

**COLCHESTER BOROUGH COUNCIL
CABINET**

1 February 2017 at 6pm

SUPPLEMENTARY AGENDA (2)

Part A

(open to the public including the media)

Items 7(i), 8(i) and 8(ii) 2017/18 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast, Housing Revenue Account Estimates 2017-18 and Housing Investment Programme 2017-18

See draft minutes 104 and 105 from the Scrutiny Panel meeting of 31 January 2017.

SCRUTINY PANEL MINUTE EXTRACT 31 JANUARY 2016

105. 2017/18 General Fund Revenue Budget, Capital Programme, Medium Term Financial Forecast, Housing Revenue Accounts Estimates and Housing Investment Programme

Sean Plummer, Finance Manager, and Councillor Mark Cory, Portfolio Holder for Resources, introduced the report. The report requests that the Panel review and comment on the 2017/18 General Fund Revenue Budget, Capital Programme, Medium Term Financial Forecast, Housing Revenue Account Estimates and Housing Investment programme reports which are being submitted to Cabinet on 1 February 2017.

Sean Plummer informed the Panel of the key points within the report. This included the current situation with government funding; Sean Plummer confirmed that the Council had applied to accept the four-year settlement from the government. This meant that the Council is aware of the reduction to government funding for the four years, and a further two years. In 2017/18 the government grant will reduce by 17%, £980,000. In addition to this the government also confirmed a reform to the New Homes Bonus which has resulted in a £931,000 reduction in the grant for 2017/18. Sean Plummer also confirmed that the funding streams are going to continue to reduce in future years.

With regard to the cost pressures for 2017/18, the budget report includes information about the business rates revaluation, which has seen an increase in cost to the Council of approximately £100,000. Other cost pressures include the apprenticeship levy, and the reduction in interest earnings. Alongside the cost pressures, the budget report includes information around growth items that are recommended for inclusion in the budget, this includes an allocation for Councillors locality budgets and £110,000 in the base budget to support delivery of strategic plan priorities. Following confirmation of the level of New Homes Bonus, £500,000 has been allocated to the Mercury Theatre and £87,000 allocated to the Waste Review. The remaining £2.036m will be allocated to help deliver projects which support strategic plan priorities and deliver income to assist with managing future budget pressures; further information on this will be available in due course.

Sean Plummer highlighted the savings and income included in the report, and informed the Panel that £0.9m of the savings required are as a result of the reduction of New Homes Bonus. In terms of Council Tax, the proposal in the report is an increase of 2.8%, which equates to £4.95 for a Band D Council Tax property; this is below the £5 Government threshold. Sean Plummer informed the Panel that under the government's own spending power figures they assume that the Council Tax will increase by £5. The report also includes further information about the balances and reserves, Sean Plummer stated that the Council has a balance of £0.3m above the recommended level; whilst this is above the recommended level, Sean Plummer stated that following assessment of risks it provides a greater level of flexibility.

With regard to the Medium Term Financial Forecast, it is expected that with the reduction in government core funding and the New Homes Bonus, total government funding will decrease by £2.5m over the next three years. It is predicted that following further savings and anticipated income levels there will be a budget gap of £2.5m after the three years.

The following questions were raised by Councillors;

- Councillor Davies – Questioned where, in the budget report, the capital cost of the waste review was listed.
 - In response, Sean Plummer stated that the capital programme is included on page 80 within the report. This highlighted that there is sufficient funding from capital receipts to spend the £857,000 allocated. The information would not be included within the budget, as the report to cabinet includes a recommendation to include it in the report. If the budget is approved at the Full Council meeting it will be added to the capital programme budget.
- Councillor Davies – Suggested that the aims of the waste strategy can be achieved by limiting individuals residual waste rather than spending £857,000 of capital on the provision of wheelie bins, and questioned whether the spend could be reviewed again.
 - In response Councillor Cory highlighted that this issue had been to Scrutiny previously, and that the decision to commit the capital spending followed a public consultation and conversations with local ward councillors. The investment is required to make the changes that were agreed which includes wheelie bins in wards where they will be introduced and additional green boxes where required.
- Councillor Arnold – Queried what the Waste review revenue budget savings and expenditure will be for future years.
 - Councillor Cory highlighted that the savings and costs for the waste review were included within the report that went to Cabinet. Councillor Cory also confirmed that an upgrade to freighters as part of a regular cycle was already due to occur. Councillor Cory confirmed that more one off costs may arise, but page 71 within the report highlights the one off capital cost of the waste review. In terms of revenue budgets, net savings of £38,000 are anticipated each year. Councillor Cory also highlighted the environmental benefits in reducing the amount of waste that is going to landfill which would benefit Essex County Council in reducing the costs of landfill tax. Councillor Cory also suggested that the Waste Strategy could be reviewed by the Scrutiny Panel in a years' time.
- Councillor Davies – asked for further clarification on the net cost of the waste strategy.
 - Councillor Cory confirmed that the net savings expected from the new waste service totals £38,000, however there is a one off cost of £72,000 resulting in a revenue cost during this financial year of £34,000.
- Councillor Wood – Requested further information on whether Ipswich Borough Council assisted in funding Colchester and Ipswich Museums Service.
 - In response, Sean Plummer stated that the section in the budget refers predominantly to the income from the Colchester Castle museum. Sean Plummer informed the Panel that the management arrangements with the Colchester and Ipswich Museums Service had recently changed, so that the funding from the Colchester Museums is kept by Colchester. The costs of running the Colchester and Ipswich Museums Service remains shared between Colchester Borough Council and Ipswich Borough Council.
- Councillor Arnold – Questioned whether the money raised by museums in Colchester is retained by the Colchester and Ipswich Museums Service. Councillor Arnold also requested further information on the budget of the museums service.

- Sean Plummer stated that the income from Colchester Museums is presented in the budget as a different account. Currently the contribution to the Colchester and Ipswich Museums Service (CIMS) exceeds the income generated by museums in Colchester and the money received in income is used to fund CIMS. If this situation changed, Colchester Borough Council could opt to spend it in other areas of the budget. Sean Plummer stated that he would provide further information on the level of income from Colchester Museums and the contribution to the Colchester and Ipswich Museums Service after the meeting.
- Councillor Davies – Questioned whether the projected income for sport and leisure is going to be achievable. Councillor Davies also asked about membership information and whether this had increased.
 - Sean Plummer confirmed that as Section 151 Officer, there is a requirement to comment on the robustness of the budget. All items included within the budget have been looked at in detail, with Heads of Service required to demonstrate how it works. Sean Plummer stated that the projected incomes are achievable however there are a number of external factors that could influence this. Sean Plummer highlighted that the income level had been anticipated to be higher than the level provided in the budget, but following a delay in the Sport and Leisure Project this was altered. Councillor Cory informed the Panel that he was confident about the income estimates, following the investment in the leisure facilities. With regard to the membership information, Councillor Cory recommended that Councillor Davies contact Councillor Feltham.
- Councillor Davies – Questioned whether the car park income level could be achieved.
 - In response Councillor Cory was confident that the income could be achieved given the circumstances in the previous year, such as the introduction of Park and Ride which did not impact on car park income as much as expected. In addition, looking forward, Councillor Cory highlighted the Fenwick store and the soon to be open Primark store which would increase footfall in the town centre. Sean Plummer informed the Panel that an update on the income from car parks up to quarter 3 of 2016/17 would be brought to the next Governance and Audit meeting. Sean Plummer confirmed that the latest forecast was broadly on target to be achieved
- Councillor Wood – Asked for further information about the Tiptree Parish Council Store and WC's.
 - In response Sean Plummer confirmed that this was a Section 106 funding agreement that the Council had received to be allocated to that particular scheme.
- Councillor Coleman – Asked for further information about the future arrangements for collection and retaining business rates.
 - Sean Plummer stated that currently the Council collects £60m in business rates in the Borough; £4m of this is kept by the Council. The future arrangements will see this change, but it is likely the adjustments will be made so that the actual amount of business rates retained by the Council would be broadly similar to the current arrangements.
- Councillor Davies – requested an update about 'Think Global, Act Local'.
 - Councillor Cory stated that this is a project where the Council will invest in supporting vulnerable communities. There has been a workshop looking at how the Council can

reallocate resources given the many challenges that are being faced across public services. This has included looking at the issues around homelessness and provision of Colchester Borough Council's own emergency bed and breakfast. Pamela Donnelly, Executive Director, stated that this piece of work was a result of Colchester Borough Council being positioned further down the indices of deprivation, and looking to see how reallocating funding can help improve the situation. Councillor Feltham has agreed that the priority will be the 0-19-year-old age group to try and tackle issues early on. The next stage is for teams, including the Safer Colchester Partnership, the Public Health Team and Councillor Feltham to come together to review a range of projects that will tackle the issues.

- Councillor Arnold – Requested further information on the budget transfers for the Gosbecks Reserve, including what has been spent over the last twenty years.
 - Sean Plummer confirmed that the information going back as far as possible would be provided after the meeting. Sean Plummer highlighted that in many cases, the costs are starting to exceed the return on investments.
- Councillor Davies – Questioned why the cost pressures for elections were only included for 2018/19
 - Sean Plummer highlighted as there are no elections this year, this refers to the money being put back into the budget for the next set of elections in 2018/19.
- Councillor Fox – Questioned what impact the £2.5m of savings required in the Medium Term Financial Forecast will have within the Council.
 - Sean Plummer stated that each year the budget includes a number of savings across the Council. By 2019-20 the Council will be required to pay funding back to the Government, which will make the savings harder to achieve. Whilst this may be achievable through further savings like the digital challenge and commercial income it will become significantly harder. Councillor Cory confirmed that the continued cuts are making it harder for Local Government. Councillor Cory highlighted the pressure that the Housing Revenue Account is currently experiencing and the difficulty in investing in additional housing stock. Councillor Cory highlighted that the improvements in Waste, additional developments such as the northern gateway and improvement in commercial services will assist in creating more income. Councillor Cory highlighted that the cuts have required an increase in Council Tax for the first time in seven years.

RESOLVED that the 2017/18 General Fund Revenue Budget, Capital Programme, Medium Term Financial Forecast, Housing Revenue Accounts Estimates and Housing Investment Programme has been reviewed.

SCRUTINY PANEL MINUTE EXTRACT 31 JANUARY 2017

104. Treasury Management Strategy Statement 2017/18

Steve Heath, Finance Manager, introduced the Treasury Management Strategy Statement 2017/18. The report requests that the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy be reviewed prior to it being considered by Cabinet and Full Council as part of the 2017/18 budget report.

Steve Heath highlighted that this report forms part of the General Fund Budget report that is being taken to Cabinet on 1 February 2017. Steve Heath stated that the report provides information on the latest forecast for capital expenditure between 2017/18 and 2019/20. The overall approach remains largely unchanged from the current year, but does include the adjustments made as part of the mid-year review.

Steve Heath informed the Panel of the adjustments that had been made. The first of which related to the minimum revenue provision policy statement. The Council is required to pay off an element of its capital financing requirement every year; which had previously been set at 4% per year. Following advice from external auditors this has been changed to equal instalments each year over a period of 50 years. This measure came into effect this year and provides a revenue saving of £93,000 for 2016/17 and 2017/18.

The Panel were also informed about the revised interest rate forecast; in August 2016 the rate was cut from 0.5% to 0.25%. The current forecast predicts that the interest rate will remain at 0.25% until the middle of 2019.

With regard to the borrowing strategy, the Council has a policy of internal borrowing, which maximises short term general revenue savings and reduces the Council's exposure to counterparty risk. As the rates available are now lower, this needs to be balanced against the current potential of long term savings. Steve Heath stated that the Council has still not undertaken any new external borrowing this year, but this will be kept under review based on the rates that are on offer.

In terms of the investment strategy, as the bank rate is currently low the estimated returns are also low; the cost pressures from this have been built into the 2017/18 budget. In addition, there has been an adjustment to the sovereign debt limits, which currently stands at -AA; the policy has been changed so that the UK is excluded.

Steve Heath also highlighted that this is the first of three scheduled reports regarding Treasury Management, with the end of year review and mid-year review to follow. Any additional updates that are required will be provided through the Capital Quarterly Monitoring reports.

Councillor Coleman questioned how accurate the bank rate prediction would be, given the changing political circumstances. In response, Steve Heath highlighted the difficulty in predicting the future level of bank rates as there are so many different issues that could influence it; a summary of these issues that could affect the economic outlook are provided in the report. The appendix to the report includes a two year forecast by the Council's external treasury management advisors and another economics organisation which are both relatively consistent in their two year predictions.

RESOLVED that the Treasury Management Strategy Statement, Minimum Revenue Provision Policy State and Annual Investment Strategy has been reviewed.