

**COLCHESTER BOROUGH COUNCIL  
CABINET  
30 January 2019  
SUPPLEMENTARY AGENDA**

**Part A**

(open to the public including the media)

**Housing and Communities/Resources**

**7(iii) Housing Revenue Account Estimates 2019/20**

**7(iv) Housing Investment Programme 2019/20**

**8(i) 2019/20 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast**

A copy of the draft minute from the Scrutiny Panel meeting of 29 January 2019 is attached. (page 2)

## **Extract from the draft minutes of the Scrutiny Panel meeting on 29 January 2019**

### **2019-20 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast, Housing Revenue Account Estimates 2019-20 and Housing Investment Programme 2019-20**

The Panel considered a report inviting it to review and comment on the 2019-20 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast, Housing Revenue Account Estimates 2019-20 and Housing Investment Programme 2019-20. Councillor David King, Portfolio Holder for Resources, and Sean Plummer, Strategic Finance Manager, attended to assist the Panel.

Councillor King provided the Panel with a brief summary of the report. He highlighted the need for financial prudence and the need to budget conservatively. It was important the budget provided investment in Council services to meet the needs of residents. In the context of reducing government funding, it became more difficult each year to present a balanced budget. An increase in council tax was proposed. It was appreciated that this was an additional charge on residents but the Local Council Tax Support Scheme was in place to protect the vulnerable and those on low incomes. He also highlighted the Capital Strategy and the Medium Term Financial Forecast, which demonstrated the need for continued careful financial management in order to close the identified budget gap in future years.

Sean Plummer provided further detail on the revenue budget. He highlighted that the Council would no longer receive any Revenue Support Grant from central government. Whilst in its place the Council would be able to retain a share of business rates, this was a significant change in the way the Council was funded. He drew attention to the significant cost pressures at Appendix C, which had been identified and built into the budget. These were balanced by the savings and incomes identified at Appendix D. Many of these projects had been considered by the Scrutiny Panel in the course of the municipal year, such as the series of Futures Reviews. The increase in council tax and in the tax base would also make a significant contribution to the budget, although it needed to be borne in mind that an increase in the tax base brought an increasing demand for services. There had been a small reduction in the amount of New Homes Bonus received, despite significant housing growth, due to changes in the scheme. Nevertheless, it remained an important funding stream. It was proposed that balances be maintained at more than the recommended level, in view of potential changes in funding, such as future changes to the way New Homes Bonus was calculated.

The Panel expressed its thanks for a very clear report. In terms of business rate retention, clarification was sought on the level of confidence in the projected surplus. Sean Plummer explained that Colchester had done well from the business rate retention scheme since it had been introduced. However, government was proposing to reset the scheme and amend the baseline. There was considerable uncertainty about the impact of this, and it was less easy to predict than grant based funding. A member of the Panel queried action was being taken to increase the number of medium and large businesses, in order to maximise business rate income. It was explained that this would be addressed in the forthcoming Economic Growth Strategy.

A member of the Panel noted the allocation of £450,000 to Local Plan work and queried how much of this would be used to fund North Essex Garden Communities Ltd (NEGC). In view of the current position on Local Plan further funding of NEGC was unnecessary and raised fears of pre-determination. Councillor King explained that this allocation would ensure that any future work that was necessary would be of sufficient quality to provide certainty and enable the necessary decisions to be taken. It was based on a view of possibilities and what might need to be done, and not based on pre-determined outcomes.

It was the view of the Panel that the report was of good quality and covered the necessary issues in detail. Some concern was expressed by a member of the Panel about the inclusion of some political “spin”, but that this was within acceptable limits. It was considered that the report provided a good basis for political arguments on the proposals at Cabinet and Full Council. Councillor King responded and explained that whilst the report did reflect the administration’s views, it was not politically biased. For example the information about central government funding was objective and factually correct.

*RESOLVED* that the Panel reviewed and commented on the 2019/20 General Fund Revenue Budget, Capital Programme, Medium Term Financial Forecast, Housing Revenue Account Estimates 2019/20 and Housing Investment Programme 2019/20.

### **Treasury Management Strategy 2019-20**

The Panel received a report reviewing the 2019/20 Treasury Management Strategy Statement and associated Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy prior to their referral to Cabinet. Councillor David King, Portfolio Holder for Resources, and Margaret Donaldson, Interim Finance Manager (Technical) attended to assist the Panel and presented the report to the Panel. The key elements of the Strategy were highlighted, and attention was drawn to the changes to the Investment Strategy at paragraph 5.3 of the report.

In discussion, members of the Panel sought further information as to whether the Council had undertaken any sensitivity testing of the impact on the banking limits should Brexit have a major impact on the UK banking system, or was the Council relying on government advice at the appropriate time. Margaret Donaldson explained that the Council took advice from its Treasury Management advisors, who advised that the Council could still invest in the UK and that it could minimise risk through short term investments. In terms of borrowing, the Council mainly borrowed from the Public Loans Work Board, and only had one commercial loan.

The Panel considered that it would be of benefit for the Panel to receive training in treasury management. This would help it perform effective scrutiny of the Treasury Management Strategy. Sean Plummer, Strategic Finance Manager, explained that this could be provided through the Council’s treasury management advisors. It would be important to ensure that this was not too detailed and pitched at an appropriate level to ensure members had the necessary background and knowledge to perform their role effectively. There would also be some benefit in providing this training alongside senior officers.

*RESOLVED* that: -

- (a) The Panel reviewed the 2019/20 Treasury Management Strategy Statement and associated Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy, prior to its consideration by Cabinet and Full Council.
- (b) Arrangements be put in place to provide the Scrutiny Panel with training on treasury management.