

# Cabinet AGENDA

**Tuesday, 29th November 2016 at 7:15 PM**

**Council Chamber, Braintree District Council, Causeway House,  
Bocking End, Braintree, CM7 9HB**

**THIS MEETING IS OPEN TO THE PUBLIC**

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**Members of the Cabinet are requested to attend this meeting to transact the business set out in the Agenda.**

**Membership:-**

Portfolio

Leader of the Council	Councillor G Butland (Chairman)
Environment and Place	Councillor Mrs W Schmitt (Deputy Leader of the Council)
	Councillor R Mitchell
Planning and Housing	Councillor Lady Newton
	Councillor Mrs L Bowers-Flint
Economic Development	Councillor T Cunningham
	Councillor B Rose
Health and Communities	Councillor P Tattersley
Finance and Performance	Councillor D Bebb
Corporate Services and	Councillor J McKee
Asset Management	

**Invitees:-**

Representatives of the Labour Group, Halstead Residents Association Group and Green Party and Chairman of the Overview and Scrutiny Committee.  
Councillor S Canning as Chairmain of the Task and Finish Group into Apprenticeships, Councillor Mrs I Parker as Chairman of the Task and Finish Group into Bus Services and Community Transport and Councillor J Elliott as Chairman of the Governance Committee are also invited to present their reports to the Cabinet.

Members unable to attend the meeting are requested to forward their apologies for absence to the Governance and Members Team on 01376 552525 or email [governance@braintree.gov.uk](mailto:governance@braintree.gov.uk) by 3pm on the day of the meeting.

N BEACH  
Chief Executive

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### **Declarations of Disclosable Pecuniary Interest, Other Pecuniary Interest or Non-Pecuniary Interest**

Any member with a Disclosable Pecuniary Interest, other Pecuniary Interest or Non-Pecuniary Interest must declare the nature of their interest in accordance with the Code of Conduct. Members must not participate in any discussion of the matter in which they have declared a Disclosable Pecuniary Interest or other Pecuniary Interest or participate in any vote, or further vote, taken on the matter at the meeting. In addition, the Member must withdraw from the chamber where the meeting considering the business is being held unless the Member has received a dispensation from the Monitoring Officer.

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# **AGENDA**

<b>No</b>	<b>Title and Purpose of Report</b>	<b>Pages</b>
<b>1</b>	<b>Apologies for Absence</b>	
<b>2</b>	<b>Declarations of Interest</b> To declare the existence and nature of any Disclosable Pecuniary Interest, other Pecuniary Interest or Non-Pecuniary Interest relating to items on the agenda having regard to the Code of Conduct for Members and having taken appropriate advice where necessary before the meeting.	
<b>3</b>	<b>Minutes of the Previous Meeting</b> To approve as a correct record the minutes of the meeting of Cabinet held on 12th September 2016 (copy previously circulated).	
<b>4</b>	<b>Public Question Time</b> (See paragraph above)	
<b>5</b>	<b>OVERALL CORPORATE STRATEGY AND DIRECTION</b>	
<b>5a</b>	<b>Leader's Update</b> Leader of the Council to give a brief update on key issue and activities.	
<b>6</b>	<b>PLANNING AND HOUSING</b>	
<b>6a</b>	<b>Braintree District Council's Housing Strategy 2016-2021</b>	<b>7 - 12</b>
<b>6b</b>	<b>The Establishment of Garden Communities Local Delivery Vehicles and Funding Requirements</b>	<b>13 - 46</b>
<b>7</b>	<b>ECONOMIC DEVELOPMENT</b>	

<b>7a</b>	<b>Cabinet Response to the Recommendations from the Task and Finish Review in to Apprenticeships in the Braintree District</b>	<b>47 - 51</b>
<b>8</b>	<b>HEALTH AND COMMUNITIES</b>	
<b>8a</b>	<b>Cabinet Response to the Recommendations from the Task and Finish Group Review into Bus Services and Community Transport</b>	<b>52 - 58</b>
<b>9</b>	<b>FINANCE AND PERFORMANCE</b>	
<b>9a</b>	<b>Medium-Term Financial Strategy 2017-18 to 2020-21</b>	<b>59 - 98</b>
<b>9b</b>	<b>Statement of Accounts 2015-16</b>	<b>99 - 102</b>
<b>9c</b>	<b>Second Quarter Performance Management Report 2016-17</b>	<b>103 - 129</b>
<b>10</b>	<b>CORPORATE SERVICES AND ASSET MANAGEMENT</b>	
<b>10a</b>	<b>Strategic Risk Management</b>	<b>130 - 151</b>
<b>10b</b>	<b>Proposed Freehold purchase of 3/4 Century Drive, Freeport Office Village, Braintree</b>	<b>152 - 158</b>
<b>10c</b>	<b>Proposed Purchase of Head-leasehold Interest at 15 Springwood Drive, Braintree</b>	<b>159 - 167</b>

- 11 REPORTS/ DELEGATED DECISIONS/MINUTES TO BE NOTED**
- 11a Cabinet Member Decisions made under Delegated Powers 168 - 169**
- 11b [Local Plan Sub-Committee 5th October 2016](#)**
- 11c [Local Plan Sub-Committee 31st October 2016](#)**
- 12 REFERENCES FROM COUNCIL/COMMITTEES/GROUPS**
- 12a Recommendation from Governance Committee - 28th September 2016 - Treasury Management Mid-Year Report 2016-17 170 - 188**
- 13 URGENT BUSINESS AUTHORISED BY THE CHAIRMAN**
- 14 EXCLUSION OF PUBLIC AND PRESS TO CONSIDER REPORTS IN PRIVATE SESSION**  
for reasons set out in Paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

## **AGENDA – PRIVATE SESSION**

- | <b>No</b>  | <b>Title and Purpose of Report</b>   | <b>Pages</b> |
|------------|--|--------------|
| <b>15</b>  | <b>CORPORATE SERVICES AND ASSET MANAGEMENT</b>   |              |
| <b>15a</b> | <b>Proposed Freehold purchase of 3/4 Century Drive, Freeport Office Village, Braintree - PRIVATE</b> |              |

**15b Proposed Purchase of Head-leasehold Interest at 15  
Springwood Drive, Braintree - PRIVATE**

<b>Braintree District Council's Housing Strategy 2016-2021</b>		<b>Agenda No:6a</b>
<b>Portfolio</b>	<b>Planning and Housing</b>	
<b>Corporate Outcome:</b>	<b>Residents live well in healthy and resilient communities where residents feel supported</b>	
<b>Report presented by:</b>	<b>Councillor Lady Newton, Cabinet Member for Planning and Housing</b>	
<b>Report prepared by:</b>	<b>Tim Lucas, Housing Research &amp; Development Manager</b>	
<b>Background Papers:</b>		<b>Public Report</b>
None		<b>Key Decision: Yes</b>
<b>Executive Summary:</b>		
<p>The new <a href="#">Housing Strategy</a> sets out to identify the main housing issues that face people in the Braintree District and looks at what our priorities should be that make a real difference to people locally.</p> <p>The draft document was compiled after consultation with partner organisations and agencies and was then circulated widely for three months from May to August 2016 to enable comment and feedback.</p> <p>This report highlights the key points of the Strategy and the main changes made as a result of our consultation.</p>		
<b>Recommended Decision:</b>		
<p>That the <a href="#">Housing Strategy</a> for 2016-2021 is published and forms the basis for housing-related policy over the next 5 years.</p>		
<b>Purpose of Decision:</b>		
<p>To agree our strategy for housing in the Braintree District.</p>		

**Any Corporate implications in relation to the following should be explained in detail.**

<b>Financial:</b>	No direct consequences. The Strategy commits us to explore a number of areas that may have financial consequences but the funding required would not be clear at this stage. Programmes that require additional funding to enable implementation will be presented to the Cabinet or Council as required.
<b>Legal:</b>	The Homelessness Act 2002 placed a duty on housing authorities to formulate, publish and update Homelessness Strategies. There is no similar legal requirement for a Housing Strategy but it is expected that Councils will formulate and update strategies that set out their aims and objectives.
<b>Safeguarding:</b>	The Housing Strategy does consider the needs of vulnerable adults but while our Homelessness Strategy sets out how the Council deals directly with people in the community, the Housing Strategy is intended as a strategic document. Some of the actions involved in implementing the Strategy may have safeguarding implications, which will be considered at the time.
<b>Equalities/Diversity:</b>	The Strategy is specifically targeted to address some issues related to equality and diversity, such as the housing needs of disabled and elderly people. It will be accompanied by an Equalities Impact Assessment but there are no negative equalities impacts arising from the publication of the Strategy.
<b>Customer Impact:</b>	The main aims of the Strategy are to provide new affordable homes, to help vulnerable and elderly people live independently and to help people access the private rented sector. It is hoped it will be beneficial to customers in these particular respects.
<b>Environment and Climate Change:</b>	The Strategy is not intended to directly address environmental and climate change issues but they will be considered as we consult on and publish our expectations for new affordable housing.
<b>Consultation/Community Engagement:</b>	<p>The Strategy was compiled with involvement of a number of partner organisations at workshop sessions held last year.</p> <p>The draft document was circulated for comment (for 12 weeks) to housing associations, voluntary and statutory agencies and to BDC members and Parish Councils.</p> <p>A number of changes have been made since the</p>



	<p>consultation version was circulated. These include:</p> <ul style="list-style-type: none"> <li>• extra discussion of the impact of the Housing &amp; Planning Act 2016 and changes to welfare benefits;</li> <li>• greater clarity over the relationship between the Homelessness and Housing Strategies;</li> <li>• better identification of how our work on the Local Plan will affect our capacity to meet local housing need; <i>and</i></li> <li>• updated information about our intention to establish a local housing company.</li> </ul>
<b>Risks:</b>	<p>Our capacity to provide new rented affordable homes depends on how the Housing and Planning Act is implemented. The Act will be implemented by Regulations which have not been published yet. The Act includes the requirement for Local Housing Authorities to promote 'Starter Homes'. If the provision is implemented as originally indicated, we could be obliged to seek 20% Starter Homes on all new housing schemes of more than 10 units. This is instead of the first 20% of affordable housing provision.</p> <p>Benefit changes have impacted on the affordability of some types of affordable housing (particularly larger family homes). They also impact on our ability to provide housing options for people in the private rented sector. Future reforms recently announced also impact significantly on how supported housing is funded. Our ability to meet the overall aims identified in the Strategy will be affected by future changes and how housing providers respond to the changes.</p> <p>The new Homelessness Reduction Bill is likely to be enacted in the Spring, with implementation during 2017/18. It extends the legal duties of local authorities to prevent and/or alleviate the needs of homeless people. We are currently planning how we can manage the additional demands and we may need to revise our Homelessness Strategy to set out our future intentions. It is possible that the need for resources for this area of work may impact on our capacity to deliver the programme of actions required by the Housing Strategy.</p>
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## **Background**

Since the stock transfer to Greenfields Community Housing in 2007, the Council's role in housing relates to a number of housing functions:

- prevent and alleviate homelessness;
- enable more affordable housing;
- manage the Council's Housing register and the lettings system for social housing;
- commission and interpret housing needs information;
- oversee Disabled Facilities Grants and plan initiatives to help vulnerable and elderly people stay in their homes; *and*
- regulate and enforce standards in the private rented sector.

How we prevent and alleviate homelessness is dealt with by the Council's Homelessness Strategy. It also covers how we make use of the short-term accommodation schemes in the District.

The Housing Strategy covers the remaining functions and seeks to focus the Council's aims and objectives to meet the future challenges of a fast-growing district, while protecting and helping people who are vulnerable.

## **Structure of the Strategy**

The Strategy considers the range of challenges we face and concentrates on actions that are not simply a continuation of 'business as usual'. It identifies three key aims:

1. Maintain a consistent delivery of affordable housing;
2. Help vulnerable and older people to live independently for longer;
3. Establish how we can help people access private rented housing and find ways to improve housing conditions.

To achieve each of these aims, the Strategy identifies 13 priorities for our action. The 'plan on a page' summary of the Strategy is attached to this report.

We responded to consultation feedback by changing one of the priorities we identified, clarifying a number of issues, updating some of the data that supports the Strategy and adding more detail about how Government policy changes made since the original drafting of the document are likely to impact on our work.

## **Main aims**

The strategy explicitly recognises the opportunities we have to secure additional affordable housing as the District grows and the importance of making sure that this is properly co-ordinated with our Local Plan. This includes our emerging role, taking ownership of assets, rather than seeing ourselves simply as an enabling organisation.

The Strategy sets out how important it is that we support people to live independently, working in partnership with Essex County Council but also forging links with other Local Authorities, particularly in the operating area of our Clinical Commissioning Group, so that our investment in housing supports health outcomes. Similarly, it commits us to work with supported housing providers to make sure that we co-ordinate how their properties are advertised, how we avoid duplication and make the best use of the buildings and the support staff that work there.

The document reinforces how important the private rented sector is to us; if there are not enough homes in the social sector, we need positive relationships with private sector landlords to make sure we can meet our housing duties. The Strategy considers how we can do this at a time when reducing Benefit rates make it harder to access the sector.

The strategy gives us the overall direction for our commitment to housing in the Braintree District for the next 5 years.

## New Affordable Housing

**Overall Aim:**  
Maintain a consistent delivery programme of new affordable housing

### PRIORITIES

- Increase the supply of affordable housing locally by using the opportunities provided by the new Local Plan and the growth the Plan sets out.
- Develop our policies for housing association mixed tenure schemes, in towns and villages so that associations can continue to develop affordable homes.
- Make sure that we are open to innovative ways to secure affordable housing including financial structures that support land purchase and housing delivery, use of our land and investment that draws in external funding.
- Publish a guide to affordable housing specification that sets out our requirements for accessibility, sustainability and unit size. Make sure this is easily accessible on our web-site and kept up-to-date.
- Agree with housing providers an approach to affordability that helps people to secure suitable housing that is sustainable for them to occupy.

## Vulnerable and Older People

**Overall Aim**  
Help vulnerable and older people to live independently for longer

### PRIORITIES

- Establish a project group to plan the future of sheltered housing provision in the Braintree District.
- Work with Essex County Council to plan where new specialist housing for older people is to be built and how it will be provided.
- Work with Essex County Council to plan how new specialist housing for older people is to be let.
- Set up a project to establish a clear process for housing people with disabilities who need support or specialist housing to live independently.

## Our relationship with the private sector

**Overall aim**  
Establish how we can help people access private rented housing and find ways to improve housing conditions

### PRIORITIES

- Explore the feasibility of establishing a loan fund to help people access the private rented sector.
- Identify how to fund the Private Sector Leasing Scheme once identified funding is used up.
- Identify action plans for all properties empty over a year where there are no specific reasons for the property being empty.
- Explore joint working with neighbouring Councils to provide property maintenance and adaptation services for older and vulnerable owner occupiers and private tenants.

The Establishment of Garden Communities Local Delivery Vehicles and Funding Requirements		Agenda No:6b
Portfolio	Overall Corporate Strategy and Direction Environment and Place Planning and Housing Economic Development Finance and Performance Corporate Services and Asset Management	
Corporate Outcome:	A sustainable environment and a great place to live, work and play A well connected and growing district with high quality homes and infrastructure A prosperous district that attracts business growth and provides high quality employment opportunities Residents live well in healthy and resilient communities where residents feel supported A high performing organisation that delivers excellent and value for money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Councillor Graham Butland, Leader of the Council	
Report prepared by:	Jon Hayden, Corporate Director	
Background Papers:	Public Report	
Cabinet report and minutes 4 <sup>th</sup> February 2016	Key Decision: Yes	
Executive Summary:		
<p>Braintree District Council, Colchester Borough Council, Essex County Council and Tendring District Council are collaborating to identify an agreed strategic approach to the allocation and distribution of large scale housing led, mixed use development, including employment opportunities and infrastructure provision, in the form of Garden Communities.</p> <p>The Councils have collaborated closely on the preparation of their Local Plans, with the draft Part 1 – which sets out the approach to Garden Communities across North Essex from a Planning perspective – being identical in all three Plans.</p> <p>This report sets out proposals whereby the Councils can take a much more direct approach to ensuring that the proposed Garden Communities are delivered and that they meet the high standards expected of them – in terms of housing quality and design, open space provision, roads, schools, healthcare facilities and sustainable transport systems.</p>		

The key elements in the approach are

- A Company – North Essex Garden Communities Ltd - owned equally by the four Councils to oversee the project across North Essex and to drive the delivery of the three planned communities.
- Legally binding agreements with local landowners to secure the land to enable the Local Delivery Vehicles to provide early infrastructure for the developments (with the infrastructure costs being paid for in due course from the land sales)
- A Local Delivery Vehicle for each of the planned Communities with Council, landowner and independent Membership and with the clear purpose of delivering a Garden Community.
- Clear Masterplans for each Community to be developed.

The report does not determine whether or not any site is or is not allocated under the Local Plan, this will be a decision for Council taking into account appropriate planning considerations. This report purely considers the potential for a commercial delivery approach by the Councils.

The proposals set out in this report are being submitted to the Cabinets of all four of the Councils involved in the North Essex Garden Communities project in the coming weeks. The presentation of the reports have been tailored to reflect the report formats of the different Councils and focus on the proposals as they affect each of the Councils but the core of the report is identical and the recommendations being made to each Council seek the same commitments from each of them.

Similar recommendations to those proposed to Full Council below will also be recommended to go to the Full Councils of Colchester Borough and Tendring District Councils.

#### **Recommended Decision:**

1. Note the external legal advice received that these decisions cannot and do not prejudice the outcome of any future decisions that the Council may make about the Local Plan to be made by Council in relation to the allocation of any Garden Community.
2. Note that it is proposed that, if appropriate terms can be agreed, the Local Delivery Vehicles will enter into legal agreements with landowners to enable the delivery of the proposed schemes.

#### **North Essex Garden Communities Limited**

3. In line with resolution 56 Cabinet on the 4<sup>th</sup> February 2016, Cabinet agrees to set up and subscribe to North Essex Garden Communities Ltd in accordance with the terms set out in the report and [Appendix 2](#).
4. To approve the North Essex Garden Communities Ltd shareholder agreement between the Local Authorities in accordance with the terms set out in the report and [Appendix 3](#).

5. To appoint Councillor G Butland to represent the Council as a Director on the Board of North Essex Garden Communities Limited.

#### Colchester Braintree Borders Limited

6. In line with resolution 56 Cabinet on the 4<sup>th</sup> February 2016, Cabinet endorses the formation of Colchester Braintree Borders Limited by North Essex Garden Communities Limited in accordance with the terms set out in the report and [Appendix 4](#).
7. To approve the Colchester Braintree Borders Limited shareholder agreement between the Local Authorities in accordance with the terms set out in the report and [Appendix 5](#).
8. To appoint Jon Hayden (Corporate Director) to represent the Council as a Director on the Board of Colchester Braintree Borders Limited, and gives Delegated Authority to the Chief Executive of the Council to terminate the appointment and to undertake any future appointments.
9. That in principle it agrees to provide an appropriate proportion of necessary funding to the Colchester Braintree Borders Limited (by an appropriate combination of loan or equity) subject to a satisfactory business case setting out the full terms of the arrangement, which will need to accord with the approved Business Plans and masterplans for the project and the funding options available at the time any funding is required by the LDV. Such commitment to be subject to Council approval.

#### West of Braintree Limited

10. In line with resolution 56 Cabinet on the 4<sup>th</sup> February 2016, Cabinet endorses the formation of West of Braintree Limited by North Essex Garden Communities Limited in accordance with the terms set out in the report and [Appendix 6](#).
11. To approve the West of Braintree Limited shareholder agreement between the Local Authorities in accordance with the terms set out in the report and [Appendix 7](#).
12. To appoint Jon Hayden (Corporate Director) to represent the Council as a Director on the Board of West of Braintree Limited, and gives Delegated Authority to the Chief Executive of the Council to terminate the appointment and to undertake any future appointments.
13. That in principle it agrees to provide an appropriate proportion of necessary funding to the West of Braintree Limited (by an appropriate combination of loan or equity) subject to a satisfactory business case setting out the full terms of the arrangement, which will need to accord with the approved Business Plans and masterplans for the project and the funding options available at the time any funding is required by the LDV. Such commitment to be subject to Council approval.

**That Cabinet Recommends to Council that it:**

14. Notes the decision of the Cabinet to set up and subscribe to the North Essex Garden Communities Limited.
15. Notes the Cabinet's endorsement of the formation of the Colchester Braintree Borders Limited and West of Braintree Limited
16. Endorses the in principle decision of Cabinet to provide an appropriate proportion of necessary funding to the Colchester Braintree Borders Limited (by an appropriate combination of loan or equity) subject to a satisfactory business case setting out the full terms of the arrangement, which will need to accord with the approved Business Plans and masterplans for the project.
17. Endorses the in principle decision of Cabinet to provide an appropriate proportion of necessary funding to the West of Braintree Limited (by an appropriate combination of loan or equity) subject to a satisfactory business case setting out the full terms of the arrangement, which will need to accord with the approved Business Plans and masterplans for the project and the funding options available at the time any funding is required by the LDV.
18. Notes the external legal advice received that these decisions cannot and do not prejudice the outcome of any future decisions that the Council may make about the Local plan to be made by Council in relation to the allocation of any Garden settlement.

**Purpose of Decision:**

To provide Members with a comprehensive overview of the proposals which have been developed over the past twelve months jointly with Colchester Borough Council, Essex County Council and Tendring District Council for Garden Communities in North Essex, in particular to provide Members with information and recommendations to enable them to:

- Establish governance arrangements for the project;
- Agree in principle to be a long term funder for the project, in partnership with the other Councils, subject to the terms and requirements set out in this report.



**Any Corporate implications in relation to the following should be explained in detail.**

<b>Financial:</b>	This report has no material direct financial decisions within it. It does however set out the Council's commitment that it will in principle provide an appropriate proportion of the necessary funding required to support the development of the two garden communities within its area, subject to satisfactory business cases and consideration of the full terms of the funding requirements. Based on the financial modelling undertaken to date, and assuming the participating local authorities are the only funders, this commitment of the Council would cover a potential peak debt requirement of up to £145million across the two garden communities and overall financing requirement for a period of around 50 years. It will be open for the Council to consider a range of funding sources for its share of the funding commitment, which could include prudential borrowing. This will be subject to a detailed decision of the Council at the relevant time.
<b>Legal:</b>	The power for the Council to enter into these arrangements is contained within the Localism Act 2011. Members must be mindful that the decision to invest in delivery structures does not determine the approach the Council will take to decisions on the Local Plan which will be made in relation to relevant planning policy requirements.
<b>Safeguarding:</b>	There are no direct implications from this report in relation to safeguarding.
<b>Equalities/Diversity:</b>	The report does not create any specific equality or diversity impacts; the communities which are ultimately developed will need to take into account these issues in their design, construction and management and this will be an ongoing commitment.
<b>Customer Impact:</b>	The proposals will enable the delivery of sustainable communities which have the delivery of infrastructure as a key requirement ensuring that they are good quality places to live and work.
<b>Environment and Climate Change:</b>	The design and delivery of these communities will take into account garden community principles. This is managed through the Local Plan process and the planning frameworks. By having a strong stake in the delivery of the communities the Council will be in a position to support suitable standards and infrastructure to mitigate impacts.
<b>Consultation/Community Engagement:</b>	The Local Plan process including the master planning processes for these communities enables significant public

	consultation and engagement.
<b>Risks:</b>	<p>A detailed risk assessment is included within the report. There are two substantial risks for the proposals at this point.</p> <ul style="list-style-type: none"> <li>• There is no certainty that any specific site will be included within the Local Plan, whilst the commitment of the Councils to funding will significantly increase the likelihood that the sites could be considered deliverable and viable this is not the only criteria on which they will be assessed. Should a site not be included within the Local plan then the proposed development would not be in a position to proceed and the company would be wound up.</li> <li>• At present there are no agreed legal agreements with the Landowners to enable the delivery companies to have control of the land to enable the development. If suitable agreements cannot be reached which meet the goals for the delivery of garden communities, and financial viability then the companies will be unable to proceed.</li> </ul>
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## **1. Background:**

- 1.1. In the work being carried by Braintree District Council, Colchester Borough Council and Tendring District Council on their respective Local Plans, the potential for new major developments in the form of new 'garden communities' has been identified by the Councils as planning authority as a means of meeting future growth requirements. These include three potential new settlements. One crossing the administrative boundary of Tendring and Colchester in the vicinity of the University. The second crossing the administrative boundary of Colchester and Braintree at Marks Tey. The third site is on land to the West of Braintree on the Uttlesford District Council border.
- 1.2. In accordance with the duty to cooperate, the district Councils are working closely with each other and are at similar stages in their respective Local Plan preparation, to plan effectively for the long term. All three councils are also working with Essex County Council. As part of this process, all four Councils are thinking strategically, are not being restricted by current local plan making time horizons and are considering whether Garden Communities could address some of this long term need both within the plan period and beyond.
- 1.3. As part of the development of their Local Plans the three District Planning Authorities have included the three projects as areas of search within their Preferred Options Consultations under the Local Plan. These consultations occurred over the summer and will lead to recommendations to the respective Councils in January / February 2017.
- 1.4. At the meeting on 4<sup>th</sup> February 2016 Cabinet agreed to the continued joint working and development of proposals for the four Councils to take an active role in the development and construction of the new garden settlements. Following this the Council (along with each of the other three Councils) has committed a further £250,000 to support the joint work and funding was agreed together with a grant from the Department for Communities and Local Government of £640,000.
- 1.5. This joint working has continued with the work undertaken by the Shadow Delivery Board and the Steering Group. These structures will be superseded by the arrangements in this report once they come into effect. Officers from the four Councils will continue to meet during the early stages of implementation as partnership officer groups to aid transition and ensure continuity.
- 1.6. Separate negotiations have occurred with landowners and developers with interests in the three sites, this has been supported by consultants engaged jointly by the four councils.
- 1.7. This report seeks Cabinet approval for the Council to enter into joint arrangements with the other Councils to create an overarching body to be known as North Essex Garden Communities Limited (NEGC) to coordinate the development of the sites. NEGC will establish a further company (a Local Delivery Vehicle (LDV) for each proposed garden community. The Council is asked to give in principle agreement that it will provide proportionate funding

to the LDVs in its area. This funding will be used to pay for delivery of the infrastructure in a more timely and co-ordinated way than can be achieved with a traditional development. The cost of infrastructure will be repaid out of land value as the scheme is developed (referred to as a “waterfall repayment” on which more information is provided under the financial section of this Report).

- 1.8. The decisions in this report do not commit any council to allocate any sites within the Local Plan. A separate decision making process will be undertaken by the three Local Planning Authorities in accordance with the statutory requirements and material considerations at the relevant time.

## **2. Vision & Objectives**

- 2.1. Addressing growth at any spatial scale must be founded on a clear vision of how and where change should occur. Braintree, Colchester and Tendring are all in the process of evolving new Local Plans to address future need with Preferred Options published by all three Councils in summer 2016. The Councils are thinking strategically for the long term, and are not being restricted by current plan making time horizons or administrative boundaries.
- 2.2. The vision for North Essex at a strategic level has been set out by the Councils within Part 1 of the Preferred Option Local Plans. This addresses both the vision for the wider area together with the role and significance of the proposed Garden Communities. The vision sets out a clear statement of local ambition and establishes a strategic basis from which to move forward. It enables the Councils to plan positively for the future homes and jobs needed across the area, the provision of high quality infrastructure (transport, telecommunications, education, health, community and cultural infrastructure); and the creation of quality places including the conservation and enhancement of the natural and historic environment, including landscape.
- 2.3. Figure 1 illustrates the vision for North Essex as set in Part 1 of the emerging Local Plans. This provides a key part of the rationale underpinning the strategy going forward.

**Figure 1: The North Essex Strategic Vision**

*North Essex will be an area of significant growth over the period to 2033 and beyond, embracing positively the need to build well-designed new homes, create jobs and improve and develop its infrastructure for the benefit of existing and new communities.*

*Sustainable development principles will be at the core of the strategic area's response to its growth needs, balancing social, economic and environmental issues. Green infrastructure and new and expanded education and health care facilities will be planned and provided; while the countryside and heritage assets will be protected and enhanced.*

*At the heart of our strategic vision for North Essex are new garden communities. The garden communities will attract residents and businesses who value innovation, community cohesion and a high quality environment, and who will be keen to take an active role in managing the garden community to ensure its continuing success. Residents will live in high quality, innovatively designed, contemporary homes, accommodating a variety of needs and aspirations. There will be a network of leafy streets and green spaces, incorporating and enhancing existing landscape features. This will provide safe and attractive routes and sustainable drainage solutions, as well as excellent opportunities for people to play. Open spaces will be attractive areas which offer leisure and recreation opportunities for residents of the garden communities. All Garden City principles will be positively embraced including new approaches to delivery and partnership working and sharing of risk and reward for the benefit of the new communities.*

2.4. Alongside the vision are a set of related objectives, designed to help achieve the vision for the area and to provide a basis for achieving the necessary outcomes. The objectives include:

- **Delivering for local communities** – to ensure the highest standard of community and stakeholder involvement from the early evolution of proposals, through to the creation of assets of local community value with active local ownership and stewardship;
- **Providing New Homes** – to provide for a level and quality of new homes to meet the needs of a growing and ageing population in North Essex;
- **Fostering Economic Development** – to strengthen and diversify local economies to provide more jobs; these jobs will be across a wide range of new industries reflecting the changes and trends of the 21<sup>st</sup> century, as well as existing sectors exploiting the opportunities of the A120 growth corridor; and to achieve a better balance between the location of jobs and housing, which will reduce the need to travel and promote sustainable growth.
- **Providing New and Improved Infrastructure** – to make efficient use of existing transport infrastructure and to ensure sustainable transport opportunities are promoted in all new development. Where additional capacity is required in the form of new or upgraded transport infrastructure to support new development, to ensure this is provided when it is needed. The approach must also include addressing education and healthcare needs – to provide good quality educational opportunities and health facilities as part of a sustainable growth strategy, together with the provision of upgraded broadband infrastructure and services.

- **Ensuring High Quality Outcomes** – to secure the highest standards of urban and built design which creates attractive places where people want to spend time.
- **Managing change effectively** –through a genuine and pro-active partnership approach between the public and private sectors, where risk and reward is shared and community empowerment enabled.
- **Long Term Stewardship** – appropriate arrangements to secure the management and long term delivery of community infrastructure and facilities.

2.5. In addition, a 'North Essex Garden Communities Charter' has been prepared by the Councils and published alongside the evidence base supporting Local Plans. This sets out a series of interlinked principles to underpin the evolution of further proposals and provides more detail across 3 key themes including:

- **Place & Integration:** including the approach to green infrastructure, the living environment and quality, sustainable place making;
- **Community:** including approach to community engagement & long term stewardship);
- **Delivery:** including the need for strong and proactive public leadership and innovation in delivery.

2.6. The vision and objectives have been encapsulated in the Purpose of the delivery structures and are intrinsic to the Articles of the NEGC Limited and the LDVs.

### 3. Planning Background:

- 3.1. As part of the new Local Plan, Members will be aware that standalone new settlements are likely to be part of the picture to deliver growth in this Plan period and beyond. This has led to the creation of areas of search in each of the preferred options consultations.
- 3.2. New stand-alone communities are being considered only where they can meet garden city principles and where the Councils are confident that they can and will be delivered. Garden communities (cities) as described by the Town and Country Planning Association (TCPA) as; *"holistically planned new settlements which enhance the natural environment and offer high quality affordable housing and locally accessible work in beautiful, healthy and sociable communities."* If proposals do not meet these standards then they cannot properly be supported as meeting the aspirations for development.
- 3.3. Standalone settlements must have a critical mass of new homes to ensure that all the facilities necessary can be provided within the new community. This would include education facilities, including a secondary school, health, retail facilities and other 'town centre' type uses such as restaurants and banks, indoor and outdoor recreation facilities, community buildings and facilities such as halls and doctor's surgeries and significant employment opportunities. The design of a new community is intended to prioritise walking and cycling journeys within the community, and public transport options for journeys further afield, (although it is noted of course that some people will still use their cars to travel to work in other areas or high order shopping

areas etc.). The new community buildings must meet high standards of design, enhance and inhabit the local landscape and environment and deliver an inclusive community.

- 3.4. The approval of the Local Plan has its own statutory process. Each of the Local Planning Authorities will be considering the Pre-Submission Draft of the Local Plan in the New Year.
- 3.5. As noted below it is proposed that the Councils will be supporting the LDV to act as a developer in the schemes through the structures set out in this report. Importantly the Councils will always have a critical role in controlling development and setting the standards which will be applicable through the statutory plan and development management processes for the three Local planning Authorities and the County Council through its statutory planning powers.
- 3.6. It is intended that any garden community taken forward under the Local Plan will be a partnership between the local authorities, county council, and the private sector, with the public sector taking a key role. The public sector role is intended to provide confidence that the communities will be delivered in accordance with the Local Plan requirements; that infrastructure and social and community facilities that are needed to support the new development will be there from the very start of the community; and that housing and employment can be released more quickly to ensure that there are homes and jobs available for people when they need them.

#### **4. Delivery Models:**

- 4.1. In order to give the Councils as planning authorities and the public confidence that the communities will be delivered as intended it is proposed that the public sector will take the primary responsibility – setting up and funding a local development vehicle that will enter into agreements with landowners and secure the necessary infrastructure.
- 4.2. It is accepted that delivery in this way and at this scale is untested since the delivery of the New Towns. However, the Councils have taken advice which has confirmed that the approach is feasible, viable and lawful.
- 4.3. The Councils have considered a wide range of alternative delivery mechanisms and structures.
- 4.4. The principal alternatives would be to allow for the development of the settlements by the private sector or as part of a public/private joint venture. Neither alternative approach can offer the same level of confidence that over a development programme of 30 years that the garden community objectives will be met throughout different economic cycles.
- 4.5. The proposed approach offers sufficient certainty about ambition and delivery to justify the identification of the broad locations for, and size of, the proposed garden communities. On the basis of the present evidence the other approaches cannot offer a similar level of confidence and are therefore not being pursued. .

- 4.6. The projects will take in the order of 30 years to deliver; infrastructure which supports the development of the whole project will necessarily have a long payback period, the public sector is well placed to act as a patient investor taking a long term approach to payback enabling higher levels of investment at early stages.

## **5. Control of Land:**

- 5.1. The significant majority of the land within the project areas is not currently in the control of the Councils. The Councils have jointly worked to build working relationships with the relevant landowners and promoters of the sites with a view to securing a controlling interest in the land.
- 5.2. The land deal will be entered into between the relevant landowners / developers and the LDV with the view that the LDV will then have the rights to control the delivery of the scheme ensuring that the delivery is undertaken on Garden Community principles.
- 5.3. The commercial negotiations for the land deals is currently ongoing; although reasoned assumptions about the outcomes of these negotiations in respect of the base value of land have been included within the modelling.
- 5.4. Although the LDV will only be in a position to deliver the project if it makes a suitable deal in relation to the land, there is no obligation on the LDV (or the Councils) to accept a deal on any terms. If it becomes unviable for the proposed development to proceed then the LDV has the ability to decline to take the offered deal. Should a commercially realistic deal which meets the Garden Community principles not be achieved then this will create risk for the landowner in showing that the site can be viably delivered under the Local Plan which may result in it not being included in the final adopted plan.

## **6. Conflicts of Interest:**

- 6.1. It has been raised by some responders to the local plan consultations that they consider there is a potential conflict between the Council's role as planning authority and its role with respect to the LDV. Given that the councils will be playing a significant role in the delivery of garden communities within their area it has been suggested that this could prejudice proper decision making.
- 6.2. This position has been carefully considered and external legal advice has been obtained. Decision making procedures and arrangements can be put in place that prevent any conflict arising that would justify a successful challenge to decisions. It will, however, be equally important to manage the perception of such conflicts.
- 6.3. Clearly care will need to be taken to ensure that the roles, and decision making processes, are kept separate. As reports for decision are being prepared this will always need to be monitored to ensure clarity of approach.



## **7. Corporate Priorities:**

- 7.1. The proposed projects fit with in all of the Council's corporate priorities by demonstrating a key community leadership role in partnership with the other Councils.
- 7.2. The Local Plan delivers the framework for the strategic growth and infrastructure along with enabling Economic Development. The scale of the projects will have a significant contribution to the delivery of housing supply and the provision of sustainable effective employment. The early provision of infrastructure will ensure that the communities are able to work for residents from the earliest stages of construction and develop into thriving sustainable communities.
- 7.3. The proposals will enable the Council to have a significant role in ensuring that there is a sustainable environment with strong community facilities including green spaces. This focus on a sustainable community with strong infrastructure will also include both education and health facilities which meet the needs of all sectors of the community.
- 7.4. Clearly within the proposals there is the potential for a significant investment by the Council, this would need to be managed in such a way as to ensure that this is viable as well as generating a commercially viable return on investment. The Council will be looking at this as a long term investment and therefore there may need to be careful consideration of the details of future funding agreements and their impacts on the Councils budgets.

## **8. Proposed governance structure:**

- 8.1. The Garden Communities Joint Shadow Delivery Board endorsed the proposed arrangements for the structure of Delivery Vehicles for the Garden Communities on which the Term Sheets appended to this report have been based. The corporate structure consists of an overarching body – North Essex Garden Communities Ltd – with a separate Local Delivery Vehicle (“LDV”) for each of the Garden Community areas proposed. A diagram showing the interrelationship between the four local authorities and the new companies is attached as [Appendix 1](#) to this report.
- 8.2. The LDVs will have a high level of autonomy to deliver the development and ensure that a commercially appropriate approach is taken to delivery within the context of the proposal and the Garden Community Principles. The key control mechanism outside of the planning process will be the approval by the Councils / NEGC of the business plans and budgets.
- 8.3. The key elements of the companies' constitutions (governance structures) have been drafted as “Term Sheets” (Heads of Terms) which are attached as Appendices to this report for information. The companies have now been created but are not yet owned by local authorities pending the approval of this report. A summary of the key elements is set out in the following table:

North Essex Garden Communities Limited (NEGC):

Draft Term Sheet and Shareholder Agreement are attached as [Appendix 2 and 3](#) respectively.

- NEGC will hold the main shares (called 'A shares' in the LDV companies (see below), which oversee and hold to account the LDVs in order to develop each of the locations as garden communities, and co-ordinate funding of the LDV's.
- The Shareholders of NEGC will be Essex County Council (Essex), Braintree District Council (Braintree), Colchester Borough Council (Colchester) and Tendring District Council (Tendring) (together referred to as "the Councils") with each hold a 25% shareholding in NEGC.
- Each of the Councils will have the right to appoint or remove a director (a Nominated Director) who will be a Cabinet Member to the NEGC Board. Up to a further 3 Independent Directors can also be appointed to the Board by the NEGC.
- Board Quorum: at least 3 Nominated Directors need to be present. If not, the meeting will be adjourned, and at the adjourned meeting at least 2 Nominated Directors need to be present.
- On any board decision a majority in favour is required, including all Nominated Directors. However, where a decision relates to one LDV only, the Nominated Director of a Council that does not hold B Shares in that LDV (see below) shall not be entitled to vote.
- Business Plan: the directors will from time to time produce a business plan (the Long -term Business Plan for the life of the project conform to the requirements of the Master Plan (the adopted planning policy document for each LDV). This will be refreshed every 5 years and will set out detailed objectives for the following 5 years. The Board will also from time to time produce a budget. Both the Long -term Business Plan and the budget (and any changes) require the approval of each of the relevant Councils through the Cabinet or Cabinet Member.
- Reserved Matters: there are certain matters that require the consent of all of the Councils through the Cabinet process – these include any changes to the structure of the group, and any significant deviation from the Long-term Business Plan or budget.
- Shares can only be transferred with the prior written consent of each of the Councils through the Cabinet or Cabinet Member.
- The Council will have a limited liability to the value of the share capital purchased. Unless additional agreements are entered into there are no liabilities accruing to the Council from holding these shares.

## Local Delivery Vehicles:

The Term Sheet for each LDV is broadly similar and supported by Shareholder Agreements.

Names: 3 LDVs have been incorporated with working names of:

- a. Tendring Colchester Borders Limited
  - b. Colchester Braintree Borders Limited (relevant Term Sheet is attached as [Appendix 4](#) and Shareholder Agreement as [Appendix 5](#))
  - c. West of Braintree Limited (relevant Term Sheet is attached as [Appendix 6](#) and Shareholder Agreement as [Appendix 7](#))
- The LDV is the operational arm of the structure whose Purpose is to secure the development of the relevant area of land as a garden community. The LDV will be responsible for leading on the preparation of the masterplan and funding the provision of the infrastructure. The LDV will either seek planning permissions for sites or control the sale and planning application process through site specific development agreements.
  - The LDV will recover its infrastructure costs at an appropriate time in accordance with the relevant land agreement with the landowner.
  - Shareholders: NEGC will hold 100 A Shares in each LDV. The A Shares will have voting rights on most issues but not rights to a dividend. Each Council investing in the LDV will also hold B Shares (see below). The B Shares will be non-voting (except in exceptional circumstances, principally a breach of any funding agreement) but will carry rights to a dividend. There are no formal requirements for the Councils to hold B Shares or for any to be issued in order for the LDV to deliver the projects.
  - Funding arrangements are to be agreed for each LDV. The expectation is that the LDV will fund the provision of infrastructure at the time when it is needed by the community rather than waiting for development to be completed prior to infrastructure being delivered. In order to do this the LDV will need access to finance. This finance will be repaid from land receipts as the scheme develops. Subject to approvals, the LDVs will be able to obtain finance from any source, but in practice the cheapest way of borrowing is likely to be from local authorities, if they are prepared to lend money to the LDV.
  - There are two main ways in which the councils can provide funding to the LDV:
    - (i) Debt (by way of a funding agreement) which is repayable at a fixed or variable interest rate at a time set out in the agreement.
    - (ii) Equity funding whereby funding is provided in exchange for B Shares which attract a dividend, with the shares being repaid when the company no longer has the requirement for the funding and is able to do so. Investment via equity will have more risk but potentially more reward, depending on the financial performance of the LDV
  - Each of the Councils involved in the LDV have the right to appoint or remove a director (Council Director) who will be an officer of the Council appointed by the Chief Executive. There may also be

appointed [2-3] Independent Directors. Landowners/Option-holders can also appoint the same number of directors as the combined Council Directors. The Council Directors will be in a minority on the board.

- An independent chair will be appointed (one of the Independent Directors).
- Board Quorum: at least 3 directors need to be present (one of each category). If not, the meeting will be adjourned, and at the adjourned meeting at least 1 Council Director needs to be present.
- On any board decision a majority in favour is required.
- Business Plan: the directors will from time to time produce a business plan (the Short-term Business Plan). This will conform to the requirements of the Long-term Business Plan and the Master Plan. The board will also produce a budget. These key documents require NEGC approval.
- Reserved Matters: there are certain matters that require the consent of either all of the Councils (acting through the Cabinet or Cabinet Member) or NEGC – these include any changes to the structure of the LDV, and any significant deviation from the Short-term Business Plan or budget.
- Share Transfers: shares can only be transferred with the prior written consent of each of the relevant Councils.
- The Council will have a limited liability to the value of the share capital purchased. Unless additional agreements are entered into there are no liabilities accruing to the Council from the formation of the LDV.
- The LDV to take a leading role in the preparation of the Master Plan.

## **9. Summary of the Financial Model:**

- 9.1. The project has developed a detailed financial model of the proposed schemes. This enables early consideration of the viability of the projects and an understanding of the likely scope of funding required.
- 9.2. The model was originally created by the Advisory Team for Large Applications in the Homes & Communities Agency and provides a basis to assess the long term financial performance of the emerging projects. Given the extent of input required to maintain and manage the models, the Councils have secured ongoing direct support from Hyas Associates to provide direct capacity support to the Finance Working Group and continue to manage and evolve the modelling process. This resource is embedded within the project team and working directly with key finance managers and analysts from each of the Councils.
- 9.3. Separate models have been created for each of the proposed Garden Communities. Over recent months these have been reviewed, updated and evolved in light of the outcomes of the 'Garden Communities Concept Feasibility Study' commissioned by the Councils to assess the feasibility and deliverability of the potential sites. This work was undertaken by a consultant team of AECOM (international consultancy in design, planning & engineering) and Cushman & Wakefield (property advisors) and has provided further technical evidence to inform decision making on the Local Plans. For each

site, the work has involved assessing the feasibility and deliverability of proposals, and costing all infrastructure requirements including transport, utilities, education, community, open space, etc.

- 9.4. Local property markets have also been reviewed, including the market context for housing and employment alongside a range of broader scheme viability considerations and assumptions. This information has been reviewed and transferred into the financial modelling process and provides the basis to the assessments undertaken to date.
- 9.5. The Councils have also appointed Price Waterhouse Coopers (PWC) to provide additional corporate finance support to the project. Their work has included an integrity check of the financial modelling process undertaken to date to ensure it is appropriate and fit for purpose, a commercial review of the delivery structure and consideration of optimum approaches to project financing, including key sources of funding and capital/revenue issues.
- 9.6. In addition, further consultancy advice has been commissioned from Cushman & Wakefield to consider in more detail the nature of local property markets and behaviour of landowners and developers, to further inform the approach to landowner negotiations.
- 9.7. The financial model incorporates assumptions on the cost and phasing of all necessary infrastructure, not only to ensure that new communities are supported by necessary infrastructure, but also to ensure that they can deliver on garden city principles. Particularly in relation to the timely delivery of infrastructure to support development.
- 9.8. The Concept Feasibility work has helped to further refine the nature of the schemes being considered, but it will be for LDVs to take on ultimate responsibility for detailed site specific master planning. It will then be possible to better understand detailed scheme cost and value implications and as such costs and values are working assumptions at this stage in the absence of more work and technical testing. All assumptions will be subject to continual refinement.
- 9.9. It should be noted that the approach taken is one of a 'master developer' (the LDV/s) undertaking the infrastructure delivery, disposing of serviced plots to house builders/commercial developers who would be responsible for physical building construction costs and property sales. Thus the gross costs and values in relation to all built development activity will be far higher than indicated in the modelling overall, generating broader employment and economic impacts across the construction and other local service industries. The approach does not preclude the opportunity for public sector stakeholders to directly deliver development should they wish, however it does enable the Councils and the LDVs to manage their risks.
- 9.10. It should also be noted that the current assumptions include some contributions towards strategic infrastructure upgrades (such as towards the creation of new bus/tram rapid transit systems and delivery of an upgraded A120). Such items will however serve broader needs and objectives beyond individual sites, and thus will require additional funding (such as through

Central Government, Department for Transport) to be fully realised. Ongoing lobbying for Government grant support in the delivery of key infrastructure will be an ongoing and key part of subsequent processes, especially to present the scale of the opportunity and commitment being shown by the Councils to deliver through innovative means.

- 9.11. All modelling has been done on present day costs and values without any modelling for inflation in the cost of borrowing, construction, wages, land value or house prices. It must therefore be anticipated that these will be subject to change. Figures presented in this report illustrate a base case position, and a number of sensitivity tests have also been undertaken to consider changes to the most significant variables including alternative infrastructure costs, house values, and the impact of cost inflation and house price changes over time.
- 9.12. Inflation will be a key factor in the changes to the actual position, as against the working assumptions of the model. Historically it has been the case that house prices have increased at a greater rate than costs. This would increase overall returns to the proposed schemes as against the modelled sums. Given the long term nature of the projects and the potential variability in inflation and costs it is not possible to give a detailed accurate assessment; however it is anticipated that the outcome would be favourable on the testing done with likely future rates.
- 9.13. The financial models are reliant upon a broad range of input assumptions and calculations. They are highly sensitive to changes and will always only present a picture based upon the best available information and evidence. In order to better understand the potential range of positions, a number of sensitivity tests have been undertaken to consider changes to the most significant variables such as:
- **House values:** to assess baseline house prices being either 10% under or over present day values. The latter could illustrate a potential garden community premium based upon the high quality nature of the environment to be created;
  - **Infrastructure costs:** the base case includes a 5% contingency allowance on infrastructure costs. Scenario tests have been run to consider lower infrastructure costs, a zero contingency rate, and a 10% contingency rate (with contingency being used as a proxy for higher or lower costs);
  - **Inflation:** the base case has been created on present day costs and values. Three scenarios have been run. 2% cost and 2% value inflation – this is to represent things changing as per Bank of England target, with no assumption that house values outpace costs; 2% cost and 4% value – as above but to make allowance for potential house prices outpacing cost inflation; and 3.4% cost and 6% value – based upon historic trends over past 30 years (1985-2015- Bank of England inflation data and Halifax house price index data).
- 9.14. The financial models are reliant upon a broad range of input assumptions and calculations. They are highly sensitive to changes and will always only present a picture based upon the best available information and evidence.

Despite these caveats the Councils are confident that the proposed garden community developments are viable and deliverable.

## 10. Short term requirements & revenue budget implications:

- 10.1. An initial project budget was agreed in December 2015 and updates were brought to the Shadow Delivery Board in May and July 2016. This primarily related to the original grant funding secured from the DCLG (£640,000) as well as an additional contribution from Essex County Council (£15,000) in 2015/16 alongside forecast expenditure across a series of key workstreams.
- 10.2. A positive working relationship is being maintained with DCLG with a view to further support being provided as the project advances. Following further discussions with DCLG officials it is anticipated that a further £648,000 will be transferred in the current financial year. It is also anticipated that further funding would be available from DCLG for the remaining years of the Spending Review period, but any such amounts would be subject to HM Treasury approvals on a year by year basis. The Councils have also committed to contribute £250,000 (each) to ensure the work can continue, and have been allocating significant officer time and resource to the project with particular pressures on planning, legal and financial staff together with senior management.
- 10.3. In total, a project budget of circa £2.3m has been committed, of which by the end of 2016/17 circa £1m will have been spent and/or allocated resulting in a residual of circa £1.3m to be carried forward into 2017/18. To date activity has focussed across the following key workstreams:
  - **Project Resources:** dedicated support for project and programme management and a range of focussed inputs to planning, transport, infrastructure, funding and legal topics;
  - **Legal Support:** External legal support with respect to the planning process, establishment of LDV/s and evolution of legal agreements with landowners;
  - **Corporate Financial Support:** Commissioned work to investigate corporate financing, funding opportunities, and tax implications;
  - **Planning and Infrastructure:** Concept feasibility work and subsequent evolution of concept frameworks for each of the sites, infrastructure planning including transport modelling, property market advice, together with wider evidence gathering to support plan examinations;
  - **Others:** Other communications and consultation activities, secretariat services to the Shadow Delivery Board, Steering Group and project Working Groups.
- 10.4. Moving forward, the approach is to establish a dedicated delivery structure through the creation of NEGC Ltd and individual site focussed Local Delivery Vehicles (LDVs). These bodies will be responsible for bringing the projects forward through further design and planning stages, and into implementation through the direct delivery of infrastructure alongside the disposal of serviced plots to developers.

- 10.5. NEGC Ltd and each of the LDVs will require access to sufficient budget to create sufficient capacity (staff and support) as well as initiate more detailed design and planning consultancy activities over the first few years of operations. These will be required well in advance of potential land sales and the generation of income.
- 10.6. The extent of work required during the next year will involve further evolution of the approach, community engagement, evidence gathering and LDV business planning. The proposed model of resourcing the approach is based upon the creation of a dedicated technical 'Joint Delivery Team' with senior leadership and experience in project management, development and quality place-making to service NEGC Ltd and the LDVs from the outset prior to preparation of business plans which will set out the requirements for the next phases of work. It is proposed that the Joint delivery team will continue to be hosted by Colchester Borough Council in the interim whilst the local plans are considered at the Preferred Options Stage, with a view to preparing detailed transition plans and structures which will be implemented no later than the adoption of the Local Plans by Councils. This transition will be subject to further consideration by the Councils.
- 10.7. Initial estimates on resourcing requirements indicate costs of circa £850,000 in 2017/18 to fund the team and associated consultancy budgets. This is well within the anticipated carry over budget (£1.3m), and excludes any future assumptions on further grant support from DCLG. It is therefore not anticipated that there will be a requirement for further financial contributions by the Councils in 2017/18.
- 10.8. From 2018/19 onwards the projects will enter a new phase and require more significant funding to start to prepare proposals for planning and all necessary consents. The extent to which such costs can be appropriately covered will be explored as part of the LDVs' business planning process including consideration on how to address the revenue requirements in light of the forecast time lag between upfront expenditure and income from land sales. The overall approach is to ensure that all costs are included in the overall financial model, and paid back during the course of the project.
- 10.9. Figure 10.1 illustrates the anticipated overall revenue cost implications for the initial five year period from 2017/18 to 2021/22 based upon the establishment of a Joint Delivery Team and initiation of site specific masterplanning by each LDV.



Figure 10.1: Estimated Programme Revenue Budget Implications

	17/18	18/19	19/20	20/21	21/22	Total
<b>Revenue</b>						
Joint Delivery Team	0.8	1.0	1.1	1.1	1.1	5.1
Tendring Colchester Borders LDV		0.6	0.6	0.6	1.5	3.3
West of Braintree LDV			0.8	0.8	0.8	2.4
Colchester Braintree Borders LDV			1	1	1	3
Sub Total: Revenue Expenditure	0.8	1.6	3.5	3.5	4.4	13.8
Budget carry over from previous	(1.3)	(0.5)				
<b>Net Revenue Expenditure</b>	<b>(0.5)</b>	<b>1.1</b>	<b>3.5</b>	<b>3.5</b>	<b>4.4</b>	<b>12</b>

## 11. Proposals for Tendring Colchester Borders Limited:

### *Scheme Overview*

- 11.1. The modelling for the scheme has been based upon Option 1 of the AECOM Concept Feasibility work, which delivers circa 6,600 residential units together with employment space, social infrastructure (including 4 new primary schools and 1 new secondary school, health and community facilities), local retail, and generous amounts of open space to accord to Garden City principles. The total site area is circa 300 hectare, located between the A133 to the south, Bromley Road to the north and the A120 to the east.
- 11.2. The precise details of the development will be subject to ongoing evolution and refinement as proposals are further considered through work that has recently been commissioned to prepare a Concept Framework for the site, and on into subsequent planning policy making and eventual planning applications in due course.
- 11.3. Given that Braintree District Council does not have a direct stake in the development of this scheme further details of the financial modelling are not included.

## 12. Proposals for Colchester Braintree Borders Limited:

### *Scheme Overview*

- 12.1. A detailed financial model has been created to assess the costs, income and overall viability of the Colchester Braintree Borders proposal. The modelling has been based upon Option 1 of the AECOM Concept Feasibility work, which delivers circa 17,000 residential units together with employment space, social infrastructure (including 11 new primary schools, 2 new secondary schools, health and community facilities), local retail, and generous amounts of open space to accord to Garden City principles. The total site area is circa 800 hectares, located in an arc around Marks Tey, North, West and South of the existing community.

- 12.2. The Concept Feasibility work revealed that a number of development options could be evolved in the location, potentially providing up to a maximum of circa 28,000 residential units. For the time being Option 1 provides a baseline scenario for testing but any increase in size will have associated impacts on the scale of scheme costs and values.
- 12.3. Precise details of the development will be subject to ongoing evolution and refinement as proposals are further considered through the preparation of a Concept Framework for the site, and on into subsequent planning policy making and eventual planning applications in due course. All future stages will involve further community and stakeholder engagement, to ensure that proposals deliver on the level of ambition as set out in the Garden Communities Charter and vision as established in Part 1 of Preferred Option Local Plans. As a result, both the quantum of development and scale of land will be subject to change.

### *Financial Modelling Headlines*

- 12.4. Financial modelling indicates that the scheme is viable overall, generating a positive residual surplus of circa £69m after accounting for all strategic infrastructure costs, set against income from land sales. Importantly, this is based upon a base case scenario based upon high level assumptions and present day costs and values. Figure 12.1 sets out the base case financial headlines relating to the scheme:

*Figure 12.1: Base Case Financial Headlines*

	<b>Colchester Braintree Borders</b>
Houses	16,858
Jobs <sup>1</sup>	3,190
Total Scheme Costs <sup>2</sup>	£1,425m
Total Scheme Income <sup>3</sup>	£1,494m
Residual <sup>4</sup>	£69m
Residual equivalent per hectare <sup>5</sup>	£338k
Start on Site (infrastructure)	2022/23
Years to complete	45
Year cashflow goes positive	2062/63
Peak Debt	£210m

<sup>1</sup> Jobs forecast from B1, B2, B8 and retail uses only. There will be considerable additional job opportunities created in social infrastructure, community facilities and a broad range of home based employment activities. The aspiration is for there to be 1 job per household within the community or within a sustainable commuting distance.

<sup>2</sup> Scheme costs relate to all strategic infrastructure costs, enabling works, purchasing of land at minimum price provisions, professional fees, contingency and LDV running costs but exclude direct building construction.

<sup>3</sup> Scheme values relate to disposals of serviced land to plot developers.

<sup>4</sup> Residual is the balance between costs and income and illustrates viability.

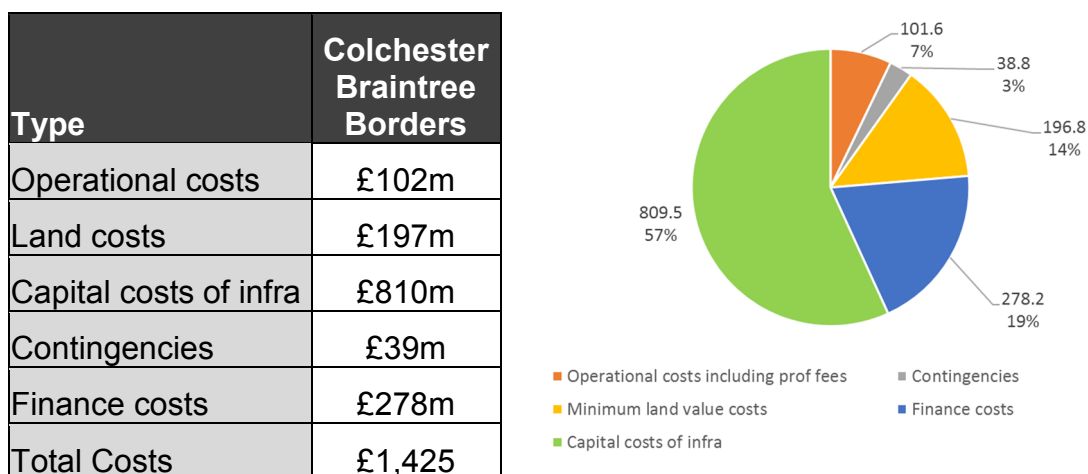
<sup>5</sup> Residual spread over total gross site area.

12.5. Figure 12.2 sets out further detail around the breakdown of costs included within the financial modelling. The analysis has been broken down to:

- **Operational costs:** including all cost related to operations such as LDV running costs (staff, administration, engagement & communications, business support, etc.); professional fees (scheme wide masterplanning & planning applications, infrastructure design, project management, legal fees, property disposal fees);
- **Minimum land values:** to allow for contractual obligations to pay minimum land values as land is acquired, serviced and sold on for development.;
- **Capital costs of infrastructure:** All physical infrastructure required to deliver serviced development plots (including utilities, transport, schools, community space, open space, etc.); and
- **Contingencies** to allow for uncertainties and potential cost overruns;
- **Finance costs:** interest costs on negative cash balances. Work is ongoing to assess the optimum approach to project financing. It is anticipated that the rate of finance levied on the LDVs will include a margin above the rates such finance could be secure.

12.6. As illustrated in Figure 12.2 the majority of costs relate to the physical provision of infrastructure (57%). Minimum land value payments will also form a sizeable proportion, and the rate of finance will have a key impact on both the scale of interest charges and overall scheme viability.

Figure 12.2: Scheme Cost breakdown by cost heading



### Key infrastructure

12.7. A key aspect of the Garden Communities approach is to secure the delivery of a full range of infrastructure in a timely manner to ensure new communities are served by a full and extensive range of services and facilities at the point of need. This is a key component of the delivery model and underpins part of

the rationale for the Councils engaging more directly in the process to secure positive outcomes for local communities.

12.8. The financial modelling for the Colchester Braintree Borders Garden Community includes allowances to address a broad range of needs including but not limited to:

- **Education Facilities:** including the provision of 11 Primary Schools, 2 Secondary Schools and 24 Early Years Facilities (overall totalling circa £152m);
- **New Community & health centres** (£38m);
- **Leisure & Sports** facilities (£46m);
- **New Country Park** with facilities (£10m);
- **Sustainable transport** including travel plan measures (car clubs, etc.), bus service subsidies, new on site public transport hub, contribution towards improvements at Marks Tey rail station & contribution to strategic public transit system (£71m);
- **Local highways improvements** including junction upgrades and contribution towards delivery of an upgraded A120 (£60m);
- Upgraded **pedestrian & cycle links** including greenways & bridge over A120 (£17m)

#### *Phasing & Cashflow*

12.9. The approach to the delivery of large scale strategic sites generally involves early, upfront delivery of infrastructure followed by a steady disposal of plots to housebuilders/developers enabling them to deliver houses to the market. Delivery of the Garden Communities will accord to this profile, as illustrated in Figure 11.3 which illustrates the scale of costs and returns on an annual basis throughout the course of the delivery of the Colchester Braintree Borders Garden Community.

12.10. As indicated in Figure 12.3, the net funding requirement will quickly rise to a potential **peak debt position of circa £210m**. As income from land sales outpace costs, the debt would reduce to get to a cashflow positive position towards the end of the development period.

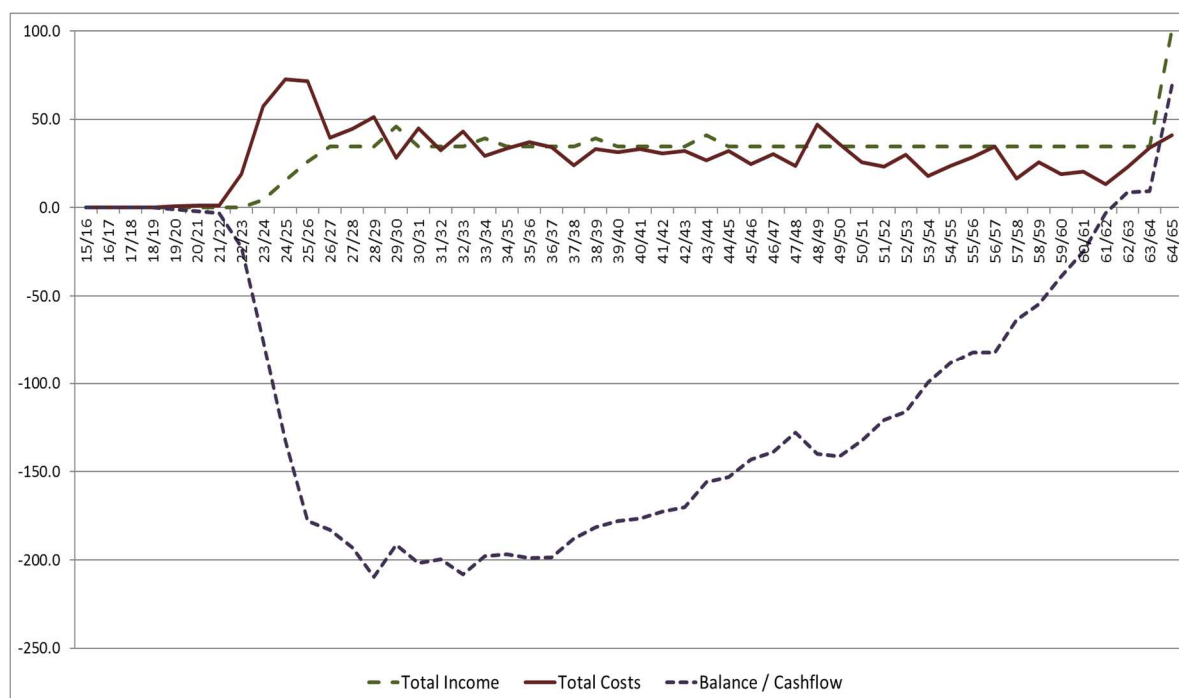
12.11. As indicated across the various figures in this report, the costs will build up over time with the LDVs requiring access to substantial funding via equity/loan finance to enable them to deliver the necessary infrastructure (and all other related costs). It will be for the LDVs to source the optimum funding arrangements at the point of need (which could involve a blend of public and private finance/equity).

12.12. Clearly not all funding will be needed from the outset of the project, and requirements will closely relate to key project stages and milestones, and the scale and type of activity that will be undertaken, in the following general sequence:

- 2018/19 to 2022/23: design and planning stage, mainly requiring funding to prepare planning applications (site wide and initial infrastructure) and secure related approvals;

- 2022/23: first phase acquisition of land and on site implementation of capital works in utilities and site access (initial outlay of circa £25m);
- 2022/23 onwards: ongoing land purchases and implementation of infrastructure delivery, partly offset by income from serviced land sales to the market. Given the scale of potential early contributions to transport infrastructure, the debt would rise quickly over time to its peak of £210m in 2028/29.
- 2028/29 up to 2036/37: the debt remains around the £200m mark;
- 2037/38 debt begins to reduce as incomes exceed costs, reducing to circa £150m in 2044/45, £100m in 2053/54 and £50m in 2058/59.

*Figure 12.3: Colchester Braintree Borders Cashflow*



### *Sensitivity Tests*

- 12.13. The sensitivity test indicate that a careful approach will be required to affordable housing, and that if house prices were to fall or infrastructure cost overrun then viability will become challenging. However, the impact of inflation would be significant under all scenarios, potentially considerably boosting the residual surplus and bringing down peak debt and the timescale for the scheme to go cashflow positive.

## **13. Proposals for West of Braintree Limited**

### *Scheme Overview*

- 13.1. A detailed financial model has been created to assess the costs, income and overall viability of the West of Braintree proposal. The modelling has been based upon Option 1 of the AECOM Concept Feasibility work, which delivers circa 10,000 residential units together with employment space, social infrastructure (including 6 new primary schools, 1 new secondary school, health and community facilities), local retail, and generous amounts of open

space to accord to Garden City principles. The total site area is circa 570 hectares, located to the north of the A120 between Stebbing Green, Rayne, and going northwards towards Great Salling.

- 13.2. The Concept Feasibility set out two potential options in this location. Option 2 included land in Uttlesford District Council, which would increase the site's capacity to circa 13,000 residential units. For the time being Option 1 provides a baseline scenario for testing but should Uttlesford District Council select the site for growth in its Local Plan, an increase in scheme size will have associated impacts on the scale of costs and values.
- 13.3. Precise details of the development will be subject to ongoing evolution and refinement as proposals are further considered through the preparation of a Concept Framework for the site, and on into subsequent planning policy making and eventual planning applications in due course. All future stages will involve further community and stakeholder engagement, to ensure that proposals deliver on the level of ambition as set out in the Garden Communities Charter and vision as established in Part 1 of Preferred Option Local Plans. As a result, both the quantum of development and scale of land will be subject to change.

#### *Financial Modelling Headlines*

- 13.4. Financial modelling indicates that the scheme is viable overall, generating a positive residual surplus of circa £186m after accounting for all strategic infrastructure costs, set against income from land sales. Importantly, this is based upon a base case scenario based upon high level assumptions and present day costs and values. Figure 13.1 sets out the base case financial headlines relating to the scheme:

*Figure 13.1: Base Case Financial Headlines*

	<b>West of Braintree</b>
Houses	9,729
Jobs <sup>1</sup>	3,688
Total Scheme Costs <sup>2</sup>	£890m
Total Scheme Income <sup>3</sup>	£1,075m
Residual <sup>4</sup>	£186m
Residual equivalent per hectare <sup>5</sup>	£579k
Start on Site (infrastructure)	2022/23
Years to complete	35
Year cashflow goes positive	2048/49
Peak Debt	£149m

<sup>1</sup> Jobs forecast from B1, B2, B8 and retail uses only. There will be considerable additional job opportunities created in social infrastructure, community facilities and a broad range of home based employment activities. The aspiration is for there to be 1 job per household within the community or within a sustainable commuting distance.

<sup>2</sup> Scheme costs relate to all strategic infrastructure costs, enabling works, purchasing of land at minimum price provisions, professional fees,

contingency and LDV running costs but exclude direct building construction.

<sup>3</sup> Scheme values relate to disposals of serviced land to plot developers.

<sup>4</sup> Residual is the balance between costs and income and illustrates viability.

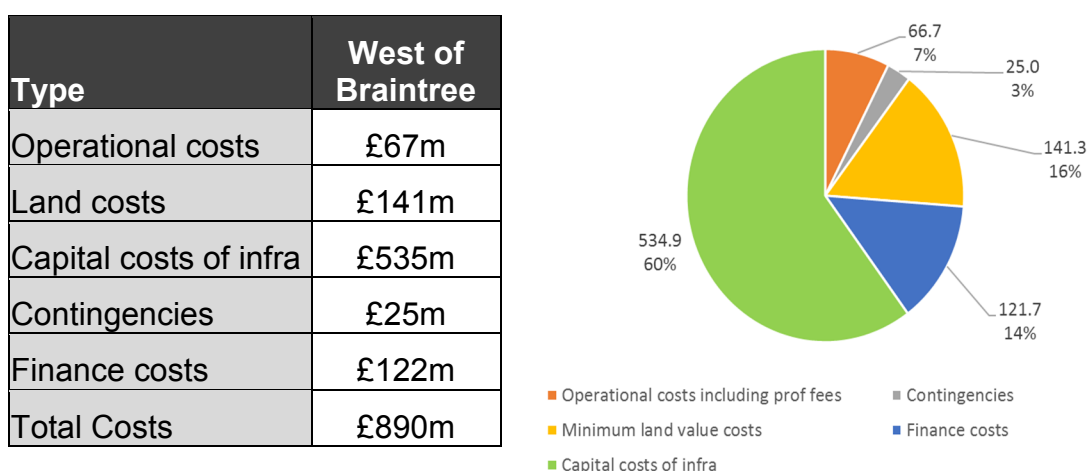
<sup>5</sup> Residual spread over total gross site area.

13.5. Figure 13.2 sets out further detail around the breakdown of costs included within the financial modelling. The analysis has been broken down to:

- **Operational costs:** including all cost related to operations such as LDV running costs (staff, administration, engagement & communications, business support, etc); professional fees (scheme wide masterplanning & planning applications, infrastructure design, project management, legal fees, property disposal fees);
- **Minimum land values:** to allow for contractual obligations to pay minimum land values as land is acquired, serviced and sold on for development.;
- **Capital costs of infrastructure:** All physical infrastructure required to deliver serviced development plots (including utilities, transport, schools, community space, open space, etc); and
- **Contingencies** to allow for uncertainties and potential cost overruns;
- **Finance costs:** interest costs on negative cash balances. Work is ongoing to assess the optimum approach to project financing. It is anticipated that the rate of finance levied on the LDVs will include a margin above the rates such finance could be secure.

13.6. As illustrated in Figure 13.2 the majority of costs relate to the physical provision of infrastructure (60%). Minimum land value payments will also form a sizeable proportion, and the rate of finance will have a key impact on both the scale of interest charges and overall scheme viability.

Figure 13.2: Scheme Cost breakdown by cost heading



### Key infrastructure

13.7. A key aspect of the Garden Communities approach is to secure the delivery of a full range of infrastructure in a timely manner to ensure new communities are served by a full and extensive range of services and facilities at the point of need. This is a key component of the delivery model and underpins part of

the rationale for the Councils engaging more directly in the process to secure positive outcomes for local communities.

13.8. The financial modelling for the West of Braintree Garden Community includes allowances to address a broad range of needs including but not limited to:

- **Education Facilities:** including the provision of 6 Primary Schools, 1 Secondary School and 14 Early Years Facilities (overall totalling circa £88m);
- New **Community & health centres** (£22m);
- **Leisure & Sports** facilities (£27m);
- New **Country Park** with facilities (£10m);
- **Sustainable transport** including travel plan measures (car clubs, etc.), bus service subsidies, new on site public transport hub & contribution to strategic public transit system (£40m);
- **Local highways improvements** including junction upgrades and contribution towards delivery of an upgraded A120 (£75m);
- Upgraded **pedestrian & cycle links** including greenways & bridge connections over A120 (£13m).

#### *Phasing & Cashflow*

13.9. The approach to the delivery of large scale strategic sites generally involves early, upfront delivery of infrastructure followed by a steady disposal of plots to housebuilders/developers enabling them to deliver houses to the market. Delivery of the Garden Communities will accord to this profile, as illustrated in Figure 13.3 which illustrates the scale of costs and returns on an annual basis throughout the course of the delivery of the West of Braintree Garden Community.

13.10. As indicated in Figure 13.3, the net funding requirement will quickly rise to a potential **peak debt position of circa £149m**. As income from land sales outpace costs, the debt would reduce to get to a cashflow positive position towards the end of the development period.

13.11. As indicated across the various figures in this report, the costs will build up over time with the LDVs requiring access to substantial funding via equity/loan finance to enable them to deliver the necessary infrastructure (and all other related costs). It will be for the LDVs to source the optimum funding arrangements at the point of need (which could involve a blend of public and private finance/equity).

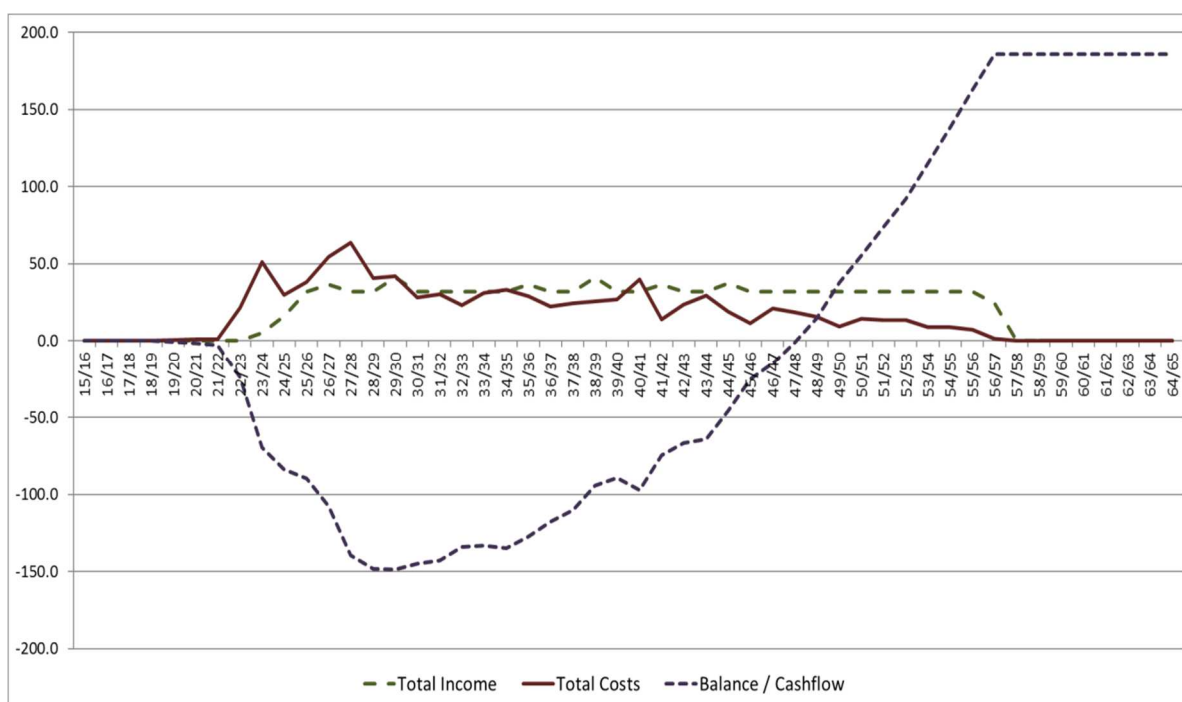
13.12. Clearly not all funding will be needed from the outset of the project, and requirements will closely relate to key project stages and milestones, and the scale and type of activity that will be undertaken, in the following general sequence:

- 2018/19 to 2022/23: design and planning stage, mainly requiring funding to prepare planning applications (site wide and initial infrastructure) and secure related approvals;
- 2022/23: first phase acquisition of land and on site implementation of capital works in utilities and site access (initial outlay of circa £25m);



- 2022/23 onwards: ongoing land purchases and implementation of infrastructure delivery, partly offset by income from serviced land sales to the market. Given the scale of potential early contributions to transport infrastructure, the debt would rise quickly over time to its peak of £150m in 2028/29.
- 2028/29 up to 2035/36: the debt remains within the £130-150m mark;
- 2036/37 debt begins to reduce as incomes exceed costs, reducing to circa £75m in 2041/42, and £25m in 2045/46.

*Figure 13.3: West of Braintree Cashflow*



### *Sensitivity Tests*

- 13.13. The sensitivity test indicates that the scheme remains viable under the majority of scenarios with the exception of a 10% fall in baseline house values. However, whilst macro-economic factors cannot be prevented, the design approach to deliver a quality living environment should mitigate against this risk materialising. The impact of inflation would be significant under all scenarios, potentially considerably boosting the residual surplus and bringing down peak debt and the timescale for the scheme to go cashflow positive.

## **14. Funding principles for the LDVs:**

- 14.1. The four Councils have been working on the basis of equal partnership in the delivery of the projects; it is proposed that this approach is maintained at this stage.
- 14.2. The decision in principle to fund each of the LDVs does not create a formal legally binding agreement with the LDVs that the Council will fund them. This will be a separate decision for Cabinet and Council at a later stage once there has been further development of the business case and the detailed funding

requirements. The decision before Members is to commit in principle to being a proactive and patient funding provider to the schemes within its area, providing that the schemes meet appropriate business case and viability thresholds.

- 14.3. In light of the information set out in Sections 11 to 13 of this report, and the relative cashflow and peak debt funding needs of each of the proposals, Figure 14.1 sets out one potential scenario for the order of magnitude which proportionate funding may require from each of the Councils. This is based upon equal apportionment of requirements based upon the geographic location of each of the proposed Garden Community, and the relevant Councils for them. The scenario is based on the Councils being the only funder, without recourse to any third party funding.

*Figure 14.1: Illustrative proportionate share of peak debt*

	<b>Tendring Colchester Borders Limited</b>	<b>Colchester Braintree Borders Limited</b>	<b>West of Braintree Limited</b>	<b>Total</b>
<b>Braintree District Council</b>		1/3 of total = £70m	1/2 of total =£75m	£145m
<b>Colchester Borough Council</b>	1/3 of total =£40m	1/3 of total =£70m		£110m
<b>Essex County Council</b>	1/3 of total =£40m	1/3 of total =£70m	1/2 of total =£75m	£185m
<b>Tendring District Council</b>	1/3 of total =£40m			£40m
<b>Total</b>	£120m	£210m	£150m	£480m

*Note: Where a Council is involved in more than one scheme, the actual peak debt may be different across the combined schemes due to the combination of separate cashflows.*

- 14.4. Each LDV is a separate legal entity with its own financial requirements and delivery aims and objectives. The principle adopted for the illustration above is that each Council will make available funding in equal amounts for the schemes in which it is a partner.
- 14.5. At this stage the Councils are providing an in principle commitment to providing funding. The LDV will in determining its own business plans develop a detailed set of funding requirements; including the scale of funding required and the timescales which will be relevant to each block of funding. It is unlikely that it will seek to borrow the whole amount required in a single funding allocation, the information from specialists indicates that it will be advantageous to split borrowing requirements into phases and deal with these as required. It must be noted that as per the cashflows presented for each project, funding requirements will be phased over the life time of the projects, and reflect the timing and scale of necessary costs, set against the phasing of land sales driving income.

- 14.6. In addition, the Councils will also need to address short term revenue funding implications of the initial planning and design work related to both the operations of the Joint Delivery Team and individual LDVs, as set out at Figure 10.1 of this document. Work is ongoing to further consider the optimum approach to addressing such costs with support from Price Waterhouse Coopers, and financial officers across each of the Councils concerned. This will form a key part of the evolution of more detailed business plans during 2017/18 so as to create suitable funding arrangements and minimise impacts on Council revenue budgets.
- 14.7. Whilst it will be open for the Council to seek a range of funding sources depending on the detailed financial position at the time funding is requested it is likely that if needed the majority of the funding will be in the form of borrowing by the Council. Should the Council borrow funds then this will be subject to the prudential borrowing code requirements and subject to a detailed decision of the Council at the relevant time. The Council would expect to borrow at rates which are preferential to those obtainable by the LDV, given its status as a local government body, but in order to comply with State Aid rules the lending to the LDV would be on commercial terms; therefore, the Council would expect to receive a margin between the rate at which it borrows and that at which it is repaid. This margin would represent a gain to the Council; in part offsetting the risk that it is taking in providing funding.
- 14.8. Detailed considerations about the accounting treatment for the loans and the capitalisation of costs is being developed and would form the basis of subsequent detailed decision making.
- 14.9. In terms of affordability there are expected to be opportunities to control costs through changes to the assumptions in the funding model to react to changing circumstances as the project develops and any decisions made by Councils to provide funding to the LDVs will be made with regard to the Prudential Code as explained in the Legal Powers Section of this report.
- 14.10. It must also be noted that the LDV will have the right to seek to secure funding from other sources as against the Councils. This could be from independent financial institutions, the developers or landowners within a scheme or other funding sources. Should the LDV do this it would reduce the amount sought from the Councils, reducing the call on the Councils' finances. This would however reduce the scope for the Councils to obtain a financial return from the project. Any determination of funding will be determined by prevailing market conditions and the needs of the LDV for any given element.

## **15. Legal Powers:**

- 15.1. The General Power of Competence ("the Power") provided for by the Localism Act 2011 is relied upon as the authority for the District/Borough/County Council to establish and subscribe to North Essex Garden Communities Limited and to subscribe for B shares in relevant Local Delivery Vehicles.

- 15.2. In exercising the General Power of Competence local authorities must do so in a way which does not compromise any pre-existing statutory limitations, and the actions identified in this report do not compromise those restrictions. Any activity which local authorities wish to take for a commercial purpose must be undertaken via a company, given the need for the LDVs to act in a commercially aware way and to develop the projects commercially (although within the requirements of the Garden Community principles the use of a company structure enables reliance on the General Power of Competence in this respect).
- 15.3. Deciding to establish a company, in the context of this report, being North Essex Garden Community is an Executive Function in accordance with the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended). The 'in principle' funding decisions are in accordance with the Council's Budget and Policy Framework subject to Council approval as set out in the recommendations.
- 15.4. The statutory framework for local authority borrowing and investments is set out in Chapter 1 of the Local Government Act 2003, supplemented by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended).
- 15.5. A local authority may borrow money or invest (a) for any purpose relevant to its functions under any enactment, or (b) for the purposes of prudent management of its financial affairs. All money borrowed by a local authority, together with any interest on the money borrowed, shall be charged indifferently on all the revenues of the authority.
- 15.6. Local authorities must determine and keep under review how much money it can afford to borrow which is set by each Council as an "Authorised Limit". This borrowing limit cannot be exceeded without the approval of full Council. In the event that the Council agrees to provide funding to the LDV's as illustrated in paragraph 14.3 then its borrowing limits will need to be revised accordingly.
- 15.7. In setting its borrowing limit, Regulations require a local authority to have regard to the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) published by the Chartered Institute of Public Finance and Accountancy. The Prudential Code has been developed as a professional code of practice to support local authorities in taking decisions on capital investment which can be affordable, prudent, and sustainable. These requirements will need to be demonstrated through the business case developed for each of the Garden Communities.

## **16. Risk Assessment:**

- 16.1. The project has developed a strategic risk assessment profile. This is attached as [Appendix 8](#).
- 16.2. At the present time there are a significant number of risks, many of which are inherently uncertain given the timescales over which the project will develop.

Officers have considered the risks carefully and recommend that these are broadly reflective of the risk profile associated with any project of this scale.

- 16.3. The project has a number of break points particularly the development of the detailed business case. Should this demonstrate a scenario which provides an unacceptable commercial viability, or other significant uncontrolled risk, then it is open to the partner Councils to terminate the project at that juncture.
- 16.4. The two largest risks relate to Land Control and Local Plan. Both of these have the potential to halt progress on a particular scheme. Should landowner agreements not be reached by the time the Pre Submission Draft is agreed by the Council, then this will represent a key change to the relationship between the landowners and the Councils / LDV; the underlying assumptions in the agreements would then need to be reconsidered and are not able to be implemented in the form indicated in this report. Equally if a scheme is not included in the Pre Submission Draft of the Local Plan on the basis of appropriate planning Policy determination, then it would not be possible for the LDV to pursue any development and accordingly it would be wound up.

## **17. Equalities Impact Assessment:**

- 17.1. The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires the local authority to have regard to the need to:
  - a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful.
  - b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 17.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (a) or (b) although it is relevant for (c).
- 17.3. The proposals are to create an inclusive community which meets the needs of all residents regardless of whether or not they have a protected characteristic. The intention is to provide housing and facilities for all. By participating in the development in the way proposed the local authorities will have a greater influence over the content and layout than a development undertaken in a traditional way. The differing needs of people with different protected characteristics will need to be considered during the design and planning of the development and kept under review as the scheme progresses.

## **18. Implementation:**

- 18.1. The project is currently seeking the support of the four relevant Councils in order to form the North Essex Garden Communities Limited, and it will then

set up the constituent LDV's. It is anticipated that the LDV's will enter into legal agreements with landowners / developers before the end of the year.

18.2. The three local planning authorities are publishing the pre-submission versions of the Local Plans in the New Year. Should any of the proposed project sites not receive support in the local planning process this will be a critical point in the project; effectively closing it and the relevant LDV will be wound up.

18.3. For clarity the outline timetable for the project is set out in the following table:

25 November 2016	Tendring District Council; Cabinet
29 November 2016	Braintree District Council; Cabinet
29 November 2016	Tendring District Council; Council
30 November 2016	Colchester Borough Council; Cabinet
8 December 2016	Colchester Borough Council; Council
12 December 2016	Braintree District Council; Council
13 December 2016	Essex County Council; Cabinet
On or after 14 December 2016	Councils sign Shareholder agreements and subscribe to NEGC
Prior to determination of the Local Plan Pre Submission draft.	NEGC Board Meet and agree the subscription of LDVs including appointment of Directors
Prior to determination of the Local Plan Pre Submission draft.	Each of the LDVs Boards meet and agree the Landowner agreement.
Prior to determination of the Local Plan Pre Submission draft.	Landowner Agreement completed.
January 2017	Local Plan Pre-Submission Draft Published for Committee Consideration
January / February 2017	Council meetings to approve Local Plan Pre-Submission Draft
March 2017	Relevant LDVs either wound up on basis of non-allocation; Or continues the development of the schemes.

### Summary of Appendices:

1	Diagram showing Corporate Structure
2	Draft Term Sheet North Essex Garden Communities Limited
3	Shareholders Agreement North Essex Garden Communities Limited
4	Draft Term Sheet Colchester Braintree Borders Limited
5	Shareholders Agreement Colchester Braintree Borders Limited
6	Draft Term Sheet West of Braintree Limited
7	Shareholders Agreement West of Braintree Limited
8	Strategic Risk Assessment Profile

<b>Task and Finish Review in to Apprenticeships in the Braintree District</b>		<b>Agenda No:7a</b>
<b>Portfolio</b>	<b>Economic Development</b>	
<b>Corporate Outcome:</b>	<b>A prosperous district that attracts business growth and provides high quality employment opportunities</b>	
<b>Report presented by:</b>	<b>Councillor Tom Cunningham, Cabinet Member for Economic Development</b>	
<b>Report prepared by:</b>	<b>Nathan Rowland, Economic Development Officer</b>	
<b>Background Papers:</b>	<b>Public Report</b>	
Task and Finish Group Report presented at <a href="#">Full Council 5th September 2016</a>		<b>Key Decision: No</b>
<b>Executive Summary:</b>		
<p>Further to the Task and Finish Group report into Apprenticeships submitted to the Overview and Scrutiny committee in July, the recommendations were presented to Full Council on 5<sup>th</sup> September 2016. In line with the corporate process, Council requested Cabinet to respond to the Committee's recommendations.</p> <p>The Cabinet Member for Economic Development has considered these and has provided a response to each of the recommendations put forward by the Overview and Scrutiny Committee.</p> <p>Cabinet is requested to consider the responses to the recommendations contained within this report and if in agreement, request Officers to take forward the recommendations.</p> <p>For ease of reference the recommendations are set out in the table contained in the main body of the report.</p>		
<b>Recommended Decision:</b>		
Cabinet approves this response put forward by the Cabinet Member for Economic Development and delegates any actions to the Corporate Director and/or relevant Heads of Service to take forward.		
<b>Purpose of Decision:</b>		
To consider and respond to the recommendations made by the Overview & Scrutiny Committee to Full Council.		

**Any Corporate implications in relation to the following should be explained in detail.**

<b>Financial:</b>	<p>Braintree District Council receives no external funding for work on apprenticeships and therefore any new actions arising, in particular with regards to recommendations 3 and 5 would need to be considered in line with the Council's current and projected budget position.</p> <p>With the introduction of the Apprenticeship Levy, Braintree District Council will be required to contribute 0.5% of our payroll bill to central government from the 1<sup>st</sup> April 2017. Projected costs are set out in the Council's medium term financial strategy.</p>
<b>Legal:</b>	None arising out of this report.
<b>Safeguarding:</b>	There are potential implications relating to recommendation 5 that will need to be considered in line with the Council's responsibilities under safeguarding.
<b>Equalities/Diversity:</b>	None arising out of this report.
<b>Customer Impact:</b>	None arising out of this report.
<b>Environment and Climate Change:</b>	None arising out of this report.
<b>Consultation/Community Engagement:</b>	Engagement with the wider business community would be required to determine the extent of the need for recommendations 3 and 5.
<b>Risks:</b>	<p>Success of the recommendations will in part be determined by input and support from partner organisations which the Council has limited influence over.</p> <p>With regards to recommendation 5; there are a number of risks (reputational and health &amp; safety) associated with the council acting as the employer for apprentices who are then "hired out" to outside employers. This requires further exploration before any further action is taken.</p>
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## The Cabinet Response

The Cabinet wishes to thank the Overview & Scrutiny Committee for its comprehensive and report on Apprenticeships and notes the recommendations made by the Committee.

Cabinet also wishes to acknowledge the input from local businesses, Essex County Council, Colchester Institute and local schools into this review.

Responses to the recommendations are set out in the table below in the order in which they were presented in the original report.

Recommendation	Cabinet Response
<p><b>1. Businesses, and schools, need help to understand and navigate the apprenticeship process.</b></p> <p>The process for hiring an apprentice can be complex, confusing and time consuming.</p> <p>Even large businesses can struggle with the complexity involved in identifying the correct programme for an apprentice, fulfilling the requirements of the provider and understanding the correct procedures for monitoring an apprentice's progress.</p> <p>As the district is largely made up of small businesses, this becomes an even larger barrier and hindrance – making it a real issue specifically for Braintree. Our Task and Finish Group recommends that a checklist is pulled together, drawing on the experience of those who are further along the apprentice journey, which businesses in the district can refer to when deciding to recruit an apprentice.</p> <p>The Task and Finish Group also recommends that the Council looks to work closer with schools to ensure they also understand the journey and opportunities of apprenticeships</p>	<p>The Economic Development Team will commit to undertake this work in 2017 and will seek support from Essex County Council (as the lead agency on skills in the local area) and other partners.</p>
<p><b>2. Businesses need to understand the business case for taking on an apprentice.</b></p> <p>Although business leaders appear sold on the societal and moral case for apprenticeships, the business case appears to have less traction.</p>	<p>The Economic Development Team will commit to undertake this work in 2017 and will seek support from Essex County Council (as the lead agency on skills in the local area) and other partners.</p>

<p>In order to ensure that businesses across our district see apprenticeships as a part of their growth plans, rather than part of their corporate social responsibility plans we recommend positive case studies from companies in the local area are used promote the benefits of apprenticeships to other businesses and encourage them to “Grow Your Own Talent”.</p>	
<p><b>3. Transport can be a major barrier for young people accessing apprenticeships.</b></p> <p>Given that the apprenticeship wage is significantly lower than a full employee may expect, transport (as with further education) can be a real barrier – especially within the more rural parts of our district.</p> <p>We recommend consideration is given to how community transport can be used to make it easier for rurally based young people to access apprenticeships, and for rural businesses to recruit apprentices.</p>	<p>Cabinet recognises the issues facing younger residents (particularly in rural areas) in relation transport.</p> <p>The Community Transport Service is reliant on volunteer drivers to meet demand and is therefore not able to provide a substitute for a public transport service. The scheme may however be able to assist with occasional transport for young people in rural areas; this would however be subject to the availability of drivers, transport costs and other eligibility criteria.</p> <p>Members should be aware however that the Braintree District Community Transport scheme is funded by Essex County Council. We are currently awaiting a decision on future funding of this scheme.</p> <p>The Economic Development Team is already working with the Essex County Council to promote the free sustainable travel planning services available to local companies. This could include cycle to work schemes and car sharing programmes which may be able to assist young people to access apprenticeship opportunities through alternative transport means.</p>
<p><b>4. Agencies need to work together to address issues affecting apprenticeships.</b></p> <p>There are a large number of agencies involved in apprenticeships across the district and for businesses the points of contact can be confusing. By working together, these groups can</p>	<p>The Council already works with a number of partners to promote apprenticeships, however it is recognised that there is further work required. As such the Council has arranged for an additional member of staff on secondment from Essex County Council to support the wider work programme around</p>

<p>have a larger and stronger voice as well as making the situation clearer for businesses. We recommend the Essex Skills Board should take a lead in pulling together agencies across the district to promote apprenticeships.</p>	<p>employment and skills (including apprenticeships) and help develop stronger links into the Employment and Skills Board at county level.</p>
<p><b>5. The Council should investigate establishing an apprenticeship agency.</b></p> <p>The district is heavily skewed towards small businesses which struggle to have the HR functionality to handle recruiting, training and monitoring apprentices. Some small businesses also do not have the demand for an apprentice for a full week. Therefore the Council should look into establishing an apprenticeships agency, which would act a central pool of apprentices recruited and hired by the Council to then be “hired out” to businesses.</p> <p>The Council could recruit apprentices and be responsible for their HR and businesses could be allocated an apprentice for two or three days a week. An apprentice would then experience working across a range of businesses within the district and the opportunity to have an apprentice would be opened up to a much larger pool of businesses.</p>	<p>Cabinet recognises the need for simplified information to businesses however this recommendation has considerable implications for the Council including; staffing and financial resource requirements, as well as legal issues around safeguarding and health &amp; safety. Cabinet therefore feels that further work is required to fully scope out the details behind this recommendation before a decision is made. Officers from a range of departments will work with external partners including Essex County Council and other District/Borough Councils to explore this recommendation in more detail.</p> <p>The Cabinet Member for Economic Development will update Councillors on progress going forward.</p>

ENDS

<b>Cabinet Response to the Recommendations from the Task and Finish Group Review into Bus Services and Community Transport in the Braintree District.</b>		<b>Agenda No:8a</b>
<b>Portfolio</b>	<b>Health and Communities</b>	
<b>Corporate Outcome:</b>	<b>Residents live well in healthy and resilient communities where residents feel supported</b>	
<b>Report presented by:</b>	<b>Councillor Peter Tattersley Cabinet Member for Health &amp; Communities.</b>	
<b>Report prepared by:</b>	<b>Jo Albin, Head of Housing and Community</b>	
<b>Background Papers:</b>	<b>Public Report</b>	
Minutes of Task and Finish Group meetings held on:	<b>Key Decision: No</b>	
29 October 2015		
2 December 2015		
23 February 2016		
19 April 2016		
Report to Overview and Scrutiny 21 September 2016		
<b>Executive Summary:</b>		
<p>The Bus Services and Community Transport Task and Finish Group reported to the Overview and Scrutiny Committee in September 16 and the recommendations were presented to Full Council in October 2016. The Cabinet Member for Health &amp; Communities has considered these and the response to each of the recommendations are set out in Appendix 1.</p>		
<p>Cabinet is requested to consider the responses to the recommendations contained within this report and if in agreement, request Officers to take forward the recommendations.</p>		
<p>The link below is the Agenda of the Overview and Scrutiny Committee of 21 September – Agenda item 7 is the full report of the Task and Finish Group.</p>		
<p><a href="https://www.braintree.gov.uk/meetings/meeting/883/overview_and_scrutiny_committee">https://www.braintree.gov.uk/meetings/meeting/883/overview_and_scrutiny_committee</a></p>		
<b>Recommended Decision:</b>		
<p>That Cabinet approves this response to the recommendations put forward by the Cabinet Member for Health and Communities and delegates any actions to the Corporate Director and/or relevant Head of Service to take forward.</p>		

**Purpose of Decision:**

To consider and respond to the recommendations made by the Overview & Scrutiny Committee to Full Council.

**Any Corporate implications in relation to the following should be explained in detail.**

<b>Financial:</b>	Some of the recommendations 3, 4, 5, 6, 7 are based on the Community Transport Service with its current funding arrangements.  Essex County Council currently provides an annual grant. In 2016/17 the grant is £105,541. There is currently some uncertainty around the amount of Essex County Council's grant funding for 2017/18.
<b>Legal:</b>	None arising out of this report.
<b>Safeguarding:</b>	None arising out of this report.
<b>Equalities/Diversity:</b>	None arising out of this report.
<b>Customer Impact:</b>	None at present.
<b>Environment and Climate Change:</b>	None arising out of this report.
<b>Consultation/Community Engagement:</b>	Wider engagement with other organisations would be required to implement some of the recommendations.
<b>Risks:</b>	Continued funding of the Braintree District Community Transport Service is key to achieving some of the recommendations 3, 4, 5, 6, 7. Implementation of recommendation 5 regarding hospital journeys is likely to require additional resources if implemented.
<b>Officer Contact:</b>	Joanne Albini
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## **The Cabinet Response**

- 1.1 The Cabinet wishes to thank the Task and Finish Group for the review and notes the recommendations made.
- 1.2 Cabinet also wishes to thank our partner organisations for their input into the review.
- 1.3 The Cabinet would also like to take this opportunity to thank the staff of Community Transport Team and the many volunteers without which the service could not run.
- 1.4 This Council does not have statutory duties in the same way that Essex County Council does as the local transport authority. We do recognise it is important that we both understand and represent the needs of residents. We also need to ensure that we engage with relevant reviews and forums on transport matters as good transport is essential to building strong and sustainable local communities and supporting a successful economy.
- 1.5 There is reference in Appendix 1 to the Community Transport Service and the potential of a reduction in grant funding from Essex County Council. Essex County Council currently provides annual grants to community transport providers in Essex. In 2016/17 a grant of £105,541 was given to this Council to help run the service. The Cabinet may need to review the responses given to the recommendations of the Task and Finish Group if Essex County Council reduces the grant funding. We are aware of the value our customers place on the service and are exploring how we could minimise the impact to them if grant funding is reduced.

## Appendix 1 - Cabinet Responses to the Recommendations of the Bus Services and Community Transport Task and Finish Group

Brief Commentary from Task and Finish Group Report	Recommendations made by the Task and Finish Group	Cabinet Response
<p><b>A. Demand Responsive Transport (DaRT)</b>  This has replaced some Essex County Council subsidised bus routes. DaRT was introduced in some rural parts of the Braintree District in April 2016. It also replaced six shopper bus routes previously run by the Community Transport service in the District.</p>	<p><b>Recommendation 1</b>  The Council should follow the implementation of the DaRT service in the district by attending relevant Essex County Council meetings. This is in order to understand how the service is operating in practice and to assess any impact on the Community Transport Service.</p>	<p><b>Agreed</b> – We recognise that any impact of the DaRT service needs to be monitored.</p> <p>Cllr. Iona Parker, Chair of the Task and Finish Group has volunteered to monitor this with our officers. Officers will gather feedback from residents.</p>
<p><b>B. Total Transport Review for Essex and Suffolk</b>  A successful joint bid by Suffolk County Council and Essex County Council went to The Department for Transport in February 2015 for funding to carry out a review. The bid was supported by this Council. This is a review of getting around in rural communities. The areas close to the Braintree District that were included in the review were Sudbury, Colchester and Uttlesford.</p>	<p><b>Recommendation 2</b>  We need to follow this review which looks at services in rural areas and has a relevance to the Braintree District</p>	<p><b>Agreed</b> – We need to understand the ideas that come from this review.</p> <p>We need to support residents that face difficulties accessing public transport when living in our rural areas.</p>

<p><b>C. Community Transport – General Information</b></p> <p>The Braintree District Community Transport Scheme helps meet the needs of residents that are not met by conventional public transport. The service supports primarily older people and people with physical disabilities. It enables access to essential services such as health related appointments and shopping but also has a significant role in preventing social isolation by enabling people to attend support groups, to visit friends and other social trips.</p> <p>The service is dependent on annually determined grant support from Essex County Council and funding from Braintree District Council. Braintree District Council will undertake a review of the service in 2016/17 and financial aspects of the service will be included in the review. The fact that funding is only provided on an annual basis does make it challenging to plan over a longer term, in particular it is difficult to make investment decisions and bid for contracts. Funding for a two year period or longer would be preferable.</p> <p>There is a need for continued discussion</p>	<p><b>Recommendation 3</b></p> <p>There is a need to look at the issues regarding future funding of the District's Community Transport Scheme as part of the review of the service in 2016/17. The review should consider the possibility of providing funding for a period which is longer than one year.</p> <p><b>Recommendation 4</b></p> <p>There should be further engagement with health providers to raise awareness of the Community Transport Service and develop relationships with the CCG, local GPs and social prescribers to enable the different services to work more closely together.</p>	<p><b>Comments</b> - A review has been undertaken over the summer months and will be considered in the near future. Essex County Council currently provides an annual grant, in 2016/17 this is £105,541.</p> <p>There is also some uncertainty around Essex County Council's grant funding for 2017/18 to community transport providers across Essex. They have asked providers to carry out some scenario planning to understand implications of a potential reduction in the grant funding.</p> <p>Members will be updated and provided with options if Essex County Council reduces their grant funding.</p> <p><b>Agreed</b> - This will be undertaken by officers.</p>
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<p>with the CCG, community hospitals, GP surgeries, social prescribers and Citizens Advice to raise awareness of the Community Transport Service. There may also be the potential to operate some direct services.</p> <p>Volunteers are essential to this service and there is an ongoing need to promote the demand for volunteers.</p>	<p><b>Recommendation 5</b> The Community Transport Service currently offers transport only one way to Broomfield Hospital or Colchester Hospital for outpatient appointments. It is recommended that the provision of a return journey either by using Community Transport or another provider should be thoroughly explored.</p> <p><b>Recommendation 6</b> To review how the Community Transport Service is promoted to both potential users of the service and people who may be interested in volunteering. This should include the CCG, community hospitals, GP surgeries, social prescribers and Citizens Advice and should also include the possibility of advertising via social media. The review should bear in mind the need to balance demand for the service against volunteer availability.</p> <p>To look at internal resources to assist with the marketing and promotion of the Braintree District Community Transport Service.</p>	<p><b>Comments</b> - At present the Community Transport Service are unable to plan for return journeys from out of district hospitals as scheduling volunteer time is unmanageable when return times are unknown.</p> <p>This recommendation will be explored further by officers, however realistically with our current resources it is unlikely return journeys will be possible.</p> <p><b>Comments</b> - The Community Transport Team will continue to promote the service. As we do not expect to hear from Essex County Council regarding funding for 2017/18 until the new year our plans for promoting the service will need to take account of both this and the outcome of the review we are undertaking.</p>
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<p><b>D. Increasing awareness by transport providers and customers of the range of transport services available</b></p> <p>This issue was raised in relation to a range of transport matters and it was recognised that it can be challenging to promote public transport particularly:-</p> <p>Community Transport Non-Emergency Hospital Transport The Healthcare Travel Costs scheme The Pilot Parking Scheme at the Chelmer Valley Park and Ride</p>	<p><b>Recommendation 7</b></p> <p>That the Council contacts the local hospitals, clinical commission groups and Essex County Council to share this report with them and to look at ways of jointly promoting these services.</p>	<p><b>Agreed</b> – This will be done, although the comments directly above also apply here.</p>
<p><b>E. School Transport</b></p> <p>The Group identified the issue of transport for children of 16 plus who remain in education and their transport costs having to be met by parents.</p> <p>It is now compulsory for children between 16 and 18 to remain in education or training.</p>	<p><b>Recommendation 8</b></p> <p>That this Council notes this issue and asks Essex County Council whether they would consider providing free transport to school or college for this age group. If Essex County Council declines, that the Council write to its local Members of Parliament on the provision of free transport to school or college for 16 to 18 year olds.</p>	<p><b>Action Proposed</b> - We know Essex County Council's budgets are under pressure and this would have cost implications. Contact will be made with Essex County Council about this recommendation and we will review this again after a response has been received.</p>

<b>Medium-Term Financial Strategy 2017/18 to 2020/21</b>		<b>Agenda No: 9a</b>
<b>Portfolio</b>	<b>Finance and Performance</b>	
<b>Corporate Outcome:</b>	<b>A high performing organisation that delivers excellent and value for money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers</b>	
<b>Report presented by:</b>	<b>Cllr. David Bebb</b>	
<b>Report prepared by:</b>	<b>Trevor Wilson, Head of Finance</b>	
<b>Background Papers:</b>		<b>Public Report</b>
<b>Council Budget and Council Tax 2016/17 and Medium-Term Financial Strategy 2016/17 to 2019/20 report to Cabinet 4<sup>th</sup> February 2016 and Full Council 22<sup>nd</sup> February 2016</b>		<b>Key Decision: No</b>
<b>Medium-Term Financial Strategy 2016/17 to 2019/20 Update report to Cabinet 12<sup>th</sup> September 2016</b>		
<b>Executive Summary:</b>		
<b>1. Background and Purpose</b>		
1.1	The process of rolling forward the Council's four-year financial plan commenced with a report to Cabinet, on 12 <sup>th</sup> September 2016, with an initial review of the Medium-Term Financial Strategy (MTFS) 2016/17 to 2019/20; which was agreed by Council on 22 <sup>nd</sup> February 2016.	
1.2	The report to Cabinet included: <ul style="list-style-type: none"> <li>The Council's proposed response to the Government's offer to local authorities to accept the Settlement Funding Assessment figures for 2016/17 to 2019/20;</li> <li>An initial review and update of the assumptions included in the current MTFS;</li> <li>An option to continue to participate in an Essex Business Rates pooling arrangement for 2017/18;</li> <li>The proposed Local Council Tax Support scheme for 2017/18;</li> <li>Details of the initial consultation of the Government's proposal for local government to retain 100% of business rates; and</li> <li>The budget timetable for agreeing the budget and council tax for 2017/18 and the Medium-Term Financial Strategy 2017/18 to 2020/21.</li> </ul>	

- 1.3 This report provides detail of the progress with the updating of the Financial Profile and the Medium-Term Financial Strategy 2017/18 to 2020/21; unavoidable cost pressures; and work on identifying options for revenue savings/additional income to meet the anticipated funding shortfalls over the next four years.
- 2. Government Funding**
- 2.1 A request to accept the offer, of the Settlement Funding Assessment figures for 2016/17 to 2019/20, together with a link to the Efficiency Plan, agreed by Cabinet on 12<sup>th</sup> September, was sent to the Department for Communities and Local Government (DCLG) on 12<sup>th</sup> October 2016. A response from the DCLG is awaited at this time.
- 2.2 Until the actual Settlement Funding Assessment figures are confirmed in the weeks following the Autumn Statement, scheduled for 23<sup>rd</sup> November, the original figures contained in the offer have been incorporated in the updated Financial Profile.
- 2.3 The other significant funding received from Central Government is the administrative subsidy for Local Council Tax Support and Housing Benefit schemes (total of £658,620 in 2016/17). It is expected that the allocations for 2017/18 will also be received in the weeks following the Autumn Statement. The MTFS currently anticipates a reduction of 7% per annum to these subsidies.
- 3. Update on Financial assumptions in the current MTFS**
- 3.1 The Financial Profile, agreed in February 2016, included savings, totalling £509,080, planned for 2017/18 to 2019/20. These savings have been reviewed and the outcome is that adjustments are required to five of the items, with net reductions of £112,550, £10,210 and £8,460 respectively.
- 3.2 The review of the current year budget, undertaken at the end of September, predicts a positive variance for the year of £303,000: this is due to additional income of £169,000 and savings against expenditure budgets of £134,000.
- 3.3 For some service areas the changes in the levels of income and expenditure in 2016/17 are expected to be ongoing and therefore adjustments are required to the Financial Profile for 2017/18. The net total is £407,000, of which £382,000 is additional income and £25,000 a reduction of expenditure.
- 3.4 The Financial Profile includes provision for annual pay award of 1% in recognition of the announcement in the July 2015 Budget that public sector pay would increase by 1% per annum over the four years starting 2016/17. Allowances are provided for annual incremental progression for staff who are not at the top of their grade (payment is subject to achievement of satisfactory performance).
- 3.5 It is not anticipated that the Council will have any financial consequences from an expected increase in the National Living Wage from April 2017 with regard to its employees, however, there is potential for increased costs regarding agency staff and an allowance for an increase is included for 2017/18 under Pay inflation in the Finance Profile.

- 3.6 The result of the Triennial Review of the Essex Pension Fund, as at 31<sup>st</sup> March 2016, was received on 30<sup>th</sup> October 2016. The review determines the pension fund assets and liabilities applicable for each employer in the fund and sets the deficit contribution and employer contribution rate for the three years 2017/18 to 2019/20.
- 3.7 The review indicates that whilst this Council's part of the Fund continues to be in deficit, i.e. liabilities of £134.084m exceed assets of £119.627m; this has reduced such that the funding level is 89.2%, compared to 82.4% as at the last review conducted as at 31<sup>st</sup> March 2013.
- 3.8 The ongoing employer contribution rate is set to rise to 16.5% from the current level of 14.4%. Although this element is increasing, the deficit on the Council's part of the Fund has been reduced such that the combined elements are only marginally higher than that at the previous review in 2013: total contribution rate of 31.4% compared to 31.3%.
- 3.9 The triennial reviews in 2010 and 2013 set Deficit Recovery periods of 20 years and 14 years, respectively. The current review has determined the recovery period has reduced to 10½ years: a reduction of 3½ years representing an improvement against the anticipated reduction following 3 years of deficit payments.
- 3.10 The ongoing employer contribution is estimated at £1,650,700 pa. The Deficit payment is £1,427,130 in 2017/18 and rises by 3.9% in each of the two following years.
- 3.11 The Council has an option to pay the total deficit for the three years in a single payment of £4,232,683 on 1<sup>st</sup> April 2017. This represents a saving of £217,842 over the three annual payments option.
- 3.12 It is proposed that the Council opts to pay the total deficit payment on 1<sup>st</sup> April 2017. The accounting requirement for this is that the total payment is accountable in 2017/18; the implication of this is that two thirds of the payment (re 2018/19 and 2019/20) will need to be funded from the unallocated balance and/or earmarked reserves in 2017/18 but these sources will be repaid over the two following years.
- 3.13 A schedule detailing the proposed discretionary fees, charges and rents for 2016/17 for the service areas currently subject to review will be presented in the Finance report to Cabinet on 6<sup>th</sup> February 2017.
- 3.14 Bids for revenue funding to meet unavoidable budget demands show a total of £169,680 in 2017/18 and £73,640 in 2018/19, all of which is requested to be added to base budget.
- 3.15 Four bids for revenue funding for new investments:
- Economic Development – additional resource to support Economic growth and capital project delivery at an estimated cost of £252,000 per annum. It is proposed that funding would be from unallocated New Homes Bonus (£144,800) and capital resources (£107,200);
  - Welfare Reforms, increased Homelessness responsibilities, changes to Housing Benefit regulations, lower Benefit Cap, etc. will put pressure on the Housing Services' ability to find accommodation for families and single people, particularly those under 35 years of age. It is proposed to make a

provision of £150,000 to meet the cost of actions taken to address these issues. As a one-off provision it is proposed that it is met from balances;

- Public Relations and Marketing – to procure and implement the ‘Gov Delivery’ digital marketing platform to promote Council services and initiatives, support channel shift and digital transformation, enhance public awareness and increase the contributions/involvement of communities. Estimated cost is £12,120 pa.; and
- Town and Parish Councils – to allocate a proportion of the estimated surplus on the Council Tax Collection Fund from 2016/17, of £194,255, between the Town/Parish Councils and this Council. The proportion payable to the Town/Parish Councils would be £34,820.

#### **4. Cost Reduction/Additional Income Proposals**

- 4.1 In addition to the ongoing additional income and cost reduction changes which are to be made to the base budget for 2017/18, identified at paragraph 3.3 above, the following four new proposals will have a positive impact, of £255,000, on the 2017/18 budget:

##### **Environment and Place**

- Environmental Services – review of staffing structure, estimated saving of £15,000 is anticipated, however, this is currently subject to the completion of due process under the Council’s Change Management Policy;
- Fleet Management – new liquid fuels contract has been let resulting in a saving of £15,000 on the current budget;

##### **Corporate Services and Asset Management**

- Annual rent receivable, of £139,000, on the former Braintree College property purchased and leased out enabling the relocation of the St Lawrence Doctors Surgery; and

##### **Finance and Performance**

- Investment income – net interest of £86,000 in respect of an additional sum of £2million invested in equity funds in October/November 2016. This takes the total amount invested in pooled equity and property funds to £14million; within the current limit for long-term investments of £15million set in the Investment Strategy.

#### **5. Business Rates Retention**

- 5.1 The Business Rates Retention scheme has been in operation in its current form since April 2013. Under the scheme the Government calculates a baseline amount of business rates which it allows local authorities to retain as part of the Government’s funding for local government.
- 5.2 The Council’s provisional baseline figure for 2017/18 is £3,253,945 as provided in the four-year settlement. The amount of business rates actually collected in the year will inevitably vary from the baseline: a higher amount collected will increase the amount that the Council is able to retain (although the actual amount of the increase retained will be subject to a levy of 50% payable to the Government or to the Essex Pool if the current pooling arrangement continues for 2017/18).

- 5.3 The estimate of Business Rates retained in 2017/18 will also be determined using the results of the 2017 Revaluation, published on 30<sup>th</sup> September by the Valuation Office Agency. At this time this data is being loaded into the Business Rate system and verified. The Government has issued proposals to eliminate any variations (positive or negative) caused by changes to individual authority's total rateable value. Until this work and the adjustment methodology is confirmed the 2017/18 estimate cannot be finalised.
- 5.4 Estimates of Retained Business Rates for the years 2018/19 to 2020/21 simply include a 2% uplift each year to reflect an anticipated increase in the Rates multiplier, with a reduction of £291,482 in 2019/20 for the tariff adjustment included in the four-year settlement. The position for 2020/21 is more difficult to predict as the Government is currently working with Local Government representatives to devise a scheme whereby Local Government will retain 100% of Business Rates. It is expected that proposals will be consulted on over the next 18 months.

## **6. Local Council Tax Support Scheme**

- 6.1 The Council's Local Council Tax Support (LCTS) scheme was introduced on 1<sup>st</sup> April 2013. The scheme, which applies to claimants of working age only, retains a significant proportion of the principles and elements of the previous Council Tax Benefit scheme. Whilst the scheme remained unchanged for the first three years, four changes were agreed to be applied for 2016/17.
- 6.2 On 12<sup>th</sup> September 2016, the Cabinet determined that it would not propose any changes to the Council's LCTS scheme for 2017/18; on the basis that the changes agreed to the Council's LCTS scheme for 2016/17 were made with reference to the Council's financial position over the medium-term and with the desire to limit the frequency of changes thereby providing a level of stability and continuity in the scheme for claimants. With no proposed changes there was no requirement to undertake any consultation.
- 6.3 The Council is required to agree the details of its Local Council Tax Support Scheme for the ensuing financial year by 31<sup>st</sup> January. Details of the scheme for 2017/18 to be recommended for approval by Council can be found on the Council's website at:  
[http://www.braintree.gov.uk/info/200302/benefits/367/housing\\_benefit\\_and\\_council\\_tax\\_support](http://www.braintree.gov.uk/info/200302/benefits/367/housing_benefit_and_council_tax_support).
- 6.4 An Equalities Impact Assessment of the scheme has been prepared and can also be viewed on the Council's website at the link above.
- 6.5 Since the introduction of the Local Council Tax Support scheme it has been agreed that an Exceptional Hardship Fund would be provided for short-term assistance to households facing exceptional financial difficulties. The Fund is financed from contributions from the major precepting authorities; in proportion to their council tax precept. The process for dealing with requests for assistance from the Fund involves a referral to the Citizens Advice Bureau (CAB) for money advice and an assessment of the claimant's finances.
- 6.6 In addition to the money advice service provided by the CAB the Council has employed an officer to work with claimants who experience difficulty in paying their

council tax with the objective of offering support and advice and to ultimately gain agreement to pay.

- 6.7 The combination of these approaches has been beneficial to those claimants experiencing exceptional financial hardship and for the Council in maintaining a good collection rate and it is recommended that both of these services together with the Exceptional Hardship Fund are retained for 2017/18. The funding of these services is shared between the four major precepting authorities, including the Council. It is expected that the other three preceptors will agree to continue to provide funding for 2017/18.

## **7. Council Tax – Collection Fund Surplus and Taxbase**

- 7.1 The budget setting process includes estimating the amount of council tax expected to be collected. Variation from the estimate results in either a surplus or deficit in the Collection Fund which must be either returned to or requested from council taxpayers in the following year. The surplus or deficit is allocated between the four major preceptors: Essex County Council, Braintree District Council, Essex Police and Crime Commissioner and Essex Fire Authority.
- 7.2 It is estimated that the balance on the Collection Fund available for distribution is a surplus of £1,502,454. The Council's proportion of the council tax surplus, to be returned to council taxpayers in 2017/18 is £194,255.
- 7.3 It is proposed that £34,820 of this surplus is paid to town and parish councils in 2017/18, as detailed in Appendix B.
- 7.4 The Council's taxbase for 2017/18 is required to be calculated as at 30<sup>th</sup> November 2016 and will be agreed, under delegated authority, by the Corporate Director responsible for Finance. For financial planning purposes the council taxbase for 2017/18 is estimated to be 51,174, i.e. a 1% increase over the current year taxbase of 50,667.
- 7.5 From 1<sup>st</sup> April 2013 the Council agreed to exercise the new discretionary powers to set the discounts for empty properties and second homes. The current levels of these discounts are as follows:
- Properties undergoing extensive repair – 0% for twelve months;
  - Properties unfurnished – 0% for 6 months;
  - Second homes – 0%
- It is not proposed to make any changes to these levels for 2017/18.
- 7.6 From 1st April 2016 a premium of 50% was introduced on properties which have been unoccupied and substantially unfurnished for two years or more. It is not proposed to change this premium for 2017/18.
- 7.7 With the anticipated housing growth in the District over the coming years it is considered appropriate to increase the allowance, included in the financial profile, for growth in the council taxbase from the current level of 1% per annum to 1.5% per annum for 2018/19 onwards. This provides estimated taxbase's of 51,942, 52,721 and 53,512 in 2018/19 to 2020/21 respectively.



- 7.8 The Localism Act 2011 gives local communities the power to decide whether to accept an excessive council tax increase. The Secretary of State determines the level of increase above which a proposed increase in council tax must be subject to a referendum. For shire district councils the threshold for 2016/17 was set at the higher of 2% or £5. The Government is proposing to keep this threshold for 2017/18.
- 7.9 The Government is also proposing to introduce the referendum principle to town and parish councils for 2017/18. The intention is that this will only apply to town and parish councils whose Band D is higher than that of the lowest charging district council for 2016/17 (£75.46) and which have a total precept for 2016/17 of at least £500,000. There is no town or parish council in the Braintree District which currently meets these criteria.
- 7.10 The increases in the level of council tax provided in the Finance Profile for 2017/18 to 2020/21 for planning purposes are:
- 2017/18 – 1.97% providing a Band D level of £167.76;
  - 2018/19 – 1.98% providing a Band D level of £171.09;
  - 2019/20 – 1.95% providing a Band D level of £174.42;
  - 2020/21 – 1.96% providing a Band D level of £177.84.

## **8. Financial Profile**

- 8.1 The updated Financial Profile for 2017/18 to 2020/21 taking account of the proposed savings and revised assumptions shows:
- 2017/18 – a net withdrawal from balances of £107,571;
  - 2018/19 – a shortfall of £611,400;
  - 2019/20 – a shortfall of £524,008; and
  - 2020/21 – a shortfall of £234,383.

This position will be updated following receipt of the Funding Settlement Assessment.

- 8.2 The approach to address the anticipated budget shortfall of £1.37million over the next three years is a continuation of the work developed under the Peer Challenge Action Plan to address the issue of the Council being grant free over the medium-term. The plan provides for a focus on:
- Commercialisation and 'Better at Business';
  - Grow our economy – increase business rate pot and secure external funds;
  - Finance and Investment Strategy;
  - Review contracts and procurement;
  - Increase our income;
  - Management and Service Reviews; and
  - Sharing services or joint work.
- 8.3 Proposals regarding investment opportunities to purchase property which are the subject of reports to Cabinet and Council in November/December will be included in

the February Budget and Council Tax 2017/18 report, as appropriate.

## **9. Capital Investment**

- 9.1 New Homes Bonus – the DCLG has been conducting a review of the New Homes Bonus scheme. Proposed changes to the distribution of the Bonus involve options for saving at least £800million, which would be used for social care. In addition it is also considering options for staying within the funding envelope in the event of a sudden surge in housing growth. A decision on the future of the scheme is expected to be announced in the Autumn Statement.
- 9.2 Capital Programme – details of the proposed capital projects are contained in the report. The value of the proposed projects in 2017/18 is £1,270,200 and anticipated requirements for 2018/19 to 2020/21 total £1,077,000, £957,000 and £956,000 respectively.
- 9.3 The Council is due to receive 50% of the balance on the Development element of Community and Housing Investment Partnership Fund, of £2.718million, in late November/ early December from Greenfields CH. This resource will be earmarked for affordable homes.
- 9.4 District Investment Strategy – on 23<sup>rd</sup> May 2016, Cabinet agreed to establish the District Investment Strategy. This was in recognition that the District needs to prepare for growth by ensuring District infrastructure improvements/facilities are not only delivered for existing residents, but are able to provide for the future growth in the District as well. To support the District Investment Strategy funding of £28million was identified from the following sources: New Homes Bonus received, balances and prudential borrowing. Details of current committed projects and pipeline projects are listed in the report. In addition, £3million of the capital receipt from the sale of the former Bramston Sports Centre site is to be earmarked for investment for Witham.
- 9.5 **Long-Term Investments** – as work progresses on the Local Plan for the Braintree District, the Council has been actively looking at two opportunities for the delivery of the required housing numbers:
- 9.6 **Garden Communities** - The Council is working together with Colchester BC, Tendring DC and Essex CC on the North Essex Garden Communities project. Initial funding of £640,000 was secured from the DCLG with a further supplementary award of £648,000 is anticipated to be received in the current financial year. The project is to establish the feasibility of and funding requirements of delivering three garden communities across North Essex.
- 9.7 As the project has progressed a three-year work programme and project budget has been developed which includes the current position on resource requirements and external commissioned support. This identified a need for a contribution of £250,000 from each of the four authorities. The Cabinet agreed the contribution on 12<sup>th</sup> September 2016.
- 9.8 **Housing Development Company** – the Cabinet, on 12<sup>th</sup> September 2016, approved the resources to develop a full business case relating to the establishment of a Housing Development Company (HDC). The proposed HDC has the potential

to bring forward a robust delivery programme of new homes across the District, to include a range of tenures, such as private sale, affordable rent, private rent, keyworker and starter homes. It would also contribute to wider objectives, including the generation of a financial return, the development of under-utilised Council-owned land and the stimulation of economic growth through the provision of high-quality training and employment opportunities through on-site developments.

#### **Recommended Decision:**

Cabinet recommends to Full Council to agree:

- a) The Braintree District Council's Local Council Tax Support scheme for 2017/18 as detailed on the Council's website:

[http://www.braintree.gov.uk/info/200302/benefits/367/housing\\_benefit\\_and\\_council\\_tax\\_support](http://www.braintree.gov.uk/info/200302/benefits/367/housing_benefit_and_council_tax_support)

; and

- b) That the surplus on the Council Tax Collection Fund be allocated between the District and parish/town councils as detailed in Appendix B to this report.

Cabinet to agree that:

- c) The Pension Deficit payments for the period 2017/18 to 2019/20 due to the Essex Pension Fund be made in a single payment on 1<sup>st</sup> April 2017, as detailed in section 6.3 of the main report ; and
- d) The Revenue Budget and Capital Programme for 2017/18, as presented in this report, constitute the initial Budget proposals and that views are sought as appropriate.

#### **Purpose of Decision:**

Good governance arrangements through the proactive management of the Council's finances over the short and medium term.

To recommend to Council to agree the Local Council Tax Support scheme for 2017/18 for the Braintree District.

**Any Corporate implications in relation to the following should be explained in detail.**

<b>Financial:</b>	<p>The initial budget proposals provide a balanced budget for 2017/18 which includes: an increase of 1.97% in the level of council tax; additional income and cost reductions of £0.842million; additional spend and reductions in income of £0.928million on unavoidable demands; a net withdrawal from balances of £0.108million; and the Government's Settlement Funding Assessment at the provisional figure of £4.03million (a reduction of £0.762million over the current year).</p> <p>The financial position forecast for 2018/19 to 2020/21: shows savings of £611,400, £524,008 and £234,383 will be required to be found in 2018/19, 2019/20 and 2020/21 respectively. It is intended to continue the work developed under the Peer Challenge Action Plan to address the shortfalls in funding as the Council becomes grant free and a new Business Rate Retention scheme is implemented in 2020/21.</p> <p>Capital projects with a total value of £1,270,200 are proposed for inclusion in the 2017/18 Capital Programme. The anticipated projects for 2018/19 to 2020/21 have values of £1,077,000, £957,000 and £956,000 respectively.</p> <p>As assessment of available capital resources shows that there will be sufficient to fund the proposed capital programme.</p>
<b>Legal:</b>	Adoption of LCTS is a statutory requirement. Failure to do so could lead to a default scheme being imposed by the Government.
<b>Safeguarding:</b>	There are no safeguarding issues raised by this report.
<b>Equalities/Diversity:</b>	<p>An Equality impact assessment on the Local Council Tax Support scheme has been completed and is available on the Council's website.</p> <p>The Council has a responsibility for ensuring that an equalities impact assessment is undertaken on proposed changes, where appropriate, and that this is taken into account in the decision making process. Equalities impact assessments, where appropriate, will be included in the savings proposals reported to Cabinet in the Finance report on 6<sup>th</sup> February 2017.</p>
<b>Customer Impact:</b>	There are no customer impact issues raised by this report.

<b>Environment and Climate Change:</b>	There are no environmental and Climate Change issues raised by this report.
<b>Consultation/Community Engagement:</b>	<p>Consultation to be undertaken in accordance with the Council's Management of Change on the proposed staffing restructures detailed in the report.</p> <p>The Overview and Scrutiny Committee will examine and consider the budget proposals as contained in this report on 23<sup>rd</sup> November 2016. The Chairman of the Committee has extended an open invitation to all members to attend this meeting.</p>
<b>Risks:</b>	<p>Failure to adopt a local Council Tax Support scheme in time would lead to the Government imposing a default scheme.</p> <p>The assumptions made prove to be incorrect resulting in savings not being achieved as planned, costs rising by more than the provision allowed for inflation, increased income budgets not being achieved.</p> <p>The provisional financial settlement figures for 2017/18 from Government, included in the Financial Profile, are reduced following presentation of the Autumn Statement to Parliament on 23<sup>rd</sup> November 2016.</p>
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## 1. Background

- 1.1 The process of rolling forward the Council's four-year financial plan commenced with a report to Cabinet, on 12<sup>th</sup> September 2016, with an initial review of the Medium-Term Financial Strategy (MTFS) 2016/17 to 2019/20; which was agreed by Council on 22<sup>nd</sup> February 2016.
- 1.2 The report to Cabinet included:
- The Council's proposed response to the Government's offer to local authorities to accept the Settlement Funding Assessment figures for 2016/17 to 2019/20;
  - An initial review and update of the assumptions included in the current MTFS;
  - An option to continue to participate in an Essex Business Rates pooling arrangement for 2017/18;
  - The proposed Local Council Tax Support scheme for 2017/18;
  - Details of the initial consultation of the Government's proposal for local government to retain 100% of business rates; and
  - The budget timetable for agreeing the budget and council tax for 2017/18 and the Medium-Term Financial Strategy 2017/18 to 2020/21.
- 1.3 This report provides detail of the progress with the updating of the Financial Profile and the Medium-Term Financial Strategy 2017/18 to 2020/21; unavoidable cost pressures; and work on identifying options for revenue savings/additional income to meet the anticipated funding shortfalls over the next four years.

## 2. Government Funding

- 2.1 The Financial Settlement for local government announced by the Secretary of State for Communities and Local Government on 17<sup>th</sup> December 2015 provided funding figures for each authority for the four-year period 2016/17 to 2019/20. The announcement included an offer to local authorities to receive the settlements for the four years on condition that an efficiency plan is produced. Councils wanting to accept the offer were required to send a link to their efficiency plan to the Department for Communities and Local Government (DCLG) by 14<sup>th</sup> October 2016.
- 2.2 The Provisional SFA figures for 2017/18 to 2019/20 are:

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Revenue Support Grant	£777,347	£272,480	Nil
Retained Business Rates - Baseline	£3,253,945	£3,349,939	£3,457,008
Business Rates tariff adjustment			-£291,482
<b>Total Settlement Funding Assessment</b>	<b>£4,031,292</b>	<b>£3,622,419</b>	<b>£3,165,526</b>

- 2.3 An Efficiency Plan covering the period 2016/17 to 2019/20 was agreed by Cabinet on 12<sup>th</sup> September. A request to accept the offer together with a link to the Efficiency Plan, published on the Council's website, was sent to the

DCLG on 12<sup>th</sup> October 2016. Whilst an acknowledgement was received, stating that the Department would be in touch to provide final confirmation of the offer shortly after the deadline, no response had been received at the time of writing this report.

- 2.4 Whilst the actual Settlement Funding Assessment figures will not be confirmed until the weeks following the Autumn Statement, scheduled for 23<sup>rd</sup> November, the figures as detailed in the table above have been incorporated in the updated Financial Profile.
- 2.5 The other significant funding received from Central Government is an administrative subsidy for Local Council Tax Support and Housing Benefit schemes (total of £658,620 in 2016/17). It is expected that the allocations for 2017/18 will also be received in the weeks following the Autumn Statement. The MTFS currently anticipates a reduction of 7% per annum to these subsidies.

### **3 Update on Financial assumptions in the current MTFS**

- 3.1 The Financial Profile, agreed in February 2016, included savings planned for 2017/18 to 2019/20. These savings have been reviewed to ensure that they are still deliverable. The outcome is that five of the savings require adjustment:
- A proposal to let part of the office space in Causeway House achieving an estimated rent of £110,000 per annum will not be progressed at the current time. Following further assessment of accommodation needs over the short term it is not considered that there will be space that is surplus to requirements to offer for rent;
  - Installation of solar panels at George Yard Car Park and the additional panels at Witham Leisure Centre were halted earlier in the year following the change to Feed in Tariffs. The proposed replacement of the wind turbine at the Discovery Centre is also not being undertaken. The consequence is that anticipated income of £35,000 will not now be received;
  - Human Resources – proposed savings of £6,350 in 2017/18 and £1,750 in 2018/19 are not able to be realised as the on-line professional advice service is still required and funding is required for subscriptions for PILAT (job evaluation), Vine HR and Workplace Options (employee support);
  - Sponsorship programme – the business case for this programme anticipates net additional income of £21,880 (£31,880 in 2017/18 but the removal of the original provisions of £5,000 expected in 2018/19 and 2019/20; and
  - Localism Fund – adjustment required to the timing of the budget reductions across the three years – net impact is nil (additional saving of £6,920 in 2017/18 offset by saving reduction of £3,460 in both 2018/19 and 2019/20).
- 3.2 A summary of the value of the planned savings and the proposed adjustments required is provided in the table below:

	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>2019/20 £</b>
Savings Planned	(293,310)	(124,320)	(91,450)
Less: Proposed Adjustment	112,550	10,210	8,460
Revised Value of Savings	(180,760)	(114,110)	(82,990)

#### **4. Review of Priority Investments and Unavoidable budget changes identified in previous years**

- 4.1 The Financial Profile includes the consequences for 2017/18 of the planned priority investments and unavoidable budget changes which were identified in previous years.
- 4.2 The two priority investments were both one-off budget requests in 2016/17 and these are therefore being removed from the base budget in 2017/18. The two items are:
- Councillor Grant Scheme – provision of £180,000 to cover grants and administration in 2016/17 and 2017/18; and
  - Surplus on Council Tax Collection Fund – allocation of part of the 2015/16 surplus to town and parish councils in the Braintree District of £20,362.
- 4.3 The total value of these budget reductions to be made in 2017/18 is £200,362.
- 4.4 Two unavoidable budget changes were also previously identified for 2017/18 onwards. These were:
- Sale of recyclates – to reduce the current income budget of £515,100 to nil in anticipation of the renewal of the contract wef 1<sup>st</sup> April 2017; and
  - Council Tax Support and Housing Benefit Administrative Subsidies – anticipate a reduction of £46,750 in 2017/18 and of £43,480 in following years.
- 4.5 Whilst these budget changes are included in the Financial Profile an update to the sale of recyclates contract is provided in section 7.2 below.

#### **5. Financial Performance at half-year and predicted Outturn for 2016/17**

- 5.1 Service managers have reviewed their budgets against the monies expended and income received during the first half of the current financial year and have used this information to predict the outturn for the year. The prediction takes account of the delivery of the planned savings and efficiencies, totalling £1.129million, included in the 2016/17 budget.
- 5.2 The outcome of the review is a predicted positive variance for the year of £303,000: this is due to additional income of £169,000 and savings against expenditure budgets of £134,000.



- 5.3 Details of this predicted outturn for 2016/17 are contained in the Quarterly Performance report; included as a separate item on the agenda of this meeting.
- 5.4 For some service areas the changes in the levels of income and expenditure are expected to be ongoing and therefore adjustments are required to the Financial Profile for 2017/18; this totals £407,000 and the main areas involved are:

### **Income**

#### **Positive changes:**

- Council Tax sharing agreement – additional income under the agreement with the major preceptors was received in 2015/16 and this is set to continue for the duration of the current agreement i.e. up to 31<sup>st</sup> March 2018. An extra sum of £100,000 is anticipated for both 2016/17 and 2017/18, however, it is expected that the terms of the agreement will be re-negotiated for 2018/19;
- Investment income – net interest of £86,000 in respect of the additional sum of £2million invested in the equity and property funds, which was not reflected in the 2016/17 budget;
- Housing Benefit Overpayments recovered – the monies recovered over the last few years have exceeded the budget provision and this is expected to continue. Addition of £140,000 per annum;
- Car park income – outturn for 2015/16 was higher than anticipated due primarily to the opening of Easton Road car park in Witham. Increase in budget provision of £70,000 per annum;
- Benefits Administration grant - additional £66,000 allocated toward administration of the Local Council Tax Support scheme, notification of which was not received until after the Council had agreed the budget for 2016/17; and
- Staff purchase of annual leave – introduced for 2016/17 but with no financial provision as demand-led. With income for 2016/17 marginally in excess of £10,000 it is proposed to include a base budget provision of £10,000 for 2017/18.

#### **Negative changes:**

- Sale of mixed dry recyclates – Following negotiations this contract with Viridor has been extended for five years. The terms of the extension includes the deferral of 50% of the income receivable in 2016/17 to the following two years. The deferred receipts will help smooth the transition to paying a gate fee, which is now the position in the recyclates market. The variance against the income budget in the current year is a reduction of £270,000 (see section 7.2 for change in 2017/18);
- Sale of glass recyclates – the reduced price receivable is expected to continue with an estimated shortfall against budget of £60,000; and
- Waste Inter-Authority Agreement – Essex County Council has identified and corrected an error in the calculation of sums due to district councils under the agreement. The impact is a reduction of income of £30,000 per annum.

### **Expenditure**

Positive change:

- External Audit fees – reduction following the demise of the Audit Commission of £25,000 per annum.

## **6. Finance Profile 2016/17 to 2019/20 – Assumptions Update**

### **6.1 Pay**

- 6.1.1 The Financial Profile includes provision for annual pay award of 1% in recognition of the announcement in the July 2015 Budget that public sector pay would increase by 1% per annum over the four years starting 2016/17. Although local government pay is negotiated between the Employers Organisation and the unions it is considered appropriate to limit the annual increases to 1% for financial planning purposes. Allowances are provided for annual incremental progression for staff who are not at the top of their grade (payment is subject to achievement of satisfactory performance).
- 6.1.2 Whilst it is not anticipated that the Council will have any financial consequences from an expected increase in the National Living Wage from April 2017 with regard to its employees there is potential for increased costs regarding agency staff. An allowance for an increase of 6.25% or 45p per hour has been included for 2017/18 under Pay inflation in the Finance Profile.

### **6.2 Members Allowances**

- 6.2.1 Provision has been included for annual increases in line with the pay award for staff.

### **6.3 Pension Fund Contributions**

- 6.3.1 The result of the Triennial Review of the Essex Pension Fund, as at 31<sup>st</sup> March 2016, was received on 30<sup>th</sup> October 2016. The review determines the pension fund assets and liabilities applicable for each employer in the fund and sets the deficit contribution and employer contribution rate for the three years 2017/18 to 2019/20.
- 6.3.2 The review indicates that whilst this Council's part of the Fund continues to be in deficit, i.e. liabilities of £134.084m exceed assets of £119.627m, this has reduced such that the funding level is 89.2%, compared to 82.4% as at the last review conducted as at 31<sup>st</sup> March 2013.
- 6.3.3 The ongoing employer contribution rate is set to rise to 16.5% from the current level of 14.4%. This is due to a number of reasons including the age profile of staff in the pension scheme, mortality assumptions, the Actuary's outlook on investment returns and the change in benefits resulting from the implementation of the Career Average Revalued Earnings (CARE) scheme from 1<sup>st</sup> April 2013.
- 6.3.4 The Funding Strategy of the Essex Pension Fund endeavours to maintain consistency of overall contributions paid into the fund between triennial reviews. Although the ongoing employer contribution rate is increasing the deficit on the Council's part of the Fund has been reduced such that the

combined elements are only marginally higher than that at the previous review in 2013: total contribution rate of 31.4% compared to 31.3%. This Strategy has however not impacted adversely for the Council on the planned period over which the deficit is to be addressed. The triennial reviews in 2010 and 2013 determined recovery periods of 20 years and 14 years, respectively. The current review has determined the recovery period has reduced to 10½ years: a reduction of 3½ years representing an improvement against the anticipated reduction following 3 years of deficit payments.

- 6.3.5 The estimated contribution payments to the Pension Fund over the three year period 2017/18 to 2019/20, with the deficit payment being made on 1<sup>st</sup> April each year, are shown in the table below:

	<b>2013 Valuation</b>	<b>2016 Valuation</b>		
	<b>2016/17 £</b>	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>2019/20 £</b>
Ongoing Rate (estimate)	1,370,823	1,650,702	1,650,702	1,650,702
Deficit Payment	1,640,673	1,427,127	1,482,785	1,540,613
Total Payment to Fund	3,011,496	3,077,829	3,133,487	3,191,315
Deficit Period	14 years	10½ years		

- 6.3.6 The figures in the table above are based on the same option payment plan agreed for the 2013 Valuation payments. However, a saving, of £217,842, is offered by the Essex Pension Fund if the Council pays the total deficit for the three years in a single payment on 1<sup>st</sup> April 2017 (option E). A schedule giving details of the payment plan options is provided at Appendix A.

- 6.3.7 It is proposed that the Council opts to pay the total deficit payment, of £4,232,683, on 1<sup>st</sup> April 2017. The accounting requirement for this is that the total payment is accountable in 2017/18; the implication of this is that two thirds of the payment (re 2018/19 and 2019/20) will need to be funded from the unallocated balance and/or earmarked reserves in 2017/18 with these sources being repaid over the two following years.

- 6.3.8 The adjustments required to the Financial Profile in respect of the proposed pension payments detailed above are:

	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>2020/21 £</b>
Adjustment to Pension Fund figures in current Financial Profile	-100,060	-48,510	-46,780	92,120

The increase to the budget in 2020/21 provides an estimated deficit payment of £1,600,700 which is the 2019/20 figure plus the annual uplift of 3.9%. The actual deficit payment for 2020/21 will be determined by the Triennial Review to be undertaken as at 31<sup>st</sup> March 2019.

## 6.4 Other Expenditure

- 6.4.1 Allowances for inflationary increases have been provided only on specific budget headings e.g. business rates, contracts, energy, fuel, etc. based on the Office of Budget Responsibility's forecast of the Consumer Prices Index for 2017/18 and forecast energy cost increases from Concept Energy Solutions, an energy management and monitoring company engaged by the Council.

## **6.5 Fees and Charges, Rents and Third Party Contributions**

### **6.5.1 Fees and Charges**

The general principle of the Charging Policy for the Council's discretionary fees and charges is that service users should make a direct contribution to the cost of providing services at their point of use.

The majority of the discretionary fees and charges are reviewed annually and this process is currently in progress. The exception is car park fees and charges which are reviewed on a three-year basis. The next review of car park fees and charges will be in 2017 for 2018/19. There are, therefore, no proposed changes to car parking charges for 2017/18 and includes the continuation of the 10p after 3:00pm initiative.

For financial planning purposes a nominal provision, of £10,000 per annum, is included for increases in fees and charges in future years.

A schedule detailing the proposed levels of discretionary fees and charges for 2017/18 will be presented in the Finance report to Cabinet on 6<sup>th</sup> February 2017.

### **6.5.2 Rents**

It is proposed that the housing rents and service charges for the four properties in Bradford Street, Braintree, be changed in line with that prescribed by the Government to Registered Social Landlords. Details of the proposed rents and service charges will be included in the schedule of proposed discretionary fees and charges for 2017/18 to be presented in the Finance report to Cabinet on 6<sup>th</sup> February 2017.

Increase in rental income from the Council's commercial and industrial properties is determined by rent reviews as provided within the lease terms.

### **6.5.3 Third Party Contributions**

A significant amount of income is received from Essex County Council under a number of service level agreements and across a number of service areas.

The Inter Authority Agreement for Waste Management is the largest at £1.914million (2016/17 budget). Other agreements are for Community Transport (£105,540) and for a council tax sharing arrangement (£356,420).

The agreements are for defined periods:

- Inter Authority Agreement, signed in January 2010, is for a period of 25 years;
- Community Transport – the current 1-year agreement terminates on 31st March 2017;
- Council Tax sharing agreement – the existing 3-year agreement between Essex CC and each of the Essex borough/district/city councils commenced on 1st April 2015. The agreement, however, contains a break clause under which Essex CC can give notice by the end of November to terminate the agreement early. The amount anticipated to be received in 2016/17 is £440,140, an increase over budget of £83,720.

Essex CC is reviewing the funding of the Community Transport service which would apply from 1<sup>st</sup> April 2017. Details of the outcome of the review are not expected until February/March 2017. At this time it is assumed that the funding for 2017/18 will be cash-limited at the 2016/17 level.

## **7. Unavoidable Budget demands and New Investments**

7.1 Requests for revenue funding to meet unavoidable budget demands total £169,680 in 2017/18, £73,640 in 2018/19 and £120,000 in 2019/20, all of which is requested to be added to base budget.

7.2 The seven requests are:

### **Environment and Place**

- Waste Management Recycling – the current contract for the sale of mixed dry recyclates terminates on 31<sup>st</sup> March 2017. As mentioned at section 5.4 above the contract has been renegotiated but with the downturn in the recyclates market the Council will be paying a gate fee from 1<sup>st</sup> April 2017. It is anticipated that a budget growth bid of £70,000 will be required for 2017/18, after allowing for the receipt of the deferred income from the current year. A further budget increase of £120,000 will be required in 2019/20 following the cessation of the deferred income from the current year;
- Increase in budget required to provide a second litter pick and mechanical sweep of the Braintree Bypass on an annual basis, to maintain cleanliness standards. The budget requested will cover the cost of Street Scene staff deployed to carry out the work (night-time operation) and Contractors, vehicles etc. who provide the Traffic Management (rolling road blocks, lane closures, signs etc.) in compliance with the New Roads and Street Works Act. Request for £20,000;
- Public Toilets. Actual cost of maintaining and cleaning the Public Toilets in Braintree and Witham and Cemeteries is higher than the current base budget. Request for £5,000;
- New Bocking Cemetery. Additional cost of maintaining the new Cemetery extension at Bocking that is now coming into use for burials and cremated remains. Request for £5,000;
- Operations Training Budget. Existing budget is insufficient to provide an annual programme of staff training (core and essential) across Operations' various services. Request for £20,000;

#### Planning and Housing

- Two posts in Housing Options section are currently funded from an earmarked reserve and are essential to maintaining the service. Request for £78,320 (£4,680 in 2017/18 and £73,640 in 2018/19); and

#### Corporate Services and Asset Management

- Apprenticeship Levy – employers with a pay bill in excess of £3million will be subject to this new levy from April 2017. The cost to the Council will be approximately £45,000 per annum;

- 7.3 Four bids are proposed for new Investments, of which only one is a request for an addition to the revenue base for ongoing expenditure (£12,120), two requests are for funding from balances and New Homes Bonus/capital resources, and the final request is for one-off expenditure in 2017/18:

#### Economic Development

- Additional resources to support the Economic Growth agenda and capital project delivery. The proposed additional cost is £252,000 per annum (£207,000 for four members of staff and £45,000 for project and feasibility expense budgets). It is proposed that funding is met from unallocated New Homes Bonus (£144,800) and capital resources (£107,200). Whilst the additional resource requirement for project delivery will be determined by the projects, the additional resource for economic development (of £110,000 and funded from New Homes Bonus) will be required for a period of up to 5 years. The proposed staffing arrangements will be subject to the completion of due process under the Council's Change Management Policy;

#### Housing and Planning

- Welfare Reforms, increased Homelessness responsibilities, changes to Housing Benefit regulations, lower Benefit Cap, etc. will put pressure on the Housing Services' ability to find accommodation for families and single people, particularly those under 35 years of age. It is proposed to make a provision of £150,000 to meet the cost of actions taken to address these issues. As a one-off provision it is proposed that it is met from balances. Agreement to any actions will be agreed by the Cabinet Member for Housing and Planning;

#### Corporate Services and Asset Management

- To procure and implement the 'Gov Delivery' digital marketing platform to promote Council services and initiatives, support channel shift and digital transformation, enhance public awareness and increase the contributions/involvement of communities. Cost is £12,120 per annum;

#### Finance and Performance

- It is proposed to allocate a proportion of the estimated surplus on the Council Tax Collection Fund from 2016/17 of £194,255 between the Town/Parish Councils and this Council. The proportion payable to the Town/Parish Councils is £34,820. A schedule of the proposed payment to each parish and town council is provided at Appendix B. It is proposed that this is recommended for approval by Full Council in order

that the parish/town councils can be notified in sufficient time to enable this resource to be discussed as part of their budget and precept setting for 2017/18.

## **8. Cost Reduction/Additional Income Proposals**

- 8.1 In addition to the ongoing additional income and cost reduction changes which are to be made to the base budget for 2017/18, identified at Section 5.4 above, the following four new proposals will have a positive impact, of £255,000, on the 2017/18 budget:

### **Environment and Place**

- Environmental Services – review of staffing structure, estimated saving of £15,000 is anticipated, however, this is currently subject to the completion of due process under the Council's Change Management Policy;
- Fleet Management – new liquid fuels contract has been let resulting in a saving of £15,000 on the current budget;

### **Corporate Services and Asset Management**

- Annual rent receivable, of £139,000, on the former Braintree College property purchased to enable the relocation of the St Lawrence Doctors Surgery; and

### **Finance and Performance**

- Investment income – net interest of £86,000 in respect of an additional sum of £2million invested in equity funds in October/November 2016 as agreed by the Strategic Investment Group following discussion with Arlingclose, the Council's Treasury Management advisors. The total amount invested in pooled equity and property funds is £14million; within the current limit for long-term investments of £15million set in the Investment Strategy.

## **9. Business Rates Retention Scheme**

- 9.1 The Business Rates Retention scheme has been in operation in its current form since April 2013. Under the scheme the Government calculates a baseline amount of business rates which it allows local authorities to retain as part of the Government's funding for local government.
- 9.2 The Council's provisional baseline figure for 2017/18 is £3,253,945 as provided in the four-year settlement. This is subject to DCLG's acceptance of the Council's Efficiency Plan. However an adjustment will be required to eliminate the impact of the 2017 Rating Revaluation. Confirmation of the actual baseline figure will be included in the Settlement Funding Assessment.
- 9.3 The amount of business rates actually collected in the year will inevitably vary from the baseline: a higher amount collected will increase the amount that the Council is able to retain (although the actual amount of the increase retained will be subject to a levy of 50% payable to the Government or to the Essex Pool if the Council enters into a pooling arrangement: see section 11 below) whilst a lower amount collected will require the Council to meet the shortfall up

to a maximum of 7.5% of the baseline amount: any shortfall more than this will be met by the Government (under the safety net arrangements) or from the Essex Pool (if applicable).

- 9.4 An assessment of the business rates collectable and collected for the first half-year of 2016/17 has been undertaken, in order to provide a revised estimate for 2016/17 and to provide an indication of the amount of business rates to be retained by the Council for 2017/18.
- 9.5 The assessment shows the amount of business rates retained, including growth above baseline, for 2016/17 will be £4,191,583, an increase of £199,910 against the budgeted figure.
- 9.6 For 2017/18, the estimate will be determined on the basis that any outstanding rating appeals will be contained within the provision already set aside by the Council and that the Government continues to provide grant funding for the additional 50% uplift, to 100%, to the small business rate relief scheme.
- 9.7 The estimate for 2017/18 will also be determined using the results of the 2017 Revaluation, published on 30<sup>th</sup> September by the Valuation Office Agency. At this time this data is being loaded into the Business Rate system and verified. The Government has issued proposals to eliminate any variations (positive or negative) caused by changes to individual authority's total rateable value. Until this work and the adjustment methodology is confirmed the 2017/18 estimate cannot be finalised. However, on the basis that the Government is to eliminate variations resulting from the Revaluation, the business rates should be broadly in line with the figure provided in the current Financial Profile of £4,070,182 and therefore this is retained at this time.
- 9.8 Estimates of Retained Business Rates for the years 2018/19 to 2020/21 simply include a 2% uplift each year to reflect an anticipated increase in the Rates multiplier, with a reduction of £291,482 in 2019/20 for the tariff adjustment included in the four-year settlement. The position for 2020/21 is more difficult to predict as the Government is currently working with Local Government representatives to devise a scheme whereby Local Government will retain 100% of Business Rates. It is expected that proposals will be consulted on over the next 18 months.

## **10. Business Rates Taxbase**

- 10.1 Determination of the Business Rates Taxbase for 2017/18 will be agreed by the Corporate Director (Finance) under delegated authority and following notification of the Settlement Funding Assessment.
- 10.2 The Council's policy on discretionary rate reliefs to charities, Community Amateur Sports Clubs and other not-for-profit organisations, is currently being reviewed. A proposed new policy for 2017/18 will be included in the Finance report to Cabinet on 6<sup>th</sup> February 2017. Recipients of discretionary relief were informed, in March 2016, that they would be required to submit a new application for Business Rate relief for 2017/18 during the current year and that this would be determined against the new policy.



## **11. Business Rates – Essex Region pooling arrangement**

- 11.1 The Council agreed to participate in an Essex Business Rates Pool in both 2015/16 and 2016/17. Under this arrangement growth in business rates, above a baseline figure, which would normally be passed to the Government is retained and shared between the authorities in the Essex Pool (this includes Essex County Council and Essex Fire Authority as well as a number of district councils).
- 11.2 Ten authorities participated in 2015/16 and eleven authorities agreed to participate in 2016/17. The final shares for 2016/17 will not be determined until early October 2017. No provisions was included in either the 2015/16 or 2016/17 Budgets for this, as the shares are dependent on the business rate growth and rates collected in each of the participating districts.
- 11.3 Cabinet, on 12<sup>th</sup> September 2016, agreed in principle for the Council to participate in an Essex Business Rates Pool for 2017/18. The decision was on the basis that the Council would be no worse off in the pool than if it had not joined.
- 11.4 At present it is anticipated that the current Essex Pool with eleven authorities will continue for 2017/18. However, the Business Rates Revaluation 2017 has introduced a level of uncertainty in estimating the level of business rates and ultimately whether a member authority in the Pool expects to be in a levy or safety net position for the year. Authorities will not be able to determine their position until the Settlement Funding Assessment has been received.

## **12. Local Council Tax Support Scheme**

- 12.1 The Council's Local Council Tax Support (LCTS) scheme was introduced on 1<sup>st</sup> April 2013. The scheme retains a significant proportion of the principles and elements of the previous Council Tax Benefit scheme. Whilst the scheme remained unchanged for the first three years, four changes were agreed to be applied for 2016/17. The main elements of the scheme, which applies to claimants of working age only, are as follows:
- The calculation of support is based on 76% (reduced from 80% for 2015/16) of the Council Tax liability rather than the full amount as under council tax benefit;
  - An upper limit on the council tax banding, on which support will be calculated, is set at Band D;
  - Child Benefit for the first child only will be excluded from the assessment of a claimant's income;
  - The deduction for non-dependants in the household is set at £10.00 per week;
  - The period of backdating a claim (with good cause) is one month (reduced from three months in 2015/16);
  - The amount of earnings excluded from a claimant's overall income is set at £40.00 per week with an additional earnings allowance for those claimants in receipt of working tax credit (where working a minimum of 30 hours) set at £5.00 per week;

- The full amount of War Widows pension is excluded from the assessment of the claimant's income;
  - The limit on savings held by the claimant is £16,000. Savings above this limit precludes the claimant from support under the scheme;
  - Minimum level of income for claimants who are self-employed introduced for 2016/17: the level set being the National Living Wage; and
  - Removal of the Family Premium for new claims after 1<sup>st</sup> May 2016.
- 12.2 The Government specified that support given to claimants of pensionable age will continue to be calculated using the same rules as existed under the former Council Tax Benefit scheme.
- 12.3 The LCTS scheme is accounted for as a discount rather than a benefit: with the Council's council taxbase being reduced by an estimate of the amount of support that will be awarded each year. For 2016/17 this was estimated to be £7.1million. As at 30<sup>th</sup> September 2016, the value of support awarded for the year was £6.938million. The variation between the actual and estimated amount awarded is reflected in the balance on the Council Tax Collection Fund at the year-end.
- 12.4 On 12<sup>th</sup> September 2016, the Cabinet determined that it would not propose any changes to the Council's LCTS scheme for 2017/18; on the basis that the changes agreed to the Council's LCTS scheme for 2016/17 were made with reference to the Council's financial position over the medium-term and with the desire to limit the frequency of changes thereby providing a level of stability and continuity in the scheme for claimants. With no proposed changes there was no requirement to undertake any consultation.
- 12.5 The Council is required to agree the details of its Local Council Tax Support Scheme for the ensuing financial year by 31<sup>st</sup> January. Details of the scheme for 2017/18 to be recommended for approval by Council can be found on the Council's website at:  
[http://www.braintree.gov.uk/info/200302/benefits/367/housing\\_benefit\\_and\\_council\\_tax\\_support](http://www.braintree.gov.uk/info/200302/benefits/367/housing_benefit_and_council_tax_support).
- 12.6 An Equalities Impact Assessment of the scheme has been prepared and can also be viewed on the Council's website at the link above.
- 12.7 Since the introduction of the Local Council Tax Support scheme it has been agreed that an Exceptional Hardship Fund would be provided for short-term assistance to households facing exceptional financial difficulties. The Fund is financed from contributions from the major precepting authorities; in proportion to their council tax precept.
- 12.8 The Council's process for dealing with requests for assistance from the Fund involves a referral to the Citizens Advice Bureau (CAB) for an assessment of the claimant's finances. Detail of the process is contained in the 'Council Tax – Discretionary Reduction in Liability Policy'. The Council currently has a service level agreement with the Citizens Advice Bureau for this money advice service until 31<sup>st</sup> March 2018.

- 12.9 As at 30<sup>th</sup> October the Council has made awards to 13 claimants in the current year, with a value of £6,638.64, and each was supported with a recommendation from the CAB. At this time there were a further 32 referrals awaiting assessment and recommendation by the CAB.
- 12.10 In addition to the money advice service provided by the CAB the Council has employed an officer to work with claimants who experience difficulty in paying their council tax with the objective of offering support and advice and to ultimately gain agreement to pay.
- 12.11 The combination of these approaches has been beneficial to those claimants experiencing exceptional financial hardship and for the Council in maintaining a good collection rate and it is recommended that both of these services together with the Exceptional Hardship Fund are retained for 2017/18. The funding of these is shared between the four major precepting authorities, including the Council. It is expected that the other three preceptors will agree to continue to provide funding for 2017/18.
- 12.12 The value of the Exceptional Hardship Fund for 2017/18 will continue to be set at 0.2% of the estimated value of council tax support for 2017/18; this provides a consistent approach across all Essex authorities and has been agreed with the major preceptors.

### **13. Council Tax – Collection Fund – Surplus/Deficit**

- 13.1 The budget setting process includes estimating the amount of council tax expected to be collected. Variation from the estimate results in either a surplus or deficit in the Collection Fund which must be either returned to or requested from council taxpayers in the following year. The surplus or deficit is allocated between the four major preceptors: Essex County Council, Braintree District Council, Essex Police and Crime Commissioner and Essex Fire Authority.
- 13.2 It is estimated that the balance on the Collection Fund available for distribution is a surplus of £1,502,454. The surplus will be allocated to:
- Essex County Council – £1,095,210
  - Braintree District Council – £194,255
  - Essex Police & Crime Commissioner – £147,400
  - Essex Fire Authority – £65,589
- 13.3 The Council's proportion of the council tax surplus, to be returned to council taxpayers in 2017/18 is £194,255. It is proposed that £34,820 of this surplus is paid to town and parish councils in 2017/18 (see section 7.3 above). This compares to the surplus returned to council taxpayers of £114,990 in 2016/17 (of which £20,362 was returned via payments to the town and parish councils).

### **14. Council Taxbase**

- 14.1 The Council's taxbase for 2017/18 is required to be calculated as at 30<sup>th</sup> November 2016 and will be agreed, under delegated authority, by the Corporate Director responsible for Finance. For financial planning purposes

the council taxbase for 2017/18 is estimated to be 51,174, i.e. a 1% increase over the current year taxbase of 50,667.

14.2 The council taxbase takes into account estimated allowances for discounts and exemptions; including the local council tax support scheme, single persons discount and for losses on collection.

14.3 From 1<sup>st</sup> April 2013 the Council agreed to exercise the new discretionary powers to set the discounts for empty properties and second homes.

14.4 The current levels of these discounts are as follows:

- Properties undergoing extensive repair – 0% for twelve months;
- Properties unfurnished – 0% for 6 months;
- Second homes – 0%

It is not proposed to make any changes to these levels for 2017/18.

14.5 From 1<sup>st</sup> April 2016 a premium of 50% was introduced on properties which have been unoccupied and substantially unfurnished for two years or more.

It is not proposed to make any changes to this premium for 2017/18.

14.6 It is proposed to maintain the allowance for losses on collection at 1% for 2017/18.

14.7 The Council also has discretionary power, under section 13A 1c of the Local Government Finance Act 1992, to enable it to reduce council tax liability where statutory discounts, exemptions and reductions do not apply. Current policy is to consider each application on its merit. The cost of an award under the policy has to be met from the General Fund. No changes or amendments to this policy are proposed.

14.8 With the anticipated housing growth in the District over the coming years it is considered appropriate to increase the allowance, included in the financial profile, for growth in the council taxbase from the current level of 1% per annum to 1.5% per annum for 2018/19 onwards. This provides estimated taxbase's of 51,942, 52,721 and 53,512 in 2018/19 to 2020/21 respectively.

## **15. Council Tax Levels and Referendums**

15.1 **Council Tax Referendums.** The Localism Act 2011 gives local communities the power to decide whether to accept an excessive council tax increase. The Secretary of State determines the level of increase above which a proposed increase in council tax must be subject to a referendum. For shire district councils the threshold for 2016/17 was set at the higher of 2% or £5. The Government is proposing to keep this threshold for 2017/18. An increase of £4.95 on this Council's Band D would equate to a percentage increase of 3% for 2017/18.

15.2 The Government is also proposing to introduce the referendum principle to town and parish councils for 2017/18. The intention is that this will only apply

to town and parish councils whose Band D is higher than that of the lowest charging district council for 2016/17 (£75.46) and which have a total precept for 2016/17 of at least £500,000. There is no town or parish council in the Braintree District which currently meets these criteria.

**15.3 Council Tax Levels.** The increases in the level of council tax provided in the Finance Profile for 2017/18 to 2020/21 for planning purposes are:

- 2017/18 – 1.97% providing a Band D level of £167.76;
- 2018/19 – 1.98% providing a Band D level of £171.09;
- 2019/20 – 1.95% providing a Band D level of £174.42;
- 2020/21 – 1.96% providing a Band D level of £177.84.

## **16. Financial Profile 2017/18 to 2020/21**

**16.1** An updated Financial Profile for 2017/18 to 2020/21 taking account of the proposed savings and revised assumptions is provided at Appendix C.

**16.2** The updated financial profile 2017/18 to 2020/21 shows for:

2017/18 – a net withdrawal from balances of £107,571;  
2018/19 – a shortfall of £611,400;  
2019/20 – a shortfall of £524,008; and  
2020/21 – a shortfall of £234,383.

**16.3** This position will be updated following receipt of the Funding Settlement Assessment.

**16.4** The approach to address the anticipated budget shortfall of £1.37million over the next three years is a continuation of the work developed under the Peer Challenge Action Plan to address the issue of the Council being grant free over the medium-term. The plan provides for a focus on:

- Commercialisation and 'Better at Business';
- Grow our economy – increase business rate pot and secure external funds;
- Finance and Investment Strategy;
- Review contracts and procurement;
- Increase our income;
- Management and Service Reviews; and
- Sharing services or joint work.

**16.5** Proposals regarding investment opportunities to purchase property which are the subject of reports to Cabinet and Council in November/December will be included in the February Budget and Council Tax 2017/18 report, as appropriate.

## **17. Balances and Reserves**

**17.1** The Unallocated General Fund balance as at 31<sup>st</sup> March 2016 was £8.421million.

Agreed movements on the balances for 2016/17 are:

**£'000**

**General Fund**

Planned addition to balances in setting 16/17 Budget	526
Anticipated surplus in 2016/17	303
Transfer to District Investment Strategy	(5,000)
Allocation re Building Control shared service*	0

Estimated Balance as at 31<sup>st</sup> March 2017 **4,250**

*Note: \* An allocation of £250,000 was approved by Council on 27<sup>th</sup> June 2016, however, this is no longer required as the three remaining local authorities interested in the shared service determined that the arrangement was not viable.*

- 17.2 Earmarked reserves are established to either meet specific requirements/ purposes in the future or to make provision for issues that are likely to occur but the timing is not predictable. The total amount of money in earmarked reserves as at 31<sup>st</sup> March 2016 was £14.847million. A schedule detailing the planned use of the earmarked reserves over the four-year period of the MTFS will be included in the Finance report to Cabinet on 6<sup>th</sup> February 2017.

## 18. New Homes Bonus

- 18.1 The Department for Communities and Local Government has been conducting a review of the New Homes Bonus scheme. Proposed changes to the distribution of the Bonus involve options for saving at least £800million, which would be used for social care. In addition it is also considering options for staying within the funding envelope in the event of a sudden surge in housing growth.
- 18.2 A decision on the future of the scheme is expected to be announced in the Autumn Statement.

## 19. Capital Resources

- 19.1 An update of the capital resources and capital programme for 2016/17 to 2020/21 is summarised as follows:

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Balance of Resources – Brought Forward	6,718	6,858	6,231	5,882	5,858
Resources in year	5,629	4,144	1,988	1,638	1,638
Total Resources	12,347	11,002	8,219	7,520	7,496
Approved Capital Programme	5,489	3,501	1,260	705	705
Proposed Programme (per section 20 below)		1,270	1,077	957	956
Balance of Resources for Carry Forward to next year	6,858	6,231	5,882	5,858	5,835

- 19.2 On 23<sup>rd</sup> May 2016 Cabinet agreed to establish a District Investment Strategy to support the District's strategic growth ambitions and the delivery of excellent

and value for money services to residents and businesses. The Strategy was established with initial funding resources identified of £28million.

- 19.3 Following agreement between Greenfields CH and the Council to split the Development element of the Community and Housing Investment Partnership (CHIP) Fund it is expected that the Council will receive £2.718m, being 50% of the balance, during late November/early December. This resource will be earmarked for affordable homes.

## **20. Capital Programme**

- 20.1 Details of the proposed capital projects are contained at Appendix D. The total value of the projects in 2017/18 is £1,270,200.
- 20.2 The schedule also includes anticipated requirements for 2018/19 to 2020/21. These total £1,077,000 for 2018/19, £957,000 for 2019/20 and £956,000 for 2020/21.

## **21. District Investment Strategy**

- 21.1 The District Investment Strategy was established recognising that the District needs to prepare for growth by ensuring District infrastructure improvements/facilities are not only delivered for existing residents, but are able to provide for the future growth in the District as well. This investment will not only be focused in the key towns but the rural areas as well. The Council will work in partnership to invest and deliver improvements across the District which will provide:

- Improvements to health provision in the District
- Improvements to our three Town Centres
- Increased opportunities for new businesses and employment
- Improvements to our most congested roads
- Investment opportunities in the District that support growth and provide a return for the District Council.

- 21.2 To support the District Investment Strategy funding of £28million was identified from the following sources: New Homes Bonus received, balances and prudential borrowing. In addition, £3million of the capital receipt from the sale of the former Bramston Sports Centre site is to be earmarked for investment for Witham. Whilst a number of schemes have been approved to be funded from the District Investment Strategy there are also a number which are in the pipeline.

- 21.3 Committed schemes include:

- |  |          |
|--|----------|
| • Land at Chapel Hill, Braintree<br>(Purchased in 2014/15) | £1.25m   |
| • Town Centre  | £11.555m |
| • Business Broadband                                       | £0.25m   |
| • Springwood Enterprise Units                              | £0.96m   |
| • Health Centre Braintree                                  | £1.814m  |
| Total  | £15.829m |

#### 21.4 Pipeline schemes include:

• Witham Enterprise Centre	£4.25m
• A120 Access Improvements	£2.50m
• Employment investments	£3.00m
• Panfield Lane Regeneration	£3.50m
• Witham Investments	£3.00m
• Investment Property – Freeport Office Village	£0.783m
• Purchase of Head Lease, Springwood	£0.498m
Total	£17.531m

## 22. Long-Term Investments

22.1 As work progresses on the Local Plan for the Braintree District, the Council has been actively looking at opportunities for the delivery of the required housing numbers. In this respect two opportunities are being explored which would have significant impacts, both cost and reward, on the Council's finances over the long-term i.e. thirty years plus.

22.2 Brief details of the two opportunities are provided below. This includes detail of current funding allocations agreed by the Council. Reports will be presented to Members as the projects progress and decisions on next stages are required to be made.

### 22.3 Garden Communities

22.3.1 The Council is working together with Colchester BC, Tendring DC and Essex CC on the North Essex Garden Communities project. Initial funding of £640,000 was secured from the DCLG with a further supplementary award of £648,000 is anticipated to be received in the current financial year. The project is to establish the feasibility of and funding requirements of delivering three garden communities across North Essex.

22.3.2 As the project has progressed a three-year work programme and project budget has been developed which includes the current position on resource requirements and external commissioned support. This identified a need for a contribution of £250,000 from each of the four authorities.

22.3.3 On 12<sup>th</sup> September 2016, the Cabinet agreed a capital contribution of £250,000 toward the cost of the development of the North Essex Garden Communities project. The funding to come from the New Homes Bonus pot set aside for Project Feasibility and Development.

### 22.4 Housing Development Company

22.4.1 The Cabinet, at its meeting on 12<sup>th</sup> September 2016, also approved the resources to develop a full business case relating to the establishment of a Housing Development Company (HDC).



22.4.2 The proposed HDC has the potential to bring forward a robust delivery programme of new homes across the District, to include a range of tenures, such as private sale, affordable rent, private rent, keyworker and starter homes. It would also contribute to wider objectives, including the generation of a financial return, the development of under-utilised Council-owned land and the stimulation of economic growth through the provision of high-quality training and employment opportunities through on-site developments.

22.4.3 The total resource allocated for this project is £130,000: of which £100,000 was agreed from the New Homes Bonus pot set aside for Project Feasibility and Development.

## Essex Pension Fund - Results of Triennial Review for Braintree District Council

**Braintree District Council**

02/11/2016 16:31

Valuation	2013 £'000	2016 £'000
Assets	97,726	119,627
Liabilities	118,537	134,084
Deficit	-20,811	-14,457
<b>Funding level</b>	<b>82.4%</b>	<b>89.2%</b>

	2013 Valuation	2016/17 £ Expected
Ongoing rate	14.4%	1,443,024
Deficit	1,569,464	1,640,673
Deficit duration in years	14	
<b>Total Contribution</b>		<b>3,083,697</b>

<b>Pensionable Pay as at: 31-Mar-16</b>
<b>10,021,000</b>

**Illustration: BASED ON PREVIOUS VALUATION OPTION****Ongoing rate: FULL INCREASE (no stepping)****Deficit Duration: 14 YEARS****Deficit increase year on year: 3.9%****Deficit Payment Profile: ONE ANNUAL PAYMENT IN APRIL EACH YEAR**

14 Year Deficit	2016 Valuation	2017/18 £	2018/19 £	2019/20 £
<b>Updated Ongoing rate</b>				
Ongoing rate (estimated £ contribution)	16.5%	1,650,702	1,650,702	1,650,702
Deficit		1,094,782	1,137,479	1,181,840
<b>Total Contribution</b>		<b>2,745,484</b>	<b>2,788,181</b>	<b>2,832,542</b>
Increase compared to 2016/17		-338,213	-295,516	-251,155
Year on Year increase		-338,213	42,697	44,362

**Illustration: BASED ON BASE OPTION****Ongoing rate: FULL INCREASE (no stepping)****Deficit Duration: 14 YEARS****Deficit increase year on year: 3.9%****Deficit Payment Profile: 12 MONTHLY PAYMENTS**

	2016 Valuation	2017/18 £	2018/19 £	2019/20 £
<b>Updated Ongoing rate</b>				
Ongoing rate (estimated £ contribution)	16.5%	1,650,702	1,650,702	1,650,702
Deficit		1,122,352	1,166,124	1,211,603
<b>Total Contribution</b>		<b>2,773,054</b>	<b>2,816,826</b>	<b>2,862,305</b>
Increase compared to 2016/17		-310,643	-266,871	-221,392
Year on Year increase		-310,643	43,772	45,479

Payment options based on a deficit recovery period of 10.5 years

OPTION A (10.5 yrs) Ongoing rate: FULL INCREASE (no stepping) Deficit Duration: 10.5 YEARS Deficit increase year on year: 3.9% Deficit Payment Profile: 12 MONTHLY PAYMENTS				
10.5 Year Deficit	2016 Valuation	2017/18 £	2018/19 £	2019/20 £
Updated Ongoing rate				
Ongoing rate (estimated £ contribution)	16.5%	1,650,702	1,650,702	1,650,702
Deficit		1,463,066	1,520,126	1,579,410
Total Contribution		3,113,768	3,170,828	3,230,112
Increase compared to 2015/16		30,071	87,131	146,415
Year on Year increase		30,071	57,060	59,285

OPTION B (10.5 yrs) Ongoing rate: FULL INCREASE (no stepping) Deficit Duration: 10.5 YEARS Deficit increase year on year: 3.9% Deficit Payment Profile: ONE ANNUAL PAYMENT IN APRIL EACH YEAR				
10.5 Year Deficit	2016 Valuation	2017/18 £	2018/19 £	2019/20 £
Updated Ongoing rate				
Ongoing rate (estimated £ contribution)	16.5%	1,650,702	1,650,702	1,650,702
Deficit		1,427,127	1,482,785	1,540,613
Total Contribution		3,077,829	3,133,487	3,191,315
Increase compared to 2015/16		-5,868	49,790	107,618
Year on Year increase		-5,868	55,658	57,829

OPTION C (10.5 yrs) Ongoing rate: FULL INCREASE (no stepping) Deficit Duration: 10.5 YEARS Deficit increase year on year: 0% (FLAT RATE FOR 3 YEARS) Deficit Payment Profile: 12 MONTHLY PAYMENTS				
10.5 Year Deficit	2016 Valuation	2017/18 £	2018/19 £	2019/20 £
Updated Ongoing rate				
Ongoing rate (estimated £ contribution)	16.5%	1,650,702	1,650,702	1,650,702
Deficit		1,520,867	1,520,867	1,520,867
Total Contribution		3,171,569	3,171,569	3,171,569
Increase compared to 2015/16		87,872	87,872	87,872
Year on Year increase		87,872	0	0

OPTION D (10.5 yrs) Ongoing rate: FULL INCREASE (no stepping) Deficit Duration: 10.5 YEARS Deficit increase year on year: 0% (FLAT RATE FOR 3 YEARS) Deficit Payment Profile: ONE ANNUAL PAYMENT IN APRIL EACH YEAR				
10.5 Year Deficit	2016 Valuation	2017/18 £	2018/19 £	2019/20 £
Updated Ongoing rate				
Ongoing rate (estimated £ contribution)	16.5%	1,650,702	1,650,702	1,650,702
Deficit		1,483,508	1,483,508	1,483,508
Total Contribution		3,134,210	3,134,210	3,134,210
Increase compared to 2015/16		50,513	50,513	50,513
Year on Year increase		50,513	0	0

OPTION E (10.5 yrs) Ongoing rate: FULL INCREASE (no stepping) Deficit Duration: 10.5 YEARS Deficit increase year on year: NOT APPLICABLE Deficit Payment Profile: ONE TRIENNIAL PAYMENT IN APRIL 2014				
10.5 Year Deficit	2016 Valuation	2017/18 £	2018/19 £	2019/20 £
Updated Ongoing rate				
Ongoing rate (estimated £ contribution)	16.5%	1,650,702	1,650,702	1,650,702
Deficit		4,232,683	0	0
Total Contribution		5,883,385	1,650,702	1,650,702
Increase compared to 2015/16		2,799,688	-1,432,995	-1,432,995
Year on Year increase		2,799,688	-4,232,683	0

Proposed option

## Allocation of the estimated Surplus on the Council Tax Collection Fund as at 31st March 2017

Parish/Town Councils and District Council	District/ Parish Precept 2016/17 £	Allocation £
Braintree District Council	£8,335,735	159,435
Alphamstone and Lamarsh	£2,800	54
Ashen	£4,261	81
Belchamp Otten	£1,000	19
Belchamp St Paul	£3,000	57
Belchamp Walter	£4,577	88
Birdbrook	£11,634	223
Black Notley	£48,000	918
Borley	£1,249	24
Bradwell	£7,569	145
Bulmer	£5,451	104
Bures Hamlet	£25,044	479
Castle Hedingham	£23,211	444
Coggeshall	£154,213	2,950
Colne Engaine	£21,922	419
Cressing	£34,856	667
Earls Colne	£53,005	1,014
Feering	£41,840	800
Finchingfield	£37,613	719
Foxearth and Liston	£4,989	95
Gestingthorpe	£5,000	96
Gosfield	£31,993	612
Great Bardfield	£28,876	552
Great Maplestead	£4,081	78
Great Notley	£73,338	1,403
Great Saling	£5,909	113
Great Yeldham	£41,980	803
Greenstead Green	£5,635	108

<b>Parish/Town Councils and District Council</b>	<b>District/ Parish Precept 2016/17 £</b>	<b>Allocation £</b>
Halstead	£154,300	2,951
Hatfield Peverel	£55,328	1,058
Helions Bumpstead	£11,967	229
Hennys, Middleton & Twinstead	£4,640	89
Kelvedon	£91,607	1,752
Little Maplestead	£2,758	53
Little Yeldham	£5,214	100
Tilbury Juxta Clare & Ovington		
Panfield	£15,987	306
Pebmarsh	£7,824	150
Pentlow	£5,000	96
Rayne	£37,638	720
Ridgewell	£14,087	269
Rivenhall	£9,450	181
Shalford	£14,337	274
Sible Hedingham	£89,915	1,720
Silver End	£56,589	1,082
Stambourne	£4,697	90
Steeple Bumpstead	£37,048	709
Stisted	£9,068	173
Sturmer	£5,521	106
Terling & Fairstead	£15,888	304
Toppesfield	£12,393	237
Wethersfield	£22,375	428
White Colne	£9,740	186
White Notley and Faulkbourne	£10,773	206
Wickham St Paul	£10,629	203
Witham	£422,556	8,083
<b>Total</b>	<b>£10,156,110</b>	<b>£194,255</b>
<b>Total allocated to Parish/Town Councils</b>		<b>34,820</b>

	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
	£	£	£	£	£
Base Budget brought forward from previous year	15,624,426	13,601,192	13,804,720	13,363,150	13,246,052
<b>Inflation:</b>				<b>9a</b>	
Pay - annual award and incremental progression	189,590	226,400	236,370	217,850	199,380
Other Expenditure Inflation	74,910	90,740	109,400	101,990	116,750
Income Inflation	0	0	-10,000	-10,000	-10,000
Pension Fund and National Insurance contribution adjustments	293,420	1,040	15,870	16,580	205,750
<b>New Demands:</b>					
Priority Area Investment, Bids and Unavoidable Budget Changes previously profiled	-24,910	0	0	0	
One-off Growth Items 2015/16	-2,101,106	0	0	0	
Allowance for Reduced Income/Increased costs previously profiled	386,640	561,850	43,480	43,480	43,480
Priority Investment - one-off provision previously profiled	200,362	-200,362			
New Budget Bids		196,940	-184,820	0	0
New Budget Pressures		169,680	73,640	120,000	0
<b>Reductions:</b>					
Savings/Additional Income agreed previously profiled	-1,129,224	-293,310	-124,320	-91,450	
Adjustments to Savings/Additional Income agreed previously profiled		112,550	10,210	8,460	0
New Savings/Additional Income		-255,000	0	0	0
Ongoing net change in income/expenditure identified in 2016/17		-407,000	0	0	0
<b>Council Tax Freeze Grant 2014/15 and 2015/16</b>	87,084	0			
<b>Additional Savings Required</b>		<b>0</b>	<b>-611,400</b>	<b>-524,008</b>	<b>-234,383</b>
<b>Updated Base Budget</b>	<b>13,601,192</b>	<b>13,804,720</b>	<b>13,363,150</b>	<b>13,246,052</b>	<b>13,567,029</b>
(Use of) / Addition to Balances	<b>526,234</b>	-107,571			
Contribution from Earmarked reserves	-411,135				
<b>Budget Requirement</b>	<b>13,716,291</b>	<b>13,697,149</b>	<b>13,363,150</b>	<b>13,246,052</b>	<b>13,567,029</b>
Government Grant - Revenue Support Grant	-1,602,495	-777,347	-272,480	0	0
Retained Business Rates - Baseline amount	-3,191,180	-3,253,945	-3,349,939	-3,457,008	-3,457,008
- Growth above baseline	-800,493	-816,237	-840,317	-575,693	-575,693
Transition and Rural Services grants and returned funding	-82,533	-70,415	-13,657	-17,754	-17,754
Collection Fund Balance - Business Rates (Surplus)/Deficit	411,135				
Collection Fund Balance - Council Tax (Surplus)/Deficit	-114,990	-194,255			
<b>BDC Requirement from Council Taxpayers</b>	<b>8,335,735</b>	<b>8,584,950</b>	<b>8,886,757</b>	<b>9,195,597</b>	<b>9,516,574</b>
Tax base (+1% p.a growth in properties for 2017/18 and +1.5% for 2018/19 and 2019/20 and collection rate of 99%)	50,667	51,174	51,942	52,721	53,512
Council Tax (Band D)	£164.52	£167.76	£171.09	£174.42	£177.84
Council Tax per week	£3.16	£3.23	£3.29	£3.35	£3.42
<b>Percentage Increase</b>	<b>3.10%</b>	<b>1.97%</b>	<b>1.98%</b>	<b>1.95%</b>	<b>1.96%</b>
Increase per week	£0.09	£0.07	£0.06	£0.06	£0.07

# Requests for Capital Funding 2017-18

Date Produced: 11th November 2016

## APPENDIX D

	Portfolio	Project Description	Project Drivers	Project Achievements	Capital Cost			
					2017/18	2018/19	2019/20	2020/21
1	Corporate Services and Asset Management	<b>Planned Maintenance of Council properties</b> - This relates to the annual planned maintenance of those properties where BDC has a repairing obligation. The budget sum is reviewed annually.	This investment is required to ensure that the Council's properties are maintained to a good standard to support service delivery and sustain or improve the physical condition and value of the asset. The condition surveys are reviewed and updated by the 31st August each year and identify the priority planned maintenance works required to be carried out in following financial year.	Of the £170,000 works identified to buildings and property a number are minor repairs and maintenance and therefore revenue in nature, these have a value of £15,900. £30,000 for contingency and consultancy costs. £100,000 Maintenance works to Council roads and car parking areas are: Perry Road, Witham - resurfacing; Mayland Road, Witham - repairs; Witham Road, Black Notley - resurfacing; Blackwater Lane, Witham - road & drainage repairs.	284,100	400,000	400,000	400,000
2	Corporate Services and Asset Management	<b>Computer Equipment</b> - Annual technology replacement programme.	Our hardware and software estate needs to be kept up to date to ensure that it can continue to be supported by our ICT service provider and continues to be fit for purpose.	Hardware and software that meets the needs of users and is up-to-date and secure.	40,000	40,000	40,000	40,000
3	Corporate Services and Asset Management	<b>Telephone Computer System</b> - upgrade system.	Current system is being de-supported.	System that meets current and future organisational needs and can be supported.	70,000			
4	Planning & Housing	<b>Procurement of New Affordable Housing</b> - Local Authority Social Housing Grant. A balance of resources, of £1,088,000, is available for schemes in 2017/18	By working with Registered Social Landlords, we can normally provide a new affordable home for around £25,000 – this varies from site to site and between smaller and larger units. However, we would expect an investment of £500,000 per year to yield around 20 units assuming no other public subsidy is available. Frequently our investment has drawn in additional funding from the HCA and so provided many more units.	New affordable homes in the district.		500,000	500,000	500,000
5	Environment & Place	<b>Recycling Pods</b> - Investment in new recycling bank infrastructure following outcome of Bring Bank Review	Current Bring Banks look tired and do not reflect the positive image and 'forward thinking' approach we need in the District to maintain and improve upon current standards.	The asset of the bring bank 'pods/containers' would allow a flexible approach to the provision of this service with potential modernisation to match the corporate view.	20,000			
6	Environment & Place	<b>Depot Offices, Mess Room and Yard Area Improvement Works</b> - Refurb of Unit 4 (internal) Refurb and redecorating of Retained Area and Welfare Area (Mess Room) Covered storage in Yard	The back office carpet is in a bad state of repair . Such areas are visible to external customers /visitors. Key drivers are to create a welcoming atmosphere to visitors to 'The Sorrell Room' and staff alike. Covered storage in the Yard will protect plant machinery from being exposed to the elements that reduces overall life expectancy.	The replacement carpet will create a pleasant and more professional environment. Redecorating and furnishing 'The Sorrell Room' will create a professional image to internal and external customers. A display cabinet would also be purchased to showcase awards that 'Operations' have won, creating a sense of pride. The project will achieve a cleaner and suitable working environment.	50,000			

# Requests for Capital Funding 2017-18

Date Produced: 11th November 2016

## APPENDIX D

	Portfolio	Project Description	Project Drivers	Project Achievements	Capital Cost			
					2017/18	2018/19	2019/20	2020/21
7	Environment & Place	<b>Replacement of main diesel tank</b> - decommission existing main diesel tank and purchase/replace.	The main diesel tank in the yard at Operations is approaching the end of the serviceable life and reliability. By allowing for replacement in the future we ensure the operational service is not disrupted and potential ingress issues are addressed at source. The asset will allow for the robust and accurate reporting of fuel used, tighter control regarding ordering process.	Security and accuracy of fuel dispensing.		25,000		
8	Environment & Place	<b>Replacement of red diesel tank</b> - decommission existing red diesel tank & purchase/ install new tank	The red diesel tank in the yard at Operations has exceeded the working life and is required to be decommissioned and replaced to ensure the quality of the fuel.	Security and accuracy of fuel dispensing.	18,000			
9	Environment & Place	<b>Development and Purchase of Trade Waste module in ECHO</b>	The current customer information is stored on a trade waste database. This is controlled centrally by one individual employee of BDC; no one else can support or make changes to the information/layout of the database. There is a clear business weakness and highlights the lack of business continuity. The focus on the trade waste expansion is hinged on the customer relationship model we need to apply and the quality of the information is key to developing the portfolio of customers.	Elimination of long-standing business risk of unsupported Access Database with all Trade Waste information. The new Commercial TW module will be fit for purpose and enable efficient expansion of Trade Waste and other commercial ventures. There will be clearer invoicing/CRM and contact opportunities. Longer term there is a valuable customer portfolio that could be utilised and sold as an asset if the service of trade waste was ever externalised/privatised.	17,000			
10	Environment & Place	<b>Upgrade of car park infrastructure</b> - ticket machines and lighting columns	The car parks in the District are not currently included in refurbishment programmes. To maintain the 'Park Safe' awards and the integrity of the council's reputation investment is required to set the standard of the parking areas in the District. We have been made aware that changes to £1 coins and machine upgrades are required in the car parks we manage and the upgrade of lighting columns to conform to safety standards is also required.	The ability for car park machines to be able to accept the new £1 coins. Upgrading of lighting columns to ensure we remain compliant.		17,000	17,000	16,000
11	Environment & Place	<b>Parks &amp; Open Spaces Infrastructure Works</b> - Installation of fencing, bollards and gates	To protect vulnerable open spaces across the District from unauthorised encampments from Travellers.		60,000	40,000		



# Requests for Capital Funding 2017-18

Date Produced: 11th November 2016

## APPENDIX D

	Portfolio	Project Description	Project Drivers	Project Achievements	Capital Cost			
					2017/18	2018/19	2019/20	2020/21
12	Environment & Place	<b>Play Area Maintenance and Refurbishment</b> - Replacement of existing safety surfacing at several play areas across the District	The existing safety surfaces at some of the sites needs to be replaced before it becomes a health and safety risk to the children and young people using the play areas.	Safety surfacing in these areas will comply with current National Playing Field Association standards and European Standards EN 1176 + EN 1177. The scheme will result in a better play experience for local children & will be measured by the results of our annual independent safety inspection of our play areas.	40,000			
13	Environment & Place	<b>Invest to Save Parks &amp; Open Spaces</b> - Purchase of an industrial Tracked Wood Chipper and three smaller towed wood chippers		To enable wood to be chipped on site thereby reducing the amount of green waste going to Cordons Farm.	35,000			
14	Environment & Place	<b>House Renovation Grants</b> - As a housing authority we have a duty to maintain housing standards for the benefit of those less able to look after their own property.	Providing financial support through a repayable grant scheme to ensure those under financial pressure can afford to adequately heat their homes and when it is impractical to carry out disabled adaptations to a property, offer the occupier a relocation grant to enable them to move to a more suitable (adapted) property.	Health benefits for those living in substandard housing which will be improved through the repayable grant scheme. To provide adequate heating for the most vulnerable, including raising those occupiers out of fuel poverty and improving energy efficiency of the housing stock. Ensuring that occupiers live in the best suitable accommodation that meets their needs.	30,000			
15	Environment & Place	<b>Disabled Facilities Grants</b> - The grant allocation for 2017-18 from the Better Care Fund is assumed to be £730,156, as received in 2016-17. The proposal is for a Capital bid of an additional £250,000 for next year.	The Council has a legal duty to manage and provide disabled facilities grants in accordance with Part 1 of the Housing Grants, Construction and Regeneration Act 1996. The aim of the grant is to provide financial assistance to the applicant in order to provide suitable adaptations to their properties, as far as is practical, to meet their specific needs.	Ensure that there are sufficient funds to cover the increasing demand on the budget and ensure our residents have access to adaptations to their properties	250,000			
16	Environment & Place	<b>Re-decoration Works at George Yard Multi-storey Car Park</b> - Re-decoration of George Yard Multi-Storey Car Park including all walls, columns, stair wells, doors (wood work) and gates.	The general condition of the decor has deteriorated over the past 5 years with the main contributor being water leaking down from the top (open) floor. Sealing works were completed in 2014/15 which now provides an opportunity to undertake redecoration works. Customer feedback (Off-street Parking Review 2013/14) includes comments regarding the need to update the decor (repaint) thereby making the car park 'brighter' and more attractive to use.	The project will provide both aesthetic and minor structural (sealing of hairline cracks in walls) improvement to the fabric of the car park.	55,000	55,000		
17	Health & Communities	<b>Community Transport</b> - Replacement of minibuses in the Community Transport Fleet.	Maintaining the reliability and safety of the service; supporting vulnerable people in our community	Ensuring the fleet is reliable, modern and fit for purpose. Maintaining the service function. Reducing ongoing repair/ maintenance costs.	80,000			

# Requests for Capital Funding 2017-18

Date Produced: 11th November 2016

## APPENDIX D

	Portfolio	Project Description	Project Drivers	Project Achievements	Capital Cost			
					2017/18	2018/19	2019/20	2020/21
18	Health & Communities	<b>Braintree Town Hall Centre Carpet Tile Replacement</b> - To Supply and Fit Axminster carpet to <ul style="list-style-type: none"> <li>• Main Entrance</li> <li>• All Stairs Leading to First Floor</li> <li>• Ground Level Hallway</li> <li>• First Floor Hallway</li> </ul>	Braintree Town Hall centre carpet is due for replacement as the current carpet tiles are now over 20 years old and are showing signs of wear and deterioration. With the expanding business of wedding hire for both Town Hall Weddings and registry office weddings, it is important that a high standard of presentation is maintained. There are also the Health & Safety implications that an old carpet posing poses, such as a trip hazard etc.	The carpet will significantly improve the appearance of the inside of the building thereby potentially generating more income through increased booking and wedding hire.	27,000			
19	Health & Communities	<b>Braintree Town Hall Centre - Toilet Refurbishment</b>	Braintree Town Hall centre male and female toilets are due for refurbishment as we look to expand the business into hosting more wedding ceremonies and after drinks receptions. The project also includes upgraded water boiler as the bathroom sinks cannot maintain temperature to meet legionella Risk assessment recommendations	Improved facilities for customers.	9,800			
20	Health & Communities	<b>Accessible Pool Pods for Braintree Swimming &amp; Fitness and Halstead Leisure Centre</b> -	Witham Leisure Centre has a new state of the art pool pod disability access hoist that allows access into the main pool and learner pool for wheelchair users and those with limited movement. It provides users with unaided access into either of the pool, in a dignified and appropriate manner. Currently Halstead and Braintree pools only have the traditional Oxford Dipper type of hoist which involves lifeguard resource to set up when requested and 2 person assistance to get the users into the hoist and down into the pool.	To provide wheelchair users and those with limited movement unaided access into either of the pools, in a dignified and appropriate manner.	34,300			
21	Health & Communities	<b>Witham Sports Ground ATP Re-Surface</b> - Replacing the current 2G ATP carpet with a like for like surface.	The ATP surface at Witham Sports Ground built in 2006 will be over 10 years old next year and past its expected life span. There have been a number of patch repairs on the carpet over the years. Some of these repairs are now becoming dangerous again especially for Hockey use. The pitch was initially funded by the Football Foundation when built and one of the conditions of this funding was that the Council will replace the surface when it required replacing.	Witham Hockey club who have both thriving adult and Junior sections can continue to host their home match fixtures and weekly training sessions at the current location, and the current adult and junior football clubs using the facility can continue to train.	150,000			
<b>Totals</b>					<b>1,270,200</b>	<b>1,077,000</b>	<b>957,000</b>	<b>956,000</b>

<b>Statement of Accounts 2015/16</b>		<b>Agenda No:9b</b>
<b>Portfolio</b>	<b>Finance and Performance</b>	
<b>Corporate Outcome:</b>	<b>A high performing organisation that delivers excellent and value for money services</b>	
<b>Report presented by:</b>	<b>Councillor David Bebb Cabinet Member for Finance and Performance</b>	
<b>Report prepared by:</b>	<b>Trevor Wilson, Head of Finance</b>	
<b>Background Papers:</b> Braintree District Council's Statement of Accounts 2015/16 <a href="https://www.braintree.gov.uk/downloads/file/5902/statement_of_accounts_2015-16">https://www.braintree.gov.uk/downloads/file/5902/statement_of_accounts_2015-16</a> Accounts and Audit (England) Regulations 2015 Governance Committee Agenda and Minutes 28 September 2016		<b>Public Report</b>
		<b>Key Decision: No</b>
<b>Executive Summary:</b>		
<p>A draft set of Statement of Accounts for the financial year to 31 March 2016, were compiled by 31 May 2016 as a “dry-run” exercise towards planning for changes to the statutory deadlines that will become effective from the 2017/18 accounts. Following an internal review these accounts were then signed as representing a ‘true and fair view’ by Chris Fleetham, Corporate Director, on 22 June 2016, ahead of the statutory deadline date of 30 June 2016.</p> <p>The Council's External Auditor, Ernst &amp; Young LLP (EY), commenced the audit of the accounts on Monday 18 July 2016. The accounts were available for public inspection between 24 June and 4 August 2016. During this time no requests to inspect the accounts or any questions for the external auditor were received.</p> <p>A Member's seminar on Understanding the Statement of Accounts was held on 8 September 2016, giving a fuller explanation of the accounts and the various key statements and notes contained within them, as well as providing opportunity for Members to raise any queries.</p> <p>The Statement of Accounts for 2015/16 together with the External Auditor's Audit Results Report were received and approved by the Governance Committee on 28 September 2016.</p> <p>The External Auditor's Audit Results Report included:</p> <ul style="list-style-type: none"> <li>• An Unqualified Opinion that the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended; and</li> <li>• an unqualified conclusion that the Council has in place proper arrangements to</li> </ul>		

secure value for money in its use of resources.

The Statement of Accounts were published on 29 September and can be viewed on the Council's website at:

[https://www.braintree.gov.uk/downloads/file/5902/statement\\_of\\_accounts\\_2015-16](https://www.braintree.gov.uk/downloads/file/5902/statement_of_accounts_2015-16)

**Recommended Decision:**

Members are asked to receive and note the Council's Statement of Accounts for 2015/16.

**Purpose of Decision:**

To formally receive the Council's Statement of Accounts for 2015/16 following the external audit and approval by the Governance Committee.

**Any Corporate implications in relation to the following should be explained in detail.**

<b>Financial:</b>	No new financial implications. The Provisional Financial Outturn 2015/16 was reported to Cabinet at the meeting held on 23 May 2016, and this position has not changed as a result of the preparation and audit of the Statement of Accounts.
<b>Legal:</b>	<p>The approval process for the Statement of Accounts is required under statutory rules set out in the Accounts and Audit Regulations. For 2015/16 the audited and approved Statement of Accounts must be published by 30 September 2016.</p> <p>The format of the Statement of Accounts is governed by the Code of Practice on Local Authority Accounting (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code reflects International Financial Reporting Standards (IFRS) as adapted for the public sector.</p> <p>The requirements of IFRS result in a number of additional 'paper' transactions and adjustments being put through the income and expenditure account, however, these items are ultimately replaced with credits or debits to reconcile the Council's revenue and capital resources to those determined under statutory regulations.</p> <p>The Statement of Accounts contains a number of specified statements and reports along with the core financial statements comprising: the Comprehensive Income and Expenditure Account (CI+ES); the Movement in Reserves Statement (MIRS); a Balance Sheet; and Cash Flow Statement. These statements are supported by Notes which are either required under the Code or statute. The Council is also required to publish a Collection Fund account demonstrating the income raised from council taxpayers and business ratepayers and how this is distributed to the major preceptors within Essex, the Council, and Central Government.</p> <p>Additional information over and above the Code requirements is provided including: further details concerning the cost of services, and Members' allowances and expenses.</p>
<b>Safeguarding:</b>	None

<b>Equalities/Diversity:</b>	None
<b>Customer Impact:</b>	None
<b>Environment and Climate Change:</b>	None
<b>Consultation/Community Engagement:</b>	The draft Statement of Accounts was made available for public inspection over the period 24 June to 4 August 2016. A Member's seminar on the Statement of Accounts was held on 8 September 2016.
<b>Risks:</b>	None
<b>Officer Contact:</b>	Trevor Wilson
<b>Designation:</b>	Head of Finance
<b>Ext. No:</b>	2801
<b>E-mail:</b>	<a href="mailto:Trevor.wilson@braintree.gov.uk">Trevor.wilson@braintree.gov.uk</a>

<b>Second Quarter Performance Management Report 2016/17</b>		<b>Agenda No:9c</b>
<b>Portfolio</b>	<b>Finance and Performance</b>	
<b>Corporate Outcome:</b>	<b>A high performing organisation that delivers excellent and value for money services</b>	
<b>Report presented by:</b>	<b>Councillor David Bebb, Cabinet Member Finance and Performance</b>	
<b>Report prepared by:</b>	<b>Tracey Headford – Performance and Improvement Manager</b>	
<b>Background Papers:</b> Second Quarter Performance Management Report 2016/17		<b>Public Report</b>
		<b>Key Decision: No</b>
<p><b>Executive Summary:</b> The purpose of the attached report is to summarise the performance of the Council at the end of the second quarter (July 2016 to September 2016).</p> <p>In the second quarter, five projects have been completed and 41 projects are progressing well. However, the second quarter of the year has been challenging with two projects closed and four projects with an amber status due to delays experienced either by a third party involved in the project or due to requiring additional time to develop proposals or carry out additional research and engagement.</p> <p>Thirteen performance indicators have achieved or exceed target, three have missed target by less than 5% and two have missed target by more than 5%.</p> <p>The performance indicators missing target by less than 5% relate to the number of jobs created through business advice and support, the total number of visits to our leisure facilities and processing disabled facility grants.</p> <p>The number of jobs created through business advice and support has missed target by one. The figures are provisional and will be confirmed in the next quarter. Ignite are on track to meet the target at the end of the year.</p> <p>The total number of visits to our leisure facilities has slightly missed target in the second quarter, but overall for the year, target has been exceeded.</p> <p>The processing of disabled facility grants is demand led and reliant on referrals from Essex County Council and Greenfields which was lower than expected in the second quarter of the year. This performance indicator is reported cumulatively and at the end of the second quarter, the team have processed a total of 68 applications against a target of 72. The low number of referrals received has had a positive impact on the</p>		

waiting list as the team were able to focus more resource into processing the small back log of applications.

The performance indicators that have missed target by more than 5% are in relation to tonnage of residual waste and the average call answer time in the Customer Service Centre.

The tonnage of residual waste has reduced in the second quarter with an outturn of 104kgs (previously 120kgs in Q1) but has still not achieved the target of 99kgs. We continue to door step customers to encourage participation in recycling and increase the recycling rate which will also positively impact on the tonnage of waste.

The average call answering time in the Customer Service Centre for the second quarter was 17 seconds against a target of 15 seconds. Resource issues and an increase in calls being received at peak times has meant the call answering target has not been met this quarter.

Under performance will be closely monitored and in the majority of cases, performance is expected to improve over the year.

### **Financial Performance**

The financial information in the performance management report details the financial position as at the end of September 2016 providing an updated review of the financial position for the year. It examines the latest forecast for spending on day-to-day service provision compared to the budget for the year. Also included is a summary of treasury management activities; projected movements on the General Fund balance; and a summary of spending to date on capital investment projects.

#### **Summary:**

- An overall positive variance for the year is forecast of £303,000 (-2%) against the budget of £13.107million. This is an improvement of £99,000 from the position reported at the first quarter.
- Income is forecast to be overachieved by £169,000 of which £69,000 is due to the decision to acquire the property at Braintree College to support the provision of health facilities and £86,000 of additional interest from the decision to invest a further £2 million in pooled funds.
- There is a projected net underspend of £134,000 on staffing and other expenditure of which £67,000 is due to the cost of fuel continuing at a lower level than allowed when setting the budget and lower costs of refuse sacks.

For a detailed explanation of the financial performance, please refer to page 16 onwards of the full report.

### **Decision**

To note and endorse the report.

### **Purpose of Decision:**

To inform the Cabinet of the performance of the Council.



<b>Any Corporate implications in relation to the following should be explained in detail</b>	
<b>Financial:</b>	An assessment of the Council's financial position against the agreed budget for the year is provided and is based on income and expenditure during the year.
<b>Legal:</b>	There are no legal issues raised by this report.
<b>Safeguarding</b>	There are no safeguarding issues raised by this report.
<b>Equalities/Diversity</b>	Equalities and diversity issues are considered fully in the Council's key projects, where appropriate.
<b>Customer Impact:</b>	Performance of front line services, including Customer Services, Housing Benefits and Planning, for the quarter is provided. A summary of complaints received each quarter is analysed by outcome (justified, partially justified or not justified) is provided.
<b>Environment and Climate Change:</b>	The report provides details of progress in the delivery of the Council's key projects. This will include supporting residents and businesses in lowering the cost of their energy bills and energy consumption , anti-litter campaigns, expansion of our recycling service and campaigns encouraging recycling.
<b>Consultation/Community Engagement:</b>	Consultation is considered fully in the Council's key projects, as appropriate.
<b>Risks:</b>	Risks regarding the assumptions used in determining the predicted financial outturn for the year are identified.
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# SECOND QUARTER PERFORMANCE MANAGEMENT REPORT



1ST JULY TO 30TH SEPTEMBER 2016

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## Section 1: Introduction and Summary






### Purpose of the Report

The purpose of the report is to demonstrate the performance of the Council at the end of the second quarter in relation to the publication of the 'Annual Plan 2016/17'. This sets out the key activities and measures used to check our performance for the year and along with the Corporate Strategy 2016-20 sets out the priorities we are working towards. Further detail is given in relation to a set of business performance indicators covering finances, customer focus, our people and health and safety.






This report does not contain details of the numerous activities ongoing in each service area that also contribute to delivering what is important and will make a difference to all in the District. Full details of all projects and local and national indicators used to measure the outcomes are available upon request.

### Summary of the Corporate Projects current position for the end of the second quarter

The following table provides updates for the end of the second quarter in relation to the key activities in the 'Annual Plan 2016/17'




Corporate Priorities	Status of projects and actions				
					
Environment and Place	-	8	-	-	-
Strategic Growth and Infrastructure	1	7	-	-	-
Economic Development	-	8	2	-	-
Heath and Communities	3	5	2	-	1
Finance and Performance	1	4	-	-	-
Overall Strategy and Direction	-	6	-	-	1
<b>TOTAL</b>	<b>5</b>	<b>38</b>	<b>4</b>	<b>-</b>	<b>2</b>

#### KEY:




-  Project completed
-  Project on target
-  Project scope/target date requires attention
-  Project requires amendment
-  Project aborted/closed

### **Summary of the Performance Indicators position for the end of the second quarter**

The following table shows the performance for the end of the second quarter in relation to the quarterly and annually reported Performance Indicators that have targets set as defined in the 'Annual Plan 2016/17'.

Corporate Priorities	Status of indicators			
				Data Only
Environment and Place	3	-	1	-
Strategic Growth and Infrastructure	2	-	-	-
Economic Development	1	1	-	1
Health and Communities	1	2	-	-
Finance and Performance	6	-	1	-
<b>TOTAL</b>	<b>13</b>	<b>3</b>	<b>2</b>	<b>1</b>

#### **KEY:**

-  Performance Indicator has achieved target
-  Performance Indicator is up to 5% below target
-  Performance Indicator is 5% or more off target

### **Summary Position**

In the second quarter, five projects have been completed and 41 projects are progressing well. However, the second quarter of the year has been challenging with two projects closed and four projects with an amber status due to delays experienced either by a third party involved in the project or due to requiring additional time to develop proposals or carry out additional research and engagement.

Thirteen performance indicators have achieved or exceed target, three have missed target by less than 5% and two have missed target by more than 5%. There are varying reasons for not meeting target in the second quarter and reasons are detailed in the report together with any action being taken to improve performance. Under performance will be closely monitored and in the majority of cases, performance is expected to improve over the year.



## Environment and Place

Project description and comments	Target Date	Status
<b>Expand the recycling waste service to all flats where suitable and introduce food waste recycling at participating primary schools within the District</b>		
The recycling waste service has been expanded to 201 blocks and 2563 flats. 32 junior and infant schools have signed up to food recycling. A recycling rewards scheme funded by the Department of Communities and Local Government will be launched in December encouraging recycling in flats.	March 2017	▶
<b>Expand our trade waste collection service to businesses across the District</b>		
Continuing to work on the trade waste operational plan to market and develop the trade waste service, improving the service provided.	March 2017	▶
<b>Work with other Essex Councils on waste minimisation campaigns to reduce residual waste</b>		
The Essex Waste Management Partnership has established a work stream around waste prevention. In the second quarter, a scheme to recycle or repair electrical items was launched providing bins at a number of outlets across the district for residents to dispose of electrical items and events held to repair items. All Essex Authorities are currently working on a scheme to reuse and recycle old clothes and textiles launching in October.	March 2017	▶
<b>Refurbish two play areas at Goldingham Drive, Braintree and Milton Avenue, Braintree to improve local play provision</b>		
Site visits have been carried out with suppliers at both play areas to determine schemes and pricing prior to consultation with residents.	February 2017	▶
<b>Repair and resurface the path network to our open spaces, sports grounds and cemeteries in Braintree and Witham providing a better and safer environment for visitors</b>		
Tenders have been received and evaluated for the works required and a contract for the works has been awarded.	November 2016	▶
<b>Help residents and businesses lower the costs of their energy bills and reduce energy consumption through our energy switching schemes</b>		
An energy switching scheme for both residents and businesses in the district commenced in August 2016 and will run until 10 <sup>th</sup> October 2016.	March 2017	▶
<b>Encourage residents to take pride in the District by reporting litter hotspots and litterbugs under the 'see-it, report-it' initiative</b>		
In the second quarter of the year, residents have reported 729 incidents under the 'see-it, report-it' initiative.	March 2017	▶
<b>Run a change in behaviour campaign to reduce litter and keep the District clean and tidy</b>		
The Council relaunched the award winning anti car litter campaign in August with campaign messages appearing on bus shelters, petrol pumps and refuse vehicles throughout the district. The campaign is being run alongside a countywide 'Don't toss it - #BinIt' campaign in partnership with a number of businesses and local authorities across Essex.	March 2017	▶



# Strategic Growth and Infrastructure

Project description and comments	Target Date	Status
<b>Produce a draft Local Plan to ensure new homes, sustainable growth and economic development for the District</b>		
The background evidence base studies that feed into the Local Plan have been completed for the preferred options draft. The timetable for the Local Plan has been adjusted to take into account the shared working between Authorities on the shared strategic plan and garden communities and the end date of this project has been moved from September 2016 to February 2017.	February 2017	▶
The consultation on the draft Local Plan finished on the 19 <sup>th</sup> August with 3100 comments received. Responses and amendments to the Local Plan will be reported to members throughout the year.	February 2017	▶
<b>Support the development of planning applications relating to the delivery of major sites in the District</b>		
Three major planning applications have been determined in the second quarter of the year granting permission for a total of 526 homes.	March 2017	▶
<b>Help make sure housing needs of the District are met over the next 5 years</b>		
The new Housing Allocations Policy which sets out the requirements for allocating affordable housing has been agreed by Cabinet and is now published on the Gateway to Homechoice website.	August 2016	✓
Consultation on the draft version of the new Housing Strategy finished in August 2016 and the final draft of the strategy will be considered at Cabinet in November 2016.	March 2017	▶
<b>Work with partner agencies to continue to drive forward strategic improvements to the A12/A120 and the Braintree to Witham rail link</b>		
A working group has been set up with Highways England, Essex County Council and Braintree District Council to progress delivery of the A12/A120 slip roads. A plan detailing the extent of land required for the slip roads has been received and costs for options investigated. An executive summary has been provided to James Cleverly MP to lobby for funding. Briefings are being arranged for local Members and Group leaders at Braintree District Council.	December 2016	▶
The District Council has committed to part-fund a GRIP (Governance for Railway Investment Projects) study. Discussions have commenced with Abellio, which has been confirmed as the franchise holder. The District Council and Essex County Council will work with Abellio to build the business case and jointly lobby Network Rail to improve rail services for Braintree	March 2017	▶
<b>Work with Essex County Council to reduce congestion at Springwood Drive roundabout</b>		
ECC are working on an Integrated Transport package for Braintree looking at options and costs for improvements to the Springwood Drive roundabout. Minor improvements suggested by the local businesses on Springwood Drive have been submitted to the Local Highways Panel for consideration.	March 2017	▶



# Economic Development

Project description and comments	Target Date	Status
<b>Complete a programme of improvements to key industrial estates and business parks to support business growth and attract investment to the District</b>		
Signage improvement works for the Springwood Industrial Estate are out to tender and will be assessed and appointed in November. Additional minor improvement works are being implemented on issues raised by businesses in June.	March 2017	▶
Designs and costings for grass verge improvements on Crittall Road are being drawn up as discussed with Witham Industrial Watch. Signage Improvements will be taking place in November.	March 2017	▶
Landowners on Bluebridge Industrial estate have been contacted to gauge interest in taking part in the improvement scheme. A meeting has been held between Braintree District Council and Essex County Council highways representatives to look at options and costs around road improvements	March 2017	▶
<b>To strengthen business engagement by delivering a programme of events in collaboration with Essex Chambers of Commerce</b>		
The Essex Chamber of Commerce are unable to deliver against their initial commitment of 4 events. An alternative 'in-house' programme of events has been prepared with two events planned in December and March based of issues raised by local businesses	March 2017	▲
<b>Support 77 business start-ups in conjunction with IGNITE</b>		
Since April 2016, a total of 41 business start-ups have been supported and a total of 55 jobs created through business advice and support provided. Seven new tenants now occupy the new units at Springwood Drive Enterprise Centre.	March 2017	▶
<b>Support the establishment of a District education and skills board to address educational attainment and employment skills needs within the District</b>		
Braintree District Council has appointed a manager and resource is being sought to assist with this area of work. This will include developing proposals for the District Education and Skills board.	March 2017	▲
<b>Work with a range of partners and stakeholders to improve the three town centres in the District</b>		
Braintree Town Centre – The structure and aims of the masterplan for a package of public realm, pedestrianisation and highway improvements has been discussed at a joint working officer group between Essex County Council and Braintree District Council and a project plan is in development. Once plans are formulated, local engagement will follow.	March 2017	▶
Halstead Town Centre –Essex Highways Network Management have evaluated the Masterplan regeneration proposals to establish the required works on the highway prior to completing the consultation design.	October 2016	▶
Witham Town Centre – A series of studies and reports are in progress to review the aims and objectives of the Masterplan regeneration proposals which will be presented to the project board in the third quarter.	October 2016	▶
<b>Maximise superfast broadband coverage across the District by working with Superfast Essex</b>		
Superfast Essex is undertaking a further open market review and sign-up drive from residents to identify areas interested in receiving Superfast Broadband ahead of the procurement exercise for Phase 3.	March 2018	▶





# Health and Communities

Project description and comments	Target Date	Status
<b>Work with Active Braintree Network to increase access to new sporting opportunities and activities</b>		
The 'Get Outdoors' campaign was launched by Fusion in the summer to encourage residents to participate in outdoor activities including instructor lead sessions at outdoor gyms.	September 2017	✓
<b>Encourage residents to be more active by developing a 'Be-Well' strategy</b>		
The production of the 'Be-well' strategy has been delayed following changes to the Sport England strategy and delays in timescales for Active Essex to produce their strategy.	March 2017	⚠
<b>Ensure the football pitches on the Deanery Gardens sports ground and the rugby pitch on King George V playing field are in year-round condition through the installation of a piped drainage system</b>		
This project has been transferred into next year's delivery plan as the installation of a piped drainage system needs to take place outside the football season to minimise the impact on residents using the facilities.	September 2016	✗
<b>Address the priorities for the District in a co-ordinated way through the Braintree District Health and Wellbeing Panel</b>		
A healthy eating recipe book has been published and promoted through the Livewell website to encourage residents to eat a healthy, balanced diet.	September 2016	✓
The childhood obesity project called Livewell Child aimed at key stage one children has recruited 25% of the primary schools across the District. A schools workshop was held in September to ascertain ideas of interventions beneficial to all taking part.	March 2017	▶
<b>Invest in local health facilities to help provide primary care services that can meet current and future needs as the District grows</b>		
Members have approved proposals to invest in local health facilities across the district. Initial meetings have been held to discuss the opportunity to develop a doctors' surgery in Witham and the Council are working with the Clinical Commissioning Group to explore site options. Acquisition terms have been agreed with Colchester Institute to purchase premises at The College at Braintree to convert to a doctors' surgery.	March 2017	▶
<b>Improve the living conditions, access to services and the health and wellbeing of vulnerable people on low incomes</b>		
Braintree District Council continues to explore the availability of grants to improve the thermal efficiency of caravans and will be surveying residents of park communities to understand their requirements.	February 2017	▶
<b>Run a winter warmth campaign to provide advice to residents on improving energy efficiency to help keep warm during the winter months</b>		
The content of the winter warmth campaign is currently being produced and information is being gathered as to where material on keeping warm during the winter months can be circulated to best inform residents	February 2017	▶
<b>Work towards making the District dementia friendly through the work of our Braintree District Dementia Action Alliance</b>		
An application has been made to become a Dementia Friendly Community accelerator site. If successful, the Alliance will receive specialist support and funding enabling them to meet with hard to reach groups.	March 2017	▶

<b>Support community groups to deliver local projects and activities through the introduction of a Councillor Community Grant Scheme</b>		
The new Councillor Community Grant scheme was launched in September to provide Councillors with £1,500 each per year which they can allocate to community projects and initiatives in their local area.	<b>September 2016</b>	✓
<b>Engage with young people by developing a young person's on-line forum helping them to have a voice on topics and concerns that affect them</b>		
The development of a young person's on-line forum has been placed on hold whilst further research and engagement is carried out with young people regarding the benefits of creating the forum.	<b>March 2017</b>	⚠



## Finance and Performance

Project description and comments	Target Date	Status
<b>Continue to review how we deliver our services ensuring we provide value for money and focus our resources on what is important to those living and working in our District</b>		
A schedule of planned service reviews continues to be updated to inform future reviews with the aim of minimising the budget gap	<b>March 2017</b>	▶
<b>Develop commercial opportunities to generate income and identify further opportunities for income growth</b>		
Strategic resource has been procured from the East of England Local Government Association (EELGA) to deliver the skills required and a Business Development Manager has been appointed to support the development of commercial opportunities. Business cases and options appraisals are being developed for identified projects which will be assessed using the Council's internal Investment Tool.	<b>March 2017</b>	▶
<b>Use our Investment Strategy to maximise income and strengthen the Councils financial independence, supporting our ability to invest in the District</b>		
Cabinet agreed in May a District Investment Strategy with resources of £28million identified for investment projects. Three investment opportunities were agreed at Cabinet and Council in July. The Strategic Investment group has agreed to invest a further £2 million in pooled equity funds taking the total invested in pooled funds to £14 million.	<b>March 2017</b>	▶
<b>Improve customer focused services by delivering a programme of continuous improvement and achieve the Customer Service Excellence Standard for the third year</b>		
Customer Service Excellence accreditation has been achieved for a further year with just one area of partial compliance and six areas achieving compliance plus. A further assessment is planned to take place in June 2017.	<b>June 2016</b>	✓
<b>Improve our services through the use of technology to make sure they are easy and convenient to use</b>		
Following the launch of the new responsive website in March, information on the website has been reviewed and improvements implemented to the ways in which customers access information. A module enabling customers to view their council tax bills securely on line will be launched in October.	<b>March 2016</b>	▶











# Overall Strategy and Direction











Project description and comments	Target Date	Status
<b>Continue to work in partnership with other Essex Authorities and other public and private sector organisations to develop devolution proposals for Essex to achieve greater local control of decisions and funds to deliver better outcomes for residents and businesses across the County and District</b>		
A meeting was held between a small group of Essex Leaders and senior civil servants over the summer to explore options on devolution with or without a major. However, the Government policy remains (and has recently been confirmed again by the Prime Minister) that in order to secure a devolution deal, combined authority areas must have a directly elected mayor. This means that the Greater Essex devolution programme remains on hold.	March 2017	
<b>Contribute to the work of the Essex Waste Management Partnership to lower collection and disposal costs across Essex</b>		
The Essex waste officer's delivery group have established four work streams around Biodegradable waste, waste prevention, procurement and the review of the joint municipal waste strategy. A series of campaigns to recycle electrical items and textiles are being undertaken countywide in October 2016 and a reuse campaign is being programmed for the New Year.	March 2017	
<b>Work with other local authorities in Essex to establish a building control shared service across the county which will deliver higher standards of customer service, retain and attract staff to reduce costs</b>		
A decision has been made not to continue with the joint working initiative following the withdrawal of a number of authorities from the project. A meeting will be held in October to review the lessons learnt.	March 2017	
<b>Drive forward economic growth and infrastructure improvements in the District and surrounding areas by continuing to work with the Haven Gateway Partnership</b>		
Essex County Council and Highways England held a number of forums in September which Braintree District Council attended to engage with community groups involving Parish and Town Councils to explain the process for the improvements to the A12 and the options for the A120.	March 2017	
<b>Work with Essex County Council, Highways Agency and other Essex District councils on the options for the new A120 route</b>		
Braintree District Council is actively participating in a number of different forums that Essex County Council and their consultants have set up.	March 2017	
<b>Continue to work with key partners including neighbouring councils on the strategic planning for the housing and economic growth required in the District to support the work in the new Local Plan</b>		
Cabinet agreed a budget to develop a business case for a Housing Development Company. External consultants have been appointed to inform the business case in partnership with Colchester Borough Council. Continuing to work with three other local authorities on proposals for North Essex Garden Community projects to deliver over 30,000 homes and 10,000 jobs.	March 2017	
<b>Develop and deliver a District Investment Strategy that invests in improved and new infrastructure, economic growth and regeneration projects and new health facilities to meet the needs of the District now and in the future</b>		
In May, the Council approved its £28 million District Investment Strategy to help improve the district and support current and future growth. In the second quarter, Cabinet and Council have approved the delivery of a mixed use regeneration scheme including health facilities on the site behind the Town Hall	March 2017	

in Braintree and to deliver and fund a scheme to acquire new premises to lease to health providers in Braintree.		
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## Section 3: Managing the Business

### Our Performance Indicators in Detail

Performance Indicator	2016/17						Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn	Target for the Quarter	Status at the end of the Quarter	
Environment and Place							
Percentage of land that falls below cleanliness standards for litter	n/a	5%			6%		Recorded 3 times a year – July, November and March
Percentage of household waste sent for reuse, recycling and composting	54.13%	55.27%			53.50%		
Tonnage of residual household per household waste not recycled	120kgs	104kgs			99kgs		Tonnage has reduced in the second quarter but has still not achieved target. We continue to door step customers and a number of campaigns are underway to encourage recycling reducing waste to landfill
Percentage of fly tips cleared within 24 hours of being reported	100%	100%			100%		Represents 183 fly-tips dealt with in the quarter
Number of fuel poverty and domestic energy reduction installations carried out							Annually reported
Strategic Growth and Infrastructure							
Number of affordable homes delivered	8	27			27		
Number of homes granted planning permission	571	630			215		Three large developments have been determined in the second quarter of the year which accounts for 526 homes
Economic Development							
Number of new business start-ups in the District created in partnership with Ignite Business	22	19			18		The figures provided by Ignite are estimated and will be confirmed in the next quarter. A new monitoring process has been agreed providing more accurate and timely outturns in the future
Number of jobs created through business advice and support	29	26			27		
Percentage of District on high speed broadband connection	71%	71%			Data Only	N/A	Project is being delivered by Superfast Essex. End of phase one is where it is expected to be.

Performance Indicator	2016/17						Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn	Target for the Quarter	Status at the end of the Quarter	
Health and Communities							
Number of Disabled Facilities Grants processed throughout the year	39	68			72		Indicator is reported cumulatively. This is a demand led service reliant on the number of referrals received which in the second quarter has been lower than expected. This has allowed the team to reduce the number of applications on the waiting list.
Total number of visits to our Leisure facilities	262,357	247,152			255,429		A reduction in the number of visitors to our leisure centres was seen in July and September. Cumulatively, the target has been exceeded
Number of passenger journeys on the Community Transport Scheme	14,168	12,797			12,631		
Finance and Performance							
Average call answer time in the Customer Service Centre	13 seconds	17 seconds			15 seconds		Resource issues and an increase in calls being received at peak times has meant the call answering target has not been met this quarter.
Time taken to process housing benefit/council tax benefit new claims	17.75 days	17.58 days			18 days		
Time taken to process housing benefit claim changes	6.41 days	5.87 days			6 days		
Percentage of Stage 1 complaints responded to within target	98.59%	92.90%			90%		
Collection rate for Council Tax	30.81%	59.25%			59.24%		
Collection rate for Business Rates	31.25%	58.43%			58.22%		
Percentage of invoices paid within 30 days of receipt	99.40%	99.04%			98.50%		

## **Complaints**

The quarterly complaints analysis for the second quarter of 2016/17 is detailed below. This is compared with 2015/16 figures shown in brackets. The figures represent all three stages of the complaints process.

<b>Complaint Category</b>	<b>Q1 2016/17</b>	<b>Q2 2016/17</b>	<b>Q3 2016/17</b>	<b>Q4 2016/17</b>	<b>TOTAL</b>
Justified	112 (83)	52 (90)	(108)	(125)	(406)
Not Justified	72 (45)	104 (65)	(70)	(101)	(281)
Partially Justified	31 (17)	24 (30)	(21)	(24)	(95)
Not known	0 (0)	3 (1)	(1)	(0)	(2)
<b>Total</b>	<b>215 (145)</b>	<b>183 (186)</b>	<b>(200)</b>	<b>(250)</b>	<b>(784)</b>

## ***Comments***

The number of complaints received in the second quarter of the year has reduced due the Operations service area receiving fewer complaints than in the previous quarter. We continue to ensure customers are kept informed of any service disruptions regarding waste collections and where collections are missed, the majority are collected within 24 hours. The service continues to monitor issues with missed waste collections to help reduce the number of complaints received further.

At the time of writing the report, two stage 3 complaints and one stage 2 complaint were still being investigated and responded to.

In the second quarter of 2016/17, of the 183 complaints received:

- 170 are stage one complaints
- 9 are stage two complaints
- 4 are stage three complaints

There has been an increase in the number of complainants escalating their complaint to the next stage in the complaints process and this will be monitored to understand the reasons and to ensure complaints are dealt with appropriately at all stages.

## **A summary of Local Government Ombudsman cases:**

In the second quarter of 2016/17 the LGO has received one new complaint. The new complaint received is currently being investigated. The LGO also issued a final decision on one complaint received in the previous quarter where they upheld maladministration but confirmed there was no injustice to the complainant.

## Our Organisation

The following is a selection of our people performance measures:

People: Indicators of Performance	Q1 16/17	Q2 16/17	Q3 16/17	Q4 16/17	Change on previous period	Yearly Target
Total headcount	467	466			- 1	-
Total number of posts	476	477			+1	-
Number of temporary staff	44	42			- 2	-
Total staff FTE	420.36	419.46			- 0.9	-
Level of employee turnover	2.78%	3.43%			+ 0.65%	-
Number of leavers	13	16			+ 3	-
Number of starters	9	15			+ 6	-
Working days lost to sickness per employee	2.7 days	2.59 days			- 0.11 days	8.0 days
Percentage of staff with nil sickness	74%	54%			- 20%	-
Number of learning hours	9140.50	8276.50			- 864.00	-
Number of delegates	192	266			+ 74	-
Number of apprentices **	19	16			- 3	-

Year on Year Headcount Analysis	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	503	485	466	478	472	470

\*\* BDC's apprenticeship programme runs from September each year. The figures reflect level 2 and level 3 apprenticeships.

## **Health & Safety**

The following is a selection of our health and safety performance measures. The data is for information purposes only.

Health and safety is a crucial responsibility of everyone within the organisation. This information is used to improve the management of health and safety of staff, our customers, residents and other non-employees we come into contact with. Monitoring is undertaken by the corporate health and safety committee and action plans will be put in place where necessary.

<b>Health &amp; Safety: Indicators of Performance</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	
	(2015/16 figure in brackets)				
Total number of reported accidents/ incidents, calculated from:	11 (6)	12 (12)	(5)	(11)	
<i>Accidents/ incidents to employees</i>	8 (4)	9 (9)	(5)	(9)	
<i>Accidents/ incidents to contractors</i>	1 (2)	1 (1)	(0)	(2)	An Agency Worker received a fracture to their thumb whilst holding a branch that was being pruned by another member of staff.
<i>Accidents/ incidents to non-employees</i>	2 (0)	2 (1)	(0)	(0)	A child cut their foot on the lift door at the Town Hall Centre. The First Aider applied cleansing wipe and bandage and advised the mother to take the child to their GP or A&E. The second incident happened when a member of the public visiting Causeway House became unwell. The First Aider in attendance suspected the person was suffering from a heart attack and called the paramedics.
Time lost in days due to employee accidents/ incidents	105 (3)	16 (76)	(42)	(5)	
Number of reported verbal/ physical incidents to employees	1 (0)	1 (1)	(0)	(2)	The member of staff was subjected to verbal abuse from a resident whilst out on site. The member of public has been placed on the potential violence and aggression to staff register.
Number of near miss incidents	0 (1)	0 (0)	(1)	(0)	
Number of Accidents/ incidents registered resulting in insurance/ compensation claim	0 (1)	0 (0)	(0)	(0)	
Number of claims settled	0 (0)	0 (2)	(0)	(0)	



## Financial Performance

This part of the report provides an updated review of the financial position for the year. It examines the latest forecast for spending on day-to-day service provision compared to the budget for the year. Also included is a summary of treasury management activities; projected movements on the General Fund balance; and a summary of spending to date on capital investment projects.

### Summary:

- An overall positive variance for the year is forecast of £303,000 (-2%) against the budget of £13.107million. This is an improvement of £99,000 from the position reported at the first quarter.
- Income is forecast to be overachieved by £169,000; and there is a projected net underspend of £134,000 on staffing and other expenditure.

### Revenue Spending by Services

Business Plan Service	Budget £'000	Projected Spend £'000	Adverse (Positive) variance against budget				RAG Status
			Staffing £'000	Other Expenditure £'000	Gross Income £'000	Total £'000	
Asset Management	(1,917)	(1,963)	5	7	(58)	(46)	G
Business Solutions	1,841	1,800	(6)	(23)	(12)	(41)	G
Community Services	563	558	(1)	(10)	6	(5)	G
Corporate Management Plan	1,362	1,330	(2)	(30)	-	(32)	G
Cultural Services	240	240	-	-	-	-	G
Environment	627	583	(57)	(4)	17	(44)	G
Finance	1,350	948	(76)	(23)	(303)	(402)	G
Governance	987	1,010	(1)	24	-	23	A
Housing Services	769	762	28	(34)	(1)	(7)	G
Human Resources	309	314	(2)	7	-	5	A
Leisure Services	(54)	(54)	-	-	-	-	G
Marketing and Communications	432	404	1	(7)	(22)	(28)	G
Operations	4,277	4,451	(24)	(47)	245	174	A
Sustainable Development	668	748	(36)	57	59	80	R
<b>Service Total</b>	<b>11,454</b>	<b>11,131</b>	<b>(171)</b>	<b>(83)</b>	<b>(69)</b>	<b>(323)</b>	<b>G</b>
Corporate Financing	1,803	1,686	-	(17)	(100)	(117)	G
Efficiency target	(150)	(13)	137	-	-	137	
<b>Total</b>	<b>13,107</b>	<b>12,804</b>	<b>(34)</b>	<b>(100)</b>	<b>(169)</b>	<b>(303)</b>	<b>G</b>

RAG Status: G = favourable or nil variance, A = up to 5% adverse variance or <£50k, R = > 5%

### Staffing

Further analysis of the staffing budget variances is provided in the following table:

Business Plan – Staffing Budgets	Budget £'000	Projected Spend £'000	Adverse/ (Positive) variance £'000	RAG Status
Asset Management	298	303	5	A
Business Solutions	850	844	(6)	G
Community Services	345	344	(1)	G
Corporate Management Plan	1,166	1,164	(2)	G
Cultural Services	189	189	-	G
Environment	1,314	1,257	(57)	G
Finance	2,387	2,311	(76)	G
Governance	453	452	(1)	G
Housing Services	731	759	28	A
Human Resources	314	312	(2)	G
Leisure Services	124	124	-	G
Marketing and Communications	285	286	1	A
Operations	4,878	4,854	(24)	G
Sustainable Development	1,875	1,839	(36)	G
<b>Service Total</b>	<b>15,209</b>	<b>15,038</b>	<b>(171)</b>	<b>G</b>
Efficiency target	(150)	(13)	137	
<b>Net Total</b>	<b>15,059</b>	<b>15,025</b>	<b>(34)</b>	<b>G</b>

RAG Status: G = favourable or nil variance, A = up to 5% adverse variance, R = > 5% (Net Total adverse > Efficiency target)

### ***Commentary on staffing variations:***

Savings on staffing budgets are expected to be achieved through a combination of vacant posts, reductions in hours worked, appointments being made at lower grade/ scale points, and through other service restructures and efficiency reviews. Based on the information known at the end of the Quarter it is projected that across all services there will be a net underspend of £171,000 for the year against staffing budgets. The approved budget provided for a corporate efficiency target of £150,000 to be achieved from in-year staffing variances. Taking into account the projected net underspend across services and a corporate saving of £13,000 from the implementation of an annual leave purchase scheme for staff, it is currently anticipated that the target will be exceeded for the year by £34,000.

Whilst **Operations** is showing a net projected underspend of £24,000 this is comprised of a projected overspend on the **Waste Management** service of £100,000 where additional agency support is being required to provide cover due to a combination of factors: abnormally high sickness levels, holiday cover, and vacancies. The service continues to closely monitor the position, taking action where possible to contain costs. The suspension of the green waste service during December to February may provide opportunity to reduce the need for agency staff as directly employed staff can be redirected during this period. Mitigating this position the service has a projected underspend of £87,000 within **Management & Administration** where external funding is being applied to meet the costs of certain posts, and vacancies held over. Further savings totalling £37,000 are projected in areas such as **Horticultural Services, Street Scene & Protection, and Cemeteries** from current vacancies.

### **Other Service Expenditure**

Services are currently forecast to underspend against their non-staffing expenditure budgets by a net £100,000. Contained within this net position are the following items:

#### *Main positive variances:*

- **Waste Management:** currently a projected underspend totalling £67,000, which is mainly due to the cost of fuel continuing at a lower level than allowed when setting the budget, and lower purchase costs of refuse sacks due to both price reductions and a lower number of sacks being used. The Council has been promoting the proper use of the recycling sacks provided to households and continues to monitor their use.
- **Corporate systems:** forecast underspend totalling £25,000 on voice and data networks, and spend on the Capita contract where service volumes have reduced.
- **Corporate Costs:** External audit fees are expected to be lower than budget by £25,000 coupled with a further reduction in bank charges (£5,000).

#### *Offset by:*

- **Governance:** a projected net overspend of £24,000, which includes £20,000 of additional costs being incurred for the hiring of sound system equipment for the committee areas which was necessary prior to the procurement of a new system.

### **External Income**

A significant proportion of the Council's budget is reliant on external income. Grants and subsidies from government, alongside income from business rates are major elements, totalling over £52 million. These income streams are either fairly predictable as they are determined at the start of the year as part of the annual Local Government Finance Settlement; or variations

can be largely offset by commensurate changes in expenditure, e.g. subsidy received on housing benefits is related to the level of payments made.

The amount of business rates ultimately retained depends on the actual amounts collectable (taking into account changes in the Valuation List, exemptions and reliefs granted, and provisions for non-collection and rating appeals). Variances are accounted for via the Collection Fund and taken into account when determining future budgets and council tax setting. Fluctuations from those elements which have a direct impact on the General Fund revenue account, e.g. the levy payable on growth or grants received from Government to fund certain discretionary reliefs, are managed via the business rate retention reserve.

As a participant in the Essex Business Rates Pool the Council is entitled to a share of the extra business rates retained “locally” which will be rebated against the 2016/17 levy. The determination and receipt of the actual amount of the Council’s share will be made after year-end returns have been collated from each of the participating authorities and as such no estimate of the amount was included in the original budget.

Other external income for which the Council has budgeted £13.707million comes from a variety of sources that are subject to external demands and other influences, meaning these are more susceptible to variations against budget. It is currently forecast that services will over achieve against their income budgets by a net £169,000, as shown in the table below:

Business Plan	Updated Budget £000	Joint Financing & Other Reimburs.	Sales, Fees & Charges	Rents	Other Income	Total	RAG status
		5,057	5,241	2,543	866	13,707	
		<i>Adverse (Positive) Variance £000 against Budget :</i>					
Asset Management	2,584	-	6	(64)	-	(58)	G
Business Solutions	15	(12)	-	-	-	(12)	G
Community Services	210	-	8	-	(2)	6	A
Corporate Management Plan	-	-	-	-	-	-	G
Cultural Services	108	-	-	-	-	-	G
Environment	810	2	(13)	-	28	17	A
Finance	2,153	(147)	-	-	(156)	(303)	G
Governance	34	-	-	-	-	-	G
Housing	44	-	(2)	1	-	(1)	G
Human Resources	-	-	-	-	-	-	G
Leisure Services	723	-	-	-	-	-	G
Marketing & Communications	27	-	(12)	-	(10)	(22)	G
Operations	5,360	39	207	3	(4)	245	A
Sustainable Development	1,213	-	59	-	-	59	A
<b>Service Total</b>	<b>13,281</b>	<b>(118)</b>	<b>253</b>	<b>(60)</b>	<b>(144)</b>	<b>(69)</b>	<b>G</b>
Corporate Financing	426	(100)	-	-	-	(100)	G
<b>Total</b>	<b>13,707</b>	<b>(218)</b>	<b>253</b>	<b>(60)</b>	<b>(144)</b>	<b>(169)</b>	<b>G</b>

RAG Status: G = positive or nil variance, A = up to 5% adverse variance or <£50k, R = adverse variance greater than 5% and >£50k at Individual Business Plan level

## Joint Financing & Other Reimbursements

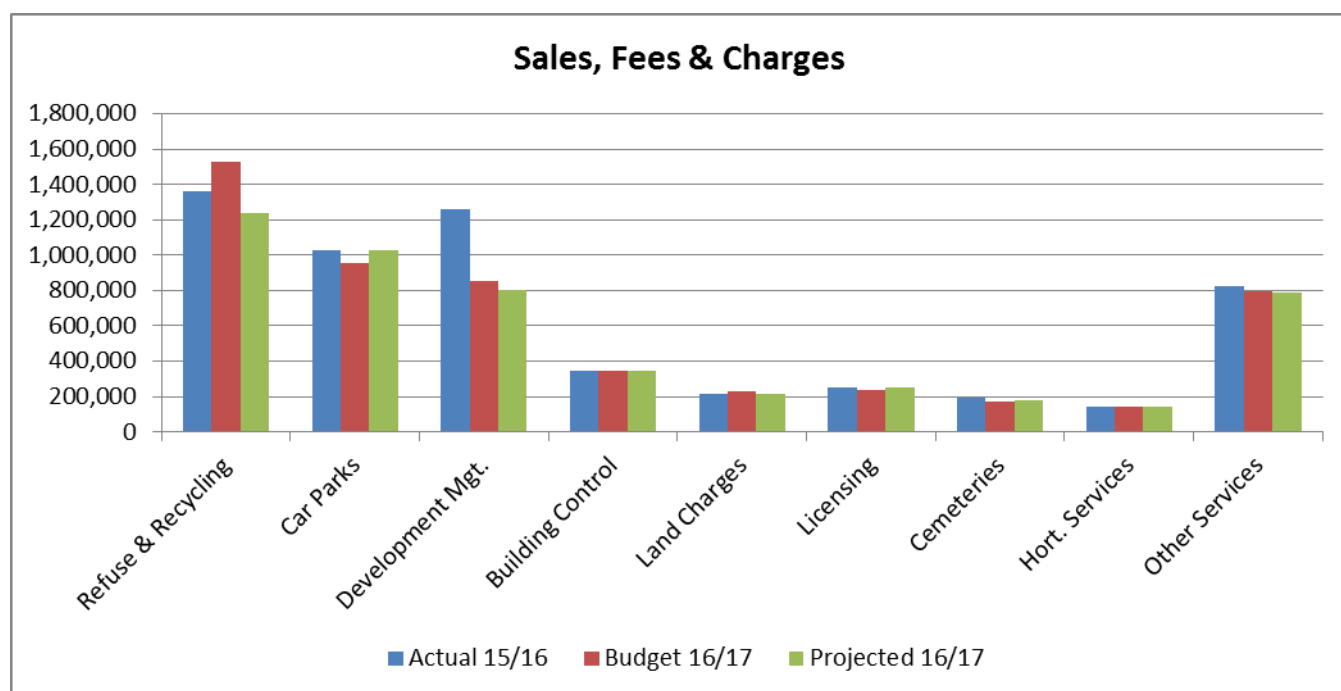
The total budget for income from joint financing and other reimbursements is £5.057million, against which it is currently predicted to be over-achieved by £218,000. The main sources of income and forecast outturn are:

- **Essex County Council:** a £2.205million budget for contributions towards services such as community transport, horticultural services, food waste service, and recycling. An adverse variance of £33,000 is currently forecast mainly due to a recalculation by Essex County Council of income due under the Waste Management Inter-Authority Agreement.

- **Procurement Hub:** subscriptions from participating authorities along with commission's receivable from the use by other organisations of the procurement frameworks set-up by the Hub give a total budget of £543,000. Arrangements with the participating authorities provide for rebates (shown as expenditure) against their subscriptions based on the overall financial performance of the Hub in the year.
- **Council Tax sharing and other collection investment arrangements:** £426,000 was provided in the budget as Braintree's share from the major precepting bodies of the additional council tax being collected. Based on last year's performance it is expected that income growth will continue into 2016/17 giving a projected over-achievement of £100,000. In addition, the Council has budgeted for arrangements with the major precepting bodies to provide £112,000 towards improving council tax collection arrangements, including prevention and detection of fraud, and partial funding towards the exceptional hardship fund.
- **Benefit overpayment recoveries and administrative penalties:** based on last year's outturn it is anticipated that recoveries will be higher than the original budget allowance of £284,000 by £148,000.

## Sales, Fees & Charges

The budget for income from sales, fees & charges is £5.241million. The current projection is for an overall under achievement of £253,000. The following chart shows the main income streams:



### Commentary on Fees and Charges:

- **Refuse & Recycling - Sale of Recycling Materials:** The budget for income from sales is £624,000. A new 5-year extension to the contract for mixed dry materials has been agreed in year, the financial arrangements of which involve the income receivable for the current year being reduced by 50%. This will then be recovered over the following two years by a reduction in the gate fee to be charged by the contractor. The market for recyclable materials has deteriorated over recent months such that local authorities are now paying gate fees rather than receiving income for disposal of recyclable materials. The impact in the current year is a reduction in income of £270,000. In addition, the Council is receiving a lower price for glass materials than was provided in the original budget following on from the reductions experienced over the 2015/16 financial year

giving a predicted shortfall of £57,000.

- **Car Parks:** The trend identified at the first quarter continues to be maintained resulting in the income from pay and display car parks still being forecast £73,000 higher than the budget in line with the outturn for 2015/16.
- **Development Management:** In 2015/16 the Council experienced a significant spike in planning application fee income. The approved budget for 2016/17 reflected an element of this growth with an addition to base budget of £125,000. Based on the amount of income received in the first six months and using past experience, service management are now less confident than at the first quarter that income will achieve the higher budgeted amount. Application fee income is market driven and subject to economic influences. A small number of larger scale applications are responsible for a substantial margin in income achieved. At present the extent of the projected under-achievement in income is £50,000 for the year. Progress towards the adoption of the Local Plan should in future be reflected in a trend of increasing housing delivery bringing the associated application fee income; however, as noted above predicting the timing of this income is inherently difficult.
- **Land Charges:** Income is projected to be lower than budget by £13,000; however, this is an improvement over the position reported at the first quarter (-£38,000) due to a one-off increase in work required by Greenfields Community Housing. The current projection of £216,000 is broadly in line with the income achieved in 2015/16.

## Rental Income

The budget for rental income from land & property is £2.543million – comprising the investment & commercial property portfolio, markets, housing properties, and other let properties. The forecast for the year is currently an over achievement of £60,000.

### ***Commentary on Rental Income:***

**Asset Management:** additional rental income of £69,000 has been assumed based on the anticipated completion of the acquisition of Block B at the College in Braintree, which was recently approved by Members as part of the District Investment Strategy to support the re-provision of health facilities in the Braintree area whilst also generating commercial rental income for the Council.

## Other Service & Corporate Income

Total budgeted Other Income is £866,000 which comprises mainly the following streams:

- **Investment & Other Interest Income:** The budgeted amount is £621,000, but is now expected to be higher by £86,000 as an extra £2million was added to the Council's long-term pooled funds in December 2015 and not reflected in the original budget.
- **Solar Panel Feed-in-Tariffs:** the budget provides for an expected £124,000 of income from investment in solar panels at various Council facilities. However, due to changes by the Government in the tariff arrangements the Council halted its investment in panels at the George Yard car park and its extension of the installation at Witham Leisure Centre. Consequently, it is predicted that, after taking account of slightly better returns on existing schemes, there will be a net shortfall against the budget of £40,000.
- **Government grant:** included in the overall variance is an additional £66,000 of government grant towards administration of the Local Council Tax Support scheme, for which details of entitlement were not announced until after the Council had agreed the budget for 2016/17.

## Treasury Management

The Council's treasury management activity for the year is summarised in the table below:

Amount Invested at the Start of the Year	Activity for the year		Amount Invested at 30 Sept
	New Investments	Investments Sold or Matured	
£36.27m	£59.62m	£39.50m	£56.39m
Average amount invested to end of quarter			£52.42m
Highest amount invested			£60.23m

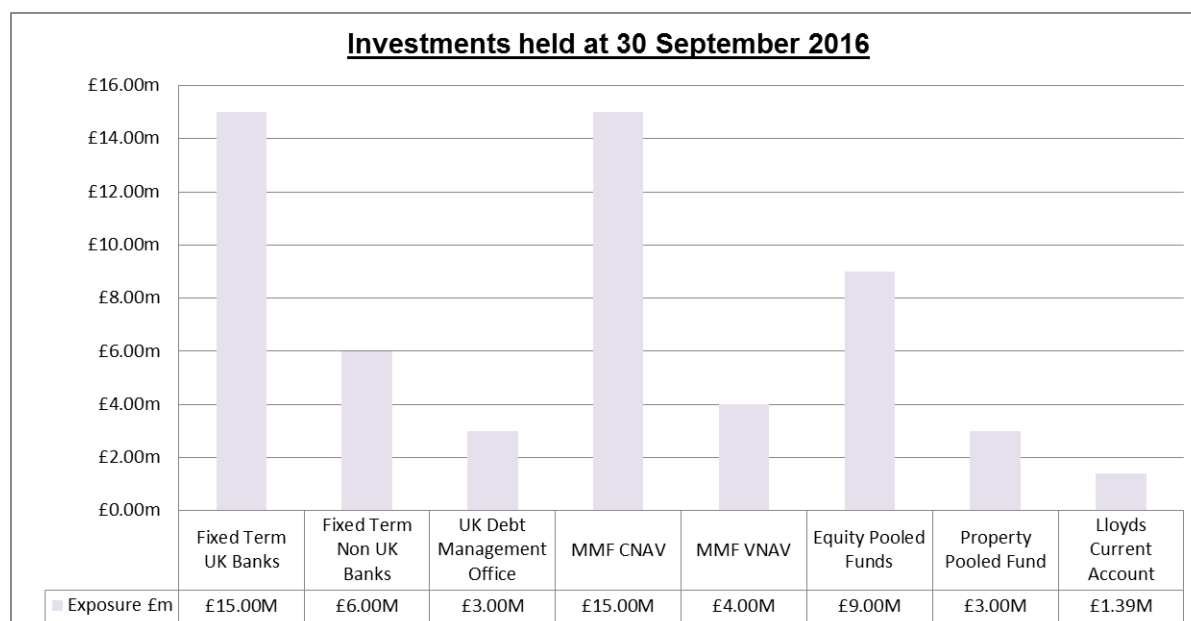
The Council has £12million currently invested for the long-term in a mixture of property and equity funds. Further additions to the funds are planned to be made in October/ November. Remaining investments have been in short-term instruments including call accounts and term deposits with UK and Non-UK banks, deposits with the UK Government Debt Management Office (DMO), and Money Market Funds (MMF).

Interest and dividends earned to the end of the quarter total £235,000, which is equivalent to an annualised rate of return of 1.62%:

Investments	Average Amount Invested	Interest & Dividends Earned	Annualised Return %
Long-Term Pooled Funds	£12.00m	£315,000	5.25%
Short-Term	£40.42m	£109,000	0.54%
<b>Total</b>	<b>£52.42m</b>	<b>£424,000</b>	<b>1.62%</b>

Investment returns have been increased by the dividend income from the long-term investments; however, as the funds are exposed to market conditions their value can fluctuate. At the end of the quarter the market valuation for all funds was £12.500million, representing an unrealised gain of £500,000 against the amount invested – this is an improvement on the previous quarter of £720,000 reflecting the recent bounce back in equity markets as the value of sterling has continued to slide following the vote to leave the European Union.

At the end of the quarter the Council's investment portfolio comprised the following:



CNAV = Constant Net Asset Value i.e. the Fund value is expected to remain constant

VNAV = Variable Net Asset Value i.e. the Fund value and therefore amounts invested can fluctuate

## **General Fund Balances**

General Fund balances are held for the following reasons:

- As a contingency against unforeseen events that may require funding above that originally provided for in the approved budget
- To meet short-term or non-recurrent one-off costs that are not provided in the base budget and/ or are incurred to achieve future savings and efficiencies.

Based on the outturn set out above, the projected movement on the General Fund balance is as follows:

	<b>£'000</b>
<b>Balance at 1 April 2016</b>	<b>8,421</b>
Add:	
Budgeted addition	526
Projected variance at Q2	303
Less:	
Allocated to Investment Strategy	5,000
<b>Est. Balance at 31 March 2017</b>	<b>4,250</b>

Movements shown on the General Fund balance are in respect of:

- The budget approved by Council for 2016/17 included an anticipated addition to balances of £526,234.
- The projected outturn variance for the year is currently results in an addition of £303,000.
- Cabinet approved a district investment strategy at its meeting on 23 May 2016, which included proposals to allocate £5million of the General Fund unallocated balances.

## **Risks and Assumptions**

The forecasts reflect service managers' "best estimate" of the predicted outturn for the year. The previous year outturn and trends in-year have been considered; however, as always, these are subject to changing circumstances and unforeseen events. Directors and service managers continue to scrutinise all expenditure commitments in light of the planned savings set out in the Medium Term Financial Strategy.

External income is inherently difficult to predict as it is substantially demand led and impacted by external factors.

## **Capital Investment**

In February 2016 the Council approved new capital projects for 2016/17 totalling £1.993million. Taking into account projects in progress carried forward from earlier years, the in-year approval of new projects, and the estimated timing of delivery of all projects, the overall amount expected to be spent on capital in the current year is £6.082million.

The capital investment programme is reported over two themes:

- General Fund Services – Spending on Council owned/ used assets and services.
- Housing investment – mainly spent on partnership schemes with social landlords, and providing disabled facilities grants and home improvements grants.



The current spend against the programme for the year is shown below:

	Programme 2016/17	Actual spend	Grants approved not yet paid	Budget remaining	Spend & grants approved at end of Quarter
	£'000	£'000	£'000	£'000	%
General Fund Services	4,531	647	-	3,884	14%
Housing Investment	1,280	603	151	526	59%
Capital Salaries	271	136	-	135	50%
<b>Total</b>	<b>6,082</b>	<b>1,386</b>	<b>151</b>	<b>4,545</b>	<b>25%</b>

The General Fund Services programme for the year includes:

- A programme of planned maintenance and other refurbishment works to Council owned buildings and community facilities, including parks and open spaces, play areas, and car parks.
- Purchase of replacement vehicles for operational services
- Investment in new technology
- New cycleways and footpaths

Recent additions to the above programme include:

- The purchase and conversion of Block B at the College in Braintree which will then be leased out to provide replacement health facilities for the St Lawrence General Practitioner surgery as well as providing the Council with a commercial rent.
- A project to construct 4 small workshop units at the rear of the new Enterprise Centre (the Centre) located on Springwood Drive to provide much needed grow on space for businesses. These workshop units will be managed by the Council to provide employment opportunities and deliver a revenue income. In addition, the Council will also develop additional car parking for use by Ignite Business Enterprise in marketing and promoting the Centre for training and conference facilities.

The housing investment programme includes spending on provision of disabled facility grants, and financial support to social landlords to develop affordable home schemes.

At its meeting held on 23 May 2016, the Cabinet approved a District Investment Strategy which would utilise a combination of new borrowing, New Homes Bonus, and currently unallocated reserves giving a total of £28million to support the District's strategic growth ambitions. On 5<sup>th</sup> September 2016, the Council approved three projects totalling £14.3million, of which £1.987million is expected to be spent in the current year and is included in the programme reported above. As further projects are developed and approved, these will be added into the overall capital programme.

## Capital resources

The main sources of new capital resources anticipated for the year are the sale of assets (£3.515million), preserved right-to-buy (RTB) receipts (£500,000) and the Council's share of the VAT shelter operating in conjunction with Greenfields Community Housing (£589,000).

Greenfields has reported that 18 RTB sales were completed by the end of the Quarter generating £1.809million for the Council, which already exceeds the amount anticipated by £1.309million. This compares to 23 sales and £1.713million received for the whole of 2015/16. VAT shelter monies due to the Council up to the end of the Quarter were £113,000, suggesting



that the level of works being undertaken by Greenfields falling within the arrangement is lower than previously anticipated.

Under the housing transfer agreement with Greenfields the Council has received £134,000 under clawback arrangements where land transferred from the Council has now been sold. A further £106,000 has also been received from repayment of housing renovation grants and for the release of restrictive covenants.

Grants received include £730,000 from the Better Care Fund via Essex County Council to part fund the Council's disabled facility grant programme. This is an increase of £312,000 against the budgeted sum of £418,000.

<b>Strategic Risk Management</b>		<b>Agenda No: 10a</b>
<b>Corporate Priority:</b> Delivering excellent customer service		
<b>Portfolio Area:</b> Corporate Services and Asset Management		
<b>Report presented by:</b> Councillor John McKee, Cabinet Member for Corporate Services and Asset Management		
<b>Report prepared by:</b> Trevor Wilson, Head of Finance		
<b>Background Papers:</b> Risk Policy, Strategy and Implementation Plan – Council 19 <sup>th</sup> April 2006. Strategic Risk Management report to Cabinet on 21 <sup>st</sup> March 2016		<b>Public Report</b>
<b>Options:</b> To agree, add to or amend the strategic risks identified in the report.		<b>Key Decision: No</b>
<p><b>Executive Summary:</b></p> <p>The report provides members with an updated Strategic Risk Register for the Council. The Strategic Risk Register agreed by the Cabinet on 21<sup>st</sup> March 2016 has been reviewed by Cabinet Members and the Corporate Management Team; the outcome is an updated draft register for approval by Cabinet.</p> <p>The register details the risks which have potential to impact on the delivery of the Corporate Strategy over the medium-term. In addition to undertaking this review of the register the Management Board ensures that the register continues to be current by regularly reviewing and updating the strategic risks, as necessary.</p> <p>The strategic risk register forms one part of the Council's overall approach to risk management, other facets include:</p> <ul style="list-style-type: none"> <li>• processes for identifying and recording operational risks,</li> <li>• risk registers for major projects,</li> <li>• business continuity planning, and</li> <li>• emergency planning.</li> </ul> <p>The number of strategic risks identified continues to be nine, although the narrative for each of the risks has been updated as appropriate. The updated register is attached at Appendix B.</p> <p>The number of risks above the Risk Tolerance Line (See Appendix A) and therefore requiring active management has remained the same at seven. The risk rating for the Local Plan risk relating to land owners submitting planning applications on unallocated sites has been reduced to C2 from B2 (likelihood of the risk reduces from High to Significant).</p> <p>A summary of the changes to the risk ratings made at the reviews are shown in the table below:</p>		

<b>Risk Rating</b>	<b>January 2016</b>	<b>October 2016</b>
<b>B2</b> ( <i>High likelihood/ Critical impact</i> )	1	0
<b>C2</b> ( <i>Significant likelihood/ Critical impact</i> )	6	7
<b>D2</b> ( <i>Low likelihood/ Critical impact</i> )	2	2
<b>Total number of risks on Strategic Register</b>	<b>9</b>	<b>9</b>

Management Action Plans for managing each of the seven risks above the risk tolerance line are owned and maintained by a Corporate Director. Details of the risks together with the Management Action Plans are provided at Appendix B.

**Decision:**

Members are asked to agree the updated Strategic Risk Register and the Action Plans, for managing the high rated risks, as detailed in Appendix B to the report.

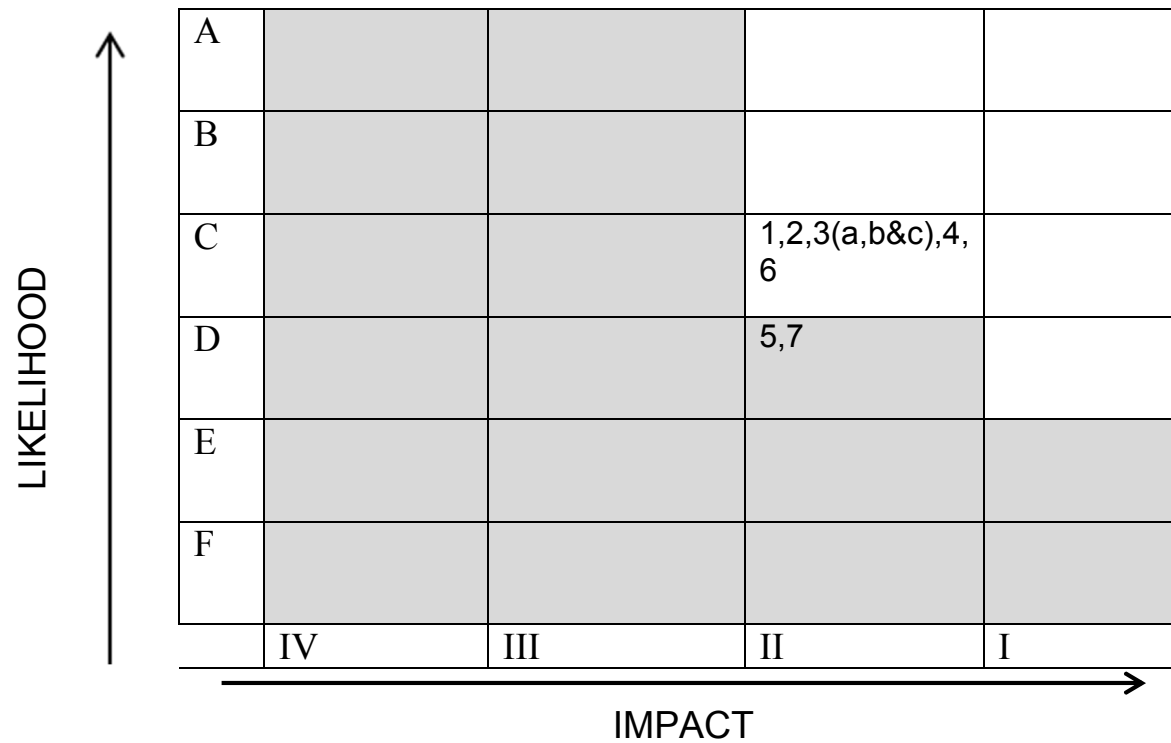
**Purpose of Decision:**

To demonstrate that the Council regularly identifies the strategic risks which may affect the achievement of its objectives and that it actively manages them, as appropriate.

<b>Any Corporate implications in relation to the following should be explained in detail</b>	
<b>Financial:</b>	Risks and associated management action plans concerning the Council's finances are highlighted in risks numbers 1 and 7.
<b>Legal:</b>	There are no specific risks of a legal nature at this time.
<b>Safeguarding</b>	There are no specific risks regarding safeguarding at this time.
<b>Equalities/Diversity</b>	The Council's processes and approach to equalities and diversity are well developed and are not regarded as a risk.
<b>Customer Impact:</b>	The potential impact on a proportion of residents in the district, in particular vulnerable groups, of the Government's Welfare Reforms is identified at risk number 4. A management action plan is included detailing the actions taken and planned to reduce the risk.
<b>Environment and Climate Change:</b>	Risk concerning the Council's approach to climate change is identified as an operational risk by the relevant services.
<b>Consultation/Community Engagement:</b>	No specific risk identified concerning consultation and community engagement however these are important elements in a number of the strategic risks on the register e.g. Local Plan and Community Resilience.
<b>Risks:</b>	A robust Risk Management process is an important element of the Council's governance arrangements.
<b>Officer Contact:</b>	Trevor Wilson
<b>Designation:</b>	Head of Finance
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STRATEGIC RISK PROFILE  
Braintree District Council – Reviewed in September 2016

APPENDIX A



KEY:

Likelihood:

- A – Very High
- B – High
- C – Significant
- D – Low
- E – Very Low
- F – Almost impossible

Impact:

- I – Catastrophic
- II – Critical
- III – Marginal
- IV – Negligible

**Medium-Term Financial Strategy – 1**

Risk Rating C2 (C2 January 16)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>The Council sets a Medium-Term Financial Strategy (MTFS), covering a four-year period, which is reviewed and updated annually.</p> <p>Assumptions are made about anticipated changes on the revenue account e.g. government grant levels, income levels, inflation, pay awards, council tax collection rates, business rates collection etc. together with planned and anticipated efficiencies, income generation, council tax levels, business rates appeals and the use of balances.</p> <p>Assumptions are also made regarding capital resources with a capital programme being planned and agreed against these resources.</p> <p>The Government issued the Final Settlement Funding Assessment (SFA) allocation to the Council for 2016/17 and provisional allocations for 2017/18 to 2019/20. The reduction between 2015/16 and 2019/20 is £2.55m or 44.7%. The allocations will be honoured if the Council publishes an Efficiency Plan.</p> <p>The Government issued proposals to change the New Homes Bonus from 2017/18 which are aimed at reducing the amounts payable to councils.</p> <p>The Chancellor of the Exchequer will deliver the Autumn Statement on 23<sup>rd</sup> November 2016. The first since the EU vote and under the new Prime Minister.</p> <p>The Government is proposing that 100% of Business Rates is retained by local government by the end of the current Parliament; a fundamental change to Local Government funding.</p>	<ul style="list-style-type: none"> <li>• Other organisations which provide significant contributions to the Council face their own funding pressures and may require greater reductions than expected.</li> <li>• Circumstances change which render the planned cost reductions/additional income unachievable</li> <li>• Other financial assumptions prove incorrect. Including income budgets not achieved, particularly interest receivable from the £12m invested in equity and property funds.</li> <li>• Adverse economic conditions and market fluctuations cause changes at or before contract renewal.</li> <li>• Capital receipts are not received as planned.</li> <li>• Capital resources insufficient to finance capital programme.</li> <li>• Business rates collected are less than expected due to successful appeals being greater than the provision made.</li> <li>• Efficiency Plan is not accepted by DCLG increasing risk of further cuts in Government funding.</li> <li>• Business Rates baseline reset, as determined by the Needs Assessment, does not enable the Council to retain business rates growth achieved prior to reset.</li> <li>• Autumn Statement requires further savings from local government.</li> </ul>	<ul style="list-style-type: none"> <li>• Priorities and projects are not delivered.</li> <li>• Cuts necessary to services</li> <li>• Rushed decisions to find other savings</li> <li>• Staff unsettled and de-motivated.</li> <li>• Financial savings are not achieved; balances used more than planned.</li> <li>• Assets not fit for purpose</li> <li>• Satisfaction levels with the Council fall</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Robust budget review and setting process involving Management Board and Cabinet Members developed over a number of years</p> <p>Unallocated balances significantly exceed minimum level of £1.5m.</p> <p>Regular Budgetary Control and monitoring processes in place.</p> <p>A Financial Strategy Action Plan developed and agreed following Peer Challenge.</p> <p>Council policy to use New Homes Bonus to fund infrastructure projects and affordable homes and not to support the Council's revenue spending.</p> <p>Utilised borrowed monies, of £6m, to fund investments (e.g. commercial property and solar panels) to achieve improved rate of return over the medium-term.</p>	<p>Improve monitoring and forecasting of income.</p> <p>Delivery against the workstreams contained in the Action Plan consisting of:</p> <ul style="list-style-type: none"> <li>Commercialisation and 'Better at Business';</li> <li>Grow our economy – increase business rate pot and secure external funds;</li> <li>Finance and Investment Strategy;</li> <li>Review contracts and procurement;</li> <li>Increase our income;</li> <li>Management and Service Reviews; and</li> <li>Sharing services or joint work.</li> </ul> <p>Monitor financial viability of key contract partners and commercial property tenants.</p>	Corporate Director (CF)	<p>Cost reductions and increased income delivered on time and as budgeted.</p> <p>Setting a balanced base budget and having plans to meet funding shortfalls in subsequent years of MTFS.</p> <p>Service and performance levels delivered as planned.</p> <p>Collection rates of council tax and business rates achieve planned levels.</p>	Monthly	<p>23 Nov 2016</p> <p>Feb. 2017 – Full Council sets council tax and budgets for 2017/18</p>	<p>Efficiency Plan produced and sent to DCLG for approval.</p> <p>MTFS provides a plan for a balanced base budget with the increase in council tax for 2016/17 at £164.52 (Band D).</p> <p>For planning purposes an increase in council tax of 2% is included for 2017/18 onwards.</p> <p>Estimated unallocated balance as at 31<sup>st</sup> March 2017 is £4.151m.</p> <p>Investment Strategy reviewed with maximum investment in equity and property funds set at £15m.</p> <p>Strategic Investment Group consisting of 3 Cabinet Members established.</p> <p>An Investment Evaluation Tool developed and operational to assess investment opportunities.</p>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Monitoring of investment counter-parties and returns on investments by Arlingclose, the Council's Treasury Management advisor.			Budget variations reported in timely manner with explanation and action plan, where appropriate			Responded to Government's initial consultations on 100% Business Rates Retention and Fair Funding Review.



## Infrastructure – 2

Risk rating C2 (C2 January 16)

Management Board Owner – Corporate Director (JH)

Vulnerability	Trigger	Consequence
<p>The Council has identified Economic Development as a key Corporate priority for the District as set out in the Corporate Strategy.</p> <p>The District is looking for inward investment, job creation, business growth and investment in infrastructure. There is also a programme to sustain/grow our town centres.</p>	<p>Lack of investment in infrastructure prevents business growth and job creation.</p> <p>Prioritisation of schemes in Braintree district is not given importance by partners and/or funders.</p>	<ul style="list-style-type: none"><li>• Reduction in new jobs</li><li>• Loss of revenue / growth in business rates</li><li>• Less employment</li><li>• Lower inward investment</li><li>• Fewer new businesses being created</li><li>• Disinvestment by existing businesses creating job losses</li><li>• Less investment in infrastructure as a result of less development</li><li>• Reduced level of business growth and consequential reduction in business rate income retained.</li></ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Strong working relationship with Essex County Council, Haven Gateway, the South East Local Enterprise Partnership (LEP), and the Essex Business Board on key priorities for economic development.</p> <p>Working with the Haven Gateway Partnership, Essex County Council and Highways England on establishing a business case for improvements to the A120, and supporting technical work on route options.</p> <p>District Economic Development Prospectus agreed, setting clear economic priorities.</p> <p>District Investment Strategy agreed with a resource allocation of £28m; including New Homes Bonus funds received to 31st March 2017.</p>	<p>Continuing to develop a strong relationship with strategic businesses and working with them to lobby the South East LEP; Highways Agency; Network rail etc. to invest in the District's economic priorities.</p> <p>Ensuring that we have a realistic delivery plan and maximising the use of available resources to lever investment in delivery, including New Homes Bonus.</p> <p>Delivering regeneration programmes in the Districts three Town Centres to support the vitality of those centres and the work of the Town Teams.</p>	Corporate Director (JH)	<p>Creation of new jobs</p> <p>New Business starts</p> <p>Business growth in the District</p> <p>Inward Investment in the District</p> <p>Investment into District infrastructure</p>	Quarterly		<p>Business community consulted on District Economic Development Prospectus, which sets clear economic priorities for the period to 2026, and is to be refreshed in 2016/17</p> <p>Work to ensure that key infrastructure projects are included in the Essex and LEP Strategic Plans.</p> <p>Completion of Springwood Drive Enterprise Centre extension.</p> <p>Completion of feasibility, specification and business planning studies for Witham Enterprise Centre.</p> <p>Delivery of town centre infrastructure improvement projects in Braintree, Halstead and Witham underway.</p> <p>Established a £500,000 Business Growth Loan Fund.</p> <p>£250,000 investment in the Superfast Essex programme to provide additional connectivity for premises.</p>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Working in partnership with providers to provide new business start-ups and to grow businesses.</p> <p>Close engagement with strategic businesses in partnership with Essex Chambers, through a range of activity including Business Forums, the District Business Leaders Board, and direct contact with businesses</p>						<p>Progressing BDC sites which have been allocated for housing within the draft Local Plan.</p> <p>Inward investment offer developed through an Investment Prospectus and website improvements</p> <p>New interim head of projects post created to take major BDC projects forward</p>

### Local Plan – 3

Risk Ratings: C2 (In January 2016: trigger a) was B2) and b) & c) were C2)

Management Board Owner – Corporate Director (JH)

Vulnerability	Trigger	Consequence
<p>Braintree District Council has an adopted Core Strategy and is in the process of preparing a new Local Plan. In line with government policy this will need to deliver a substantially higher target for housing numbers than was set out in the Core Strategy. Part of the strategy is to deliver new standalone garden communities.</p> <p>The Local Plan will be subject to an examination in 2017 and if found sound will hold full weight in planning decisions, up till this point it will hold limited weight based on its progress and the level of unresolved objections.</p> <p>Whilst the Local Plan is being produced, the Council may be at risk of being challenged by developers on its housing numbers.</p>	<p>a) Land owners submitting planning applications on unallocated sites.</p> <p>b) Lack of housing or economic growth leading to failure of allocated sites to deliver.</p> <p>c) Local Plan being found unsound when submitted for examination by the Planning Inspector.</p>	<ul style="list-style-type: none"><li>• Council may have to approve planning applications on sites outside of those proposed resulting in development which conflicts with the agreed spatial strategy</li><li>• Loss of appeals on planning applications for development on unallocated sites outside of development boundaries.</li><li>• Infrastructure requirements of new developments may not be sufficiently met.</li><li>• Lack of new jobs in the District and failure to deliver job target</li><li>• Inability to attract inward investment or business growth</li><li>• Inability to attract skilled workers to the District</li><li>• Council not able to meet its objectively assessed need for housing including affordable housing</li></ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Joint working with other authorities to deliver stand-alone new garden communities which will deliver growth over a longer term period.</p> <p>Good working relationships with Town and Parish Councils and community groups.</p> <p>Core Strategy adopted in 2011.</p> <p>Statement of Community Involvement adopted in 2013.</p> <p>Programme of reporting and decision making through Local Plan Sub Committee and Council.</p> <p>Strong working relationship with major developers on key housing/commercial sites in the District.</p> <p>New Local Plan Issues and Scoping document consultation completed March 2015</p>	<p>Work programme keeps to timetable to ensure adoption of the Local Plan in line with the project plan.</p> <p>Close working relationship with major landowners and agents in the District to work together on delivery rather than in opposition.</p> <p>Extensive governance and working relationships in place with Colchester, Tendring and ECC Councils to progress the garden community project.</p> <p>Infrastructure implications will be a key part of the new Plan.</p>	Corporate Director (JH)	<p>Ensuring Local Plan process is adopted/ approved on target.</p> <p>Outcome of appeal decisions relating to non-allocated sites.</p>	Quarterly	Ongoing	<p>Local Plan evidence base in place with remaining work in progress.</p> <p>Sustainability Appraisal published in June 2016 and revisions underway</p> <p>Draft Local Plan published and subject to public consultation in June 2016.</p> <p>The District Council is working in partnership with 3 other Authorities on the North Essex Garden Communities project and has received funding and support from the DCLG and ATLAS.</p> <p>Budget provision of £250,000 agreed by this and each of the three other authorities to progress the Garden Communities project.</p>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>The Draft Local Plan which was published in June 2016 can now be given limited weight in planning decisions.</p> <p>An Appeals reserve fund of £300,000 has been agreed in the budget for 2015/16 to ensure the Council has sufficient funds to refuse applications which we consider unacceptable.</p> <p>A specific Local Plan budget of £480,000 was agreed in 2015/16 to ensure the funds are available to provide the necessary evidence base documents and other work required to produce the Local Plan in the timescales proposed.</p>						

#### Community Resilience – 4

Risk Rating C2 (C2 January 16)

Management Board Owners – Corporate Directors (CF) and (AW)

Vulnerability	Trigger	Consequence
<p>The Summer Budget 2015 outlined the Government's intention to make further reforms to Welfare payments. These changes commenced in 2016 and are in addition to a number of the previously notified changes. Universal Credit was introduced under a phased approach in the Braintree District from October 2015.</p> <p>In the 2015 Autumn Statement there were a number of announcements that impact on social/affordable housing.</p> <p>The extension of the Total Benefit Cap will be implemented in the Braintree District in November 2016.</p> <p>Proposed reduction in the Housing Related Support funding by Essex County Council which is likely to mean fewer supported housing schemes/bed spaces in the district and across the county.</p> <p>There are a number of deprived areas in the district with children in poverty, health inequalities, lack of skills and higher unemployment.</p> <p>A number of the schools in the district are low rated and educational attainment in the district (based on English and Maths GCSE results) is low compared to the rest of the county.</p> <p>There is a growing population of elderly people, within the district and nationally, a proportion of whom will require public services.</p>	<p>Demand for services from the Council and other public sector organisations increases which exceed supply.</p> <p>Essex County Council implements reduction and contract changes.</p>	<ul style="list-style-type: none"><li>• Potential increase in homelessness, increased demand for temporary and potential use of bed &amp; breakfast accommodation.</li><li>• Increased demands on the Council's Housing and Customer Services.</li><li>• Increased health inequalities.</li><li>• Increase in number of households in fuel poverty</li><li>• Increase in number of children in poverty.</li><li>• Requests for Discretionary Housing Payments and/or Exceptional Hardship Fund payments exceed resources allocated.</li><li>• Housing projects at risk of closure increase and potential increase in sofa surfing and rough sleeping. Associated impacts on other services i.e. health and police.</li></ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Partnership working with Citizens Advice, Greenfields CH, Dept. for Work and Pensions and Fusion to assist those affected by the welfare changes.</p> <p>Discretionary Housing Payments allocation from the Government of £207,638 in 2016/17. Short-term assistance available to tenants facing difficulty with their rent.</p> <p>Exceptional Hardship Fund of £14,200 for 2016/17. Short-term support available to council tax support claimants.</p> <p>Response to Essex CC regarding Housing Related Support proposals and to the Government on the Homelessness Reduction Bill.</p> <p>Meetings with supported housing providers and engaged in consultation events.</p> <p>Homelessness Strategy 2013 to 2018 and associated action plan.</p>	<p>Revised action plan to be Prepared by Officer Welfare Reform group.</p> <p>Regular reviews of the impact the changes are having on those affected.</p> <p>Work jointly with Job Centre Plus to agree a formal partnership agreement regarding Universal Credit.</p> <p>Continued dialogue with Essex CC and housing providers.</p> <p>Exploring alternative funding arrangements to seek to sustain housing projects.</p> <p>Continue to review and implement actions in the Homelessness Strategy.</p> <p>New Homelessness Strategy 2018 to 2023 - consultation to commence in 2017.</p>	<p>Corporate Director</p>	<p>Services able to meet increased demand</p> <p>Funding sufficient to support those residents in extreme financial difficulties with council tax and/or rent.</p> <p>Increased number of residents in employment.</p> <p>That a level of supported housing is retained in the district with continued nominations rights available to this Council.</p> <p>Second reading of the Homelessness Bill October 16.</p>	<p>Quarterly</p>		<p>Service Level Agreement with Citizens Advice to provide money advice service to residents, extended to 31 March 2018</p> <p>Health and Wellbeing Panel for the District established and working with a range of partners.</p> <p>Meetings held with Job Centre plus regarding the working arrangements for the roll-out of Universal Credit in the Braintree District. Jobs Fair held at Causeway House 12th February 2016 and 23 September 2016.</p> <p>Active engagement in the National Practitioner Support Service (NPSS 'Gold Standard' programme. This is about tackling and preventing homelessness. The Council achieved the Bronze Standard in 2015, one of the first 10 councils to achieve this.</p> <p>School Readiness booklet being produced</p>



## Service and Project Delivery – 5

Risk Rating D2 (D2 January 16)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>Reduced resources impact on the Council's ability to deliver good quality services. Service delivery and resilience requires a well-managed and motivated workforce with the capacity and capability to deliver. The Council has recognised the important challenges around workforce planning and talent management for the future.</p> <p>Health &amp; Safety - Breach in processes/ procedures leading to a health and safety or security incident (including an act of terrorism).</p> <p>Service delivery is heavily reliant on the availability of systems.</p> <p>A number of Council services require and retain personal data which needs to be kept secure. Cyber security threats are worldwide and vigilance is paramount. New Data Protection Act requirements are due to come into force in 2018.</p> <p>Business continuity plans are in place.</p> <p>The Council has approved a number of significant projects. It is essential that there is the capability and capacity available to deliver.</p>	<p>Key people leave or are unavailable for work (small teams or specialist areas are most vulnerable).</p> <p>Competitive recruitment markets particularly in relation to the growth agenda.</p> <p>Major incident.</p> <p>Computerised systems unavailable for use for a prolonged period.</p>	<ul style="list-style-type: none"><li>• Service failure or performance declines</li><li>• Mistakes made and corners cut</li><li>• Customer satisfaction falls</li><li>• Employees are disengaged and demotivated.</li><li>• Loss of good people.</li><li>• Increased key person dependency</li><li>• Loss of corporate memory</li><li>• Failure to deliver Council's priorities and Annual Plan</li><li>• Remaining staff fail to cope</li><li>• Change programmes difficult to implement</li><li>• Actual or potential injury or loss of life.</li><li>• Break down in public order.</li><li>• Financial loss / impact on value of assets;</li><li>• Reputational damage</li><li>• The organisation is stretched too far and resulting in service delivery failure</li></ul>

## Affordable Housing – 6

Risk rating C2 (C2January 16)

Management Board Owner – Corporate Director (JH)

Vulnerability	Trigger	Consequence
<p>Although the number of new homes is likely to be significant over the next Local Plan period, there are a number of issues that may limit the number of new affordable homes we can deliver:</p> <ul style="list-style-type: none"><li>• There are no large-scale developments with affordable homes currently on site, apart from Premdor, Sible Hedingham (which is progressing very slowly).</li><li>• The 1% rent cut for social housing has reduced the available resources for providers and led to reduced offers to developers.</li><li>• Developers are becoming more and more likely to challenge the provision of affordable housing on the basis of viability.</li><li>• The Housing and Planning Act requires housebuilders to build a certain percentage of 'starter homes' when enacted, which will diminish the availability of 'traditional' affordable housing from this source.</li><li>• The HCA is likely to divert funding from new rented housing schemes to forms of shared ownership.</li></ul> <p>In addition a number of other changes are putting pressure on LAs and providers. These include:</p> <ul style="list-style-type: none"><li>• Right to Buy entitlement to assured tenants of Housing Associations.</li><li>• The benefit cap reduced from £26,000 to £20,000 means that most providers are unwilling to consider building or buying new 4 bed homes.</li></ul>	<p>Potential number of affordable houses not provided.</p> <p>Government issues Regulations requiring 20% of housing provision to be starter homes.</p> <p>Developers push back on the number of affordable homes required on developments.</p> <p>Large number of claimants affected by the Local Housing Allowance changes.</p>	<ul style="list-style-type: none"><li>• Affordable housing need not met</li><li>• Homeless households remain longer in temporary accommodation as fewer rented homes become available for letting through 'Gateway to Homechoice'</li><li>• Cost to the Council of temporary accommodation increases</li><li>• Young people/key workers leave the district</li><li>• Some housing associations withdraw from higher-risk accommodation, such as supported housing schemes</li><li>• Inability to find suitable affordable accommodation for larger families</li><li>• Unable to provide supported housing in particular for under 35's, who will not receive enough benefit to cover the rent for self-contained accommodation.</li></ul>

Vulnerability	Trigger	Consequence
Local Housing Allowance (LHA) rates and conditions will apply to social housing from 2018 but will apply to all tenants who took up residence after April 2016.		

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>New Housing Strategy drafted and adopted early in 2016/17</p> <p>Up-to-date viability assessment and updated 'toolkit' to undertake individual assessments.</p> <p>Work with Greenfields to make best use of Community Housing Investment Partnership (CHIP) fund to support affordable housing development in the district.</p> <p>Work with a range of housing associations to ensure that we can meet the varied needs of local residents and make sure we do not miss out on affordable housing opportunities.</p> <p>Underwriting schemes and purchase of land for affordable housing developments as opportunity and finance allow.</p> <p>Working with other providers.</p>	<p>Housing Research and Development Team continues to look for innovative ways of increasing affordable housing with developers and Registered Social Landlords.</p> <p>Use of Stat Nav toolkit to help identify need across the District.</p> <p>Build working relationships with developers to deliver affordable housing through S.106 agreements.</p>	Corporate Director (JH)	Local target for an average 100 dwellings per annum	Quarterly		<p>Local Plan in progress. Affordable Housing Viability Study has been completed.</p> <p>Housing Strategy update completed and ready for consultation</p> <p>Meetings arranged with Greenfields to consider use of resources, including terms of transfer agreement.</p> <p>Regular meetings with all housing associations with local development programmes.</p> <p>StatNav data updated each year</p> <p>84 completions of new affordable homes expected in 2015/16. We expect low levels of completions in 2016/17 (54-68 homes expected) but over 100 starts expected on Greenfields sites in Braintree, Kelvedon and Hatfield Peverel.</p> <p>Cabinet agreed to explore the possibility of creating a Housing Development Company.</p>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
						<p>Authority delegated to Cabinet Members for Planning and Property and Performance and Efficiency to agree acquisitions and funding commitments within the overall affordable housing budget in order to allow timely decisions to be taken and prevent opportunities being lost.</p> <p>Agreement with Greenfields CH for it to pay 50% of the remaining monies held in the CHIP Fund (development) to the Council.</p>

## Return on Investments – 7

Risk Rating D2 (D2 January 16)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>The Council has an Investment Strategy which seeks to optimise use of available resources by investing in property, housing and other assets as well as investing surplus monies with financial institutions to achieve a reasonable rate of return.</p> <p>The security of the money invested is paramount but the Investment Strategy distinguishes between the investment of monies available only in the short-term due to cashflow requirements and monies (core funds) which are available for investment over the medium to long-term.</p> <p>The Council has set a limit of £15million on the amount of funds to be invested in pooled funds (equities and property) with the aim of achieving higher rates of return and capital growth over the medium term (3 to 5 years).</p> <p>The Council has increased its property portfolio where return on investment has been attractive and the quality of the tenant and the tenancy term has been good.</p> <p>The impact of the current economic climate on financial institutions makes the selection of: a strong counterparty, with which to invest; the selection of an asset, to purchase, and the tenant, to occupy and rent property, crucial.</p>	<p>Failure of investment counterparty.</p> <p>Tenant ceases trading leading to void period and requirement to find a new tenant.</p> <p>Collapse in the equity market at a time when the Council needs to release money by selling the equity pooled funds.</p> <p>Funds are needed to be recalled at short notice.</p>	<ul style="list-style-type: none"><li>• Loss of the principal sum and / or interest due</li><li>• Loss of rental income and increased costs (e.g. unoccupied business rates)</li><li>• Unplanned service cuts and / or use of balances</li><li>• Decline in Council reputation</li></ul>

Vulnerability	Trigger	Consequence
<p>Regular monitoring of investment counterparties is essential and this is currently undertaken by Arlingclose, our Treasury Advisors.</p>		

Proposed Freehold purchase of 3/4 Century Drive, Freeport Office Village, Braintree		Agenda No: 10b
Portfolio:	Corporate Services and Asset Management	
Corporate Outcome:	A prosperous district that attracts business growth and provides high quality employment opportunities	
Report presented by:	Councillor John McKee, Cabinet Member for Corporate Services and Asset Management	
Report prepared by:	Mike Shorten, Surveyor and Valuer	
Background Papers:	Public Report	
District Investment Strategy Corporate Strategy 2016-2020	Key Decision: Yes	
Executive Summary:		
<p>In accordance with its investment strategy the Council has completed various property investment purchases within the last two years that support growth, creates job opportunities and generates valuable revenue streams through the annual rent.</p> <p>The recently adopted District Investment Strategy recognises the need for the District Council to prepare for growth by investing and delivering supporting infrastructure improvements across the District. An important element of this strategy is the provision of increased opportunities for new business and employment and also investment that provides a return for the Council.</p> <p>An opportunity has come forward for the Council to purchase the freehold interest in an office property at 3/4 Century Drive, Freeport Office Village, Braintree on the reported terms.</p> <p>The income generated from this investment purchase will be reinvested in services and into the District.</p>		
Recommended Decision:		
<p>1. That Cabinet approves the acquisition of the freehold interest at 3/4 Century Drive, Freeport Office Village, subject to contract and due diligence or such other purchase price and terms as may be approved by the Cabinet Member for Corporate Services and Asset Management and the Corporate Director (Sustainable Development).</p>		



2. That Cabinet recommends to Full Council approval of the funding to purchase the property.
3. That Cabinet gives delegated authority to the Council's Section 151 Monitoring Officer to approve to Opt to Tax the property if required.

**Purpose of Decision:**

To enable the Council to obtain better rates of return on its investments.

**Any Corporate implications in relation to the following should be explained in detail.**

<b>Financial:</b>	<p>It is proposed that this acquisition can potentially be funded by capital reserves or borrowings or a combination of these options.</p> <p>The Council has applied its Corporate Investment Evaluation Tool to this option which evaluates and scores key investment criteria to provide an overall score for the proposed investment which can be measured against other alternative investment opportunities. The evaluation of this option has produced a weighted score of 6.45: the minimum score to progress is 6.0.</p>
<b>Legal:</b>	<p>The purchase of the freehold interest at 3/4 Century Drive, Braintree is subject to Full Council approval and subject to contract. The Council's Legal Service will be instructed to act on the Council's behalf in respect of the exchange of contracts and completion and ensure that its interests are protected at all times.</p>
<b>Safeguarding:</b>	Not applicable.
<b>Equalities/Diversity:</b>	<p>Disabled car parking, disabled WCs and appropriate signage are provided by the tenant to meet the requirements of disabled users.</p>
<b>Customer Impact:</b>	<p>This valuable source of revenue income will enable the Council to continue to deliver good quality services to its customers and provide value for money.</p>
<b>Environment and Climate Change:</b>	<p>This is a 1990s office building of traditional construction with a 'C' Energy Performance Asset Rating.</p>
<b>Consultation/Community Engagement:</b>	<p>The acquisition of this property will be subject to Cabinet and Full Council approval.</p>
<b>Risks:</b>	<p>See Risk Matrix in the main body of this report.</p>
<b>Officer Contact:</b>	Mike Shorten
<b>Designation:</b>	Surveyor and Valuer
<b>Ext. No:</b>	2925
<b>E-mail:</b>	<a href="mailto:micsh@braintree.gov.uk">micsh@braintree.gov.uk</a>

## **1.0      Background**

- 1.1 The Peer Challenge in October 2013 highlighted that the Council should consider identifying opportunities to generate a better return on investments of public funds including having a more innovative use of assets and maximise income.
- 1.2 Asset Management have been proactively researching suitable investment opportunities that generate greater returns (a target above 5% has been assumed) which are considered relatively low risk.
- 1.3 The Council has acquired the Eckard House site (now Easton Road commuter car park) and Mayland House (now Cofunds House) in Witham; 850 The Crescent, Colchester Business Park; an industrial investment at 4 Crittall Drive, Braintree and Block B, Braintree College (for conversion to a medical centre). The purpose of these investments is to provide an annual income stream but other benefits include the creation of job opportunities, economic development and enhancement of local facilities.
- 1.4 An opportunity has now come forward to purchase the freehold interest in an office building at 3/4 Century Drive, Freeport Office Village, Braintree which will generate additional income for the Council.

## **2.0      The Investment Opportunity**

- 2.1 This property is a detached, air-conditioned two storey building forming part of the Freeport Office Village consisting of fourteen office buildings within a gated development. It comprises a floor area of about 4,780 square feet with 18 car parking spaces and is situated adjacent to Greenfields House in the position shown by a red border on the attached location plan.
- 2.2 The property has four different entry points and could be occupied by up to four different occupiers.
- 2.3 Allen Brothers Ltd, a timber window and door business, occupies the entire property on the terms of a 5 year full repairing lease, expiring June 2019.
- 2.4 The property is arranged as a showroom with sales office on the ground floor and administrative offices at first floor level.
- 2.5 Following advice from independent valuers, a freehold purchase price has provisionally been agreed with the owner on a private treaty basis. This price takes into account current rental values and makes allowance in the capitalisation rate for the short unexpired term of the current lease.
- 2.6 The intention is to fund the purchase by way of capital reserves and borrowing.

### 3.0

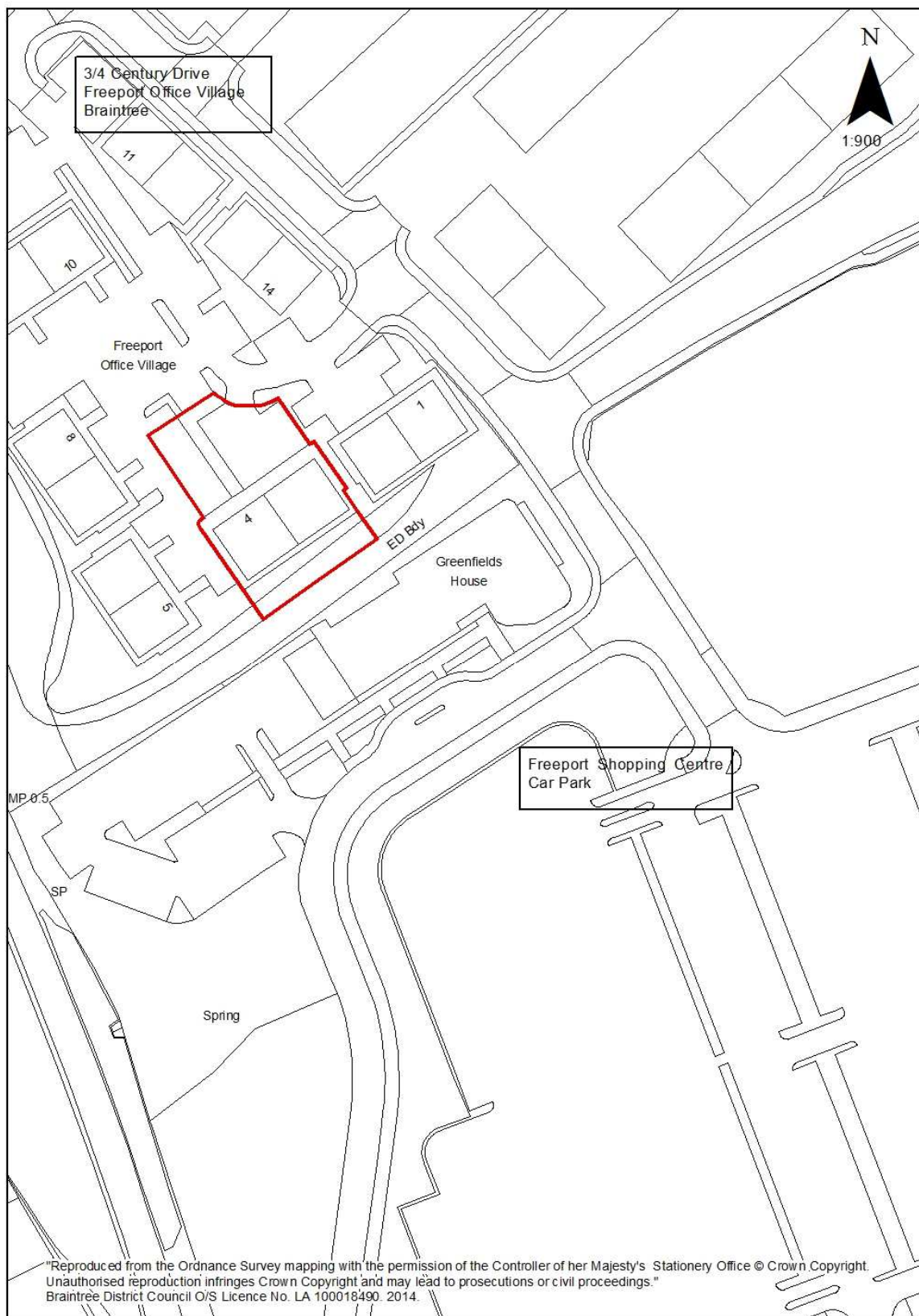
#### Risk Assessment.

	<u>Item:</u>	<u>Issue:</u>	<u>Action:</u>
3.1	Void property	Tenant vacates property at lease expiry June 2019.	The Council would enter into early discussion with the tenant to renew or re-gear its lease. If the tenant is looking to vacate then the Council would start marketing the property at least 12 months prior to the expiry date.
3.2	Financial standing of the tenant	Significant rent arrears or business failure would negatively impact on the Council's rental income.	Due diligence (credit and rental payment record checks etc) to be completed prior to purchase.
3.3	Economic conditions change and rents/values decline	This would impact on the Council's ability to obtain rental increases at review or lease renewal or potentially dispose of the property in the open market in excess of the price and costs incurred in purchasing the property.	It is assumed that the Council will be holding this investment for at least 10 years plus which will help it to overcome fluctuations in the market. Over this period the Council's equity interest in this property will increase.  Periodic upward only lease rent reviews should provide a degree of stability for this investment.
3.4	Repairing, maintaining and insuring premises	This is a high specification 2 storey property (4,780 sq. feet) which will need to be properly maintained and insured.	The current lease has been granted on a tenant's full repairing and insuring basis. Future leases should be granted on the same basis.

## **4.0        Summary**

- 4.1    This property is a high specification office building situated within a popular Office Village development. The purchase price has been verified by independent valuers as representing 'market value' and accordingly the Council can be recommended to proceed on the agreed terms.

## Appendix 1 – Location Plan.



<b>Proposed Purchase of Head-leasehold Interest at 15 Springwood Drive, Braintree</b>		<b>Agenda No:10c</b>
<b>Portfolio</b>	<b>Corporate Services and Asset Management</b>	
<b>Corporate Outcome:</b>	<b>A prosperous district that attracts business growth and provides high quality employment opportunities. Delivering better outcomes for residents and businesses and reducing costs to taxpayers.</b>	
<b>Report presented by:</b>	<b>Councillor John McKee Portfolio Holder for Corporate Services and Asset Management</b>	
<b>Report prepared by:</b>	<b>Andrew Epsom Head of Asset Management</b>	
<b>Background Papers:</b>		<b>Public Report</b>
Disposal Heads of Terms Valuation Report Council Budget and Council Tax 2015/16 report to Council on the 16 <sup>th</sup> February 2015.		<b>Key Decision: Yes</b>
<b>Executive Summary:</b>		
Under the new District Local Plan (2017-2033) there will be significant housing and employment growth in the District over the Plan period.		
The adopted Corporate Strategy 2016-2020 sets out District priorities for the next four years. As well as the need for more homes and jobs, the Strategy identifies the need for more investment in the District. The Strategy also identifies that there is a need for the right foundations to be in place to support the growth.		
The recently adopted District Investment Strategy recognises the need for the District Council to prepare for future growth by investing and delivering supporting infrastructure improvements across the District. An important element of this investment is the provision of increased opportunities for new business and employment and also investment that provides a return for the Council.		
An opportunity has come forward to the Council to purchase the head-leasehold interest in an industrial/warehouse property situated at 15 Springwood Drive, Braintree on the Springwood Industrial Estate.		
Recently the Council has undertaken similar investments in the District including 4 Crittall Drive on the Springwood Industrial Estate and Block B at The College at Braintree for the purpose of supporting growth, creating job opportunities, improving health provision and generating an annual income stream.		

Income generated from the 15 Springwood Drive investment will be re-invested in services and in the District.

The Council has now agreed terms, subject to Cabinet approval and Contract, to acquire the head-leasehold interest in the industrial premises at 15 Springwood Drive, Braintree. This acquisition would be funded via the Member approved Opportunity Purchase Fund.

**Recommended Decision:**

1. That Cabinet approves the acquisition of the head-leasehold interest at 15 Springwood Drive, Braintree for the sum set out in the report subject to contract and due diligence, and on such other terms and conditions as agreed by the Corporate Director (Sustainable Development) in consultation with the Cabinet Member for Corporate Services and Asset Management.
2. That Cabinet notes that this acquisition will be funded via the Member approved Opportunity Purchase Fund.

**Purpose of Decision:**

To enable the Council to facilitate business and employment opportunities in the District and generate a valuable source of revenue income to support the delivery of services.



**Any Corporate implications in relation to the following should be explained in detail.**

<b>Financial:</b>	<p>The acquisition of this investment property will realise additional net revenue income annually.</p> <p>Capital funding for this project is available via the Member approved Opportunity Purchase Fund.</p> <p>The Council has applied its Corporate Investment Evaluation Tool to this opportunity which evaluates and scores key investment criteria to provide an overall score for the proposed investment which can be measured against other alternative investment opportunities. The evaluation of this opportunity has produced a weighted score of 6.35: the minimum score to progress is 6.0.</p> <p>This acquisition has been reviewed by Finance Officers who support the financial basis of this investment.</p>
<b>Legal:</b>	<p>The purchase of the head-lease at 15 Springwood Drive, Braintree is subject to Cabinet approval and subject to contract. The Council's Legal Service will be instructed to act on the Council's behalf in respect of the exchange of contracts and completion and ensure that the Council's interests are protected at all times.</p>
<b>Safeguarding:</b>	Not applicable.
<b>Equalities/Diversity:</b>	<p>Disabled car parking, disabled WC's and appropriate signage will be required to be made available by the occupier of the property to meet the requirements of disabled users.</p>
<b>Customer Impact:</b>	<p>The premises will support business and employment opportunities in the District. In addition, this investment will provide a valuable source of revenue income which will enable the Council to continue to deliver good quality services to its customers and provide value for money.</p>
<b>Environment and Climate Change:</b>	<p>This is a 1970's industrial building constructed of a steel portal frame with concrete block and corrugated asbestos walls and a corrugated asbestos roof. The current tenant is responsible for all ongoing repairs and maintenance to the premises. The Council will potentially look to carry out modernisation and improvement works should they regain possession of the premises following expiry of the current lease. Any improvement works would look to incorporate energy efficiency measures.</p>

<b>Consultation/Community Engagement:</b>	The acquisition of this property will be subject to Cabinet and Council approval.
<b>Risks:</b>	See Risk matrix in the main body of this report.
<b>Officer Contact:</b>	Andrew Epsom
<b>Designation:</b>	Head of Asset Management
<b>Ext. No:</b>	2921
<b>E-mail:</b>	<a href="mailto:andrew.epsom@braintree.gov.uk">andrew.epsom@braintree.gov.uk</a>

## **1.0 Background**

- 1.1 Braintree District Council currently owns the freehold of the premises at 15 Springwood Drive, Braintree which comprises a site area of 1.04 acres. The property is shown outlined in black on the plan attached at **Appendix 1**.
- 1.2 The property is subject to a long ground lease which commenced on the 23<sup>rd</sup> April 1971 for a term of 99 years and is subject to 25 yearly upwards only rent reviews. The current ground rent receivable by the Council is £12,480 per annum. The tenant is required to maintain the whole of the property in good repair and condition and also insure the premises.
- 1.3 The head-lessees, Messrs R & T Swann, have granted an under-lease of the whole of the premises to First Essex Buses Limited (First Essex) which commenced on the 3<sup>rd</sup> August 2010 for a term of 15 years and is subject to 5 yearly upwards only rent reviews. First Essex has the right to terminate its under-lease on the 2<sup>nd</sup> August 2020 by giving not less than six months prior written notice. First Essex is required to keep the whole of the property in good repair and condition.
- 1.4 The under-lessee, First Essex has sub-underlet the whole of the premises to Gresham Land and Estates (Construction) Limited (Gresham) for a term of 5 years expiring, on the 19<sup>th</sup> July 2020. Gresham is required to keep the whole of the property in good repair and condition. Gresham is a mobile telecoms company and has expressed an interest in continuing to occupy the premises beyond the expiry of their current lease.
- 1.5 The agents acting for Messrs R & T Swann recently approached the Council to see if the Council would be interested in acquiring the Swann's head-leasehold interest.

## **2.0 The Investment Opportunity**

- 2.1 The premises at 15 Springwood Drive, Braintree comprise a 17,173 sq. ft. industrial/warehouse building which includes 3248 sq. ft. of office and reception accommodation at ground and first floor. There are 11 car parking spaces at the front of the building together with a significant yard area at the side and rear of the building.
- 2.2 The building is constructed of a steel portal frame with concrete floors, concrete block gable and stud walls over-clad with corrugated asbestos sheets to c.1.8m above ground level and roller shutter doors to each gable. The roof is constructed of twin wall insulated profile asbestos sheets with 20% roof lights.
- 2.3 The property is generally in a fair condition which reflects its age and provides functional weather-proof warehouse accommodation. The premises contain some items of disrepair (including a small number of broken and cracked asbestos panels to the walls, broken/blocked gutters and a lack of decoration) and an allowance has been made in the valuation and reflected in the price negotiated to allow for these outstanding items of repair.

The current sub-under-tenant, Gresham, has indicated a desire to extend the term of their occupation of the premises beyond 2020 and are looking to undertake improvements and repairs to the premises including upgrading the WC's and office accommodation.

If the Council is successful in acquiring the head-leasehold interest then the Asset Management Service will pursue any outstanding items of repair and maintenance with the under-tenant, First Essex.

- 2.4 The head-lessees for the premises receive an annual rental for the buildings and yard which was agreed at the last rent review with the under-tenant (First Essex) on the 3<sup>rd</sup> August 2015.
- 2.5 The Council has appointed an Independent Valuation Consultant to assess the value of the Council's freehold interest (subject to the long ground lease) the head-leasehold interest and the potential marriage value to the Council resulting from the acquisition of the head-lease and merger of the freehold and head-leasehold interests.
- 2.6 Following recent negotiations with the agent acting for the head-lessees, the Council has now agreed (subject to Committee Approval and Subject to Contract) a purchase price for the head-leasehold interest.

### **3.0 Current Market Value**

- 3.1 The investment value of 15 Springwood Drive, Braintree following acquisition of the existing head-leasehold interest has been assessed by the Council's valuer.
- 3.2 The value of the current head-leasehold interest has also been assessed by the Council's valuer and has formed the basis of the Council's offer to acquire the head-leasehold interest.

### **4.0 The Under-tenants**

- 4.1 As mentioned above, the premises are under-let by the head-lessees to First Essex who has a lease expiring in 2025 but who also has the benefit of a break option which would enable them to terminate their lease on the 2<sup>nd</sup> August 2020.
- 4.2 The Sub-under-tenant, Gresham has a sub-under-lease expiring on the 19<sup>th</sup> July 2020.
- 4.3 These under-letting arrangements are attractive to the Council as the Council's immediate tenant would become First Essex who would be responsible for paying the annual rental income to the Council. First Essex is Gresham's landlord and is responsible for managing Gresham. Gresham also pays the same annual rent to First Essex which provides the Council with an additional layer of comfort in terms of the rent being paid.

The Council's Internal Audit Service has looked at Equifax credit reports for both organisations and concludes that there are neither current issues to

highlight nor areas of concern.

Gresham has also indicated a willingness to extend its occupation in the premises beyond 2020.

- 4.4 Given the popularity of Springwood Industrial Estate, and very limited availability of industrial premises of this size (both building and yard areas), the Council's valuer and local commercial agents have indicated that these premises would readily re-let in the current market if they became vacant.

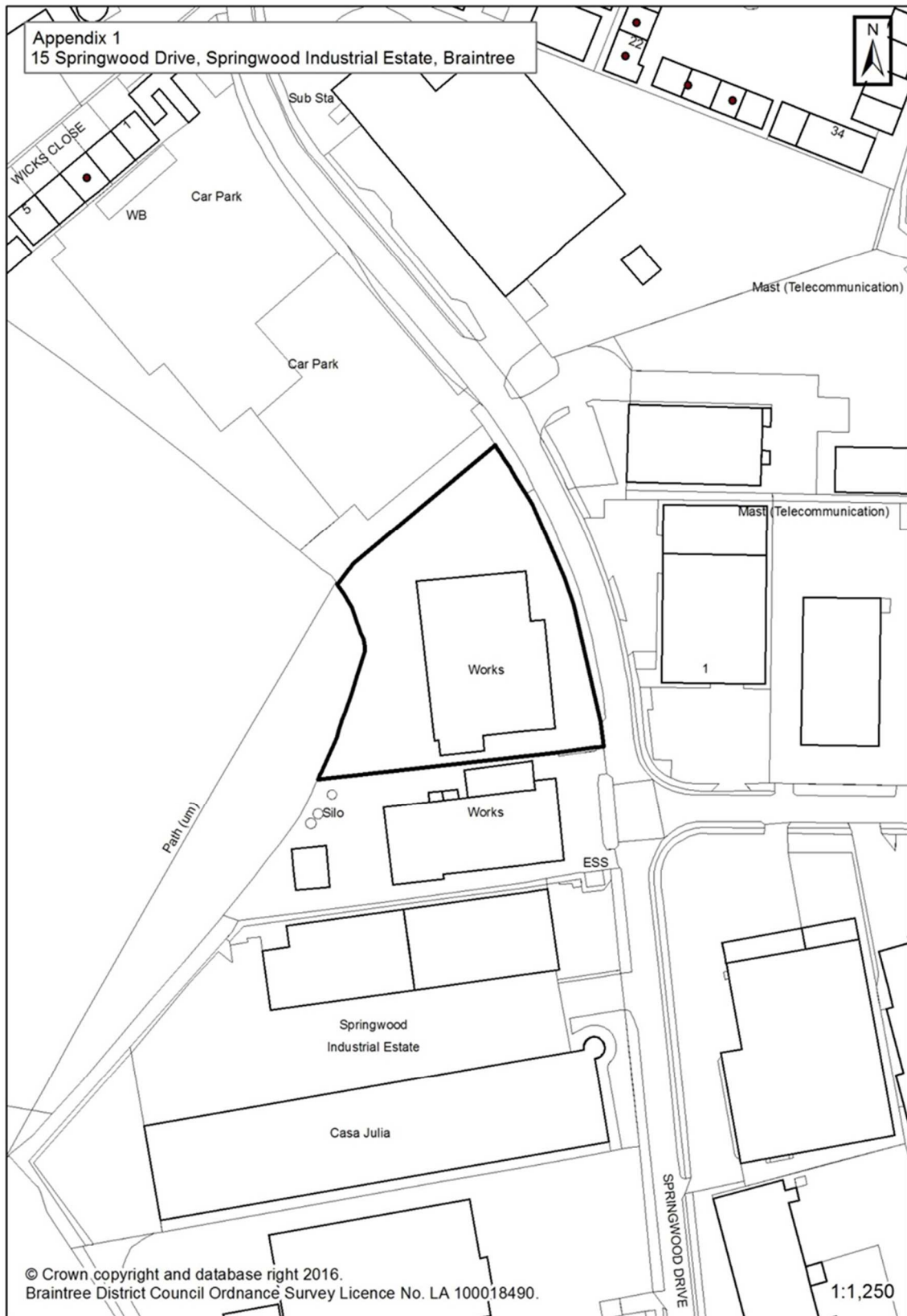
## 5.0 **Risk Assessment**

	<u>Item:</u>	<u>Issue:</u>	<u>Action:</u>
5.1	Economic conditions change and rents/values decline	This would become an issue if the tenant vacated and the Council had to re-let the premises in a poor market.	The Council could modernise and improve the property to increase its attractiveness to prospective tenants. Appropriate incentives could also be offered.
5.2	Financial standing and strength of under-tenant	This property will produce a significant rental income and if the tenant got into financial difficulties then this would impact on the Council's finances.	The current under-tenant, First Essex is a significant Essex based company and has the benefit of a sub-under-tenant paying them a rental income equivalent to the rent due by First Essex to the Council. This provides an additional layer of financial protection. The Equifax credit report obtained for First Essex does not highlight any areas of concern. The Council has been advised that these premises would readily re-let in the current market if they become vacant.
5.3	Presence of asbestos in the premises	The roof and part of the wall cladding comprises corrugated asbestos sheets. Provided these asbestos sheets are not damaged or interfered with then they can	Existing asbestos management reports will be requested from the head-lessees. If insufficient information is to hand then the Council can commission

	continue to perform their function of keeping the premises weather-proof. Any cracked or broken asbestos sheets can be replaced by specialist contractors.	its own asbestos report prior to acquisition of the head-lease. The under-tenant has a fully repairing lease and is required under their lease to “comply with all laws relating to the property”. The under-tenant would therefore be responsible for the ongoing management of any asbestos containing materials.
5.4	Addressing any existing items of disrepair	<p>The condition of the premises could deteriorate impacting on values and ability to let the premises.</p> <p>First Essex has a fully repairing lease and the Council would look to pursue any outstanding items of repair if it acquired the head-lease. An adjustment has been reflected in the proposed purchase price of the head-lease to reflect the condition of the premises.</p>
5.5	Structural condition of building	<p>If the structure of the building was unsound it would impact on the Council’s ability to let the premises and result in increased costs to remedy the problem.</p> <p>If the Council is minded to pursue the purchase of the head-leasehold interest then a structural assessment of the premises can be carried out.</p>

## 6.0 **Recommendation**

- 6.1 That Cabinet approves the acquisition of the head-leasehold interest at 15 Springwood Drive as it offers a sound investment proposition.
- 6.2 This acquisition would be funded via the Member approved Opportunity Purchase Fund. This fund was made available by Members for the acquisition of property investment opportunities identified within the District and was approved as part of the Council Budget and Council Tax 2015/16 report to Council on the 16<sup>th</sup> February 2015.



<b>Cabinet Member Decisions made under delegated powers</b>		<b>Agenda No:11a</b>
<b>Portfolio</b>		<b>See body of report</b>
<b>Corporate Outcome:</b>		
<b>Report presented by:</b>		<b>Not applicable – report for noting</b>
<b>Report prepared by:</b>		<b>Emma Wisbey, Governance and Member Manager</b>
<b>Background Papers:</b>		<b>Public Report</b>
Cabinet Decisions made by individual Cabinet Members under delegated powers.		<b>Key Decision: No</b>
<b>Executive Summary:</b>		
All delegated decisions taken by individual Cabinet Members are required to be published and listed for information on next Cabinet Agenda following the decision.		
Since the last Cabinet meeting the following delegated decisions have been taken (details as at time of decision):		
<b>Councillor Graham Butland – Leader of the Council.</b>		
<b>Decision taken on 14<sup>th</sup> September 2016.</b>		
The approval of the Neighbourhood Area Application covering the extent of Bradwell with Pattiswick Parish Council.		
<b>Councillor Graham Butland – Leader of the Council.</b>		
<b>Decision taken on 15<sup>th</sup> September 2016.</b>		
That the Prosperity Board is discontinued from 15 <sup>th</sup> September 2016 and is replaced with a bimonthly newsletter which will be distributed to Members and also other stakeholders/partners on the Economic Growth agenda as identified by the lead officer for economic development.		
The bimonthly newsletter will be launched at a Members' Evening on economic development in November 2016.		
<b>Councillor Lady Newton – Cabinet Member for Housing and Planning</b>		
<b>Decision taken on 21<sup>st</sup> September 2016</b>		
Additional Grant Funding to Family Mosaic for provision of 20 Affordable Units, Digby's Court, 271 -275 Rayne Road, Braintree.		
To grant fund additional £20,000 to be payable to Family Mosaic to contribute to building		



costs for the above scheme. This funding is to be provided as a final payment now that works are completed and will be paid immediately.

**Councillor David Bebb – Cabinet Member for Finance and Performance**  
**Decision taken in 29<sup>th</sup> September 2016**

Additional Grant Funding to Family Mosaic for provision of 20 Affordable Units, Digby's Court, 271 -275 Rayne Road, Braintree.

To grant fund additional £20,000 to be payable to Family Mosaic to contribute to building costs for the above scheme. This funding is to be provided as a final payment now that works are completed and will be paid immediately.

**Councillor Mrs Wendy Schmitt – Cabinet Member for Environment and Place**  
**Decision taken on 8<sup>th</sup> October 2016**

Braintree District Council will not proceed to join the SEAX Building Control Shared Services. Officer are authorised to commence investigating an alternative business case for shared service for building control and to bring a report to Cabinet.

Cabinet Decisions made by individual Cabinet Members under delegated decisions can be viewed on the [Council's website](#).

**Recommended Decision:**

For Cabinet to note the delegated decisions.

**Purpose of Decision:**

The reasons for decision can be found in the individual delegated decision.

**Any Corporate implications in relation to the following should be explained in detail.**

<b>Financial:</b>	None arising out of this report.
<b>Legal:</b>	None arising out of this report.
<b>Safeguarding:</b>	None arising out of this report.
<b>Equalities/Diversity:</b>	None arising out of this report.
<b>Customer Impact:</b>	None arising out of this report.
<b>Environment and Climate Change:</b>	None arising out of this report.
<b>Consultation/Community Engagement:</b>	None arising out of this report.
<b>Risks:</b>	None arising out of this report.
<b>Officer Contact:</b>	Emma Wisbey
<b>Designation:</b>	Governance and Member Manager
<b>Ext. No:</b>	2610
<b>E-mail:</b>	<a href="mailto:emma.wisbey@braintree.gov.uk">emma.wisbey@braintree.gov.uk</a>

<b>Recommendation from Governance Committee - 28th September 2016</b>	<b>Agenda No: 12a</b>
<b>Treasury Management Mid-Year Report 2016/17</b>	
<b>Background Papers:</b>	<b>Public Report</b>
<a href="#">Minutes of Governance Committee 28th September 2016</a>	

<b>Minute Extract:</b>
<p><b>GOVERNANCE – 28<sup>TH</sup> SEPTEMBER 2016</b></p> <p>22    <b><u>TREASURY MANAGEMENT MID-YEAR REPORT 2016-17</u></b></p> <p><b>INFORMATION:</b> Consideration was given to the Treasury Management Mid-Year Report 2016-17.</p> <p><b>DECISION:</b> To <b><u>Recommend to Cabinet</u></b> acceptance of the Treasury Management Mid-Year Report 2016-17 prior to its submission to Full Council.</p> <p><b>REASON FOR DECISION:</b> The Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services which requires that the Council receives at least one mid-year report on the treasury management function. This report is to be considered first by the Governance Committee in order to exercise its responsibility for scrutiny over treasury management activities. The report will then be considered by Cabinet before submission to Full Council with the benefit of any proposed changes, or comments of the Governance Committee.</p>
<p><b>RECOMMENDED DECISION:</b></p> <ol style="list-style-type: none"><li>1. To consider the Treasury Management Mid-Year Report 2016/17</li><li>2. Refer the Treasury Management Mid-Year Report 2016/17 to Full Council</li></ol>

<b>Treasury Management Mid-Year Report 2016/17</b>		<b>Agenda No:</b>
<b>Portfolio</b>	<b>Finance and Performance</b>	
<b>Corporate Outcome:</b>	<b>A high performing organisation that delivers excellent and value for money services</b>	
<b>Report presented by:</b>	<b>Phil Myers, Financial Services Manager</b>	
<b>Report prepared by:</b>	<b>Phil Myers, Financial Services Manager</b>	
<b>Background Papers:</b> Treasury Management Strategy Statement 2016/17 – approved by Full Council on 22 February 2016.		<b>Public Report</b>
		<b>Key Decision: No</b>
<b>Executive Summary:</b>		
<b>1. Background</b>		
1.1 The Council's treasury management activities are regulated by statutory requirements and by a Code of Practice ("the Code") issued by the Chartered Institute of Public Finance (CIPFA).		
1.2 One of the key requirements of the Code is that, along with an annual strategy to be approved prior to the commencement of the financial year and an annual report after the financial year-end, the Council should also receive at least one mid-year report on its treasury management activities.		
<b>2. Treasury Management Strategy</b>		
2.1 The Treasury Management Strategy Statement (TMSS) is approved annually by the Council in February as part of the overall Budget and Council Tax setting for the forthcoming financial year. The TMSS approved in February 2016, reflected the following circumstances:		
<ul style="list-style-type: none"> <li>• A fully funded capital programme, largely reliant on capital receipts.</li> <li>• The availability of cash balances for investment – the assumption was that these would remain fairly constant over the medium-term</li> <li>• No specific new borrowing would be required other than that via lease type arrangements typically used for vehicles and plant. However, provision was made to increase borrowing capacity ahead of the Council considering future capital investment options.</li> <li>• Diversification and maintaining a longer-term view on investments to counter the risks associated with both a prolonged period of low interest rates and changes in the banking regulatory framework</li> </ul>		

### **3. Treasury Management Position**

3.1 At the 31 August 2016, the Council's treasury management position comprised:

- Financial Liabilities: amounting to £10.391million, including two £3million Lender Option, Borrower Option (LOBO) type market loans, finance lease commitments, and a repayable advance from Essex County Council
- Financial assets: amounting to £56.361million, comprising mainly of investments and deposits, and cash & bank balances. At this point in the year the level of cash balances would be expected to be at their highest due to in-year cash flows, after which balances would normally be expected to reduce as we move towards the year-end.
- Net financial assets of £45.970million

### **4. External Context**

4.1 The mid-year report includes an up to date economic and market commentary on the year so far, provided by the Council's treasury management advisors, Arlingclose, which can be summarised as follows:

- Following an upturn in the preliminary estimate for UK growth at Q2 2016, the outlook changed significantly following the outcome of the referendum vote on membership of the European Union (EU).
- The Bank of England's Monetary Policy Committee (MPC) initiated substantial monetary policy easing at its August meeting, including a cut in Bank Rate to 0.25%, further gilt and corporate bond purchases (Quantitative Easing), and cheaper funding for banks to maintain the supply of credit to the economy.
- In response to the Bank of England's policy announcement, money market rates and bond yields declined to new record lows, with very short-dated periods (overnight to 1 month) falling to between 0.1% and 0.2%. The rates for the Debt Management Account Deposit Facility (i.e. the account used for deposits placed by local authorities with the UK Government) reduced to 0.15% for periods up to 3 months and to 0.10% for 4 to 6 month deposits. The interest rate outlook from Arlingclose has now progressed from 'lower for longer' to 'even lower for the indeterminable future'.
- Following the referendum result gilt yields fell sharply across the maturity spectrum which was reflected in the fall in Public Works Loan Board (PWLb) borrowing rates for local authorities

### **5. Capital Financing Requirement**

5.1 The Council's Capital Financing Requirement (or CFR) – a balance sheet measure of the Council's need to borrow for capital purposes – is forecast to increase by the year-end. This is due to the decision of the Corporate Director (Finance) after a financial appraisal to switch funding used to acquire replacement vehicles from lease type arrangements to traditional borrowing. In the short-term this increase in borrowing requirement will be met from internal borrowing. In the longer-term new external borrowing may be required as cash balances are used on other capital investment projects.

5.2 At the end of the year the CFR will be very close to the actual borrowing and other liabilities.

## **6. Borrowing and Finance Lease Liabilities**

6.1 The TMSS approved in February 2016, provided for an increase in borrowing limits ahead of consideration of investment opportunities. In May the Cabinet approved a District Investment Strategy of £28million to support the District's strategic growth ambitions and which would utilise a combination of new borrowing (£14.5million), New Homes Bonus (£8.5million), and a portion of the unallocated reserves (£5million). As individual projects are developed and approved, these will in time lead to both an expected increase in CFR along with a commensurate increase in the amount of borrowing undertaken.

6.2 In considering any new borrowing the Council's objectives will be to strike a balance between securing low interest costs and achieving cost certainty, which is likely to result in internal resources being used in the short-term.

## **7. Investments**

7.1 The TMSS contains the Council's Annual Investment Strategy (AIS) which is based on the key priorities of:

- Security – minimising the risk of cash not being repaid; and
- Liquidity – having cash available when it is required.

Only when these two priorities are met does the Council consider highest yield.

7.2 At the time of setting the AIS it was envisaged that the level of cash balances would remain fairly constant over the medium-term. At the end of the 2015/16 financial year cash balances were higher than originally anticipated which has carried over into the 2016/17 year. For the period April to end August cash balances averaged £51.45million, operating within a range of daily totals of between £45.43million and £57.99million. However, the expectation is that cash balances will reduce over the remainder of the year with a year-end forecast balance of around £35million.

7.3 Within the overall average amount invested to date, £12million has been maintained in long-term investments (Pooled Funds), with the remaining £39.45million in short-term investments, typically UK and Non-UK bank deposits, money market funds, and the Debt Management Account Deposit Facility. New investments made to the end of August totalled £46.07million, with £28million of investments maturing or being sold. Interest earned on short-term investments to the end August was £87,000 equating to a return of 0.53%. In addition, the Council has earned a further £198,000 of dividends from its Pooled Funds up to the end of August. This represents a return so far this year of 1.65% which is lower than the 1.81% achieved for the same period last year. At the end of August the total market value of all the funds amounted to £12.484million, an unrealised gain of £484,000 against the original sum invested and an improvement since the start of the financial year of £666,000.

## 8. Treasury Management Advisors

Following the outcome of EU referendum vote there has been some volatility in the markets, and uncertainty persists; however, thus far this has not prompted any change in credit advice received from Arlingclose who, in conjunction with the Council, will continue to monitor events and issue advice as appropriate.

### **Recommended Decision:**

To recommend to Cabinet acceptance of the Treasury Management Mid-Year Report 2016/17 prior to its submission to Full Council.

### **Purpose of Decision:**

The Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services which requires that the Council receives at least one mid-year report on the treasury management function. This report is to be considered first by the Governance Committee in order to exercise its responsibility for scrutiny over treasury management activities. The report will then be considered by Cabinet before submission to Full Council with the benefit of any proposed changes or comments of the Governance Committee.

Any Corporate implications in relation to the following should be explained in detail.	
<b>Financial:</b>	No new financial implications – the report is a summary of activity so far this year.
<b>Legal:</b>	The Council's treasury management activities are subject to regulation by a number of professional codes, statutes, and related guidance. There are no new legal implications from this report.
<b>Safeguarding:</b>	None
<b>Equalities/Diversity:</b>	None
<b>Customer Impact:</b>	None
<b>Environment and Climate Change:</b>	None
<b>Consultation/Community Engagement:</b>	None
<b>Risks:</b>	No new risks introduced. The objective of the treasury management strategy and related activity is the management of risk.
<b>Officer Contact:</b>	Phil Myers
<b>Designation:</b>	Financial Services Manager
<b>Ext. No:</b>	2810
<b>E-mail:</b>	phimy@braintree.gov.uk

## **Treasury Management Mid-Year Report 2016/17**

### **1. Background**

- 1.1. The Council's treasury management activities are regulated by statutory requirements and by a Code of Practice ("the Code") issued by the Chartered Institute of Public Finance (CIPFA).
- 1.2. One of the key elements of the Code is that, along with an annual strategy to be approved prior to the commencement of the financial year and an annual report after the financial year-end, the Council should also receive at least one mid-year report on its treasury management activities.
- 1.3. The Council invests substantial sums of money and continues to hold legacy borrowing and is therefore exposed to a range of financial risks. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy.

### **2. Treasury Management Strategy**

- 2.1. The Treasury Management Strategy Statement (TMSS) is approved annually by the Council in February as part of the Budget and Council Tax Setting for the forthcoming financial year.
- 2.2. The TMSS approved in February 2016, reflected the following circumstances:
  - A fully funded capital programme, largely reliant on capital receipts.
  - The availability of cash balances for investment – the assumption was that these would remain fairly constant over the medium-term
  - No specific new borrowing would be required other than possibly via lease type arrangements typically used to finance vehicles and plant. However, provision was made to increase borrowing capacity ahead of considering future capital investment options.
  - Diversification and maintaining a longer-term view on investments to counter the risks associated with both a prolonged period of low interest rates and changes in the banking regulatory framework

### **3. Treasury Management Position**

- 3.1. The treasury management position is set out below:

	<b>31 Mar 2016 Principal £'000</b>	<b>31 Aug 2016 Principal £'000</b>
Market Loans	6,000	6,000
Finance Lease Liabilities	3,526	3,391
Other Long-Term Liability	1,000	1,000
<b>Financial Liabilities</b>	<b>10,526</b>	<b>10,391</b>



	<b>31 Mar 2016 Principal £'000</b>	<b>31 Aug 2016 Principal £'000</b>
Investments and Deposits	35,500	53,500
Local Authority Mortgage Scheme (LAMS) Repayable Advance	2,000	2,000
Cash & Cash Equivalents	648	842
Impaired Deposit	19	19
<b>Financial Assets</b>	<b>38,167</b>	<b>56,361</b>
<b>Net Financial Assets</b>	<b>27,641</b>	<b>45,970</b>

- 3.2. Market loans comprise two Lender's Option, Borrower's Option (LOBO) type loans of £3 million each, which give the lender the option to vary the interest rate at six month intervals, subject to the Council then having the option to repay the loans without penalty. To date the lender has not sought to exercise this option – the loans currently run at an average interest rate of 4.7% and have 25 ½ years remaining until maturity. The opportunity to redeem earlier (at a negotiated penalty) is kept under review.
- 3.3. Finance Lease Liabilities relate to the outstanding principal element of leases used to acquire property, vehicles, and plant. Annual payments are made to repay these liabilities over the lease term.
- 3.4. Other Long-Term Liability relates to funding previously received from Essex County Council's towards the Braintree Local Authority Mortgage Scheme (LAMS). A deposit of £2 million was made to the LAMS provider (Lloyds Bank) which is shown under Financial Assets.
- 3.5. Investments and Deposits include amounts placed with UK and Non-UK banks and building societies; and Pooled Funds and other Money Market Funds.
- 3.6. Cash and Cash Equivalents is money held in call accounts with immediate access, balances held on the Council's current bank accounts, and petty cash floats. Amounts held at the end of August is typically the peak period for in-year cash flows, after which it is expected that balances will reduce as the year progresses to the year-end.
- 3.7. Impaired deposit relates to the carrying value of amounts still expected to be received from the insolvent Icelandic bank, Kaupthing, Singer and Friedlander. No further dividends have been declared during the current year.
- 3.8. The amount of investments and deposits held at the end of August reflects the expected peak in cash balances from in-year cash flows, and these will be expected to reduce moving towards the year-end.

#### 4. External Context

4.1. **Appendix A** provides an economic and market commentary covering the current financial year to the end of August written by Arlingclose, the Council's treasury management advisors.

4.2. In summary:

- Following an upturn in the preliminary estimate for UK growth at Q2 2016, the outlook changed significantly following the outcome of the referendum vote on membership of the European Union (EU).
- The Bank of England's Monetary Policy Committee (MPC) initiated substantial monetary policy easing at its August meeting, including a cut in Bank Rate to 0.25%, further gilt and corporate bond purchases (Quantitative Easing), and cheaper funding for banks to maintain the supply of credit to the economy.
- In response to the Bank of England's policy announcement, money market rates and bond yields declined to new record lows, with very short-dated periods (overnight to 1 month) falling to between 0.1% and 0.2%. The rates for the Debt Management Account Deposit Facility (i.e. the account used for deposits placed by local authorities with the UK Government) reduced to 0.15% for periods up to 3 months and to 0.10% for 4 to 6 month deposits. The interest rate outlook of Arlingclose has now progressed from 'lower for longer' to 'even lower for the indeterminable future'.
- Following the referendum result gilt yields fell sharply across the maturity spectrum which was reflected in the fall in Public Works Loan Board (PWLb) borrowing rates for local authorities.

4.3. The table below summarises the level of market interest rates for the period 1 April to 31 August 2016:

	<b>Bank Rate</b>	<b>Overnight LIBID</b>	<b>7-day LIBID</b>	<b>1-MTH LIBID</b>	<b>3-MTH LIBID</b>	<b>6-MTH LIBID</b>	<b>12-MTH LIBID</b>
<b>Average</b>	<b>0.45</b>	<b>0.29</b>	<b>0.40</b>	<b>0.44</b>	<b>0.55</b>	<b>0.68</b>	<b>0.86</b>
Maximum	0.50	0.43	0.55	0.61	0.72	0.83	1.04
Minimum	0.25	0.02	0.15	0.18	0.36	0.50	0.66
Spread	0.25	0.41	0.40	0.43	0.36	0.33	0.38

LIBID = London Interbank Bid Rate

#### 5. Capital Financing Requirement

5.1. The Capital Financing Requirement (CFR) is a balance sheet derived amount which measures the extent to which the Council has invested in capital but has not resourced it from internal resources (e.g. capital receipts from asset sales, grants etc.). It is therefore a measure of the amount of borrowing the authority could potentially justify as being required to meet its capital expenditure requirements. Actual borrowing may differ from the CFR, e.g. if the Council has used its own cash balances instead of borrowing, and therefore where the CFR differs to actual borrowing the circumstances should be understood.

5.2. The change in CFR currently expected during 2016/17 is shown in the table below:

	<b>2016/17 Actual £'000s</b>
<b>CFR at start of the year</b>	<b>8,429</b>
Capital programme for the year	3,789
Acquisition of replacement refuse freighters	1,500
Capital resources applied	(3,789)
<b>Net Change due to Capital Spend</b>	<b>1,500</b>
Mortgage principal repaid	(2)
Minimum revenue provision – invest to save projects	(159)
Minimum revenue provision – finance lease liabilities	(325)
<b>Est. net increase (decrease) in CFR in the year</b>	<b>1,014</b>
<b>Est. CFR at end of the year</b>	<b>9,443</b>

5.3. There is currently an expected net increase in the CFR due to the Corporate Director (Finance) agreeing to switch the source of funding used to acquire replacement refuse freighters from lease type arrangements to using traditional borrowing. In the short-term this increase in borrowing requirement will be met from internal borrowing (i.e. by reducing the cash balances currently available to invest in banks and other financial institutions). In the longer-term new borrowing may be required as cash balances are applied to other capital investment projects.

5.4. The comparison of the estimated closing CFR with expected debt at the year-end is shown below:

	<b>2016/17 Actual £'000s</b>
<b>Est. Closing CFR</b>	<b>9,443</b>
Expected borrowing and other liabilities	10,201
<b>Difference between est. debt and CFR</b>	<b>758</b>

5.5. The above table shows that the forecast for borrowing and other liabilities at the year-end is expected to be close to the CFR, with the small positive balances adding to the Council's cash balances. This difference has been reducing for a number of years as the Council has sought to invest its cash balances in ways other than just placing funds with banks and other financial institutions.

## 6. **Borrowing and Finance Lease Liabilities**

6.1. The following table shows the expected borrowing and other liabilities in the 2016/17 financial year.

	<b>Borrowing</b>	<b>Finance Leases</b>	<b>Other Long-Term Liability</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance 1 April 2016</b>	<b>6,000</b>	<b>3,526</b>	<b>1,000</b>	<b>10,526</b>
Additions	-	-	-	114
Repayments	-	(325)	-	(347)
<b>Est. Balance 31 March 2017</b>	<b>6,000</b>	<b>3,201</b>	<b>1,000</b>	<b>10,201</b>

6.2. The Council approved borrowing limits within the TMSS, including an Operational limit to cover potential borrowing and other liabilities – the limit for 2016/17 was set at £11 million. Actual debt could fluctuate around this limit. An Authorised limit was also set which could not be breached without prior Council approval. This limit was set at £25million on the basis this provided some headroom to undertake new borrowing for invest to save schemes.

6.3. In May the Cabinet approved a District Investment Strategy which would utilise a combination of new borrowing (£14.million), New Homes Bonus (£8.5million), and a portion of the current unallocated reserves (£5million) giving a total of £28million to support the District's strategic growth ambitions. As individual projects are developed and approved, these will be added to the capital programme which will in time lead to both an expected increase in CFR along with a commensurate increase in the amount of borrowing undertaken.

6.4. In considering any new borrowing the Council's objectives are to strike a balance between securing low interest costs and achieving cost certainty over the period for which funds are likely to be required, with the flexibility to renegotiate loans should plans change being a secondary objective.

6.5. Affordability and the "cost of carry" remain important influences on the Council's borrowing strategy to be adopted for the District Investment Strategy. Any new borrowing, if undertaken ahead of need, means the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term rates have remained, and are likely to remain for a significant period, lower than long-term rates, it is currently more cost effective in the short-term to use internal resources instead.

## 7. **Investments**

7.1. The Treasury Management Strategy Statement includes the Annual Investment Strategy (AIS), approved by the Council in accordance with statutory guidance issued by the Department for Communities and Local Government. The AIS sets out the parameters used by the Council when selecting suitable counterparties for investment along with any limits on duration and amounts.

7.2. The AIS is based on investment priorities being:

- Security – minimising the risk of cash not being repaid
- Liquidity - having cash available when it is required

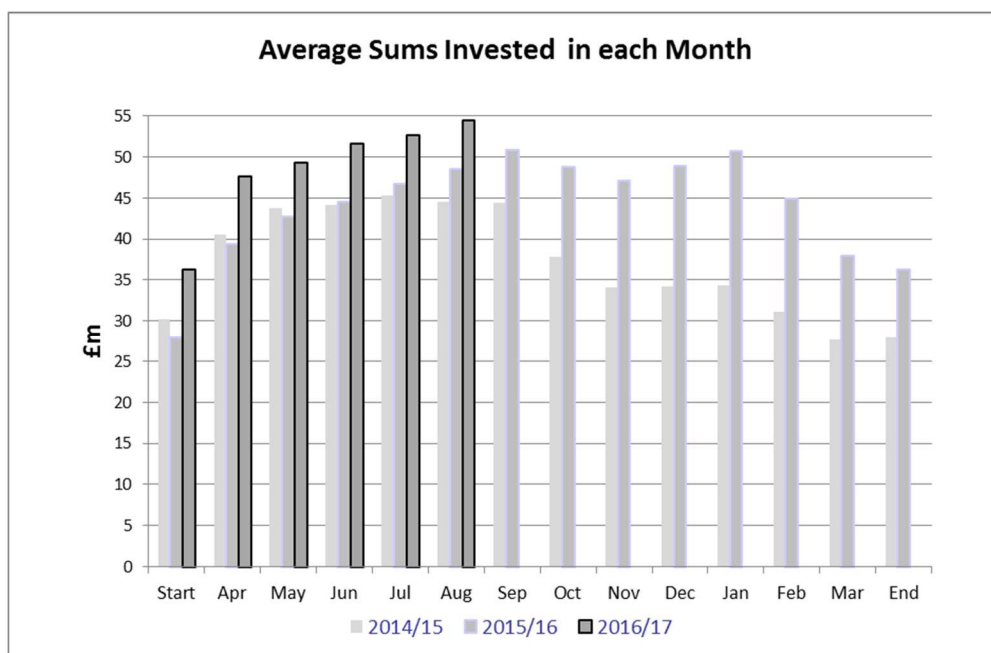
7.3. Only when having ensured these two priorities are met is highest yield considered.

### Cash Balances for Investment

7.4. Investment activity is dependent upon the level of cash balances and requirement for liquid funds to meet day-to-day spending needs. A level of “core” cash is available for the medium-longer term, reflected in revenue and capital reserves.

7.5. The Council ended the 2015/16 financial year with cash balances higher than originally anticipated at the time of approving the TMSS by £7.29million. This included balances and reserves which were higher by £2.22million, and provisions and other working capital (including council tax and business rates held on behalf of the Government and other major precepting bodies) which added a further £5.07million of additional cash. Provisions held at 31 March 2016, included £4.741million set aside for potential refunds of business rates arising from the settlement of appeals against the Rating List. These higher cash balances have carried over into current financial year.

7.6. For the period April to end August cash balances for investment have averaged £51.45million (an increase on the previous year of £6.89 million), and operated within a range of daily totals of between £45.43million and £57.99million. However, as seen in previous years, August/ September is normally a peak for in-year cash flows and, therefore, the expectation is that cash balances will reduce over the remainder of the year ending the year around £35million.



7.7. Within the overall average amount invested for the period April to end August £12million has been maintained in long-term investments (Pooled Funds) and £39.45m in short-term investments (i.e. up to one-year duration).

## Investment Policy

- 7.8. The investment policy sets the parameters over what types of investments will be used by the Council, what criteria potential counterparties must meet, and what limits (amounts/ duration) will be applied. The current policy was approved by Full Council in February 2016.
- 7.9. Applying the investment policy, funds managed so far this year have been invested as follows:

- Fixed term deposits with the major UK and non-UK banks and building societies, which met the Council's criteria of "high credit quality".
- Deposits on call or instant access accounts with major UK banks
- AAA rated Constant Net Asset Value (CNAV) Money Market Funds, where the value of principal invested is expected to remain constant – funds used are: Standard Life Liquidity, Deutsche Managed Sterling, and Goldman Sachs Asset Management.
- A Variable Net Asset Value (VNAV) Money Market Fund, where small fluctuations in the principal invested can occur – the fund used is managed by Royal London Asset Management
- Pooled Funds – equity and property funds
- Direct with the UK Government via the Debt Management Account Deposit Facility (DMADF) for short-term deposits to accommodate timing differences between receipt and payment of monies
- Lloyds Bank held in current accounts as the main banking services provider.

## Investment Activity & Returns

- 7.10. The change in investment balances<sup>1</sup> is shown in the table below.

	Investments:			Balance 31/08/16 £000
	Balance 01/04/16	Made	Matured/ Sold	
	£000	£000	£000	
<b>Pooled Funds (Equity and Property)</b>	<b>12,000</b>	-	-	<b>12,000</b>
<b>Fixed Term Deposits:</b>				
UK Banks & Building Societies	12,000	4,500	1,500	15,000
Non UK Banks	-	6,000	-	6,000
DMADF	-	28,500	24,000	4,500
<b>Sub-Total</b>	<b>12,000</b>	<b>39,000</b>	<b>25,500</b>	<b>25,500</b>
<b>Instant Access Deposits:</b>				
Money Market Funds – CNAV	7,500	7,000	2,500	12,000
Money Market Funds – VNAV	4,000	-	-	4,000
Lloyds Current Account*	770	70	-	840
<b>Sub-Total</b>	<b>12,270</b>	<b>7,070</b>	<b>2,500</b>	<b>16,840</b>
<b>Total</b>	<b>36,270</b>	<b>46,070</b>	<b>28,000</b>	<b>54,340</b>

\*Net Movement

<sup>1</sup> For this purpose investment balances excludes the deposit for LAMS, escrow account and impaired deposit, and petty cash.

7.11. Interest earned on short-term investments up to end of August was £87,000 equating to an average rate of return of 0.53%. The return comprised the following:

	Average Invested to end August £000	Interest  £000	Annualised Return  %
UK Banks & Building Societies	14,290	39	0.65
Non-UK Banks	6,000	15	0.60
Debt Management Office	2,090	2	0.23
Money Market Funds – CNAV	11,380	21	0.45
Money Market Funds – VNAV	4,000	8	0.45
Lloyds Current Account	1,690	3	0.36
<b>Total</b>	<b>39,450</b>	<b>87</b>	<b>0.53</b>

7.12. The rate of return on the Council's short-dated money market investments continued to reflect the prevailing low interest rate environment. Forecasts of the Bank Rate suggest further cuts cannot be discounted which will in term lower market rates.

### Pooled Funds

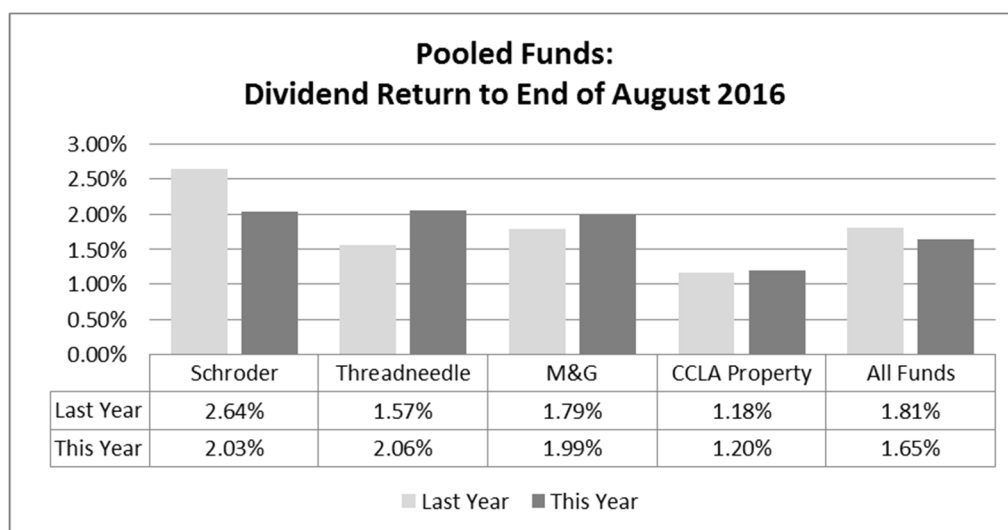
7.13. The Council continues to hold £12million as long-term investments across four pooled funds. Funds were previously chosen to achieve a greater diversified portfolio of underlying securities than the Council could individually manage at a reasonable price. These investments were made on the basis that, if held for the longer term they would offer the potential for enhanced returns albeit recognising there could be volatility in their market pricing. The distributing share class was selected for each of the funds in order to receive regular income.

7.14. The following funds were selected:

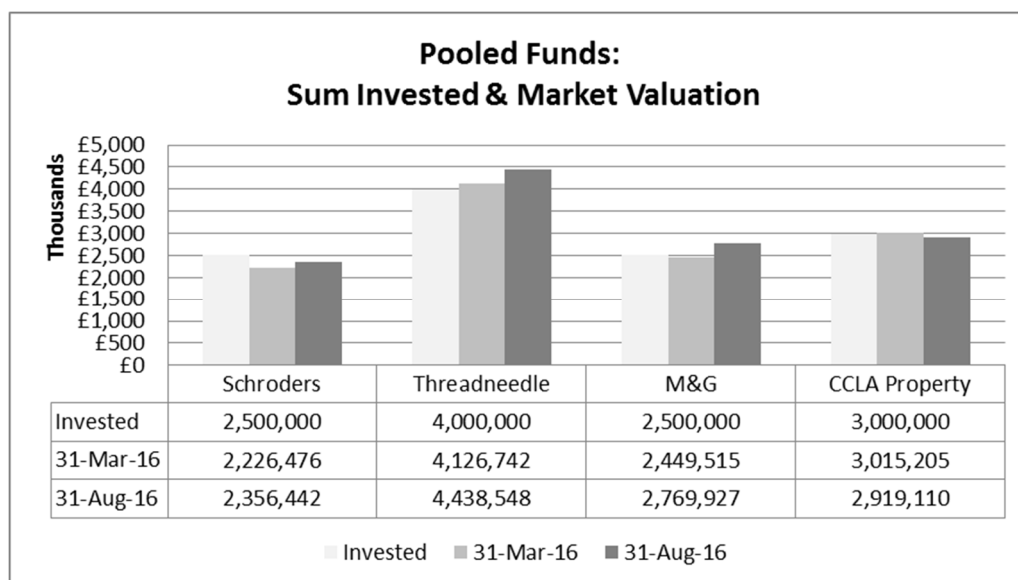
Fund	Total Invested end August £m
<b>Schroder UK Income Maximiser:</b> Seeks to provide income and capital growth with target income of 7% p.a. by investing in mainly UK equities	£2.5
<b>Threadneedle UK Equity Income:</b> Steady growth in income and acceptable capital growth. Aims for a yield greater than 110% of the FTSE All Share	£4.0
<b>M&amp;G Global Dividend Fund:</b> Aims to deliver income yield above market average and aims to grow distributions over the long-term.	£2.5
<b>CCLA Local Authorities Property Fund:</b> Aims to provide long-term capital	£3.0

Fund	Total Invested end August £m
and income return. The fund must pay out the income it generates.	
<b>All Funds</b>	<b>£12.0</b>

7.15. At the end of the August the dividends received or declared totalled £198,000, which represents an in-year return of 1.65% across all funds. This is lower than the return achieved last year for the same period:



7.16. At the end August the market value of all funds amounted to £12.484million, representing an unrealised gain of £484,000 over the original sum invested, and an overall improvement since the 31 March 2016 of £666,000:





## **8. Credit Developments and Credit Risk Management**

- 8.1. Counterparty credit quality is assessed and monitored with reference to credit ratings; credit default swaps; Gross Domestic Product (GDP) of the country in which the institution operates; the country's net debt as a percentage of GDP and share price. The minimum long-term counterparty credit rating set by the Council has been A-based on the three leading rating agencies: Fitch, Standard & Poor's (S&P), and Moody's. This is supplemented by other market intelligence.
- 8.2. Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union (EU). UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing their largest falls. Non-UK bank share prices were not immune although the fall in their share price was less pronounced.
- 8.3. Fitch downgraded the UK's sovereign rating by one notch to AA from AA+, and S&P downgraded its corresponding rating by two notches to AA from AAA. Fitch, S&P, and Moody's have a negative outlook on the UK. Similar action has also been taken on bonds guaranteed by the UK Government.
- 8.4. Moody's affirmed the ratings of nine UK banks and building societies and revised the outlook to negative for those banks and building societies that it perceived to be exposed to a more challenging operating environment arising from the vote to leave the EU.
- 8.5. There was no immediate change to the credit advice received from Arlingclose on UK banks and building societies as a result of the referendum result, but as our advisors do believe that the uncertainty over the UK's future trading prospects will bring forward the timing of the next UK recession, they have indicated a review of all UK based institutions with a view to issuing further credit advice.
- 8.6. The European Banking Authority released the results of its 2016 round of stress tests on the single market's 51 largest banks after markets closed on Friday 29 July. The stress tests give a rather limited insight into how the large banks might fare under a particular economic scenario. The Royal Bank of Scotland made headline news as one of the worst performers as its ratios fell by some of the largest amounts, but from a relatively high base. Barclays Bank ended the test with Common Equity Tier 1 (CET1) ratios below the 8% threshold, and would be required to raise more capital should the stressed scenario be realised. The tests support a cautious approach on these banks.

## **9. Treasury Management Advisors**

- 9.1 The Council has continued to employ Arlingclose as treasury management advisors. Regular communications and updates on related matters have been received by officers during the year and a strategy meeting was held in early September involving Members.

## **10. Outlook for the remainder of 2016/17**

- 10.1 Following the UK's vote to leave the EU, the economic outlook for the UK has immeasurably altered. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU, particularly with regard to Single Market access.
- 10.2 The short-term outlook is easier to predict; economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment. The downward trend in growth apparent on the run up to the referendum will continue through the second half of 2016.
- 10.3 Arlingclose has changed its central case for the path of Bank Rate over the next three years. Arlingclose believes any currency-driven inflationary pressure will be looked through by the Bank of England policymakers. The central case for Bank Rate is currently 0.25%, but there is a strong possibility that the rate is cut further towards zero.
- 10.4 Global interest rate expectations have been pared back considerably. A further rise in the US Federal Funds rate appears less likely, although there remains a possibility that the Federal Reserve will wait until after November's presidential election, and probably hike interest rates in December 2016 if economic conditions warrant.
- 10.5 Arlingclose believes that the Government and the Bank of England have both the tools and the willingness to use them to prevent any immediate market-wide problems leading to bank insolvencies. The cautious approach to credit advice means that the banks currently on the Council's counterparty list have sufficient equity buffers to deal with any localised problems in the short-term.

## **Appendix A - Economic and Market Commentary**

The preliminary estimate of Q2 2016 GDP showed strong growth as the economy grew 0.6% quarter-on-quarter, as compared to 0.4% in Q1 and year/year growth running at a healthy pace of 2.2%. However the UK economic outlook changed significantly on 23 June 2016. The surprise result of the referendum on EU membership prompted forecasters to rip up previous projections and dust off worst-case scenarios. Growth forecasts had already been downgraded as 2016 progressed, as the very existence of the referendum dampened business investment, but the crystallisation of these downside risks and the subsequent political turmoil prompted a sharp decline in household, business and investor sentiment.

The repercussions of this plunge in sentiment on economic growth were judged by the Bank of England to be severe, prompting the MPC to initiate substantial monetary policy easing at its August meeting to mitigate the worst of the downside risks. This included a cut in Bank Rate to 0.25%, further gilt and corporate bond purchases (QE) and cheap funding for banks to maintain the supply of credit to the economy. MPC members also played on expectations, suggesting that many members of the Committee supported a further cut in Bank Rate to near-zero levels (the Bank, however, does not appear keen to follow peers into negative rate territory) and more QE should the economic decline worsen.

In response to the Bank of England's policy announcement, money market rates and bond yields declined to new record lows. Banks are being heavily encouraged to pass on the reduction in rates to customers – great for borrowers, although the outlook for savers is now rather more downbeat. Since the onset of the financial crisis over eight years ago, Arlingclose's rate outlook has progressed from 'lower for longer' to 'even lower for even longer' to, now, 'even lower for the indeterminable future'.

The new members of the UK government, particularly the Prime Minister and Chancellor, are likely to follow the example set by the Bank of England. After six years of fiscal consolidation, the Autumn Statement is likely to witness fiscal loosening to support activity and confidence. Infrastructure investment is a highly likely element of whatever package is presented, but works all too slowly. Tax cuts or something similar cannot be ruled out. Supported by both monetary and fiscal stimulus, the economic fallout from the referendum vote and the subsequent negotiations may well not be as sharp or prolonged as feared, although the brightly lit uplands envisaged by some Brexit supporters are likely somewhat more distant than envisaged. Whilst the economic growth consequences of BREXIT remain speculative, there is uniformity in forecasts that the outlook in the near-term will be one characterised by lower growth.

Neither the new Prime Minister nor Chancellor support the goal of the previous holders of their respective office of achieving a Budget surplus by 2020; and new Chancellor is open to borrowing to "invest wisely... and get a return on that investment that will be a benefit to the Exchequer" which suggests fiscal loosening is a possibility in the near future.

Meanwhile, inflation is expected to pick up due to a rise in import prices, dampening wage growth and real investment returns. The August Quarterly Inflation Report from the Bank of England forecast a rise in CPI to 0.6% before it increases to 0.8% and

ends 2016 at 0.9%. As outlined in the Report and by Governor Mark Carney this will be driven by the pace of transmission into prices of the higher cost of imports arising from the post-Brexit vote depreciation in sterling implying that there is scope for the rise in inflation to be less linear than the Bank's forecasts suggest.

Market reaction: Following the referendum result gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. The yield on the 10-year benchmark gilt fell from 1.37% on 23rd June to 0.52% in August, a quarter of what they were at the start of 2016. The yield on 2- and 3-year gilts briefly dipped into negative territory intra-day on 10th August to -0.1% as prices were driven higher by the Bank of England's bond repurchase programme. The fall in gilt yields was reflected in the fall in PWLB borrowing rates.

On the other hand, after an initial sharp drop, equity markets appeared to have shrugged off the result of the referendum and bounced back despite warnings from the IMF on the impact on growth from 'Brexit' as investors counted on QE-generated liquidity to drive risk assets.

The most noticeable fall in money market rates was for very short-dated periods (overnight to 1 month) where rates fell to between 0.1% and 0.2%

## Money Market Data

Table: Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/4/2016	0.50	0.36	0.36	0.39	0.46	0.61	0.88	0.78	0.83	0.98
30/4/2016	0.50	0.36	0.36	0.38	0.47	0.62	0.90	0.86	0.95	1.13
31/5/2016	0.50	0.35	0.37	0.39	0.46	0.61	0.89	0.82	0.92	1.09
30/6/2016	0.50	0.35	0.36	0.39	0.43	0.55	0.80	0.49	0.49	0.60
31/7/2016	0.50	0.15	0.45	0.42	0.52	0.64	0.77	0.47	0.47	0.54
31/8/2016	0.25	0.11	0.18	0.21	0.39	0.54	0.76	0.43	0.43	0.50
<b>Average</b>	0.45	0.29	0.40	0.44	0.55	0.68	0.86	0.64	0.68	0.80
<b>Maximum</b>	0.50	0.43	0.55	0.61	0.72	0.83	1.04	0.88	0.99	1.20
<b>Minimum</b>	0.25	0.02	0.15	0.18	0.36	0.50	0.66	0.38	0.37	0.42
<b>Spread</b>	0.25	0.41	0.40	0.43	0.36	0.33	0.38	0.50	0.62	0.78