment
- Appendix E – 30 Year Financial Model

Background Papers

- None

COLCHESTER BOROUGH COUNCIL			
Revenue Estimates 2012/13			
Housing Revenue Account			
Summary			
2010/2011		2011/12	2012/13
Actuals	Expenditure & Income Analysis	Revised	Original
£000's		Budget	Budget
		£000's	£000's
	INCOME		
(21,570)	Dwelling Rents (Gross)	(22,964)	(24,594)
(731)	Non-Dwelling Rents (Gross)	(771)	(727)
(2,451)	Charges for Services and Facilities	(2,179)	(2,254)
(278)	Contributions towards Expenditure	(276)	(282)
(25,030)	Total Income	(26,190)	(27,857)
	EXPENDITURE		
4,380	Repairs and Maintenance	5,005	4,975
3,566	CB Homes Ltd Management Fee	3,429	3,313
5,326	Management Costs	5,473	5,907
105	Rents, Rates and Other Charges	119	123
2,584	Payment of Subsidy to CLG	4,737	-
76	Increased provision for Bad or Doubtful Debts	125	125
2,585	Interest Payable	2,488	6,330
128,796	Depreciation and Impairments of Fixed Assets	7,867	7,012
81	Amortisation of Deferred Charges	200	100
65	Debt Management Costs	91	100
147,564	Gross Expenditure	29,534	27,985
122,534	Net Cost of Services	3,344	128
(121,989)	Net HRA Income from the Asset Management Account	(200)	(100)
200	Amortised Premiums and Discounts	199	212
(16)	HRA Investment Income (including mortgage interest and interest on Notional Cash Balances)	(25)	(24)
729	Net Operating Expenditure	3,318	216
360	Revenue Contribution to Capital Expenditure	248	250
(2,399)	Transfer to/(from) Major Repairs Reserve	(3,259)	-
(1,310)	Deficit/(Surplus) for the Year	307	466
(2,609)	Deficit/(Surplus) at the Beginning of the Year	(3,919)	(3,612)
(1,310)	Deficit/(Surplus) for the Year	307	466
(3,919)	Deficit/(Surplus) at the End of the Year	(3,612)	(3,146)

Housing Revenue Account - Estimate Balances

	£'000
Balance as at 1 April 2011	(3,919)
Committed - Capital Spending in 2011/12 and onwards	560
Less budgeted deficit/use of balances in 2011/12	307
Less Forecast overspend in 2011/12	163
<i>Unallocated balance at 31st March 2012</i>	(2,889)
Less Proposed Use of balances in 12/13 Budget	466
Estimated uncommitted balance at 31st March 2013	(2,423)
Recommended level of Balances	(1,600)
Forecast balances above prudent level at 31st March 2013	(823)

Note:

This forecast is on the basis that there are no further calls on balances during the remainder of the year and that the 2011/12 budget overspends by £163k, as currently predicted at this stage. Any deviation from this forecast overspend would either increase or decrease our uncommitted balances.

Housing Revenue Account – Medium Term Financial Forecast

Area	Revised Budget 11/12	Budget 12/13	Budget 13/14	Budget 14/15	Budget 15/16	Budget 16/17
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Housing Rents	(22,839)	(24,594)	(25,702)	(26,957)	(28,185)	(29,009)
Other Income	(3,227)	(3,263)	(3,357)	(3,446)	(3,541)	(3,640)
	(26,066)	(27,857)	(29,059)	(30,403)	(31,726)	(32,649)
Expenditure						
Repairs & Maintenance	5,005	4,975	4,996	4,916	4,937	5,021
Running Costs	9,021	9,468	9,656	9,856	10,011	9,919
Interest Payable	2,488	6,330	6,415	6,527	6,574	6,633
Depreciation	4,608	7,012	7,117	7,224	7,332	7,442
Other Capital Financing	265	288	119	86	89	91
Subsidy Payable	4,738	-	-	-	-	-
RCCO	248	250	1,591	1,782	2,783	3,543
Contribution to Balances	0	0	0	0	0	0
Other	0	0	0	0	0	0
	26,373	28,323	29,894	30,391	31,726	32,649
Budgeted (Surplus)/Deficit	307	466	835	(12)	-	-
Forecast 2011/12 Overspend	163	0	0	0	0	0
Revised (Surplus)/Deficit	* 470	466	835	(12)	-	-
Opening Balance	(3,919)	(2,889)	(2,423)	(1,588)	(1,600)	(1,600)
Committed Balance	560	-	-	-	-	-
(Surplus)/Deficit	470	466	835	(12)	-	-
Uncommitted Closing Balance	(2,889)	(2,423)	(1,588)	(1,600)	(1,600)	(1,600)

* It should be noted that it is currently forecast the HRA will be overspent by £163k in 2011/12, which will result in a contribution from balances. Clearly, if this level of overspend is not achieved, then there will be a resultant impact upon the level of HRA balances.

Review of Housing Revenue Account Balances 2012/13

Risk Management Assessment

Factor	Assessed Risk		
	High £'000	Medium £'000	Low £'000
Cash flow (1% of £52m)	520		
Interest Rate (2% on £16m)	320		
Inflation (Decrease of 1%)		150	
Emergencies		50	
Right To Buy Sales		250	
New Spending		100	
Litigation			50
Sheltered Accommodation Project	250		
Garage Sites Project	250		
	1,340	550	50

	Minimum Provision £'000
High Risk – 100%	1,340
Medium – 50%	275
Low – 10%	5
Sub Total	1,620
Other - say	(20)
Recommended Prudent Level	1,600

Housing Revenue Account – 30 Year Financial Model

	<u>Year 1</u> <u>2012/13</u> <u>£000's</u>	<u>Year 2</u> <u>2013/14</u> <u>£000's</u>	<u>Year 3</u> <u>2014/15</u> <u>£000's</u>	<u>Year 4</u> <u>2015/16</u> <u>£000's</u>	<u>Year 5</u> <u>2016/17</u> <u>£000's</u>	<u>Year 1-5</u> <u>Total</u> <u>£000's</u>	<u>Year 6-10</u> <u>Total</u> <u>£000's</u>	<u>Year 11-15</u> <u>Total</u> <u>£000's</u>	<u>Year 16-20</u> <u>Total</u> <u>£000's</u>	<u>Year 21-25</u> <u>Total</u> <u>£000's</u>	<u>Year 26-30</u> <u>Total</u> <u>£000's</u>
Revenue Account											
Income	(27,857)	(29,059)	(30,403)	(31,726)	(32,649)		(176,663)	(201,402)	(229,550)	(261,569)	(297,978)
Expenditure	28,323	29,894	30,391	31,726	32,649		176,661	201,233	229,316	261,303	221,475
(Surplus)/Deficit	466	835	(12)	0	0		(2)	(169)	(234)	(266)	(76,503)
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)	(2,774)
Capital Account											
Investment:											
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
Sheltered Accommodation Review	1,800	1,538	1,261	1,615	1,987	8,201					
New Build		3,762				3,762					
Total	9,100	13,478	10,054	10,937	12,464	56,033	58,420	59,314	67,023	75,734	75,923
Funded By (Resources):											
Depreciation	(7,050)	(8,345)	(7,224)	(7,332)	(7,442)	(37,394)	(40,098)	(45,367)	(51,328)	(58,073)	(65,705)
Revenue Contribution	(250)	(1,591)	(1,782)	(2,783)	(3,543)	(9,948)	(18,323)	(13,947)	(15,695)	(17,661)	(10,219)
Capital Receipts	(1,800)	0	0	0	0	(1,800)	0	0	0	0	0
Grant	0	(170)	0	0	0	(170)	0	0	0	0	0
New Borrowing	0	(3,372)	(1,048)	(822)	(1,479)	(6,721)	0	0	0	0	0
Total	(9,100)	(13,478)	(10,054)	(10,937)	(12,464)	(56,033)	(58,420)	(59,314)	(67,023)	(75,734)	(75,923)
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

25th January 2012

Item

10(ii)

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

Tel: 282762

Title Housing Investment Programme (HIP) 2012/13
Wards affected All

This report concerns the Housing Investment Programme for 2012/13

1. Decision(s) Required

- 1.1 To approve the Housing Investment Programme for 2012/13, subject to the final HRA Reform debt settlement and associated treasury management financing implications.
- 1.2 To note the Capital Medium Term Financial Forecast (CMTFF) set out at Appendix A.

2. Reasons for Decision(s)

- 2.1 Each year as part of the process to agree the Council's revenue and capital estimates the Cabinet is required to agree the allocations to the Housing Stock Investment Programme. These allow for work to be undertaken to maintain, improve, and refurbish the housing stock and its environment.
- 2.2 Members will be aware that following the Cabinet meeting on the 30 November 2011 it was agreed in principle to accept a proposed 5 year Housing Investment Programme (HIP) as the framework for procuring housing related planned works, improvements, responsive and void works and cyclical maintenance, subject to overall budget decisions in January 2012.
- 2.3 It was also agreed that the proposed 5 year investment programme would be linked to the Asset Management Strategy and reviewed annually in the light of available resources and for each annual allocation to continue to be brought to Cabinet for approval as part of the overall HIP report.
- 2.4 The CBH Board has been apprised of the content of the Cabinet report submitted on the 30 November 2011 and the 2012/13 Capital investment and is seeking approval of the funding.

- 2.5 This report seeks the release of funds under grouped headings as described in the Asset Management Strategy and supported by the Deed of Variation which governs the contractual delivery relationship between Colchester Borough Council and Colchester Borough Homes.

3. Supporting Information

- 3.1 This report is considered as part of agreeing the Housing Revenue Account (HRA) estimates as the funding for the Housing Investment Programme (HIP), which covers capital investment in the housing stock, is very much linked to the overall level of resources for housing.
- 3.2 In recognition of the need to define future trends and changes influencing the needs of the housing assets, a 30 year investment model was established to support the HRA business planning process. This was undertaken as part of the Councils response to the proposal from the Government to disband the Housing Subsidy system and to introduce self financing from April 2012.
- 3.3 It is the first year of the opening five years of this programme which is being recommended as the framework for procuring housing related planned works and improvements.

4. Funding the Housing Investment Programme

- 4.1 2012/13 is the first year of the new national HRA self-financing regime. This has fundamentally changed the way in which Council Housing is financed, and as a consequence a financial model for the HRA has been developed, which forecasts the HRA and HIP for each of the next 30 years, using a range of assumptions on areas such as inflation, stock numbers, future expenditure & income levels etc. This is considered further in the 2012/13 HRA Estimates report elsewhere on the agenda. The source of resources, and the priority order in which it is assumed they will be used to fund capital expenditure in the 2012/13 HIP budget and financial forecasts are as follows;
- Specific Areas of Finance (e.g. Grants),
 - Capital Receipts,
 - Major Repairs Reserve (Depreciation),
 - Revenue contributions to capital (RCCO),
 - New Additional Borrowing
- 4.2 The assumption made when prioritising resources to fund the HIP is that resources specifically designated to the programme will be used first, followed by capital receipts. This is so the receipts can be re-invested in affordable housing, and be retained locally and not be subject to the capital receipts pooling arrangements. The next form of resource to be used is the Major Repairs Reserve, which is the reserve that has been built up with resources under the former HRA subsidy system & the new depreciation charge to the HRA. This is the resource that is set aside to maintain the housing stock in its current form & condition. If there are insufficient resources within the Major Repairs Reserve to fund all of the capital works in the year, then the next call on funding is revenue. The amount of this resource will depend on the level of balances within the HRA and the extent to which they are directed to the HIP, as opposed to other budget priorities.

- 4.3 Finally, should there be insufficient revenue resources to fund the overall programme the assumption is that the Council will undertake HRA borrowing to fully fund the HIP. This is assumed to be the lowest priority source of funding, to minimise the resultant additional interest costs that would be incurred by the HRA. Further borrowing will be subject to the debt cap which applies under the new self-financing regime. Should this be breached, or should the Council decide it does not want to undertake additional HRA borrowing or use revenue resources etc, then the Council would need to re-consider the programme of works proposed and the corresponding budget provision. This could include foregoing works, or re-profiling the year in which they are undertaken.

5. 2012/13 Programme of Works

- 5.1 The requested budget allocation for the 2012/13 programme is £9.100million. This represents a substantial increase in investment from 2011/12, under the last year of the HRA Subsidy system (£4.856million). This is primarily as a result of the new HRA Self-Financing regime, which commences from 1st April 2012. A further breakdown of the areas of work that are planned to be undertaken is shown at paragraph 8.
- 5.2 Importantly, it should be noted that when determining the amount of resources available for 2012/13 and future years, an assumption has had to be made on the borrowing costs the Council will incur as a result of taking on the additional debt resulting from HRA Reform. Whilst a reasonable assumption has been used, the actual cost will not be known until the borrowing is undertaken in late March 2012. Should the actual treasury management deal result in less resources being available than assumed for 2012/13, then the programme of works may need to be reviewed accordingly.
- 5.3 Cabinet are also asked to note that provision has been made within the 2012/13 programme, to enable feasibility, design and site work resulting from the Sheltered Housing review agreed by Cabinet on 12th October 2011. This is currently estimated to cost £1.8million, although this may change once the design and tendering of work etc commence.

6. HRA Capital Medium Term Financial Forecast - 2012/13 to 2016/17

- 6.1 As previously stated, on the 30th November 2011 Cabinet agreed in principle to accept a proposed 5 year Housing Investment Programme subject to overall budget considerations. As a result, the expenditure proposals from that report have been included in the capital medium term financial forecast at Appendix A. This shows a significant increase in capital investment in the housing stock compared to previous years, reflecting the need to maintain decency, and to start to invest in other work programmes identified in the asset management strategy for which the resources have not been available under the HRA subsidy system. It should be noted that the figures for 2013/14 onwards are indicative at this stage, and will be subject to confirmation and agreement by Cabinet in their appropriate year's budget setting cycle. This is primarily because the main drivers under HRA Self-Financing are the retention of 100% of tenant's rental income locally, and also the cost of interest we have to pay on the additional debt taken on. Future rent increases will not be known until the Government announce the inflation figures in November of each preceding year, so at this stage future rent increases are based on an estimate of inflation. As previously stated, an assumption has been made on the additional borrowing costs we will incur on the debt taken on under HRA Reform. Both inflation and borrowing costs have an impact on the assumed level of resources available to fund the HIP.

- 6.2 At its meeting on the 12th October 2011, Cabinet considered a number of recommendations relating to making improvements to the Councils sheltered housing stock. It was agreed that any capital receipts relating to disposals would be ring-fenced to the HRA, and that the financial implications of the in-principle decisions taken are modelled and reflected in the overall 2012/13 budget setting process. It was also indicated in the report that additional borrowing would be likely to be required to fund the programme of works, which would be via the use of the available borrowing headroom arising under HRA Reform. It is worth reminding that the 30 year Asset Management Strategy already made provision for investment in the sheltered housing stock, therefore the borrowing required is as a result of bringing these works elements forward, rather than any shortfall in funding in the overall business plan. Therefore the 2012/13 budget, and the capital medium term financial forecast at Appendix A, show the indicative expenditure requirements and capital receipts relating to the review of sheltered accommodation, and have been taken into account when determining the sources of funding available and required.
- 6.3 At its meeting on the 25th May 2011, Cabinet approved the Councils initial bid to the Homes and Community Agency (HCA) as part of their 2011-2015 Affordable Homes Programme to fund the building of 34 new Council-owned homes. Agreement for further negotiations and final detail of the bid was delegated to the Portfolio Holder for Housing and Community Safety. As a result, the Council was awarded £170,000 of HCA funding. A condition of the funding is that it must be spent by 2015, or we will not receive it. The bid to the HCA contained the indicative capital costs of the scheme to be incurred by the Council. Officers are currently undertaking work to progress this scheme, but in the meantime the indicative expenditure in the bid has been included within the capital programme in 2013/14, as shown at Appendix A. The Cabinet report stated the intention was to use a part of the borrowing headroom arising under HRA Self-Financing to finance the Councils expenditure relating to this scheme.
- 6.4 The estimated RCCO in 2012/13 is £250k. In recent years, this has been used to fund non-works programmes, such as Housing ICT and the capitalisation of costs associated with the Strategic Policy and Performance team. For 2012/13, no RCCO is required to support the works element of the capital programme. This is due to the assumed use of the balance in the Major Repairs Reserve from previous years, thus preserving revenue resources in the HRA for future years use. It has also been assumed that the capital receipts from the disposals of the 2 sheltered schemes will be broadly at the level indicated in the Cabinet report of 12th October 2011, and will be received in 2012/13 and ring-fenced for use within the HRA. For 2013/14 onwards, RCCO's will be required to fund the additional investment in the capital programme. This is the very nature of how HRA Self-Financing works, because the Council is now able to retain all future rental income. As these resources increase in line with inflation, we are able to substantially increase investment in the housing stock and meet the needs contained within the Councils Asset Management Strategy.
- 6.5 The Medium Term financial forecast shows a requirement to undertake additional borrowing in the next 5 years. This is entirely related to the funding of the development of the 34 new units of accommodation on garage sites discussed at paragraph 6.3, and the proposed sheltered accommodation improvements discussed at paragraph 6.2. Were these projects not included in the spending plans for the next 5 years, then no additional borrowing would be required to fund the CMTFF shown at Appendix A. This confirms the approach that has been adopted, which is to ensure there is maximum flexibility in the early years of the programme to deliver the needs of the housing stock as well as the other projects the Council has committed to.

7. Priorities for the Council

- 7.1 To use the new Colchester Housing Asset Management Strategy (AMS) as the basis for long term planning, provision and sustainability of Colchester borough Council's housing assets following Cabinet acceptance of the Strategy on 1 December 2010.
- 7.2 To allocate appropriate funding to CBH within the resources that are available to enable stock investment to proceed, improving housing conditions for our tenants.
- 7.3 To ensure that having achieved delivery of the decent homes' targets in December 2011 that the overall level of decency is maintained at the end of any one financial year but ensure compliance on a five yearly basis.
- 7.4 To build upon current monitoring arrangements and ensure programme delivery and the effective targeting of resources particularly in respect of maintaining the value of the asset and providing Adaptations for our customers with disabilities.

8. Proposals

- 8.1 The report sets out below a summary of the proposed allocation of new resources for 2012/13 as defined by the Asset Management Strategy (AMS) with the following comments setting out the basis of the allocation.
- 8.2 **Capital Investment Programme - £4.126million** – This allocation supports the (AMS) and acknowledges the work required to allow the decency standard to be maintained, therefore this substantial proportion of the overall allocation is recommended.
- 8.3 **Aids & Adaptations - £0.573million** - This continues to support the budget at historic levels. The proposed allocation achieves the requirement to adapt Council dwellings to meet the special needs of our customers and also meet the high priority that Members place on this service.
- 8.4 **Emergency Failures (statutory obligation) and Voids - £1.032million** – This allocation supports the (AMS) and the experience gained through the management controls exercised for the Deed of Variation. It reflects the necessity to recognise capital works in the voids process along with emergency failures. It is possible that this work will actually be spent using the contractual arrangements entered into with our Capital Improvement contractors.
- 8.5 **Emergency failures structural works - £0.287million** – As with the previous allocation this reflects the (AMS) and the experience gained through the management controls exercised for the Deed of Variation. The work is generally associated with premature failure of structural elements and in particular the continuance of the canopy replacement programme.
- 8.6 **Roofing Programme - £0.115million** – This allocation supports the Asset Management Strategy in starting a new roof replacement programme.
- 8.7 **Environmental Works - £0.573million** - This allocation supports the Asset Management Strategy by once again starting to address the improvements to the overall estate living environment. It will include door entry systems, boundary works and PVC installations to start to reduce the revenue reliance on painting programmes.
- 8.8 **Asbestos, Legionella, Fire Safety and Overall Contingency - £0.344million** – This allocation recognises the need to continue to proactively manage our statutory obligations in the defined areas and provides a general contingency to cover the whole of the programme.

- 8.9 **Non-Works Programmes - £0.250 million** – This is for the further development of the Academy Housing system, various other one off projects and also meeting the Council's technical strategic asset management role for repairs and maintenance capital projects.
- 8.10 **Sheltered Accommodation Improvements - £1.800 million** – This allocation supports the feasibility, design and site work for the improvements to a sheltered scheme.

9. Strategic Plan References

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

10. Consultation

- 10.1 As a result of the Cabinet report submitted on the 30th November 2011 members will be aware of the extensive consultation process which has been undertaken to arrive at a position where it has been possible to recommend this report and budget allocation.
- 10.2 The consultation process has been inclusive of tenants and leaseholders, the Asset Management Group, The Partnership Meeting and also invited FASP to report comment.
- 10.3 It should also be noted that thorough consultation will be carried out with tenants and leaseholders affected by any works to properties or areas as a result of the works programmes proposed within this report.

11. Publicity Considerations

- 11.1 Any housing investment has a significant impact on the quality of life for local people. As a consequence the targeting and effectiveness of the programme has huge interest for members and the public as a whole. It is recognised that ongoing publicity will need to be conducted particularly as existing programmes continue and new capital programmes are introduced. Updates will be publicised to the customers in the areas to receive work during the year.

12. Financial implications

- 12.1 As set out in the report.

13. Equality, Diversity and Human Rights implications

- 13.1 The equality of all tenants has been considered when planning this programme, with a particular emphasis on people with disabilities being able to remain in their homes as a result of adaptations being carried out. Equality Impact Assessments have been produced where appropriate, in line with agreed policies and procedures.
- 13.2 Through the Housing Procurement Strategy within the (AMS) staff will ensure that all future procurement and purchasing documentation recognise, understand and support CBC and CBH policies with regard to equal opportunities, diversity and human rights.
- 13.3 Members will recall that during recent contract procurements, such as the Capital Improvement Programme, contractors were both evaluated and questioned at interview stage with regard to how they would deliver services to tenants from BME origins, with disabilities and other support needs. Contractors were aware of the need to tailor the service they provide to meet the individual needs of tenants.

14. Community Safety Implications

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

15. Health and Safety Implications

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

16. Risk Management Implications

- 16.1 Risk management will be considered as the programme is developed, particularly the issues around the introduction of new programmes of work.

HRA Capital Medium Term Financial Forecast – 2012/13 to 2016/17

Appendix A

Expenditure	Notes	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Stock Investment Programme		6,550	7,409	8,005	8,515	9,649
Adaptations		500	513	525	538	552
Sheltered Accommodation Review		1,800	1,538	1,261	1,615	1,987
New Build		-	3,762	-	-	-
Stock Investment Sub - Total		8,850	13,222	9,791	10,668	12,188
ICT		140	144	147	151	154
SAMS		110	112	116	118	122
Other Works Sub - Total		250	256	263	269	276
Total Programme		9,100	13,478	10,054	10,937	12,464

Resources	Notes	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Major Repairs Reserve		7,050	8,345	7,224	7,332	7,442
Revenue Contribution to Capital		250	1,591	1,782	2,783	3,543
Capital Grant		-	170	-	-	-
Capital Receipts	Estimated from Sheltered Housing Disposals	1,800	-	-	-	-
New Borrowing			3,372	1,048	822	1,479
Total Funding		9,100	13,478	10,054	10,937	12,464

Report of	Head of Strategic Policy and Regeneration	Author	Fiona Duhamel
Title	Vineyard Gate – Approval of Draft Heads of Terms		
Wards affected	All		

This report seeks approval of the new draft Heads of Terms (which include the key financial terms detailed on the confidential section of this report) between the Council and Caddick Developments Ltd for the retail led mixed use scheme which forms part of the St. Botolph’s Regeneration Area

1. Decision(s) Required

- 1.1 To approve the draft Heads of Terms which will form the basis of the Development Agreement.
- 1.2 To accept the commercial advice from the Council’s valuers, CBRE, that the draft Heads of Terms currently represent the best consideration to the Council ,subject to an assessment of the latest development appraisal and taking into account current market conditions..
- 1.3 To give delegated authority to the Executive Director Ian Vipond, in consultation with the Portfolio Holder for Regeneration, to conclude the Heads of Terms substantially in accordance with the approved draft and complete negotiations on Development Agreement and associated documents

2. Reasons for Decision(s)

- 2.1 Significant progress made in recent months in negotiations with Caddick Developments concerning the Vineyard Gate Development proposals which, following the changed economic climate since July 2007, have resulted in a more compact scheme with a lower overall floor area.Caddicks have tabled a revised shopping centre scheme with a revised set of Heads of Terms including alternative financial terms, which now require approval from Cabinet before work can commence on a Development Agreement.
- 2.2 Significant progress has been made to bring forward a shopping centre scheme, in a difficult economic climate, which will seek to deliver much needed regeneration to a run down area in the town centre and create over 750 jobs.
- 2.3 The development of this scheme will help to deliver wider social and economic benefits as part of the Better Town Centre Improvements Programme and as identified in the King Sturge Retail Study 2011.
- 2.4 The proposed Heads of Terms, whilst largely similar to those agreed for the previous scheme, do include revised financial terms which reflect the difficult circumstances existing in the development market at this time.

- 2.5 The draft Heads of Terms, once finalised, will form the basis of the Development Agreement which will be the legal contract between the Council and Caddick Developments Ltd. to build the scheme.
- 2.6 Approval of the Heads of Terms will enable each party to instruct legal representatives to commence the negotiations in respect of the Development Agreement and upon completion of the development agreement, work will commence on the planning application and other key tasks required to move forward the scheme such as the CPO.

3. Alternative Options

- 3.1 The Council could refuse to accept that the revised Heads of Terms offer the Council the best possible consideration for its landholding or agree that they fail to realise the Council's aspirations in respect of this site in order to meet the gaps identified in the recent Retail Study.
- 3.2 The Council could seek to renegotiate terms with the developer and or carry out a further review of the proposed scheme or accept that a shopping centre scheme will not be delivered on this site in the near future. It is recognised that a new shopping centre in the town will contribute significantly to future retail growth, higher expenditure and stronger economic growth
- 3.3 The Council's agent, CBRE has confirmed in a report attached to the confidential part of this item, that in their professional opinion, the financial terms proposed by Caddick Developments do represent the best consideration for the Council's landholding in the current economic conditions and although the scheme is smaller the developer will still be compelled to deliver a high quality shopping centre, which will seek to attract the type of retailers Colchester needs to ensure future retail growth and vitality.

4. Supporting Information

- 4.1 Following on from the last set of Heads of Terms negotiated between the Council and Caddick Developments, the economic climate has changed dramatically and work to bring forward many shopping centre schemes across the country has stalled. In October 2010 the two parties agreed to take a period of time to consider the future delivery options for a new shopping centre in Colchester and during this period of review, the Council commissioned a Retail Study to carry out a health check on Colchester's Retail and Leisure proposition, which also sought to identify areas of strengths and weakness whilst developing a strategy for long term retail health and vitality in the town.
- 4.2 Caddick in turn gave consideration to the type of scheme which could be brought forward in the current economic climate and took the opportunity to consider alternative development options, which has led to them proposing a smaller and arguably more deliverable scheme.
- 4.3 Key among the changes was the decision to significantly reduce the overall size of the development to circa 130,000sq ft from the original 550,000sq ft. A reduction in floor area has removed the need to acquire the land south of Osborne Street, which has in turn substantially reduced the land acquisition costs and construction costs associated with the original project.

- 4.4 The Retail Study commissioned by the Council, identified the need to attract new and high profile retail names to Colchester as being a key factor to the towns retail success going forward. The smaller scheme proposed by Caddick still seeks to attract new high quality retailers to Colchester whilst developing new areas of public realm and potentially leisure uses within the proposals, particularly those with a food and drink bias.
- 4.5 The proposals are intended to build upon the existing retail offer in the town and create strong physical links to the rest of the town centre shopping areas.
- 4.6 The development of the Vineyard Gate scheme will also bring added impetus to the proposals to develop the 'Independent Quarter' in Eld Lane which, upon completion of the development, will sit between two major retail areas of the town and therefore benefit from a mutually supportive and complementary relationship.
- 4.7 The current proposals will bring about much needed regeneration of a key part of the town centre which has been neglected for many years and will provide a link to the town's bus facility in Osborne St/Stanwell Street, which will already be in place having been relocated in December 2012.
- 4.8 Early dialogue in respect of the proposed scheme has now been held with CBC planning department and English Heritage although it is recognised that further detailed work is still required with key stakeholders and the wider public.
- 4.9 Once the design options are finalised then the proposals will be subject to the normal consultation process through the planning application route. The developer remains sensitive to the Council's concerns, particularly in respect of the quality of architecture and materials used, key pedestrian and cycle links created and the relationship with retailers in the town including local traders, especially those affected directly and indirectly by the proposals.
- 4.10 The current economic situation and revised scheme design have had a significant impact on the financial aspects of the project and the level of return to the developer and to the Council. Although the current scheme and terms agreed still do not fully meet the developer's expectations financially, they are prepared to continue to move forward the project to the next stage, which will include the preparation of a planning application and in doing so, will be required to input significant resources (estimated at several million pounds). Although the developer continues to work at risk until a Development Agreement is completed, this situation is common for major schemes of this nature and reflects the potential significant returns for developers relative to the risks. The financial implications to the Council are set out within the confidential part of the report and the risks associated with the scheme delivery are set out in the risk management section below.

5. Proposals

- 5.1 The Council proposes to agree Heads of Terms with Caddick Developments for the development of the mixed use retail scheme in the St. Botolph's regeneration area, which will form the basis of negotiations in respect of the Development Agreement, due for completion in March 2012.
- 5.2 The Heads of Terms are based upon a base design, which is attached to this report. However, this scheme may still be subject to changes over the next few months as costs and design details become clearer and values are continually assessed and updated. This may in turn affect the final terms of the Development Agreement but unless these terms are significantly altered from those agreed in the Heads of Terms, it is proposed that delegated authority is given to conclude the negotiations.

- 5.3 The draft Heads of Terms require for a planning application to be submitted to the Council's planning department within 12 months of completion of the development agreement.
- 5.4 The draft Heads of Terms, which have been negotiated with the Developer, are attached to the confidential section of this report. In negotiating this document we have minded to ensure that the proposed terms are structured on the basis that key developments risks and responsibilities rest with the Developer

6. Strategic Plan References

- 6.1 Enabling job creation will be a key objective from the development of this scheme, which contributes to the overall delivery objectives of the Better Town Centre Programme.

7. Consultation

- 7.1 Substantial consultation was undertaken prior to the approval of the St. Botolph's Masterplan. Whilst no specific consultation has been carried out in respect of the current Heads of Terms, key retail partners and local traders both directly and indirectly affected, have been informed of recent progress.
- 7.2 Consultation and engagement will continue throughout the development process.

8. Publicity Considerations

- 8.1 A press release has been issued which outlines the revised scheme.
- 8.2 The Council will continue to ensure that contact is maintained with the traders informing them of the latest position and will work with the developers to ensure traders in the area and wider town are regularly updated with progress although much of this communication should be undertaken as part of the wider Better Town Centre Programme.

9. Financial implications

- 9.1 The detailed financial proposals in respect of the Heads of Terms are highlighted in the CBRE report, attached as a confidential background paper to the confidential part of this item.
- 9.2 However, it must be accepted that in the current economic conditions, the scheme is on the cusp of viability and as such it has been accepted by both parties that compromises may be required in order to bring about project delivery.

10. Equality, Diversity and Human Rights implications

- 10.1 An EQIA has been completed for this project with the following link <Q:\Strategic Policy & Regeneration\Regeneration\Regeneration Projects\d.Town Centre\3135 - Vineyard Gate\Reports\Cabinet January 2012\EQIA form Vineyard Gate 30 12 11.doc>.....

11. Community Safety Implications

- 11.1 None identified at this stage

12. Health and Safety Implications

12.1 There will be no Health and Safety implications at this stage.

13.0 Risk Management Implications

13.1 There are risks to future project delivery associated with: failure to progress to the development agreement stage, difficulty in identifying a suitable anchor tenant, rising costs and decreasing land and rental values, failure to reach agreement on levels of scheme quality and inability to meet planning and English Heritage expectations for the site.

13.2 All of the above risks are detailed further in the confidential section of this item.

Background Papers

Outline of proposed scheme



+22.5

steps/seating

+21.0

Steps up

Bus stops

Lower Retail Level

SU20
Cafe
2560sq.ft

SU19
F+B
3408sq.ft

4607sq.ft
SU18
F+B

MSU
17613sq.ft

SU17
F+B
1981sq.ft

SU16
F+B
3353sq.ft

SU15
Food
10305sq.ft

SU14
1644sq.ft

SU01
5220sq.ft

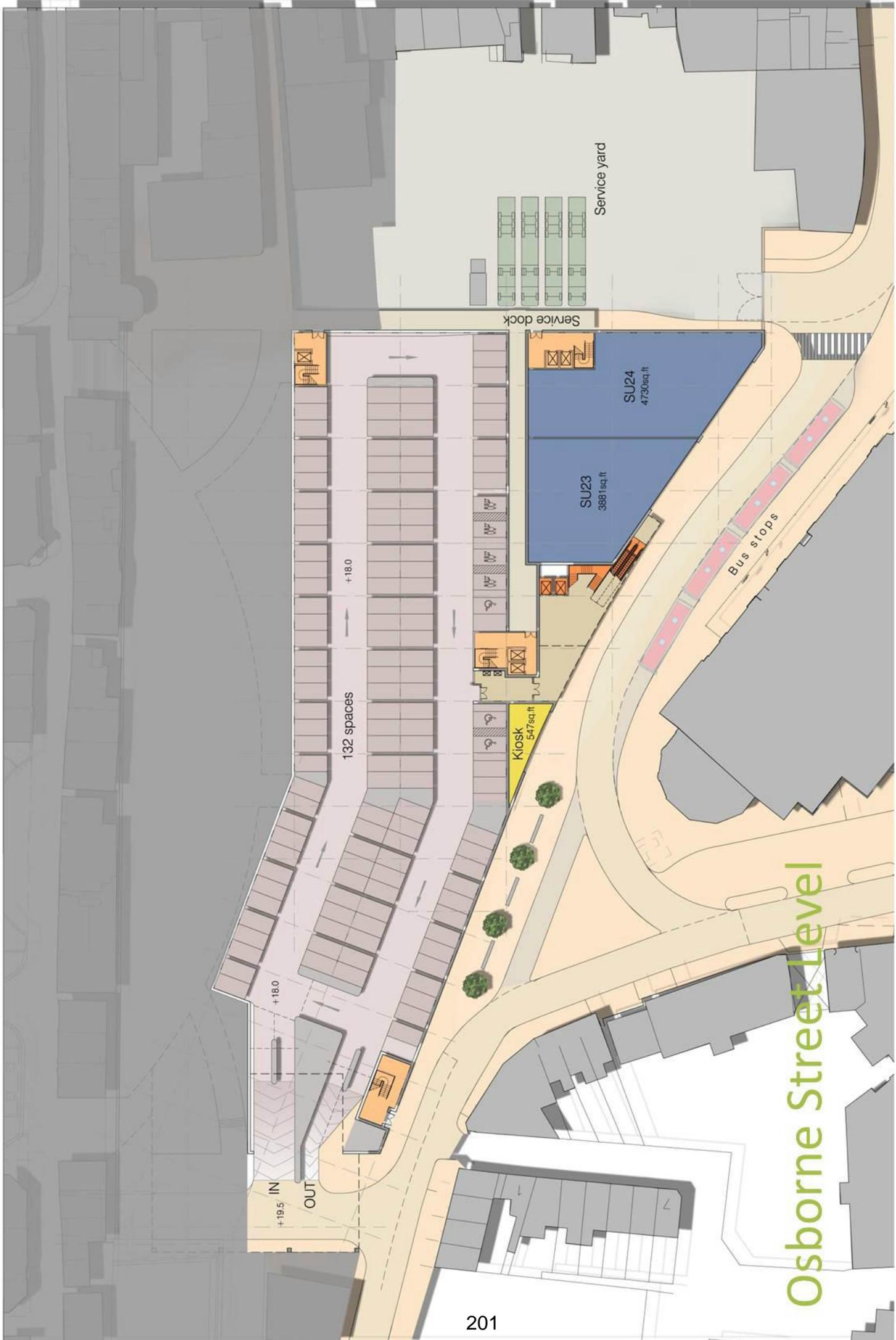
SU22
972sq.ft

SU21
972sq.ft

SU13
1513sq.ft



Mezzanine Level



Osborne Street Level

PETITIONS, PUBLIC STATEMENTS, QUESTIONS

(i) Have Your Say speakers

Date of Meeting	Details of Member of the Public	Subject Matter	Form of Response	Date Completed
Cabinet, 30 November 2011	Joy Eustace, Bobby Hunt, Roy Cleary, Norman Bailey	Closure of Joyce Brooks House	Verbal response provided at the meeting by Councillor T. Young, Portfolio Holder for Housing and Community Safety, and Councillor Hunt, Portfolio Holder for Street and Waste Services	30 November 2011
Cabinet, 30 November 2011	Angel Kalyan	Clarification on Council's response re previous query on potential maladministration	Verbal response provided at the meeting by Councillor Turrell, Leader of the Council and Portfolio Holder for Strategy and Performance	30 November 2011
Cabinet, 30 November 2011	Andy Hamilton	Lease for the Visual Arts Facility	Verbal response provided at the meeting by Councillor Smith, Portfolio Holder for Resources and Heritage	30 November 2011
Council, 8 December 2011	Bobby Hunt, Norman Bailey, Tim Oxtan, Andy Abbott	Closure of Joyce Brooks House	Verbal response provided at the meeting by Councillor T. Young, Portfolio Holder for Housing and Community Safety	8 December 2011
Council, 8 December 2011	Alderman Wheeler	Recommendations from the Magistrates' Court Task and Finish Group	Issues raised by Alderman Wheeler were discussed by Council in its debate on this issue.	8 December 2011

(ii) Petitions

Date petition received	Lead petitioner	Subject Matter	Form of Response	Date Completed
10 October 2011	Tony Saunders, Colchester Hackney Carriage Association	Proposed changes to the taxi rank in the High Street	Council Officers met with representatives of Colchester Hackney Carriage Association to discuss concerns and how these could be addressed.	7 December 2011
6 January 2012	Bobby Hunt	Closure of Joyce Brooks House	Response sent to Lead Petitioner on 12 January 2012	12 January 2012



Cabinet

Item
13(i)

25 January 2012

Report of	Head of Street Services	Author	Matthew Young ☎ 282902 Paul English ☎ 282309
Title	Supply of Fleet Procurement and Maintenance Services		
Wards affected	Not applicable		

This report recommends the award of a contract to provide fleet procurement and maintenance services for the Council.

1. Decision(s) Required

- 1.1 To note the decision in the confidential report in part B of this agenda to delegate authority to the Head of Street Services in consultation with the Street and Waste Portfolio Holder to:
- (i) enter into detailed negotiations with the Preferred Bidder Riverside Truck Rental Limited ("Preferred Bidder") in order to seek to agree the relevant contract documentation
 - (ii) award the contract for Maintenance Services to the Preferred Bidder for the reasons set out in this report subject to the satisfactory conclusion of the contract negotiations.
- 1.2 In the event that negotiations can not be successfully concluded with the Preferred Bidder to delegate authority to the Head of Street Services in consultation with the Street and Waste Portfolio Holder to:
- (i) enter into detailed negotiations with the next bidder in order to seek to agree the relevant contract documentation
 - (ii) award the contract for Maintenance Services to the next Preferred Bidder.

2. Reasons for Decision

- 2.1 The Council does not have a recognised programme in place to replace vehicles which come to the end of their expected life. Nor does the Council have a similar programme to procure any additional vehicles required through service developments. Vehicles have been purchased and leased for many years on an ad hoc basis.
- 2.2 The Council recognised the need to agree the way forward for procuring and financing a long term planned replacement programme for Council vehicles and plant as well as considering the best option for maintenance and servicing.

- 2.3 It was agreed to pursue an OJEU procurement process with Braintree and Uttlesford Council's for both Fleet Procurement and Vehicle Workshop functions and which included the following options ("Bid Options"):

Option 1

Supply and Maintenance only (Contractor to provide workshop, other than for Colchester)

Option 2

Supply and Maintenance including Operator Damage (Contractor to provide workshop, other than for Colchester);

Option 3a

Maintenance only and Council to provide funding (Braintree and Uttlesford only);

Option 3b

Supply and Maintenance only contractor to provide workshop (Colchester only);

Option 4a

Maintenance only including Operator Damage and Council to provide funding (Braintree and Uttlesford only);

Option 4b

Supply and Maintenance only including Operator Damage contractor to provide workshop (Colchester only);

Option 5

Supply and maintenance for Braintree, Colchester and Uttlesford Councils;

Option 6

Supply and maintenance for Braintree, Colchester and Uttlesford Councils including Operator Damage.

- 2.4 However, options 3b and 4b were not pursued as all bidders are committed to using the existing workshop facility at Westside.

- 2.5 Due to the commercial confidentiality the detailed financial assessment of the Bid Options and the resulting bids are included in a detailed confidential report which is also an agenda item for consideration ("Confidential Report").

3. Alternative Options

- 3.1 The Council could chose to retain either or both services in-house and a comparison is made with this option in the Confidential Report.

4. Background

- 4.1 In late 2009 the Council agreed to pursue an OJEU procurement process for both Fleet Procurement and Vehicle Workshop functions. This was commenced in conjunction with the Braintree Procurement Hub in early 2010. For a number of reasons including the lack of certainty of the type of vehicles required and the Street Services Fundamental Services Review the project was delayed until mid 2011.
- 4.2 During this time there have been a number of developments across Essex that has led to changes in how authorities procure and maintain their vehicles and officers have been able to learn from this best practice. This is particularly true in Basildon where they have been able to negotiate, with specialist consultant's support, a competitive, best value outsourced contract that has improved both the vehicle supply and maintenance service.
- 4.3 The Braintree Procurement Hub also identified that both Braintree and Uttlesford Councils were pursuing a similar venture with the same consultants as Basildon, White Young Green (WYG), and offered all other Essex districts the opportunity to become partners to this procurement exercise. After discussions with both Councils, and the consultants, officers agreed that this would be likely to offer the best value procurement method. This would cover the whole process from Official Journal of the European Union (OJEU) advertisement to final contract commencement.
- 4.4 Although 90% of the fleet is located in Street Services all services have been informed on progress with this procurement exercise and a small officer group has been formed, involving representatives from Legal, Finance and Human Resources to assess and monitor all stages of the process.
- 4.5 The contract is for the supply and maintenance of all vehicles used by the Council and has been assessed to ensure that the most efficient and economical viable operator and/or method are recommended for acceptance by the Cabinet. As this could be a 14 year contract (seven years + potential seven year extension) one vital aspect is also the flexibility of the contract to change vehicles if service delivery methods alter, or technology advances in terms of fuels.
- 4.6 The OJEU notice was placed in the week ending 17th June 2011 and expressions of interest were received from 35 potential bidders. As the contract was divided into 'lots' these bidders could be interested in providing a full procurement and maintenance service to all three Councils, or even just a maintenance service for one Council.
- 4.7 These expressions were shortlisted to those who met all the essential criteria set out in the OJEU bid document and this reduced the number to 13 although two bidders subsequently withdrew at the initial competitive dialogue stage. The remaining 11 undertook this dialogue with all three authorities and WYG in August.
- 4.8 Following the dialogue process six bidders decided to submit outline bids for the contracts and these were evaluated in September where three bids were deemed non-compliant. This left the following three bidders who were invited to submit final tenders (ISFT):
 - Riverside
 - SFS
 - Translinc

- 4.9 Each bidder was asked to give a price for each vehicle type in Schedule 1 for each of the Bid Options.
- 4.10 By taking the 'Operator Damage' option the amount quoted includes a fixed price for driver/operator damage. This fixed price includes all damage except Road Traffic Accidents or malicious damage resulting in insurance claims. However, it will include items/repairs under £500 that are the Council's excess on its insurance. This gives certainty to the Council in terms of its costs and avoids both parties spending substantial resources discussing and apportioning liability when a vehicle is damaged.
- 4.11 It is worth noting that the bidders were encouraged to be innovative in their final submissions and all three authorities were expecting to see options that were beneficial to all parties, both operationally and financially, although each authority would enter into a separate contract with the successful bidder or bidders.
- 4.12 At ISFT stage tenders were assessed on the basis of both cost and quality from a total of 1,000 points. 600 points were awarded on the basis of cost and 400 points on the basis of quality.
- 4.13 As a result of this scoring one submission becomes most advantageous for Colchester across all options and this is detailed in the Confidential Report. The Confidential Report also includes a comparison with the costs of providing the present service.
- 4.14 All staff who are presently employed at the Workshop will be subject to the provisions of the Transfer of Undertakings, Protection of Employment (TUPE) legislation and will transfer to the successful bidder. Regular updates on progress with the procurement process have been provided to these staff throughout the process.
- 4.15 In relation to the present Workshop located in Westside, London Road, Stanway all the three shortlisted bidders indicated that they would want to use these premises to deliver the maintenance service either as a main base or a satellite operation. The lease on these premises continues until April 2015 and will be assigned to the successful bidder. A decision on its future after that date will be made by that organisation, although the Councils will want to be reassured that there will no negative impact on service delivery.
- 4.16 When making its decision the Cabinet will need to have regard to the application of the published scoring matrix that details of which are set out below. Any failure to do so would expose the Council to a significant risk of a successful legal challenge.

Evaluation Criteria (Vehicle Lots)

<i>Quality Criterion (1) – Operational Delivery</i>	<i>Points available</i>
1.1 Resources	50
1.2 Service Delivery	135
1.3 Alignment to Business Needs	130
<i>Quality Criterion (2) – Management and Organisation</i>	
2.1 Management and Organisation	85
Quality Sub-Total	400
<i>Financial Criterion</i>	<i>Points available</i>
1. Price (as described in the pricing schedule)*	600
Financial Sub-Total	600
Grand Total	1,000

4.17 The Cabinet might also wish to consider the following:

- The specification against which bidders have tendered is for a level of service that is higher than is currently being delivered.
- There would be a formal contractual arrangement which would require a level of service to be maintained and if it is not there will be provisions within the contract to deal with the situation.
- Within the tendered prices, as evaluated by the consultants there are appropriate securities to ensure the continuity of any resulting contract.
- Within the tender sum there are considerable sums for investment in the infrastructure of the workshops and for modern equipment for which additional funding would have to be provided (over and above the budget) were the service to remain in-house.
- The level of profit-share stated in the submission is the minimum that is guaranteed and there are various mechanisms within the contract for the Councils to gain more under this arrangement including sharing of under-spending on driver damage.
- The contract future-proofs this service as there is provision for training and apprenticeships.
- Under the new proposed arrangements the Councils will not be liable for any end of lease charges.
- The opportunity for the Council to fix its budget with more certainty if the all inclusive option of including for driver damage is taken up.

5. Proposals

- 5.1 The Council to enter into detailed negotiations with the Preferred Bidder and to enter into a formal legal arrangement with the Preferred Bidder once negotiations have been successfully concluded.
- 5.2 If the proposal is agreed by Cabinet it is intended that the Preferred Bidder will be conditionally notified on or around the 10th February 2012 that it is the Preferred Bidder after which time the parties will negotiate on a “subject to contract” basis the detailed contract arrangements and documentation. It is hoped that these negotiations will be completed by the end of February at the latest.
- 5.3 At this stage the TUPE 30 day notice letters will be issued to staff and the formal assignment of the lease on Westside will commence.
- 5.4 It is only once the documentation has been agreed between the Council and the Preferred Bidder that the Council can issue a formal letter of acceptance and enter into a formal contractual relationship. Accordingly, negotiation will and must remain “subject to contract”

6. Strategic Plan References

- 6.1 Whilst there is no direct link to any particular strategic plan objective or priority there is no doubt that this proposal will contribute to shifting resources to deliver priorities as well as helping to achieve the Reduce, Reuse, Recycle priority.

7. Consultation

- 7.1 Throughout the process the Portfolio Holder for Street and Waste has been given regular updates on progress and, at key stages, direction has been sought. Reports have been submitted to the Senior Management Team and advice and guidance received on service needs and corporate requirements.
- 7.2 Staff employed at the Workshop have been regularly updated on progress with the procurement process and the impact on their employment has been explained to them. Advice and guidance for any concerns or questions has been provided by the Human Resources section.
- 7.3 Guidance from WYG, Legal Services, Financial Services and Human Resources have assisted in assessing the details of the contract to ensure that the best option for the Council is identified.
- 7.4 There have been regular project meetings between the consultants WYG, the lead Council officers and officers from Braintree and Uttlesford District Councils including the Braintree Procurement Hub.

8. Publicity Implications

- 8.1 On completion of the commercial negotiations the arrangements for provision of the new service will be communicated to all services and any external clients of the Workshop.

9. Financial implications

- 9.1 Due to commercial confidentiality the detailed financial considerations are shown in detail within the confidential report on this agenda.
- 9.2 The initial annual costs of the Preferred Bidder and preferred option are broadly within the current budget allocation and therefore the cost is expected to be contained within existing budgets. Costs in later years are likely to increase given the need to replace other existing vehicles. This will therefore need to be examined in more detail and built into future revenue budgets as required.

10. Equality and Diversity Implications

- 10.1 As part of their bids all bidders were asked to outline their approach to equality and diversity to ensure that it met the Council's requirements for contractors and suppliers.
- 10.2 This will be fully assessed as part of the tender negotiations and an equality impact assessment will be completed as part of this process.

11. Risk Management Implications

- 11.1 There are a number of risks involved in letting a contract of this size, complexity and length. A full Risk Assessment has been produced based on likelihood and impact of the risks and has been regularly updated through the contract process. This includes action to mitigate the risks.
- 11.2 This assessment is attached to the report at Appendix One.
- 11.3 A weakness of risk assessment is that it has a focus on things that might go wrong, and it is difficult to express the more optimistic analysis of things that are beneficial. To bring out this positive element a column headed 'opportunity' has been included.
- 11.4 Risks will continue to be assessed, monitored and mitigated through the contract negotiation period.

12. Standard References

- 12.1 It is considered that there are no direct community safety and health & safety implications raised by this report.

Background Papers

White Young Green (WYG) report 'Scoring of Final Tender Submissions'

Invitation to Submit Final Tenders (Detailed Evaluation Methodology)

GENERAL OVERVIEW OF RISK MANAGEMENT

It is important to note that risk analysis helps to understand the nature and likelihood of any problems which may arise with the implementation of each option; and attempts to quantify the relative 'riskiness' of each option. However, it does not predict the success or failure of each option or guess at the likely quality or price associated with each option.

METHODOLOGY

A 5x5 risk scoring approach as described in the table overleaf. With this methodology each risk is given a score out five for 'Likelihood of Occurrence'; and another score out of five for 'Severity of Impact'. The two numbers are then multiplied together to give an overall risk score. These are then allocated to three categories:

- Low risk (1-4 points)
- Medium risk (5-10 points)
- High risk (11-25 points)

RISK MATRIX – VEHICLE PROCUREMENT & MAINTENANCE CONTRACT

Topic	Risk	Mitigation	Opportunity	Likelihood	Impact	Risk Score
1. TUPE transfers	Staff identified as eligible for transfer do not consider that they meet requirements for transfer.	Check that the staff identified for transfer meet the criteria.	None	3	3	9
2. Contractual arrangement	A single tender implies a single set of contract conditions, which implies common arrangements for e.g. rectification and default, which in turn could imply changes to existing processes	Need to assess the extent to which any proposed common conditions or specification add costs and/or imply adverse changes to existing service standards	None	3 (or lower if evidence is produced)	2	6

Topic	Risk	Mitigation	Opportunity	Likelihood	Impact	Risk Score
3. Response to unsatisfactory Contractor performance	A single contractor for 3 districts may not be responsive to service issues that are specific to one of those districts	Need to understand the extent to which one district could gain the attention of a single contractor and address within final terms and conditions	There could be a benefit, e.g. the joint arrangements might be swifter and/or cheaper than the existing arrangements.	3 (or lower if evidence is produced)	3	9
4. Sovereignty	Individual Council sovereignty over its own affairs needs to be considered	Need to address within final terms and conditions (dialogue will inform)	Evidence may show that Councils suffer from known service problems and/or relatively high costs that could be improved by the new arrangement.	3	3	9
5. Timetable	Project could 'slip' from current timetable – meaning some key dates will not be met	Timetable drafted is based upon experience; resource identified to chase up actions.	None	2	4	8
6. Affordability	The responses may show that current budgets are too low to deliver revised service, may need capital and or revenue	May not award or seek an increase in base budget	None	2	4	8

Topic	Risk	Mitigation	Opportunity	Likelihood	Impact	Risk Score
7. Decision making	Decisions cannot be made in a timely or informed fashion	Decision-making processes, delegated authorities and dates of relevant meetings need to be clarified	None	2 could be higher if dates are not managed	4	8
8. Financial management	Process for allocating costs and benefits might be unclear, leading to difficulties later	Separate Bills are included for pricing, ensuring transparency; but sharing beyond this needs to be considered	None	1	4	4
9. Challenge to procurement process	There may be a challenge to the contract award	Robust evaluation processes plus dialogue process should mitigate		2	4	8
10. Reliance on software DELTA	Risk of system failure	DELTA has back-up arrangements; some stages of process no covered by paper submissions	None	1	3	3
11. Contractor Terms and Conditions	Contractor Terms and Conditions may be to onerous and contradict the Councils T & C's	To be covered as part of tender evaluation	None	2	4	8

