



Agenda

Policy, Finance and Resources Committee

Tuesday, 16 February 2016 at 7.00 pm
Council Chamber - Town Hall

Membership (Quorum-3)

Cllrs Mrs McKinlay (Chair), Kerlake (Vice-Chair), Aspinell, Barrett, Clark, Hirst, Hossack, Parker and Russell

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| 12. | <p>Exclusion of the Public
 Should the Committee wish to consider the following information as an item of business, that business is likely to involve, if members of the public were present, the disclosure of exempt information to them during that item. If it is the Committee's wish that this item be dealt with as an exempt matter, the following resolution should be passed to comply with the Local Government Act 1972:</p> <p>That, except for those Members present not being Members of this Committee, the public and press be excluded from the remainder of the consideration of this item of business on the grounds that the matters yet to be discussed involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, namely information relating to the financial or business affairs of any particular person (including the authority holding that information), as in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p> | | |
| 13. | Warley Depot (PART TWO) | Warley | |
| 14. | Urgent Business | | |

A handwritten signature in black ink, appearing to read 'P. L. R. B.', with a large, sweeping underline stroke.

Head of Paid Service

Town Hall
Brentwood, Essex
08.02.2016

Information for Members

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The names of substitutes shall be announced at the start of the meeting by the Chair and the substitution shall cease at the end of the meeting.

Where substitution is permitted, substitutes for quasi judicial/regulatory committees must be drawn from Members who have received training in quasi- judicial/regulatory decision making. If a casual vacancy occurs on a quasi judicial/regulatory committee it will not be filled until the nominated member has been trained.

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Any Members may attend any Committee to which these procedure rules apply.

A Member who is not a member of the Committee may speak at the meeting. The Member may speak at the Chair's discretion, it being the expectation that a Member will be allowed to speak on a ward matter.

Members requiring further information, or with specific questions, are asked to raise these with the appropriate officer at least two working days before the meeting.

Point of Order/ Personal explanation/ Point of Information

Point of Order

A member may raise a point of order at any time. The Chair will hear them immediately. A point of order may only relate to an alleged breach of these Procedure Rules or the law. The Member must indicate the rule or law and the way in which they consider it has been broken. The ruling of the Chair on the point of order will be final.

Personal Explanation

A member may make a personal explanation at any time. A personal explanation must relate to some material part of an earlier speech by the member which may appear to have been misunderstood in the present debate, or outside of the meeting. The ruling of the Chair on the admissibility of a personal explanation will be final.

Point of Information or clarification

A point of information or clarification must relate to the matter being debated. If a Member wishes to raise a point of information, he/she must first seek the permission of the Chair. The Member must specify the nature of the information he/she wishes to provide and its importance to the current debate. If the Chair gives his/her permission, the Member will give the additional information succinctly. Points of Information or clarification should be used in exceptional circumstances and should not be used to interrupt other speakers or to make a further speech when he/she has already spoken during the debate. The ruling of the Chair on the admissibility of a point of information or clarification will be final.

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Minutes

Policy, Finance and Resources Committee Tuesday, 15th December, 2015

Attendance

Cllr Mrs McKinlay (Chair)	Cllr Clark
Cllr Kerlake (Vice-Chair)	Cllr Hossack
Cllr Hirst	Cllr Parker
Cllr Barrett	Cllr Russell

Apologies

Cllr Aspinell

Substitute Present

Cllr Kendall

Also Present

Cllr Mynott

Officers Present

Kim Anderson	- Partnership, Leisure and Funding Manager
Gordon Glenday	- Head of Planning & Development
Chris Leslie	- Finance Director
Gabrielle Murphy	- Asst Strategy Performance Analyst
Philip Ruck	- Head of Paid Service
Jean Sharp	- Governance and Member Support Officer
Steve Summers	- Head of Customer Services
Daniel Toohey	- Head of Legal

287. Apologies for Absence

Apologies were received from Cllr Aspinell.

288. Minutes of the Previous Meeting

The minutes of the Policy, Finances and Resources Committee held on 2 November 2015 were **RESOLVED** to be a true record.

289. Variation in the order of the agenda

Since there was a number of interested parties present, the Chair proposed and it was **RESOLVED UNANIMOUSLY** that Agenda item 11 – Hutton Community Centre - be considered next.

290. Hutton Community Centre

The report before Members considered the response to Expressions of Interest received from organisations interested in taking a lease on the Hutton Community Centre.

An assessment of the two bidders was undertaken by officers to determine the best options for the Council ensuring that Hutton Community Centre continued to deliver broad community use, expanding what was currently being delivered and that this would be sustainable in the long term.

Cllr Mrs McKinlay MOVED and Cllr Kerslake SECONDED the recommendation in the report, with an amendment, and following a full discussion and a vote taken on a show of hands it was

RESOLVED UNANIMOUSLY

That delegated authority be granted to the Head of Paid Service and Section 151 Officer to negotiate the terms of lease on Hutton Community Centre in consultation with a sub-committee comprising of the Chair and Vice-chair of the Policy, Finance and Resources Committee and a representative of the Liberal Democrat and Labour Groups.

Reasons for Recommendation

An assessment of the two bidders was undertaken by officers to determine the best options for the Council ensuring that Hutton Community Centre continued to deliver broad community use, expanding what was currently being delivered and that this would be sustainable in the long term.

291. Preliminary Medium Term Financial Plan

Members were reminded that the Medium Term Financial Plan (MTFP) set out the key financial management principles and budget assumptions. It was then used as the framework for the detailed budget setting process to ensure that the Council's resources were managed effectively in order to meet its statutory responsibilities and deliver the priorities of the Council, over the medium term.

The Section 151 Officer advised Members that the Council's budget was still being finalised and the information included within the report provided an early indication of the situation.

Cllr Mrs McKinlay MOVED and Cllr Kerslake SECONDED the recommendations within the report and following a full discussion and a vote taken on a show of hands it was

RESOLVED that:

- 1. The preliminary General Fund funding gap for 2016/17 and beyond be agreed.**
- 2. The preliminary new capital proposals for 2016/17 and beyond be agreed.**
- 3. The implications to the HRA resulting from the announcement made by the Chancellor as part of the summer budget to reduce HRA rents by 1% for the next 4 years be agreed.**

Reasons for Recommendation

Effective financial management underpinned all of the priorities for the Council.

(Cllr Hirst declared a non-pecuniary interest under the Council's Code of Conduct by virtue of being a County Councillor since reference was made to care homes during the discussion which fell within the remit of Essex County Council).

292. Draft Complaints Policy

Members were reminded that the Customer Access Strategy provided the overarching framework for the channels or methods the Council would use to interact with customers to ensure the successful delivery of its services with the resources available.

Key to the delivery of the Customer Access Strategy was the Implementation Plan which contained a number of actions. One of these actions was the review of the Council's complaints procedure and development of a new Complaints Policy.

The report before Members requested they consider and approve the draft Complaints Policy which was attached to the report at Appendix A.

Cllr Mrs McKinlay MOVED and Cllr Parker SECONDED the recommendation in the report, a vote was taken on a show of hands and it was

RESOLVED UNANIMOUSLY

That the Committee approved the draft Complaints Policy.

Reason for Recommendation

The Customer Access Strategy provided the overarching framework for the channels the Council used to interact with customers to ensure the successful delivery of its services with the resources available.

293. Partnership Policy and Procedures 2015

The Council needed to ensure that any partnerships that it was involved in were efficient, effective and that they could deliver value for money for residents. A large amount of public money was invested in partnerships and therefore they should be action and outcome focussed, whilst encouraging innovative solutions for change. Partnerships should also be monitored regularly to ensure any underperformance was highlighted and any appropriate action taken.

The outcome of an internal audit report dated 31 March 2015 indicated limited design and effectiveness of the Council's current partnership working and provided four recommendations for improvement. Resulting from the audit recommendations the revised Partnership Policy and Procedures would ensure that there was a framework of procedures for staff to follow who were engaged in, giving consideration to engagement in, or withdrawing from partnership activities. This would provide a consistent approach when the Council entered into a partnership agreement to ensure that the partnership would not only support the Council's priorities, but strengthen the accountability amongst partners, minimise the risk to the Council and rationalise the Council's partnership working arrangements.

Cllr Mrs McKinlay MOVED and Cllr Russell SECONDED the recommendations in the report and following a discussion a vote was taken on a show of hands and it was

RESOLVED UNANIMOUSLY

That Members agree to the revised Partnership Policy and Procedures as appended to the report.

Reasons for Recommendation

The Internal Audit review of the Council's partnership working recommended strengthening its partnership arrangements. The revised Partnership Policy and Procedures would ensure that the Council was only involved in partnership working which supported one or more of the Council's priorities to deliver the outcomes that would support Brentwood Borough residents.

294. Delegated Authority of Grant of Leases

Delegated authority was requested to be given to the Section 151 Officer to grant leases of up to £25,000 per year on properties leased at market rate.

Cllr Mrs McKinlay MOVED and Cllr Kerslake SECONDED the recommendation in the report, a vote was taken on a show of hands and it was

RESOLVED UNANIMOUSLY

That delegated authority be granted to the Section 151 Officer in consultation with the Monitoring Officer and Chair or Vice Chair of the Policy, Finance and Resources Committee to grant leases of up to £25,000 (excluding VAT) per year on properties leased at market value.

Reasons for Recommendation

To ensure the Council operated effectively it was important to have suitable delegated powers.

295. Income Generation Update

The report provided an update on the income generation activities presented to the Committee on 15 September 2015 and requested that the future actions were agreed.

Cllr Mrs McKinlay MOVED and Cllr Kerslake SECONDED the recommendation in the report and following a discussion and a vote taken on a show of hands it was

RESOLVED

That the income generation actions outlined in Appendix A to the report were approved.

Reasons for Recommendation

It was agreed by the Policy, Finance and Resources Committee on 15 September 2015 that the income generation activities agreed would be developed and presented to the Committee.

296. 2015/16 Local Council Tax Support Scheme

Members were reminded that it was previously agreed to form a Members' Task & Finish Group to consider any changes to the Local Council Tax Support (LCTS) scheme for 2016/17.

Following the Welfare Reforms announced by the Chancellor in his Summer Budget on 8 July 2015 consideration was given to the possible impact on the Council's current scheme costs. Officers subsequently modelled proposed changes and concluded that there would be little to no impact on the cost of the existing scheme.

The Task & Finish Group was advised therefore that no major changes to the scheme would be proposed for 2016/17.

Two minor proposals to the scheme were proposed to the group;

- the rules for assessing self employed claimants
- the rules dealing with late applications

These proposals were subsequently raised as part of a public consultation.

Cllr Russell MOVED and Cllr Hirst SECONDED the recommendations in the report and following a discussion, a vote was taken on a show of hands and it was

RESOLVED

To approve minor changes to our current Council Tax Support scheme by introducing;

- 1. Where claimants were claiming that they were self employed and submitting accounts to show that they were earning consistently below minimum wage, officers would be able to decide the level of award based on at least minimum wage (or the national living wage). This would only come into effect after their first year of claiming support or trading or whichever was sooner.**
- 2. To restrict late applications of Council Tax Support to 4 weeks provided 'good cause' had been shown; this would bring the Council Tax Support scheme in line with Universal Credit and Housing Benefit legislation.**
- 3. The amended Council Tax Support Scheme to be presented at the Ordinary Council meeting on 27 January 2016.**

Reasons for Recommendation

To agree and adopt the proposed Council Tax Support scheme for 2016/17 prior to 31 January 2016.

297. Income from Property Investment

Members were reminded that in March 2015 the Asset and Enterprise Committee approved the Acquisition Policy which set out the process for acquiring income generating assets.

The Committee also recommended that the Finance and Resource Committee approved a capital allocation to fund the acquisitions.

Cllr Mrs McKinlay MOVED and Cllr Parker SECONDED the recommendations in the report and Cllr Kendall MOVED and Cllr Barrett SECONDED an AMENDMENT which was ACCEPTED.

Following a discussion and a vote taken on a show of hands it was

RESOLVED UNANIMOUSLY that:

- 1. The acquisition policy agreed in March 2015 be reviewed and a revision brought forward to a future committee.**
- 2. The creation of a £10m property acquisition fund was revisited regarding the appropriateness of the sum and a staged approach be considered and brought forward to a future committee.**
- 3. The use of existing assets be considered for future property development with an options report and associated business cases to be presented to future Committees.**
- 4. Consultation should take place with other Essex Councils regarding how they have generated income.**

Reasons for Recommendation

It was agreed by the Asset and Enterprise Committee in March 2015 that a capital allocation be considered in relation to the Acquisition Policy.

A robust programme needed to be developed on a sound financial footing if a property acquisition programme was to be undertaken.

298. Update on Planning Process Working Group

Members were reminded that at the 2 November 2015 Policy, Finances and Resources Committee meeting it was agreed to undertake a 6 monthly review of the Modern Planning Service, also to set up a Members Working Group to review the service. The report before Members outlined the findings of that review.

In addition to the Members Working Group, the Council also commissioned an internal audit of the Modern Planning Service. Its findings had also been taken into account in the recommendations of this report.

Cllr Mrs McKinlay MOVED and Cllr Kerslake SECONDED the recommendations in the report and following a discussion, a vote was taken on a show of hands and it was

RESOLVED UNANIMOUSLY that

1. Given the findings of the Member Working Party review, the Council continues to implement and develop its Modern Planning Service, subject to the Actions listed in Appendix 1 to the report.

2. The service continues to be monitored and that any further improvements identified will be implemented as soon as practicable. Approval of any such improvements will be delegated to the Head of Planning and Development in consultation with the Chair of the Planning and Licensing Committee.

Reasons for Recommendation

The Modern Planning service had been in operation for around 6 months and so there was a need to review it to ensure that it was fit for purpose.

Subject to the recommendations in the Action Plan in Appendix 1, the Members Working Group agreed that the Modern Planning Service was a more efficient and effective way of delivering the planning service to the Council's customers.

299. Urgent Business

Cllr Mrs McKinlay added a further comment regarding Agenda item 7 – Income Generation Update – that it was proposed to utilise opportunities from services the Council provided, eg to increase the market share of trade waste, the sale of waste bins, CCTV etc.

The meeting ended at 21.00 hrs.

16 February 2016

Policy, Finance & Resources Committee

Service Delivery Hub – Update Position

Report of: *Phil Ruck, Head of Paid Service*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 The following report provides a status report on the present position of the Service Delivery Hub (SDH). The SDH is key to improving the occupancy of the Town Hall, provides a centre of excellence for customer service for the residents and users of the Town Hall, whilst at the same time reducing the cost to the Council of operating in the Town Hall.
- 1.2 Further information is provided within the report on the work which will result in the potential of some early adopters who will relocate to the Town Hall prior to the completion of the SDH project.

2. Recommendation

- 2.1 That approval is given to the Head of Paid Service, Section 151 Officer and Chair of P, F & R to finalise the detailed negotiations for the Service Delivery Hub to co-locate the interest parties.**

3. Introduction and Background

- 3.1 Brentwood Borough Council has been working towards developing a co-located Service Delivery Hub in the Town Hall. This was brought to Members at the Policy, Finance and Resources Committee 02.11.2015 (Min 210). The Council has had initial discussions with many groups and organisations across the Borough. A very successful combined workshop was held in the Town Hall in October 2015. All present clearly expressed an intention to work with the Council.

- 3.2 A core set of organisations has emerged who are committed to the development of a SDH. This does not mean the opportunity for others has been lost but, to progress the project on some form of assured footing, formal identification of those groups who are able to commit at this stage needed to be established. These groups are:
- Police
 - Essex County Council (representing Registrars and Libraries)
 - Job Centre Plus (JCP)
 - South East Ambulance Service
 - Citizens Advice Bureau (CAB), and
 - Council for the Voluntary Service (CVS)
- 3.3 The aim of the SDH is to see the co-location of these groups into the Town Hall.
- 3.4 The establishment of this group enabled the project to focus on an initial Outline Business Case and begin to prepare development and work for the Detailed Business Case. So far:
- The project team have met regularly
 - The memorandum of understanding has been signed
 - Outline Business Case for consideration has been developed
 - Begun work on a Detailed Business Case which will develop, identify options, feasibility and financial models
- 3.5 Information for the Detailed Business Case is now being gathered. This will concentrate on:
- Space requirements for each organisation
 - Shared space options
 - Areas of cohesion and joined up service provision
 - Financials
 - Digital improvements for the customer
 - use of any space remaining
- 3.6 This work will enable visual representation of the SDH to be created and help establish options, which will be worked up into design briefs, which in turn will assist the financial modeling.

3.7 The work being undertaken will begin to:

- firm up the space required specifically by the hub,
- back office space
- remaining space for a potential business opportunity for the Council.

3.8 These opportunities have previously involved Chromex and discussions will again be held with them once space is established to see if the business opportunity still exists. However, due to the likely changes in space available, the financial terms and the heads of terms will need to be re-negotiated in order to secure a better deal.

3.9 The timeline for the SDH project (up to the development of the DBC) has been established, see Table 1 below. The project timeline beyond this phase will be developed once more detailed information is available.

3.10 Table 1

Milestone Description	Target Date
Sign off outline business case	January 2016
Organisation to work up options and costs	February 2016
First Draft DBC circulated	May 2016
Draft DBC submitted to Project Board for consideration	May/June 2016
Final DBC submitted to Project Board for consideration by own Governance	June 2016
Feasibility and financial commitment	July 2016

3.11 Early Adopters

3.12 In addition to the above, the Council is working with CAB, JCP, Police, South East Ambulance Service and Essex Libraries to consider the possibility of early adopters (i.e. relocating to the Town Hall ahead of the SDH development). This will enable some important lesson learning, immediate service improvements for customers as well as some potential financial benefits from those moving across. This needs to work for each group and be in parallel with the SDH development.

3.13 With the above in mind, please note that discussions with the Police and CAB are being advanced and it is envisaged that potential early adoption/relocation is likely, however due to sensitivity at this stage detailed timelines cannot be discussed.

3.14 Financials

3.15 Once the DBC has been considered and the proposal agreed, detailed costs will be ascertained as part of the feasibility process. Based on previous information, the cost to bring the Town Hall up to a reasonable condition is in the region of £5.8m (Ordinary Council 10 Dec 2014) including ICT upgrades and improvements which form part of the modernization programme.

3.16 Any upgrade will need to include the replacement of the windows and improvements to the roof and heating. It does not include air conditioning.

3.17 An assumed income can be estimated at this point. However, without any assurance of actual numbers, space and size required by each group, it is difficult to give assured information on the income. This work is presently ongoing.

3.18 Notwithstanding this and dependent on the financial model being adopted, there is a likelihood that the Council could achieve an income in excess of £300,000 per annum from 2017.

3.19 Next Stages:

- Collect as much detailed information on requirements from each member of the SDH group
- Gather financial information
- Undertake necessary consultations
- Engage with staff and other key stakeholders
- Develop options appraisal including likely costs
- Bring together Detailed Business Case for consideration and next timeline

4. Reasons for Recommendation

- 4.1 This will enable effective decision making to the point where wider Member consideration is required.

5. Consultation

- 5.1 None at this stage however the Library Service will have to consult if they are to relocate. This is scheduled to happen between now and the end of March 2016.

6. References to Corporate Plan

- 6.1 Economic Development – Consider how Council assets can be utilised to promote sustainable development in the Borough
- 6.2 Economic Development – Develop Conditions for job creation and help people back into work
- 6.3 Transformation – Explore alternative methods of service delivery, including shared services and outsourcing
- 6.4 Transformation – Provide more modern and effective customer services
- 6.5 Transformation – Develop new ways of working for the Council, improving service delivery and reducing costs and unnecessary bureaucracy.

7. Implications

Financial Implications

Name & Title: Chris Leslie, Finance Director

Tel & Email: 01277 312 542 christopher.leslie@brentwood.gov.uk

- 7.1 The co-location of other public services will allow the costs of the Town Hall to be spread over more organisations, reducing the cost to the Council. Savings of over £300k could be achieved.

Legal Implications

Name & Title: Daniel Toohey, Monitoring Officer

Tel & Email: 01277 312 860 daniel.toohey@brentwood.gov.uk

- 7.4 Legal Services are available to provide advice and assistance once further detail is forthcoming on the proposed business case, including advice on any proposed leases, licences or contract procurement requirements.

Other Implications (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

7.5 There are a number of high level risks associated to the development of the hub, some of which are outside the control of the Council as they rely on other organisations.

8. **Background Papers** (include their location and identify whether any are exempt or protected by copyright).

8.1 None

9. **Appendices to this report**

- None

Report Author Contact Details:

Name: Greg Campbell

Telephone: 01277 312738

E-mail: greg.campbell@brentwood.gov.uk

16 February 2016

Policy, Finance and Resources Committee

Approval for Restructures in Service Areas

Report of: *Philip Ruck – Head of Paid Service*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 This report requests the approval of the Policy, Finance and Resources Committee to allow the Head of Paid Service to conduct and implement restructures in service areas of the Council. The Council's Organisational Change Policy makes it clear that approval is sought from Members prior to restructuring being carried out at a senior level of the organisation.
- 1.2 The budget approved in June 2015, requires a further saving of £100,000 to be made in the Senior Management Team, also known as the Corporate Leadership Board (CLB). Thus a restructure of this area is required.
- 1.3 If agreed, the proposed restructures will be implemented as soon as possible in accordance with agreed policy and procedure.

2. Recommendation(s)

- 2.1 That the Head of Paid Service be granted delegated authority to undertake, manage, and implement the restructure of the Corporate Leadership Board (CLB) provided that consultation takes place with the Leaders of all political groups (or in their absence, their appointed deputies). Such consultation shall include meetings with the said Leaders and shall include advice as to progress.**
- 2.2 That the PFR committee note that the Head of Paid Service already has the authority to implement restructures below CLB level but will consult with Leaders of all political groups (or in their absence, their appointed deputies) as to progress and impact on the organisation.**

3. Introduction and Background

- 3.1 The Council is committed to ensure that its services are always reviewed to provide the best service it can but also at the price it can afford. This requires the organisation to continually re-assess the way in which services are delivered.
- 3.2 The service restructures arise from the budget pressures that the Council face together with the review of how service delivery is implemented within the Council.

4. Issue, Options and Analysis of Options

- 4.1 The full details of any terms of proposed redundancy or associated costs will be in line with contractual obligations and are subject to confidentiality. These costs will be met out of the allocated transformational reserve budget and will deliver ongoing revenue savings to the Council.
- 4.2 Timescale – Full details will be advised but will be in line with planned budget proposals.

5. Reasons for Recommendation

- 5.1 To enable the Council to align its available resources with its service delivery model and to meet its operational budget.

6. Consultation

- 6.1 Consultation will take place with all relevant parties as defined in the Council's Organisational Change policy.

7. References to Corporate Plan

- 7.1 This reflects the Council's vision for Transformation as it looks to reduce costs by streamlining services and processes.

8. Implications

Financial Implications

Name & Title: Chris Leslie, Finance Director

Tel & Email: 01277 312 542 christopher.leslie@brentwood.gov.uk

- 8.1 Any costs arising from the proposals will be met from specific reserves.

Legal Implications

Name & Title: Daniel Toohey, Monitoring Officer

Tel & Email: 01277 312 860 Daniel.Toohy@brentwood.gov.uk

- 8.2 The Council's Constitution, Part 4.5 (Financial Regulations) rule 3.27 provides that the Chief Executive is responsible for providing overall management to staff and determining appropriate officer staffing structures. Under the Council's Scheme of Delegation (PM2 Organisational Development), the Chief Executive may (subject to a report on any major changes to Policy, Finance and Resources Committee) review and restructure the organisation of the authority's staff to enable the authority to discharge its functions in the face of legislative, policy and other requirements.
- 8.3 The Council has agreed policies and procedures which need to be followed in order to avoid risk of challenge.
- 8.4 The Employment Rights Act 1996 (as amended) sets out the relevant law as regards the rights and duties of an employer and employees. Also as a matter of contract law, the Council will need to comply with the relevant terms of individual contracts of employment.

Report Author Contact Details:

Name: Philip Ruck, Head of Paid Service

Telephone: 01277 312569

E-mail: Philip.ruck@brentwood.gov.uk

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16 February 2016

Policy, Finance and Resources

Shared Services Options

Report of: *Philip Ruck - Head of Paid Service*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 The Council is continuously looking for opportunities to protect front line services in the face of a challenging financial environment. Economies of scale, sharing best practise and efficiency gains from combining resources with nearby authorities are being considered by most Councils.
- 1.2 The report recommends that officers provide a business case for further consideration by Members.

2. Recommendation

- 2.1 That Members agree to the Head of Paid Service preparing a business case incorporating options for combining the delivery of our public services with other Councils which will be brought back to Members for consideration.**

3. Introduction and Background

- 3.1 The Council is facing a growing budget gap over each of the next three years. The Medium Term Financial Plan (MTFP) factors in efficiency savings in an attempt to reduce the scale of this deficit. Consideration of shared services is likely to provide savings without directly affecting the delivery of vital statutory front line services. A reduction of various budget lines is unavoidable and will impact most of the Council's services. However this approach is not sustainable or viable if public services are to be maintained and possibly enhanced for our residents.

3.2 The Council has already benefited from such arrangements, the shared service arrangement of the Revenues and Benefits service with Basildon being one such example.

3.3 Whilst a key driver will be efficiency savings, other benefits such as greater service resilience and improved training and career opportunities for employees need to be emphasised.

4. Issue, Options and Analysis of Options

4.1 Only options to exploring partnering with others is being requested at this stage prior to officers resourcing the development of a business case of this option.

4.2 The analysis of any shared service arrangement that will be brought before Members will include:

- Level of service to be provided
- Potential savings
- Operational arrangements
- Risks and contingencies to limit these

5. Reasons for Recommendation

5.1 To investigate how transforming service delivery may assist in maintaining or enhancing the local delivery of these services whilst saving costs through efficiency gains and economies of scale. Added value benefits of such an arrangement will be those from sharing best practise with other Authorities together with increased capacity and resilience.

6. Consultation

6.1 Not appropriate at this stage

7. References to Corporate Plan

7.1 This reflects the Council's vision for Transformation as it looks to reduce costs by streamlining services and processes.

8. Implications

Financial Implications

Name & Title: Chris Leslie, Finance Director

Tel & Email Christopher.Leslie@brentwood.gov.uk / 01277 312712

8.1 These will be fully evaluated as part of the business case process.

Legal Implications

Name & Title: Daniel Toohey, Monitoring Officer

Tel & Email Daniel.Toohy@brentwood.gov.uk / 01277 312860

- 8.2 The legal implications in respect of service level agreements etc. will need to be considered in detail should this option be progressed.

Other Implications (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

- 8.3 These will all be addressed should the option be progressed.

9. **Background Papers**

- 9.1 None at this stage

10. **Appendices to this report**

- Not applicable

Report Author Contact Details:

Name: Phil Ruck, Head of Paid Service

Telephone: 01277 312778

E-mail: philip.ruck@brentwood.gov.uk

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16 February 2016

Policy, Finance and Resources Committee

Revised Health and Safety Policy

Report of: *Gordon Glenday, Head of Planning and Environmental Health*

Wards Affected: *None*

This report is: *Public*

1. Executive Summary

1.1 The Health and Safety Policy (Appendix A) has been revised as required under the Health and Safety at Work etc Act 1974 and, is reflective of current organisational and management structures within the Authority. The Health and Safety Policy has been passed to Corporate Leadership Board and all Health and Safety Committee members for comment and review in accordance with its conditions.

2. Recommendation

2.1 That the revised Health and Safety Policy (February 2016) be approved.

3. Introduction and Background

3.1 The Council as an employer is required under the Health and Safety at Work etc. Act 1974 to have in place a health and safety policy (which is revised regularly) to reflect its commitment and intention to comply with the Act and all relevant legislation made implicit.

4. Reasons for Recommendation

4.1 A review and revision of the Council's health and safety policy is required to ensure that it reflects the organisation arrangements, structure and health and safety management system. This timely revision and endorsement enables the Council to continue its commitment to develop the health and safety culture and management system of the organisation and fulfil its legal duty.

5. Consultation

- 5.1 Consultation of the revised health and safety policy has been undertaken with the Corporate Leadership Board and the Health and Safety Committee which met on the 28 January 2016. Comments and observations have been taken into account and the policy reflects this consultation.

6. References to Corporate Plan

- 6.1 The Council is committed to make Brentwood a Borough where people feel safe, healthy and supported. The Health and Safety policy and underlying health and safety arrangements strongly accords with this priority.

7. Implications

Financial Implications

Name & Title: Chris Leslie, Finance Director

Tel & Email: 01277 312 542 christopher.leslie@brentwood.gov.uk

- 7.1 Financial implications include the provision of sufficient financial resources to enable legal compliance with statutory responsibilities. Any such costs will be contained within existing budgets. The Section 151 Officer has been consulted and is in agreement with the financial information and references provided in these reports.

Legal Implications

Name & Title: Daniel Toohey, Monitoring Officer

Tel & Email: 01277 312 860 daniel.toohey@brentwood.gov.uk

- 7.2 The Council is required to maintain a current Health and Safety Policy.

8. Appendices to this report

Appendix A -The revised Health and Safety Policy (February 2016)

Report Author Contact Details:

Name: David Wellings

Telephone: 01277 312518

E-mail: David.Wellings@brentwood.gov.uk

HEALTH AND SAFETY POLICY

HEALTH AND SAFETY AT WORK, ETC. ACT 1974

This document is the corporate Health and Safety policy for all responsibilities, premises and activities of Brentwood Borough Council. In accordance with the Health and Safety at Work, etc Act 1974, The Safety Representatives and Safety Committee Regulations 1977 and the Health and Safety (Consultation with Employees) Regulations 1996. It is divided into:-

- Policy Statement - What we will do
- Organisation and Responsibilities - Who will do it
- Arrangements - How we will do it

Service areas may make their local arrangements in accordance with their own specific responsibilities and activities. All other health and safety Standards and Procedures are subsidiary to and should refer to this document.

CONTENTS:

SECTION 1. Corporate Policy Statement

SECTION 2. Corporate Organisation and Responsibilities

SECTION 3. Arrangements via Health and Safety Standards and Procedures

SECTION 4. Staff Consultation

SECTION 5. Training and Information

SECTION 6. Monitoring, Auditing and Review

SECTION 7. Non Compliance

HSS/Corporate/Version 001

February 2016

Health and Safety at Work, etc. Act 1974

1.0 Policy Statement

Brentwood Borough Council recognises that people are its most important asset and accepts its responsibility to ensure, so far as is reasonably practicable, the health, safety and welfare of its employees.

It also recognises that the successful management of health and safety makes a positive contribution towards the achievement of corporate aims and objectives and effective service delivery to the community in addition to meeting our statutory responsibilities as an employer. By controlling health and safety the Council will also be contributing to the national '*Health & Safety of Great Britain – Be part of the solution*' strategy to reduce work related deaths, injury and ill health. The document states that: - '*To be truly effective, health and safety has to be an every day process, supported by all, as an integral part of workplace culture*'.

In relation to this Policy: -

The Council will ensure that the health and safety management framework: -

- Is integrated into the culture of the Council;
- minimises risks to employees and others;
- ensures that best practice is considered when reviewing and updating management of working practices; and
- measures and monitors Health and Safety performance

The Council will ensure, *so far as is reasonably practicable*: -

- safe plant and systems of work;
- safe handling, storage and transport of chemical and work equipment;
- the provision of all necessary information, instruction, training and supervision;
- safe access and egress to all places of work under the Councils control;
- a safe working environment with appropriate welfare facilities including first aid provision;
- that staff representatives are consulted on health and safety arrangements; and,
- that regular risk assessments are undertaken and are available to employees

Council employees will, as a condition of their employment: -

- take reasonable care for themselves and others;
- cooperate and follow training and instructions;
- not interfere with or misuse anything provided for safety and
- report shortcomings in safety arrangements and immediately report serious danger

This policy will be reviewed annually and amended where appropriate. Consultation with staff will take place through the described process on any changes made and on completion these amendments will be brought to the attention of all employees.

All health and safety tools and documents will be made freely available including the Health and Safety Committee meeting minutes on the Council's Intranet Micro Site.

Signed

Dated: February 2016

Phil Ruck
Head of Paid Service

2.0 Corporate Organisation and Responsibility

Group / Individuals	Role/Responsibilities
Elected Members	<ul style="list-style-type: none"> • Ensure that suitable resources and strategic direction are available to discharge the Council's health and safety responsibilities • Take into account statutory Health and Safety duties and best practices when making decisions as appropriate. • Approve Health and Safety Policy. • Monitor progress against Health and Safety action plans. • To attend awareness training.
Head of Paid Service	<ul style="list-style-type: none"> • Has ultimate responsibility for health and safety within the Council and is responsible for ensuring, through the Director and Heads of service, that adequate organisation and arrangements exist for effective implementation of the Council's policy on health and safety and for compliance with Standards. • To attend appropriate training. • Promote high standards across the Council. • Plan, direct, control and monitor all health and safety matters. • Support and encourage Health and Safety initiatives and lead by personal example.
Finance Director (Section 151 Officer)	To deputise for the Head of Paid Service in all matters concerning compliance with this Policy
Heads of Service (comprising CLB)	<ul style="list-style-type: none"> • Manage health and safety within their service areas. • To allocate sufficient resources to ensure compliance with all applicable health and safety law. • To undertake robust and proactive health and safety management within business decisions. • Ensure line managers are aware and trained to manage and control all identified risks. • To ensure risk assessments are carried out, implemented and reviewed for all significant risks. • To ensure that appropriate records are kept of all staff training, risk assessments and safe systems of work and that these are properly recorded on corporate health and safety systems.

	<ul style="list-style-type: none"> • Ensure the implementation of all relevant Health and Safety Policies, Standards and Procedures • To attend appropriate training. • To ensure that health and safety training is provided to all appropriate employees. • To appoint Health and Safety Coordinators to represent each Service Area and their manager to deputise in their absence and ensure they have sufficient time to carry out their function
Senior Managers (comprising SMT)	<ul style="list-style-type: none"> • Manage health and safety on a day to day basis. • Ensure that relevant local safety Procedures are produced. • Implement relevant Health and Safety Policies, Standards and Procedures. • Manage and control all identified risks. • Undertake and document risk assessments for all key service areas. • To ensure that appropriate records are kept of all staff inductions, training, risk assessments and safe systems of work and that these are properly recorded on corporate health and safety systems. • Undertake workplace health and safety inspections at appropriate intervals. • Ensure the identification and delivery of Health and Safety training for all relevant employees • To attend appropriate training. • To ensure Health and Safety Coordinators have sufficient time to carry out their function. • To ensure that all new staff receive timely health and safety induction.
Environmental Health Manager	<ul style="list-style-type: none"> • Provide a strategic and management framework for health and safety. • Ensure the provision of advice and assistance on Health and Safety throughout the Council. • Ensure the identification, interpretation, and communication of all new legislation. • Ensure the production of core Corporate Health and Safety Standards and Procedures. • Ensure that Health and Safety matters are communicated effectively to Heads of Service and all relevant employees. • Monitors that all relevant incidents are reported as necessary under The Reporting of Injuries Diseases and

	Dangerous Occurrences Regulations (RIDDOR).
Corporate Health and Safety Adviser	<ul style="list-style-type: none"> • Advises assists and monitors management of Health and Safety throughout the Council. • Produce core Corporate Health and Safety Standards and Procedures. • Assists in the Identification of principle Health and Safety training for all employees and ensures delivery. • Assists in the provision of management tools and guidance. • Monitors that all relevant incidents are reported as necessary under RIDDOR • Ensures that Health and Safety matters are communicated effectively to all Heads of Service and the Corporate Leadership Board (CLB) via appropriate reports, • Co-ordinates, organises, supports and facilitates the Health and Safety Committee
Staff Health and Safety Committee	<ul style="list-style-type: none"> • Communicates and monitors Health and Safety management action plan & other key issues. • Development/review and coordination of corporate Health & Safety Policy and strategy. • To attend appropriate training. • To consult with and respond to all representations of the recognised trade union. • To support consultation of appropriate Health and Safety documents
Health and Safety Coordinators	<ul style="list-style-type: none"> • Represent the interests of all employees within their own service areas on health, safety and / or welfare issues • Act as an advocate for health and safety, and promote the use of all relevant sources of information, advice and guidance currently available on the Intranet Health and Safety Microsite • Attend and support the quarterly Health and Safety Committee meetings and report back to their service areas at Team meetings. • Liaise directly, where appropriate, with the Corporate Health and Safety Adviser for support and guidance on health, safety and / or welfare issues • Receive information from the Corporate Health and Safety Adviser and cascade this on to the group of

	<p>employees in their Service area</p> <ul style="list-style-type: none"> • To be consulted on health and safety issues and provide appropriate advice and assistance. • To support the process of health and safety risk assessments, safe systems of work, Procedures, inspections and audits throughout the Council, • Highlight potential hazards and dangerous occurrences in the workplace and to direct (where applicable) the measures necessary to prevent recurrence. • Attend appropriate training, as required, to enable them to carry out their health and safety duties and responsibilities in full. • Assist with the H&S induction of new staff.
All staff	<ul style="list-style-type: none"> • Cooperate in all matters relating to Health & Safety • Are responsible for identification of Health & Safety related risks within the working environment. • To attend appropriate training. • Carry out risk assessments (where appropriate). • Comply with any relevant safety controls in place.

3.0 Arrangements

3.1 Health and Safety Standards and Procedures

3.2 This Corporate Health and Safety Policy is supported with a set of Health and Safety Standards and Procedures which detail specific arrangements for managing health and safety at Brentwood Borough Council. These Standards detail how the Council will comply with its legal obligations as set down by the Health and Safety at Work etc Act and the subordinate health and safety regulations. These Standards and Procedures will be reviewed on a regular programme and are available on the Council's Intranet within the Health and Safety Microsite.

3.3 The Council's Health and Safety Standards are an integral part of the health and safety management system and all employees should be aware of them through their Line Manager and Health and Safety Induction to the Council. These Health and Safety Standards, Procedures and Risk Assessments are located on the Council's Intranet Health and Safety Microsite, and will assist in ensuring a safe workplace through the delivery of the Council's services.

3.4 All Managers have access to the Council's Health and Safety Handbook for Managers to enable a clear understanding of their health and safety responsibilities, as well as guidance on various matters that are applicable to their Service Area.

- 3.5 The Corporate Health and Safety Advisor will provide advice and support to managers and employees to enable a clear understanding of how to maintain safe working practices and comply with the Council's legal obligations, through the Council's Health and Safety Standards, Procedures and all respective legislation requirements. The Corporate Health and Safety Helpdesk email and telephone number are communicated to all employees to facilitate proactive advice and assistance to be given where required.

4.0 Staff Consultation

- 4.1. There is a need for effective consultation on Health and Safety matters to positively promote communication and co-operation between management, staff and the recognised trade union, to aid in the development of a health and safety culture. Good communication will also enable effective monitoring measures to ensure health and safety at work.

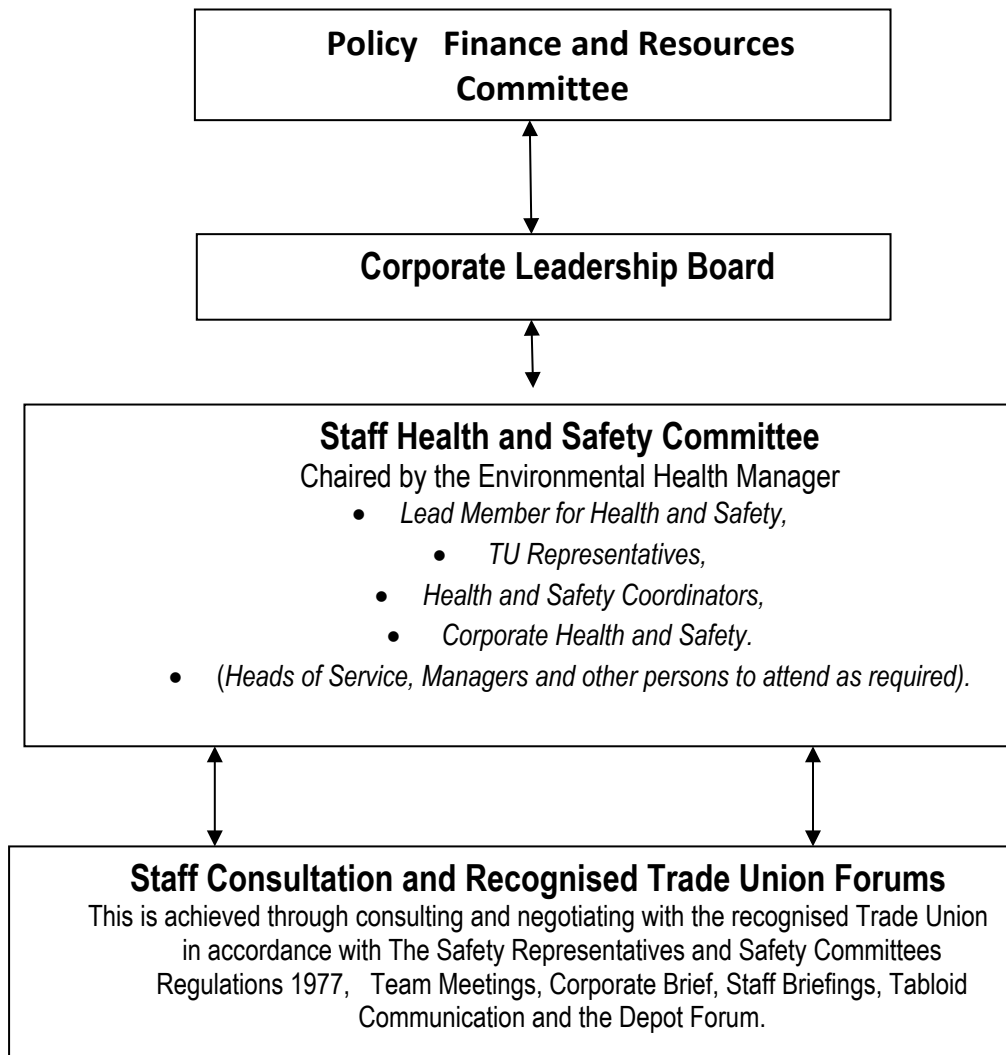
- 4.2 The Health and Safety Policy will reviewed annually and amended where appropriate. The staff consultation for this will be undertaken by the Corporate Leadership Board (CLB) and the members of the Health and Safety Committee. On completion and ratification of the revised Health and Safety policy by The Policy, Finance and Resource Committee, these amendments will be brought to the attention of all employees.

- 4.3. Health and Safety is not a separate issue but an integral part of the management process. When problems arise in a specific area they are expected to be, and will be resolved within the usual line management procedures. This is the normal way of dealing with management issues and is effective in the vast majority of cases. However, it is recognised that for some health and safety or broader cross cutting issues there also needs to be a more general mechanism for communication and consultation with staff and the recognised trade union to facilitate any emerging or unresolved issues.

- 4.4 The management of health and safety is a line management responsibility but is supported by a framework of committees and specialist corporate health and safety advice.

4.5 Committee Structure

The diagram below shows the relationship, so far as health and safety matters are concerned, between the Staff Health and Safety Committee and other Health and Safety meetings. The flow of information can be two way.



4.5 **Staff Health and Safety Committee**

The Staff Health and Safety Committee will be chaired by the Environmental Health Manager and will meet on a quarterly basis (more frequently should the need arise). The committee will consist of the Lead Member for Health and Safety, Health and Safety Coordinators, representatives of the trade union and Corporate Health and Safety. Heads of Service, Managers or other persons are invited to attend as required. Health and safety performance will be reported regularly to Members.

4.6 **Terms of Reference**

The Staff Health and Safety Committee have an overview of the management of Health and Safety within the Council, and is in a position to consider the Health and Safety issues raised by Staff Consultation and the Recognised Trade Union Forum.

4.7 **The Staff Health and Safety Committee will adopt the following objectives:-**

- Regularly review the measures taken to ensure that Health, Safety and Welfare is being managed effectively;
- Fulfill the requirements of The Safety Representatives and Safety Committee Regulations 1977 and the Health and Safety (Consultation with Employees) Regulations 1996;
- Monitor progress toward meeting safety policy aims;
- Promote co-operation between all Services within the Council on matters of Safety, Health and Welfare at work;
- Consider any health and safety issues brought to its attention by any of the Recognised Trade Union Forums, Staff Consultation or Depot Forums ;
- Compile and submit an annual report on Health and Safety to the Members Portal;
- Consider reports, information, and new legislation from the Health and Safety Executive;
- Monitor and review annually the Corporate Health and Safety policy;

4.8 **Staff Consultation and Feedback Forums**

All Service Areas and employees will have access and be able to feedback views and opinions from the respective consultation and communication forums. These Forums consist of Recognised Trade Union consultation, Team Meetings, Corporate Brief, Staff Briefings, Tabloid Communications and the Depot Forum. Each Service Area will be adequately represented by a manager and/or Health and Safety coordinator. In order to ensure that issues/initiatives are progressed to conclusion and continuous improvement is achieved; issues that cannot be resolved from these forums should be passed to the Health and Safety Committee for consideration. Where matters are not resolved satisfactorily, they should be passed to the Corporate Leadership Board for consideration and appropriate action.

4.9 **Corporate Leadership Board (CLB)**

Matters should be referred to CLB where there are significant implications for changes in policy or other financial implications

4.10 **Other Levels**

Health and safety should be discussed at all levels within the organisation, in particular at team meetings so that issues may be discussed and resolved at the lowest level possible level and staff may be kept abreast of developments such as the review of risk assessments or any other developments affecting the workplace.

Health and Safety Coordinators and Safety Representatives will be a key part of the cascade of safety information and the delivery of safety within the workplace in order to meet the Council's obligations.

5.0 Training and Information

- 5.1. Brentwood Borough Council, in pursuance of the stated objectives of its Health and Safety Policy Statement, recognises that safety training and information should be a continuous process, integrated with other training and communication, developed through job/task and training needs analysis.
- 5.2. To ensure adequate health and safety competence and capability for all persons employed by Brentwood Borough Council, Health and Safety Induction training will be provided for all employees as soon as practicable, but at least within **2** weeks of starting work with the Council. This will also apply to employee's changing role or Service Area, seconded employees, as well as temporary and agency employees, contractors and volunteers. This will be recorded using the Health and Safety Standard number 18 on the Council's Intranet Microsite.
- 5.3 All Repair and Maintenance contractors will be given adequate health and safety site information and induction, relevant to the activity being undertaken, when working on Council premises. Council workplaces will use the 5C's Contractors Management System folder to ensure appropriate induction and management of contractors is provided. Further details are on the Council's Intranet Health and Safety Microsite, under the 5C's Contractor Management System, Health and Safety Microsite Main Menu No. 16. All other Repair and Maintenance work undertaken on Council premises including domestic premises should be arranged to ensure that contractors are provided with all appropriate information and induction to enable safe working.
- 5.4 Promotion and maintenance of a positive culture relies upon:-
- Training of Members and Senior Managers in their health and safety responsibilities and general Health and Safety awareness to achieve competency in Health and Safety management, including the principles of risk assessment, accident prevention and current legislation.
 - Training of managers and other employees to achieve appropriate competencies in hazard identification, risk assessment and control.
 - Training of trainers for competency in safety training and/or the use of appropriate external training organisations or individuals and monitoring and evaluation of training effectiveness.
- 5.5 Copies of any Health and Safety training records should be placed on the Health and Safety Training Matrix, contained in the guidance on the Health and Safety Microsite Main Menu No.13, Health and Safety Training.

6.0 Monitoring, Auditing and Review

- 6.1. Monitoring is necessary for three reasons:-
- To proactively evaluate the appropriate Health and Safety systems
 - To assess whether the policy is being effectively pursued and
 - To ascertain the extent to which it is having the desired effect.
- 6.2. Essential areas of interest to monitor are: accident and safety records; incident (near misses, dangerous occurrences and the Cautionary Contacts Register) records; the standards of compliance with legal requirements and Approved Codes of Practice; the extent of compliance in the organisation and the success in following corporate policy arrangements, Standards and Procedures; and the management and arrangements of contractors that the Council commissions.

- 6.3. In addition to identifying what has been achieved, monitoring should identify what is wrong and why it is wrong. It should identify deviations from agreed standards and in the event of failure analyse the events that led to that failure in order that their causes may be better understood and remedial action taken.
- 6.4 Managers and supervisors should constantly monitor the implementation of those sections of the Health and Safety Policy and safety Standards, Procedures or risk assessments for which they have responsibility. They should take appropriate corrective action, when it is noted that the Policy or safety Standards, Procedures and risk assessments are not being effectively implemented.
- 6.5 In addition to providing advice the Corporate Health and Safety advisor will also carry out a programme of internal audits of the safety function within the various Service areas of the Council.
- 6.6 Heads of Service/Service Managers shall review the Health and Safety Policy, Standards and Procedures on a regular basis and, when matters are referred for consideration. Any changes to the Health and Safety Policy should only be made after consultation with the relevant Health and Safety Committee, the Recognised Trade Union and CLB.
- 6.7. Any changes to the Health and Safety Policy and safety Standards or Procedures must be brought to the attention of those affected by the changes by giving them a copy of the changes.

7.0 Non Compliance

- 7.1 The action taken for noncompliance with the Health and Safety Policy will depend on the degree of the seriousness of the consequences and, the reason for the non-compliance.
- 7.2 The action taken may include:-
- Verbally advising the person failing to implement the policy or procedure;
 - Formally advising the person referring those contents of the policy, Standard or Procedure not being effectively implemented to the Director/Head of Service for review.

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16 February 2016

Policy, Finance and Resources Committee

Housing Revenue Account (HRA) Budget 2016/17

Report of: *Chris Leslie, Finance Director*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 The report considers the Medium Term Financial Plan for the Housing Revenue Account (HRA).
- 1.2 The report also includes results of the tenant consultation and the consideration of the Environment & Housing Management Committee concerning the proposed rent charges for 2016/17.

2. Recommendation(s)

That the Committee recommends to Ordinary Council on 2 March 2016:

- 2.1 To approve the HRA Business Plan for 2016/17 and beyond as shown in Appendix 3 of this report.
- 2.2 To agree a 1% decrease in rents for General Need Housing for 2016/17 and for the following 3 years.
- 2.3 To agree to freeze the rents for Supported Housing for 2016/17 and then apply a 1% decrease for the following 3 years as outlined in paragraph 4.18.
- 2.4 To agree to freeze the proposed Service Charges for 2016/17 for tenants.
- 2.5 To agree to apply the formula rent to all new tenancies from April 2016/17.
- 2.6 To agree the Fees and Charges proposed at Environment and Housing Management Committee on 9 December 2015 (attached as Appendix 1).
- 2.7 To note the Section 151 Officer's Assurance Statement on the robustness of the estimates and adequacy of the reserves.

3 Introduction and Background

- 3.1 The HRA is the budget operated by the Council which contains the income and expenditure of services connected with the Council's Housing Landlord role.
- 3.2 The main source of income into the HRA is the rental income from the properties let by the Council. These rents are calculated by reference to a Government formula which provides a target rent for the Council's properties to reach over a period of time.
- 3.3 From April 2012, a new system in Self Financing came into force for local authority social housing.
- 3.4 Self Financing represents a significant change in the way the Council's housing stock is funded. In principle, it gives more local accountability and responsibility for the operation of the Council's housing stock. The key elements of Self Financing are:
- The Government calculated a level of debt based on a 30 year assessment on expenditure, which was transferred to the authority to compensate the Government for the end of the subsidy scheme. For Brentwood, this was assessed at approximately £64.4million. We have borrowed to service this debt.
 - Councils have full responsibility for the maintenance and development of the housing stock and also the servicing of the debt.
 - A sum for depreciation of the stock is required to be included in the accounts.
- 3.5 The method of setting rents has changed in the Government's summer budget 2015. As part of the new Welfare Reform and Work Bill 2015/16 it was announced that rents in the social housing sector will be reduced by 1% a year for the next four years.

Service Charges

- 3.6 **Tenant Service Charges** - Historically, the Council has increased tenant service charges through a 'rolling reconciliation'. The 'rolling reconciliation', compares the previous year's actual to the budgeted figure. The under/over recovery is then passed onto the tenant in the following year. This ensures service charges are cost recovered. For 2015/16 the tenant service charges were frozen at current levels. Where the service charge had decreased this was passed onto the tenant.

- 3.7 It is recommended that we freeze the tenant services charges in 2016/17. The reason behind the proposed freeze is due to the decision made at the Environment and Housing Management Committee that a further report is presented to the Committee providing details of the outcome of a planned review of the current service charges. This outcome of this review will inform the 2017/18 charging levels for tenants.
- 3.8 **Leaseholder Service Charges** - these are levied by the Council, to recover the costs the Council incurs in providing services to a dwelling. The way in which the service charge is organised is set out in the leaseholder's lease or tenancy agreement and therefore they will be calculated accordingly.

Fees and Charges – Recharging Policy

- 3.9 On the 23 September 2015 the Environment and Housing Committee approved the new recharge policy. Previously recharges for Housing services have only been recovered on an ad hoc basis. This has led to the council subsidising some of the costs, which is ultimately passed on to the Council.
- 3.10 In addition to reviewing discretionary services, Officers have also reviewed the services the Council pays for, which are deemed rechargeable, but the Council is currently subsidising. It is hoped that the introduction of the re-charging policy, for these services will encourage tenants to be more aware and also more responsible for their property and actions within their property.
- 3.11 Prices have been calculated with the following price mechanism:
- 2016/17 – Cost price less 30%
 - 2017/18 – Cost price less 25%
 - 2018/19 – Cost price less 20%

Each year the percentage deducted will decrease by 5% until the full cost price is recovered.

- 3.12 The schedule of the fees and charges were agreed at the Environment and Housing Management Committee of 9 December 2015 and are attached as Appendix 1.

4. Issues, Options and Analysis of Options

Projected Outturn 2015/16

- 4.1 The estimated outturn for the HRA Fund is a potential surplus £238k as at 31 March 2016 which is in line with the original budget for 2015/16 which projected a surplus of £234k. The anticipated surplus will deliver a working balance at the end of the financial year of £2 million and an earmarked reserve balance of £1.9 million.
- 4.2 The HRA budget for 2016/17 indicates a surplus of £310k. The key variations from the budget are:
- The budget for Repairs and Maintenance has decreased by £250k. This is based on the agreement that non priority planned maintenance works are stopped for a year while a stock condition survey is carried out to inform the new capital program from 2017/18 onwards.
 - Increase in employee Costs for increments and pay inflation, offset by the budget removal of project management support, results in a growth of £6k.
 - Central Recharges to the HRA have increased by £57k.
 - There is now a service level agreement for the out of hour's work CCTV carry out for HRA. This agreement is a charge to the HRA of £51k per annum.
 - Inflation has increased by £44k.
 - Depreciation, that does hit the HRA bottom line, has increased by £135k based on slight increase in valuations as at 31st March 2015.
 - Dwelling Rent Income decreases by £214k taking into consideration the government rent decrease proposed within this report as well as the reduction in income due to the sales of council dwellings. However Supported Housing Rents are to remain frozen.
 - Contribution towards Expenditure has decreased by 58k. This is due a reduction in grant income from Supporting People.
 - In 2016/17, one of the first HRA Self Financing Loans is due to be repaid. Repayment of the loan of £5 million will be funded from funds set aside.

HRA Working Balance

- 4.3 The HRA working balance must continue to be managed so that it provides the flexibility to manage unexpected demands and pressures without destabilising the Council's overall financial position. The level of the Working Balance should provide a reasonable allowance for unquantifiable risks or one off exceptional items of expenditure that are not covered within existing budgets. The Working Balance can also be used to act as a source of pump priming investment and/or to deliver "invest to save" projects.
- 4.4 General guidance and practice amongst other authorities varies. Options include a percentage of total income, and a set value per Council Dwelling. However, individual risk assessments undertaken at a local level are considered best practice.
- 4.5 The Working Balance can be used to correct inflation assumptions, increase capital spend, repay debt early or to fund new HRA capital projects.
- 4.6 The average working balance for the period 2016/17 to 2018/19 is expected to be £2.2 million. This is deemed for the Council as an acceptable, assured level of balances.

Earmarked Reserves

- 4.7 In addition to the HRA Working Balance, the Council keeps two HRA Earmarked Reserves on the Balance Sheet. These Reserves are as follows:
- Carpets for Sheltered Schemes –this reserve will be utilized in 2015/16 to fund the purchase of the carpets in the recently refurbished sheltered scheme.
 - Council Dwellings Investment Fund – this reserve receives an annual contribution from the HRA (as outlined in the Business Plan), to support future investment in the Council's housing stock. The anticipated balance in this reserve as at 31 March 2016 is £1.5 million. The MTFP assumes annual contributions of £500k per annum for the period 2016/19.

Rent Levels

- 4.8 For the last five years, the Council has held a consultation process both with our tenants in general, and with Tenant Talkback in particular, so that the views of our tenants are taken into account in this important decision.
- 4.9 As part of the government summer budget, rent policy has changed and all social housing rents for General Need Housing are to decrease by 1% from 2016/17 until 2019/20 inclusive.
- 4.10 Under the new rent policy, the main changes are:
- Current rents to reduce by 1% and for the next four years from 2016/17.
 - Formula Rents can still be applied to all new tenancies, however these must reduce by 1% for 2016/17 and the next three years.
- 4.11 The rent year for 2016/17 will commence on 4 April 2016 and finish on 2 April 2017. It will be a 52 week rent year.
- 4.12 The Rent Model for 2016/17 applies the Governments summer budget change as part of the new Welfare Reform and Work Bill 2015/16.

Supported Housing Rents

- 4.13 On 27 January 2016 it was confirmed by the Welfare Reform minister that a year long exemption would apply to Supported Housing regarding rent reduction. This exemption will give the government time to study its findings from its review into the cost of providing supported housing.
- 4.14 This announcement means that providers of Supported Housing have the option to increase their rents in line with the consumer process index (CPI) as at September 2016 plus 1% (0.9%). All general needs properties will have their rents decreased by 1%.
- 4.15 The Welfare Minister has also pledged to put in place protections for supported housing tenants hit by plans to cap housing benefit in line with Local Housing Allowance (LHA) rates.
- 4.16 The reason behind the exemption is because the costs of providing Supported Housing are higher than those of General Needs Housing, and that providers rely on housing benefit funding for services such as wardens and the upkeep of Supported Housing facilities.

- 4.17 This announcement means that the HRA could receive additional income than previously proposed to the Environment and Housing Management Committee on 9 December 2015, the increase for the next 4 years is shown in Table 1.

Table 1

2016/17	2017/18	2018/19	2019/20	Total
£36,788	£36,419	£36,055	£35,695	£144,957

- 4.18 If the Council decides to freeze Supported Housing rents in 2016/17 and then apply the decrease of 1% from 2017/18 to 2019/20, the additional income to the HRA compared to the amount previously proposed to Environment and Housing Management Committee on 9 December 2015 for the next four years is shown in Table 2.

Table 2

2016/17	2017/18	2018/19	2019/20	Total
£19,367	£19,172	£18,981	£18,791	£76,311

General Needs Housing Rents

- 4.19 The average proposed decrease for General Needs Properties in 2016/17 is 1% and the average rent decrease is £0.97 per resident. The average increase for Supported Housing properties in 2016/17 is 0.9% and the average increase is £0.75 per resident, if rents were increased. However recommendation is for supported housing rents to be frozen so 0% change to their rents.
- 4.20 If the rents are charged at the model's current calculation then the gross income will be £12.259m (2015/16 £12.351m). The allowance for properties empty ("Voids") between letting will be 1%, therefore the expected Void budget will be £123k (2015/16 £123k).
- 4.21 Based on the new rent policy, the HRA will lose £214k of rental income in 2016/17. Over the 30 year business plan, the loss of rental income is estimated at £84.3 million.
- 4.22 The rental charges and impact have been outlined in Appendix 2.

Tenant Service Charge Policy

- 4.23 The proposed rent decreases do not include service charges – specific additional charges for tenants primarily of flat blocks, relating to the provision of specific services, such as heating, communal lighting and caretaking.
- 4.24 For 2016/17, it is proposed the tenant service charges are frozen, with a review on service charges to be carried out during 2016/17 in order to inform the charging policy from 2017/18 onwards.
- 4.25 Government guidance suggests service charges should not be increased by more than CPI + 1%. This guidance will be included in the service charge review.

2016/17 Rent Decrease – Options

- 4.26 The impact of a four year decrease of 1% on the rent is a loss of income not just for the year in question, but, if the deficit is not made up in the following year, amounts to a year on year decrease in income over the course of the Business Plan.
- 4.27 The rent reduction has resulted in the HRA making a deficit in 2017/18. Officers have reviewed the planned maintenance and capital works programmes provisionally planned for 2016/17. It is proposed that only priority works are completed.

The review of the planned and capital works program will result in a one off decrease to the planned budget of £250k, and a one off decrease to the capital program of £1 million. This is to balance the HRA budget for 2016/17.

- 4.28 By only completing priority works over the next 12 months whilst the Stock Condition Survey is completed; it will allow us to take stock, review and improve our approach to planning and identifying planned maintenance and capital works in the future.

HRA Business Plan

- 4.29 The HRA Business Plan has been updated with the recommendations proposed in this report. A sensitivity analysis has been carried out to ensure the robustness of the 30 year plan. A summary is attached in Appendix 3.
- 4.30 The following assumptions have been taken into account when considering the revised Business Plan:
- The financial viability of the HRA.
 - Delivering a repairs capital programme of £2m for 2016/17 and then £3m from 2017/18 onwards.
 - Delivering an Affordable Housing Development Program in addition to the Decent Home Capital program. This averages at £2.35m for 2016/17 & 2017/18 and 436k from 2018/19 onwards. This program is also dependent on the number of right to buy sales made.
 - Budget provision for repayment of HRA self financing debt of £64.166m.
 - No allowance has been made for growth bids.
 - Affordability for tenants.
 - The 1% decrease has been applied to rental income for the next four years and then rental income is assumed to increase from 2020/21.

Section 151 Officer's Assurance

- 4.31 Section 25 of the Local Government Act 2003 requires that, when the Council is considering next year's budget and rent levels, the Council's Section 151 Officer (Finance Director) must report on:
- The robustness of the estimates, and
 - The adequacy of the proposed financial reserves.
- 4.32 The estimates are considered robust. Realistic assumptions have been incorporated with regards to inflationary increases, and where appropriate these have been reflected in both expenditure and income.
- 4.33 The budget includes planned contributions to the reserves which will provide resources for investment and debt repayment requirements.

5. Reasons for Recommendation

- 5.1 Effective financial management underpins all of the priorities for the Council.
- 5.2 The Council is required to compile a budget which collates all the income and expenditure relating to the Council's housing stock. The Council is also required to agree the rent levels and notify tenants of any changes to their rents.

6. Consultation

- 6.1 A meeting was held with the Tenants Talk Back Group on the 9 and 23 November 2015 to discuss the proposed rent setting for 2016/17. In principle the Tenants Talkback Group agreed to rent reductions of 1% and agreed to only prioritizing works in planned maintenance and capital works programme during 2016/17 whilst a stock condition survey is undertaken.
- 6.2 Tenants Talkback Group has requested a letter is sent to all residents advising them of the changes.
- 6.3 This reduction is timely when tenants are concerned about affordability issues with the on set of Universal Credit in 2016/17.
- 6.4 A meeting was held on with the Tenants Talkback Group on 24 November 2015. They recognized the need for the fees & charges proposal and agreed to them. Again they asked all tenants are notified of the new fees and charges.
- 6.5 The Chair of the Tenants Talkback Group will be notified of the proposed changes to Supported Housing Rents.

7. Reference to Corporate Plan

- 7.1 The Council has a legal obligation to produce a balanced HRA budget and to set the Housing Rent levels for 2016/17.

8. Financial Implications

Name & Title: Phoebe Barnes, Principal Revenue Accountant

Tel & Email: 01277 312839 / phoebe.barnes@brentwood.gov.uk

- 8.1 The impact of the changes to the rent levels are outlined in the report. The government recommendation to decrease rents by 1% for the next 4 years does impact on the anticipated surplus on the HRA Business Plan. The actions arising from this report will ensure that the HRA sets a balanced budget.
- 8.2 The proposal from the government that a year long exemption would apply on Supported Housing rents is because providing Supported Housing is more expensive than providing General Needs Housing for Brentwood's HRA. Therefore, with the uncertainty surrounding the Supporting People Grant the additional income can contribute towards providing this much needed housing in the Borough.
- 8.3 The estimates are considered robust. Realistic assumptions have been incorporated with regards to inflationary increases, and where appropriate these have been reflected in both expenditure and income.
- 8.4 The budget includes planned contributions to the reserves which will provide resources for investment and debt repayment requirements.

Legal Implications

Name & Title: Saleem Chughtai, Legal Services Manager

Tel & Email: 01277 312500 / saleem.chughtai@brentwood.gov.uk

- 8.5 The Council has a legal obligation to produce a balanced HRA budget and to set the Housing Rent levels for 2016/17.

9. Background Papers

- 9.1 2 November 2015 - Policy, Finance and Resources Committee Agenda and Minutes.
- 9.2 9 December 2015 - Environment and Housing Management Committee Agenda and Minutes.

10. Appendices

- 10.1 Appendix 1- Fees & Charges 2016/17
- 10.2 Appendix 2 – Rent Analysis
- 10.3 Appendix 3 – 30 Year Business Plan

Report Author Contact Details:

Name: Phoebe Barnes, Principal Accountant
Telephone: 01277 312839
E mail: phoebe.barnes@brentwood.gov.uk

Report Author Contact Details:

Name: Ramesh Prashar, Financial Services Manager
Telephone: 01277 312513
E mail: ramesh.prashar@brentwood.gov.uk

Appendix 1

Fees & Charges 2016/17

FEES & CHARGES SCHEDULE AND CHARGING DIRECTORIES FROM 2016/17 ONWARDS						
Committee: Environment and Housing Management Committee Budget Book Area: HRA Service Area: Supervision & Management						
Description of charge	Vat Indicator	Statutory fee (S) of Discretionary	Actual Charge as at 1 April 2015	Actual Increase 2016	Proposed Charge from April 2016 Rounded	Increase %
Housing Estates						
			£10 Per Square Foot		£10 per week	
Storage - Evictions	S	D		0.00		0.0%
Copying of Housefile	O	D	12.61	-2.61	10.00	-20.7%
Copying of Tenancy Agreement	O	D	12.61	-12.61	0.00	-100.0%
Garage Clearance	S	D	0.00	42.00	42.00	100.0%
Property Clearance 1 or 2 Beds	S	D	0.00	-	102.00	100.0%
Property Clearance 3 or 4 Beds	S	D	0.00	156.00	156.00	100.0%
* Bulk Waste Removal	O	D	0.00	10.00	£10 per item	100.0%
Tenancy Management						
			Average £376		Average £376	
Court Costs	O	D		0.00		100.0%
Gas Servicing Warrant Fee	S	D	0.00	24.00	24.00	100.0%
Gas Servicing Warant Enforcement	S	D	0.00	42.00	42.00	100.0%
Forced entry	S	D	0.00	42.00	42.00	100.0%
* Missed Appointments	S	D	0.00	24.00	24.00	100.0%
FEES & CHARGES SCHEDULE AND CHARGING DIRECTORIES FROM 2016/17 ONWARDS						
Committee: Environment and Housing Management Committee Budget Book Area:HRA Service Area: Reapirs & Maintenance						
Description of charge	Vat Indicator	Statutory fee (S) of Discretionary	Actual Charge as at 1 April 2015	Actual Increase 2016	Proposed Charge from April 2016 Rounded	Increase %
Rechargeable Repairs						
Replacement Key/Key Fob	S	D	12.00	-6.00	6.00	-50.0%
Lock Change	S	D	0.00	66.00	66.00	100.0%
Single Glaze Window Replacement upto 1 Square Metre	S	D	0.00	60.00	60.00	100.0%
Single Glaze Window Replacement over 1 Square Metre	S	D	0.00	90.00	90.00	100.0%
Double Glazed Window Replacement upto 1 Square Metre	S	D	0.00	102.00	102.00	100.0%
Double Glazed Window Replacement over 1 Square Metre	S	D	0.00	150.00	150.00	100.0%
Internal Fire door Replacement	S	D	0.00	150.00	150.00	100.0%
External Door Replacement	S	D	0.00	720.00	720.00	100.0%
Paint Pack	S	D	0.00	84.00	84.00	100.0%
Correction of Unauthorised Alterations (Where Tenants have conducted works without the permission of the Council and retrospective permission can not be granted)	S	D	0.00	70.00	Cost Price - 30%	70.0%
Any other repair deemed re-chargeable	S	D	0.00	70.00	Cost Price - 30%	70.0%
Note: Pricing Mechanism: Cost Price - 30% rounded to the nearest £5 the % reduction will reduce by 10% each year until the full cost is recovered						

Appendix 2

Analysis of Rent Increases/Decreases for 2016/17 (Excluding Service Charges)

The rent model has reduced actual rents for 2016/17 by 1% on General Need Housing and increased Supported Housing rents by 0.9%. By applying this to the rent calculation from the Rent Setting guidance, an average rent decrease of £0.82 per week. Further details are as follows:

Flats

No of Bedrooms	Average Rent £	Average decrease £	Average Decrease %	No of Properties
Bedsit	65.43	-0.66	1	35
1	78.08	-0.79	1	324
2	90.05	-0.91	1	403
3	95.04	-0.96	1	57
Total Average	81.62	-0.82	1	819

Houses/Bungalows

No of Bedrooms	Average Rent £	Average decrease £	Average Decrease %	No of Properties
Bedsit	72.08	-0.73	1	30
1	85.97	-0.87	1	86
2	99.47	-1.01	1	364
3	110.96	-1.12	1	627
4	133.76	-1.35	1	16
Total Average	102.21	-1.03	1	1,123

Supported Housing 0.9% Increase

No of Bedrooms	Average Rent £	Average Increase £	Average Increase %	No of Properties
Bedsit	68.63	0.61	0.9	55
1	84.46	0.75	0.9	359
2	105.49	0.94	0.9	33
Total Average	84.07	0.75	0.9	447

Supported Housing Rent Freeze

No of Bedrooms	Average Rent £	Average Increase £	Average Increase %	No of Properties
Bedsit	68.02	0.00	0.0	55
1	83.71	0.00	0.0	359
2	104.55	0.00	0.0	33
Total Average	83.32	0.00	0.0	447

Appendix 3

HRA Business Plan Summary

Brentwood Borough Council											
Summary Business Plan											
Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/25	2025/30	2030/35	2035/40	2040/45	TOTAL
Details of Expenditure	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Repairs and Maintenance	2,670	2,420	2,670	2,670	2,737	14,745	16,682	18,875	21,355	24,161	108,985
General Management	1,531	1,612	1,621	1,640	1,661	8,634	9,214	9,841	10,522	11,261	57,537
Special Services	1,055	1,177	1,225	1,234	1,256	6,619	7,231	7,911	8,666	9,506	45,879
Supervision and Management Total	2,586	2,789	2,846	2,874	2,917	15,252	16,445	17,752	19,188	20,767	103,416
Rent, Rates, Taxes and Other Charges	194	194	198	202	207	1,116	1,262	1,428	1,616	1,828	8,244
Subsidy Payable	0	0	0	0	0	0	0	0	0	0	0
Depreciation and Impairment of Property	2,184	2,318	2,318	2,318	2,318	10,150	10,150	10,150	10,150	10,150	62,206
Increase in Provision for Bad Debts	85	85	85	85	40	214	238	264	294	328	1,718
Loan Repayment		5,000				5,000	10,000	15,000	15,000	14,166	64,166
TOTAL EXPENDITURE	7,719	12,806	8,117	8,149	8,219	46,477	54,777	63,469	67,603	71,400	348,736
Capital Charges Reversal	0	(5,000)	0	0	0	(5,000)	(10,000)	(15,000)	(15,000)	(14,166)	(64,166)
Interest on Loan	2,062	2,062	2,000	2,000	2,000	9,882	9,156	7,645	5,149	2,589	44,545
Interest on Balances	(57)	(35)	(44)	(61)	(61)	(305)	(305)	(305)	(305)	(305)	(1,783)
	9,724	9,833	10,073	10,088	10,158	51,054	53,628	55,809	57,447	59,518	327,332
Details of Income											
Dwelling Rents (net)	(12,261)	(12,136)	(12,016)	(11,895)	(11,776)	(62,645)	(69,413)	(76,912)	(85,221)	(94,428)	(448,703)
Non Dwelling Rents (net)	(543)	(539)	(539)	(539)	(552)	(2,974)	(3,364)	(3,809)	(4,319)	(4,903)	(22,080)
Charges for Services and Facilities	(825)	(825)	(825)	(825)	(852)	(4,698)	(5,521)	(6,488)	(7,625)	(8,962)	(37,447)
Contribution Towards Expenditure	(249)	(191)	(191)	(191)	(191)	(955)	(600)	(600)	(600)	(600)	(4,368)
Net Cost of HRA Services	(4,154)	(3,858)	(3,498)	(3,362)	(3,214)	(20,218)	(25,269)	(32,000)	(40,318)	(49,375)	(185,266)
CDC	452	471	472	476	484	2,547	2,775	3,027	3,306	3,616	17,626
Pension Interest Cost	259	300	300	300	315	1,828	2,333	2,977	3,799	4,849	17,260
Net Expenditure of HRA Services	(3,443)	(3,087)	(2,726)	(2,586)	(2,415)	(15,843)	(20,162)	(25,996)	(33,213)	(40,910)	(150,381)
Investment Fund	487	500	100	500	500	2,500	2,500	2,500	2,500	2,500	14,587
Loan Repayment	1,500	1,500	1,200	1,300	1,500	7,500	10,850	14,266	15,000	6,000	60,616
Capital Program Funding	1,216	795	1,612	487	487	4,887	5,500	5,500	5,500	5,500	31,484
(Surplus)/Deficit for HRA Services	(240)	(292)	186	(299)	72	(956)	(1,312)	(3,730)	(10,213)	(26,910)	(43,694)
Working Balance b/f	1,759	1,999	2,291	2,105	2,404	2,332	3,288	4,600	8,330	18,543	45,453
Accumulated Surplus	1,999	2,291	2,105	2,404	2,332	3,288	4,600	8,330	18,543	45,453	

16 February 2016

Policy, Finance and Resources Committee

General Fund Budget 2016/17

Report of: *Chris Leslie, Finance Director*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

1.1 The Medium Term Financial Plan (MTFP) considered by Policy, Finance and Resources Committee on 15 December 2015 gave Members an update on the various significant changes that would impact on the Council's financial position following announcements made since the General Election in May 2015 and the Autumn Statement in November 2015. Particular issues highlighted, relevant to the General Fund, included the phasing out of the Revenue Support Grant, changes to the New Homes Bonus & the Business Rates Retention schemes and the creation of Combined Authorities.

The fundamental principles of the Council's MTFP are to:

- (i) Maintain a sustainable financial position against a background of unprecedented financial uncertainty and reduced government funding, including the delivery of efficiency targets.
- (ii) Support the vision of our Borough through appropriate identification of resources required to deliver the key priorities outlined in the 'Vision for Brentwood'.
- (iii) Maximise opportunities and mitigate risks associated with the fundamental change to the way in which local government is financed.

1.2 This report considers:

- (i) The General Fund budget proposals for 2016/17 to 2018/19.
- (ii) The Capital Programme 2016/17 to 2018/19.
- (iii) The Treasury Management & Investment Strategy for 2016/17.

2. Recommendation(s)

That the Committee recommends to Council on 2 March 2016:

- 2.1 To approve the General Fund - Revised MTFP for 2016/17 as shown in Table 8 at paragraph 5.8 which includes the proposed savings targets as shown in Table 7 at paragraph 5.7 of this report.**
- 2.2 To approve the proposed Capital Programme and Funding totalling £23.7 million for 2016/17 to 2018/19 as set out in Tables 13 and 14 of this report.**
- 2.3 To approve the Treasury Management and Investment Strategy as set out in Section 10 of this report.**
- 2.4 To note the Section 151 Officer's Assurance Statement as set out in Section 11 of this report.**

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Section	Contents
3	Vision for Brentwood 2016/2019
4	Budget 2016/17 and Medium Term Financial Plan to 2018/19
5	General Fund Revenue Budget
6	Council Tax Base and Collection Rate
7	Collection Fund
8	Council Tax Referendum and Council Tax
9	Capital Programme
10	Treasury Management & Investment Strategy
11	Section 151 Officer's Assurance Statement
12	Council Tax Requirement
13	Reasons for Recommendations
14	Implications
15	Appendices to this Report

3. Vision for Brentwood 2016/2019

3.1 Vision for Brentwood is the main strategic planning document, providing a framework for the delivery of services for 2016/17 to 2018/19. It is a clear statement of the Councils' priorities for the next three years.

- **Environment and Housing Management** – We will find new ways of working with partners and embrace the support of communities, to enhance the cleanliness of our environment and maintain the attractiveness of our Borough. We will work to ensure our housing stock is managed so that it delivers comfortable and safe homes for our tenants that are efficient and sustainable.
- **Community and Health** – Brentwood is fortunate to benefit from a range of vibrant groups and organisations that enhance and support the local community. The Council will work with local businesses, community groups and the voluntary sector to ensure the future wellbeing of our Borough.
- **Economic Development** – Our superior locational advantage and entrepreneurial spirit means that Brentwood is fortunate to have a strong economic foundation. In partnership with key local and regional business organisations, we can harness that force to promote the Borough, encourage a mixed economy and support sustainable development.
- **Planning and Licensing** – A new Local Development Plan will shape the way our Borough will change over the next fifteen years. We will work hard to get the best outcome and achieve a good balance for residents and businesses in a way that celebrates Brentwood's unique history and quality of life; both within the Borough and influencing the outcome of regional developments that will affect Brentwood residents. Our licensing policies will regulate businesses to ensure public safety and minimize environmental nuisance caused by their activities.
- **Transformation** – Between 2016 and 2019 the way the Council looks and works will be transformed. We will continue the drive to make it easier for customers to access services and information, cut out bureaucracy that doesn't add value and make sure taxpayers' money is even more wisely spent. We will explore new income generating ideas and opportunities. We will have services delivered by those best placed to deliver excellence and value-for-money, whilst holding onto and enhancing our role, duties and powers as local council and community leader.

4 Budget 2016/17 and Medium Term Financial Plan to 2018/19

- 4.1 At its meeting on 15 December 2015, this Committee received information on initial funding and proposals for the MTFP. In accordance with the Budget and Policy Framework, these initial proposals were presented to Audit & Scrutiny Committee on 25 January 2016 for their consideration.
- 4.2 Attached at A is a copy of the report from Audit & Scrutiny Committee outlining their feedback on the initial proposals. The feedback has been considered in compiling the MTFP.
- 4.3 The information set out in this enclosure represents the financial expression of the Council's Vision for Brentwood Plan over the next three years based on a back drop of significant financial pressures.
- 4.4 The 2015/16 Quarter 3 budget monitoring has been used for the forecast outturn position and this has been reflected in the reserves position as at 31 March 2016 set out in this report. Any variation from this at the year end will be reported to Policy, Finance and Resources Committee in June 2016 with recommendations from the Section 151 Officer regarding any surplus or deficit balances.

Demographic Changes

- 4.5 Between 1991 and 2011, the population across Brentwood increased by 4.1%. This compares to an average increase of 10.7% across the whole of England.
- 4.6 According to the Office for National Statistics, the projection for 2011 – 2021 is that Brentwood will grow by a further 9.7% to give a projected population of 80,979 by 2021.
- 4.7 According to the Office for National Statistics, the unemployment rate in the UK fell to 5.2% over the three months to October 2015. This compares to an unemployment rate across Brentwood of 3.6%.
- 4.8 An analysis of the number of Housing Benefit (HB) and Council Tax Benefit (CTB)/Local Council Tax Support (LCTS) claimant numbers for Brentwood is shown in Table 1.

Table 1 – Number of Claimants for Brentwood for HB, CTB & LCTS

	March 2013	March 2014	March 2015	March 2016 est
Housing Benefit	3,292	3,184	3,024	2,916
Council Tax Benefit	4,260	-	-	-
Local Council Tax Support	-	3,987	3,751	3,585

2016/17 Provisional Local Government Finance Announcement

4.9 The Provisional Local Government Finance Settlement for 2016/17 was announced on 17 December 2016. This is a four year settlement with indicative figures provided until 2019/20. Key issues for Brentwood are outlined below:

- Although in real terms England is projected to have the same level of Core Spending Power by the end of the spending review (-0.5%) this is not the case for Brentwood.
- Brentwood has the 3rd largest fall in Core Spending Power in the country and the largest fall in Essex at -16.1%.
- The settlement assumes that there will be an increase in Council Tax year on year and does not include any additional taxation placed on local authorities and inflation.
- Other pressures such as the waste contract (£580k pressure), increasing levels of homeless and reductions in other grants are not reflected in the settlement.
- In 2016/17 the Council's Revenue Support Grant (RSG) will fall by 44% (£550k) and by 67% (£477k) year on year in 2017/18. This can be implied as negative RSG.
- By 2018/19 the Council will receive no RSG.
- By 2018/19 the Council will be required to make a contribution under the Tariff/Top up adjustment effectively reducing the Council's proportion of Retained Business Rates (£52k in 2018/19 and £370k in 2019/20).
- By the end of the Spending Review the Council's grant funding will have fallen 77% (£2.1m).

4.10 The funding announced as part of the Finance Settlement for 2016/17 is outlined in Table 2.

Table 2 – Government Funding

	2015/16	2016/17 Indicative	2017/18 Indicative	2018/19 Indicative	2019/20 Indicative
	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant	1,263	710	233	Nil	Nil
Tariff/Top-Up adjustment	Nil	Nil	Nil	(52)	(370)
Council Tax Freeze Grant	58	Nil	Nil	Nil	Nil
TOTAL	1,321	710	233	(52)	(370)

- 4.11 The Council is part of the Essex Wide Pool for Business Rates in 2016/17. The pool consists of eleven Essex local authorities including Essex County Council, Essex Fire Authority and eight Borough and District Councils. By pooling, any levy payments that would have been made to Central Government in relation to business rate growth can be saved and distributed to the members of the Pool. For 2016/17 it is estimated that Brentwood's share of the levy savings will be £100k. With a Business Rates revaluation planned in 2017/18, the future of the Pool is uncertain. Therefore, no amount has been included beyond 2016/17.

Business Rates Retention

- 4.12 The Business Rates retention figure is now dependant on a proportion of what the Council actually collects. The estimated amount for 2016/17 is outlined in Table 3. It is assumed that we will retain a similar amount in future years.

Table 3 – Estimated Business Rates Retention

	2015/16	2016/17 Indicative	2017/18 Indicative	2018/19 Indicative	2019/20 Indicative
	£'000	£'000	£'000	£'000	£'000
Business Rates Retention	1,758	1,578	1,578	1,578	1,578

- 4.13 An on-going concern for the Council was the number of appeals lodged with the Valuation Office Agency. Whilst every effort to forecast the impact of these has been made, the success or failure of appeals is beyond the control of the Council. This has been an issue nationally and as a result of appeals the Council's Retained Business Rates are projected to fall in 2016/17, despite an increase in the businesses.

New Homes Bonus Grant

- 4.14 The New Homes Bonus was introduced from 2011/12 as a financial incentive and reward for housing growth. The grant is based on a national average Council Tax value of additional homes including any properties brought back into use. There is also an additional premium for affordable homes. The Bonus Grant is payable for 6 years.
- 4.15 However, the Spending Review announced that the Government would consult on reforms to the New Homes Bonus, including ways to sharpen the incentive to reward communities for additional homes and release resources to help address pressures in adult social care services, with a preferred option for savings of at least £800 million to be returned to local government to support adult social care. This will occur from 2018/19 onwards.
- 4.16 For 2016/17, the Council is due to receive £1.623m in New Homes Bonus Grant. This is some £84k lower than originally anticipated. The profile of the Grant payments is outlined in Table 4:

Table 4 – New Homes Bonus Grant

	11/12	12/13	13/14	14/15	15/16	16/17 Est	17/18 Est	18/19 Est
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Yr 1	255	255	255	255	255	255		
Yr 2		214	214	214	214	214	214	
Yr 3			330	330	330	330	330	207
Yr 4				416	416	416	416	261
Yr 5					241	241	241	151
Yr 6						167	167	105
Yr 7							266	167
Yr 8								136
TOTAL	255	469	799	1,215	1,456	1,623	1,634	1,027

4.17 The New Homes Bonus Grant remains a flexible, non ringfenced fund for Local Authorities to spend as they deem appropriate. This could include:

- Re-investing in housing or infrastructure.
- Support for local services or facilities.
- General financial support to hold down Council Tax levels.

4.18 Since its introduction in 2011/12, the Council has used the New Homes Bonus Grant to support the General Fund Budget. For 2016/17, the Council will continue to treat the grant funding as general financial support.

Impact of the 2016/17 Local Government Finance Settlement

4.19 The impact of the Provisional Local Government Finance settlement is a significant reduction in funding for the Council to that assumed in the 15 December 2015 report to this Committee. This is outlined in Table 5.

Table 5 – Impact of the 2016/17 Provisional Local Government Finance Settlement

	2016/17 £'000	2017/18 £'000	2018/19 £'000
Formula Grant Reduction	141	368	453
New Homes Bonus Reduction	84	66	673
Business Rates Retention Reduction	176	176	176
Total Additional Reduction	401	610	1,302

4.20 As outlined in paragraph 4.13 the significant reduction relating to the Business Rates Retention is due to an increase of appeals.

5 General Fund Revenue Budget

Overall Revenue Forecast Position to 2018/19

- 5.1 The summary revenue budget and forecast to 2018/19 is outlined in Table 6. This shows the projections of current net expenditure, government support and the Collection Fund surplus.

Table 6 – Summary Revenue Budget & Forecast to 2018/19

	2015/16 Estimated Outturn £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Total General Fund Expenditure	10,075	11,439	11,502	11,705
Total Funding	(9,875)	(10,148)	(9,179)	(8,314)
Funding Gap	200	1,291	2,323	3,391
Working Balance b/fwd	4,511	3,961	2,370	(303)
Funding Gap	200	1,291	2,323	3,391
Earmarked for WHW	350	300	350	Nil
Working Balance c/fwd	3,961	2,370	(303)	(3,694)

- 5.2 The projected outturn for 2015/16 is an over spend of £200k (or 1.99% of net expenditure) which is £105k lower than what was reported to this Committee on 2 November 2015. The main reasons for this decrease is due to additional income for land charges and an increase in investment income as interest rates have been slightly higher than predicted.
- 5.3 Table 6 shows that from 2017/18, based on the financial pressures highlighted, if the Council continues with its current expenditure, there will be no working balances, to support it's spend.

Addressing the Funding Gap

- 5.4 The MTFP provides the framework with which the Council will achieve its aspirations. A balance has to be struck, as a consequence of the constraints on financial resources, between the pace of improvement and the affordability of proposals.

- 5.5 Whilst the Council will explore opportunities to identify and secure additional income with which to support services, it is clear that there is also the opportunity to balance its budget through the strict management of expenditure levels and securing efficiencies.
- 5.6 Services need to continue to drive through efficiencies and continually review their working practices and operations to try and make them as efficient as possible.
- 5.7 Savings Targets are proposed to bridge some of the funding gap as outlined in Table 7.

Table 7 – Proposed Savings Targets

Proposed Savings Targets	2016/17 £'000	2017/18 £'000	2018/19 £'000
Additional Income Generation Target	438	663	673
Efficiencies Target	514	618	618
Re-prioritisation of Services Target	154	219	219
Total Savings Target	1,106	1,500	1,510
Less: Allowance for a decrease in the recharge to the HRA	(100)	(140)	(140)
Grand Total	1,006	1,360	1,370

5.8 Table 8 shows that after allowing for all the items outlined in paragraphs 5.7, a gap still remains between planned expenditure and funding. The revised General Fund position for the MTFP is also outlined in Table 8.

Table 8 – General Fund - Revised MTFP

	2015/16 Estimated Outturn £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Total Net Forecast Spend	10,075	11,439	11,502	11,705
Total Funding	(9,875)	(10,148)	(9,179)	(8,314)
Funding Gap	200	1,291	2,323	3,391
Less: Net Savings Targets	N/A*	(1,006)	(1,360)	(1,370)
Net Funding Gap	200	285	963	2,021
Working Balance b/fwd	4,511	3,961	3,376	2,063
Funding Gap	200	285	963	2,021
Earmarked for WHW	350	300	350	Nil
Working Balance c/fwd	3,961	3,376	2,063	42

*For 2015/16 £570k of savings will be achieved.

5.9 Other key areas that are being developed are:

- Waste Strategy.
- Implementation of the Leisure and Recreation Strategy

5.10 Waste Services is one of the largest services delivered, both by Essex County Council (as the disposal authority) and by the Borough Council (as the waste collection authority). A cross-party Waste Strategy Group has been meeting since September 2015 and a number of decisions have been made through the Committee process to reduce the overall cost of the service. The Council, will also be implementing a bin pilot scheme in West Horndon, which will commence in April 2016.

5.11 The Council has produced a Leisure and Recreation Strategy (including a review of Open Spaces). The scope of this work included:

- A viable and deliverable model of sports facility stock (type/mix) that meets existing and anticipated future demand.
- A comprehensive assessment of the supply of and demand for outdoor playing pitches in Brentwood Borough.

- A clear understanding of the overall surpluses and deficiencies across the Borough and any specific geographical and/or individual facility needs.
 - Establishment of key principles to help inform where future resources should be focused.
 - Production of a strategy which is compliant with Sports England guidance.
- 5.12 Whilst it is not possible at this stage to quantify any savings/additional income, these will need to be a key outcome from the development of the Strategy. This is now being developed through a cross-party working group, and any saving arising in future years will be identified and reported through the appropriate Committees.
- 5.13 Officers will continue to work with the administration to identify other opportunities during the year to bridge the funding gap.

Working Balances and Reserves

- 5.14 Section 32 of the Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their Council Tax Requirement.
- 5.15 The Section 151 Officer is responsible for providing advice so that decisions taken on reserves represent proper stewardship of public funds. Reserves should be set at a level at least sufficient to meet any unexpected increase in expenditure or shortfall in income in the ensuing year that cannot be met from within the approved budget. Any decision that fails to take into account his advice may require a report to be made to the Council under Section 114 of the Local Government Finance Act 1988.
- 5.16 Section 25 of the Local Government Act 2003 includes a duty on the Section 151 Officer to report, at the time the Council Tax is set, on the robustness of the budget calculations as well as the adequacy of the Council's reserves and other matters (see Section 11 'Section 151 Officer's Assurance').
- 5.17 The Act also provides an enabling power for the Secretary of State to specify a statutory minimum level of reserves (Section 26 of the 2003 Act). The level of reserves is also a factor the External Auditor will consider in appraising the Council's financial standing. In providing advice to the Council on the level of reserves, the Section 151 Officer has also had regard to professional guidance provided by CIPFA.
- 5.18 These safeguards are further reinforced through detailed scrutiny by our External Auditors, which includes a methodology to assess the financial performance and standing of the authority.
- 5.19 When reviewing medium term financial plans and preparing annual budgets, Members should consider the establishment and maintenance of reserves. These may be held for three main purposes:

- (i) As a working balance to help cushion the impact of unexpected budgetary pressures.
 - (ii) As a contingency to cushion the impact of significant unexpected events or emergencies – for example, the Contingency Reserve can be used only for specific purposes approved by full Council.
 - (iii) As a means of building up funds to meet known or predicted requirements and again to prevent significant fluctuations in net budget cost between years (earmarked reserves).
- 5.20 General Fund reserves consist of a number of earmarked reserves, together with an unallocated general reserve.
- 5.21 All reserves and balances form part of the General Fund but the Housing Revenue Account balance is specifically 'ring fenced' for use in connection with that account.
- 5.22 In addition to the cash-backed reserves described above, local authorities maintain a number of other reserves in the Balance Sheet. Some are required for statutory reasons and others reserves are required to comply with proper accounting practice. In either case these balances are not available for investment.
- 5.23 As part of the budget approved in March 2015, a minimum General Fund Working Balance of £2.2m was agreed. In accordance with best practice, an annual risk assessment is undertaken to check the level required for 2016/17. Revised calculations show that the assessed level should remain at £2.2million.
- 5.24 Although this report on adequacy of reserves is specific to 2016/17, the Council should bear in mind that adequacy should also be judged against longer-term plans.
- 5.25 The Council is currently predicting a significant funding gap every year with the General Fund Reserves depleted during 2018/19. Whilst it is not permissible or feasible for the Council to rely on the use of reserves on an ongoing basis to balance its budget, it may apply reserves as part of a short term strategy to manage, for example, a period of transition during which efficiency savings are identified to provide a longer term solution. Until the budgets for each year are balanced it is prudent for the Council to maintain a level of reserves in excess of the minimum recommended level at Paragraph 5.23.
- 5.26 In addition to the General Fund Working Balance, the Council keeps a number of Earmarked Reserves on the Balance Sheet. These Reserves are required in order to comply with proper accounting practice, whilst others have been created to earmark resources for known or predicted liabilities. The balance of these Reserves as at 1 April 2015 was around £2.6 million. A list of the Earmarked Reserves is attached as Appendix A.

6 Council Tax Base & Collection Rate

- 6.1 Under section 33 of the Local Government Finance Act 1992 (as amended) and supporting Regulations, the Council must make an annual calculation of its tax base. The tax base is the total number of properties on which Council Tax will be charged expressed as a band D equivalent, after allowing for discounts, exemptions and losses on collection. The method of calculation is prescribed in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
- 6.2 The tax base is used in the calculation of the Council Tax Requirement, to produce the standard amount of Council Tax for a band D property, in relation to both the Borough and the major precepting authorities.
- 6.3 The calculation of the tax base has been amended to take account of the Local Council Tax Support (LCTS) Scheme. The replacement of Council Tax Benefit with LCTS effectively reduces the tax base as LCTS is provided as a discount against the Council Tax liability rather than a rebate which was previously repaid to the Council via Government Subsidy.
- 6.4 The impact of LCTS, has, in part, been offset by the approved changes to the discounts and exemptions awarded to empty homes. The resultant tax base for 2016/17 is 31,790 (agreed by Ordinary Council on 27 January 2016). This compares to a figure of 31,155.6 for 2015/16. An assumed growth of 0.5% has been included within the MTFP for future years.
- 6.5 The calculation of the Council Tax Base for a given year includes an assumption of the percentage of amounts due which are actually collected. The forecast collection rate has been assumed as 99% and has been incorporated within the Medium Term Financial Plan calculations.

7 Collection Fund

Council Tax

- 7.1 Following a calculation of the income and expenditure in the Collection Fund relating to Council Tax for this year, it is estimated that there will be an accumulated surplus of £1 million to be distributed in respect of Council Tax by 31 March 2016. Table 9 shows how this will be distributed.

Table 9 – Estimated Collection Fund Surplus Distribution

Authority	Amount £
Brentwood Borough Council	121,441
Essex County Council	734,261
Police and Crime Commissioner	99,422
Essex Fire Authority	44,876

- 7.2 The Council must take the amount of £121,441 into account when it sets its element of the Council Tax for 2016/17.
- 7.3 This transaction is covered by legislation. Since the Council Tax receipts collected have exceeded our forecast there is additional income. This has to be shared amongst all precepting authorities in accordance with their original precept value (for Brentwood Borough Council that equates to about 12%). This amount must then be included within the budget for 2016/17 to reduce our Council Tax Requirement for that year.

Retained Business Rates

- 7.4 It is estimated that there will be a surplus of £310k, with reduction of £182k for a levy payment. This is the figure that has been estimated in the NNDR1 submission to the government at the end of January 2016. This amount has been included within the budget for 2016/17 to reduce our Council Tax Requirement for that year.

8 Council Tax Referendum and Council Tax

- 8.1 As part of the 2011 Localism Act, Council Tax Capping in England has been abolished and replaced by new powers for residents to approve or veto excessive tax increases through a referendum. If the residents vote against the increase, the Council will have to revert to a Council Tax level that is compliant with the Government's proposed increase.
- 8.2 A Council Tax referendum principle of 2% will apply for 2016/17. This will apply to all principal Local Authorities, Police & Crime Commissioners and Fire & Rescue Authorities.
- 8.3 There are no equivalent limits proposed for Parish and Town Councils for 2016/17, although these may be introduced in future years to provide protection for local taxpayers. There is an implied level of funding within the Finance Settlement for Local Council Tax Support (LCTS) Schemes, and specifically to reflect reductions in parish tax base resulting from LCTS. The Council has already agreed to award grants to Parishes to ensure that the starting point for 2016/17 for each area is unaffected.
- 8.4 Members are reminded that the Provisional Local Government Settlement announced in December 2015 assumes that Councils will increase Council Tax levels. By increasing the Council Tax by the 1.99% and applying the same increase in future years the Council would be able to increase income as well as its budget base by:
- £106k in 2016/17
 - £216k in 2017/18
 - £329k in 2018/19

9 Capital Programme

- 9.1 This section considers the Capital Programme and supporting Strategy for the period 2016/17 to 2018/19.
- 9.2 Capital expenditure is defined as expenditure incurred on the acquisition or creation of assets needed to provide services, for example, houses, vehicles or buildings. There is a clear distinction between capital expenditure and revenue expenditure with the latter relating to spend or investment on the day to day running of services.
- 9.3 The Capital Programme sets out the medium term investment proposals, together with the identified sources of funding. The Capital Programme supports the Capital Strategy which is aligned to the priorities of the Council.

Funding the Capital Programme

- 9.4 The key sources of funding for the Capital Programme are as follows:
- **Capital Receipts** – capital receipts arising from the sale of assets contribute to resources available to fund the Capital Programme. As there is a significant degree of uncertainty in the level and timing of the capital receipts, a pre-requisite for managing capital investment is that these are kept under close review to minimise the risk of possible exposure to unplanned borrowing with its potential adverse impact on revenue.
 - **Capital Grants** - the Council receives a variety of external funding, normally in the form of capital grants, which are either secured via a bidding process or are automatically allocated through Government departments or agencies for specific purposes.
 - **Leasing** – Local Authorities may fund capital expenditure by way of a finance lease, where all the risks and rewards of ownership are transferred to the lessee. Where appropriate, leasing is considered as a funding option and as with borrowing the revenue consequences need to be considered. It is important to ensure that there is adequate revenue budgetary provision to meet any future leasing liabilities. In addition the International Financial Reporting Requirements (IFRS) are such that most leases are classified as finance leases and therefore treated as capital expenditure.
 - **Prudential Borrowing** – the Council has freedom to undertake borrowing to finance capital expenditure so long as it is prudent, affordable and sustainable. The Council must consider and meet the whole costs associated with borrowing and be mindful that the interest charges in particular must be funded from the General Fund.

- **Section 106 Contributions** – under Section 106 of the Town and Country Planning Act Local Authorities are able to negotiate financial contributions from developers towards the cost of the provision of off-site infrastructure, facilities and/or services. These contributions need to be reasonably related to the development which is the subject of the planning application. Where applicable these will be applied to support capital investment.

Housing Revenue Account

- 9.5 In previous years 75% of proceeds from Right-to-Buy (RTB) sale of Council Dwellings were paid into a national pool run by the Department of Communities and Local Government (DCLG). The receipts were then redistributed to those authorities with the greatest housing needs as identified by regional housing boards. The remaining receipts were used to fund capital works in the authority.
- 9.6 On 2 April 2012, the pooling arrangement changed. Ministers confirmed delivering the new homes would be through Local Authorities retaining receipts to spend in their area.
- 9.7 Brentwood entered into an agreement with the Secretary of State for Communities and Local Government to retain the additional RTB receipts on 26th June 2012.
- 9.8 The key principles of the agreement are as follows:
- The Secretary of State agrees to allow the authority to retain additional RTB receipts to fund the provision of replacement stock.
 - The Secretary of State will allow the authority three years (from commencement of agreement) to invest the receipts before asking for the money to be returned if they have not been invested.
 - The agreement does not require a local authority to complete the building of a home within 3 years.
 - The agreement requires an authority to have incurred expenditure that is no more than 30% of the total spends on replacement stock.
 - Replacement could be one of 3 ways – newly built Council homes, acquiring houses on the open market or provision of grants to Housing Associations to build new homes.
 - Brentwood Council agrees to return any unused receipts to the Secretary of State with Interest.

9.9 A summary of the Retained Receipts for 2015/16 is outlined in Table 10.

Table 10 – Retained Receipts for 2015/16

2015/16	April to Jun	July to Sep	Oct to Dec	Jan to March	Total
Number of RTBs	2	1	1	1	5
Total Value (£'000)	198	183	233	200	814
Average Value (£'000)	99	183	233	200	715
Value of RTB Retained (£'000)	35	30	50	35	150
Expenditure required (£'000)	116	102	166	116	500
Date to be spent by	30/06/18	30/09/18	31/12/18	31/03/19	

9.10 The last quarter in 2015/16 is an estimated figure which is based on one sale that is likely to be completed before the end of the financial year. The current balance of retained receipts as at 31 March 2015 is £1,728,973.

9.11 A forecast of Retained Receipts is outlined in Table 11.

Table 11 – Retained Receipts Forecast

	2016/17	2017/18	2018/19	2019/20
Sales	5	5	5	5
Projected Income (£'000)	880	880	880	880
Projected Retained (£'000)	150	150	150	150
Expenditure required (£'000)	500	500	500	500

9.12 It is assumed that sales will begin to flat-line from 2016/17; therefore, an estimate of 5 RTB sales per year has been incorporated.

9.13 The Business Plan also assumes that the 70% additional costs will come from the HRA earmarked reserve. However, there is the possibility of using Section 106 Contributions which have the provision of Affordable Homes as part of the conditions.

Capital Programme – Projected Outturn 2015/16

9.14 Table 12 below shows the projected spend on the Capital Programme for 2015/16:

Table 12 – Capital Programme 2015/16 – Projected Outturn

DESCRIPTION	2015/16 ORIGINAL ESTIMATE £'000	2015/16 CURRENT ESTIMATE £'000	2015/16 ESTIMATED OUTTURN £'000
Street Scene and Environment	200	370	220
Localism	88	1,353	1,273
A Prosperous Borough	1,470	2,163	361
Housing, Health and Wellbeing	4,845	6,431	4,060
A Safe Borough	105	301	267
A Modern Council	2,883	3,973	409
TOTAL EXPENDITURE ON CORPORATE PRIORITIES	9,591	14,591	6,590
Funded by:			
Capital Receipts	2,918	3,450	1,196
Borrowing	2,485	5,291	-
Government Grants	120	120	120
Housing Revenue Account			
Business Plan	4,068	2,184	2,267
Contributions from Revenue	-	1,885	1,346
Section 106	-	1,195	1,195
Retained HRA Receipts	-	466	466
TOTAL FUNDING	9,591	14,591	6,590

9.15 The Current Estimate includes slippage of £3.635m from 2014/15 and £1.365m of new schemes agreed during 2015/16.

9.16 The key variances for the projected outturn are as follows:

- HRA Decent Homes Scheme (£2m) – A revised programme of works is being carried out in 2015/16 and any future works will be informed by a Stock Condition Survey which is due to be carried out in 2016/17.
- Town Hall (£3.5m) – this project has been reviewed as part of the Town Hall hub project.
- Improvements and Parking Scheme at Brentwood and Shenfield (£1.6m) – this is part of the Crossrail works and a temporary cost effective alternative parking was identified in 2015/16.

- Upgrade the Multi-Storey Car Park (£215k) – the second phase of this project will be completed in 2016/17.
- 9.17 The Capital Programme for 2015/16 required borrowing as it was based on an assumed higher level of spend. As the estimated outturn is at a lower level, the funding of the capital spend will be met from a combination of Capital Receipts, Government Grants and the HRA Business Plan.
- 9.18 The Policy, Finance and Resource Committee (dated 15 December 2015) preliminarily agreed the new and existing capital proposals.
- 9.19 Table 13 outlines the investment proposals for 2016/17 to 2018/19. The existing schemes include projected carry forwards from the 2015/16 Capital Programme for schemes where expenditure will slip into 2016/17.

Table 13 – Capital Programme 2016/17 to 2018/19 – Existing & New Proposals

	2016/17	2017/18	2018/19
	£'000	£'000	£'000
Existing Schemes:			
HRA Decent Homes Schemes	2,606	3,000	3,000
New Homes Build (HRA)	2,154	2,547	436
Town Hall Remodelling	1,000	2,489	-
Upgrade the Multi Storey Car Park	930	-	-
Parking Scheme at Brentwood & Shenfield	600	1,000	-
Disabled Facilities Grant	250	250	250
Vehicle & Plant Replacement Programme	150	150	-
Play Area Refurbishments	100	100	-
ICT Strategy	100	100	100
Home Repair Assistance Grant	30	30	30
Renaissance Group	25	-	-
Car Park Refurbishment & Upgrade	25	-	-
CCTV System Upgrade	5	5	5
TOTAL EXISTING SCHEMES	7,975	9,671	3,821

Table 13 - cont

	2016/17	2017/18	2018/19
	£'000	£'000	£'000
New Schemes:			
Vehicle & Plant Replacement Programme	600	600	175
Car Park Improvements	200	100	-
Leisure Strategy	100	100	-
Asset Improvements	100	100	100
Parking Bays at Woodman Road Cemetery	25	-	-
Cemetery Headstones	20	20	20
TOTAL NEW SCHEMES	1,045	920	295
TOTAL CAPITAL PROGRAMME	9,020	10,591	4,116

9.20 The Council will continue its investment in its Housing Stock (estimated at over £8 million over the next 3 years).

9.21 Assuming all of the proposals are approved, the total investment for the three year programme will be £23.7 million and the funding sources are outlined in the Table 14.

Table 14- Capital Programme 2016/17 to 2018/19 – Funding Sources

SOURCE OF FUNDING	£'000
Capital Receipts	7,147
Grants	360
Revenue Contributions	5,394
HRA Business Plan	6,955
Borrowing (internal)	3,871
TOTAL	23,727

- 9.22 Plans for capital investment are used to develop the Capital Programme. The programme is driven by the need to get maximum value for money from the Council's assets by making sure that they are well maintained and where possible providing a revenue return. The Council can borrow to fund its capital expenditure and with interest rates at historically low levels, this is a potentially viable option. However, where possible the Council will continue its policy of using 'internal' borrowing as outlined in paragraph 10.12.
- 9.23 The proposals above exclude any property acquisitions/developments where a business case can demonstrate that a capital investment can be converted to a revenue income stream. The Council currently has sufficient headroom to allow for borrowing of this nature, but each case would be the subject of a report and business case to Assets and Enterprise Committee.

10 Treasury Management & Investment Strategy

Introduction

10.1 This section deals with the Treasury Management Strategy for 2016/17 including the associated Prudential Indicators and the Minimum Revenue Provision Policy.

Definition of Treasury Management

10.2 CIPFA defines treasury management as:-

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

10.3 The Council is required to receive and approve the following documents:-

- a) An Annual Treasury Strategy (this document) - this sets out the Council’s approach to managing its investments and borrowings over the year ahead.
- b) A mid year review of treasury activity - this updates Members on Treasury Management performance for the first half of the financial year.
- c) An annual report on treasury activity - this details the treasury activity and performance for the full year.

10.4 The Council uses Capita Asset Services (CAS) as its external Treasury Management Advisor and much of the content of this report closely follows their advice. The Council recognises, however, that responsibility for Treasury Management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers.

Interest rate forecasts and economic commentary

10.5 CAS’s interest rate forecasts are set out in paragraph 10.28 of this report. This shows a gradual rise in forecast base rates over the next few years, reaching 2% by September 2018, with a corresponding rise in PWLB borrowing rates.

10.6 Paragraph 10.29 to 10.32 also contains an economic commentary, which provides a context for their interest rate forecasts.

Borrowing Strategy

Current borrowing position

- 10.7 The Council has borrowings of £66.166m, mostly represented by the £64.166m debt taken on in March 2012, when the Council “bought itself out” of the HRA subsidy system under the Government’s HRA reforms. The first tranche of this debt (£5m) will mature in March 2017, with the remaining debt maturing between then and March 2042. These are shown in Table 15.

Table 15 – Current Borrowing Position

Start date	Repayment date	Interest rate	Amount £'000
<u>HRA Self Financing Loans (March 2012)</u>			
28/03/2012	28/03/2017	1.24%	5,000
28/03/2012	28/03/2022	2.40%	5,000
28/03/2012	28/03/2027	3.01%	10,000
28/03/2012	28/03/2032	3.30%	15,000
28/03/2012	28/03/2037	3.44%	15,000
28/03/2012	28/03/2042	3.50%	14,166
Sub total			64,166
<u>General Fund Loans</u>			
30/04/1995	30/04 2055	8.88%	800
24/04/1995	24/02/2055	8.88%	800
08/01/2003	08/01/2028	4.88%	400
Sub total			2,000
Total			66,166

Debt rescheduling

- 10.8 Officers do not propose rescheduling of this debt during 2016/17 as it is unlikely that there will be any opportunities for savings due to:
- The relatively low average interest rate for the current debt (3.25%).
 - The cost associated with early debt repayment from early repayment premiums.
- 10.9 The position will be kept under review and any changes to this view will be reported to Members as it arises.

New borrowing

- 10.10 In common with other authorities, the Council undertakes borrowing to fund its Capital Programme and to fund short term liquidity needs.
- 10.11 The Capital Programme set out on in Table 13 assumes the following new borrowing requirement:
- 2016/17 Nil
 - 2017/18 £3.411m
 - 2018/19 £0.460m

All of this borrowing is for General Fund expenditure. HRA expenditure will be fully financed from capital receipts and other resources.

- 10.12 The Council's current policy is to fund any new borrowing requirement from "internal borrowing", i.e. use of the Council's cash resources, rather than borrowing from external sources. This is a more economic option than external borrowing in the current, low-interest environment. This policy will be kept under review to avoid incurring higher borrowing costs in later years, when the Council may not be able to avoid new borrowing to fund new capital expenditure and/or to refinance maturing debt.
- 10.13 No short term borrowing needs are forecast for 2016/17 as it is anticipated that the Council will have sufficient liquid resources to fund its cash-flow needs.

Policy on borrowing in advance of need

- 10.14 Any external borrowing by the Council will not be in excess of or in advance of its needs purely to profit from the investment of the additional sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Capital and Treasury Prudential Indicators

- 10.15 There are a number of capital and treasury prudential indicators that the Council is required to approve under the Local Government Act 2003. These are set out in paragraphs 10.16 to 10.27.

Capital Prudential Indicators

10.16 Capital Expenditure. This prudential indicator is a summary of the Council's capital expenditure plans and financing.

Table 16 – Capital Expenditure & Financing Summary

	2015/16 Estimated outturn £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
General Fund	2,660	4,260	5,044	680
HRA	3,930	4,760	5,547	3,436
Total capital expenditure	6,590	9,020	10,591	4,116
Financed by:				
Capital receipts	(1,662)	(4,787)	(2,130)	(230)
Revenue contributions	(1,346)	(1,795)	(2,612)	(987)
Government grants	(120)	(120)	(120)	(120)
S106 agreements	(1,195)	0	0	0
HRA business plan	(2,267)	(2,318)	(2,319)	(2,318)
Borrowing	0	0	(3,410)	(461)
Total Financing	(6,590)	(9,020)	(10,591)	(4,116)

10.17 Capital Financing Requirement (CFR). This measures the Council's underlying need to borrow. Members are asked to approve the following CFR projections.

Table 17 – Capital Financing Projections

	2015/16 Estimated outturn £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
General fund	7,924	7,924	11,335	11,700
HRA	66,847	65,347	63,847	62,348
Total CFR	74,771	73,271	75,182	74,048
Increase/(decrease) in CFR	(1,516)	(1,500)	1,911	(1,134)
Represented by:-				
New external borrowing	0	0	3,411	461
Finance lease repayment	(16)	0	0	0
Debt repayment provision	(1,500)	(1,500)	(1,500)	(1,595)
	(1,516)	(1,500)	1,911	(1,134)

- 10.18 Gross External Borrowing and the Capital Financing Requirement. This indicator compares the Council's gross external borrowing against its CFR. It highlights the fact that the Council is currently maintaining a under-borrowed position, i.e. the amount of borrowing required to fund capital expenditure is more than the amount of external borrowing taken out.

Table 18 – Comparison between Gross External Borrowing & CFR

	2015/16 Estimated outturn £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
CFR	74,771	73,271	75,182	74,048
Gross external borrowing	66,166	61,166	64,577	65,038
Under borrowing	8,605	12,105	10,605	9,010

The under- borrowing represents the use in previous years of the Council's own cash balances to fund capital expenditure. There are no immediate plans to "externalise" this internal borrowing, i.e. by taking out new external loans. This, however, will be kept under review.

Affordability Prudential Indicators

- 10.19 Ratio of Financing Costs to Net Revenue Stream. This indicator identifies the trend in net borrowing and other long-term obligation costs against the Council's net revenue stream.

Table 19 - Ratio of Financing Costs to Net Revenue Stream

	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
General Fund	1.19%	1.14%	1.16%	2.38%
HRA	16.28%	16.83%	16.44%	16.62%

The relatively high HRA costs represent the interest costs paid by the HRA since 2012 in place of payments into the National Subsidy System, as a result of HRA Reform.

- 10.20 Incremental Impact of Capital Investment Decisions upon Council Tax and HRA weekly rents. This indicator identifies the revenue costs associated with the proposed changes to the three year Capital Programme on Council Tax and Housing Rents.

Table 20 - Incremental Impact of Capital Investment Decisions on Council Tax and HRA weekly rents

	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Incremental impact on:-				
Band D Council Tax	£0.00	£0.00	£0.00	£3.44
HRA weekly rent	£0.00	£0.00	£0.00	£0.00

- 10.21 The increase in Band D Council Tax is due to the interest and principal repayment costs of the proposed external borrowing.
- 10.22 As the HRA capital expenditure is expected to be fully funded from grants, revenue contributions and capital receipts the impact upon weekly rents is calculated at nil.
- 10.23 Operational Boundary for External Debt. This is the limit beyond which external debt would not normally be expected to rise. From 2016/17 this has been set at the CFR plus an allowance of £2m to allow for any unexpected short term borrowing needs.

Table 21 - Operational boundary for external debt

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Capital Financing Requirement		73,271	75,482	74,548
Short term borrowing needs		2,000	2,000	2,000
Total operational boundary	87,000	75,271	77,482	76,548

- 10.24 Authorised Limit for External Debt. This is the maximum level of borrowing that the Council is permitted to hold. It has been calculated as the operational boundary plus a further allowance of £3m for new long-term liabilities.

Table 22 - Authorised Limit for External Debt

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Operational boundary		75,271	77,482	79,548
Long term liabilities		3,000	3,000	3,000
Total authorised limit	90,000	78,271	80,482	82,548

Treasury Prudential Indicators

- 10.25 The purpose of these three indicators is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates.
- 10.26 Upper Limits on Interest Rate Exposures. These identify a maximum limit for fixed and variable interest rates based on the debt position net of investments.

Table 23 - Upper Limits on Interest Rate Exposures

	2015/16	2016/17	2017/18	2017/18
Fixed interest rates	100%	100%	100%	100%
Variable interest rates	20%	20%	20%	20%

- 10.27 Maturity Structure of Borrowing. The purpose of this indicator is to reduce the Council’s exposure to large amounts of debt falling due.

Table 24 - Maturity Structure of Borrowing

	Lower Limit	Upper Limit
Under 12 months	0%	20%
12 months and within 24 months	0%	20%
24 month and 5 years	0%	20%
5 year and within 10 years	0%	20%
10 years and above	0%	100%

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Interest rates view and economic commentary

- 10.28 Table 25 sets out CAS’s view on base rates and PWLB borrowing rates.

Table 25 – CAS’s Base Rates & PWLB Borrowing Rates

Capita Asset Services Interest Rate View														
	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Capita Asset Services View	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
5yr PWLB Rate	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
10yr PWLB View	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
25yr PWLB View	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
50yr PWLB Rate	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%

Economic Commentary

- 10.29 **UK.** UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, probably being second to the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y) before weakening again to +0.5% (2.3% y/y) in quarter 3.
- 10.30 The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by strong consumer demand, as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, worldwide economic statistics have been weak and the November Inflation Report flagged up particular concerns for the potential impact on the UK.
- 10.31 The Inflation Report was also notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but a second, more recent round of falls in fuel prices will now delay a significant tick up in inflation from around zero: this is now expected to get back to around 1% in the second half of 2016 and not get to near 2% until 2017, though the forecasts in the Report itself were for an even slower rate of increase.
- 10.32 There is considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the Monetary Policy Committee (MPC) will decide to make a start on increasing Bank Rate.

Minimum Revenue Provision Policy

- 10.33 The Council is required to charge an element of the accumulated General Fund capital spend each year (measured through the CFR) to revenue (the minimum revenue provision or “MRP”), although it is allowed to make additional voluntary payments if required (voluntary revenue provision – “VRP”).
- 10.34 The DCLG Regulations require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to Councils, so long as there is prudent provision.

- 10.35 Former DCLG regulations can be used to calculate MRP on capital expenditure incurred before 1st April 2008. These regulations allow for a number of adjustments to be made to both the CFR amount upon which MRP is to be calculated and the resulting MRP amount. For Brentwood these adjustments result in an MRP of nil. In addition to the above calculation, it is also necessary to calculate a MRP for finance leases. Finance leases are akin to borrowing, and the borrowing liability is reduced, over the asset life, by repayments each year. Regulations allow for such repayments to be used as a proxy for MRP.
- 10.36 There is currently no MRP charge required for the HRA. However under HRA reform the HRA will be required to charge depreciation on its assets, which will have a revenue effect. In order to address any possible adverse impact on the HRA budget, regulations allow the Major Repairs Allowance (MRA) to be used as a proxy for depreciation for the first five years, which will neutralise any revenue impact. The HRA business plan will need to fund this depreciation over the life of the assets.
- 10.37 To reflect the above the Council is recommended to approve the following MRP policy:
- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be to use existing practice which is that outlined in former DCLG regulations (Option 1).
 - For all unsupported borrowing (including finance leases) from 1 April 2008 the MRP policy will be to use the asset life method (Option 3).

Investment Strategy

Investment Guidance

- 10.38 The Council's investment policy has regard to The Department for Communities and Local Government (DCLG) Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

Investment Principles

- 10.39 The primary investment priorities of the Council are:
- a) The security of its capital (i.e. protecting the capital sum from loss).
 - b) Liquidity of its investments (i.e. keeping funds readily available for expenditure when needed).
- 10.40 Provided that proper levels of security and liquidity are achieved, it may then be reasonable to seek the highest investment returns consistent with these priorities.

Investment instruments and limits

10.41 All investments will be transacted in UK Sterling.

10.42 Table 26 summarises the investment instruments that the Council proposes to use during 2016/17, and the respective credit rating, value and durational limits that will apply.

Table 26 – Proposed Investment Instruments

Investment instrument	Security/minimum credit ratings	Maximum value of investment	Maximum duration of investment
Current accounts, notice accounts or term deposits with UK banks	Short term F1, Long term A (or equivalent)	£4m per bank	364 days
Term deposits with banks part nationalised by the UK Government (currently Royal Bank of Scotland & NatWest)	Minimum credit ratings not required as long as these banks continue to be part nationalised	£4m per bank	364 days
Term Deposits with UK Building Societies	Short term F1, Long term A (or equivalent) or assets in excess of £1bn	£4m per Building Society	364 days
The Council's Banker (Lloyds Bank Plc), if not meeting the criteria for UK Banks		£4m	Overnight
Debt Management Account Deposit Facility (DMADF)	The Debt Management Office is an agency of the UK Government	Unlimited	6 months (DMADF imposed time limit)
Term Deposits with UK Local Authorities		£4m per local authority	364 days
New Investment Instruments			
Money Market Funds	AAA (minimum of two ratings)	£4m	N/a (repayable on demand)
Treasury Bills issued by the UK Government	The Debt Management Office is an agency of the UK Government	Unlimited	364 days
Certificates of Deposit issued by UK institutions	Short term F1, Long term A (or equivalent)	£4m per institution	364 days

New Investment Instruments

- 10.43 The Council is in the process of joining a money market fund platform, provided by SunGard. Money market funds are collective investment schemes offering instant access, which are widely used by other local authorities. This platform was recommended to the Council by CAS. It is anticipated that the Council will start to make use of this platform in 2016/17 as an alternative to placing funds on call or short term deposit with banks.
- 10.44 In addition, the Council will use two other new types of investment instrument, both of which are also widely used by other local authorities.
- a) Treasury Bills: these are a short-dated form of Government debt issued by the Debt Management Office via a weekly tender. They offer a marginally better return than placing funds with a Debt Management Account Deposit Facility at no additional risk.
- b) Certificates of Deposit: these are a negotiable form of fixed deposit, issued by a number of UK banks and building societies. The advantage of using them is that they offer access to some institutions who do not accept fixed term deposits from local authorities, which would enable the Council to achieve greater diversification in its spread of investments.

Counterparty list

- 10.45 Table 27 lists the banks and building societies that currently meet the criteria set out on the Table 26:

Table 27 Counterparty List

Banks

Abbey National Treasury Services Plc
Bank of Scotland Plc
Close Brothers Ltd
Goldman Sachs International Bank
HSBC Plc
Lloyds Bank Plc
Santander UK Plc
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation Europe Ltd
UBS Ltd

Part Nationalised Banks

Royal Bank of Scotland Plc
National Westminster Bank Plc

Building Societies

Nationwide Building Society
Coventry Building Society

It should be noted that this list is dynamic and subject to change as credit ratings move up and down.

Creditworthiness

- 10.46 The credit quality of counterparties and investment schemes will be determined mainly by reference to credit ratings issued by Fitch, Moody's and Standard & Poor's. In compliance with CIPFA recommendations and the CIPFA Treasury Management Code, the rating criteria use the lowest common denominator method of selecting counterparties and applying limits.
- 10.47 Credit rating information is supplied by CAS on all active counterparties that comply with the minimum criteria. Any counterparty failing to meet the criteria would be removed from the counterparty list. Any rating changes and notifications of likely or possible ratings changes are provided to officers almost immediately after they occur, and this information is considered before dealing.
- 10.48 The credit rating information supplied by CAS includes a recommended maximum duration of investments with each counterparty. These recommended maximum limits will be adhered to, up to overall maximum limits of either 6 months or 364 days, depending on the type of investment.

Changes in credit rating methodology

- 10.49 The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.
- 10.50 In keeping with the agencies' new methodologies, the rating element of CAS's credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor's, this has been a change in the use of Fitch and Moody's ratings. It is important to stress that the other key elements to CAS's process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

- 10.51 The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions.
- 10.52 It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the "support" phase of the financial crisis.

Maximum value of investments

- 10.53 Table 26 contains a standard maximum limit per institution of £4m. This is a change to previous year's strategies, which set out varying monetary limits (e.g. £4m) for each individual institution. This monetary limit represents approximately 25% of the Council's average investment portfolio, and is considered to be a prudent limit.

Specified and not specified investments

- 10.54 Specified investments are high security, high liquidity investments in sterling with high credit quality and a maturity of no more than 364 days. All of the instruments identified in paragraphs 10.42 meet the definition of specified instruments.
- 10.55 Non specified investments are any other type of investments, one of their characteristics being that their duration is over 364 days, which is in excess of the Council's maximum duration limited of 364 days. The Council will therefore not use non specified investments during 2016/17.

Investment Strategy

- 10.56 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

- 10.57 The Bank of England Base Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 2 of 2016. Bank Rate forecasts for financial year ends (March) are:
- 2016/17 1.00%
 - 2017/18 1.75%
 - 2018/19 2.00%
- 10.58 The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next four years are as follows:
- 2016/17 0.90%
 - 2017/18 1.50%
 - 2018/19 2.00%
 - 2019/20 2.25%
- 10.59 A schedule of the investments held by the Council as at 31 January 2016 is shown in Table 28.

Table 28 – Schedule of Investments as at 31 January 2016

Date Invested	Date to be Repaid	Invested With	Investment Amount £'000	Interest Rate
11/08/15	11/02/16	Coventry Building Society	1,000	0.60%
02/11/15	02/03/16	Coventry Building Society	1,000	0.50%
01/10/15	01/04/16	Coventry Building Society	1,000	0.60%
31/07/15	29/02/16	Lancashire County Council	2,000	0.45%
01/12/15	01/12/16	Lloyds Bank	1,000	1.05%
04/01/16	04/01/17	Lloyds Bank	1,000	1.05%
01/04/15	01/02/16	Nationwide	2,000	0.82%
01/09/15	01/03/16	Nationwide	2,000	0.66%
07/08/15	08/02/16	Newcastle City Council	2,000	0.35%
04/01/16	03/01/17	Santander	1,000	0.98%
22/01/16	N/A	Bank of Scotland	620	0.40%
27/01/16	N/A	Bank of Scotland	200	0.40%
22/12/15	N/A	Royal Bank of Scotland	22	0.25%
04/01/16	N/A	Royal Bank of Scotland	500	0.25%
27/01/16	N/A	Royal Bank of Scotland	1,200	0.25%
08/01/16	N/A	Santander	1,000	0.90%
TOTAL			17,542	

11 Section 151 Officer's Assurance

- 11.1 Section 25 of the Local Government Act 2003 requires that, when the Council is considering next year's budget and Council Tax levels, the Council's Section 151 Officer (the Director of Strategy and Corporate Services) must report on:
- The robustness of the estimates, and
 - The adequacy of the proposed financial reserves.
- 11.2 The estimates are considered to be robust. Realistic assumptions have been incorporated with regards to inflationary increases, and where appropriate these have been reflected in both expenditure and fees and charges income.
- 11.3 Net saving proposals of £1,006k have been anticipated for 2016/17 meaning that a sum of £285k will be required from the General Fund Working Balances in order to ensure that the Council has a balanced budget position. This is only acceptable because the impact of this does not breach my recommended £2.2 million minimum level in 2016/17. However, given that there are major funding pressures beyond 2016/17, further work will need to be undertaken to ensure the financial viability of the Council beyond 2016/17.
- 11.4 Potential risks in respect of the budget and their estimated impact on the projections have been undertaken and have been used to inform the levels of reserves required.
- 11.5 A list of the Council's Earmarked Reserves is attached at Appendix B. The levels of reserves are considered to be adequate to fund the planned expenditure identified by the Council.
- 11.6 Deciding how and when to utilise the General Fund Working Balance and Earmarked Reserves is a matter to be determined locally depending on the priorities of the Council. However, it is my opinion that there is a requirement for maintaining the current reserve levels and a minimum working balance at £2.2 million during 2016/17. This will continue to be kept under review.

12 Council Tax Requirement 2016/17

- 12.1 The full Council Tax resolution will be included within a separate report to Full Council on 2 March 2016.

13 Reasons for Recommendation

- 13.1 The Council is required to approve the Budget as part of the Budget and Policy Framework.

14 Implications

Financial Implications

Name & Title: Ramesh Prashar, Financial Services Manager.

Tel & Email 01277 312513 / Ramesh.prashar@brentwood.gov.uk.

- 14.1 The financial implications are set out in the report.

Legal Implications

Name & Title: Saleem Chughtai, Legal Services Manager.

Tel & Email 01277 312500 / saleem.chughtai@brentwood.gov.uk.

- 14.2 The Council is obliged by Section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. It is consistent with sound financial management and the Council's obligation under Section 151 of the Local Government Act 1972 for the Council to adopt and monitor a medium term financial plan. The medium term financial plan informs the budget process and may be viewed as a related function.
- 14.3 The report provides information about risks associated with the medium term financial plan and the budget. This is consistent with the Council's obligation to make proper arrangements for the management of its financial affairs. It is also consistent with the Council's obligation under the Accounts and Audit (England) Regulations 2011 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

15 Appendices to this report

Appendix A – Audit and Scrutiny Committee Feedback

Appendix B – Earmarked Reserves

Report Author Contact Details:

Name: Chris Leslie, Finance Director

Telephone: 01277 312542

E-mail: christopher.leslie@brentwood.gov.uk

Name: Ramesh Prashar, Financial Services Manager

Telephone: 01277 312513

E-mail: ramesh.prashar@brentwood.gov.uk

25 January 2016

Audit and Scrutiny Committee

Budget Scrutiny Feedback

Report of: Chris Leslie, Finance Director

Wards Affected: None

This report is: Public

1. Executive Summary

- 1.1 Effective scrutiny can add considerable value to how the Council makes decisions on the allocation of resources. This has become increasingly important as the Council continues to set budgets against a background of tough economic conditions and severe funding cuts from Central Government. The medium term financial planning process will need to address these continued financial challenges and develop a strategic approach to address funding gaps.

2. Recommendations

- 2.1 That the Policy, Finance and Resources Committee are requested to consider the feedback on the Preliminary Medium Term Financial Plan outlined in paragraphs 4.3 to 4.8.**

3. Introduction and Background

- 3.1 At the meeting on 29 June 2015 the Committee agreed its work plan, which included the creation of a Task and Finish Group to scrutinise the budget.
- 3.2 On 8 January 2016 the group met to consider the initial assumptions in the Preliminary Medium Term Financial Plan agreed by the Policy, Finance and Resources Committee. This report provides feedback from the meeting.
- 3.3 The Policy, Finance and Resource Committee will then finalise its proposals for submission by way of recommendation to the Council taking into account the comments from the Audit and Scrutiny Committee.

4. Issue, Options and Analysis of Options

4.1 The Task and Finish Group is formed of the following Members:

- Cllr Gareth Barrett
- Cllr Graeme Clark
- Cllr Paul Faragher (from 8 Jan 2016)
- Cllr John Kerlake
- Cllr Sheila Murphy

4.2 The group met in September and November 2015 to review in detail the current base budget that had been set by Council. Following the agreement of the Preliminary Medium Term Financial Plan by the Policy, Finance and Resources Committee in December the group met again on 8 January 2016 to consider the proposed adjustments to the base budget outlined in the report and the significant budget gap reported.

4.3 Revenue Budget Changes – A summary of the comments made by the group on the proposed changes to the general fund revenue budget are provided in Appendix A.

4.4 Capital Budget Changes – A summary of the comments made by the group on the proposed changes to the capital budget are provided in Appendix B.

4.5 Minimum Level of Reserves – The minimum level of reserves of £2.2m was discussed by the group. Consideration was given as to the consequences of going below this level and advised that a plan to replenish the reserves would need to be adopted should this occur.

4.6 Local Government Finance Settlement – Following the agreement of the preliminary medium term financial plan the provisional local government finance settlement was announced on 17 December 2015. This significantly reduced the anticipated level of funding available and the group considered the impact of this.

4.7 Council Tax Setting – The group were presented with financial modelling regarding the changes to income that various increases or decreases to the Council Tax level would provide.

4.8 Other Comments

- A review of fuel costs in light of the current low prices should be carried out;
- Income generation initiatives should be developed and built into the medium term financial plan.

5. Reasons for Recommendation

5.1 Effective financial management underpins all of the priorities for the Council.

6. Implications

Financial Implications

Name & Title: Chris Leslie, Finance Director

Tel & Email 01277 312542 /christopher.leslie@brentwood.gov.uk

6.1 The financial implications are considered in the report.

Legal Implications

Name & Title: Saleem Chughtai, Legal Services Manager

Tel & Email 01277 312500 / saleem.chughtai@brentwood.gov.uk

6.2 There are no direct legal implications arising from this report.

7. Appendices to this report

Appendix A – Comments on the Proposed Changes to the General Fund Revenue Budget

Appendix B – Comments on the Proposed Additions to the Capital Programme

Report Author Contact Details:

Name: Chris Leslie

Telephone: 01277 312542

E-mail: christopher.leslie@brentwood.gov.uk

Comments on the Proposed Changes to the General Fund Revenue Budget – Appendix A

Description	2016/17 £000	2017/18 £000	2018/19 £000	Comments
Historic Recurring Pressures				
Legal Services Costs	150	150	150	Future saving around this budget should be explored.
IT Costs	70	70	70	Ensure any additional costs resulting from the transformation programme are fully considered.
Bank Charges	20	20	20	Agreed.
Temporary Accommodation	15	15	15	Agreed.
Increase in HB Bad Debts	50	50	50	Agreed.
New Pressures				
Re-cycling Contract	300	300	300	Agreed.
Investment in the Capital Programme	0	0	100	Agreed.
Insurance Premium Tax	40	40	40	Agreed.
HRA decrease in recharges	35	35	35	Agreed.
Changes in the NI Contributions	212	214	216	Agreed.
Pay Inflation	125	125	226	Consider potential for new appointments that are on a lower scale than their predecessor.
Funding Changes				
Re-cycling Grant no longer available	280	280	280	Agreed.
Loss of Benefit Subsidy Grant	75	75	75	Agreed.
Increase in Council Tax Base	(80)	(104)	(128)	Agreed.
Assumed Collection Fund Surplus	(200)	0	0	Agreed.

Comments on the Proposed Additions to the Capital Programme – Appendix B

Description	Expenditure				Comments
	2016/17 £000	2017/18 £000	2018/19 £000	Total £000	
Resurface Car Park at King Georges Playing Field	200	0	0	200	This cost should be reviewed in regards to the area of the car park being resurfaced.
Cemetery Headstones	20	20	20	60	Check how long continued investment is required for.
Parking Bays at Woodman Road Cemetery	25	0	0	25	Agreed.
Vehicle & Plant Replacement Programme	900	1,070	175	2,145	Assess if the replacement of vehicles can be delayed.
Structural & Safety Works at the Multi Storey Car Park	72	0	0	72	An options appraisal should be undertaken.
Leisure Strategy	250	250	0	500	This will need to reviewed as the leisure strategy is developed.
TOTAL	1,467	1,340	195	3,002	

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EARMARKED RESERVES**APPENDIX B**

Earmarked Reserve	Balance as at 01/05/2015 £'000	Amounts In/(Out) 2015/16 £'000	Amounts In/(Out) 2016/17 £'000	Amounts In/(Out) 2017/18 £'000	Amounts In/(Out) 2018/19 £'000
Balance B/F		2,584	2,332	2,801	3,134
Asset Management	118				
Brentwood Community Fund	35	(24)			
Brentwood Community Hospital	45				
Building Control	48				
CCTV	0				
Community Alarms	291	0	(2)	(5)	(8)
Community Rights	46				
Community Safety	0				
Duchess Of Kent/Nightingale	342	(11)	(11)	(12)	(13)
Economic Development	29				
Electoral Registration	43				
Funding Volatility	888	(588)	182		
Housing Benefit Subsidy Clawback	0				
Housing Development Fund.	0				
Neighbourhood Plan	26				
Organisational Transformation	483				
Planning Delivery Grant	117	51			
Preventing Homelessness	38				
Public Consultation	5				
Single Status	30	(30)			
Street Scene Training	0				
Ward Based Budgets	0				
William Hunter Way	0	350	300	350	
Balance C/F	2,584	2,332	2,801	3,134	3,113

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16 February 2016

Policy, Finance and Resources

Brentwood Town Centre Action Plan

Report of: *Gordon Glenday*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 The Council's Corporate Plan, "Vision for Brentwood" highlights the need to develop a Town Centre Action Plan to link key development opportunities, including William Hunter Way. The Action Plan should also take into account the wider themes of quality of design, community/landowner engagement, heritage, economy, and the deliverability of the overall plan.
- 1.2 In order to bring forward a high quality Action Plan for the Borough's major town centre, it is proposed to appoint high quality planning and development consultants to help officers prepare the plan. To make sure the Council gets the right Plan and the best value for money, it has been agreed to work with one of the country's leading experts in this field, the Design Council, to prepare a high quality tender brief for the work. This brief will be used to procure the consultancy for the Brentwood Town Centre Action Plan. A timeline for taking this forward has now been proposed to take the Action Plan forward as a key Council priority (see Table 1).

2. Recommendation(s)

That the Committee:

- 2.1 Agrees the proposed timeline for the preparation of the Brentwood Town Centre Action Plan outlined in Table 1 of this report.**
- 2.2 Agrees to establish a cross-party working group to focus on the design and requirements for the Town Centre Action Plan. This group will comprise 4 Conservatives, 2 Lib Dems and 1 Labour. The group will be chaired by Cllr John Kerlake.**

3. Introduction and Background

- 3.1 Although there have been consultation exercises in the past relating to specific sites in the town centre, such as William Hunter way, that Administration considers it more appropriate to develop a comprehensive Action Plan for the whole of Brentwood Town Centre.
- 3.2 The purpose of the Action Plan will be to create a robust strategy for environmental, economic and social improvements to the town centre. To take this forward, the Council needs to begin by agreeing a clear and detailed brief for the preparation of the Action Plan. To do this, the Design Council, widely acknowledged as national experts in this field, will help prepare the brief.
- 3.3 Once the brief is agreed, it is proposed to go out to tender to appoint planning and development consultants to take forward the preparation of a Brentwood Town Centre Action Plan. A proposed timetable for the appointment of consultants and the subsequent preparation of the Plan is outlined in Table 1 of this report.
- 3.4 By getting additional capacity and expertise on board to help develop the brief and the final Action Plan, the Council can be assured that it will get value for money and a suitably robust and deliverable strategy for the Brentwood Town Centre to shape its development over the next 10 years.

4. Issue, Options and Analysis of Options

- 4.1 In taking forward a comprehensive Action Plan for Brentwood Town Centre, there is a need to appoint external consultants with capacity and expertise in planning and property development. To make sure the most cost effective consultants are appointed, a clear and detailed planning brief needs to be prepared so that the final Action Plan reflects exactly what is needed for Brentwood Town Centre.
- 4.2 By working in partnership with the Design Council, the Council will be assured to get a tender brief that will reflect its corporate ambitions for the preparation of the final Action Plan. A proposed timetable for the preparation of the initial tender brief and the subsequent Action Plan are outlined in Table 1.

TABLE 1 Indicative Timelines (subject to input of the Design Council and the Consultants to be appointed):

1. Appointment of Design Council to help prepare brief– started Jan 2016
2. Inception Meeting and Site Walkabout with Design Council – completed Jan 2016
3. Strategic Visioning Workshop (key members and officers) – Feb 2016
4. Detailed brief development workshop and public engagement (as stage 3 above plus key landowners/stakeholders) – March 2016
5. Send agreed brief to market/consultancies to prepare bids – April 2016
6. Consideration of Final Briefs/interview consultants – May/June 2016
7. Appoint Consultancy to prepare Action Plan – June 2016
8. Internal Member/officer review and discussion - October/November 2016
9. Committee approval of Action Plan – December 2016

Additional stages for adoption of Action Plan as statutory document

10. Formal Public consultation on Action Plan (statutory process) – Jan/Feb 2017
11. Amend Plan in light of comments/Local Plan issues – March/June
12. Adopt Action Plan as a statutory document e.g. Supplementary Planning Document of Local Plan – June/July 2017 (this needs to align with Local Plan process).

- 4.3 Although the Action may not be agreed formally by the Council until December 2016, planning decisions in the town centre can still be informed by the draft Action Plan as it progresses towards its final approval. By having the Action Plan process up and running, it will also highlight to landowners and developers in the town centre that the Council regards this area as a key opportunity for which the highest standards of development will be expected. Officers will also be in a stronger negotiating position when considering planning applications.

5. Reasons for Recommendation

- 5.1 The future planning of Brentwood Town Centre requires a holistic approach to its development to maximise the benefit for local residents and businesses. To do this, the Council needs to appoint experienced planning and development consultants to help undertake this task. To make sure that the best consultants are appointed, a clear and detailed tender brief needs to be prepared to procure this work. By engaging the Design Council in this process, the Council will ensure that the initial tender brief and consultants subsequently appointed to develop the Action Plan will be of the highest calibre.

6. Consultation

- 6.1 The preparation of the tender brief will include the setting up of workshops with members, officers, local residents and key stakeholders to make sure that the brief reflects the needs and aspirations of the community and land owners. Once consultants are appointed to prepare the Brentwood Town Centre Action Plan, there will be a series of consultation events to inform the final Action Plan. If it is agreed that the final Action Plan should form part of the statutory Local Plan, further consultation will be needed as outlined in stages 9 – 12 in Table 1.

7. References to Corporate Plan

- 7.1 There is a specific reference to the need for an Action Plan for Brentwood Town Centre in the Corporate Plan “Vision for Brentwood 2016 – 2019. Within the section on Economic Development, there is a clear commitment to developing a Town Centre Action Plan to better link key development opportunities including William Hunter Way.

8. Implications

Financial Implications

Name & Title: Chris Leslie, Finance Director

Tel & Email: 01277 312 542 christopher.leslie@brentwood.gov.uk

- 8.1 The development of an Action Plan will contribute to the wider improvements and economic viability of Brentwood Town Centre. The costs of the action plan will be met from the money set aside for the William Hunter Way development.

Legal Implications

Name & Title: Saleem Chughtai, Legal Services Manager

Tel & Email: 07966 891705, saleem.chughtai@brentwood.gov.uk

- 7.2 This report relates to an ongoing process. As such, at this stage there are no legal implications.

Other Implications (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

7.3 No other implications are identified.

8 Background Papers (include their location and identify whether any are exempt or protected by copyright)

8.1 None.

9 Appendices to this report

9.1 None.

Report Author Contact Details:

Name: Gordon Glenday

Telephone: 01277 312512

E-mail: Gordon.glenday@brentwood.gov.uk

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16 February 2016

Policy, Finance and Resources Committee

Wash Road Allotments

Report of: *Chris Leslie, Finance Director*

Wards Affected: *Hutton East*

This report is: *Public*

1. Executive Summary

- 1.1. This report considers the granting of a new Lease to Wash Road Allotment Association Ltd previously occupied by Hutton Horticultural Society (HHS).
- 1.2. It is proposed that Wash Road Allotment Association Ltd take a new 5 year lease of the Allotment from 1 January 2016 at a rent of £150pa.

2. Recommendations

- 2.1. **That a new lease be granted to Wash Rd Allotment Association Ltd subject to the Heads of Terms set out in Appendix B.**
- 2.2. **That delegated authority be granted to the Section 151 Officer in consultation with the Monitoring Officer and Chair or Vice Chair of the Policy Finance and Resources Committee to grant leases and licences, to consent to lease assignments and any other interest in property of up to £25,000 (excluding VAT) per year on properties leased or licensed at market value.**

3. Introduction and Background

- 3.1. HHS have occupied the Allotment site under a lease by BBC to Hutton Horticultural Society granted from 18 February 1983 for a period of 7 years.

- 3.2. HHS have served notice terminating their interest in the site. Wash Rd Allotment Society have set up as a Ltd Company and wish to take a new lease of the allotment site for a period of 5 years at a rent of £150pa.
- 3.3. A valuation of the property has been undertaken by the Council's agent and is contained in **Appendix A**.
- 3.4. On 15 December 2015 the Committee approved delegation of market rate leases up to £25,000. There is a technical legal distinction between a lease and a license and the Committee are asked to approve recommendation 2.2 to avoid any ambiguity regarding the issue.

4. Issue, Options and Analysis of Options

- 4.1. At its meeting on 27 March 2015 the Asset and Enterprise Committee adopted a Disposals at Less than Best Consideration Policy, which this process has followed.
- 4.2. The Heads of Terms provisionally agreed for a new lease to Wash Rd Allotment Society provide for a 5 year lease at a discounted rent of £150 per annum. This is not a disposal at best consideration however given that the term is less than 7 years is exempt from the Council Policy and sections 123(1) and (2) of the Local Government Act 1972 where it is necessary to undertake an assessment of the extent to which the organisations activities contribute towards achieving the Council's aims and objectives.
- 4.3. The current market annual rental value of the property has been assessed at £570 per annum.
- 4.4. The capital under value of the property has been assessed at £1,675per annum.
- 4.5. The rent proposed by the Wash Road Allotment Association Ltd is £150 per annum.
- 4.6. The undervalue is £420 per annum.
- 4.7. The valuer's report and Heads of Terms can be found at Appendices A and B of this report.

5. Reasons for Recommendation

- 5.1. To ensure continuity of the Wash Road Allotment site and proper administration of the Council's assets.

6. Consultation

- 6.1. No formal consultation has been undertaken or is required.

7. References to Corporate Plan

- 7.1. Community and Health: This is linked to the Council's commitment to review community assets and work with community and voluntary organisations.

8. Implications

Financial Implications

Name & Title: Chris Leslie, Finance Director

Tel & Email 01277 312542 / christopher.leslie@brentwood.gov.uk

- 8.1. The lease will help to ensure the Council's assets are properly administered.

Legal Implications

Name & Title: Daniel Toohey, Head of Legal Services and Monitoring Officer

Tel & Email 01277 312860 / Daniel.toohey@brentwood.gov.uk

- 8.2. The General Disposal Consent (England) 2003 provides there is no need to seek the specific consent of the Secretary of State provided that the purpose for which the land is being disposed of by way of the lease is likely to contribute to the "promotion or improvement" of the economic, social, or environmental well-being of the area and the difference in unrestricted value of the lease of the land and the actual price paid for the lease (if any) is not more than £2 million. Government guidance (Circular 06/2003) states that 'In determining whether or not to dispose of land for less than the best consideration reasonably obtainable, and whether or not any specific proposal to take such action falls within the terms of the Consent, the authority should ensure that it complies with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue'.

Other Implications (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

8.3. None directly arising from this report.

9. Background Papers

None.

10. Appendices to this report

Appendix A – External Valuation

Appendix B – Heads of Terms

Report Author Contact Details:

Name: Gabrielle Murphy

Telephone: 01277 312676

E-mail: gabrielle.murphy@brentwood.gov.uk

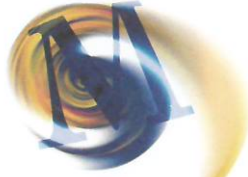
Report on Market Rental Value



Mark Burton BSc FRICS

Mass & Co
25 High Street
Brentwood
Essex CM14 4RG

20 January 2016



Mass & Co

Chartered Surveyors

Our Ref: MPB/cal

20 January 2016

Mrs G Murphy
Brentwood Borough Council
Town Hall
Ingrave Road
Brentwood
CM15 8AY

Dear Madam,

WASH ROAD ALLOTMENTS, HUTTON, BRENTWOOD, CM13 1DL

1.0. Introduction

- 1.01. We refer to our letter of 23 November 2015 wherein we set out the terms upon which Mass & Co could advise you in connection with the current market rental value of Wash Road, Allotments, Hutton, Brentwood, CM13 1DL (hereinafter referred to as "the Property").
- 1.02. We understand that as Landlord you are in negotiation with Wash Road Allotment Society to whom you intend granting a lease. The Property had previously been occupied by Hutton Horticultural Society which served notice to terminate its current arrangements. The intention is to grant a new five year lease and you require advice as to the appropriate rent payable.
- 1.03. In preparing this annual rental valuation report we have undertaken a brief inspection. We have not undertaken any on site measurements but have relied on information provided by you.
- 1.04. In accordance The RICS Valuation - Professional Standards 2014 this advice is excluded from the provisions and requirements of the Standards

2.0. Description

- 2.01. You are fully conversant with the Property and it is not therefore our intention to unnecessarily dwell upon a descriptive narrative.

25 High Street Brentwood Essex CM14 4RG Tel: 01277 201300 Fax: 01277 232033
email: post@massandco.com www.massandco.com

Regulated by RICS

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at the above address. The full list of Directors is held.



- 2.02. In broad terms the Property comprises an irregular shaped site laid out as allotment plots.
- 2.03. It is approached from Wash Road via a macadem and compacted single track access road.
- 2.04. The site is generally level. The boundaries are defined by a variety of fences including timber paling.
- 2.05. A brook runs to the north boundary.
- 2.06. Within the site there are a limited number of timber sheds and other low grade structures associated with the allotments.
- 2.07. There is a central access road with a compacted surface.
- 2.08. You advise that the site extends to 1.1458 hectares (2.83 acres).
- 2.09. The Property was found to be in a condition consistent with its use.

3.0. Location

- 3.01. The Property is located on the east side of Wash Road, Hutton approximately 4.75 kilometres to the north east of Brentwood town centre.
- 3.02. The land to the west side of Wash Road comprises an established industrial location. There is a further commercial property between the Property and Wash Road operated as Brentwood Coaches whilst the left hand side of the access road is abutted by 2476 (Hutton) Squadron Air Training Corp Facilities.
- 3.03. The land to the south on the east side of Wash Road is dominated by two storey family housing.
- 3.04. A copy of a plan prepared by your office showing the extent of the Property is appended.

4.0. Rateable Value

- 4.01. We have been unable to identify the Property on the VOA web site.

5.0. Town Planning Highways and Environmental

- 5.01. A simple internet search of Brentwood Borough Councils Planning Website does not reveal any form of planning history relating to the Property.
- 5.02. An online review of the Local Plan indicates that the Property lies within the Greenbelt. The land to the north and east forms part of a Local Nature Reserve

6.0. Tenure

- 6.01. You have provided with a copy of an Agreement dated 18 February 1983 between Brentwood District Council and Hutton Horticultural Society.
- 6.02. The Agreement does not appear to be a Business Tenancy but takes the form of a Management Agreement. It was granted for a period of seven years from 1 March 1983 thus expiring 28 February 1990. The Agreement allowed the Society to maintain a sum equal to one half of the total rents collected from the tenants of the site.
- 6.03. The use was restricted to the cultivation of allotments and was not capable of assignment and the Society was only able to underlet by way of annual tenancies for use as allotment gardens.
- 6.04. The charges were restricted to no more than £8.00 per ten rods (a rod being 16½ft) with allowances to males over the age of 65 and females over the age of 60 who would not be charged more than one half of the rate charged to males and females under these ages.
- 6.05. You advise that this Agreement has been terminated by the Society.
- 6.06. It is understood that you are intending to grant a lease for a terms of five years at a rent of £150 per annum for the entire site to Wash Road Allotment Society.
- 6.07. It would be your intention to incorporate annual adjustments to the rent in line with the Retail Prices Index subject to the rent not falling. Otherwise the lease will be upon similar terms to the expired Agreement having a restriction on use and with the tenant effectively having an obligation to maintain the property in a condition consistent with its use.
- 6.08. You advise that Wash Road Allotment Society will not benefit from the security of tenure provisions afforded to Business Tenants under the Landlord and Tenant Act 1954.
- 6.09. The Title of which the Property forms part is subject to covenants restricting the use to:

"...open space sports facilities or parkland for non-commercial use by the general public agricultural or forestry purposes (excluding use as a cemetery or golf course but including football or other sports pitches and the associated changing rooms)."
- 6.10. By further restrictive covenant, the owner is not to carry out any development on the Property save where ancillary to the permitted use.
- 6.11. An Agreement dated 30 June 1987 contains a right of pre-emption in favour of Tarmac Building Materials Limited.

7.0. General Market Conditions

- 7.01. There is a limited amount of evidence relating to properties of this nature within the Borough.
- 7.02. You have kindly provided information gleaned from Michael Maynard, Principal Estates Surveyor of Basildon Borough Council. This includes:

PROPERTY	TENANT	ACREAGE	CURRENT RENT	£/ACRE
Boreham	Churchfields Allotments Assoc	1.530	£365	£239
Bradfield	Bradfield Glebe Allotment Assoc	2.428	£500	£206
Danbury	Danbury Allotment Assoc	1.60	£310	£267
Galleywood	Galleywood Allotments	0.750	£195	£260
Great Oakley	Great Oakley Allotments Assoc	1.382	£328	£237
Little Oakley	Little Oakley Allotments Assoc	1.110	£382	£344
Peldon West Great & Little Wigborough	Mrs E Miller	0.240	£125	£521
Sible Hedingham	Sible Hedingham Allotment Assoc	2.25	£480	£213

- 7.03. We understand that Basildon District Council agreed a rent of £1,100 per annum for its Wickford allotments which extend to approximately 6 acres netting to approximate 4.2 acres available for allotments due to the access roads. The rent is subject to 3 yearly review under the terms of 21 year lease. The rent reflects circa £183 per acre (or £262 per acre per annum net).

8.0. Rental Valuation

- 8.01. The Property comprises a relatively large allotment site with centrally located access road.
- 8.02. Whilst situated in a mixed use area including industrial and other commercial uses together with residential properties and Greenbelt it is considered to be conveniently located without prominence to the highway.
- 8.03. The use for the Property is to be restricted to allotments. We understand that the evidence similarly reflects restricted uses and alienation provisions.

- 8.04. We are of the opinion that there will be limited demand for the Property although it appears that the majority of plots within it are occupied.
- 8.05. The limited rental evidence available suggests annual rents ranging from £206 to £521 per acre per annum. The highest figure relates to a site significantly smaller than the Property whilst the lowest is of similar size (2.428 acres).
- 8.06. Having regard to the general evidence we are of the opinion that a rent equivalent to £200 per acre per annum to be appropriate.
- 8.07. Having regard to the nature of the Property its location and proposed terms of the occupation we are of the opinion that the current market annual rental value is fairly represented by the sum of:

£570 (five hundred and seventy pounds) per annum exclusive.

- 8.02. We understand that a number of Local Authorities discount market rents by as much as 90% to arrive at 'equitable rents' when letting to local community groups. We are not instructed to make such an adjustment.
- 8.03. It is our understanding that it is Brentwood Borough Council's intention to grant a lease at a rent of £150 per annum which is significantly less than our assessment of the market rental value. You have requested that we provide a view as to the likely amount of under value.
- 8.04. The shortfall in rents between the market rent and the proposed contractual rent will be £420 per annum.
- 8.05. There is no direct comparable evidence of sales of properties of this nature but having regard to the general market we would apply a yield of 8%. When applied to the level of discount for the term of the lease (five years) this results in a capital value of consequential under value of £1,675 (one thousand six hundred and seventy five) (rounded).

10.0. Limitations and Confidentiality

- 9.01. The information contained herein has been offered on the understanding it is treated in the strictest confidence. It has been collated in connection with the request for Mass & Co to advise in respect of the market rental value. It may be disclosed to another advisor, however, neither the whole nor any part of this document or any reference thereto may be included in any published document, circular or statement or published in any way.
- 9.02. Further we request that the report should not be disclosed under the Freedom of Information Act 2000 (Sections 41 and 43 (2)) or under the Environmental Information Regulations.

10.0. **Summary**

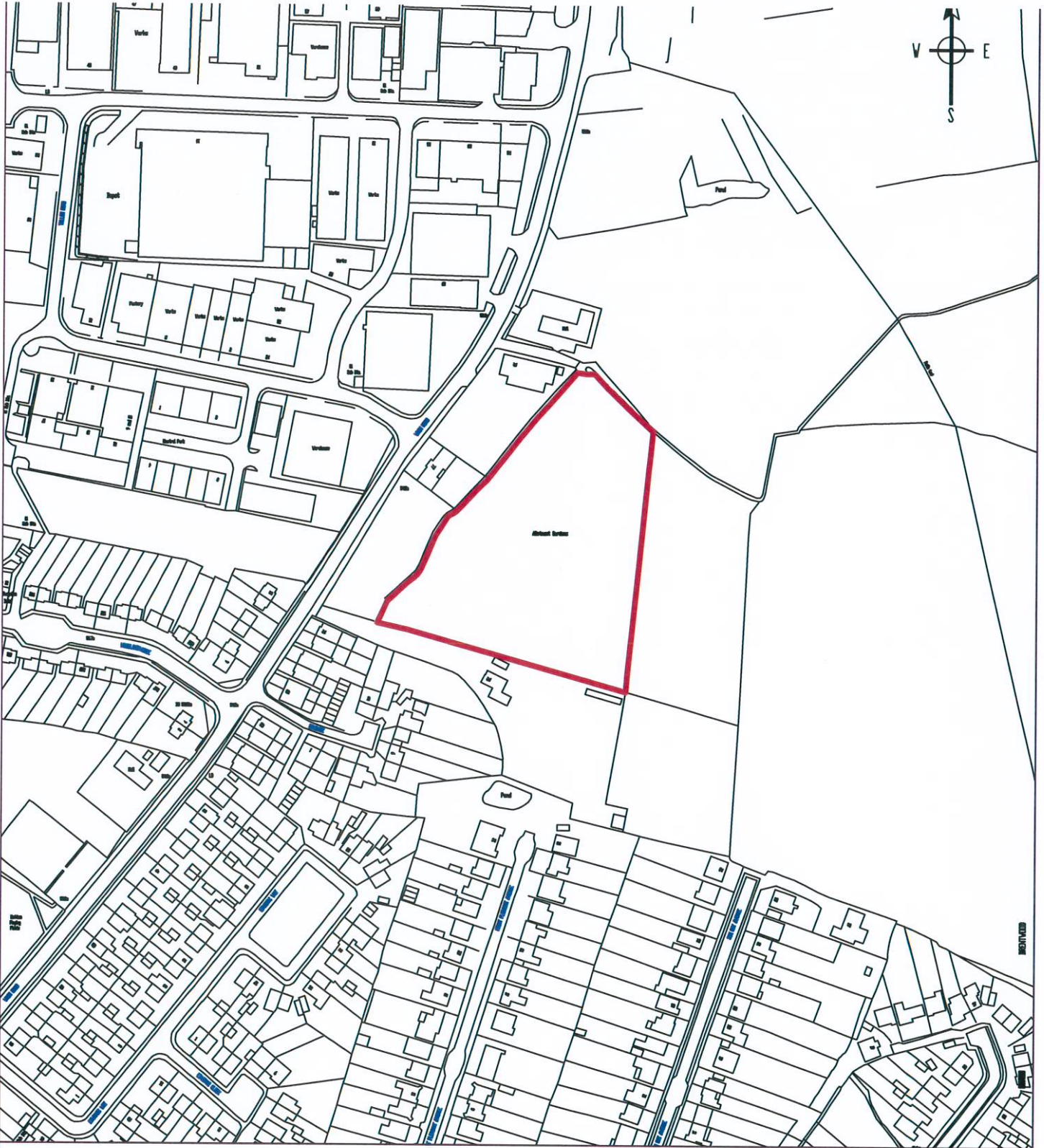
10.01. We trust our report covers all items of relevance to your decision making but if any matters require clarification please do not hesitate to let us know.

Yours faithfully



Mark P Burton BSc FRICS
RICS Registered Valuer
Mass & Co

Email: mark@massandco.com
Mobile: 07557 763561



Asset Management

Adrian J Tidbury

Estates and Valuation Surveyor



Town Hall
Ingrave Road
Brenwood
Essex.
CM15 8AY
Tel:01277 312500

Title

**Wash Road Allotment
Site
Plan 1**

Drawn By	AJT
Scale	1:2500 @ A4
Date	November 2015

Checked

Revisions

Drawing No.

T/AJT/4071

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Appendix B

Heads of Terms of the Lease

Landlord:	Brentwood Borough Council
Tenant:	Wash Rd Allotment Associations Ltd
Property:	Land comprising 62 allotments at Wash Rd, Hutton, Brentwood. CM13 1DL
Contractual Term:	5 years
Start Date:	01.01.2016
Annual Rent:	£570pax reduced to £150pax (Paid annually in advance on the 1 st April in each year).
Permitted Use:	Cultivation of an allotment only
Rent Review:	Review of the annual rent by the % increase in the RPI over the preceding year.
Insurance:	The Allotment Society will maintain £5m Public Liability Insurance. The Society will produce a copy of the policy and proof that it is maintained every year.
Rates & other Taxes:	Tenant to be responsible for rates, taxes and all other impositions and outgoings in respect of the Property;
Utilities:	Tenant will pay all costs for utilities and services;
Assignment:	The Tenant will not be able to assign or underlet the whole or any part of the Property. The tenant will be permitted from time to time offer the premises for ad-hoc hourly hire to groups- small community based organisations who share the values of Scouting and in the view of the Group are likely to provide benefit to the local community
Charging:	The Tenant cannot charge the whole or part of the lease;
Repairs:	The Tenant will keep the Property clean and tidy and in good and substantial repair and condition inclusive of Structural, Pipes, wires, cables, drains, services, fencing, hedges etc.
Alterations:	The Tenant shall make any alterations unless they have the express consent of the Landlord

- Indemnity: The Tenant will indemnify the Landlord against all liabilities, expenses, costs, claims, damages and losses in respect of any breach of the Tenant's covenants contained in the lease;
- Exclusion of ss24-28 of the LTA 1954: Sections 24-28 of the Landlord and Tenant Act 1954 will be excluded in the lease;
- Break Clause: Mutual break by either party on giving six months notice in writing at anytime.
- Subletting: There shall be no subletting other than the management of the allotments
- Allotment Agreements: The Association shall grant all ploholders an Allotment Agreement which shall be renewed on an annual basis. The Plotholder Agreement must not grant security of tenure and a copy of this agreement must be provided to the Council for review.
- Allotment Priority: Allotment priority shall be given to Brentwood residents
- Financial: The Association shall maintain a separate financial account in respect of the site and provide the detail to the Council at the expiry of each year.
- List: The Association shall maintain a list of persons wishing to rent a plot and to offer plots in strict rotation.
- Legal Costs: Each party will pay their own legal costs in this transaction.

16 February 2016

Policy, Finance & Resources Committee

Warley Scout Lease

Report of: Russell Clinker (Senior Asset Manager)

Wards Affected: Warley

This report is: Public

1. Executive Summary

- 1.1 This report considers the surrender of the existing lease and the granting of a new lease to the Warley Scouts in respect of the Scout building (known as Eagle Hall) in The Drive, Warley.

2. Recommendation

- 2.1 That a new lease be granted in accordance with the terms set out in Heads of Terms at Appendix A (Exempt).**

3. Introduction and Background

- 3.1 The 1st Warley Scouts are the oldest scout group in Brentwood being formed in 1909. They currently have 174 registered adult and youth members (2015 Scout census) and occupy the Scout Headquarters known as Eagle Hall built approx. 21 years ago. There are 2 'Beaver Colonies' (6-8 yrs), 2 'Cub Packs' (8-10 yrs), and 2 'Scout Troops' (10-14 yrs) based at the building.
- 3.2 The Warley Scouts occupy the subject property under a 28 year lease from 23 August 1993 and this expires in 2021 (approx 6 years time).
- 3.3 The building was set on fire by vandals in August 2015 destroying the structure and since this time the group has been operating in alternative premises with help from other Scout Groups in Brentwood.
- 3.4 The property needs re-building and as part of this process discussions have taken place between the Scouts and Brentwood Council to agree

terms for a new lease with a longer term than that remaining. The increased term will allow more security for the Scouts and enable them to acquire funding if required .

- 3.5 It is therefore proposed that the existing lease is surrendered and a new longer lease granted on the terms outlined in Appendix A (Exempt).

4. Issue, Options and Analysis of Options

At its meeting on 27 March 2015, the Councils Asset and Enterprise Committee adopted a 'Disposals at Less than Best Consideration' policy.

This is a disposal at less than best consideration and in order to comply with Council policy and sections 123(1) and (2) of the Local Government Act 1972 it is necessary to undertake an assessment of the extent to which the organisation's activities contribute towards achieving the Council's aims and objectives. In undertaking the assessment it is also necessary to:

- Include a copy of the organisation's constitution and three years of accounts.
- Set out the extent to which the organisation is proactive in seeking to share and make available the assets to other community and voluntary sector uses on a not for profit basis
- A recommendation as to the length of any discount
- Confirmation that the organisation will submit its activities and accounts on an annual basis or when required by the Council.

The assessment can be found at Appendix B (Exempt)

5. Reasons for Recommendation

- 5.1 A new lease for the Scouts being put in place on the basis outlined in Appendix A would provide continuity.

6. Consultation

- 6.1 No formal consultation has been undertaken regarding the proposed rebuilding works.

7. References to Corporate Plan

- 7.1 Value for Money: policies that invest in key services to create opportunity for all, provide better value for Brentwood's taxpayers and enhance the

Borough's infrastructure whilst modernising and transforming Brentwood Borough Council. We will re-prioritise and focus our resources and be innovative in our approach.

- 7.2 Our Borough: Policies which promote our environment, support sustainable growth, and safeguard our high quality environment including heritage and countryside. We will provide responsive, accessible and forward thinking services for vulnerable residents, supporting people back into work and providing good quality housing making Brentwood our residents' Borough of Choice.

8. Implications

Financial Implications

Name & Title: Chris Leslie, Finance Director

Tel & Email: 01277 312 542 christopher.leslie@brentwood.gov.uk

- 8.1 The rental income is at less than market rate. The increased lease will also restrict future income generating development on the site.

Legal Implications

Name & Title: Daniel Toohey, Monitoring Officer

Tel & Email: 01277 312 860 daniel.toohey@brentwood.gov.uk

1. Under section 123 of the Local Government Act 1972 the Council is required to obtain the best consideration reasonably obtainable where a lease is over 7 years unless, in the case of a lease given at an undervalue, the particular disposal is covered by the Secretary of State's consent. However, under the Local Government Act 1972: General Disposal Consent (England) 2003, there is no need to seek the specific consent of the Secretary of State provided that the purpose for which the land is being disposed of by way of the lease is likely to contribute to the "promotion or improvement" of the economic, social, or environmental well-being of the area and the difference in unrestricted value of the lease of the land and the actual price paid for the lease (if any) is not more than £2 million.

2. Government guidance (Circular 06/2003) states that 'In determining whether or not to dispose of land for less than the best consideration reasonably obtainable, and whether or not any specific proposal to take such action falls within the terms of the Consent, the authority should ensure that it complies with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue.'

Other Implications (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

None

9. Background Papers

9.1 See Appendices (Exempt)

10. Appendices

Appendix A (Exempt) - Heads of Terms

Appendix B (Exempt) - Assessment of the extent to which the organisation's activities contribute towards achieving the Council's aims and objectives, including details received from Warley Scouts.

Report Author Contact Details:

Name: Russell Clinker (Senior Asset Manager)

Telephone: 01277 312931

E-mail: russell.clinker@brentwood.gov.uk

Members Interests

Members of the Council must declare any pecuniary or non-pecuniary interests and the nature of the interest at the beginning of an agenda item and that, on declaring a pecuniary interest, they are required to leave the Chamber.

- **What are pecuniary interests?**

A person's pecuniary interests are their business interests (for example their employment trade, profession, contracts, or any company with which they are associated) and wider financial interests they might have (for example trust funds, investments, and asset including land and property).

- **Do I have any disclosable pecuniary interests?**

You have a disclosable pecuniary interest if you, your spouse or civil partner, or a person you are living with as a spouse or civil partner have a disclosable pecuniary interest set out in the Council's Members' Code of Conduct.

- **What does having a disclosable pecuniary interest stop me doing?**

If you are present at a meeting of your council or authority, of its executive or any committee of the executive, or any committee, sub-committee, joint committee, or joint sub-committee of your authority, and you have a disclosable pecuniary interest relating to any business that is or will be considered at the meeting, you must not :

- participate in any discussion of the business at the meeting, of if you become aware of your disclosable pecuniary interest during the meeting participate further in any discussion of the business or,
- participate in any vote or further vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

- **Other Pecuniary Interests**

Other Pecuniary Interests are also set out in the Members' Code of Conduct and apply only to you as a Member.

If you have an Other Pecuniary Interest in an item of business on the agenda then you must disclose that interest and withdraw from the room while that business is being considered

- **Non-Pecuniary Interests**

Non –pecuniary interests are set out in the Council's Code of Conduct and apply to you as a Member and also to relevant persons where the decision might reasonably be regarded as affecting their wellbeing.

A 'relevant person' is your spouse or civil partner, or a person you are living with as a spouse or civil partner

If you have a non-pecuniary interest in any business of the Authority and you are present at a meeting of the Authority at which the business is considered, you must disclose to that meeting the existence and nature of that interest whether or not such interest is registered on your Register of Interests or for which you have made a pending notification.

Policy, Finance and Resources Committee

1. The functions within the remit of the Policy, Finance and Resources Committee include all financial matters relating to the budget, (and for the avoidance of doubt, being the superior Committee on all such matters including capital, revenue and the Housing Revenue Account (HRA) except where the law otherwise requires), and, without prejudice to the generality of this, include the specific functions which are set out below.

Policy

To undertake and discharge any functions in relation to strategic policies including periodic reviews of the policy framework adopted by full Council from time to time except where required by law to be undertaken elsewhere.

Finance

- 1) Financial Services
- 2) Contracts, commissioning, procurement
- 3) Legal services
- 4) Health and safety at work (in so far as it relates to the Council as an employer)
- 5) Corporate communications and media protocols
- 6) Corporate and Democratic services
- 7) Member Development
- 8) Data quality
- 9) Human resources
- 10) Information Communication Technology
- 11) Revenues and Benefits
- 12) Customer Services
- 13) Assets (strategically)

2. Overall responsibility for monitoring Council performance.

3. To formulate and develop relevant corporate policy documents and strategies including the Corporate Plan.

4. To formulate the budget proposals in accordance with the Budget and Policy Framework, including capital and revenue spending, and the Housing Revenue Account Business Plan (including rent setting for Council homes), in accordance with the Council's priorities and make recommendations to Council for approval.

5. To formulate the Council's Borrowing and Investment Strategy and make recommendations to Council for approval.

6. To take decisions on spending within the annual budget to ensure delivery of the Council's priorities.

7. To approve the making of a virement or payment from the Council's reserves with a maximum value of £200,000.
8. To approve the write-off of any outstanding debt owed to the council above the delegated limit of £5,000.
9. To determine capital grant applications.
10. To make recommendations on the allocation and use of resources to achieve the Council's priorities.
11. To manage and monitor the Council approved budgets;
12. To provide the lead on partnership working including the joint delivery of services.
13. To consider any staffing matters that are not delegated to Officers, such as proposals that are not contained within existing budgetary provision.
14. To strategically manage any lands or property of the Council and provide strategic property advice relating to the Council's Housing Stock and without prejudice to the generality of this, to specifically undertake the following:-

The Council's Asset Management Plan

- (a) The acquisition and disposal of land and property and taking of leases, licenses, dedications and easements.
- (b) The granting variation renewal review management and termination of leases licenses dedications and easements.
- (c) Promoting the use of Council owned assets by the local community and other interested parties.
- (d) To manage any lands or property of the Council;
- (e) To include properties within the Council's Asset Management Portfolio including Halls etc.
- (f) To take a strategic approach to asset management, ensuring that the use of all of the Council's Property assets achieves Value for Money and supports the achievement of the Council's corporate priorities.
- (g) To review the Corporate Asset Management Plan annually.
- (h) The acquisition of land in advance of requirements for the benefit, improvement or development of the Borough.
- (i) Disposal of land (including by lease) surplus to the requirements of any Panel or Committee.
- (j) Appropriation of land surplus to the requirements of a committee.
- (k) Promote the use of Council owned assets by the local community and other interested parties where appropriate.
- (l) Property and asset management, including acquisitions and disposals not included in the approved Asset Management Plan.

(m) To take a strategic approach to commercial activity, both existing and new, ensuring the Council realises revenue generation opportunities and supports the achievement of the Council's corporate priorities.

(n) Promoting a culture of entrepreneurialism and building the required skills and capacity.

(o) To consider, and approve, business cases and commercial business plans for commercial activity.

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