



Cabinet

30 January 2019

Item
8(i)

Report of	Assistant Director Policy and Corporate	Author	Sean Plummer 📞 282347
Title	2019/20 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast		
Wards affected	n/a		

This report requests Cabinet to recommend to Council:

- **The 2019/20 General Fund Revenue Budget**
- **Colchester's element of the Council Tax for 2019/20**
- **The Medium Term Financial Forecast**
- **The Capital Programme and Capital Strategy**
- **The Prudential Indicators and Treasury Management Strategy and Annual Investment Strategy**

1. Executive Summary

- 1.1. This report provides the Cabinet with the recommended 2019/20 revenue budget including all proposed savings and the Council's Council Tax Rate for 2019/20.
- 1.2. The report provides a summary of the local government finance settlement, which included a £275k reduction in Revenue Support Grant (RSG) meaning that the Council will receive no RSG in 2019/20.
- 1.3. The report sets out the Council's Capital Programme and Capital Strategy and Treasury Management Strategy for 2019/20.
- 1.4. Finally, the report sets out the updated Medium Term Financial Forecast (MTFF) for the period up to 2022/23. This includes an assessment of the Council's balances and reserves.
- 1.5. Specifically the report includes the following:-
 - A proposal that Council's Council Tax rate for 2019/20 should be set at £190.62 per Band D property, which represents an increase of £5.49 (2.97%) from the current rate.
 - Savings proposals totalling £1.5m
 - A proposed allocation of just over £2.4m to support investment in line with the Council's Strategic Plan including funding previously agreed for the Northern Gateway sports scheme.
 - A continuing challenging financial position over the next three years showing a budget gap of £2.3m with a high level of uncertainty in respect of local government funding.
 - The Council's general fund balances remain close to our recommended level.
 - Proposals for investment through the capital programme

2. Recommended Decisions

- 2.1. To note that for the purpose of assessing the impact on balances the outturn for the current financial year is assumed to be on budget. (paragraph 6.4.).
- 2.2. To note the provisional Finance Settlement figures set out in Section 7 showing a cut to Revenue Support Grant of £275k meaning that there is no RSG in the 19/20 budget.
- 2.3. To note the figures for the business rates retention scheme and the arrangements for completion of the required return of estimated business rates income as set out at paragraph 7.8.
- 2.4. To note the reduction in the New Homes Bonus grant and that further reductions in later years are expected as set out in section 7.
- 2.5. To approve the cost pressures, proposed use of New Homes Bonus, savings and increased income options identified during the budget forecast process as set out at in section 8 and detailed in Appendices C and D.
- 2.6. To consider and recommend to Council the 2019/20 Revenue Budget requirement of £20,206k (paragraph 8.24) and the underlying detailed budgets set out in summary at Appendix E and available background papers subject to the final proposal to be made in respect of Council Tax.
- 2.7. To recommend to Council, Colchester's element of the Council Tax for 2019/20 at £190.62 per Band D property, which represents an increase of £5.49 (2.97%) from the current rate noting that the formal resolution to Council will include Parish, Police, Fire and County Council precepts and any changes arising from the formal Finance Settlement announcement and final completion of the business rates NNDR 1. This will be prepared in consultation with the Leader of the Council.
- 2.8. To recommend to Council the following changes to Council Tax discounts and premiums:-
 - To introduce a 28 day exemption of 100% Council Tax for empty and substantially unfurnished properties (Class C Dwellings)
 - To increase the long term empty premium to the maximum amounts as stated in Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018
- 2.8. To agree the Revenue Balances for the financial year 2019/20 as set out at Appendix J and agree that the minimum level be set at a minimum of £1,900k
- 2.9. To note the updated position on earmarked reserves set out in section 10 and agree the following:-
 - Release of £185k use of parking reserve
 - Contribution to balances in respect of redundancy costs.
 - Contribution to the business rates reserve of £406k
- 2.10. To agree the reinstatement of balances in respect of the pensions deficit payment made in 2017/18 as set out in section 8.22

- 2.11. To agree and recommend to Council that £100k of Revenue Balances be earmarked for potential unplanned expenditure within the guidelines set out at paragraph 12.3.
- 2.12. To note the Medium Term Financial Forecast for the financial years 2019/20 to 2022/23 set out in section 14.
- 2.13. To note the position on the Capital Programme and approve and recommend to Council the Capital Strategy set out at Appendix O
- 2.14. To recommend to Council the inclusion the increased capital allocations sets out at paragraphs 15.5 to 15.7.
- 2.15 To note the comments made on the robustness of budget estimates at section 16.
- 2.16. To approve and recommend to Council the 2019/20 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out in the background paper at Appendix P.

3. Reason for Recommended Decision

- 3.1. The Council is required to approve an annual budget.
- 3.2. This report sets out supporting information and also statutory commentary about the robustness of the budget and the level of balances.

4. Alternative Options

- 4.1 There are different options that could be considered as part of the budget within the constraints set out in this report

5. Background Information and Overview

Budget Process

- 5.1. The timetable for the 2019/20 budget process (see Appendix A) was agreed at Cabinet on 11 July 2018.

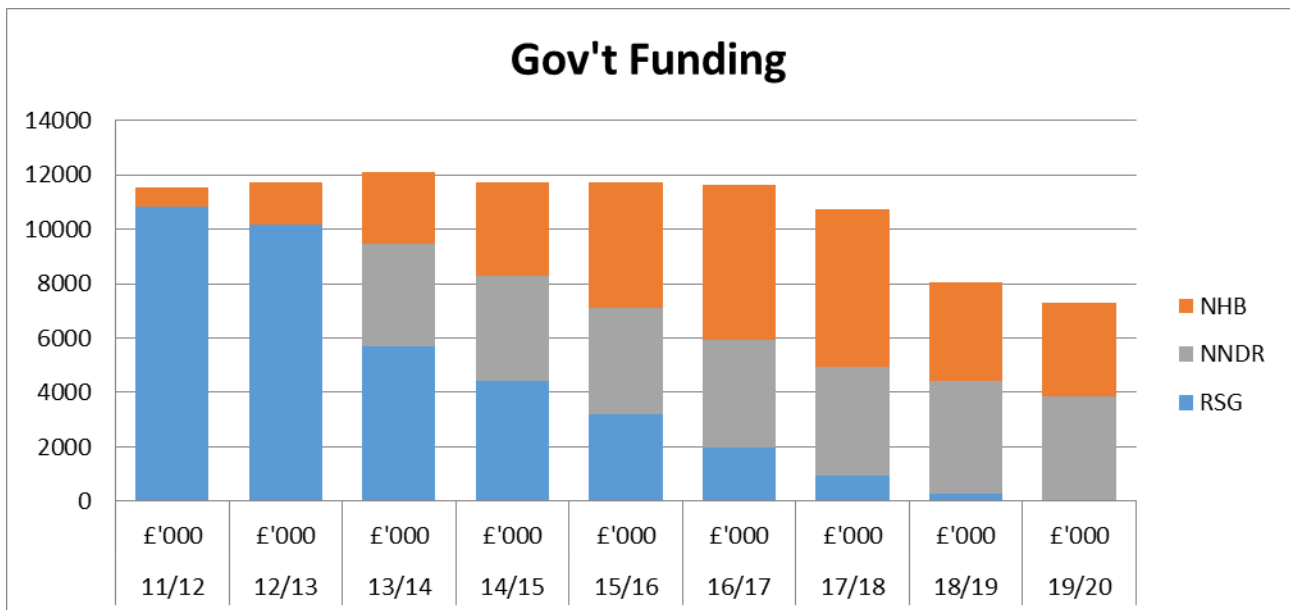
- 5.2. The Revenue Budget for 2019/20 has been prepared against a background of meeting the Council's Strategic Plan objectives whilst continuing to face significant financial pressures from the reductions in core Government funding. Every effort has been made to produce a balanced budget that includes a deliverable level of savings and income and provides for investment in key services. This has been achieved through a budget strategy that has included:-

- The budget process being led by Budget Group comprising all of Cabinet and senior officers
- "Service Futures" Reviews to ensure that service areas are designed to meet demands and take advantage of new ways of working to deliver efficiencies and income.
- Assessment of in year budget pressures to ensure that these are considered in budget proposals
- All detailed budgets produced and signed off by budget managers

- Consideration of the future impact of decisions
- Providing funds for investment
- Reviewing reserves and balances to ensure they remain appropriate for the risks the Council faces

Summary of Budget Position and Proposals

5.3. 2019/20 is the last year of the 4 year settlement and means that from 2019/20 the Council receives no Revenue Support Grant (RSG). The following graph shows how RSG has reduced from over £10m in 2011/12 to nil next year. It also shows how the Council is now keeping a share of business rates (NNDR) and also the level of funding from New Homes Bonus (NHB) has changed. Importantly, both these sources of funding come with risks and uncertainty.



Other cost pressures

5.4. The Council faces other cost pressures. These include:-

- **Inflation / price related** (almost £0.8m). Energy costs have increased significantly and there is an agreed pay award of 2%. In addition, changes in the market for plastics has increased costs.
- **Meeting on-going costs** from ICT investment (£0.2m)
- **Changes to external funding.** The food waste grant has now all been used leaving a funding gap of £0.2m and the Essex Council Tax sharing agreement has reduced resulting in a budget reduction of over £0.2m
- **Demand pressures.** The budget includes £0.2m to fund additional investment in the waste and recycling service to provide capacity to deal with a growing borough.
- **Maintaining assets and investing in new facilities.** The budget includes an extra £0.15m to provide more investment in maintain council assets and £0.14m to meet the setup and initial running costs of the new Northern Gateway sports scheme.

Balancing the budget

5.5. Council funding comes from our own income through fees and charges, keeping a share of business rates and Council Tax. The proposal within this report is to increase Council Tax by £5.49 a year for a Band D property. The increase in the tax

rate brings in an extra £0.35m with the growth in the borough bringing in just over £0.25m, resulting in an increase in Council Tax income of c£0.6m. When looked at alongside the inflation pressures alone of £0.8m shows that that given the reductions in Government funding Council Tax cannot cover some of the basic pressures.

- 5.6. The budget therefore includes savings or additional income of almost £1.5m. This compares to £2.8m included within the 18/19 budget. A large proportion of savings continue to be based on proposals to work more efficiently and to maximise opportunities to increase income. These include forecast additional income from the Council's commercial companies of £0.1m. It also includes agreed reductions in some grants of over £0.1m.

Investment

- 5.7. The New Homes Bonus remains one of the Council's main sources of funding new one off investment. The grant has reduced next year and the future of this grant remains uncertain. About 30% of this grant is still being used to support the base budget with the balance being used to support investment. In 2019/20 almost £2.4m is being invested. This includes the final agreed contribution towards the Northern Gateway Sports scheme, supporting investment in the Revolving Investment Fund (RIF), supporting housing and a number of new and emerging proposals to support strategic plan priorities.

Outlook and Resilience

- 5.8. The current year's outturn is expected to be within the agreed budget. A number of in year pressures in year have been managed and savings and income identified to contain risks. The budget has been adjusted for some of these main issues.
- 5.9. Balances remain above the recommended minimum level. In addition reserves are held for known expenditure commitments and also in respect of some specific risks.
- 5.10 The medium term outlook remains challenging with a gap of £3.4m over the next three years. Steps are already in place to deliver savings and income to reduce this reduce this.
- 5.11. Proposals are emerging for changes to local government funding as part of the fair funding review and increased localisation of business rates. This is likely to see removal of business rates growth as part of a "reset" of the system and potentially other changes to funding such as New Homes Bonus. In comparative terms the Council has benefited from business rate retention and NHB. Therefore, looking ahead beyond 2019/20 to future budgets with no more RSG and reductions in other external funding it is essential that the Council ensures that reserves and balances are maintained to provide flexibility to respond to budget pressures.
- 5.12. Further detailed information on the budget is provided in the following paragraphs and appendices.
- 5.13. This report should be read and considered alongside the report in respect of the Housing Revenue Account and Housing Investment Programme to provide a full assessment of the Council's financial position and plans.

6. Current Year's Financial Position

- 6.1. In order to inform the 2019/20 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 Scrutiny Panel.
- 6.2. It was reported to Scrutiny Panel on 27 November that the current year's budget position showed a forecast net overspend £288k. This reflected various budget variances with the main area being waste and recycling. A review at the end of December has identified some further changes to this forecast (both positive and negative). One of the main changes is a one off-income receipt which has provided confidence that the year-end position will be 'on budget'.
- 6.3. The position continues to be monitored, and the Governance and Audit Committee will receive a report setting out a detailed position in March. As is common, there are a number of budgeted costs that may not be fully spent in the financial year. The report to Governance and Audit Committee will include details of any such changes, and this will be used when considering the end of year position.
- 6.4. **Cabinet is asked to note that the forecast outturn position for the current year is expected to be 'on budget' and that there will be no call on balances. The position will continue to be monitored.**

7 Finance Settlement (Government Funding)

- 7.1. The provisional Local Government Finance Settlement was announced in Parliament on 13 December 2018. The Settlement includes a number of funding arrangements, concepts and terminology introduced in 2013/14. This section of the budget report provides a summary of the key issues including:
- Settlement Funding Assessment (SFA) including Revenue Support Grant (RSG)
 - Business Rates Baseline and tariffs and top-ups, levies and safety net
 - New Homes Bonus
 - Core Spending Power
- 7.2. The SFA which comprises our RSG and business rate baseline figure has been cut by **£0.180million (4%)** as shown in the following table. This is the last year of the agreed 4 year settlement and it was confirmed in the settlement that there would be no negative RSG. The business rates baseline figure has increased in line with inflation.

	18/19	19/20	Change	
	£'000	£'000	£'000	%
RSG	275	0	(-275)	-100%
Business Rates Baseline	4,162	4,257	95	2.3%
<i>Settlement Funding Allocation (SFA)</i>	<i>4,437</i>	<i>4,257</i>	<i>(-180)</i>	<i>-4.1%</i>

- 7.3. The baseline funding level is used as part of the retention of business rates scheme as explained in the following paragraphs.

Business Rates Baseline and tariffs and top-ups

- 7.4. The SFA includes the Council's baseline funding level for the Business Rates Retention scheme. This is based on our historic business rates collection, adjusted by a 'tariff' payment. A local authority must pay a tariff if its individual authority business rates baseline is greater than its baseline funding level. Conversely, a local authority will receive a top-up if its baseline funding level is greater than its individual authority business rates baseline.
- 7.5. The following table sets out a summary of the baseline position for Colchester for 2019/20 showing the required tariff payment of £19m.

	£'000
CBC Individual Baseline	23,235
Less Tariff	-18,978
Baseline funding	4,257
Safety Net threshold (92.5%)	3,938

- 7.6. It should be noted that the above tariff figure has been reduced by £320k. This is an 'adjustment' representing the difference between the tariff that was set out in the 2017/18 local government finance settlement, and a revised 2017/18 tariff that reflects the impact of the 2017 revaluation exercise on the Business Rates Retention scheme.
- 7.7. The business rate retention scheme includes a degree of protection against reduction in business rates collected (the Safety Net), which means that 92.5% of the baseline funding in year is guaranteed. It also includes a method for ensuring that any growth above the baseline is shared with Central Government, the County Council and Fire Authority (the Levy). The Council keeps 40% of any additional income.
- 7.8. The arrangements for business rate retention require the Council to agree an estimate of business rates income for the coming year (the NNDR 1) by 31 January. This return includes a number of key assumptions in respect of collection rates, growth and an allowance for the impact of revaluation appeals. Based on initial projections it is anticipated that the NNDR 1 will show income above the baseline funding level, of which the Council's share is forecast to be in the region of £1.6m. This takes into account of the tariff position and the estimated Section 31 grant due to the Council in relation to business rates relief provided to small businesses and retailers, which forms part of the Levy and Safety Net calculation. This will remain a risk and one which will be considered in the final paper for Full Council and within updates to the MTFP.

Business Rates Pooling

- 7.9. Under the business rates retention scheme local authorities are able to come together, on a voluntary basis to pool their business rates receipts and then agree collectively how these will be distributed between pool members. Pooling provides the opportunity to keep a greater share of business rates within Essex that would otherwise be paid to Government as a 'Levy', providing that districts experience growth above their baselines. However the protection each authority receives under the safety net arrangements in the event of a shortfall is removed, with the 7.5%

safety net only applying to the overall pool. In 2018/19 Colchester is part of the Essex business rates pool which comprises all Essex councils and the Fire authority with the exception of Thurrock.

- 7.10. It was reported to Cabinet last year that the Government had invited local authorities to pilot 75% business rate retention in 2019/20. Following an assessment of what a pilot might mean for Colchester and discussions between all Essex authorities a bid was submitted to be a pilot. The bid was made by all Essex authorities, again with the exception of Thurrock.
- 7.11. Alongside, the Settlement it was reported that the Essex bid to be a pilot had not been accepted. The pooling arrangement will continue for 2019/20 and is forecast to generate additional income for Colchester based on current business rates forecasts.
- 7.12. It should be noted that the information set out in this report in respect of business rates reflects the arrangements for business rate retention as an individual authority and not in a pool. However, based on indicative forecasts it is projected that pooling in 2019/20 would be beneficial to the Council.
- 7.13. Cabinet has previously agreed to allocate £200k from the gain received last year to support the 19/20 budget. Given that a gain of at least £200k is currently expected in this financial year it is proposed that a similar arrangement can be made to support the 20/21 budget. This proposed approach will need to be reviewed based on any future pooling opportunities.
- 7.14. The Settlement is provisional and subject to consultation which ended on 10 January 2019. Traditionally, there has been very little change between the provisional and actual Settlement. Any marginal change to the Council's entitlement will be reflected in the final budget recommendation to Council. In addition to the Settlement funding figures other grants have been announced. The key grant for Colchester is the New Homes Bonus.

New Homes Bonus (NHB)

- 7.15. The 2019/20 grant has been announced and reflects the continuation of the changes to the methodology of the scheme introduced in 2017/18. It had previously been reported to Cabinet that the Government were consulting on a possible increase to the national baseline of 0.4%. The Settlement has confirmed that this baseline will remain in place for 2019/20 at 0.4%. NHB is only paid on housing growth above this level. It is still worth noting that the change to only pay NHB above a 0.4% threshold has reduced the grant we received by £0.4m in respect of last year's housing growth.

- 7.16 The final figure is a total grant for 2019/20 of £3.415m, which is a reduction of £28k. The detailed breakdown of the grant is set out at Appendix B and is summarised below:-

	2018/19	2019/20	Change
	£'000	£'000	£'000
<i>Basic NHB</i>	3,296	3,252	(44)
<i>Affordable homes bonus</i>	147	163	16
Total New Homes Bonus	3,443	3,415	(28)

- 7.17. Changes to the NHB scheme have reduced the grant that this Council would otherwise have received in 19/20. Appendix B also sets out forecasts for NHB in later years, however, these figures should be treated with caution given the uncertainty over the future of NHB.
- 7.18. The Council has recognised the risk that the New Homes Bonus would change and has been reducing how much of the grant is used to support the base. Given the scale of reduction in grant and the continuing uncertainty about this funding source it is proposed that from 2019/20 the use of NHB to support the base budget be reduced by £200k pa over the life of the MTFF. In 2019/20 this would mean that £1.033m will be used to support the base budget.
- 7.19. Cabinet has already agreed to allocate £500k from next year's New Homes Bonus towards the Northern Gateway Sports Project and it is proposed that the annual contribution of £250k to the RIF (Revolving Investment Fund) is maintained and that the bonus received in respect of affordable housing continues to be earmarked for housing purposes. Based on this it would mean that there could be a further c£1.469m available to support new 2019/20 budget decisions which is considered later in the report.

	£'000	
Contribution to RIF	250	7%
Affordable housing allocation	163	5%
Allocation to CNG Sports Project	500	15%
Support for one-off schemes	1,469	43%
Base Budget	1,033	30%
Total Grant	3,415	100%

Core Spending Power

- 7.20 This term relates to the Government's assessment of the "expected" available revenue for local government spending. It includes the announced SFA and New Homes Bonus and income from Council Tax. This takes account of an *assumed* increase in the taxbase and a Council Tax rate increase.
- 7.21. For 2019/20 the change in the spending power as per Government figures is shown as an increase of £411k or 2.11% as shown below.

- 7.22. It is important to stress that spending power figures include the Government's assumption in respect of an increase in Council Tax income and the taxbase. The following sets out the Government's spending power assessment showing an increase in spending power of 2.11%.

	18/19	19/20	Change	
	£'000	£'000	£'000	%
RSG	275	0	(275)	-100%
Business Rates	4,162	4,257	95	2.28%
<i>Settlement Funding Allocation (SFA)</i>	<i>4,437</i>	<i>4,257</i>	<i>(180)</i>	<i>-4.06%</i>
NHB	3,443	3,415	(28)	-0.81%
Business Rates (under indexing)	95	139	44	46.32%
<i>Total SFA and NHB etc</i>	<i>7,975</i>	<i>7,811</i>	<i>(164)</i>	<i>-2.06%</i>
Council Tax	11,471	12,046	575	5.01%
Spending Power	19,446	19,857	411	2.11%

8. 2019/20 Budget Changes

Revenue Cost Pressures

- 8.1. Appendix C sets out revenue cost pressures of £2.2m, over the 2018/19 base, which have been identified during the budget process. This includes an inflation allowance and some specific service cost pressures.
- 8.2. Many of the cost pressures have been considered by Cabinet. However there are a number of changes to assumptions and details are set out. These include an allowance for additional waste vehicles and crew to meet increased demand. A number of issues that have impacted on the current year budget have been allowed for in next year's budget.
- 8.3. **Cabinet is asked to approve inclusion within the 2019/20 Revenue Budget of the cost pressures set out at Appendix C.**

Growth Items

- 8.4. The main source of revenue investment for the Council remains the New Homes Bonus. The total grant is £3.415m and £1.033m is used to support the base budget, leaving £2.38m for projects. The following table sets out the proposed use of the NHB in 19/20:-

Area	£'000	Comment
Contribution to RIF	250	Annual contribution to support a number of regeneration and commercial projects.
Affordable housing allocation	163	Annual contribution to support housing projects.
Allocation to CNG Sports Project	500	Agreed final contribution as part of £2m investment from NHB.
Support for one-off schemes	1,469	Investment to support strategic plan priorities
Total Grant	2,382	

- 8.5. As shown in the MTFF in this report future income from the New Homes Bonus is uncertain and is expected to reduce in future years. It is therefore essential that the Council carefully considers how this grant might be used in the coming year as well as future years.
- 8.6. In the current year funding from the New Homes Bonus and other funding sources is being used to support strategic plan priorities as part of the “Better Colchester” campaign. In total £1.95m was made available for projects and initiatives that would continue into 2019/20 and funding will be carried forward for these schemes.
- 8.7. Cabinet agreed some revised allocations of this in year funding in November and it was shown that £439k was unallocated. For example, £37k of this has already been agreed to support the Fixing the Link project. This project, already supported by Greater Anglia, Essex County Council and Colchester Borough Council, looks to encourage visitors and residents to walk and cycle into Colchester.
- 8.8. The balance of £402K remains available for strategic spending priorities but it is recommended that £100k of this be held as a contingency against existing proposals meaning that £302k is available to allocate plus £65k available by way of a Government grant that returns the surplus on the business rates levy account.
- 8.9. In total, this £367k means that there is £1.836m available that can be used to help deliver projects which continue to support strategic plan priorities as part of the Better Colchester campaign, to address one off service pressures and to support schemes which can deliver income to assist with managing future budget pressures.
- 8.10. Proposed Allocations of £1.1m are set out in the table below:

	£'000	
Funding Available:-		
Funding c/f	302	Para 8.8
New Homes Bonus	1,469	Table at 8.4
Business Rates levy grant	65	Para 8.8
	1,836	
Proposed Allocations:-		
Fighting Crime and Community Safety	150	Para 8.11
Local Highways Panel	100	Para 8.12
Cleaner Streets (Zone teams)	100	Para 8.13
Better Colchester and Communication	150	Para 8.14
Local Plan work	450	Para 8.15
Rural Projects (including Colchester Orbital)	150	Para 8.16
Total Proposed allocations	1,100	
Balance for other investment	736	

- 8.11. **Fighting crime and improving community safety:** The Council will continue funding for additional police resource, which includes 'Team Ten' and the Town Centre Action Plan, as well as resources to support the 'Street Weeks' programme. The funding has already been put in place for policing of £330k covering a two-year period. The proposed additional funding of £150k will also aid partnership work with the Community Safety Partnership to address security of our car parks and the effectiveness of town wide CCTV.
- 8.12. **Local Highways Panel additional investment:** Comprehensive proposals are being drawn up for priorities already declared in 2018/19 such Transport for Colchester. As such they will include an allocation of £100k to continue additional funding of Local Highways Panel (LHP) in 2019/20, as well as funding, to terms to be agreed with Essex County Council, on other improvements to town centre or other infrastructure and in further exploration of the benefits and scope for pedestrianisation. Further funding for this work remains unallocated until further clarity from partners is agreed.
- 8.13. **Cleaner Streets:** The Council will also continue to invest as required in projects that further enhance the look, condition and cleanliness of the town centre, which will include £100k to retain the additional improvement capacity of the 3 operative roles created in 2018/19.
- 8.14. **Better Colchester and Communications:** Building on the success of 'Better Colchester' projects in 2018/19, for example the 'Gum Blows' Gumdrop Campaign, 'Better Colchester' communication projects and other work to increase public engagement will continue, to increase public understanding of our services. This will include funding of the Colchester Centurion newsletter.
- 8.15. **Local Plan Work:** A key objective for the Council is to get a new Local Plan adopted. Local Plan and the Section 1 Garden Communities analysis and engagement will continue through the coming year, in support of the submissions to the Inspector, but the issues and possible next steps are still in the process of debate and review with detailed analysis, submissions and proposals being currently worked on. A commitment of this Council is to ensure the community is engaged in the work going forward and the Council needs to assign resources to a programme of engagement with various communities. Decisions will be made when required on the use of the funding.
- 8.16. **Rural Projects:** Fulfilling the aspirations for the Council to work with other partners, including local businesses and parish/community councils, this Council will look to support projects that help residents in rural as well as urban areas, including the Colchester Orbital. The Colchester Orbital projects re-affirms the strategic aim of improving connectivity and encouraging awareness and use of our invaluable green spaces, parks and walking and cycling routes. An allocation of £150K will enable such partnership and connectivity work.
- 8.17. If agreed this would leave c£0.7m to allocate to further schemes and proposals to be brought forward to Cabinet. Funding will be allocated in line with key strategic plans priorities not referenced above such as: Highlighting Heritage, Reducing Rough Sleeping, 'Live Well' Sport, Health and Wellbeing for All, Enterprising Colchester.

- 8.18 **Cabinet is asked to approve inclusion within the 2019/20 Revenue Budget of the use of the New Homes Bonus for new projects as set out in the table at 8.10**

Revenue Saving / Increased Income / Technical Items

- 8.19. Appendix D sets out budget reductions, savings and increased income totalling £1.486m.
- 8.20. All proposals are set out within the appendix, the majority of which were reported and in some specific cases agreed at the last Cabinet meeting.

- 8.21 **Cabinet is asked to approve inclusion of the savings / increased income items set out at Appendix D within the 2019/20 Revenue Budget.**

Pension Fund Contributions

- 8.22. As part of the 2017/18 budget it was agreed to make the required pensions deficit contribution in respect of the period 2017/18 to 2019/20 in a one-off payment. We were required to show this full payment in the 2017/18 budget.
- 8.23. To facilitate this arrangement, and to reflect the equivalent annual costs in the budget, required a use of balances / reserves in 2017/18 of £3.2m. Given this approach the 2019/20 budget continue to shows a contribution to balances of £1.6m. This is reflected in the summary budget requirement and the contribution to balances.

Summary Total Expenditure Requirement

- 8.24. Should Cabinet approve the items detailed above, the total expenditure requirement for 2019/20 is as follows:

	2019/20	
	£'000	
Base Budget	19,695	
One-off items	(456)	
Cost Pressures	2,216	See para 8.3.and Appendix C
Growth Items	65	See Section 8
Savings	(1,486)	See para 8.21 and Appendix D
Change in use of NHB for one off investment	172	Impact of reducing use of NHB on base budget less reduction in grant.
Forecast Base Budget	20,206	

Notes:-

*A summary of the 2019/20 budget is set out at Appendix E.
A more detailed summary of service group expenditure is attached at Appendix F with a graph showing net expenditure by service at Appendix G.
Further detailed service group expenditure is available.*

- 8.25 **Cabinet is asked to agree and recommend to Council the net revenue expenditure requirement for 2019/20 and the underlying detailed budgets set out in Appendix E.**

9. Council Tax, Collection Fund and Business Rates

Council Tax Rate.

- 9.1. The Localism Act introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax, including proposed limits. From 2013 onwards, any council that wishes to raise its Council Tax above the limits that apply to them will have to hold a referendum. The result of the referendum will be binding.
- 9.2. For 2019/20 the Secretary of State has again proposed that district councils such as Colchester can increase their Council Tax by the higher of £5 or 3%. This means that the Council can increase Council Tax by up to 3%.
- 9.3. The 2019/20 budget forecast and MTFF has reflected the planning assumption of an increase in Band D Council Tax and the proposal within this report is for a Band D Council Tax Rate of £190.62, an increase of £5.49 (2.97%). Based on the taxbase for next year this results in estimated Council Tax income for the Council of £12.072m, an increase of £601k on the current year.
- 9.4. The Local Government Act 2003 gave local billing authorities the ability to vary the discounts on second and empty homes. More recently local authorities were also given the opportunity to use new powers within the Finance Bill to reduce the level of discounts currently granted in respect of second homes and some classes for empty properties. Furthermore, the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 allows councils to make further changes in respect charging empty house premiums.
- 9.5. The opportunity has been taken to review all these powers and certain changes are proposed. This is summarised below with more some provided at Appendix H:-

Exemption from Council Tax for a dwelling which is unoccupied for up to 6 months and is substantially unfurnished

- 9.6. The Council is able to provide a 100% exemption for up to six months where properties are empty and substantially unfurnished. Currently there is no exemption in Colchester. Introducing an exemption for 28 days will help to significantly reduce administration within the Council Tax Team as well as making a more fair and simple process for residents simply moving property.

Long Term Empty Premium

- 9.7. The Council has been given powers to extent the long term empty property premium by:
 - From April 2019 properties empty for over 2 years may be charged a 100% premium (making total liability 200%).
 - From April 2020 properties empty for over 5 years may be charged a 200% premium (making total liability 300%).
 - From April 2021 properties empty for over 10 years may be charged a 300% premiums (making total liability 400%).Introducing these premium charges will help the Council to further encourage homes being brought back into use as quickly as possible.

- 9.8. No further changes are proposed to the existing arrangements and it is recommended to Council that the Council Tax setting report includes these discounts and premiums.

Collection Fund

- 9.9. As part of the formal budget setting process, the Council is required to estimate each year the estimated surplus or deficit arising from Council Tax and Business Rates collection. These Collection Fund calculations include an assessment of the forecast surplus / deficit position for the current year, together with the variance between the 2017/18 forecast and actual outturn position.
- 9.10. The budgeted Council Tax surplus of £306k has arisen as a result of the combined impact of higher growth in the number of properties in the borough than had been forecast in 2017/18, together with further expected growth during the current year.
- 9.11. The Business Rates retention arrangements have brought a number of new risks, with perhaps the most significant of these arising from changes to the rateable value of properties following appeals. In addition to this, there are complex accounting arrangements, which mean that many of the outturn figures reflect the NNDR1 estimates that are made prior to the financial year commencing.
- 9.12. The budgeted surplus of £298k has occurred largely as a result of changes to business rates forecast in previous years and changes to appeals.
- 9.13. It is proposed that surplus is added to the business rate reserve along with part of the forecast growth in business rates income. The proposed contribution of £406k would result in a balance on the reserve of £1.859m as summarised in the following table:

Collection Fund - Business Rates Reserve	£'000
NNDR reserve – @ 1st April 18	853
Forecast 18/19 movement (estimate)	600
Forecast balance on reserve @ 31 March 19	1,453
Contribution to reserve in 19/20	406
Forecast balance on reserve	1,859

10 Revenue Balances

- 10.1 The Local Government Act 2003 places a specific duty on the Chief Financial Officer (Section 151 Officer) to report on the adequacy of the proposed financial reserves of an Authority when the budget is being considered. This section and section 16 address this requirement.

Minimum level of balances

- 10.2. Each year the assessment of the recommended level of balances is reviewed. The assessment for 2019/20 is summarised at Appendix I and shows that the recommended level continues to be set at £1.9m. Whilst the risk assessment remains unchanged there are two issues that should be highlighted.

- *Commercial company arrangements*

Last year the Council agreed to transfer certain services and functions to new commercial companies owned by the Council. Whilst these have transferred some

of the budget risk to the company no changes were made to the Council's recommended level of balances and this continues to be the case.

- *VAT Partial exemption*

The assessment includes the risk that the VAT exemption limit will be exceeded with a consequent loss of recoverable VAT. Regular monitoring and active management of new schemes minimises this risk. However, potential changes to VAT treatment, such as those relating to sport and leisure services, means this is an increasing area of concern. Whilst no increase in balances is proposed this should be kept under review in the current year.

- 10.3. In considering the level at which Revenue Balances should be set for 2019/20, Cabinet should note the financial position the Council is likely to face in the medium term.
- 10.4. The analysis of the business rates retention scheme and specifically the operation of a safety net shows that there is a risk to the Council's budget. The Council is including forecast additional income from the retention of business rates which means that the budget risk is not only limited to the level of the safety net arrangement in place. This remains an area of budget risk considered in the assessment of balances. A separate reserve is also maintained to mitigate any pressures.
- 10.5. Based on the assumptions built into the budget, it is proposed to hold balances at a **minimum** of £1.9m. The ongoing impact of the various local government reforms will be assessed as part of the budget strategy for 2020/21 and the level of balances should be reviewed again as part of this process.

Level and use of balances

- 10.6. The use of balances to support the budget can be considered where there is scope and it is prudent to do so. Our normal approach is to consider the use of balances to fund one-off items. There are no proposals to use balances to support the 2019/20 budget other than the agreed uses of £200k from the business rate pooling gain in 17/18.
- 10.7. Within balances we are holding an allocation to meet redundancy costs including pension strain payments. During the current year over £200k is expected to be used from this budget. Given the ongoing series of reviews for which anticipated savings are included within the budget and MTFE it is considered prudent to reinstate this allocation by contributing £200k for this purpose.
- 10.8. It should also be highlighted that certain sums are held in balances against specific risks. These include funds for welfare reform, planning appeals, housing benefits and any negative impact on the collection fund. The allocation of these funds has been considered when setting the minimum level of balances.
- 10.9. The forecast position in respect of Revenue Balances is set out at Appendix J and shows balances at c£2.167m, £0.267m above the recommended minimum balance as set out in the risk analysis. The level at which balances are held above the recommended minimum level is a matter for Cabinet and Council to consider. It should be noted that the Council will continue to face significant budget pressures over the coming years and that it may be necessary to use balances to support future budgets especially to fund any one-off costs. With future budget gaps,

increasing risk and uncertainty and a requirement to deliver already stretching savings targets maintaining uncommitted or allocated balances at c£2.167m is considered appropriate.

10.10. Following the 2018/19 accounts closure it will be necessary to review all balances and the risk assessment to ensure allocations remain appropriate. This will be done as part of the 2020/21 budget strategy and updated MTFF.

10.11 **Cabinet is recommended to approve Revenue Balances for the financial year 2019/20 be set at a *minimum* of £1.9m and to approve the allocation of £200k into balances to provide for future redundancy costs.**

11 Reserves and Provisions

11.1. In addition to General Fund balances, the Council holds a number of earmarked reserves. These are held for specific purposes or against specific risks and may be held to:-

- manage costs that do not fall evenly across financial years (such as renewal and repair costs)
- where the timing of any payments is not certain. (such as insurance reserve)
- as a result of statutory accounting arrangements / changes (such as the revenue grants and right to buy reserves.)

11.2. Cabinet considered the Council's earmarked reserves at its meeting on 21 November 2018. As part of the budget process a review was undertaken into the level and appropriateness of earmarked reserves and provisions for 2018/19. 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.

11.3. Appendix K sets out an updated position on these earmarked reserves and provisions. The table below summarises the total position showing the forecast level of the reserves at the end of March 2019, the split between General Fund and HRA and how much is 'committed'.

	Committed / allocated		Uncommitted / unallocated		Total
	£'000	(%)	£'000	(%)	£'000
Reserves:-					
General Fund	8,166	80%	2,098	20%	10,264
HRA	11,334	100%	-	0%	11,334
Total Reserves	19,500	90%	2,098	10%	21,598
Provision	2,265	100%	-	0%	2,265

11.4. The earmarked reserves figures uncommitted / unallocated simply means that whilst the reserve is required there are no specific spending plans for the coming year. The main item uncommitted relates to the business rates reserve. This is required to be held and may be required to be used to fund pressures relating to the business

rates retention scheme and in particular to help to balance any changes in funding that may emerge from the Government's local government finance reforms.

- 11.5. The proposed budget includes some changes to releases from reserves from those reported previously.

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

- 11.6. The building maintenance programme has been based on in-depth condition surveys of all Council building assets. The 2019/20 budget includes the proposal to increase the contribution to the continue to the BMP by £150k to £300k to support the cost of future repairs. New releases are possible for next year and will be reported to Cabinet as required.

Business Rates Reserve – contribution to reserve of £406k

- 11.7. As set out in section 9.12. there is an estimated surplus on the collection fund for business rates. It is recommended that this is transferred to the business rate reserve to reinforce the sum held. Business rates remains an area which is subject to risk and variability and as such maintaining the reserve provides some protection against a number of changes.

Parking Reserve – release of £185k

- 11.8. As ECC no longer provide a contribution towards TRO work, the NEPP (North Essex Parking Partnership) agreed to use earmarked parking reserves to mitigate this pressure. This is the third year of this arrangement and it is proposed that £185k be used for this purpose.

- 11.9. **Cabinet is recommended to agree the:**

- **Release of £185k from the parking reserve.**
- **£200k be added to balances and held for potential redundancy costs**
- **£406k be transferred to reinstate the business rates reserve.**

Funding one-off pensions payment

- 11.10. As part of the 2017/18 budget it was agreed to make the required pensions deficit contribution in respect of the period 2017/18 to 2019/20 in a one-off payment in 2017/18. We were required to show this full payment in the 2017/18 budget.

- 11.11 To facilitate this arrangement and to reflect the equivalent annual costs in the budget required a use of balances / reserves in 2017/18 of £3.2m. It was agreed that this would then be paid back over each of the next two years. As such the use of balances / reserves is only temporary and required to manage the accounting requirements for this transaction.

- 11.12 **Cabinet is recommended to agree to reinstate balances of £1.6m in 2019/20**

12. Contingency Provision

- 12.1 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.

12.2 It is recommended that £100k of Revenue Balances be specifically earmarked for potential items of unplanned expenditure. It should be noted that based on current estimates if this sum was used during the year it would not take revenue balances below the recommended level of £1,900k, although if this were to be the case the Council would need to consider steps to reinstate balances at a later date.

12.3 **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.

13. Summary of Position

13.1 Summary of the Revenue Budget position is as follows:

	£'000	Note / para
Revenue expenditure requirement for 2019/20	20,206	Para.8.24
Collection fund surplus (business rates and Council Tax)	-604	Section 9
New Homes Bonus	-3,415	Para 7.16
One off grant	-65	Para 8.8
<i>Contribution to balances / Reserves:-</i>		
Contribution to balances / reserves for pensions payment	1,586	Para 8.23.
Contribution to Business Rates Reserve	406	Para 9.13
Contribution towards redundancy costs	200	Para 10.7
<i>Use of Balances / reserves</i>		
Use of Business Rates Pooling gain	-200	Para 7.13
Release of earmarked reserves	-185	Para. 11.8
Budget Requirement	17,929	
<i>Funded by:</i>		
Revenue Support Grant	0	Para 7.2
Business Rates Baseline Funding	-4,257	Para 7.2
Business Rates Improvement	-1,600	Para 7.8
Council Tax Payers requirement (before Parish element) see below*	-12,072	Para 9.3 and table below
Total Funding	-17,929	

Council Tax*	
Council Tax Payers requirement (before Parish element)	12,072
Council Tax Base – Band D Properties	63,331
Council Tax at Band D	£190.62

- 13.2 **Cabinet is asked to agree and recommend to Council Colchester’s element of the Council Tax for 2019/20 at £190.62 per Band D property, which represents an increase of £5.49 (2.97%) from the current rate noting that the formal resolution to Council will include Parish, Police, Fire and County Council precepts and any changes arising from the formal Finance Settlement announcement and final completion of the NNDR 1.**

14. Medium Term Financial Forecast – 2019/20 to 2022/23

- 14.1. 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 maintaining several sources of fees and charges and potential revenue implications of strategic priorities. However, the most significant factor that will impact on the budget will be the level of Government funding support including the ongoing uncertainty in respect of changes to financing arrangements
- 14.2. The Medium Term Financial Forecast (MTFF) is attached at Appendix L showing that the Council faces a continuing budget gap over the next three years from April 2020. The following table summarises the position showing a cumulative gap over the period from 2020/21 to 2022/23 of c£2.3m.

	2019/20	2020/21	2021/22	2022/23	See para
	£'000	£'000	£'000	£'000	
Net Budget	20,206	20,175	20,673	21,009	
SFA (includes allowance for reduction)	(4,257)	(3,354)	(2,897)	(2,440)	11.6
NNDR Growth (incl. pooling gain)	(1,800)	(1,800)	(1,800)	(1,800)	11.13
New Homes Bonus	(3,415)	(2,890)	(2,837)	(2,304)	11.9
Other Grants	(65)	0	0	0	
Council Tax	(12,072)	(12,556)	(13,062)	(13,588)	11.21
Reserves / Collection Fund	1,403	1,401	1,401	1,401	
Cumulative Gap	0	976	1,478	2,278	
Annual increase	0	976	502	800	

- 14.3. 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 in the Appendix and summarised below:-

Government Funding and Business Rates

- 14.4. The SFA which comprises our RSG and baseline NNDR figure has been cut in 19/20 and we will receive no RSG. In the Settlement the Government removed the so called ‘negative RSG’. However, it is assumed that this represents a one off adjustment and that the agreed reduction in resources will still be made as part of the fair funding review and business rates retention plans. There is no certainty as to the level of funding beyond 2019/20 as there will be a new spending review and consideration of the other changes being examined in respect of local authority funding. For planning purposes a further reduction of £500k has been allowed for each year.

14.5. As set out within this report the New Homes Bonus is a key element of the financial support for local authorities and the Government announced changes to the scheme that reduced the grant in 2017/18. In 2019/20 the grant has reduced again but by less than expected due to the level of housing growth. The future for NHB remains uncertain and whilst it was welcomed that the Government did not make certain changes to NHB in 2019/20 (such as increasing the baseline figure) the potential for changes in the future appears likely.

14.6. The MTFE includes projections based on the existing New Homes Bonus scheme and assumes an 'average' level of growth for future years. The MTFE assumes that the New Homes Bonus will continue to be used to support the base budget, however, this will be reduced year on year by £200k to limit the risk of future changes to this grant. It is also assumed that the annual contribution of £250k to the RIF will continue and that the bonus paid for affordable housing will continue to be earmarked for housing. These assumptions are set out in the following table.

	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000
New Homes Bonus	3,415	2,890	2,837	2,304
<i>Allocated to:-</i>				
Contribution to RIF	250	250	250	250
Affordable housing allocation	163	163	163	163
Base Budget	1,033	833	633	433
Allocation to CNG Sports Project	500			
Support for one-off schemes	1,469	1,644	1,791	1,458
Total allocation	3,415	2,890	2,837	2,304

14.7. As has been reported earlier the Essex bid to be a pilot for 75% business rates retention was not successful. Further retention pilots were agreed which it is intended will enable aspects of the retention system to continue to be tested. Colchester remains in an Essex Business Rates Pool and we expect to receive additional income in this year and next year from this arrangement. The budget assumes we will use £200k to support the budget in each year. This is included in the 2019/20 budget and we are confident that funding will continue to be available to continue this arrangement in 2020/21 and 2021/22.

14.8. Alongside the local government finance settlement, the Government confirmed that it is looking to implement the Fair Funding Review in April 2020 and published a further consultation on its progress. The deadline for responses is 21 February 2019. This consultation covers all three key strands of the Review. In particular, it:

- Sets out the Government's preferred options on the structure of the relative needs assessment, including tier-specific foundation formulas and formulas to assess specific services, the leading cost drivers for inclusion in these formulas, and analytical techniques to weight cost drivers;
- Sets out the Government's preferred options on measuring the council tax base, in particular treatment of mandatory and discretionary council tax discounts, and the choice of council tax level to be used when calculating the resources adjustment; and

- Outlines options on high level principles that could underpin the choices of transition mechanism, and the definition and measurement of 'baseline' and 'target' between which the transition mechanism would be applied to.

14.9. The Secretary of State confirmed his aim to introduce 75 per cent Business Rates Retention for all in 2020/21 and published a consultation document on possible changes to the system. The main proposals relate to balancing risk and reward; resets, the safety net, the levy, tier splits within areas, incentivising pools, central and local rating lists, including inviting proposals for properties that should change lists, There is also consideration of the best way of dealing with appeals and an alternative model of business rates retention. The deadline for responses is also 21 February 2019.

14.10. These issues are important for the Council as they will inform how baseline funding is established. It is proposed that a response be made to the proposals following consideration of how these reforms are likely to affect Colchester.

Pay, Inflation and costs

14.11. The 2019/20 budget includes an allowance for the agreed pay award. For 2020/21 and beyond a sum is included for planning purposes to cover this and other inflationary pressures.

14.12. The next actuarial review of the pension fund will take place in 2019. No allowance has been included for any impact from this review, however, this will be considered in future updates. On the assumption that the Council again pays the 3 year deficit in one payment it will be necessary to show the use of reserves in that year with the subsequent repayment over the next two years. For ease and planning purposes the MTFF simply shows an annual cost / contribution to reserve as a 'marker'.

Forecast savings

14.13. The MTFF includes forecast savings for 2020/21 and beyond. These include:-

- The Northern Gateway Sports scheme business plan assumptions.
- The second year savings from the proposed Waste and Zones review.
- The projections for the dividend from CCHL (Colchester Commercial Holdings Ltd)
- The forecast income arising from assets included within the RIF.
- Assumed income from HMO licencing

14.14. The MTFF does not include the anticipated revenue gains from on-lending investment in the Colchester's companies. This will be updated when the budget strategy for 2020/21 is produced in the summer. These gains will need to be viewed alongside the temporary borrowing costs for the Northern Gateway Sports scheme.

14.15. It will be necessary to closely track the delivery of these projects during the life of the MTFF and to account for any changes.

Fees and charges income

14.16. It is evident that there has been a fluctuation in some income budgets over recent years and a number of budgets have been changed to reflect these revised assumptions. On this basis the MTFF assumes a broadly neutral position over the next three years, other than additional income assumed within business cases, and this will need to be reviewed annually to ensure income targets are reasonable.

Specific Cost Pressures

- 14.17. The MTFF includes an allowance for additional resources to support the waste and recycling service. This includes the full year cost of additional vehicles and staff included in the 2019/20 budget as well as an allowance for further resources in 2021/22 and 2022/23. An allowance has also been made for a potential reduction in the Council Tax sharing agreement in 2020/21. The current agreement has been extended into 2019/20 and it is understood that a new agreement will be developed during the next year with all relevant Essex authorities.
- 14.18. There remain a number of potential risks and pressures for which no specific allowance is currently made. These include:-
- an increase in interest costs which are currently being minimised through internal borrowing
 - Any increase in pensions contributions arising from the actuarial review
 - Any contribution towards supporting garden communities

Council Tax

- 14.19. The MTFF assumes that Council Tax will increase by 3% each year however, this does not represent a proposal. An allowance for an increase in Council Tax income through growth in the tax base of 1% pa is also included.

Summary

- 14.20. A realistic approach has been taken to the MTFF and it is evident that it will be necessary to review and revise a number of the assumptions set out. The funding changes to local government will continue with further grant reductions, the changes to business rates retention arrangements and any impact of the Government's wider review of local government funding.
- 14.21. In the 2019/20 budget savings and reductions of £1.5m have been identified which, when looked at alongside about £17m identified in the budgets since 2011/12, represents a significant level of budget savings found. The MTFF shows that whilst anticipated savings from the current plans will make a contribution to reducing future budget gaps, further budget changes will be necessary. The area of most uncertainty remains the nature and extent of Government funding changes.
- 14.22. The budget group has considered some savings area beyond 2019/20 and certain service reviews are planned to help to identify savings to close the budget gap for 2020/21 and beyond. 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.

- 14.23

Cabinet is asked to note the medium term financial forecast for the Council.

15 Capital Programme

- 15.1 The current capital programme is detailed in Appendix M. It should be noted that this shows only those schemes that are currently in the approved capital programme, and as such excludes the proposals within this report and potential future schemes that have been included in the medium term capital forecast.
- 15.2. The latest monitoring report highlighted that there was a small net underspend on the Capital Programme and it is proposed that this is reallocated as shown.

General Fund position		
Open Spaces Provision (funded by New Homes Bonus)	(43)	The purchase of land included within the project is no longer required as it has been provided for through a S106 agreement.
Completed schemes – Garrison Gym Rebuild	25	Additional works required for completion of the scheme.
Relocation of Museum Resource Centre	18	
Subtotal	0	

- 15.3. A review of resources available to support the Capital Programme in the medium term has been carried out, and the following table provides a summary of the projected position for 2018/19. This shows a surplus that is available to support potential schemes in subsequent years.

Detail	£'000
Surplus brought forward	(321)
Capital receipts projection for 2018/19	(771)
New schemes (see below)	200
Balance available	(892)

- 15.4. There are a number of items to report for inclusion in the capital programme:

Waste Fleet – Increase of £0.9m from £4m to £4.9m

- 15.5 The Council agreed to purchase new waste fleet once the current leasing arrangements expired. An options appraisal exercise found that external borrowing from the Public Works Loan Board was the most competitive funding option. The initial allocation of £4m was an indicative figure. The proposed increase represents revised costings and proposals for additional vehicles for which provision has been made in the revenue budget for borrowing costs.

Shrub End Depot – Increase of £200k from £840k to £1,040k.

- 15.6. The Shrub End Depot is no longer fit for purpose and requires significant re-investment to provide the facilities and space to operate effectively now, and in the future. It is anticipated that an additional £200,000 is required to redevelop the current site although further detailed work is underway to establish an accurate estimate. It is therefore, proposed to invest £200,000 of one-off additional capital funding in 2020/21 for redevelopment of Shrub End Depot. This proposal forms part of the Waste and Zones review which will be reported to Cabinet in March.

Revolving Investment Fund (RIF) – Reallocation of £1.275m

- 15.7. RIF Committee agreed a number of changes to the programme at the meeting on 16 January 2019. This included the following changes.

	£'000	Note
Sport and Leisure Asset review	120	New opportunities are being explored to support growing Sport and Leisure in the Borough with a focus on the Colchester Leisureworld site.
Vineyard Gate feasibility	15	CBC continues to explore a new set of proposals for the Vineyard Gate area
Grow-on former Queen St Bus Depot	19	Work is underway to explore the development of new grow on space units in the town centre following on from the success of the 37 Queen Street incubator
Public Realm - St Nicholas Square	20	This project will develop new designs for a public square
Broad Lane Sports Ground Wivenhoe	10	Feasibility work to explore options for the Sports Group at Wivenhoe
Pre development / feasibility funds	250	Allocation to fund initial feasibility studies for emerging income generation or regeneration opportunities.
Current Shortfall on programme	841	
Total costs (incl. shortfall)	1,275	
<i>Funded by :-</i>		
Town Centre - uncommitted balance	(1,275)	

15.8. As a result of changes to the Prudential Code and statutory requirements in relation to Non-Treasury Management investments (for example Commercial and retail investments not related to local economic development), the Council is required to prepare, give due consideration to and approve as part of the budget process and long term financial planning; a Capital Strategy. The proposed strategy is set out at Appendix O.

15.9. In summary this sets out that the Council's approach to the capital programme is to support deliver of Strategic Plan priorities. The Council has established the Revolving Investment Fund (RIF) as a way to invest in schemes that support economic growth through regeneration and also more commercial schemes. Importantly, these schemes are all within the Borough, and there are no plans for commercial investment outside the Borough.

15.10. The Council has agreed to provide financial support to the Amphora commercial companies by way of equity and loan finance. This has been supported by business plans and will continue to be monitored and scrutinised to ensure the risks to the Council are managed.

15.11. The Capital Strategy will be developed over the course of the year and agreed annually.

16. Robustness of Estimates

16.1 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.

- 16.2 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, 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.
- 16.3. This latest review of the budget for this financial year, 2018/19, has shown that there are a number of budget pressures across the Council. Outturn reviews in previous years have been undertaken to ensure that budgets reflect best estimates and do not contain “contingencies”. This has meant that services have less scope to absorb unforeseen budget pressures and any requests for new spending that may arise in-year. Steps taken through the 2018/19 budget process, such as reducing income targets for planning, helpline and broadband helped to set achievable budget targets. The final outturn position for 2018/19 is expected to be within budget, however, there have been a number of cost pressures.
- 16.4. As part of the 2019/20 budget exercise attention has been given to these and other in year budget pressures. As a result of this some of the main budget changes have been in respect of waste and recycling. This has been informed by the Waste and Zones review which will be reported to Cabinet in March.
- 16.5. This budget again includes significant new or increased savings and income targets across the Council totalling £1.5m. Most of these items have been identified through budget reviews and assumptions have been checked to ensure that there are reasonable and achievable. They comprise a mix of spending reductions and efficiencies and additional income most of which have already been considered by Cabinet. They also include the Corporate Services review which is subject to a separate report on this agenda and the Waste and Zones review which, as already stated, will be considered in detail by Cabinet in March.
- 16.6. All Assistant Directors have reviewed their detailed budgets and various changes have been incorporated into their individual budgets. Allowance have been made for a number of costs pressures such as reducing some income targets (e.g land charges) and allowing for additional costs some of which are one-off (e.g. an allowance for ICT costs relating to risks to delivery of various projects).
- 16.7. The 2019/20 budget contains measures to ensure that the Council is looking beyond day to day issues. For example, there is an increase in funds set aside for the maintenance and upkeep of assets and balances have been added to ensure that funds are set-aside for any potential redundancy costs to ensure that saving targets can be met in year.
- 16.8. Whilst I consider that reasonable assumptions have been made to account for the pressures being faced in the coming year there remains a degree of risk with the key areas being:-
 - Meeting ongoing, income levels in particular in respect of sport and leisure where income is below current budget targets. Targets for 19/20 and 20/21 have now been reduced but remain challenging.

- The delivery of business plan for the new Northern Gateways Sports Park.
- Delivery in the year of certain agreed savings, for example, the £500k for the Waste and Zones review.
- Collection rates of Council Tax and changes in demand levels following the implementation of the LCTS scheme and other Council Tax changes. In particular there is a risk that income will be lower due the proposal in respect of the 28 day exemption period for empty properties.
- Collection rates and level of business rates (including the impact of appeals)
- Cost of benefits payments and ensuring that the Council receives the expected subsidy income to pay for these.
- Impact on budgets relating to homelessness and other demand pressures.
- Asset rental income assumptions, in particular income from Northern Gateway and other investment properties
- Assumptions within the Council's commercial company arrangements, including borrowing levels.
- Impact of Council borrowing on interest costs / income.

16.9. The budget risks will be managed during 2019/20 by regular targeted monitoring and review at Senior Management Team and Scrutiny Panel. The Revenue Balance Risk Analysis considered these areas in establishing a minimum level of required balance of £1.9m.

16.10. The External Auditor has previously commented that *"the Council has a strong history of delivering savings targets.....and taking effective steps to address future budget gaps"*. As part of the 2017/18 audit of accounts the external auditor reported that the Council *"did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."* As part of the in-year budget monitoring action has been taken to mitigate pressures and as commented earlier, adjustments have been made in respect of the 2018/19 budget proposals.

16.10. 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.

16.11. Regular updates on forecast expenditure will also be important to ensure the budget is managed within the expenditure constraints set out and the Council continues to develop systems to provide better financial information through greater use of our commitments system and focused monitoring of key risk areas.

16.12. This report highlights that balances remain above our recommended level and we have confidence that there will be no call on balances in this year. In addition, the Council has made allowance for a number of specific risks, either within balances or earmarked reserves.

16.13. Looking ahead beyond 2019/20 the future financial position is more uncertain with the prospect of significant changes to local authority funding. In particular, it will be necessary to review the use of business rates income and the New Homes Bonus. The Council has benefited from the income received from these sources and this has been used to support one off investment. If the local government funding review

provides clarity and certainty on these funding sources it may be necessary to consider how this income is used in the future.

16.12 **Cabinet is asked to note the comments on the robustness of budget estimates.**

17. Treasury Management and Prudential Code Indicators

17.1. The proposed Treasury Management Strategy Statement (TMSS) for 2019/20, including the Minimum Revenue Provision Policy Statement and Annual Investment Strategy, is included at **Appendix P**. The following paragraphs contain a summary of the strategy for 2019/20, which covers the following issues:

- the capital plans and the prudential indicators;
- the Minimum Revenue Provision (MRP) Policy;
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- the economic background and prospects for interest rates;
- the borrowing strategy;
- the policy of borrowing in advance of need;
- debt rescheduling;
- the investment policy and strategy, and credit worthiness policy;
- the policy on use of external service providers.

17.2. The Council's Prudential and Treasury Indicators for 2019/209 through to 2021/22 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, as well as the latest medium term revenue and capital forecasts.

17.3. The Minimum Revenue Provision (MRP) Policy Statement for 2019/120 states that the historic debt liability will continue to be repaid on an equal instalment basis over a period of 50 years, 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.

17.4. The strategy sets out that the Council's borrowing requirement over the coming years. The Council has agreed long term borrowing to support the Northern Gateway Sports scheme and purchase of waste vehicles. In addition separate reports on this agenda set out proposals relating to Council housing which include borrowing. The Council continues a policy of 'internal borrowing' to support the capital programme where it is possible. However, during the coming year it is likely that it will be necessary to borrow some funds externally. Given some of this is expected to cover temporary borrowing it is expected that most new borrowing will be for short periods to take advantage of lower interest rates.

17.5 **Cabinet is asked to agree and recommend to Council the 2019/20 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out in the paper at Appendix P.**

18. Strategic Plan References

- 18.1. The 2019/20 budget and the Medium Term Financial Forecast is underpinned by the Strategic Plan priorities and will seek to preserve and shift resources where needed to these priorities.
- 18.2. Appendix N provides an overview of the links between the Strategic Plan and budget strategy.

19. Financial Implications

- 19.1 As set out in the report.

20. Publicity Considerations

- 20.1 Arrangements will be made to publish the approved tax levels in the local press in accordance with the legal requirements.

21 Human Rights Implications

- 21.1. None

22. Equality and Diversity

- 22.1. 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.

23. Community Safety Implications

- 23.1 None

24. Health and Safety Implications

- 24.1 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.

25. Risk Management Implications

- 25.1 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.

26. Consultation

26.1. The budget will be scrutinised by Scrutiny Panel on 28th January 2019. The statutory consultation with NNDR ratepayers takes place in early February 2019 and notes of the meeting will be provided in due course.

Background Papers

Budget reports to Cabinet – 21 November 2018

2019/20 Budget Timetable	
Budget Strategy	
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 – 11 July 18	<ul style="list-style-type: none"> • Review 17/18 outturn • Report on updated budget strategy / MTFF • Timetable approved
Scrutiny Panel – 17 July 18	Review Cabinet report
Detailed Budget preparation and Budget Setting Consultation	
Budget Group / Leadership Team regular sessions on progress / budget options now - December	Review budget tasks Consider delivery of existing budget savings Complete outturn review
Cabinet – 5 September 18	<ul style="list-style-type: none"> • Budget Update • Review of capital resources / programme
Cabinet – 21 November 18	<ul style="list-style-type: none"> • Budget update • Reserves and balances • Agree fees and charges / budget changes • Government Finance settlement (if available) • Review in year budget position
Scrutiny Panel – 29 January 19	Budget position (Detailed proposals)
Cabinet – 30 January 19	Revenue and Capital budgets recommended to Council
Council – 20 February 19	Budget agreed / capital programme agreed / Council Tax set

2019/20 New Homes Bonus

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Growth re 09/10	724	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>
Growth re 10/11	749	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>
Growth re 11/12	986	986	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>
Growth re 12/13	757	757	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>
Growth re 13/14	1,185	1,185	1,185	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>
Growth re 14/15	1,025	1,025	1,025	1,025	<i>nil</i>	<i>nil</i>	<i>nil</i>
Growth re 15/16		553	553	553	553	<i>nil</i>	<i>nil</i>
Growth re 16/17			533	533	533	533	<i>nil</i>
Growth re 17/18				1,141	1,141	1,141	1,141
Growth re 18/19 (est)					500	500	500
Growth re 19/20 (est)						500	500
Growth re 20/21 (est)							500
Total basic NHB	5,426	4,506	3,296	3,252	2,727	2,674	2,641
Affordable Homes Bonus	288	277	147	163	163	163	163
Estimated NHB	5,714	4,783	3,443	3,415	2,890	2,837	2,804

APPENDIX C

2019/20 Revenue Cost pressures

Assistant Director / 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 21st November 2018 are highlighted in the “final” column.

	Previous	Final	
	£'000	£'000	
Cost Pressures			
General Inflation	540	595	The budget allowance is mainly to cover the agreed pay award of 2% and other inflationary increases. The total has increased to allow for general increases in energy costs and other miscellaneous cost increases.
Food Waste (net impact of loss of grant)	204	204	The Government grant has been used for a number of years to support the roll out of food waste collection. This grant has now been fully spent.
Stadium rent	22	52	Assumed reduced rent arising from change in methodology. Pressure has been updated to reflect a rent of £120k pa.
IT costs	150	225	Ongoing costs relating to ICT strategy. This allowance has been increased to reflect potential one-off costs relating to server costs and also the potential risk that other licence fees may need to be paid for a longer period than previously assumed.
C-Tax Sharing Agreement	250	250	Changes have been made to the sharing agreement which reduce the payment to CBC. In addition the budget has been reduced to reflect current estimates.
BID levy	29	29	The Council pays the levy on properties within the BID area.
Building Maintenance Plan		150	To meet ongoing costs of building maintenance it is necessary to increase the annual budgetary contribution from £150k to £300k.
Northern Gateway Sports		140	Cabinet agreed the Northern Gateway sports project. This represents start-up costs and the initial period of operation.

	Previous	Final	
	£'000	£'000	
HMO (Homes in Multiple Occupation) Licensing		90	Upfront costs of new HMO licencing requirements have been funded. Income from new licences will eventually cover the costs and this has been allowed for in the MTFF.
Plastics (income / costs)		100	Market prices for recycled plastics are lower and expected to continue into next year.
Sport and leisure - energy and business rates		93	There has been a significant increase in energy costs which will affect the 19/20 budget. In addition, there is an increase in business rates arising from the extension of the gym.
Land charges income		32	Income was increased for 18/19 however, income targets were becoming harder to achieve due to competition and the fact that paid for searches were being overtaken by the availability of free searches under EIR's (Environmental Information Services)
Procurement Hub		23	We have opted not to renew our membership of the Essex Procurement Hub due reduced income and increasing pressures forecast for future years. There will still be a budget pressure associated with the TUPE transfer of one member of staff tbc.
Refuse vehicles and crew		188	The Waste and Zones Futures Review identified the need for extra refuse and recycling collection vehicles to respond to housing growth. This cost represents 2 new vehicles with crews being provided.
Review of budget targets		30	The 18/19 budget included assumptions regarding additional income and savings from carbon management investment and some other budget changes. These have all been reviewed in setting detailed budgets and therefore these targets now need to be removed.
Allowance to comply with statutory accounting changes		15	In the coming year it will be necessary to prepare for a number of accounting changes in respect of accounting for leases. This will require external specialist support and a one-off allowance is therefore proposed in the budget.
Total cost pressures	1,195	2,216	

Savings and Income – 2019/20

	November Position	Final Position	
	£'000		
Efficiencies, income and service reviews			
<i>Service Reviews:-</i>			
<ul style="list-style-type: none"> Sport & Leisure 	150	100	Additional £100k from Sport and Leisure Futures Review as reported to Cabinet in November. Savings and additional income from sport and leisure business case have now been removed given pressure on income levels in current year.
<ul style="list-style-type: none"> Customer Futures 2 	228	228	Final year savings from agreed review
<ul style="list-style-type: none"> Environment & Communities 	150	150	Review agreed by Cabinet includes cost reductions and additional income.
<ul style="list-style-type: none"> Corporate Services Review 		150	Review subject to report on this agenda
<ul style="list-style-type: none"> Waste and Zones Review 		500	Review reported to Scrutiny Panel in January with recommendations to be submitted to Cabinet in March.
<ul style="list-style-type: none"> Museums Review 		29	Savings have been achieved from a change in a management role, and reduced costs for deep storage. There is also additional income forecast for 2019/20 from the Castle retail which has been performing well.
<i>Income:-</i>			
<ul style="list-style-type: none"> Commercial Company assumptions 	107	107	Forecast increase in dividend from Colchester Commercial Holdings Ltd.
<ul style="list-style-type: none"> Commercial Assets 	50	50	Due to revised profile of delivery of commercial asset income an increase of £50k is forecast. This will be reviewed alongside detailed budgets in this area.
<ul style="list-style-type: none"> Temporary housing income 		40	This represents the revenue implications as set out in the January 2018 Cabinet report, where it was agreed to purchase up to 16 homes to be used as temporary accommodation for homeless households.

Budget reductions			
Arts Grant	50	50	Reduction agreed as part of package of 2 year grant reductions.
LCTS grant to parishes	7	7	Reduction in line with 4 year Settlement.
Economic Development Grants	75	75	Proposed savings set out within report.
Total	817	1,486	

Summary Budget 2019/20

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 19/20 Budgets
		£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	(503)	0	250	0		(7)	(260)
Executive Management Team	686	0	10	0		0	696
Community	2,779	(31)	210	0		(201)	2,757
Customers	3,354	(18)	98	0		(195)	3,240
Environmental (excl NEPP)	5,321	0	462	0		(185)	5,598
Policy & Corporate	7,870	(407)	595	16		(495)	7,578
Total General Fund Services	19,507	(456)	1,625	16	0	(1,083)	19,609
Technical Items							
<i>Corporate Items / sums to be allocated to services</i>							
Investment Allowance funded by New Homes Bonus	2,062	0	0	221	0	0	2,283
NNDR Revaluation / Inflation Index	(10)		10			0	0
Futures Reviews	0	0	188			(511)	(323)
Northern Gateway Sports Project	0		140			0	140
PV Panels / LACM	(20)		20			0	0
IT Server costs	0		75			0	75
Leasing Changes Advice	0		15			0	15
<i>Non-Service Budgets</i>							

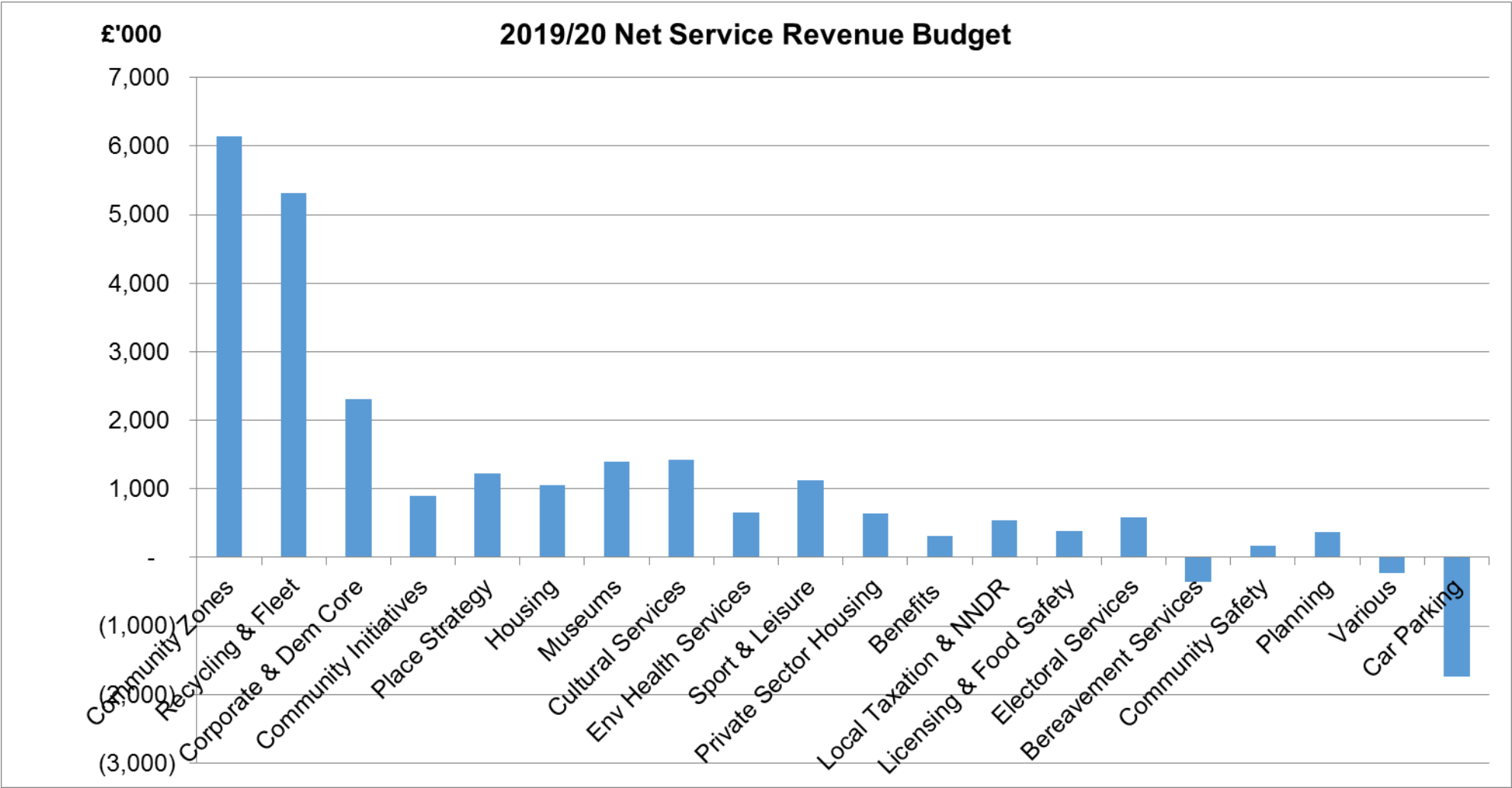
	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 19/20 Budgets
		£'000	£'000	£'000	£'000	£'000	£'000
CLIA (net interest)	432		0			65	497
R&R Contribution	150		150				300
Min Revenue Provision	561		0			58	619
Pensions	366		0				366
GF/HRA/NEPP Adjustment	(3,353)		(7)		0	(15)	(3,375)
Total Below the Line	188	0	591	221	0	(403)	597
Total incl Below the line	19,695	(456)	2,216	237	0	(1,486)	20,206
Funded by:-							
Use of balances: re carry forwards	(63)	63	0		0		0
Use of balances	(73)	73	0		0		0
Contribution to balances	2,186	(2,186)	0		1,786		1,786
Contribution to Business Rates Reserve	0	0	0		406		406
Use of other Earmarked Reserves	(485)	485	0		(185)		(185)
Revenue Support Grant	(275)		275				0
Business Rates Baseline	(4,162)		(95)				(4,257)
NNDR Levy Surplus	0	0	0		(65)		(65)
NNDR Growth above Baseline	(1,100)		0		(500)		(1,600)
Business Rates Pooling	(200)		0		0		(200)
Council Tax	(11,471)		0		(601)		(12,072)
Collection fund Transfer	(609)	609	0		(604)		(604)
New Homes Bonus	(3,443)		0		28		(3,415)
Total	(19,695)	(956)	180	0	265	0	(20,206)

2019/20 General Fund Budgets

Area	Direct Budgets			Non-Direct Budgets	Total
	Spend £'000	Income £'000	Net £'000	Net £'000	
Corporate & Democratic Core	290	(550)	(260)	2,566	2,306
Total	290	(550)	(260)	2,566	2,306
Executive Management Team					
EMT	696	-	696	(696)	-
Total	696	-	696	(696)	-
Community					
Assistant Director	140	-	140	(140)	-
Licencing, Food & Safety	496	(538)	(42)	431	389
Community Safety	96	-	96	80	176
Environmental Health Services	514	(62)	452	206	658
Building Control	405	(400)	5	202	207
Community Initiatives	696	(50)	646	256	902
Private Sector Housing	550	(167)	383	262	645
Cultural Services	595	(112)	483	934	1,417
Colchester Museums	70	(502)	(432)	22	(410)
Subtotal	3,562	(1,831)	1,731	2,253	3,984
Colchester & Ipswich Museums	2,118	(1,092)	1,026	775	1,801
Total	5,680	(2,923)	2,757	3,028	5,785
Customer					
Assistant Director	139	-	139	(139)	-
Customer Business	979	(497)	482	(414)	68
Local Taxation & NNDR	467	(660)	(193)	737	544
Customer Solutions	1,134	(3)	1,131	(1,128)	3
Customer Experience	2,349	(376)	1,973	(2,101)	(128)
Electoral Services	438	(3)	435	150	585
Subtotal	5,506	(1,539)	3,967	(2,895)	1,072
Benefits - Payments & Subsidy	48,862	(49,589)	(727)	1,040	313
Total	54,368	(51,128)	3,240	(1,855)	1,385
Environment					
Assistant Director	142	-	142	(142)	-
Recycling & Fleet	6,987	(2,429)	4,558	759	5,317
Zones	4,979	(897)	4,082	2,056	6,138
Bereavment Services	905	(1,498)	(593)	236	(357)
Car Parking	1,094	(3,870)	(2,776)	1,030	(1,746)
Subtotal	14,107	(8,694)	5,413	3,939	9,352

	Direct Budgets			Non-Direct Budgets	
Parking Partnership (NEPP)	3,339	(3,223)	116	116	232
Total	17,446	(11,917)	5,529	4,055	9,584
Policy & Corporate					
Assistant Director	145	-	145	(180)	(35)
Finance	847	(100)	747	(747)	-
ICT and Communications	2,358	(392)	1,966	(1,966)	-
People and Performance	802	(184)	618	(673)	(55)
Governance	2,985	(302)	2,683	(2,633)	50
Place Strategy	1,152	(31)	1,121	105	1,226
Planning	991	(1,177)	(186)	561	375
Housing	2,032	(818)	1,214	(165)	1,049
Subtotal	11,312	(3,004)	8,308	(5,698)	2,610
<i>Company Related:-</i>					
Client - Commercial Company	1,941	(393)	1,548	(1,941)	(393)
Corporate Asset Management	2,194	(265)	1,929	(1,874)	55
Commercial & Investment	248	(3,770)	(3,522)	2,572	(950)
Sport & Leisure	4,488	(5,173)	(685)	1,810	1,125
Total	20,183	(12,605)	7,578	(5,131)	2,447
Adjustment for NEPP use of balances	-	185	185	-	185
Total (excl. NEPP)	95,324	(75,715)	19,609	1,851	21,460

*Non-direct budgets reflect recharges between service areas and technical accounting charges. These are shown to present the full cost of services.



Council Tax

Background Information

The Local Government Finance Act 2012 introduced powers for Local Authorities to:

- **Remove the Class C Exemption**
 - o *(A Class C Exemption provides an exemption from Council Tax for a dwelling which is unoccupied for up to 6 months and is substantially unfurnished)*
- **Introduce a long term empty property premium charge of 50%**
 - o *(This is an additional 50% premium for dwellings that are empty for over two years, making the total liability 150% of Council Tax)*

From 1st April 2013, the Council agreed that there would be no empty property exemption, therefore removing the 6 month exemption previously given. In addition it was agreed that the full premium charge would be introduced.

Class C Exemption for Council Tax

The Council Tax (Exempt Dwellings) Order 1992 provided a Council Tax exemption for Class C properties. Class C properties are defined as:

'A dwelling which is unoccupied and has been for a period of less than 6 months since the last occupation day and which is substantially unfurnished and has been throughout that period.'

The proposals set out in this report to introduce a 28 day exemption will help to reduce administration for the Council as well as not unfairly penalising residents who are simply moving property.

Long Term Empty Premium

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 introduced powers for Councils to increase the premium levels as follows:

- From April 2019 properties empty for over 2 years may be charged a 100% premium (making total liability 200%).
- From April 2020 properties empty for over 5 years may be charged a 200% premium (making total liability 300%).
- From April 2021 properties empty for over 10 years may be charged a 300% premiums (making total liability 400%).

The proposals set out in this report seek to introduce to higher premiums in order to encourage homes being brought back into use as quickly as possible.

It is noted that the long term premiums can in some situations penalise property owners who are unable to sell or use a property. As such the government provided guidance which expects Council's to consider the reasons why a property is unoccupied or unfurnished. In order to ensure that the premium is administered fairly the Council will develop a key principles document that will take into account individual circumstances when applying the charge.

General Fund Balances – Risk Assessment

A risk assessment has been undertaken to determine the prudent level of general fund balances as part of the 2019/20 budget process. This has been carried out with reference to specific risk allocation sums held within balances

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

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

Risk Assessment

The results of the current assessment are summarised below and no changes are proposed.

Factor	Assessed Risk			Comment
	High	Med	Low	
	£'000	£'000	£'000	
Cash Flow	1,000			No change to current level
Inflation		100		
Investment Income	75			
Trading Activities and fees and charges		200		No change made for new company arrangements.
Benefits		200		Separate allocation also held in balances
New legal commitments			100	
Litigation		150		
Partnerships			100	
VAT Exemption Limit			450	Increased to £450k in 16/17 representing current impact.
Budget Process		150		Increased in 16/17 by £50k to reflect removal of contingency sums
Revenue impact of capital schemes			150	
Impact of Local Government Finance reforms	300			Maintained, given funds held in earmarked reserve and balances
	1,375	800	800	

	Risk	%	Minimum provision
High Risks	1,375	100	1,375
Medium Risks	800	50	400
Low risks	800	10	80
Sub total			1,855
Unforeseen factors			45
Recommended level			1,900

This shows the minimum level of balances be maintained at £1.9 million. It is then a matter of judgement whether it would be desirable to hold any further level of balances beyond this, or to seek to rebuild balances above this level to provide for future flexibility.

The main issues to mention concerning the assessment are: -

- The key reason for proposing to increase balances in 2013/14 was the new risks associated with major Local Government reforms such as the creation of a Local Council Tax Support Scheme and the local retention of business rates. This remains a key risk area. However, separate provision is also being made through the business rates reserve and without this it might be necessary to consider increasing the recommended minimum level.
- While the possible requirement to meet capital spending from revenue resources a potential risk it is no longer shown in the assessment as it is classed as "nil" because of the current level of funds held in the capital expenditure reserve and the introduction of the Prudential Code.
- The assessment includes the risk that the VAT exemption limit will be exceeded with a consequent loss of recoverable VAT. Regular monitoring and active management of new schemes minimises this risk.

Implications

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

- Ensure all spending aspirations for the coming year are assessed as part of the annual budget process. The continued development of the Medium Term Financial Forecast will assist in this.
- Recognise that it will not be possible to draw on balances to fund new discretionary initiatives identified in the year, however desirable they may be; an alternative source of funding would need to be identified.
- Realise future assessments could identify a need to rebuild balances
- Accept that the potential for interest earnings on balances will change depending on the level of balances held. (This will be reflected in the budget accordingly).
- Acknowledge that any balances desired for future flexibility/change management will need to be built up over and above the prudent level identified.

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

General Fund Balances Position

Balances	Allocated	Risk allocations	Unallocated	Total	Note
	£'000	£'000	£'000	£'000	
Opening balance 1/4/18	(2,575)	(844)	(2,167)	(5,586)	per 17/18 accounts
Reallocations				0	
Revised opening position	(2,575)	(844)	(2,167)	(5,586)	
<i>Budget Carry Forwards and sums held in balances:-</i>					
17/18 Service Budget c/fs (incl. NHB)	803			803	As reported to Scrutiny Panel June 18
Previous pooling gain c/f (contr'n to reserve)	216			216	
Business rates c/f	982			982	
17/18 Business rates pooling c/f	634			634	As reported to Scrutiny Panel June 17 and being used to support Better Colchester investment. In addition £200k is being used to support 2019/20
Use of balances for Better Colchester plan	253			253	Agreed by Cabinet 11 July 2018
Carry forwards held in balances	475			475	Agreed budget sums, such as New Homes Bonus, which have not yet been moved to service budgets. These items have been reviewed and unused balances transferred to the redundancy allocation

Balances					
	Allocated	Risk allocations	Unallocated	Total	Note
	£'000	£'000	£'000	£'000	
Allocations in previous years c/f	143			143	Allocations against specific projects. This has been reviewed as part of closure and certain allocations no longer required have been transferred to the redundancy allocation.
Colchester & Ipswich Museum Service (CIMS)	38			38	Use of balances subject to decisions made by joint Committees. Some of this is being used in 18/19 and some may be c/f to 19/20.
North Essex Parking Partnership (NEPP)	223			223	
Redundancy costs	528			528	Costs of over £200k incurred this year. It is proposed to add £200k to balances to reinstate this allocation.
Council Tax Sharing agreement	271			271	Carry forward sum from previous years. Currently expect some of this to be used in current year to support expected shortfall. The balance will be c/f as a risk for this budget.
Right to challenge - Gov't funding	46			46	Funds held against any issues.
Startwell	100			100	Agreed by Cabinet 12 October 2016. Remaining funds committed in year.
Use of pooling gain to support budget	200			200	As agreed in budget report 18/19
Funding LDF etc	43			43	As agreed in budget report 18/19
Funding c/f (PSU post, startwell post & comms post)	93			93	As agreed in budget report 18/19
Community Stadium - rent adjustment	500			500	Provision for one-off reduction in rent. Paid out in 2018/19.
Total contribution to reserves in 18/19 and 19/20	(1,586)	0	0	(1,586)	Reinstatement of reserves to fund one off cost.

Balances					
	Allocated	Risk allocations	Unallocated	Total	Note
	£'000	£'000	£'000	£'000	
Total carry forwards and allocations	3,962	0	0	3,962	
Agreed use in 2019/20 Budget					
Use of pooling gain to support budget	200			200	As proposed in 19/20 budget
Contribution to reserves in 19/20	(1,587)			(1,587)	Reinstatement of reserves to fund one off cost.
	(1,387)	0	0	(1,387)	
<i>Risk allocations held in balances</i>					
Business rates / Welfare reform		172		172	Provision for impact arising from reforms.
Planning appeals, legal, HR etc- risk allocation		222		222	Some spend possible in year, however, most expected to be held.
Housing benefit - risk allocation		300		300	Agreed in 15/16 budget
Collection Fund - risk allocation		150		150	Agreed in 15/16 budget
Total use in 19/20 and later years allocations	(1,387)	844	0	(543)	
Uncommitted / unallocated Balance	0	0	(2,167)	(2,167)	
Recommended level			(1,900)	(1,900)	Proposed level
Surplus above recommended level	0	0	(267)	(267)	

Earmarked Reserves and Provisions

Reserve	Amount at 31/03/18	Transfers - In	Transfers - Out	Estimate at 31/03/19	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
Renewals and Repairs (incl Building Maintenance Programme): Maintained for the replacement of plant and equipment and the maintenance of premises.	1,973	454	(527)	1,900	1,900	-
Insurance: To cover the self-insurance of selected properties.	432	110	(7)	535	-	535
Capital Expenditure: Revenue provision to fund the capital programme. The reserve is fully committed to funding the current capital programme.	3,615	750	(2,565)	1,800	1,800	-
Asset Replacement Reserve: A reserve for the future replacement of vehicles and plant. The vehicle replacement policy has been reviewed. Revenue contributions to this reserve have now ceased and the funding is now sourced from the Council's Capital Programme.	69	-	(69)	-	-	-
Gosbecks Reserve: Maintained to provide for the development of the Archaeological Park. The main source of funding was a 'dowry' agreed on the transfer of land.	189	1	(16)	174	174	-
Heritage Reserve: This represents balance held of museums donations and as such represents a small element of the Council's support to heritage schemes.	113	7	-	120	-	120
Section 106 Monitoring: Funds allocated for future monitoring of Section 106 agreements.	10	-	(10)	-	-	-

Reserve	Amount at 31/03/18	Transfers - In	Transfers - Out	Estimate at 31/03/19	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Grants Unapplied: Under new accounting rules any grant received where there are no clear conditions that the grant is repayable if not spent now have to be transferred to this reserve. For all these grants proposals for use of the money exist and the funds are held in the reserve until the money is spent.	3,389	1,000	(1,940)	2,449	2,449	-
Parking Reserve: As part of the existing 'on street' parking arrangements there is requirement to keep any surplus funds separate from the General Fund. With the North Essex Parking Partnership (NEPP) there is also a requirement to hold separately funds provided to support TRO (Traffic Regulation Order) work and also initial funding provided by Essex County Council	1,199	-	(185)	1,014	1,014	-
Building Control: The Building (Local Authority Charges) Regulations came into force on 1 April 2010. The new charges allow Building Control to more accurately reflect the cost of chargeable services. In any year there is therefore the likelihood of a balance on this account that must be assessed as part of ongoing charges.	-	-	-	-	-	-
Heritage Mersea Mount: Funding received from English Heritage towards costs relating to Mersea Mount.	11	-	-	11	11	-
Mercury Theatre: Provision for the building's long term structural upkeep. Accumulated funds have been used to support roof repairs to the Mercury Theatre.	84	25	-	109	109	-

Reserve	Amount at 31/03/18	Transfers - In	Transfers - Out	Estimate at 31/03/19	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
Business Rates Reserve: Maintained to cover the risk of any residual issues resulting from the introduction of the Local Business rates Retention scheme.	843	600		1,443		1,443
Revolving Investment Fund Reserve: Maintained as a way to deliver income-producing development schemes and regeneration/economic growth projects. The three main sources of funding into the RIF are existing capital programme allocations, capital receipts and revenue funding. Revenue funding will be held in this reserve until it is required for future capital schemes or revenue expenditure as necessary.	1,202	257	(750)	709	709	-
Total General Fund	13,129	3,204	(6,069)	10,264	8,166	2,098
HRA Retained Right To Buy (RTB) Receipts - Debt: Reserve following Government changes to the RTB scheme. From 2012/13 the Council can retain a proportion of RTB receipts to offset debt taken on by the HRA Self-Financing settlement. The reserve must be used for HRA purposes.	4,975	800	-	5,775	5,775	-
HRA Retained Right To Buy (RTB) Receipts - Replacement: Reserve following Government changes to the RTB scheme. From 2012/13 the Council can retain a proportion of RTB receipts to fund affordable housing development. Receipts held within the reserve must be used within 3 years for this purpose; otherwise they must be repaid to the Government.	5,859	2,500	(2,800)	5,559	5,559	-
Total HRA	10,834	3,300	(2,800)	11,334	11,334	-

Reserve	Amount at 31/03/18	Transfers - In	Transfers - Out	Estimate at 31/03/19	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
Total	23,963	6,504	(8,869)	21,598	19,500	2,098

Provision	Amount at 31/03/18	Transfers - In	Transfers - Out	Estimate at 31/03/19	Allocated / Committed	Unallocated
	£'000	£'000	£'000	£'000	£'000	£'000
Insurance: This element of the fund is specifically set aside as a provision to meet the cost of identified claims including subsidence. It also includes a contingency for liable costs if a previous insurer, which has gone into administration, is unable to remain solvent.	322	-	(27)	295	295	-
NNDR Appeals: The Council has created a provision to meet the financial impact of successful appeals made against rateable values as defined by the Valuation Office as part of the Business Rates Retention scheme introduced from 1 April 2013.	2,306	-	(336)	1,970	1,970	-
Total	2,628	-	(363)	2,265	2,265	-

APPENDIX L

Medium Term Financial Forecast 2019/20 to 2022/23				
	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000
Base Budget	19,695	20,206	20,175	20,673
One-off items	(456)	0	0	0
Cost Pressures	2,216	597	653	669
Growth Items	65	0	0	0
Savings	(1,486)	(303)	(302)	0
Change in use of NHB for one off investment	172	(325)	147	167
Pensions contribution				
Forecast Base Budget	20,206	20,175	20,673	21,509
<i>Funded By:</i>				
Revenue Support Grant adjustment	446	446	446	446
One-off negative RSG adjustment	(446)			
Allowance for financing changes		500	1,000	1,500
Business Rates Baseline	(4,257)	(4,300)	(4,343)	(4,386)
SFA	(4,257)	(3,354)	(2,897)	(2,440)
Increase in NNDR / taxbase above baseline	(1,600)	(1,600)	(1,600)	(1,600)
Business Rates Pooling	(200)	(200)	(200)	(200)
New Homes Bonus	(3,415)	(2,890)	(2,837)	(2,804)
One-off Gov't grant	(65)			
Total Gov't grants & business rates	(9,537)	(8,044)	(7,534)	(7,044)
Council Tax	(12,072)	(12,556)	(13,062)	(13,588)
Collection Fund Deficit / (Surplus)	(306)	0	0	0
Business Rates Deficit / (surplus)	(298)	0	0	0
Contribution to / (Use of Reserves)	2,007	1,401	1,401	1,401
Total Funding	(20,206)	(19,199)	(19,195)	(19,231)
Budget (surplus) / gap before changes (cumulative)	0	976	1,478	2,278
Annual increase	0	976	502	800

	2019/20	2020/21	2021/22	2021/22
	£'000	£'000	£'000	£'000
Cost Pressures				
<i>Inflation and specific cost pressures:-</i>				
General Inflation	595	640	640	640
Food Waste (net impact of loss of grant)	204			
Stadium rent	52			
ICT costs	225	(75)		
Council Tax Sharing Agreement	250	100		
BID levy	29			
Building Maintenance Plan	150			
Northern Gateway Sports	140	(25)	(82)	(56)
HMO Licensing	90	(90)	(30)	(40)
Plastics	100			
Sport and Leisure (energy and business rates)	93			
Land charges income	32			
Procurement Hub	23			
Refuse vehicles and crew	188	62	125	125
Review of budget targets	30			
Allowance to comply with statutory accounting changes	15	(15)		
Total cost pressures	2,216	597	653	669
<i>One-off adjustments:-</i>				
Budget Carry forwards	(348)			
LDF	(30)			
CBH Inflation	(13)			
Wiring costs	(20)			
Additional Comms and marketing	(45)			
One-off adjustments	(456)	0	0	0
Total	1,760	597	653	669
Growth Items				
Affordable homes				

Contribution to Strategic plan priorities	65			
Total	65	0	0	0

Savings (incl. one off adjustments)				
<i>Efficiencies, income and service reviews</i>				
Sport & leisure	(100)			
Commercial Assets	(50)	50	(142)	

	2019/20	2020/21	2021/22	2021/22
	£'000	£'000	£'000	£'000
Commercial Company assumptions	(107)	(135)	(130)	
Customer Futures 2	(228)			
Waste and Zones Review	(500)	(218)	(30)	
Central Services Review	(150)			
Environment & communities	(150)			
Museums	(29)			
Temporary housing	(40)			
<i>Budget reductions</i>				
Arts Grant	(50)			
LCTS grant to parishes	(7)			
Business grants	(75)			
Total	(1,486)	(303)	(302)	0

Change in use of New Homes Bonus for one off investment				
Reduction due to falling grant	(28)	(525)	(53)	(33)
Increase due to change in use for base budget	200	200	200	200
Total saving	172	(325)	147	167
Reduced investment from NHB - affordable homes				
Total reduced one off investment funded by NHB	172	(325)	147	167

Use of / contribution to Reserves				
One offs	(200)			
Use of balances - pensions	(1,586)	(1,586)	(1,586)	(1,586)
Use of NEPP reserve	185	185	185	185
Business Rates Reserve	(406)			
Total	(2,007)	(1,401)	(1,401)	(1,401)

New Homes Bonus Grant				
Basic NHB	(3,252)	(2,727)	(2,674)	(2,641)
Affordable Homes Bonus	(163)	(163)	(163)	(163)
Total Grant	(3,415)	(2,890)	(2,837)	(2,804)

Addressing the Budget Gap

The MTFF shows a budget gap of circa £2.3m over the three years from 2020/21. This should also 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:-

Risk / Area of uncertainty	
Impact of EU referendum 'leave' result.	<p>The likely impacts from the 'leave' decision are unclear. However, as the 29 March withdrawal deadline approaches, the likelihood of a 'no deal' Brexit is increasing. This would mean no transition period and impacts that may increase the level of budgetary risks to the Council. These include:</p> <ul style="list-style-type: none"> • Any changes to the announced public sector funding levels including New Homes Bonus • Any impact on the Council's business rates 'tax base' • Any impact on the Council's treasury management costs arising from interest rate changes. • Any impact of an economic downturn on public sector funding, the costs of supplies and services, and commercial income • Increased demand on services such as housing and homelessness, emergency planning and community safety
<i>Government Funding / Business Rate Retention Scheme</i>	<p>The MTFF includes the removal of 'RSG for 2019/20. This is the final year of the 4 year settlement and a new spending review is expected.</p> <p>From 2013/14 a proportion of the Council's core income that used to be provided by Government grant is now funded by the Council keeping a share of business rates income. This poses a new risk as well as a potential reward.</p> <p>The budget includes an assumption that in 2019/20 we will retain an extra £1,600k of business rates income above our baseline figure. The business rates revaluation took effect in 2017/18 and the risk and impact of business rate appeals remains an area of concern.</p> <p>The Government's Fair Funding review and plan to move to 75% business rate retention could result in significant funding changes for CBC.</p> <p>The MTFF allows for:-</p> <ul style="list-style-type: none"> • The reduction in funding assumed in the 4 year settlement (the negative RSG) • A further £500k reduction in funding in 20/21 and each year thereafter. <p>These planning assumptions will need to be updated as more detailed information is released during the year.</p>
<i>Welfare Reform (including Local Council Tax Support -</i>	<p>Budget papers have previously set out some of the key risks associated with the implications of the Council having approved the LCTS scheme. The combined impact of the Government's</p>

Risk / Area of uncertainty	
<i>LCTS)</i>	welfare reforms and demands on Council services will need to be considered during the period of the MTFF.
<i>Government grants and partnership funding</i>	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. Provision has been made in the 2019/20 budget for the New Homes Bonus based on the notified grant.
<i>Pensions</i>	In the 17/18 budget an allowance was built in for an increase in pensions costs based on the results of the actuarial review. In addition the budget allowed for the payment of the deficit for the next three years in one payment. This was partly funded from reserves which are being repaid in 18/19 and 19/20. In 20/21 it will be necessary to reflect the deficit costs resulting from the next actuarial review which is due to be reported in the Autumn. The assumption in the MTFF is that this is again funded in the same way as it has been in 17/18, however, this will need to be considered as part of the 20/21 budget.
<i>Fees and charges and other income</i>	In the past few years we have experienced a number of pressures arising from changes in income levels. In 2018/19 the main pressure has been in respect of sport and leisure. Targets in respect of parking and planning are broadly expected to be on budget. Looking ahead to 2019/20 some changes have been made to income targets. For example, the planned additional income from sport and leisure has been removed in 19/20 and from the MTFF. With the planned new Northern Gateway sports scheme due to open in the next financial year it is necessary to prepare a revised comprehensive business plan to ensure that forecasts made are realistic. The 2019/20 budget includes the assumed dividend payment from Colchester Commercial Holdings Ltd (CCHL). This is an increase on the forecast for the current year with further increases to this assumed for later years in the MTFF. These continue to be reviewed to ensure they remain realistic and achievable.
<i>Inflation</i>	An allowance for general inflation including pay has been built into the 19/20 forecast and MTFF. The pay award has already been agreed for 2019/20 which helps to provide certainty in the budget for next year. Beyond that an allowance has been made for a 2% increase as a planning assumption. Council's cost inflation is in general not directly linked to RPI and therefore we will continue to monitor the impact of inflation on all Council costs. Some of the main risk areas include energy, fuel costs and pay assumptions. An increased allowance has been made for energy prices next year.
<i>Use of reserves</i>	The budget position for 2019/20 includes proposals to use certain reserves mostly for one off items. The MTFF includes some assumptions in respect of reserves but these are mostly

Risk / Area of uncertainty	
	associated with the funding of the pensions deficit payment.
<i>Legislation</i>	There are 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
<i>Property review</i>	A review of our assets was carried out and a 5-year Building Repairs and Maintenance Plan produced. There continue to be financial implications arising from this for both the revenue budget and capital programme and these will be considered in detail and included in the on-going updates of the MTFF. The 2019/20 budget forecast includes an additional allocation of £150k in respect of planned repairs. The adequacy of this arrangement will be kept under review and consideration given to whether this contribution needs to be further increased for future years.
<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. It is necessary to consider whether there is a need for additional resources in these or other areas in order to maintain levels of service. The 19/20 includes an allowance for additional resources for waste and recycling services and the MTFF includes further planned investment.
<i>Delivery of budget savings</i>	The 2019/20 budget includes c£1.5m of savings, increased income or budget reductions. The savings and income forecasts have been risk assessed and all are considered deliverable, however, the budget report considers the risk to delivering some of the income targets and if these cannot be achieved there is the risk in the MTFF of the ongoing impact. The MTFF includes further savings from the ongoing budget and service reviews and whilst these are currently considered to be on track to be delivered these will be reviewed as part of the 20/21 budget. As referred to earlier one of the main areas to consider is the assumptions linked to the Council's commercial companies.
<i>Net Interest earnings and investments</i>	The budget is influenced by a number of factors including interest rates and cashflow movements. The Council's strategy of internal borrowing has helped minimise our interest cost, however, it is recognised that this is not a long term approach and therefore there may be future cost pressures from any need to borrow externally. This is currently not reflected in the MTFF but will continue to be considered as part of future budget updates.
<i>Capital Programme (incl. RIF)</i>	The Council's capital programme (incl. Revolving Investment Fund – RIF) has grown in recent years to reflect significant new schemes such as projects in the Northern Gateway area and lending to the Council's commercial companies. A number of these schemes include complicated funding arrangements that can give rise to short term cashflow costs. The RIF Committee has agreed changes to balance the programme and the Cabinet and Council has agreed funding arrangements in respect of the Northern Gateway Sports Project. However, there remain a number of assumptions in respect of the

Risk / Area of uncertainty	
	delivery of capital receipts and forecast dividends from agreed housing developments which require close monitoring. It is also important to note that there are projects under consideration by the Council for which ongoing funding has not been agreed. As such consideration may need to be given to how new projects may be funded.

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

Capital Programme

Projected Expenditure

Service / Scheme	Total Programme £'000	Spend to Q3 £'000	Projected Expenditure				(Surplus / Shortfall £'000)
			2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	£'000
SUMMARY							
Communities	10,026.5	760.5	2,153.3	5,922.9	1,650.3	300.0	0.0
Environment	6,401.6	69.0	2,648.9	3,401.5	351.2	0.0	0.0
Policy & Corporate	45,790.4	2,258.4	14,132.6	25,646.6	6,011.2	0.0	0.0
Revolving Investment Fund (RIF)	36,510.3	4,833.8	10,815.7	23,713.2	1,981.4	0.0	0.0
Completed Schemes	231.4	81.3	231.4	0.0	0.0	0.0	0.0
Total (General Fund)	98,960.2	8,003.0	29,981.9	58,684.2	9,994.1	300.0	0.0
Housing Revenue Account	12,807.6	5,934.2	12,807.6	0.0	0.0	0.0	0.0
Total Capital Programme	111,767.8	13,937.2	42,789.5	58,684.2	9,994.1	300.0	0.0

COMMUNITIES

Tiptree P C - Store & WCs S106	89.1	0.0	89.1	0.0	0.0	0.0	0.0
St Luke's Church Hall Tiptree	48.5	2.9	48.5	0.0	0.0	0.0	0.0
Stanway Scout Hut	158.2	41.6	158.2	0.0	0.0	0.0	0.0
Headway Essex S106	10.0	0.0	10.0	0.0	0.0	0.0	0.0
Walls - new merged scheme	126.5	16.6	22.5	60.0	44.0	0.0	0.0
Heritage Lighting	200.0	0.0	0.0	200.0	0.0	0.0	0.0
Mercury Theatre Redevelopment Phase 2	6,390.7	389.1	1,000.0	4,640.7	750.0	0.0	0.0
Cemetery Extension	38.6	0.0	0.0	38.6	0.0	0.0	0.0

Projected Expenditure

Service / Scheme	Total Programme £'000	Spend to Q3 £'000	Projected Expenditure				(Surplus) /
			2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Shortfall £'000
Cemetery Exterior Lighting	20.0	0.0	0.0	20.0	0.0	0.0	0.0
Mandatory Disabled Facilities Grants	2,657.3	300.2	700.0	801.0	856.3	300.0	0.0
Private Sector Renewals - Loans and Grants	287.6	10.1	125.0	162.6	0.0	0.0	0.0
TOTAL - Communities	10,026.5	760.5	2,153.3	5,922.9	1,650.3	300.0	0.0

ENVIRONMENT

Shrub End Depot	1,040.5	0.0	0.0	840.5	200.0	0.0	0.0
Waste Collection Strategy	17.7	0.0	17.7	0.0	0.0	0.0	0.0
Shrub End - Fuel Tank	50.0	39.0	50.0	0.0	0.0	0.0	0.0
Waste Fleet Vehicles	4,912.2	0.0	2,200.0	2,561.0	151.2	0.0	0.0
Wivenhoe Adult Gym	16.0	0.0	16.0	0.0	0.0	0.0	0.0
Castle Park Cricket Pavilion Extension S106	125.0	0.0	125.0	0.0	0.0	0.0	0.0
Castle Park Improvements	192.7	11.0	192.7	0.0	0.0	0.0	0.0
Mile End Sports Ground	22.5	19.0	22.5	0.0	0.0	0.0	0.0
Highwoods Country Park - Coffee Shop improvements	25.0	0.0	25.0	0.0	0.0	0.0	0.0
TOTAL - Environment	6,401.6	69.0	2,648.9	3,401.5	351.2	0.0	0.0

POLICY & CORPORATE

Assistance to Registered Housing Providers	36.0	0.0	0.0	36.0	0.0	0.0	0.0
Use of 1-4-1 Right to Buy Receipts	1,346.0	224.7	671.7	522.1	152.2	0.0	0.0

Service / Scheme	Projected Expenditure						(Surplus) / Shortfall £'000
	Total Programme	Spend to Q3	2018/19	2019/20	2020/21	2021/22	
	£'000	£'000	£'000	£'000	£'000	£'000	
Purchase of properties for temporary accommodation	2,880.0	1,904.6	2,880.0	0.0	0.0	0.0	0.0
Lending to new Council Housing Company	27,886.0	0.0	1,623.0	21,304.0	4,959.0	0.0	0.0
Equity Investment in CCHL	7,300.0	0.0	7,300.0	0.0	0.0	0.0	0.0
District Heating Project North	137.1	25.3	137.1	0.0	0.0	0.0	0.0
Colchester Northern Gateway Heat Network	5,900.0	0.0	1,300.0	3,700.0	900.0	0.0	0.0
CCTV Monitoring	111.1	0.0	111.1	0.0	0.0	0.0	0.0
Charter Hall - improvements	109.7	103.8	109.7	0.0	0.0	0.0	0.0
LWC - Aqua Springs Refurbishment	84.5	0.0	0.0	84.5	0.0	0.0	0.0
TOTAL - Policy & Corporate	45,790.4	2,258.4	14,132.6	25,646.6	6,011.2	0.0	0.0
REVOLVING INVESTMENT FUND							
Northern Gateway North	89.5	32.8	89.5	0.0	0.0	0.0	0.0
CNGN - Mile End Cricket	122.2	108.2	122.2	0.0	0.0	0.0	0.0
CNGN - Sports Hub	24,481.4	1,679.9	5,500.0	17,280.0	1,701.4	0.0	0.0
Northern Gateway South	204.0	182.0	204.0	0.0	0.0	0.0	0.0
CNGS - Detailed Planning	923.8	324.2	923.8	0.0	0.0	0.0	0.0
CNGS - Boulevard	3,471.2	0.0	100.0	3,371.2	0.0	0.0	0.0
CNG - Marketing & Branding	11.5	11.5	11.5	0.0	0.0	0.0	0.0
Town Centre	3,480.6	1,018.4	1,076.0	2,124.6	280.0	0.0	0.0
Jacks - St Nicholas St	337.4	52.9	337.4	0.0	0.0	0.0	0.0
St Nicholas Square & Balkerne Gardens	55.0	28.7	55.0	0.0	0.0	0.0	0.0
Sheepen Road	4.0	4.0	4.0	0.0	0.0	0.0	0.0

Projected Expenditure

Service / Scheme	Total Programme £'000	Spend to Q3 £'000	Projected Expenditure				(Surplus) / Shortfall £'000
			2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	
Sheepen Road Phase 2	2,204.0	1,372.7	2,204.0	0.0	0.0	0.0	0.0
St Botolphs Public Realm	155.0	0.8	50.0	105.0	0.0	0.0	0.0
East Colchester Enabling Fund	217.4	0.0	50.0	167.4	0.0	0.0	0.0
Breakers Park	69.0	0.0	12.0	57.0	0.0	0.0	0.0
Site Disposal Costs	4.8	0.0	4.8	0.0	0.0	0.0	0.0
Moler Works Site	2.5	0.0	2.5	0.0	0.0	0.0	0.0
CMP Phase 3 - PV Systems	95.4	0.0	0.0	95.4	0.0	0.0	0.0
Digital Strategy - feasibility	182.6	17.7	40.0	142.6	0.0	0.0	0.0
Sport & Leisure Asset Review	120.0	0.0	0.0	120.0	0.0	0.0	0.0
Grow-on former Queen St Bus Depot	19.0	0.0	19.0	0.0	0.0	0.0	0.0
Broad Lane Sports Ground Wivenhoe	10.0	0.0	10.0	0.0	0.0	0.0	0.0
Pre development/feasibility funds	250.0	0.0	0.0	250.0	0.0	0.0	0.0
TOTAL - RIF	36,510.3	4,833.8	10,815.7	23,713.2	1,981.4	0.0	0.0

COMPLETED SCHEMES (OR WHERE RETENTION ONLY OUTSTANDING)

Creative Business Centre	0.6	0.0	0.6	0.0	0.0	0.0	0.0
Colchester Business Centre	1.8	1.8	1.8	0.0	0.0	0.0	0.0
LWC - Health & Fitness Extension	16.0	15.7	16.0	0.0	0.0	0.0	0.0
Oak Tree Community Centre Roof	20.5	0.6	20.5	0.0	0.0	0.0	0.0
Lion Walk Activity Centre	1.4	0.0	1.4	0.0	0.0	0.0	0.0
Garrison Gym Rebuild	29.0	28.0	29.0	0.0	0.0	0.0	0.0
Old Heath Recreation Ground Improvements	30.3	0.2	30.3	0.0	0.0	0.0	0.0

Projected Expenditure

Service / Scheme	Total Programme £'000	Spend to Q3 £'000	Projected Expenditure				(Surplus) / Shortfall £'000
			2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	
Longridge Toddler Play Area	25.0	25.0	25.0	0.0	0.0	0.0	0.0
Relocation of Museum Resource Centre	13.3	11.3	13.3	0.0	0.0	0.0	0.0
Replacement of Cremators	4.8	0.0	4.8	0.0	0.0	0.0	0.0
St Johns Car Park	7.8	0.0	7.8	0.0	0.0	0.0	0.0
Local Authority Carbon Management (LACM)	82.2	0.0	82.2	0.0	0.0	0.0	0.0
Mercury Theatre Redevelopment Phase 1	(1.3)	(1.3)	(1.3)	0.0	0.0	0.0	0.0
TOTAL - Completed Schemes	231.4	81.3	231.4	0.0	0.0	0.0	0.0

HOUSING REVENUE ACCOUNT

Housing Improvement Programme	9,359.0	3,948.0	9,359.0	0.0	0.0	0.0	0.0
Adaptations to Housing Stock	618.0	609.6	618.0	0.0	0.0	0.0	0.0
Sheltered Accommodation	350.0	320.4	350.0	0.0	0.0	0.0	0.0
Housing ICT Development	477.3	1.0	477.3	0.0	0.0	0.0	0.0
Purchase of properties - HRA	2,003.3	1,055.2	2,003.3	0.0	0.0	0.0	0.0
TOTAL - Housing Revenue Account	12,807.6	5,934.2	12,807.6	0.0	0.0	0.0	0.0

Impact of Budget Strategy 2019/20

A new Strategic Plan was agreed at full Council in February 2018. During 2019/19 Cabinet agreed to allocate funding for the priorities in this plan across a range of themes. In total additional funding of £1.95m was identified to support the eight themes identified:-

:

- Create Transport for Colchester
- Clean up and promote the Town Centre
- Fight Crime and Improve Community Safety
- Reduce Homelessness
- Enterprising Colchester
- Sports and Health for All
- Reform and Refresh
- Co-operation

Some funding agreed in year will actually be spent during 2019/20. For example, the £0.3 million allocated to jointly funding additional police resources. In addition, other allocations are likely to be spent in 2019/20.

The budget for 2019/20 has been prepared in continuing difficult financial conditions. There continues to be reductions in the amount of money we receive from Government and from 2019/20 the Council no longer receives any core Revenue Support Grant (RSG).

The New Homes Bonus (NHB) remains one of the main ways in which the Council is able to identify funds for investment to support the delivery of the Strategic Plan. Proposals within the budget report for using the NHB include allocation of funds to continue or add to those made during 2018/19. For example, additional funding for community safety and highways and transportation

The NHB is also being used to contribute to funding to build a new sports facility at Northern Gateway with provision also being made for the initial setup and running costs.

Funding is being made available to invest in vehicles and staff to ensure that the waste and recycling service can meet the needs of the growing population. With capital funding identified to invest in depot facilities.

The Revolving Investment Fund (RIF) continues to set out a number of funding allocations to support major projects such as Northern Gateway as well as funding within the Town Centre and East Colchester.

In order to balance the budget whilst still preserving reserves for the future requires savings to be made or additional income to be secured. Where possible these have been identified through service reviews which focus on how the service is delivered and not just how savings can be made.

Reductions to grants to external organisations have been made. However, these needs to be seen in the context of other funding decisions For example, the reductions in arts grants can be viewed alongside the investment being made in capital projects for both the Mercury Theatre and Colchester Arts Centre.