



## Cabinet

27 January 2016

Item  
**7(i)**

|                       |  |               |                                 |
|-----------------------|--|---------------|---------------------------------|
| <b>Report of</b>      | <b>Assistant Chief Executive</b>   | <b>Author</b> | <b>Sean Plummer</b><br>☎ 282347 |
| <b>Title</b>          | <b>2016/17 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast</b> |               |                                 |
| <b>Wards affected</b> | n/a  |               |                                 |

**This report requests Cabinet to recommend to Council:**

- **The 2016/17 General Fund Revenue Budget**
- **Colchester's element of the Council Tax for 2016/17**
- **The Medium Term Financial Forecast**
- **The Capital Programme**
- **The Prudential Indicators and Treasury Management Strategy and Annual Investment Strategy**

### 1. Decisions Required

- 1.1 To note that the outturn for the current financial year is forecast to be within budget. (paragraph 3.4).
- 1.2 To note the provisional Finance Settlement figures set out in Section 4 including 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 4.7.
- 1.3 To note the summary of the consultation paper on the New Homes Bonus set out at Appendix C and agree that a response be made by the relevant Portfolio Holder and reported to the next Cabinet meeting.
- 1.4 To approve the cost pressures, growth items, proposed use of New Homes Bonus (including the allocation in 2017/18), savings and increased income options identified during the budget forecast process as set out at Appendices D, E F and H.
- 1.5 To approve the use of New Homes Bonus allocated for Strategic Plan priorities as set out at appendix G
- 1.6 To consider and recommend to Council the 2016/17 Revenue Budget requirement of £23,909k (paragraph 5.13) and the underlying detailed budgets set out in summary at Appendix I and Background Papers subject to the final proposal to be made in respect of Council Tax.
- 1.7 To recommend to Council, Colchester's element of the Council Tax for 2016/17 at £175.23 per Band D property, which represents no change 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.

- 1.8 To agree the Revenue Balances for the financial year 2016/17 as set out at Appendix M and agree that the:-
  - the minimum level be set at a minimum of £1,900k
  - £838k of balances, including sums carried forward from 2015/16, be applied to finance items in the 2016/17 revenue budget
- 1.7. To note the updated position on earmarked reserves set out in section 8 and agree the release of £20k from the S106 monitoring reserve and £1,537k from the NNDR reserve.
- 1.8. To agree and recommend to Council that £100k of Revenue Balances be earmarked for potential unplanned expenditure within the guidelines set out at paragraph 9.3.
- 1.9. To note the Medium Term Financial Forecast for the financial years 2016/17 to 2019/20 set out in section 11.
- 1.10. To note the position on the Capital Programme shown at section 12 and agree to recommend to Council the inclusion in the Capital Programme of:-
  - £1.31m for the ICT strategy.
  - £190k for the Local Authority Carbon Management Plan
- 1.11 To note the comments made on the robustness of budget estimates at section 13.
- 1.12. To approve and recommend to Council the 2016/17 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out in the background paper at Appendix S.

## **2. Background Information and Summary**

- 2.1 The 2016/17 Revenue Budget and the Capital Programme have been prepared in accordance with a process and timetable agreed at Cabinet and endorsed by the Scrutiny Panel (Appendix A).
- 2.2. The Revenue Budget for 2016/17 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 resulted in:-
  - the delivery of savings through the fundamental service review process including delivering channel shift
  - making efficiencies through specific budget reviews and contract renewals
  - maximising new and existing income streams
  - recognising cost pressures and making decisions on budget changes where necessary
- 2.3. The budget includes savings or additional income of £1.5m. This compares to £2.2m included within the 15/16 budget. The majority of savings are based on

proposals to work more efficiently and to maximise opportunities to increase income. As part of this year's budget an "outturn review" was carried out which reviewed spending in the last 3 years compared to the 2015/16 budget. This helped to identify areas where spending regularly falls below current budget levels, including some 'contingency' areas.

- 2.4. Core Government funding for 2016/17 is being reduced by £1.2m which follows a reduction in 2015/16 of £1.3m. This was a greater cut than anticipated and further reductions have also been announced for future years which exceed those in our medium term forecasts. However, these cuts alone are not the only pressures the Council has needed to address in the budget with increased costs from general inflation and pay assumptions and also significantly the increase in cost from the pensions change affecting employers national insurance contribution.
- 2.5. The current methodology for the New Homes Bonus is continuing in 2016/17 and the budget includes new investment funded through this grant of £3.3m. This includes funding for projects which will support the delivery of increased income, projects that will support the community and services and facilities within the borough.
- 2.6. In the 2015/16 budget an allocation of over £0.5m was made for projects that would specifically support the new Strategic Plan. This report sets out how this money has been used this year and proposals for new investment totalling £245k.
- 2.7. The financial outlook set out within the Medium Term Financial Forecast (MTFF) shows that further reductions in core Government funding and cost pressures faced by the Council show a cumulative budget gap of almost £5m in the next three years. Planned savings in progress mean that this gap has reduced to £3.3m. Work is already underway to identify steps to bridge this gap and the budget includes proposals to invest in a new ICT strategy which will assist in enabling further savings to be delivered.
- 2.8. The provisional 4 year settlement figures announced show that Revenue Support Grant will end by 2019/20. The Government's spending power figures also illustrate that the importance of the Council's own income through Council Tax and business rates are expected to increase to help to mitigate this cut.
- 2.9. The Settlement confirms that legislation to allow 100% of business rates to be retained by local government will be delivered by the end of this parliament with a consultation paper expected in the summer. This will not mean that Colchester will keep 100% of the business rates collected, however, it may provide the potential to keep a greater share of business rates, alongside possible changes in responsibilities and risks.
- 2.10. Also announced is that the New Homes Bonus will continue, but with reforms which will significantly reduce the funding the Council receives.
- 2.11. These changes mean that it is important for the Council to fully consider the budget and medium term plans in light of the new funding arrangements.
- 2.12. Further information on the budget is provided in the following paragraphs.

2.13. 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.

### 3. Current Year's Financial Position

3.1 In order to inform the 2016/17 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.

3.2. It was reported to Cabinet on 25 November that the current year's budget position showed a forecast net underspend of £167k and net additional income of £464k giving a combined gain of £631k. The positive position meant that Cabinet were able to agree to allocate £510k to a number of emerging priorities leaving a revised outturn position for the year of £121k.

3.3 There remain some outstanding risks and changes that are likely to be made to the forecast. The position continues to be monitored, and Scrutiny Panel will receive a report setting out a detailed position. As is common there are a number of budgeted costs that may not be fully spent in the financial year. The report to Scrutiny Panel will include details of any such changes, and this will be used when considering the end of year position.

3.4 **Cabinet is asked to note that the forecast outturn position for the current year is expected to be within budget and that the latest position shows a net underspend of £121k. The position will continue to be monitored.**

### 4 Finance Settlement (Government Funding)

4.1. The provisional Local Government Finance Settlement was announced in Parliament on 17 December 2015. 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

4.2. The SFA which comprises our RSG and baseline NNDR figure has been cut by **£1.184million (17%)**. The working assumption in the budget had been a cut of just under £1m (13%). This has therefore added a further pressure of £263k to the 2016/17 budget.

|                   | 15/16        | 16/17        | change         |              |
|-------------------|--------------|--------------|----------------|--------------|
|                   | £'000        | £'000        | £'000          | %            |
| RSG               | 3,195        | 1,978        | (1,217)        | (38%)        |
| NNDR Baseline     | 3,927        | 3,960        | 33             | 1%           |
| <b>SFA</b>        | <b>7,122</b> | <b>5,938</b> | <b>(1,184)</b> | <b>(17%)</b> |
| Budget assumption |              | 6,201        |                |              |
| Budget impact     |              | (263)        |                |              |

- 4.3. The split of the settlement funding is important. The Revenue Support Grant element is a non ring-fenced fixed grant. The baseline funding level is used as part of the retention of business rates scheme as explained below.

*Business Rates Baseline and tariffs and top-ups*

- 4.4. 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.
- 4.5. The following table sets out a summary of the baseline position for Colchester for 2016/17 showing the required tariff payment of £20.1m.

|                               | £'000        |
|-------------------------------|--------------|
| Billing Authority Baseline    | 30,099       |
|                               |              |
| CBC Individual Baseline (80%) | 24,079       |
| Less Tariff                   | (20,119)     |
| <b>Baseline funding</b>       | <b>3,960</b> |
| Safety Net threshold (92.5%)  | 3,663        |

- 4.6. 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.
- 4.7. 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 additional income above the baseline funding level, of which the Council’s share is forecast to be in the region of £800k. This takes into account 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 MTF.

*Business Rates Pooling*

- 4.8. 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.
- 4.9. 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.

- 4.10. In 2015/16 Colchester is one of eight District Councils in a pooling agreement. Currently, a total of nine District Councils together with the County Council and Fire Authority are considering becoming part of the 2016/17 pool, with the final decision having to be made by the end of January 2016. The pool lasts for a minimum of one year, but any changes to the pool for subsequent years would result in the need to disband the pool and reapply for a new one to be set up.
- 4.11. 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. This is because at the time of writing this report the pooling agreement between authorities is still to be finalised. However, based on indicative forecasts it is projected that pooling in 2016/17 would be beneficial to the Council, and that this will be considered in future year's budget reports and updates to the MTF.
- 4.12. This section of the report seeks to explain the key funding mechanism within the settlement and key figures.
- 4.13. The Settlement is provisional and subject to consultation which ends on 15 January 2016. 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.
- 4.14. 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)*

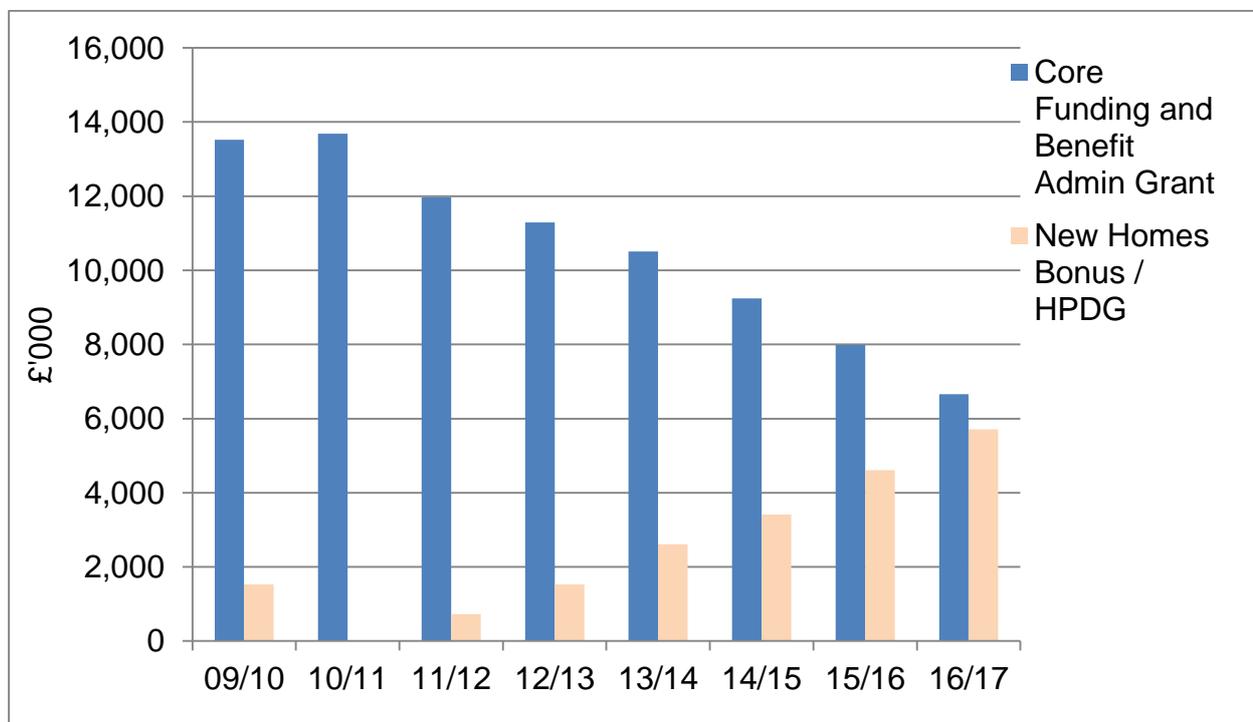
- 4.15. The 2016/17 grant includes elements reflecting growth in the tax base during the last 6 years and also the bonus payable in respect of delivering affordable homes for the last 5 years. The last budget update report considered by Cabinet included an estimate of the total grant, and the final figures are in line with these estimates. The final figure is a total grant for 2016/17 of £5.714m, an increase of £1.1m. The detailed breakdown of the grant is set out at Appendix B and is summarised below:-

|                        | 2015/16      | 2016/17      | Increase     |
|------------------------|--------------|--------------|--------------|
|                        | £'000        | £'000        | £'000        |
| Basic NHB              | 4,401        | 5,426        | 1,025        |
| Affordable homes bonus | 214          | 288          | 74           |
| <b>Total</b>           | <b>4,615</b> | <b>5,714</b> | <b>1,099</b> |

- 4.16. The budget strategy has been that any increase in New Homes Bonus would be used for one-off items. Furthermore, it is now proposed that the use of the New Homes Bonus in supporting the base budget be reduced by £100k. The following table sets out a summary of how the total 2016/17 New Homes Bonus is being used showing that now under one third is supporting the base budget.

|                               | £'000        | %           |
|-------------------------------|--------------|-------------|
| Affordable housing allocation | 288          | 5%          |
| Contribution to RIF           | 250          | 4%          |
| Support for one-off schemes   | 3,305        | 58%         |
| Base budget                   | 1,871        | 33%         |
| <b>Total grant</b>            | <b>5,714</b> | <b>100%</b> |

- 4.17. Alongside the Settlement the Government has published a consultation paper on changes to the New Homes Bonus. A summary of the issues raised in the consultation paper is set out at Appendix C. The Council will be responding to the consultation and a copy of the response will be reported to Cabinet.
- 4.18. It is important to stress that the Government has stated that the New Homes Bonus will continue indefinitely, but with some changes. As reported earlier, for 2016/17 the grant is as expected and changes will have an impact from 2017/18 onwards.
- 4.19. Scrutiny Panel requested information on how Government funding had changed over recent years. This information has been provided to ensure as much as possible a “like for like” comparison between years to adjust for technical funding changes. The graph showing these changes and has been updated to include the 16/17 SFA and NHB figures.



### Core Spending Power

- 4.20 This term relates to the Government’s assessment of the “expected” available revenue for local government spending through to 2019/20. It includes the announced SFA and New Homes Bonus and an assumed level of income from Council Tax. This takes account of an assumed increase in the taxbase and a Council Tax rate increase of 1.75%.

4.21 For 2016/17 the change in the spending power as per Government figures is shown as being an increase of £0.3m or 1.5% as shown below.

|                       | 15/16       | 16/17       | Change     |            |
|-----------------------|-------------|-------------|------------|------------|
|                       | £m          | £m          | £m         | %          |
| RSG } SFA             | 3.2         | 2.0         | (1.2)      | (38)       |
| NNDR }                | 3.9         | 4.0         | 0.0        | 1          |
| Council Tax           | 10.4        | 11.0        | 0.5        | 5          |
| NHB                   | 4.6         | 5.7         | 1.1        | 24         |
| Other (freeze grant)  | 0.1         | 0.0         | (0.1)      | (100)      |
| <b>Spending Power</b> | <b>22.3</b> | <b>22.6</b> | <b>0.3</b> | <b>1.5</b> |

4.22. It is important to stress that spending power figures include the Government's assumption in respect of an increase in Council Tax income. The Council's proposal is to freeze the Council Tax rate in 2016/17.

## 5. 2016/17 Budget Changes

### **Revenue Cost Pressures**

5.1. Appendix D sets out revenue cost pressures of £0.8m, over the 2015/16 base, which have been identified during the budget process. This includes an inflation allowance and some specific service cost pressures, most significantly the increase in employer National Insurance contributions.

5.2. Many of the cost pressures have been considered by Cabinet. However there are a number of changes to assumptions and details are set out.

5.3. Whilst not shown within the list of specific cost pressures the budget includes proposals totalling £131k in respect of carry forward items. These represent the cost of resources in Professional Services and project funding carried forward between years. This is reflected in the use of balances set out at paragraph 7.9.

5.4. **Cabinet is asked to approve inclusion within the 2016/17 Revenue Budget of the cost pressures set out at Appendix D.**

### **Growth Items**

5.5. Appendix E sets out revenue growth items totalling £1.626m which are recommended for inclusion in the budget. This report now shows planned new investment arising from the increase in the New Homes Bonus grant for 2016/17 of £1.1million. This reflects the approach to minimise the risk of changes to levels of New Homes Bonus funding by allocating the increase to one off investment to support corporate priorities. In addition it is proposed to reduce the use of the New Homes Bonus in supporting the base budget meaning that an additional sum of £100k has been made available to contribute toward projects. Finally, an additional contribution of £32k is proposed to fully fund a set of new schemes.

5.6. In total there are new proposals for using the New Homes Bonus of £3.337m. This is set out at Appendix F. The majority of these schemes are capital and as such will be added to the capital programme. In addition to this proposed allocation in 2016/17 it is recommended that £500k from the New Homes Bonus allocation for 2017/18 is allocated to the Mercury Theatre scheme.

5.7. In the 2015/16 budget an allocation was made of £547k from the New Homes Bonus for projects that support the delivery of the Strategic Plan. Appendix G sets out how this money has been used in year with new proposals as to how the remainder will be spent in 2016/17 or later. This shows that there remains a balance of £220k unallocated. Further projects are under active consideration at and it is proposed this funding will be carried forward and allocations agreed in future reports.

5.8. **Cabinet is asked to approve inclusion within the 2016/17 Revenue Budget of the growth items shown at Appendix E and the use of the New Homes Bonus at Appendix F, and the allocation of the 2015/16 New Homes Bonus budget for Strategic Plan priorities as set out at Appendix G.**

**Revenue Saving / Increased Income / Technical Items**

5.9. Appendix H sets out savings / increased income totalling £1.544m.

5.10. 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.

5.11 **Cabinet is asked to approve inclusion of the savings / increased income items set out at Appendix H within the 2016/17 Revenue Budget.**

**Summary Total Expenditure Requirement**

5.12. Should Cabinet approve the items detailed above, the total expenditure requirement for 2016/17 is as follows:

|                             | <b>2016/17</b> |
|-----------------------------|----------------|
|                             | <b>£'000</b>   |
| <b>Base Budget</b>          | 23,325         |
| 14/15 One-off items         | (386)          |
| Cost Pressures              | 807            |
| Growth Items                | 1,626          |
| Savings                     | (1,544)        |
| Budget c/f items            | 131            |
| <b>Forecast Base Budget</b> | <b>23,959</b>  |

**Notes:-**

*A summary of the 2016/17 budget is set out at Appendix I.*

*A more detailed summary of service group expenditure is attached at Appendix J with a graph showing net expenditure by service at Appendix K.*

*Further detailed service group expenditure is available.*

5.13 **Cabinet is asked to agree and recommend to Council the net revenue expenditure requirement for 2016/17 and the underlying detailed budgets set out in Appendix I.**

## **6. Council Tax, Collection Fund and Business Rates**

### *Council Tax Rate*

- 6.1. A freeze in the Council Tax rate of £175.23 is proposed for 2016/17 which means that the rate has been unchanged since 2010/11.
- 6.2. 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. No changes are proposed to the existing arrangements and it is recommended to Council that the Council Tax setting report includes these discounts.

### *Council Tax referendum*

- 6.3. 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.
- 6.4. For district councils including Colchester the Secretary of State has proposed that the maximum increase a council can set without a referendum is 2%.

### *Collection Fund*

- 6.5. 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 2014/15 forecast and actual outturn position.
- 6.6. The budgeted Council Tax surplus of £353k 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 2014/15, together with further expected growth during the current year.
- 6.7. 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.
- 6.8. The budgeted deficit of £1.89m has occurred largely as a result of the requirement to make a significant increase to the Business Rates appeals provision at the end of 2014/15, and reflects the difference between the NNDR1 estimate and actual outturn. This is mitigated by surpluses in 2014/15 and 2015/16 resulting from differences between the NNDR1 forecasts and the Council's baseline position, which have been added to the Council's Business Rates earmarked reserve.
- 6.9. The movement on the Business Rates reserve as a result of the net 2016/17 budget pressure is summarised in the following table and reflected in budget proposals within this report:

| <b>Collection Fund (Ctax &amp; NNDR)</b>  | <b>£'000</b> |
|---|--------------|
| Council Tax – surplus                     | (353)        |
| NNDR deficit                              | 1,890        |
| <b>Net budget pressure in 16/17</b>       | <b>1,537</b> |
| NNDR reserve – @ 1 <sup>st</sup> April 15 | 1,255        |
| NNDR c/f from 14/15                       | 953          |
| Forecast 15/16 movement (estimate)        | 530          |
| Forecast balance on reserve @ 31 March 16 | 2,738        |
| Use of reserve in 16/17 (see above)       | (1,537)      |
| <b>Forecast balance on reserve</b>        | <b>1,201</b> |

## **7 Revenue Balances**

7.1 The Local Government Act 2003 places a specific duty on the Chief Financial Officer to report on the adequacy of the proposed financial reserves of an Authority when the budget is being considered. This section and section 13 address this requirement.

### *Minimum level of balances*

7.2. Each year the assessment of the recommended level of balances is reviewed. The assessment for 2016/17 is summarised at Appendix L and shows that the recommended level be increased by £100k to £1.9m.

7.3. In considering the level at which Revenue Balances should be set for 2016/17, Cabinet should note the financial position the Council is likely to face in the medium term.

7.4. 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 now 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.

7.5. 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 2017/18 and the level of balances can be reviewed at that time.

### *Level and use of balances*

7.7. 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, however, funding one-off costs through the normal budget resources does ease budget pressures in future years.

7.8. There are a number of proposals to use balances to support the 2016/17 budget as follows:-

|   | £'000      | Comment   |
|---|------------|---|
| Support of welfare reform                                   | 76         | Agreed use of earmarked sum to fund staff costs |
| Elections costs   | 19         | See cost pressures.                             |
| One-off grounds maintenance mobilisation costs              | 36         | Costs linked to new contract arrangements       |
| General use of balances                                     | 149        | Release of balances to support budget.          |
| Use to support one off projects funded through NHB          | 32         | One off contribution                            |
| Allocation to support delivery of digital challenge savings | 150        | See growth items                                |
| <b>Proposed use of balances</b>                             | <b>462</b> |   |

7.9. In addition, there are a number of proposals totalling £426k where it has been identified that budgets will be carried forward to 2016/17. For budget purposes these are therefore regarded as a use of balances and as such are reflected in the budget report. The table below sets out these decisions:-

|  | £'000      | Comment  |
|--|------------|--|
| Use of New Homes Bonus money in 15/16 for strategic plan           | 245        | See appendix G   |
| Use of carried forward sums  | 131        | See para 5.3   |
| Carry forward of one off in year saving on transfer of fraud team. | 50         | Being used to fund resources assigned to collection of NNDR. |
|  | <b>426</b> |  |

7.10. Whilst not included in the above list it should be noted that the allocation made in respect of street lighting of £185k remains unspent. If unused this year it will be carried forward into 2016/17.

7.11. The forecast position in respect of Revenue Balances is set out at Appendix M and shows balances at c£2.15m, £0.25m 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£2.15m is considered appropriate.

7.12. Consideration has been given to a number of existing allocations held within balances and future calls on funds. These are reflected in the figures shown at Appendix M and include changes to certain allocations including the removal of a budget contingency sum of £285k

7.13. Following the 2015/16 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 17/18 budget strategy and updated MTFF.

7.14 **Cabinet is recommended to approve Revenue Balances for the financial year 2016/17 be set at a *minimum* of £1.9m and to approve the use of £888k to support the revenue budget.**

## 8. Reserves and Provisions

8.1. 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.)

8.2. Cabinet at its meeting on 25 November 2015 considered the Council's earmarked reserves. As part of the budget process a review was undertaken into the level and appropriateness of earmarked reserves and provisions for 2016/17. 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.

8.3. Appendix N 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 2016, the split between General Fund and HRA and how much is 'committed'.

|                       | Committed / allocated |            | Uncommitted / unallocated |            | Total         |
|-----------------------|-----------------------|------------|---------------------------|------------|---------------|
|                       | £'000                 | (%)        | £'000                     | (%)        | £'000         |
| <i>Reserves:-</i>     |                       |            |                           |            |               |
| General Fund          | 6,564                 | 80%        | 1,666                     | 20%        | 8,230         |
| HRA                   | 3,671                 | 100%       | -                         | 0%         | 3,671         |
| <b>Total Reserves</b> | <b>10,235</b>         | <b>86%</b> | <b>1,666</b>              | <b>14%</b> | <b>11,901</b> |
| Provision             | 2,715                 |            | -                         |            | <b>2,715</b>  |

8.4. 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 of £1.2m. As shown at paragraph 8.8 this is required to be held and may be required to be used to fund similar pressures relating to business rates retention scheme.

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

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

- 8.6. The building maintenance programme has been based on in-depth condition surveys of all Council building assets. The 2016/17 budget includes the proposal to continue to add £150k to support the cost of future repairs. New releases are possible for next year and will be reported to Cabinet as required.

*S106 Monitoring Reserve – release of £20k*

- 8.7. This reserve was set up to provide funds to support the future monitoring of Section 106 agreements. It is proposed to continue to use £20k from this reserve.

*NNDR Reserve – release of £1,537k*

- 8.8. As set out in section 6 there is an estimated deficit on the combined collection fund for Council Tax and NNDR. This approach was expected and in part relates to the methodology for accounting for business rates. As part of the closure of accounts a sum of almost £1m was carried forward into 2015/16 to mitigate the expected cost pressure. It is proposed to fund this from the business rates reserve. As reported earlier, this will leave an estimated balance on the reserve of over £1m.

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

- **release of £20k from S106 monitoring reserve towards the costs of carrying out this function**
- **release from the NNDR reserve of £1,537k towards the deficit on the collection fund.**

## **9. Contingency Provision**

- 9.1 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.

- 9.2 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.

- 9.3 **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.**

## 10. Summary of Position

10.1 Summary of the Revenue Budget position is as follows:

|   | <b>£'000</b>    |
|---|-----------------|
| Revenue expenditure requirement for 2016/17 (para 5.12).                    | 23,959          |
| Collection fund deficit (para 6.9)  | 1,537           |
| New Homes Bonus (para 4.15)   | (5,714)         |
| Use of balances (including carry forward items)<br>(see paras 7.8 and 7.9 ) | (888)           |
| Release of earmarked reserves (para 8.9)                                    | (1,557)         |
| <b>Budget Requirement</b>   | <b>17,337</b>   |
| Funded by:  |                 |
| Revenue Support Grant (para 4.2.)   | (1,978)         |
| NNDR Baseline Funding ( “ ” )   | (3,960)         |
| NNDR Improvement (para 4.7)   | (800)           |
| Council Tax Payers requirement (before Parish element) see below*           | (10,599)        |
| <b>Total Funding</b>  | <b>(17,337)</b> |

|  |                |
|--|----------------|
| <b>Council Tax*</b>                                    |                |
| Council Tax Payers requirement (before Parish element) | £10,599k       |
| Council Tax Base – Band D Properties                   | 60,485         |
| <b>Council Tax at Band D</b>                           | <b>£175.23</b> |

10.2 **Cabinet is asked to agree and recommend to Council Colchester’s element of the Council Tax for 2016/17 at £175.23 per Band D property, which represents no change 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.**

## 11. Medium Term Financial Forecast – 2016/17 to 2019/20

11.1. 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

11.2. The Medium Term Financial Forecast (MTFF) is attached at Appendix O showing that the Council faces a continuing budget gap over the next three years from April 2017. The following table summarises the position showing a cumulative gap over the period from 2017/18 to 2019/20 of c£2.8m

|   | 2016/17  | 2017/18  | 2018/19  | 2019/20  | See para |
|---|----------|----------|----------|----------|----------|
|   | £'000    | £'000    | £'000    | £'000    |          |
| Net Budget  | 23,959   | 24,061   | 21,995   | 22,589   |          |
| SFA   | (5,938)  | (4,958)  | (4,432)  | (3,844)  | 11.6     |
| NNDR Growth   | (800)    | (900)    | (1,000)  | (1,000)  | 11.13    |
| New Homes Bonus                                     | (5,714)  | (5,754)  | (3,615)  | (3,469)  | 11.9     |
| Council Tax   | (10,599) | (10,892) | (11,194) | (11,503) | 11.21    |
| Reserves / Collection Fund                          | (908)    | (272)    | (70)     | (20)     |          |
| Cumulative Gap                                      | 0        | 1,285    | 1,684    | 2,753    |          |
| Annual increase                                     |          | 1,285    | 399      | 1,069    |          |
| <i>Revised cumulative gap based on C-Tax freeze</i> |          | 1,472    | 2,066    | 3,336    |          |

11.3. 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*

11.4. The Finance Settlement included the announcement of an “offer” of a four year funding settlement. This key points to note are:-

- In return for accepting the offer councils are required to publish an “efficiency plan”
- There will still be an annual settlement which will include changes to take account of final business rate multipliers.
- There may also be changes such as transfer of functions to or between local authorities or any unforeseen events.

11.5. It has not yet been made clear exactly how this ‘offer’ is made or what the Council is required to do in return. When the Settlement is confirmed it is expected that more detail will be provided.

11.6. The following table sets out the provisional four year figures for 2016/17 to 2019/20 provided showing a total reduction of £3.3million (46%) and specifically for the MTFF a further reduction in funding from April 2017 of £2.1m.

|                         | Actual  | Provisional Allocations |         |         |         |       |
|-------------------------|---------|-------------------------|---------|---------|---------|-------|
|                         | 2015/16 | 2016/17                 | 2017/18 | 2018/19 | 2019/20 | Total |
|                         | £'000   | £'000                   | £'000   | £'000   | £'000   | £'000 |
| Revenue Support Grant   | (3,195) | (1,978)                 | (920)   | (275)   | 446     |       |
| Business Rates Baseline | (3,927) | (3,960)                 | (4,038) | (4,157) | (4,290) |       |
| SFA                     | (7,122) | (5,938)                 | (4,958) | (4,432) | (3,844) |       |
| Reduction (£'000)       |         | 1,184                   | 980     | 526     | 588     | 3,278 |

|               |  |      |      |      |      |      |
|---------------|--|------|------|------|------|------|
| Reduction (%) |  | -17% | -17% | -11% | -13% | -46% |
|---------------|--|------|------|------|------|------|

11.7. The Settlement states that the Government proposes to allocate funding on the basis of the core resources available to local authorities, taking into account councils' business rates and council tax, as well as their Revenue Support Grant. It follows that some councils with less Revenue Support Grant in later years will need to **contribute** funding from the other elements of their settlement core funding in order to meet the overall reductions to local government funding set in the Spending Review. Where this is the case, the Government proposes to adjust the relevant councils' tariff or top up under the business rates retention scheme. The table shows that by 2019/20 there will be no more RSG and that a contribution of almost £446k will be required to be made.

11.8. As set out within this report the New Homes Bonus is a key element of the financial support for local authorities with the Government stating that the New Homes Bonus will continue indefinitely, but with some changes.

11.9. The MTFF now includes the New Homes Bonus used in the Government's spending power projections. This is only *indicative* as the future sums will change depending on the outcome of the consultation and actual housing numbers. The MTFF assumes that given that New Homes Bonus will continue "indefinitely" that it will continue to be used to support the base budget at the current level. It is also assumed that the annual contribution of £250k to the RIF will continue. This will therefore leave a reducing sum available to support new schemes including any allocation for affordable housing. These assumptions are set out in the following table.

|                               | 2016/17 | 2017/18           | 2018/19 | 2019/20 |
|-------------------------------|---------|-------------------|---------|---------|
|                               | £'000   | £'000             | £'000   | £'000   |
| Grant                         | 5,714   | 5,754             | 3,615   | 3,469   |
| <i>Use of grant:-</i>         |         |                   |         |         |
| Base budget                   | 1,871   | 1,871             | 1,871   | 1,871   |
| Contribution to RIF           | 250     | 250               | 250     | 250     |
| Mercury Theatre (2nd year)    |         | 500               |         |         |
| Support for new schemes       | 3,305   | 3,133             | 1,494   | 1,348   |
| Affordable housing allocation | 288     | included in above |         |         |
| Total grant                   | 5,714   | 5,754             | 3,615   | 3,469   |

11.10. Further changes in Government funding over the course of the MTFF are likely with potential reductions in grants for benefit administration for example. These are not yet factored in to the MTFF and will be considered alongside other grant changes.

11.11. The Settlement states that by the end of the Parliament local government will retain 100% of business rate revenues to fund local services. As part of this it has been stated that:-

- The system of top ups and tariffs which redistributes revenues between local authorities will be retained
- The Uniform Business Rate will be abolished and any local area will be able to cut business rates as much as they like
- Elected city-region mayors will be able to add a premium to business rates to pay for new infrastructure, provided they have the support of the local business

community through a majority of business members of their Local Enterprise Partnership.

11.12. These changes will require legislation and the Government states that it intends to consult on the implementation of the 100% business rates retention scheme in summer 2016.

11.13. The 2016/17 budget includes the assumption that we will achieve an increase above the business rates baseline of £800k. In the MTFF it has been assumed that this will continue and an increase of a further £100kpa for the following two years. This assumption will need to be reviewed in future updates of the MTFF and will be revised to reflect the emerging detail of the changes to the retention of business rates.

#### *Pay, Inflation and costs*

11.14. The 2016/17 budget includes an allowance for a pay award. For 2017/18 and beyond a sum is included for planning purposes to cover this and other inflationary pressures.

11.15. During 2016 the actuarial review of the pension fund will take place with the outcome of this reported in the autumn. An assumption of an increased cost of £250k is shown for 2017/18 to recognise the potential impact from this review with a further allowance for the impact of pensions 'auto enrolment' which is due in 2017. Both these assumptions will be reviewed later in the year.

#### *Forecast savings*

11.16. The MTFF includes forecast savings for 2017/18 and beyond. These include:-

- The anticipated savings and income from the sport and leisure review
- The revised projections for commercial services, including the events business case
- The forecast income arising from assets included within the RIF

11.17. 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*

11.18. 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*

11.19. The MTFF reflects that the government grant being used to support the costs of food waste collection will run out in the next two years. The only other specific change is the inclusion of the revenue implication of the ICT strategy.

11.20. There are a number of potential risks for which no allowance is currently made. These include:-

- an increase in interest costs which are currently being minimised through internal borrowing

- demands on services arising from growth in the Borough, although an allowance has been built into the 2016/17 budget for additional waste service resources.
- cost pressures arising from any contract changes, specifically the current ICT contract.

#### *Council Tax*

11.21. The Government's Spending Power forecasts assume an annual increase in Council Tax of 1.75%. The MTFE has been updated to reflect this assumption, however, this does represent a proposal and the position based on no increase in Council Tax is also provided. An allowance for an increase in Council Tax income through growth in the tax base of 1% pa is also included.

#### *Summary*

11.22. A realistic approach has been taken to the MTFE and it is evident that it will be necessary to revise a number of the assumptions set out. The key issues are likely to be the detailed proposals for reform of New Homes Bonus and business rates retention as well as decisions made on any change to Council Tax rates and the delivery of savings and income plans.

11.23. The funding changes to local government will continue and the Council needs to be able to respond to the impact of these changes. Appendix P sets out graphically the Government's provisional core spending figures for the next four years showing how it is assumed that total resources will fall and also change with the removal of RSG and an assumption that Council Tax rates will increase.

11.24. In the 2016/17 budget savings of £1.5m have been found which, when looked at alongside the £10m plus identified in the budgets since 2011/12, represents a significant level of budget savings found. The MTFE shows that whilst anticipated savings from the current plans will make a significant contribution to reducing future budget gaps, further budget changes will be necessary. 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.

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

## **12. Capital Programme**

12.1. The current capital programme is detailed in Appendix Q. 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.

12.2 The monitoring report highlighted that there is a forecast net underspend on the Capital Programme of £75k in respect of the following schemes and it was agreed that these funds would be returned to be reallocated:

| <b>Scheme</b>            | <b>Over/ (Under)<br/>£'000</b> |
|--------------------------|--------------------------------|
| UCC FSR – Accommodation  | (27.9)                         |
| Flat Recycling Extension | (10.3)                         |
| Street Services FSR      | (36.8)                         |

|                             |               |
|-----------------------------|---------------|
| <b>Total Net Underspend</b> | <b>(75.0)</b> |
|-----------------------------|---------------|

12.3. 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 2016/17. This shows a surplus that is available to support potential schemes in subsequent years.

| <b>Detail</b>                           | <b>£'000</b>   | <b>Note</b>    |
|---|----------------|----------------|
| Balance of funds brought forward        | (156)          | Surplus        |
| Capital receipts projection for 2015/16 | (800)          |                |
| Current year forecast underspend        | (75)           | See para 12.2. |
| <b>Balance available</b>                | <b>(1,031)</b> |                |

12.4. There are two new items recommended for inclusion in the capital programme:-

*ICT Strategy - £1.31m*

12.5 The separate report on this agenda sets out the Council's proposed ICT strategy and an investment plan totalling £1.31m over the next three years. Some funding for this has already been identified and as shown in the following summary table there remains a funding requirement of £580k.

|  | 16/17       | 17/18      | 18/19      | Total        |
|--|-------------|------------|------------|--------------|
|  | £'000       | £'000      | £'000      | £'000        |
| <b>Total Investment required</b>                 | <b>685</b>  | <b>325</b> | <b>300</b> | <b>1,310</b> |
| <i>Funding available:-</i>                       |             |            |            |              |
| New Homes Bonus allocation (see Appendix F)      | 500         |            |            | 500          |
| Uncommitted Capital Programme sum                | 130         |            |            | 130          |
| In-year revenue contribution (agreed by Cabinet) | 100         |            |            | 100          |
| <b>Total available</b>                           | <b>730</b>  |            |            | <b>730</b>   |
| <b>Capital Funding requirement</b>               | <b>(45)</b> | <b>325</b> | <b>300</b> | <b>580</b>   |

*Local Authority Carbon Management (LACM) - £190k*

12.6. The Council adopted a new Environmental Sustainability Strategy for Colchester for 2015 to 2020 following a report to Cabinet in January 2015. One of the actions in the agreed delivery plan was to produce a new LACM plan which will be submitted to Cabinet in March.

12.7. It is clear that a level of investment will be required to enable this plan to be delivered and an initial allocation of £190k is proposed over the next two years. Further detail on how this will be used will be set out in the report to Cabinet.

12.8 In addition to the above it is proposed that projects to be funded from the 2016/17 New Homes Bonus monies that qualify as Capital Expenditure are released into the Capital Programme. This includes the Mercury Theatre project, Sport and Leisure business case and Creative Business Centre.

12.9 The medium term forecast of projected capital receipts and spending plans is shown in the table below reflecting the proposals within this report. This separately identifies the forecast position for the General Fund Capital Programme as well as the Revolving Investment Fund (RIF) Committee. The RIF position set out reflects

that reported to the Committee in November. It can be seen that the overall programme is in balance.

|  | 2015/16        | 2016/17        | 2017/18        | 2018/19        | 2019/20        |
|--|----------------|----------------|----------------|----------------|----------------|
|  | £'000          | £'000          | £'000          | £'000          | £'000          |
| <b>GENERAL FUND</b>                        |                |                |                |                |                |
| Shortfall / (Surplus) B/Fwd                | (156)          | (1,031)        | (1,093)        | (961)          | (861)          |
| New schemes                                | (75)           | 138            | 332            | 300            | 0              |
| Capital receipts                           | (800)          | (200)          | (200)          | (200)          | (200)          |
| <i>Shortfall / (Surplus) C/Fwd</i>         | <i>(1,031)</i> | <i>(1,093)</i> | <i>(961)</i>   | <i>(861)</i>   | <i>(1,061)</i> |
| <b>REVOLVING INVESTMENT FUND</b>           |                |                |                |                |                |
| Shortfall / (Surplus) B/Fwd                | (168)          | (1,443)        | (1,844)        | (3,262)        | (780)          |
| New schemes                                | 4,298          | 5,161          | 1,800          | 5,500          | 0              |
| Capital receipts                           | (5,573)        | (5,562)        | (3,218)        | (3,018)        | (19)           |
| <i>Shortfall / (Surplus) C/Fwd</i>         | <i>(1,443)</i> | <i>(1,844)</i> | <i>(3,262)</i> | <i>(780)</i>   | <i>(799)</i>   |
| <b>Overall Shortfall / (Surplus) C/Fwd</b> | <b>(2,474)</b> | <b>(2,937)</b> | <b>(4,223)</b> | <b>(1,641)</b> | <b>(1,860)</b> |

### 13. Robustness of Estimates

- 13.1 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.
- 13.2 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.
- 13.3. This latest review of the budget for this financial year, 2015/16, has shown that broadly speaking budgets have been achieved, Steps have been taken to revise some expenditure and income budgets over recent years and in general budget targets are felt to be realistic.
- 13.4. The savings and new income proposed in the budget have all been risk assessed. It should be noted that some of the savings shown for 2016/17 are additional savings or income following budget decisions taken already.
- 13.5. All Heads of Service have completed an exercise to identify the key assumptions and risks to their budgets and these have been reviewed as part of the balances assessment.
- 13.6. Whilst I consider that reasonable assumptions have been made to account for the pressures being faced there remains a degree of risk with the key areas being:-

- Meeting ongoing, and in some cases increasing, income levels in particular in respect of sport and leisure, car parks and commercial services.
- Delivery in the year of certain corporate savings such as procurement, although the target for this is far less than previous years.
- Collection rates of Council Tax and changes in demand levels following the implementation of the LCTS scheme and other Council Tax changes
- Collection rates and level of business rates (including the impact of appeals)

13.7. The budget risks will be managed during 2016/17 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.

13.8. The External Auditor has commented that the Council has a good track record of delivering budget targets and responding to budget pressures.

13.9 Delivery of the budget will continue to require financial discipline led by SMT in terms of a number of budget reviews and by budget holders, ensuring expenditure is not incurred without adequate available budget and that income targets are achieved. Budget managers will continue to be supported through training and advice to enable them to do this.

13.10. Regular updates on forecast expenditure will also be important to ensure the budget is managed within the expenditure constraints set out and the Council continues to develop systems to provide better financial information through greater use of our commitments system and focused monitoring of key risk areas. During this year a new system has been introduced to provide budget managers with clear up to date budget information which they can easily access and use to provide in year forecasts.

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

#### **14. Treasury Management and Prudential Code Indicators**

14.1. The proposed Treasury Management Strategy Statement (TMSS) including the Minimum Revenue Provision Policy Statement and Annual Investment Strategy is included at Appendix S. The follow paragraphs contain a summary of the strategy for 2016/17, which covers the following issues:

- the capital plans and the prudential and treasury indicators;
- the Minimum Revenue Provision (MRP) Policy;
- the current treasury position;
- the economic background and prospects for interest rates;
- the borrowing strategy;
- the investment policy and strategy, and credit worthiness policy;
- the policy on use of external service providers.

14.2. The Council's Prudential and Treasury Indicators for 2016/17 through to 2018/19 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.

- 14.3. The Minimum Revenue Provision (MRP) Policy Statement for 2016/17 states that the historic debt liability will continue to be charged at 4%, with the charge for more recent capital expenditure being based on the useful life of the asset and charged using the equal annual instalment method. The policy will be kept under review during the year and any proposed changes will be set out in future reports.
- 14.4. The UK Bank Rate has been unchanged from a historically low 0.5% since March 2009. The current view from the Council's treasury advisers is that the Bank Rate is expected to remain unchanged until quarter 2 of 2016. **Appendix A to the TMSS** draws together a number of current forecasts for short term and longer term interest rates.
- 14.5. The Council is currently maintaining an under-borrowed position. The borrowing strategy is to reduce the difference between gross and net debt by continuing to 'borrow internally', which is primarily due to investment rates on offer being lower than long term borrowing rates. This has the advantages of maximising short-term savings and reducing the Council's exposure to interest rate and credit risk. This approach is intended to be maintained during the year.
- 14.6. The investment policy reflects the Council's low appetite for risk, emphasising the priorities of security and liquidity over that of yield. The main features of the policy are as follows:
- The Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties, which also enables diversification and avoidance of concentration risk.
  - The Council applies the creditworthiness service provided by Capita Asset Services, which combines data from credit rating agencies with credit default swaps and sovereign ratings.
  - The Council will only use approved counterparties from countries with a minimum sovereign credit rating of 'AA-', based on the lowest available rating.
  - The suggested budgeted return on investments placed for periods up to 100 days during the year is 0.90%.
- 14.7. Investment instruments identified for use in 2016/17 are detailed in **Appendix B to the TMSS**. It should be noted that whilst this table includes a wide range of investment instruments, it is likely that a number of these will not be used. However, their inclusion enables the required credit controls to be stated if their use is to be considered.

- 14.8. **Cabinet is asked to agree and recommend to Council the 2016/17 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out in the paper at Appendix S**

## 15. Strategic Plan References

- 15.1. The 2016/17 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.
- 15.2. Appendix R provides an assessment of the links between the Strategic Plan and budget strategy.

15.3. This report also includes details of how the funding allocated from the New Homes Bonus in 2015/16 to support priorities within the new Strategic Plan is being used.

## **16. Financial Implications**

16.1 As set out in the report.

## **17. Publicity Considerations**

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

## **18 Human Rights Implications**

18.1. None

## **19. Equality and Diversity**

19.1. 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.

## **20. Community Safety Implications**

20.1 None

## **21. Health and Safety Implications**

21.1 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.

## **22. Risk Management Implications**

22.1 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.

## **23. Consultation**

23.1. The budget will be scrutinised by Scrutiny Panel on 26<sup>th</sup> January 2016. The statutory consultation with NNDR ratepayers takes place in either January or early February 2016 and notes of the meeting will be provided in due course.

## **Background Papers**

Budget reports to Cabinet – 25 November 2015

| <b>2016/17 Budget Timetable</b>  |   |
|--|---|
| <b>Budget Strategy March 15 – July 2015</b>  |   |
| <b>March – June (SMT and Budget Group)</b>   | Budget Group Meetings Agreed<br>Update MTFF /Budget Strategy<br>Review potential cost pressures, growth and risks<br>Consider approach to budget<br>Initial budget reviews started  |
| <b>Cabinet – 8 July 15</b>   | <ul style="list-style-type: none"> <li>• Review 14/15 outturn</li> <li>• Report on updated budget strategy / MTFF</li> <li>• Timetable approved</li> </ul>  |
| <b>Scrutiny Panel – 21 July 15</b>   | Review Cabinet report   |
| <b>Detailed Budget preparation and Budget Setting Consultation</b>                                 |   |
| <b>Budget Group / Leadership Team regular sessions on progress / budget options now - December</b> | Review budget tasks<br>Consider delivery of existing budget savings<br>Carry out outturn review   |
| <b>Cabinet – 14 October 15</b>   | <ul style="list-style-type: none"> <li>• Budget Update</li> <li>• Review of capital resources / programme</li> </ul>  |
| <b>Cabinet – 25 November 15</b>  | <ul style="list-style-type: none"> <li>• Budget update</li> <li>• Reserves and balances</li> <li>• Agree fees and charges / budget changes</li> <li>• Government Finance settlement (if available)</li> <li>• Review in year budget position</li> </ul> |
| <b>Scrutiny Panel – 26 January 16</b>  | Review consultation / Budget position (Detailed proposals)  |
| <b>Cabinet – 27 January 16</b>   | Revenue and Capital budgets recommended to Council  |
| <b>Council – 17 February 16</b>  | Budget agreed / capital programme agreed / Council Tax set  |

## 2016/17 New Homes Bonus

|                                     | Actual     |              |              |              |              | Provisional  |
|-------------------------------------|------------|--------------|--------------|--------------|--------------|--------------|
|                                     | 2011/12    | 2012/13      | 2013/14      | 2014/15      | 2015/16      | 2016/17      |
|                                     | £'000      | £'000        | £'000        | £'000        | £'000        | £'000        |
| <b>New Homes Bonus</b>              |            |              |              |              |              |              |
| Growth re 09/10                     | 724        | 724          | 724          | 724          | 724          | 724          |
| Growth re 10/11                     |            | 749          | 749          | 749          | 749          | 749          |
| Growth re 11/12                     |            |              | 986          | 986          | 986          | 986          |
| Growth re 12/13                     |            |              |              | 757          | 757          | 757          |
| Growth re 13/14                     |            |              |              |              | 1,185        | 1,185        |
| Growth re 14/15                     |            |              |              |              |              | 1,025        |
| <i>Total basic NHB</i>              | <i>724</i> | <i>1,473</i> | <i>2,459</i> | <i>3,216</i> | <i>4,401</i> | <i>5,426</i> |
| <b>Affordable Housing element</b>   |            |              |              |              |              |              |
| re 10/11 delivery                   |            | 52           | 52           | 52           | 52           | 52           |
| re 11/12 delivery                   |            |              | 105          | 105          | 105          | 105          |
| re 12/13 delivery                   |            |              |              | 37           | 37           | 37           |
| re 13/14 delivery                   |            |              |              |              | 20           | 20           |
| re 14/15 delivery                   |            |              |              |              |              | 74           |
| <i>Total affordable homes bonus</i> | <i>0</i>   | <i>52</i>    | <i>157</i>   | <i>194</i>   | <i>214</i>   | <i>288</i>   |
| <b>Total New Homes Bonus</b>        | <b>724</b> | <b>1,525</b> | <b>2,616</b> | <b>3,410</b> | <b>4,615</b> | <b>5,714</b> |

## New Homes Bonus Consultation

Alongside the settlement a consultation paper on the New Homes Bonus (NHB) has been issued. The following are key issues

### 1. No Change for 2016/17

No changes will be made for the 2016/17 New Homes Bonus payments, including anything in respect of previous years.

### 2. Change the number of years for which payments are made

NHB payments are currently made for 6 years. The consultation paper comments that these “legacy payments” will mean that funding will reduce the impact of other changes.

The Government is consulting on reducing the number of years for payments from 6 years to 4 years. This is the preferred option but the Government is also considering moving further to 3 or 2 years.

An option is presented to phase in the introduction of the change by paying for 5 years in 17/18 before the change to 4 years in 18/19. The table below sets out the estimated basic NHB payments (excl. affordable homes) assuming the average growth in payment assuming the phased introduction.

|                        | 2015/16      | 2016/17      | 2017/18      | 2018/19      | 2019/20      | 2020/21      |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                        | £'000        | £'000        | £'000        | £'000        | £'000        | £'000        |
| <b>New Homes Bonus</b> |              |              |              |              |              |              |
| Growth re 09/10        | 724          | 724          |              |              |              |              |
| Growth re 10/11        | 749          | 749          | nil          | nil          | nil          | nil          |
| Growth re 11/12        | 986          | 986          | 986          | nil          | nil          | nil          |
| Growth re 12/13        | 757          | 757          | 757          | nil          | nil          | nil          |
| Growth re 13/14        | 1,185        | 1,185        | 1,185        | 1,185        | nil          | nil          |
| Growth re 14/15        |              | 1,025        | 1,025        | 1,025        | 1,025        | nil          |
| Growth re 15/16 (est)  |              |              | 900          | 900          | 900          | 900          |
| Growth re 16/17 (est)  |              |              |              | 900          | 900          | 900          |
| Growth re 17/18 (est)  |              |              |              |              | 900          | 900          |
| Growth re 18/19 (est)  |              |              |              |              |              | 900          |
|                        |              |              |              |              |              |              |
| <i>Total basic NHB</i> | <i>4,401</i> | <i>5,426</i> | <i>4,853</i> | <i>4,010</i> | <i>3,725</i> | <i>3,600</i> |

|                            |  |  |            |              |              |              |
|----------------------------|--|--|------------|--------------|--------------|--------------|
| <b>Cut compared to now</b> |  |  | <b>738</b> | <b>1,732</b> | <b>1,931</b> | <b>2,199</b> |
|----------------------------|--|--|------------|--------------|--------------|--------------|

The option of moving to only paying over 3 or 2 years would increase the cut say a further c£1m or c£2m respectively.

### 3. Reforms to improve the incentive

Other changes are suggested based on the argument that currently the NHB is “insufficiently focused on really strongly performing authorities”. The changes proposed are:-

- (a) Withholding new allocations in areas where no Local Plan has been produced
- (b) Reducing payments for homes built on appeal
- (c) Only making payments for delivery above a baseline representing ‘deadweight’

***(a) Withholding new allocations in areas where no Local Plan has been produced***

The preferred approach is to not make any NHB payment if a Local Plan has not been produced. There is also a suggestion that there might be a 50% reduction where a Plan has been published but not yet submitted.

There is a further approach based on reducing the NHB by a fixed % depending on the date the plan was published. The aim of this appears to be to encourage councils to actively review and keep up to date their plans.

***(b) Reducing payments for homes built on appeal***

The proposal here is to reduce the amount of new NHB paid for decisions made on appeal. The options suggested are a 50% reduction or a 100% reduction.

***(c) Removing ‘deadweight’***

The background to this proposed change is to only reward growth above what might have been built anyway without the incentive. One option proposed is to agree a single baseline, with a possible figure of 0.25% quoted.

Other alternative options suggested are setting an individual baseline or local area baseline that better represented local circumstances.

**Links to County Council allocations**

There is no mention of changing the 80:20 split. There are comments in respect of whether some of the “incentive measure will apply to counties or not, but no proposals to exclude them.

## APPENDIX D

### 2016/17 Revenue Cost pressures

Heads of Service / Portfolio Holders have been asked to contain cost pressures within existing budget allocations wherever possible. The following are specific areas where budget allocations have been increased. Changes since the report to Cabinet on 25<sup>th</sup> November 2015 are highlighted in the updated allowance column.

|                              | Current allowance<br>£'000 | Updated allowance<br>£'000 | Comment   |
|------------------------------|----------------------------|----------------------------|---|
| Inflation                    | 840                        | 702                        | This includes assumptions in respect of pay, energy and other prices. The allowance includes the increased to reflect the change in NI costs and other changes. The updated allowance includes revised assumptions for pay, fuel and insurance costs.   |
| Inflation – pay award        | (100)                      | (100)                      | Adjustment in respect of 15/16 pay award being less than budget   |
| Extra waste vehicle and crew | 130                        | 130                        | CBC has seen significant housing growth in recent years. The Waste and Recycling service has accommodated this growth, year on year, within its existing resources. Whilst Food Waste collections have been introduced and vehicles provided, no additional routes for residual or recycling collections have been introduced since 2007. Since the last route was added it is estimated in excess of 10,000 properties have been added to the Borough. The service is currently in the position where its capacity is stretched to accommodate the current level of collections required and therefore this funding will provide for an additional vehicle and crew. |

|                                      | Current allowance<br>£'000 | Updated allowance<br>£'000 | Comment   |
|--------------------------------------|----------------------------|----------------------------|---|
| SOS Bus – grant                      | 5                          | 5                          | A grant to support the SOS bus has been agreed in 2015/16 from the funding allocated for Strategic Plan priorities. It is proposed that this be included in the base budget to reflect the ongoing support of this service.                   |
| Welfare Reform                       | 118                        | 118                        | Agreed by Cabinet in November. Funding in part from allocation from balances.   |
| Hot washer                           |                            | 23                         | Additional manpower in the Zones team to work alongside the new hot washer purchased improve street cleanliness in the Borough  |
| Market                               |                            | 57                         | The pressure covers the reduction of income due to first 4 stalls being removed to ease traffic pressures. Additional resources to support smooth running of set up / set down operation and cover additional costs for electricity bollards. |
| Zones team                           |                            | 15                         | Additional budgetary provision for zones team duties.   |
| Elections                            |                            | 19                         | Increase in costs relating to elections, such as postage.   |
| Waste disposal charges               |                            | 20                         | ECC have increased the disposal charges for commercial waste from £110 per tonne to £120 per tonne.   |
| Bank charges                         |                            | 18                         | Increased cost of credit card transactions fees.  |
| Less: provision for growth in budget | (177)                      | (200)                      | The 15/16 budget includes a provision of £200k for growth and this has been allocated against pressures in the 16/17 budget.  |
| <b>Total</b>                         | <b>816</b>                 | <b>807</b>                 |   |

## APPENDIX E

### 2016/17 Growth Items

The following are growth items included in budget proposals. Changes since the report to Cabinet on 25<sup>th</sup> November 2015 are highlighted.

|   | Current allowance<br>£'000 | Updated allowance<br>£'000 | Comment   |
|---|----------------------------|----------------------------|---|
| Allowance for affordable housing                      | 73                         | 74                         | New growth achieved through New Homes Bonus element allocated to support affordable housing initiatives   |
| Investment funded through increase in New Homes Bonus | 1,014                      | 1,125                      | Increase in New Homes Bonus available to support new projects. Includes the proposal to spend a further £100k on one off projects to reduce the use of the New Homes Bonus in the base.<br>Proposals for using the of this increase are provided at Appendix F  |
| Contribution towards NHB schemes                      |                            | 32                         | Additional one-off contribution to fund NHB schemes.  |
| Resources to deliver digital challenge                |                            | 150                        | Cabinet will receive a report in March on the proposed digital challenge project which is commented on within the ICT strategy (see separate report on this agenda).<br>In order to deliver this plan additional resources of £150k pa for the next two years has been identified and it proposed to fund this from balances. |
| <b>Total new growth Items</b>                         | <b>1,087</b>               | <b>1,381</b>               |   |
| Strategic Plan allocations                            | 40                         | 245                        | Proposed allocation from 15/16 New Homes Bonus used in 16/17 (see Appendix G)   |
| <b>Total growth items</b>                             | <b>1,127</b>               | <b>1,626</b>               |   |

## New Homes Bonus projects 2016-17 – New Proposals

| Item                          | Description   | 16/17<br>£'000 | 17/18<br>£'000 |
|-------------------------------|---|----------------|----------------|
| Mercury theatre               | Funding in support of the ambitious plans for redevelopment of the Mercury Theatre aimed at futureproofing the building, increasing capacity, income and accessibility.<br>A further contribution of £500k is also proposed for 2017/18 from the New Homes Bonus and is included within the MTFF.   | 500            | 500            |
| Wonderhouse                   | Funding to support the realisation of the new and unique Wonderhouse in the St Botolph's regeneration area. This project aims to bring alive our internationally recognised Museums Collections; develop the museum's service capacity to work alongside education partners in training and developing skills for life and provide new income generating opportunities.   | 200            |                |
| Sport & Leisure business case | A detailed Strategy and Business Plan has been compiled for each area of the Sport and Leisure business, outlining plans to increase income and participation over the next four financial years. The main investment will be in the Activa gym and Aqua Springs which have the greatest potential for growth and further income generation. There will also be improvements to the Leisure pool to maintain its position as a regional attraction and a small investment in the Café to build on the success achieved here in the last two years.  | 1,420          |                |
| ICT strategy                  | The ICT Strategy describes the direction of travel and investment that is required for the organisation's technology during the next three years. Its purpose is to ensure the Council has the technology required to deliver its services and make the developments it plans to do during this time period (see separate report on this agenda).   | 500            |                |
| CCTV                          | Upgrading of existing cameras and operating platform to enable digital feed to improve picture quality and public safety.   | 100            |                |
| Garden Settlement             | Funding from the NHB will allow work to continue investigating the feasibility of new settlements contributing to meeting housing and employment needs in the borough. The Council has secured Government funding for 2015/16 (£640k) and will be submitting a proposal for further capacity funding in 2016/17. The ability to show the Council is also contributing will support the submission. The funding has been used to recruit a project manager and commission Garden City Developments to negotiate on behalf of the Council with landowners and developers to secure land value capture for the benefit of the community. | 50             |                |
| Creative Business Centre      | The NHB will enable Phase 2 of the Creative Business Centre to be added to the overall construction package for Phase 1, bringing forward more units for completion in September 2016. The development  | 400            |                |

| Item                       | Description  | 16/17<br>£'000 | 17/18<br>£'000 |
|----------------------------|--|----------------|----------------|
|                            | <p>of the Creative Business Centre on Queen Street is a key piece of infrastructure in Colchester to support the growth of the borough's flourishing Creative Sector.</p> <p>The project will provide 43 units equalling overall 831m2 of space to let. 116m2 is incubation space, which will be let to new businesses, micro businesses and virtual companies. The building will also offer ground floor café space and kitchen, a 181 m2 courtyard and a screening room for presentations.</p>   |                |                |
| Fixing the link (phase 2)  | <p>This NHB allocation will allow for the Phase 2 package of measures, identified at the consultation stage to be brought forward and delivered along the route. This could include features at the Albert Roundabout, reducing street clutter and improving the street scape with further references to the Colchester's Heritage along the North Station Road/North Hill corridor. The funding would be used for detail design and be used to lever in third party funding.</p>  | 100            |                |
| Housing & health programme | <p>This is for year 2 funding for the pilot of a new multi-disciplinary programme to coordinate service delivery between environmental health and key health/care services in areas categorised by their elevated levels of deprivation.</p> <p>Past housing improvement work has focused on poor housing stock condition alone, whereas working with health colleagues allows a deliberate move towards a more person-centred focus, for those residents of higher health risk.</p> <p>This is an additional contribution to that made in 2015/16 from New Homes Bonus.</p> | 65             |                |
| Locality budgets           | Continuation of the small grant scheme of £2,000 for Ward Councillors in 2016/17.  | 102            |                |
| <b>Total New Projects</b>  |  | <b>3,337</b>   | <b>500</b>     |

## Proposed use of Strategic Plan Funding allocated from New Homes Bonus

| Item   | Description   | Cost<br>£'000                |
|--|---|------------------------------|
| Funding for festivals                            | The Council has provided financial support to festivals in the town such as the Comedy Festival and Free Festival and it is proposed to allocate £20k for such events in 16/17<br>A further allocation of £20k is proposed for 17/18.   | 20                           |
| Public health co-ordinator                       | Match funding with ECC for post to support development and coordination of CBCs health & wellbeing activities/initiatives at the earliest opportunity and to safeguard other agencies investment in Colchester.   | 20                           |
| Locating the Roman gates                         | Marking the locations of three Roman gates (North, South and East Gates) by installing bronze strips across the road and bronze pavement plaques  | 40                           |
| Increase Tourism / Visitor Numbers to Colchester | Colchester already has all the wonderful heritage attractions but needs to be more visible. There are some simple steps that will assist with this: <ul style="list-style-type: none"> <li>• 2 year campaign sign up with Visit England and Visit Britain</li> <li>• 1 year promotional activity to increase group travel / coaches, and to develop awareness and heritage ambassadors with hoteliers, taxi drivers and tourism industry participants.</li> <li>• 1 year part time marketing and promotional support for tourism</li> </ul>   | 100                          |
| Discovering Colchester's Historic Buildings      | Working with heritage organisations to identify, record, understand and promote our historic buildings. We would create an on-line gazetteer of historic and demolished buildings. This would include descriptions, measured drawings, photographs and illustrations. Documentary analysis will be also undertaken to identify and record the historic significance of individual buildings.  | 15                           |
| Colchester Heritage Explorer website             | To create a Heritage Explorer website to make more of Colchester's heritage. Heritage information is currently quite fragmented and not accessible online.<br>The website would provide information on heritage attractions, events, assets, collections, and links to heritage organisations in the Borough.<br>This would also involve making available online the local evidence for the Urban Archaeological Database which is a detailed database of recorded archaeological sites and historic buildings. Norfolk's version of this site averages between 300 and 500 "hits" per day. | 15                           |
| Heritage guide for Colchester                    | The production of a Colchester heritage guidebook to provide visitors with a tour of heritage attractions and a history of this Roman and Medieval Town.<br>The guidebook will be concise, accessible and well-illustrated; using a similar format to the   | 15<br>(generating<br>£25k of |

| Item                       | Description   | Cost<br>£'000 |
|----------------------------|---|---------------|
|                            | popular guidebooks produced for English Heritage sites.<br>It is anticipated that guidebooks will retail at c£5 (comparable with price of the English Heritage guidebooks), and would also be made available for digital download.  | income)       |
| Construction skills centre | Provide a match funding contribution to establish a Construction Skills Centre based at the Creative Business Centre site. The funding will be used to provide onsite upskilling and site accreditation for actual/prospective employees of Phelan Construction and sub-contractors. The centre could also provide on-site 'tasters' for schools, colleges and potential career changers. | 20            |
| <b>Total New Projects</b>  |   | <b>245</b>    |

### Summary of use of Strategic Plan allocation

|  | £'000 | £'000      |
|--|-------|------------|
| <b>Total budget</b>                        |       | <b>547</b> |
| Allocated in year:-                        |       |            |
| <i>Castle Park Gates</i>                   | 12    |            |
| <i>Marketing for Colchester Calendar</i>   | 25    |            |
| <i>Festivals</i>                           | 25    |            |
| <i>Total allocated in year</i>             |       | 62         |
| New Proposals for 16/17 (see above)        |       | 245        |
| Proposed allocations for 17/18 (festivals) |       | 20         |
| <b>Remaining balance unallocated</b>       |       | <b>220</b> |

## 2016/17 Savings / Increased Income

| Service  | Opportunity                               | 2016/17<br>£'000 | Additional Comments e.g. impact on service / risk to delivery/ description of delivery  |
|--|---|------------------|---|
| <b><i>Efficiencies, Income and Service Reviews</i></b> |   |                  |   |
| All Services   | Outturn review                            | 350              | A review has been completed that looked at the non-employee spending over the last three years compared to the 2015/16 budget. As a result of this exercise reductions in budgets of £350k have been identified.  |
| Operational Services                                   | Car Park Income                           | 375              | In the 2015/16 budget the expected level of car park income was reduced by £300k based on assumptions on the impact of Park and Ride.<br>Budget monitoring reports show that income levels have not been affected as much as forecast and therefore it is proposed to restate the car park budget and based on current parking income figures an increase of £75k is also now proposed. |
| Corporate items  | Full year impact of accommodation savings | 50               | In 2015/16 the saving from leaving Angel Court had contributed towards other UCC FSR savings. This reflects the full year additional impact of this decision.   |
| Various services                                       | Business Process Savings                  | 286              | Detailed savings have recently been reviewed and the anticipated level of savings for 2016/17 has been reduced.   |
| Commercial Services                                    | Commercial income & procurement           | 143              | Updated forecast to reflect assumed additional income and savings within commercial trading services, asset income and procurement saving projections.  |
| Corporate & Financial Management                       | Members Allowances                        | 50               | Reduced costs arising from reduction in number of councillors.  |
| Community  | Grounds maintenance contract              | 50               | Estimated General Fund saving from new contract arrangements.   |
| Operational Services                                   | Sport & Leisure business Case             | 48               | First year savings as shown in report to Cabinet. A further £50k saving is shown within the reduced allocation for  |

| <b>Service</b>                     | <b>Opportunity</b>            | <b>2016/17<br/>£'000</b>           | <b>Additional Comments e.g. impact on service /<br/>risk to delivery/ description of delivery</b>   |
|------------------------------------|-------------------------------|------------------------------------|---|
|                                    |                               |                                    | inflation.  |
|                                    |                               | <b>1,352 ( 87%<br/>of savings)</b> |   |
| <b>Budget Reductions</b>           |                               |                                    |   |
| Corporate & Financial Management   | Parish Grants re: LCTS scheme | 11                                 | Reduction in grants as approved by Cabinet.   |
|                                    | <b>Sub total</b>              | <b>11 (1%of<br/>savings)</b>       |   |
| <i>Corporate / Technical Items</i> |                               |                                    |   |
| Net Interest                       |                               | 125                                | There is currently a net saving on the interest account through a combination of the interest costs being lower due to the strategy of internal borrowing and also some additional interest earnings. |
| General Fund / HRA                 | Reduce contingency in budget  | 35                                 | The budget includes a contingency reflecting the risk of changes in costs between the General Fund and HRA. It is proposed to remove this.  |
| Misc tech items                    |                               | 21                                 | Various budget changes across a number of corporate technical budgets.  |
|                                    | <b>Sub total</b>              | <b>181 (12% of<br/>savings)</b>    |   |
| <b>Total Savings</b>               |                               | <b>1,544</b>                       |   |

## Appendix I

|   | Adjusted Base Budget | One-Off Items | Cost Pressures | Growth Items | Technical Items | Total Savings  | Detailed 16/17 Budgets |
|---|----------------------|---------------|----------------|--------------|-----------------|----------------|------------------------|
|   | £'000                | £'000         | £'000          | £'000        | £'000           | £'000          | £'000                  |
| Corporate & Democratic Core                               | 213                  |               | 19             |              |                 | (5)            | 227                    |
| Corporate & Financial Management                          | 6,238                |               | 139            |              | 19              | (93)           | 6,303                  |
| Executive Management Team                                 | 600                  |               | 14             |              |                 | (3)            | 610                    |
| Community Services  | 5,938                |               | 208            | 122          | 25              | (34)           | 6,258                  |
| Commercial Services                                       | 2,086                | (100)         | 142            | 123          | 50              | (339)          | 1,962                  |
| Customer Services   | 2,114                |               | 141            |              | 20              | (130)          | 2,145                  |
| Operational Services (excl NEPP)                          | 1,376                | (6)           | 195            |              |                 | (449)          | 1,116                  |
| Professional Services                                     | 2,292                | (38)          | 125            | 20           | 17              | (169)          | 2,247                  |
| <b>Total General Fund Services</b>                        | <b>20,857</b>        | <b>(144)</b>  | <b>981</b>     | <b>265</b>   | <b>131</b>      | <b>(1,223)</b> | <b>20,867</b>          |
| <b>Technical Items</b>                                    |                      |               |                |              |                 |                |                        |
|   |                      |               |                |              |                 |                |                        |
| <i>Corporate Items / sums to be allocated to services</i> |                      |               |                |              |                 |                |                        |
| Procurement Savings                                       | (132)                |               | 0              |              |                 | (8)            | (140)                  |
| Investment Allowance funded by New Homes Bonus            | 2,335                |               | 0              | 1,005        |                 | 95             | 3,435                  |
| IT Servers  | 250                  | (250)         | 0              |              |                 |                | 0                      |
| Borough-Wide service pressures                            | 200                  |               | (200)          |              |                 |                | 0                      |
| EMT Local Govt Devolution                                 | 5                    | (5)           | 0              |              |                 |                | 0                      |
| Welfare Reform  | 0                    |               | 118            |              |                 |                | 118                    |
| Strategic Plan (funded by 15/16 NHB)                      | 0                    |               | 0              | 205          |                 |                | 205                    |
| Digital Challenge   | 0                    |               | 0              | 150          |                 |                | 150                    |
| Grounds Maintenance Savings                               | 0                    |               | 0              |              |                 | (50)           | (50)                   |

|                                     | Adjusted Base Budget | One-Off Items | Cost Pressures | Growth Items | Technical Items | Total Savings  | Detailed 16/17 Budgets |
|-------------------------------------|----------------------|---------------|----------------|--------------|-----------------|----------------|------------------------|
|                                     | £'000                | £'000         | £'000          | £'000        | £'000           | £'000          | £'000                  |
| Digital Challenge - post and print  | 0                    |               | 0              |              |                 | (50)           | (50)                   |
| Angel Court                         | 50                   |               | 0              |              |                 | (50)           | 0                      |
| Inflation reduction                 |                      |               | (100)          |              |                 |                | (100)                  |
| <i>Non-Service Budgets</i>          |                      |               |                |              |                 |                |                        |
| NHB Top-Slice                       | (13)                 | 13            | 0              |              |                 |                | 0                      |
| Parish Council Grants / LCTS        | 102                  |               | 0              |              |                 | (11)           | 91                     |
| CLIA (net interest)                 | 599                  |               | 0              |              |                 | (181)          | 418                    |
| R&R Contribution                    | 150                  |               | 0              |              |                 |                | 150                    |
| Min Revenue Provision               | 662                  |               | 0              |              |                 | (9)            | 653                    |
| Pensions                            | 2,143                |               | 0              |              |                 | (7)            | 2,136                  |
| C Tax Sharing Agreement             | (650)                |               | 0              |              |                 |                | (650)                  |
| Heritage Reserve & Gosbecks Reserve | 10                   |               | 0              |              |                 | (7)            | 3                      |
| GF/HRA/NEPP Adjustment              | (3,243)              |               | 8              | 1            |                 | (43)           | (3,277)                |
| Total Below the Line                | 2,468                | (242)         | (174)          | 1,361        | 0               | (321)          | 3,092                  |
| <b>Total incl Below the line</b>    | <b>23,325</b>        | <b>(386)</b>  | <b>807</b>     | <b>1,626</b> | <b>131</b>      | <b>(1,544)</b> | <b>23,959</b>          |
| <i>Funded by:-</i>                  |                      |               |                |              |                 |                |                        |
| Use of balances: re carry forwards  | (71)                 | 71            | 0              |              | (426)           |                | (426)                  |
| Contribution to balances            | 560                  | (560)         | 0              |              |                 |                | 0                      |
| Use of Reserves                     | 0                    |               | 0              |              | (462)           |                | (462)                  |
| Use of NNDR reserve                 | 0                    |               | 0              |              | (1,537)         |                | (1,537)                |
| use of S.106 reserve                | (20)                 |               | 0              |              |                 |                | (20)                   |
| Government Grant (RSG / NNDR)       | (7,122)              |               | 1,184          |              |                 |                | (5,938)                |
| NNDR Growth above Baseline          | (700)                |               | 0              |              | (100)           |                | (800)                  |
| Council Tax Freeze Grant            | (114)                | 114           | 0              |              |                 |                | 0                      |

|                          | Adjusted<br>Base<br>Budget | One-Off<br>Items | Cost<br>Pressures | Growth<br>Items | Technical<br>Items | Total<br>Savings | Detailed<br>16/17<br>Budgets |
|--------------------------|----------------------------|------------------|-------------------|-----------------|--------------------|------------------|------------------------------|
|                          | £'000                      | £'000            | £'000             | £'000           | £'000              | £'000            | £'000                        |
| Council Tax              | (10,434)                   |                  | 0                 |                 | (165)              |                  | (10,599)                     |
| Collection fund Transfer | (409)                      | 409              | 0                 |                 | (353)              |                  | (353)                        |
| New Homes Bonus          | (4,615)                    |                  | 0                 |                 | (1,099)            |                  | (5,714)                      |
| NNDR Deficit / (Surplus) | (400)                      | 400              | 0                 |                 | 1,890              |                  | 1,890                        |
| <b>Total</b>             | <b>(23,325)</b>            | <b>434</b>       | <b>1,184</b>      | <b>0</b>        | <b>(2,252)</b>     | <b>0</b>         | <b>(23,959)</b>              |

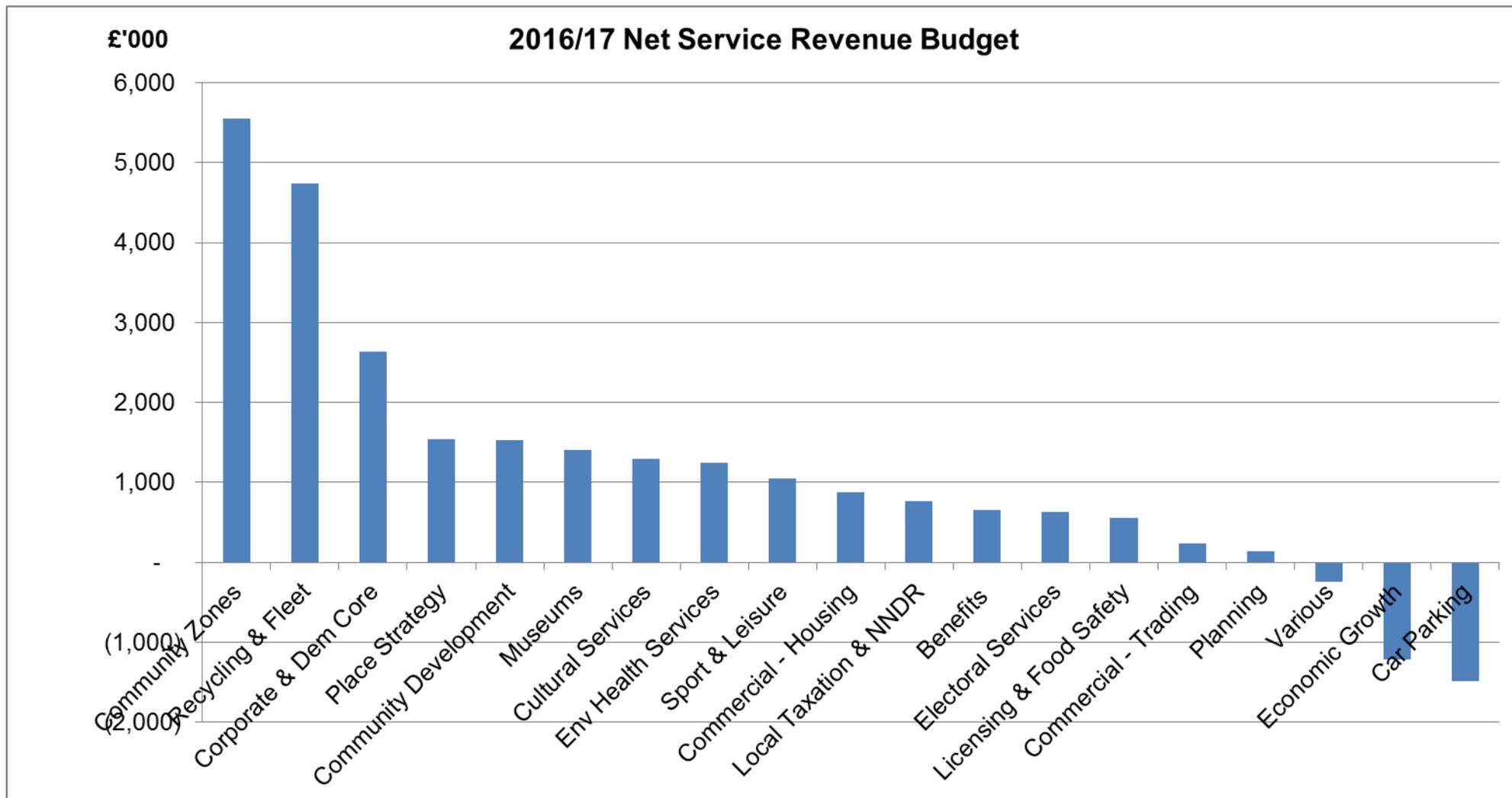
## Detailed General Fund Service Budgets 2016/17

|   | Direct Budgets |                |              | Non-Direct Budgets |              |
|---|----------------|----------------|--------------|--------------------|--------------|
| Area  | Spend          | Income         | Net          | Net                | Total        |
|   | £'000          | £'000          | £'000        | £'000              | £'000        |
| <b>Corporate &amp; Democratic Core</b>      | 227            | -              | 227          | 2,406              | 2,633        |
| <b>Total</b>                                | <b>227</b>     | <b>-</b>       | <b>227</b>   | <b>2,406</b>       | <b>2,633</b> |
| <b>Corporate &amp; Financial Management</b> |                |                |              |                    |              |
| Assistant Chief Executive                   | 69             | -              | 69           | (69)               | -            |
| Finance                                     | 802            | (16)           | 785          | (785)              | -            |
| ICT and Communications                      | 2,384          | (252)          | 2,132        | (2,132)            | -            |
| People and Performance                      | 534            | (14)           | 521          | (521)              | -            |
| Governance                                  | 3,057          | (261)          | 2,796        | (2,749)            | 47           |
| <b>Total</b>                                | <b>6,846</b>   | <b>(543)</b>   | <b>6,303</b> | <b>(6,256)</b>     | <b>47</b>    |
| <b>Executive Management Team</b>            |                |                |              |                    |              |
| EMT   | 610            | -              | 610          | (610)              | -            |
| Partner Projects                            | -              | -              | -            | -                  | -            |
| <b>Total</b>                                | <b>610</b>     | <b>-</b>       | <b>610</b>   | <b>(610)</b>       | <b>-</b>     |
| <b>Community Services</b>                   |                |                |              |                    |              |
| Head of Community Services                  | 133            | -              | 133          | (133)              | -            |
| Cultural Services                           | 703            | (114)          | 589          | 711                | 1,299        |
| Community Zones                             | 4,617          | (821)          | 3,796        | 1,758              | 5,554        |
| Community Development                       | 1,213          | (144)          | 1,069        | 463                | 1,532        |
| Colchester Museums                          | 75             | (482)          | (408)        | 0                  | (407)        |
| <b>Subtotal</b>                             | <b>6,741</b>   | <b>(1,562)</b> | <b>5,179</b> | <b>2,799</b>       | <b>7,978</b> |

|                               | Direct Budgets |                 |              |  | Non-Direct Budgets |              |
|-------------------------------|----------------|-----------------|--------------|--|--------------------|--------------|
| Area                          | Spend          | Income          | Net          |  | Net                | Total        |
|                               | £'000          | £'000           | £'000        |  | £'000              | £'000        |
| Colchester & Ipswich Museums  | 2,091          | (1,013)         | 1,078        |  | 737                | 1,815        |
| <b>Total</b>                  | <b>8,832</b>   | <b>(2,575)</b>  | <b>6,258</b> |  | <b>3,536</b>       | <b>9,793</b> |
|                               |                |                 |              |  |                    |              |
| <b>Commercial Services</b>    |                |                 |              |  |                    |              |
| Head of Commercial Services   | 77             | -               | 77           |  | (77)               | -            |
| Place Strategy                | 1,602          | (127)           | 1,475        |  | 63                 | 1,538        |
| Economic Growth               | 1,326          | (3,338)         | (2,013)      |  | 796                | (1,217)      |
| Corporate Asset Management    | 1,895          | (121)           | 1,774        |  | (1,821)            | (47)         |
| Commercial - Trading          | 2,316          | (2,736)         | (421)        |  | 652                | 231          |
| Commercial - Housing          | 1,645          | (575)           | 1,069        |  | (198)              | 871          |
| <b>Total</b>                  | <b>8,859</b>   | <b>(6,897)</b>  | <b>1,962</b> |  | <b>(585)</b>       | <b>1,377</b> |
|                               |                |                 |              |  |                    |              |
| <b>Customer Services</b>      |                |                 |              |  |                    |              |
| Head of Customer Services     | 64             | -               | 64           |  | (64)               | -            |
| Customer Operations           | 1,748          | (15)            | 1,732        |  | (1,732)            | -            |
| Customer Demands & Research   | 418            | -               | 418          |  | (418)              | -            |
| Customer Solutions            | 982            | (376)           | 605          |  | (659)              | (53)         |
| Local Taxation & NNDR         | 482            | (524)           | (42)         |  | 803                | 760          |
| <b>Subtotal</b>               | <b>3,692</b>   | <b>(916)</b>    | <b>2,777</b> |  | <b>(2,070)</b>     | <b>707</b>   |
| Benefits - Payments & Subsidy | 56,248         | (56,880)        | (631)        |  | 1,289              | 658          |
| <b>Total</b>                  | <b>59,941</b>  | <b>(57,795)</b> | <b>2,145</b> |  | <b>(781)</b>       | <b>1,365</b> |
|                               |                |                 |              |  |                    |              |
| <b>Operational Services</b>   |                |                 |              |  |                    |              |
| Head of Operational Services  | 113            | -               | 113          |  | (113)              | -            |
| Sport & Leisure               | 4,486          | (4,961)         | (475)        |  | 1,526              | 1,051        |
| Recycling & Fleet             | 6,937          | (2,664)         | 4,273        |  | 466                | 4,739        |

| Area                          | Direct Budgets |                 |               | Non-Direct Budgets | Total         |
|-------------------------------|----------------|-----------------|---------------|--------------------|---------------|
|                               | Spend          | Income          | Net           |                    |               |
|                               | £'000          | £'000           | £'000         |                    |               |
| Car Parking                   | 939            | (3,734)         | (2,795)       | 1,307              | (1,488)       |
| <b>Subtotal</b>               | <b>12,475</b>  | <b>(11,359)</b> | <b>1,116</b>  | <b>3,186</b>       | <b>4,302</b>  |
| Parking Partnership (NEPP)    | 3,246          | (3,154)         | 93            | (71)               | 22            |
| <b>Total</b>                  | <b>15,721</b>  | <b>(14,512)</b> | <b>1,209</b>  | <b>3,115</b>       | <b>4,324</b>  |
| <b>Professional Services</b>  |                |                 |               |                    |               |
| Head of Professional Services | 103            | -               | 103           | (103)              | -             |
| Licensing & Food Safety       | 552            | (472)           | 80            | 475                | 556           |
| Environmental Health Services | 822            | (98)            | 725           | 517                | 1,241         |
| Electoral Services            | 343            | (3)             | 340           | 291                | 631           |
| Prof Support Units            | 1,794          | (186)           | 1,608         | (1,658)            | (50)          |
| Land Charges                  | 148            | (349)           | (201)         | 55                 | (146)         |
| Planning                      | 571            | (979)           | (407)         | 546                | 139           |
| <b>Total</b>                  | <b>4,333</b>   | <b>(2,086)</b>  | <b>2,247</b>  | <b>124</b>         | <b>2,371</b>  |
| <b>Total (excl. NEPP)</b>     | <b>102,123</b> | <b>(81,255)</b> | <b>20,869</b> | <b>1,019</b>       | <b>21,888</b> |

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



## General Fund Balances – Risk Assessment

### Introduction & Background

A risk assessment was undertaken to determine the prudent level of general fund balances as part of the 2016/17 budget process.

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 risk assessment has been kept under review. The results of the current assessment are summarised below.

| Factor                                     | Assessed Risk |       |       | Comment  |
|--|---------------|-------|-------|--|
|  | High          | Med   | Low   |  |
|  | £'000         | £'000 | £'000 |  |
| Cash Flow                                  | 1,000         |       |       | Increased to reflect current budget                            |
| Inflation                                  |               | 100   |       |  |
| Investment Income                          | 75            |       |       | Reduced from £150k to £75k reflected in year risk              |
| Trading Activities and fees and charges    |               | 200   |       |  |
| Benefits                                   |               | 200   |       | Increased risk from low to medium reflecting potential risk    |
| New legal commitments                      |               |       | 100   |  |
| Litigation                                 |               | 150   |       |  |
| Partnerships                               |               |       | 100   |  |
| VAT Exemption Limit                        |               |       | 450   | Increased to £450k from £350k representing current impact.     |
| Budget Process                             |               | 150   |       | Increased 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                |
| <b>Sub total</b>         |       |      | <b>1,855</b>      |
| Unforeseen factors       |       |      | 45                |
| <b>Recommended level</b> |       |      | <b>1,900</b>      |

This shows the minimum level of balances being increased to £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.
- 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.
- Investment income has been identified as a risk area. In last year's risk assessment this was classified as a "high risk" and due to the continuing uncertainty in the world economy this has been maintained, however, the risk sum has been reduced.
- 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, the cost attached to this has been increased to reflect the current level.

## 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

|  | <i>Allocated</i> | <i>Risk allocations</i> | <i>Unallocated</i> | <i>Total</i>   | <i>Note</i>                                    |
|--|------------------|-------------------------|--------------------|----------------|--|
|  | <i>£'000</i>     | <i>£'000</i>            | <i>£'000</i>       | <i>£'000</i>   |  |
| <b>Opening balance 1/4/15</b>                                      | <b>(5,780)</b>   | <b>(868)</b>            | <b>(2,027)</b>     | <b>(8,675)</b> | per 14/15 accounts                             |
| Agreed contribution to balances                                    | (280)            | (280)                   |                    | (560)          | Agreed in 15/16 budget                         |
| Budget carry forwards to 15/16 (some funds to be used after 15/16) | 3,022            |                         |                    | 3,022          |  |
| Previous c/f decisions   | 194              |                         |                    | 194            |  |
| Redundancy costs   | 473              |                         |                    | 473            | Includes pension strain costs                  |
| Previous year allocations  | 325              |                         |                    | 325            |  |
| Right to challenge - Gov't funding                                 | 46               |                         |                    | 46             |  |
| Agreed use of balances 15/16                                       | 71               |                         |                    | 71             | agreed in 15/16 budget                         |
| Proposed use of balances - 15/16                                   | 450              |                         |                    | 450            | See Cabinet 8 July 2015                        |
| Use of balances to be agreed (BIFA)                                | 471              |                         |                    | 471            | See Cabinet 8 July 2016                        |
| Remove Contingency   | (285)            | 285                     |                    | 0              | Remove contingency.                            |
| Budget carry forwards to 16/17                                     | (131)            |                         |                    | (131)          |  |
| New Homes Bonus (c/f)  | (245)            |                         |                    | (245)          |  |
| Add back BIFA not used in year                                     |                  |                         | (90)               | (90)           | Funding allocated in year returned to balances |
| <b>Estimated net use of balances in 15/16</b>                      | <b>4,111</b>     | <b>5</b>                | <b>(90)</b>        | <b>4,026</b>   |  |
|  |                  |                         |                    |                |  |
| <b>Forecast balance 31/3/16</b>                                    | <b>(1,669)</b>   | <b>(863)</b>            | <b>(2,117)</b>     | <b>(4,649)</b> |  |
|  |                  |                         |                    |                |  |
| <b>Proposed use of balances in 16/17</b>                           |                  |                         |                    |                |  |
| Use of earmarked balances for welfare reform                       | 76               |                         |                    | 76             | Agreed by Cabinet November 15                  |
| Use of balances to support budget                                  | 415              |                         | (29)               | 386            |  |

|   | <i>Allocated</i> | <i>Risk allocations</i> | <i>Unallocated</i> | <i>Total</i>   | <i>Note</i>                                |
|---|------------------|-------------------------|--------------------|----------------|--|
|   | <i>£'000</i>     | <i>£'000</i>            | <i>£'000</i>       | <i>£'000</i>   |  |
| Funding budget carry forwards                             | 376              |                         |                    | 376            |  |
| <b>Total use in 16/17</b>                                 | <b>867</b>       | <b>0</b>                | <b>(29)</b>        | <b>838</b>     |  |
|   |                  |                         |                    |                |  |
| <i>Use of balances in later years or risk allocations</i> |                  |                         |                    |                |  |
| Community Stadium - rent adjustment                       | 500              |                         |                    | 500            | Provision for one-off reduction in rent    |
| NNDR / Welfare reform                                     | 152              | 172                     |                    | 324            | Provision for impact arising from reforms. |
| Support for digital challenge in 17/18                    | 150              |                         |                    | 150            | Report to be submitted to Cabinet March 16 |
| Planning appeals, legal, HR etc- risk allocation          |                  | 411                     |                    | 411            | Some costs possible in 15/16               |
| Housing benefit - risk allocation                         |                  | 130                     |                    | 130            | Agreed in 15/16 budget                     |
| Collection Fund - risk allocation                         |                  | 150                     |                    | 150            | Agreed in 15/16 budget                     |
| <b>Total later years allocations</b>                      | <b>802</b>       | <b>863</b>              | <b>0</b>           | <b>1,665</b>   |  |
|   |                  |                         |                    |                |  |
| <b>Uncommitted / unallocated Balance</b>                  | <b>0</b>         | <b>0</b>                | <b>(2,146)</b>     | <b>(2,146)</b> |  |
| Recommended level   |                  |                         | (1,900)            | (1,900)        | Proposed level                             |
| <b>Surplus above recommended level</b>                    | <b>0</b>         | <b>0</b>                | <b>(246)</b>       | <b>(246)</b>   |  |

## Earmarked Reserves and Provisions

| Reserve  | Amount at<br>31/03/15 | Transfers -<br>In | Transfers -<br>Out | Estimate at<br>31/03/16 | Allocated /<br>Committed | Unallocated |
|--|-----------------------|-------------------|--------------------|-------------------------|--------------------------|-------------|
|  | £'000                 | £'000             | £'000              | £'000                   | £'000                    | £'000       |
| <b>Renewals and Repairs (incl Building Maintenance Programme):</b> Maintained for the replacement of plant and equipment and the maintenance of premises.  | 1,989                 | 460               | (400)              | 2,049                   | 2,049                    | -           |
| <b>Insurance:</b> To cover the self-insurance of selected properties.  | 334                   | 25                | (10)               | 349                     | -                        | 349         |
| <b>Capital Expenditure:</b> Revenue provision to fund the capital programme. The reserve is fully committed to funding the current capital programme.  | 767                   | 100               | (200)              | 667                     | 667                      | -           |
| <b>Asset Replacement Reserve:</b> 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. | 103                   | -                 | -                  | 103                     | -                        | 103         |
| <b>Gosbecks Reserve:</b> Maintained to provide for the development of the Archaeological Park. The main source of funding was a 'dowry' agreed on the transfer of land.  | 240                   | 2                 | (26)               | 216                     | 216                      | -           |

| <b>Reserve</b>  | <b>Amount at<br/>31/03/15</b> | <b>Transfers -<br/>In</b> | <b>Transfers -<br/>Out</b> | <b>Estimate at<br/>31/03/16</b> | <b>Allocated /<br/>Committed</b> | <b>Unallocated</b> |
|---|-------------------------------|---------------------------|----------------------------|---------------------------------|----------------------------------|--------------------|
|   | <b>£'000</b>                  | <b>£'000</b>              | <b>£'000</b>               | <b>£'000</b>                    | <b>£'000</b>                     | <b>£'000</b>       |
| <b>Heritage Reserve:</b> This represents balance held of museums donations and as such represents a small element of the Council's support to heritage schemes.   | 9                             | 5                         | (1)                        | 13                              | -                                | 13                 |
| <b>Hollies Bequest:</b> Provision for the upkeep of open space.   | 4                             | -                         | (2)                        | 2                               | 2                                | -                  |
| <b>Section 106 Monitoring:</b> Required for future monitoring of Section 106 agreements. From 2015/16 it was set at £20k per year.  | 53                            | 20                        | (20)                       | 53                              | 53                               | -                  |
| <b>Revenue Grants Unapplied:</b> 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. | 1,859                         | -                         | (600)                      | 1,259                           | 1,259                            | -                  |
| <b>Regeneration Reserve:</b> Contribution to reserve in respect of balancing any deficit in funding schemes in particular years.  | 65                            | -                         | (65)                       | -                               | -                                | -                  |

| <b>Reserve</b>  | <b>Amount at<br/>31/03/15</b> | <b>Transfers -<br/>In</b> | <b>Transfers -<br/>Out</b> | <b>Estimate at<br/>31/03/16</b> | <b>Allocated /<br/>Committed</b> | <b>Unallocated</b> |
|---|-------------------------------|---------------------------|----------------------------|---------------------------------|----------------------------------|--------------------|
|   | <b>£'000</b>                  | <b>£'000</b>              | <b>£'000</b>               | <b>£'000</b>                    | <b>£'000</b>                     | <b>£'000</b>       |
| <p><b>Parking Reserve:</b> 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</p> | 355                           | -                         | -                          | 355                             | 355                              | -                  |
| <p><b>Building Control:</b> 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.</p>   | -                             | -                         | -                          | -                               | -                                | -                  |
| <p><b>Heritage Mersea Mount:</b> Funding received from English Heritage towards costs relating to Mersea Mount.</p>   | 11                            | -                         | -                          | 11                              | 11                               | -                  |
| <p><b>Mercury Theatre:</b> Provision for the building's long term structural upkeep.</p>  | 20                            | 25                        | (10)                       | 35                              | 35                               | -                  |

| <b>Reserve</b>  | <b>Amount at<br/>31/03/15</b> | <b>Transfers -<br/>In</b> | <b>Transfers -<br/>Out</b> | <b>Estimate at<br/>31/03/16</b> | <b>Allocated /<br/>Committed</b> | <b>Unallocated</b> |
|---|-------------------------------|---------------------------|----------------------------|---------------------------------|----------------------------------|--------------------|
|   | <b>£'000</b>                  | <b>£'000</b>              | <b>£'000</b>               | <b>£'000</b>                    | <b>£'000</b>                     | <b>£'000</b>       |
| <b>Business Rates Reserve:</b> Maintained to cover the risk of any residual issues resulting from the introduction of the Local Business rates Retention scheme.  | 1,255                         | 1,483                     | -                          | 2,738                           | 1,537                            | 1,201              |
| <b>Revolving Investment Fund Reserve:</b> 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. | 700                           | 322                       | (642)                      | 380                             | 380                              | -                  |
| <b>Total General Fund</b>   | <b>7,764</b>                  | <b>2,442</b>              | <b>(1,976)</b>             | <b>8,230</b>                    | <b>6,564</b>                     | <b>1,666</b>       |
|   |                               |                           |                            |                                 |                                  |                    |
| <b>HRA Retained Right To Buy (RTB) Receipts - Debt:</b> 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.   | 1,751                         | 500                       | -                          | 2,251                           | 2,251                            | -                  |

| <b>Reserve</b>  | <b>Amount at<br/>31/03/15</b> | <b>Transfers -<br/>In</b> | <b>Transfers -<br/>Out</b> | <b>Estimate at<br/>31/03/16</b> | <b>Allocated /<br/>Committed</b> | <b>Unallocated</b> |
|---|-------------------------------|---------------------------|----------------------------|---------------------------------|----------------------------------|--------------------|
|   | <b>£'000</b>                  | <b>£'000</b>              | <b>£'000</b>               | <b>£'000</b>                    | <b>£'000</b>                     | <b>£'000</b>       |
| <b>HRA Retained Right To Buy (RTB)<br/>Receipts - Replacement:</b> 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. | 870                           | 650                       | (100)                      | 1,420                           | 1,420                            | -                  |
| <b>Total HRA</b>  | <b>2,621</b>                  | <b>1,150</b>              | <b>(100)</b>               | <b>3,671</b>                    | <b>3,671</b>                     | <b>-</b>           |
| <b>Total</b>  | <b>10,385</b>                 | <b>3,592</b>              | <b>(2,076)</b>             | <b>11,901</b>                   | <b>10,235</b>                    | <b>1,666</b>       |

| <b>Provision</b>  | <b>Amount at<br/>31/03/15</b> | <b>Transfers -<br/>In</b> | <b>Transfers -<br/>Out</b> | <b>Estimate at<br/>31/03/16</b> | <b>Allocated /<br/>Committed</b> | <b>Unallocated</b> |
|---|-------------------------------|---------------------------|----------------------------|---------------------------------|----------------------------------|--------------------|
|   | <b>£'000</b>                  | <b>£'000</b>              | <b>£'000</b>               | <b>£'000</b>                    | <b>£'000</b>                     | <b>£'000</b>       |
| <b>Insurance:</b> 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. | 389                           | 60                        | -                          | 449                             | 449                              | -                  |
| <b>NNDR Appeals:</b> 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.                                | 2,266                         | -                         | -                          | 2,266                           | 2,266                            | -                  |
| <b>Total</b>  | <b>2,655</b>                  | <b>60</b>                 | <b>-</b>                   | <b>2,715</b>                    | <b>2,715</b>                     | <b>-</b>           |

**APPENDIX O**

| <b>Medium Term Financial Forecast</b>              |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|
| <b>2016/17 to 2019/20</b>                          |                 |                 |                 |                 |
|  | <b>2016/17</b>  | <b>2017/18</b>  | <b>2018/19</b>  | <b>2019/20</b>  |
|  | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>    |
| <b>Base Budget</b>                                 | 23,325          | 23,959          | 24,061          | 21,995          |
| 15/16 One-off items                                | (386)           |                 |                 |                 |
| Cost Pressures                                     | 827             | 956             | 678             | 790             |
| Growth Items                                       | 1,626           | (96)            | (1,921)         | (146)           |
| Savings  | (1,544)         | (647)           | (823)           | (50)            |
| Carry forward items                                | 111             | (111)           |                 |                 |
| <b>Forecast Base Budget</b>                        | <b>23,959</b>   | <b>24,061</b>   | <b>21,995</b>   | <b>22,589</b>   |
| <i>Funded By:</i>                                  |                 |                 |                 |                 |
| Revenue Support Grant                              | (1,978)         | (920)           | (275)           | 446             |
| Business Rates Baseline                            | (3,960)         | (4,038)         | (4,157)         | (4,290)         |
| SFA  | (5,938)         | (4,958)         | (4,432)         | (3,844)         |
| Increase in NNDR / taxbase above baseline          | (800)           | (900)           | (1,000)         | (1,000)         |
| New Homes Bonus                                    | (5,714)         | (5,754)         | (3,615)         | (3,469)         |
| <b>Total Gov't grants</b>                          | <b>(12,452)</b> | <b>(11,612)</b> | <b>(9,047)</b>  | <b>(8,313)</b>  |
| Council Tax  | (10,599)        | (10,892)        | (11,194)        | (11,503)        |
| Collection Fund Deficit / (Surplus)                | (353)           | 0               | 0               | 0               |
| Business Rates Deficit / (surplus)                 | 1,890           | 0               | 0               | 0               |
| Use of Reserves                                    | (2,445)         | (272)           | (70)            | (20)            |
| <b>Total Funding</b>                               | <b>(23,959)</b> | <b>(22,776)</b> | <b>(20,311)</b> | <b>(19,836)</b> |
| <b>Budget (surplus) / gap (cumulative)</b>         | <b>0</b>        | <b>1,285</b>    | <b>1,684</b>    | <b>2,753</b>    |
| <b>Annual increase</b>                             |                 | <b>1,285</b>    | <b>399</b>      | <b>1,069</b>    |
| <b>Revised cumulative gap based on Ctax freeze</b> |                 | <b>1,472</b>    | <b>2,066</b>    | <b>3,336</b>    |

|  | 2016/17      | 2017/18     | 2018/19        | 2019/20      |
|--|--------------|-------------|----------------|--------------|
|  | £'000        | £'000       | £'000          | £'000        |
| <b>Cost Pressures</b>                      |              |             |                |              |
| General Inflation                          | 702          | 640         | 640            | 640          |
| Pensions                                   | 0            | 250         |                |              |
| Elections                                  | 19           | (90)        | 90             |              |
| Pensions - auto enrolment                  |              | 200         |                |              |
| Local Taxation Inspection                  | 20           | (70)        |                |              |
| Pay award (savings)                        | (100)        |             |                |              |
| ICT strategy - ongoing cost                |              |             |                | 200          |
| Community Services - Market                | 57           |             |                |              |
| Community Services - Zones                 | 15           |             |                |              |
| CDC - bank charges                         | 18           |             |                |              |
| Operational - waste disposal charges       | 20           |             |                |              |
| Welfare reform                             | 76           | 26          | (52)           | (50)         |
| <b>Total</b>                               | <b>827</b>   | <b>956</b>  | <b>678</b>     | <b>790</b>   |
| <b>Growth Items</b>                        |              |             |                |              |
| Food Waste (net impact)                    |              | 141         | 368            |              |
| Affordable homes                           | 74           |             |                |              |
| Growth linked to New Homes Bonus           | 1,025        | 40          | (2,139)        | (146)        |
| Digital Challenge - implementation         | 150          |             | (150)          |              |
| Revenue contribution to NHB schemes        | 32           | (32)        |                |              |
| Reduced use of NHB in base budget          | 100          |             |                |              |
| Strategic plan priorities (spend in 16/17) | 245          | (245)       |                |              |
| <b>Total</b>                               | <b>1,626</b> | <b>(96)</b> | <b>(1,921)</b> | <b>(146)</b> |

|  |                |              |              |             |
|--|----------------|--------------|--------------|-------------|
| <b>Savings (incl. one off adjustments)</b> |                |              |              |             |
| Council Tax sharing agreement              |                |              | 250          |             |
| LCTS grant to parishes                     | (11)           |              |              |             |
| Outturn review                             | (350)          |              |              |             |
| Sport & leisure                            | (48)           | (194)        | (198)        |             |
| Business process efficiencies              | (286)          |              |              |             |
| Commercial income and procurement savings  | (93)           |              |              |             |
| Assets                                     |                | (154)        | (495)        | (50)        |
| CCTV / Community Alarms                    |                | (100)        | (130)        |             |
| Events Business Case                       |                | (180)        | (230)        |             |
| Bereavement                                |                | (19)         | (20)         |             |
| Procurement                                | (50)           |              |              |             |
| Members allowances                         | (50)           |              |              |             |
| Grounds Mtce Contract - estimate           | (50)           |              |              |             |
| Car park income                            | (375)          |              |              |             |
| Accommodation savings                      | (50)           |              |              |             |
| Interest                                   | (125)          |              |              |             |
| Technical items / GF/HRA contingency       | (56)           |              |              |             |
| <b>Total</b>                               | <b>(1,544)</b> | <b>(647)</b> | <b>(823)</b> | <b>(50)</b> |

|  | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|--|---------|---------|---------|---------|
|  | £'000   | £'000   | £'000   | £'000   |

| <b>Use of / contribution to Reserves</b> |              |            |           |           |
|--|--------------|------------|-----------|-----------|
| Funding c/f                              |              |            |           |           |
| S106 monitoring reserve                  | 20           | 20         | 20        | 20        |
| Use of balances for welfare reform       | 76           | 102        | 50        |           |
| Use of balances to support budget        | 236          |            |           |           |
| Funding budget carry forwards            | 426          |            |           |           |
| Digital challenge                        | 150          | 150        |           |           |
| NNDR Reserve                             | 1,537        |            |           |           |
|  |              |            |           |           |
| <b>Total</b>                             | <b>2,445</b> | <b>272</b> | <b>70</b> | <b>20</b> |

### Addressing the Budget Gap

The MTFF shows a budget gap of circa £3.3m over the three years from 2017/18. 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:-

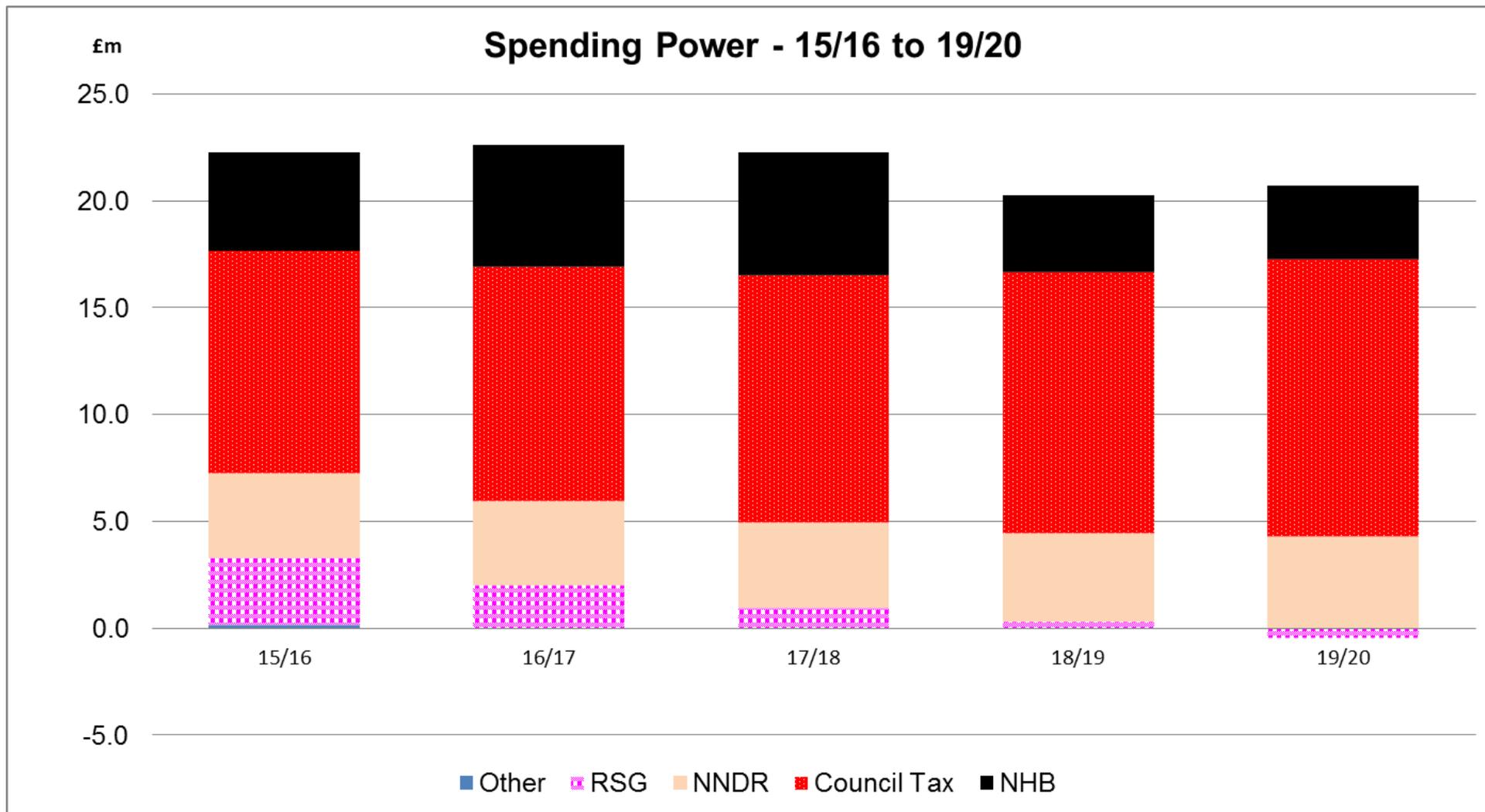
| Ref | Risk / Area of uncertainty   |  |
|-----|--|--|
| 1   | <i>Government Funding / Business Rate Retention Scheme</i>         | <p>The MTFF includes the reduction in the 'SFA' for 2016/17 of 17% with further reductions thereafter in line with figures included in the provisional settlement.</p> <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 16/17 we will retain an extra £800k of NNDR income above our baseline figure.</p> |
| 2   | <i>Welfare Reform (including Local Council Tax Support - LCTS)</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 welfare reforms and demands on Council services will need to be considered during the period of the MTFF. Resources have been released to provide additional staffing to support residents.</p>  |
| 3   | <i>Government grants and partnership funding</i>                   | <p>The Council's budget has changed over recent years with a greater emphasis on funding from both partner organisations and Government bodies. These funding streams can rarely be guaranteed and can therefore add to our cost pressures.</p> <p>Provision has been made in the 2016/17 budget for the New Homes Bonus based on the notified grant. Thereafter the MTFF assumes the indicative grant figures provided. These will change and the MTFF sets out any reductions will reduce the funds available for one-off investment.</p>  |

| Ref | Risk / Area of uncertainty                                   |   |
|-----|--|---|
|     |  | Provision has been made for changes in other Government grants, such as housing benefit administration, in 2016/17, however, the impact of any further reductions in these will be considered as the MTFF is reviewed.  |
| 4   | <i>Pensions</i>  | An allowance has been built in for increases in pensions costs based on the results of the last actuarial review and which therefore are fixed until the end of 2016/17. Thereafter an allowance has been assumed of £250k and this will need to be reviewed closer to the time.  |
| 5   | <i>Fees and charges and other income</i>                     | As has been seen in the past few years we have experienced a number of pressures arising from changes in income levels. Looking ahead to 2016/17 and beyond it is difficult to estimate how income levels may continue to be affected.  |
| 6   | <i>Inflation</i>   | An allowance for general inflation including pay has been built into the 16/17 forecast and MTFF.<br>Not all the Council's costs are directly linked to RPI and therefore we will continue to monitor the impact of inflation on all Council costs.   |
| 7   | <i>Use of reserves</i>                                       | The budget position for 2016/17 includes proposals to use certain reserves included some general use of balances to support the budget.<br>The MTFF includes some proposals to use reserves to fund digital challenge costs in 17/18.   |
| 8   | <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 e.g. universal credit.   |
| 9   | <i>Impact of regeneration programme e.g. staff resources</i> | The 2015/16 budget included additional resources of £100k to support work in the Northern Gateway. This is also being used in 2016/17.<br>Furthermore, the recently established Revolving Investment Fund (RIF) provides a framework for managing potential pressures.  |
| 10  | <i>Property review</i>                                       | A review of our assets was carried out and a 5-year Building Repairs and Maintenance Plan produced. There will continue to be financial implications arising from this for both the revenue budget and capital programme and these will continue to be considered in detail and included in the on-going updates of the MTFF. The 2016/17 budget forecast maintains the additional allocation of £150k in respect of planned repairs. This will continue to be reviewed to consider if it is sufficient to meet ongoing requirements. |

| <b>Ref</b> | <b>Risk / Area of uncertainty</b>                              |   |
|------------|--|---|
| 11         | <i>Impact of growth in the Borough and demand for services</i> | <p>A number of Local Authority services are directly impacted by the increase of population in the Borough, such as waste services, planning, benefits etc.</p> <p>As part of future budgets it will be necessary to consider whether there is a need for additional resources in these or other areas in order to maintain levels of service. A financial assumption has been made that the Council's programme of service reviews will assist in identifying efficiencies to cope with changes in demand.</p>   |
| 12         | <i>Delivery of budget savings</i>                              | <p>The 2016/17 budget includes c£1.5m of savings or increased income. These items 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 MTFE of the ongoing impact. The MTFE 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 17/18 budget.</p>  |
| 13         | <i>Net earnings and investments</i> <i>Interest and</i>        | <p>The budget is influenced by a number of factors including interest rates and cashflow movements. The treasury management strategy for 2016/17 highlights the outlook for interest rates in the medium-term which points to continuation of unprecedented low levels into 2016/17.</p> <p>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 MTFE but will be considered as part of future budget updates.</p> |

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

Provisional Government Spending Power Projections



| Service / Scheme   | Projected Expenditure       |                  |                  |                  |                  | (Surplus)<br>/<br>Shortfall<br>£'000 |
|--|-----------------------------|------------------|------------------|------------------|------------------|--------------------------------------|
|  | Total<br>Programme<br>£'000 | 2015/16<br>£'000 | 2016/17<br>£'000 | 2017/18<br>£'000 | 2018/19<br>£'000 |                                      |
| <b>SUMMARY</b>   |                             |                  |                  |                  |                  |                                      |
| Corporate & Financial Management                               | 555.2                       | 555.2            | 0.0              | 0.0              | 0.0              | 0.0                                  |
| Operational Services   | 1,555.2                     | 1,555.2          | 0.0              | 0.0              | 0.0              | 0.0                                  |
| Professional Services  | 1,809.5                     | 700.0            | 711.0            | 398.5            | 0.0              | 0.0                                  |
| Commercial Services (excluding RIF)                            | 1,095.1                     | 1,003.2          | 46.0             | 45.9             | 0.0              | 0.0                                  |
| Community Services   | 2,478.8                     | 1,974.6          | 504.2            | 0.0              | 0.0              | 0.0                                  |
| Revolving Investment Fund (RIF)                                | 16,759.0                    | 4,297.7          | 5,161.3          | 1,800.0          | 5,500.0          | 0.0                                  |
| Completed Schemes  | 215.5                       | 140.5            | 0.0              | 0.0              | 0.0              | (75.0)                               |
| Capitalised Maintenance Schemes                                | 411.8                       | 405.8            | 6.0              | 0.0              | 0.0              | 0.0                                  |
| <b>Total (General Fund)</b>                                    | <b>24,880.1</b>             | <b>10,632.2</b>  | <b>6,428.5</b>   | <b>2,244.4</b>   | <b>5,500.0</b>   | <b>(75.0)</b>                        |
| Housing Revenue Account  | 15,040.3                    | 14,193.9         | 846.4            | 0.0              | 0.0              | 0.0                                  |
| <b>Total Capital Programme</b>                                 | <b>39,920.4</b>             | <b>24,826.1</b>  | <b>7,274.9</b>   | <b>2,244.4</b>   | <b>5,500.0</b>   | <b>(75.0)</b>                        |
| <b>CORPORATE &amp; FINANCIAL MANAGEMENT</b>                    |                             |                  |                  |                  |                  |                                      |
| Universal Customer Contact Fundamental Service Review -<br>ICT | 537.5                       | 537.5            | 0.0              | 0.0              | 0.0              | 0.0                                  |
| Financial Systems Migration                                    | 17.7                        | 17.7             | 0.0              | 0.0              | 0.0              | 0.0                                  |
| <b>TOTAL - Corporate &amp; Financial Management</b>            | <b>555.2</b>                | <b>555.2</b>     | <b>0.0</b>       | <b>0.0</b>       | <b>0.0</b>       | <b>0.0</b>                           |
| <b>OPERATIONAL SERVICES</b>                                    |                             |                  |                  |                  |                  |                                      |

| Service / Scheme                             | Projected Expenditure       |                  |                  |                  |                  | (Surplus)<br>/     |
|--|-----------------------------|------------------|------------------|------------------|------------------|--------------------|
|  | Total<br>Programme<br>£'000 | 2015/16<br>£'000 | 2016/17<br>£'000 | 2017/18<br>£'000 | 2018/19<br>£'000 | Shortfall<br>£'000 |
| Shrub End Depot - new baler and shed         | 840.5                       | 840.5            | 0.0              | 0.0              | 0.0              | 0.0                |
| Priory Street Car Park                       | 450.0                       | 450.0            | 0.0              | 0.0              | 0.0              | 0.0                |
| Shrub End Pitch Replacement                  | 264.7                       | 264.7            | 0.0              | 0.0              | 0.0              | 0.0                |
| <b>TOTAL - Operational Services</b>          | <b>1,555.2</b>              | <b>1,555.2</b>   | <b>0.0</b>       | <b>0.0</b>       | <b>0.0</b>       | <b>0.0</b>         |
| <b>PROFESSIONAL SERVICES</b>                 |                             |                  |                  |                  |                  |                    |
| Mandatory Disabled Facilities Grants         | 1,498.5                     | 550.0            | 550.0            | 398.5            | 0.0              | 0.0                |
| Private Sector Renewals - Loans and Grants   | 311.0                       | 150.0            | 161.0            | 0.0              | 0.0              | 0.0                |
| <b>TOTAL - Professional Services</b>         | <b>1,809.5</b>              | <b>700.0</b>     | <b>711.0</b>     | <b>398.5</b>     | <b>0.0</b>       | <b>0.0</b>         |
| <b>COMMERCIAL SERVICES</b>                   |                             |                  |                  |                  |                  |                    |
| Bus Station - CBC Enhancements               | 32.0                        | 32.0             | 0.0              | 0.0              | 0.0              | 0.0                |
| Osborne Street Bus Station                   | 31.0                        | 31.0             | 0.0              | 0.0              | 0.0              | 0.0                |
| Transcoast                                   | 26.4                        | 26.4             | 0.0              | 0.0              | 0.0              | 0.0                |
| Loan to Colchester Community Stadium Limited | 55.0                        | 55.0             | 0.0              | 0.0              | 0.0              | 0.0                |
| Gosbecks Road                                | 75.0                        | 75.0             | 0.0              | 0.0              | 0.0              | 0.0                |
| Assistance to Registered Housing Providers   | 91.9                        | 0.0              | 46.0             | 45.9             | 0.0              | 0.0                |
| Abberton Community Fund S106                 | 215.0                       | 215.0            | 0.0              | 0.0              | 0.0              | 0.0                |
| CCTV Monitoring                              | 48.6                        | 48.6             | 0.0              | 0.0              | 0.0              | 0.0                |
| Moot Hall Organ                              | 108.8                       | 108.8            | 0.0              | 0.0              | 0.0              | 0.0                |
| Cemetery Extension                           | 125.0                       | 125.0            | 0.0              | 0.0              | 0.0              | 0.0                |
| Replacement of Cremators                     | 11.4                        | 11.4             | 0.0              | 0.0              | 0.0              | 0.0                |

| Service / Scheme                         | Projected Expenditure    |                  |                  |                  |                  | (Surplus)               |
|--|--------------------------|------------------|------------------|------------------|------------------|-------------------------|
|  | Total Programme<br>£'000 | 2015/16<br>£'000 | 2016/17<br>£'000 | 2017/18<br>£'000 | 2018/19<br>£'000 | /<br>Shortfall<br>£'000 |
| Helpline                                 | 75.0                     | 75.0             | 0.0              | 0.0              | 0.0              | 0.0                     |
| Temporary Accommodation Review           | 200.0                    | 200.0            | 0.0              | 0.0              | 0.0              | 0.0                     |
| <b>TOTAL - Commercial Services</b>       | <b>1,095.1</b>           | <b>1,003.2</b>   | <b>46.0</b>      | <b>45.9</b>      | <b>0.0</b>       | <b>0.0</b>              |
| <b>COMMUNITY SERVICES</b>                |                          |                  |                  |                  |                  |                         |
| Improving Life Opportunities             | 53.3                     | 0.0              | 53.3             | 0.0              | 0.0              | 0.0                     |
| Lion Walk Activity Centre                | 40.0                     | 40.0             | 0.0              | 0.0              | 0.0              | 0.0                     |
| Garrison Gym Rebuild                     | 1,075.0                  | 1,043.0          | 32.0             | 0.0              | 0.0              | 0.0                     |
| Leisure World Skatepark                  | 150.0                    | 150.0            | 0.0              | 0.0              | 0.0              | 0.0                     |
| Mersea Pontoon                           | 80.0                     | 80.0             | 0.0              | 0.0              | 0.0              | 0.0                     |
| Castle Park Sensory Garden S106          | 60.6                     | 60.6             | 0.0              | 0.0              | 0.0              | 0.0                     |
| Cook's Shipyard Playsite Wivenhoe S106   | 11.6                     | 5.0              | 6.6              | 0.0              | 0.0              | 0.0                     |
| Old Heath Recreation Ground Improvements | 277.6                    | 277.6            | 0.0              | 0.0              | 0.0              | 0.0                     |
| Wivenhoe Cricket Club Pavilion           | 24.5                     | 24.5             | 0.0              | 0.0              | 0.0              | 0.0                     |
| Mill Road Outdoor Gym S106               | 15.0                     | 15.0             | 0.0              | 0.0              | 0.0              | 0.0                     |
| Market Development                       | 52.0                     | 52.0             | 0.0              | 0.0              | 0.0              | 0.0                     |
| Jet Washer                               | 101.0                    | 101.0            | 0.0              | 0.0              | 0.0              | 0.0                     |
| Dedham Play Area S106                    | 25.9                     | 25.9             | 0.0              | 0.0              | 0.0              | 0.0                     |
| Walls - new merged scheme                | 432.3                    | 20.0             | 412.3            | 0.0              | 0.0              | 0.0                     |
| Mercury Studio Project                   | 80.0                     | 80.0             | 0.0              | 0.0              | 0.0              | 0.0                     |
| <b>TOTAL - Community Services</b>        | <b>2,478.8</b>           | <b>1,974.6</b>   | <b>504.2</b>     | <b>0.0</b>       | <b>0.0</b>       | <b>0.0</b>              |

Projected Expenditure

| Service / Scheme                                    | Total<br>Programme<br>£'000 | Projected Expenditure |                  |                  |                  | (Surplus)<br>/<br>Shortfall<br>£'000 |
|---|-----------------------------|-----------------------|------------------|------------------|------------------|--------------------------------------|
|   |                             | 2015/16<br>£'000      | 2016/17<br>£'000 | 2017/18<br>£'000 | 2018/19<br>£'000 |                                      |
| <b>REVOLVING INVESTMENT FUND</b>                    |                             |                       |                  |                  |                  |                                      |
| Northern Gateway North                              | 587.0                       | 331.0                 | 256.0            | 0.0              | 0.0              | 0.0                                  |
| Northern Gateway South                              | 633.2                       | 163.2                 | 470.0            | 0.0              | 0.0              | 0.0                                  |
| Phase 1 - Northern Gateway South                    | 0.0                         | 0.0                   | 0.0              | 0.0              | 0.0              | 0.0                                  |
| Phase 2 - Northern Gateway South                    | 0.0                         | 0.0                   | 0.0              | 0.0              | 0.0              | 0.0                                  |
| Town Centre   | 6,605.0                     | 265.0                 | 240.0            | 1,100.0          | 5,000.0          | 0.0                                  |
| Creative Business Hub                               | 1,817.0                     | 1,817.0               | 0.0              | 0.0              | 0.0              | 0.0                                  |
| Sheepen Road  | 3,815.6                     | 315.6                 | 3,300.0          | 200.0            | 0.0              | 0.0                                  |
| Digital Collection Centre (Wonderhouse)             | 315.0                       | 64.7                  | 250.3            | 0.0              | 0.0              | 0.0                                  |
| District Heating Project North                      | 26.8                        | 26.8                  | 0.0              | 0.0              | 0.0              | 0.0                                  |
| District Heating Project East                       | 10.0                        | 10.0                  | 0.0              | 0.0              | 0.0              | 0.0                                  |
| East Colchester Enabling Fund                       | 285.0                       | 140.0                 | 145.0            | 0.0              | 0.0              | 0.0                                  |
| Breakers Park                                       | 0.0                         | 0.0                   | 0.0              | 0.0              | 0.0              | 0.0                                  |
| Surface Water Flooding - Distillery Lane/Haven Road | 77.4                        | 77.4                  | 0.0              | 0.0              | 0.0              | 0.0                                  |
| Site Disposal Costs                                 | 20.7                        | 20.7                  | 0.0              | 0.0              | 0.0              | 0.0                                  |
| Moler Works Site                                    | 41.4                        | 41.4                  | 0.0              | 0.0              | 0.0              | 0.0                                  |
| CMP Phase 3 - PV Systems                            | 324.9                       | 324.9                 | 0.0              | 0.0              | 0.0              | 0.0                                  |
| Business Broadband                                  | 200.0                       | 200.0                 | 0.0              | 0.0              | 0.0              | 0.0                                  |
| Land Acquisition                                    | 2,000.0                     | 500.0                 | 500.0            | 500.0            | 500.0            | 0.0                                  |
| <b>TOTAL - RIF</b>                                  | <b>16,759.0</b>             | <b>4,297.7</b>        | <b>5,161.3</b>   | <b>1,800.0</b>   | <b>5,500.0</b>   | <b>0.0</b>                           |

| Service / Scheme   | Projected Expenditure    |                  |                  |                  |                  | (Surplus)               |
|--|--------------------------|------------------|------------------|------------------|------------------|-------------------------|
|  | Total Programme<br>£'000 | 2015/16<br>£'000 | 2016/17<br>£'000 | 2017/18<br>£'000 | 2018/19<br>£'000 | /<br>Shortfall<br>£'000 |
| <b>HOUSING REVENUE ACCOUNT</b>   |                          |                  |                  |                  |                  |                         |
| Housing Improvement Programme  | 10,497.2                 | 10,497.2         | 0.0              | 0.0              | 0.0              | 0.0                     |
| Adaptations to Housing Stock   | 581.0                    | 581.0            | 0.0              | 0.0              | 0.0              | 0.0                     |
| Sheltered Accommodation Review   | 2,348.0                  | 2,348.0          | 0.0              | 0.0              | 0.0              | 0.0                     |
| Council House New Build  | 1,444.0                  | 597.6            | 846.4            | 0.0              | 0.0              | 0.0                     |
| Housing ICT Development  | 170.1                    | 170.1            | 0.0              | 0.0              | 0.0              | 0.0                     |
| <b>TOTAL - Housing Revenue Account</b>                                   | <b>15,040.3</b>          | <b>14,193.9</b>  | <b>846.4</b>     | <b>0.0</b>       |                  | <b>0.0</b>              |
| <b>COMPLETED SCHEMES (OR WHERE RETENTION ONLY OUTSTANDING)</b>           |                          |                  |                  |                  |                  |                         |
| Town Hall DDA Sensory Project  | 0.6                      | 0.6              | 0.0              | 0.0              | 0.0              | 0.0                     |
| Carbon Management Programme phase 2                                      | 4.1                      | 4.1              | 0.0              | 0.0              | 0.0              | 0.0                     |
| Sport & Leisure FSR - IT works   | 0.5                      | 0.5              | 0.0              | 0.0              | 0.0              | 0.0                     |
| Sport & Leisure FSR - Building works                                     | 3.9                      | 3.9              | 0.0              | 0.0              | 0.0              | 0.0                     |
| Corunna Drive Play Area S106   | 0.0                      | 0.0              | 0.0              | 0.0              | 0.0              | 0.0                     |
| Wheatfield Way Play Area   | 0.0                      | 0.0              | 0.0              | 0.0              | 0.0              | 0.0                     |
| Magnolia Drive Outdoor Adult Gym   | 0.7                      | 0.7              | 0.0              | 0.0              | 0.0              | 0.0                     |
| Layer de la Haye Village Hall S106                                       | 14.9                     | 14.9             | 0.0              | 0.0              | 0.0              | 0.0                     |
| Castle Park - Playground Refurbishment                                   | 7.6                      | 7.6              | 0.0              | 0.0              | 0.0              | 0.0                     |
| Resource Centre - Highwoods Country Park                                 | 9.4                      | 9.4              | 0.0              | 0.0              | 0.0              | 0.0                     |
| King George V Pavilion Wivenhoe S106                                     | 1.7                      | 1.7              | 0.0              | 0.0              | 0.0              | 0.0                     |
| Holly Trees WCs Castle Park  | 2.3                      | 2.3              | 0.0              | 0.0              | 0.0              | 0.0                     |
| Redevelopment of Castle Museum   | 47.5                     | 47.5             | 0.0              | 0.0              | 0.0              | 0.0                     |
| Town Station Square  | 45.6                     | 45.6             | 0.0              | 0.0              | 0.0              | 0.0                     |
| Universal Customer Contact Fundamental Service Review -<br>Accommodation | 29.6                     | 1.7              | 0.0              | 0.0              | 0.0              | (27.9)                  |

| Service / Scheme                                  | Projected Expenditure    |                  |                  |                  |                  | (Surplus)               |
|---|--------------------------|------------------|------------------|------------------|------------------|-------------------------|
|   | Total Programme<br>£'000 | 2015/16<br>£'000 | 2016/17<br>£'000 | 2017/18<br>£'000 | 2018/19<br>£'000 | /<br>Shortfall<br>£'000 |
| Flat Recycling Extension                          | 10.3                     | 0.0              | 0.0              | 0.0              | 0.0              | (10.3)                  |
| Street Services FSR                               | 36.8                     | 0.0              | 0.0              | 0.0              | 0.0              | (36.8)                  |
| <b>TOTAL - Completed Schemes</b>                  | <b>215.5</b>             | <b>140.5</b>     | <b>0.0</b>       | <b>0.0</b>       | <b>0.0</b>       | <b>(75.0)</b>           |
| <b>CAPITALISED MAINTENANCE</b>                    |                          |                  |                  |                  |                  |                         |
| Castle Museum - Castle Bridge                     | 81.6                     | 79.6             | 2.0              | 0.0              | 0.0              | 0.0                     |
| Crematorium - Gutters & Fascias                   | 75.2                     | 75.2             | 0.0              | 0.0              | 0.0              | 0.0                     |
| Colchester Lesiure World - Dryside Changing Rooms | 125.0                    | 123.0            | 2.0              | 0.0              | 0.0              | 0.0                     |
| Town Hall - Bell Tower Repairs                    | 130.0                    | 128.0            | 2.0              | 0.0              | 0.0              | 0.0                     |
| <b>TOTAL - CAPITALISED MAINTENANCE</b>            | <b>411.8</b>             | <b>405.8</b>     | <b>6.0</b>       | <b>0.0</b>       | <b>0.0</b>       | <b>0.0</b>              |

### Impact of Budget Strategy 2016/17

The budget for 2016/17 has been prepared in continuing difficult financial conditions. This is alongside the bedding in of changing local government financial arrangements.

There continue to be reductions in the amount of money we receive with a cut in combined funding of £1.2m (17%). In addition to these cuts in core funding the budget has to accommodate cost pressures from inflation and increased national insurance contributions.

Our programme of service reviews and development of an increase in commercial efficiencies and income continues to identify resources to meet our cost pressures. In addition a review of previous years spending and income has helped to identify areas where both expenditure and income budget can be reviewed to deliver a saving.

These various approaches have helped to identify £1.5m of savings and extra income. This strategic approach to delivering savings minimises the need to ask services to deliver percentage reductions which may impact on service delivery or any significant budget reductions

In broad terms the savings identified and prudent use of balances has enabled the Council to address the cost pressures faced.

The New Homes Bonus 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. In the 2016/17 budget the amount of New Homes Bonus being used to support the 'base budget' has been reduced to under £1.9m and is now a third of the total grant being received next year meaning that over £3.8m is being invested in projects. These include:-

- Providing funding to support ambitious plans for development of the Mercury Theatre
- Upgrading CCTV systems
- Providing funding for completion of the Creative Business Centre.
- Investment in Colchester Leisure World to increase and enhance services and improve growth and income from the service.
- Allocating funds to support affordable housing

In the 2015/16 budget an allocation of over £0.5m from the New Homes Bonus money was made to support projects. In this report there are proposals to allocate half of this for a range of projects aimed at supporting key strategic plan themes such as heritage and tourism.