



CABINET

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| DATE: | Friday, 13 July 2018 |
| TIME: | 10.30 am |
| VENUE: | Essex Hall, Town Hall, Clacton-on-Sea, CO15 1SE |

MEMBERSHIP:

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|-------------------------|---|
| Councillor Stock OBE | - Leader of the Council |
| Councillor C Guglielmi | - Finance and Corporate Resources Portfolio Holder and Deputy Leader of the Council |
| Councillor Fairley | - Investment and Growth Portfolio Holder |
| Councillor P Honeywood | - Housing Portfolio Holder |
| Councillor McWilliams | - Health and Education Portfolio Holder |
| Councillor Nicholls | - Corporate Enforcement Portfolio Holder |
| Councillor Skeels (Snr) | - Leisure and Tourism Portfolio Holder |
| Councillor Talbot | - Environment Portfolio Holder |

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Meeting papers can be provided, on request, in large print, in Braille, or on disc, tape, or in other languages.

For further details and general enquiries about this meeting, contact Ian Ford on 01255 686584.

DATE OF PUBLICATION: TUESDAY 3 JULY 2018

AGENDA

1 **Apologies for Absence**

The Cabinet is asked to note any apologies for absence received from Members.

2 **Minutes of the Last Meeting (Pages 1 - 6)**

To confirm and sign the minutes of the last meeting of the Cabinet held on Friday 15 June 2018.

3 **Declarations of Interest**

Councillors are invited to declare any Disclosable Pecuniary Interests or Personal Interest, and the nature of it, in relation to any item on the agenda.

4 **Announcements by the Leader of the Council**

The Cabinet is asked to note any announcements made by the Leader of the Council.

5 **Announcements by Cabinet Members**

The Cabinet is asked to note any announcements made by Members of the Cabinet.

6 **Matters Referred to the Cabinet by the Council**

There are none on this occasion.

7 **Matters Referred to the Cabinet by a Committee**

There are none on this occasion.

8 **Leader of the Council's Items**

There are none on this occasion.

9 **Cabinet Members' Items - Report of the Finance and Corporate Resources Portfolio Holder - A.1 - Outturn 2017/18 - General Fund Carry Forward Requests and Proposed Allocation of the General Fund Variance for the Year (Pages 7 - 18)**

To seek approval of the carry forward amounts requested by services at the end of March 2018, along with the allocation of the overall General Fund revenue variance for 2017/18.

10 **Cabinet Members' Items - Report of the Finance and Corporate Resources Portfolio Holder - A.2 - Treasury Management Performance 2017/18 (Pages 19 - 30)**

To report on the Council's treasury management activities and Prudential Indicators for 2017/18.

11 Cabinet Members' Items - Report of the Housing Portfolio Holder - A.3 - The Demolition of the Honeycroft Sheltered Housing Scheme (Pages 31 - 34)

To seek agreement from Cabinet to demolish the main scheme building at Honeycroft.

12 Management Team Items

There are none on this occasion.

Date of the Next Scheduled Meeting

The next scheduled meeting of the Cabinet is to be held in the Essex Hall, Town Hall, Clacton-on-Sea, CO15 1SE at 10.30 am on Friday, 10 August 2018.

Information for Visitors

ESSEX HALL **FIRE EVACUATION PROCEDURE**

There is no alarm test scheduled for this meeting. In the event of an alarm sounding, please calmly make your way out of any of the fire exits in the hall and follow the exit signs out of the building.

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Please do not re-enter the building until you are advised it is safe to do so by the relevant member of staff.

The assembly point for the Essex Hall is in the car park to the left of the building as you are facing it.

Your calmness and assistance is greatly appreciated.

**MINUTES OF THE MEETING OF THE CABINET,
HELD ON FRIDAY, 15TH JUNE, 2018 AT 10.30 AM
ESSEX HALL, TOWN HALL, CLACTON-ON-SEA, CO15 1SE**

Present: Councillors Neil Stock OBE (Leader of the Council) (Chairman), Zoe Fairley (Investment and Growth Portfolio Holder), Paul Honeywood (Housing Portfolio Holder), Lynda McWilliams (Health and Education Portfolio Holder), Fred Nicholls (Corporate Enforcement Portfolio Holder), Mick Skeels (Snr) (Leisure and Tourism Portfolio Holder) and Michael Talbot (Environment Portfolio Holder)

Group Leaders Present by Invitation:

Councillors Joy Broderick (Leader of the Holland Residents Group), Robert Bucke (Leader of the Liberal Democrats / Tendring First Group), Michael Bush (Deputy Leader of the Tendring Independents Group), Ivan Henderson (Leader of Labour Group), John Hones (Deputy Leader of the UKIP Group), Mary Newton (Leader of the UKIP Group) and Mark Stephenson (Leader of the Tendring Independents Group)

Also Present: Councillors Giles Watling MP and Colin Winfield

In Attendance: Ian Davidson (Chief Executive), Martyn Knappett (Deputy Chief Executive (Corporate Services)), Ewan Green (Corporate Director (Planning and Regeneration)), Lisa Hastings (Head of Governance and Legal Services), Richard Barrett (Head of Finance, Revenues and Benefits Services), Ian Ford (Committee Services Manager), Elizabeth Ridout (Leadership Support Manager) and William Lodge (Communications Manager)

12. APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor G V Guglielmi (Deputy Leader of the Council and the Portfolio Holder for Finance and Corporate Resources).

13. MINUTES OF THE LAST MEETING

It was **RESOLVED** that the minutes of the meeting of the Cabinet, held on Friday 18 May 2018, be approved as a correct record and signed by the Chairman.

With the permission of the Chairman and with regard to the declaration of interest that he had made at the last meeting of the Cabinet in relation to the emerging Community Interest Company in Jaywick (Minute 11 referred), Councillor P B Honeywood made the following statement:-

"I wish to clarify my position regarding my involvement with Jaywick Sands Revival, a Community Interest Company which is now officially registered at Companies House with just three Directors which does not include me.

My position is currently one of voluntary Interim Director – this interim Board was put in place just to get things moving. This means that I have a vote with the other interim Directors (also not registered) on any key decisions.

Shares will start to go on sale and the Permanent Board will be voted in in September by nominations and at that point this Board will be registered with Companies House.

I hope that clarifies the situation.”

14. DECLARATIONS OF INTEREST

There were no declarations of interest made at this time.

15. ANNOUNCEMENTS BY THE LEADER OF THE COUNCIL

Clacton Town Centre Portfolio Holder Working Party

The Leader of the Council (Councillor Stock OBE) informed Members that he intended to establish a Portfolio Holder Working Party to examine the current retail issues affecting Clacton Town Centre and to play a role in shaping the future shopping offer in Clacton. The Working Party would be established in accordance with the Council's Constitution and would therefore have cross-political group membership. The Working Party would also work with relevant bodies from outside the Council such as the Clacton Town Centre Partnership.

16. ANNOUNCEMENTS BY CABINET MEMBERS

There were none on this occasion.

17. MATTERS REFERRED TO THE CABINET BY THE COUNCIL - REFERENCE FROM COUNCIL - A.1 - RENEWAL AND DUALLING OF THE A120 BETWEEN HARWICH AND HORSLEY CROSS

Cabinet was aware that, at the meeting of the Council held on 15 May 2018, the following motion had been moved by Councillor I J Henderson, seconded by Councillor Calver and, in accordance with Council Procedure Rule 12.4, had stood referred to the Cabinet for consideration and report:

“Following confirmation in writing from Martin Fellows, Regional Director Operations East Highways England, that the Wix By-pass is approaching the end of its anticipated life and that the long term aim is to renew this section of road, Tendring District Council writes to Essex County Council to advise ECC that it fully supports calls for the renewal and dualling of the A120 between Harwich and Horsley Cross and requests that ECC engages in the process of securing the necessary Government funding through the second Roads Investment Strategy Period 2020/25.”

In accordance with Council Procedure Rule 12.5, Councillor Henderson explained the motion.

During the consideration of this item the Leader of the Council, on behalf of the Cabinet, placed on record its congratulations to The Honourable Sir Bernard Jenkin MP (for the

Harwich and North Essex Parliamentary Constituency) on his being awarded a Knighthood in Her Majesty The Queen's Birthday Honours List.

Having considered and discussed the motion:-

It was moved by Councillor Stock OBE, seconded by Councillor P B Honeywood and:-

RESOLVED that Cabinet supports the spirit of Councillor I J Henderson's motion but cannot support its wording in its original format and therefore it is:-

RECOMMENDED TO COUNCIL that Councillor I J Henderson's motion be amended to read as follows:-

“(1) This Council recognises:

- *The national and international significance of the A120 strategic highway.*
- *That the A120 connects Stansted Airport to the international ports at Harwich and is a key economic corridor essential to the economic success and vitality of much of the East of England.*
- *That the A120 is one of the country's only East-West highways.*
- *That the A120 from Braintree to Marks Tey is wholly inadequate and should be upgraded to dual carriageway as soon as possible.*
- *That the A120 from Hare Green to Harwich is wholly inadequate and should be upgraded to dual carriageway as soon as possible.*

(2) This Council notes and welcomes Essex County Council's support for the dualling of the A120 from Braintree to Marks Tey, but this Council –

- *Questions why no route option was even considered that would run north of the existing route.*
- *Questions the logic of favouring a new route which connects to the A12 so far south, actually closer to Chelmsford than to Colchester, as such an option will lead to far more traffic on the A12 which is already beyond capacity and will lengthen considerably journey times on the A120.*

(3) This Council welcomes and supports the announcement by Highways England Regional Director – Eastern Region, Martin Fellows that the A120 between Harwich and Horsley Cross is at last being proposed for upgrade and dualling and this Council will actively seek support as a matter of urgency from –

- *Our Members of Parliament;*
- *Essex County Council, including those Members elected to represent Tendring; and*
- *All key stakeholders in both the public and the private sector –*

to help make the case that the upgrade, renewal and dualling of the A120 between Harwich and Hare Green is vital not just to the economic prosperity and well-being of the District of Tendring but that it will also positively impact a much wider area.

(4) This Council specifically requests that Essex County Council ensures that the necessary Government funding is secured through the RIS2 (Road Investment Strategy

2) 2020/25 and the A120 is made fit for purpose and upgraded to dual-carriageway status as soon as possible.”

It was further **RESOLVED** that the Leader of the Council works with Councillor I J Henderson to review the final wording of the proposed amended motion, prior to the full Council meeting on 3 July 2018, in order to make it as effective as possible.

18. MATTERS REFERRED TO THE CABINET BY THE COUNCIL - REFERENCE FROM COUNCIL - A.2 - FORMER PUBLIC CONVENIENCES AT IPSWICH ROAD, HOLLAND-ON-SEA

Cabinet was aware that, at the meeting of the Council held on 15 May 2018, the following motion had been moved by Councillor Winfield, seconded by Councillor Broderick and, in accordance with Council Procedure Rule 12.4, had stood referred to the Cabinet for consideration and report:

“That this Council hereby requests the Executive to rescind the previous decisions taken by the Cabinet and the Finance and Corporate Services Portfolio Holder to close and lease out the public conveniences at Ipswich Road, Holland-on-Sea and instruct the Corporate Director (Operational Services) to restore and re-open for public use the aforesaid public conveniences.”

In accordance with Council Procedure Rule 12.5, Councillor Winfield attended the meeting and explained the motion.

Having considered and discussed the motion:-

It was moved by Councillor Stock OBE, seconded by Councillor Fairley and:-

RECOMMENDED TO COUNCIL that Councillor Winfield’s motion be not supported.

19. MATTERS REFERRED TO THE CABINET BY A COMMITTEE - REFERENCE FROM THE RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE - A.3 - PERFORMANCE REPORT - 2017/18 OUTTURN

Cabinet was informed that, at the inaugural meeting of the Resources and Services Overview and Scrutiny Committee held on 21 May 2018 (Minute 6 referred) that Committee had received a report from the Deputy Chief Executive regarding the Council’s Performance Outturn Report 2017/2018.

It had been explained to the Committee that the report included 16 indicators and projects where performance had been measured. Of those, 13 (81%) were on or above their expected target and 3 (19%) were not in line with expected performance. Three of the indicators and projects within the report had been deemed non-measurable as the Council’s role was that of ‘influence’ only.

Members of the Committee had been informed that the performance report had been submitted to Cabinet at its meeting held on 18 May 2018 and that any feedback from the Committee would be presented to a future meeting of the Cabinet as a separate reference report.

Following discussion of the report the Resources and Services Overview and Scrutiny Committee had **RESOLVED** that –

- (a) the contents of the report be noted, subject to the sickness figures being removed from future performance update reports to the Committee.*

The Committee had also **RESOLVED** that:

- (b) the Cabinet be informed that the Committee will be undertaking overview and scrutiny reviews on waste management and recycling rates and will inform Cabinet in due course of the outcome of such reviews. The relevant Officer(s) will be requested to attend the Committee in the first instance and the Environment Portfolio Holder will be asked to attend the Task and Finish Working Group, if required.*

Cabinet was informed that the Finance and Corporate Resources Portfolio Holder had noted the stated intentions of the Resources and Services Overview and Scrutiny Committee and that he looked forward to seeing the outcome of those reviews.

Having considered the comment of the Resources and Services Overview and Scrutiny Committee and the response of the Finance and Corporate Services Portfolio Holder thereto:-

It was moved by Councillor Stock OBE, seconded by Councillor P B Honeywood and:-

RESOLVED that Cabinet notes the intention of the Resources and Services Overview and Scrutiny Committee to carry out task and finish reviews of waste management and recycling rates.

20. LEADER OF THE COUNCIL'S ITEMS

There were none on this occasion.

21. CABINET MEMBERS' ITEMS

There were none on this occasion.

22. MANAGEMENT TEAM ITEMS

There were none on this occasion.

The Meeting was declared closed at 11.30 am

Chairman

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| Key Decision Required: | Yes | In the Forward Plan: | Yes |
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CABINET

13 JULY 2018

REPORT OF FINANCE AND CORPORATE RESOURCES PORTFOLIO HOLDER

- A.1 OUTTURN 2017/18 – GENERAL FUND CARRY FORWARD REQUESTS AND PROPOSED ALLOCATION OF THE GENERAL FUND VARIANCE FOR THE YEAR**
 (Report prepared by Richard Barrett and the Accountancy Team)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek approval of the carry forward amounts requested by services at the end of March 2018, along with the allocation of the overall General Fund revenue variance for 2017/18.

EXECUTIVE SUMMARY

- The Portfolio Holder for Finance and Corporate Resources agreed the overall outturn position for 2017/18 on 21 May 2018.
- As part of agreeing the outturn position, the following amounts were transferred to reserves pending a decision from Cabinet:
 - 1) General Fund Revenue Carry Forward Requests - £9,935,810
 - 2) General Fund Capital Carry Forward Requests - £12,249,840
- In addition to the above, the overall General Fund variance for the year of £1,263,112 was also transferred to reserves pending a decision from Cabinet.
- This report presents for approval the carry forwards requested by services that are being held in reserves along with the proposed allocation of the overall General Fund variance for 2017/18.
- A delegation to the Finance and Corporate Resources Portfolio Holder is also included within the recommendations, to approve a number of carry forwards that it is proposed to review against additional value for money / investment criteria before inclusion within the 2018/19 budget.

RECOMMENDATION(S)

That Cabinet:

- (a) approves the General Fund revenue carry forwards of £9,688,690 to be carried forward from 2017/18 to 2018/19 as set out in Section A of Appendix A to this report;**
- (b) requests Officers to undertake a further appraisal of the carry forwards requested by services as set out in Section B of Appendix A based on the general value for money principles set out in this report;**
- (c) subject to (b) above, delegates to the Portfolio Holder for Finance and Corporate**

Resources to agree the inclusion in the 2018/19 budget of the carry forwards set out in Section B of Appendix A following the further appraisal proposed;

(d) approves the General Fund capital budgets of £12,249,840 to be carried forward from 2017/18 to 2018/19; and

(e) approves the allocation of the General Fund Variance for the year of £1,263,112 as set out in Table 2 of this report.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Careful planning to ensure financial stability underpins the Council's capacity to deliver against its priorities. Both the capital and revenue budgets of the authority are prepared and monitored with the aim of supporting key objectives. The outturn position reflects this process and supports the successful financial planning process.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The main financial implications are as set out elsewhere in this report.

Risk

There are no direct risks associated with this report although the ability to fund future financial forecasts is recognised as a strategic risk to support the achievement of financial resilience of the Council in both the short and long term.

LEGAL

The Council is legally required to calculate a Council Tax requirement each financial year. Within this framework is the requirement to monitor and report accordingly on the financial position of the authority against this requirement.

As agreed by Full Council on 21 November 2017, the approval of the outturn position each year is delegated to the Finance and Corporate Resources Portfolio Holder with the outturn for 2017/18 being the first year subject to this delegation. As set out in the report to Council on 21 November 2017, any further decisions that may be required following the outturn process, such as allocating money brought forward from the prior year will be reported to Cabinet at a subsequent meeting. In effect the approval of the outturn position delegated to the Finance and Resources Portfolio Holder will primarily only place available funding that needs further allocation in reserves until such time as a formal / separate decision is presented to Cabinet. This report therefore seeks Cabinet's approval of the money set aside in reserves at the end of 2017/18 under the delegation to the Portfolio Holder for Finance and Corporate Resources.

The outturn position for 2017/18 and associated actions agreed by the Finance and Corporate Resources Portfolio Holder on 21 May 2018 are within the Council's powers and reflect the statutory requirements and responsibilities of the Council in the preparation of its accounts.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Although there are no direct equality and diversity issues, the overall Financial Strategy and

budget process aims to recognise any such issues where appropriate within the Council's wider Financial Framework.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Financial Outturn for 2017/18 was agreed by the Finance and Resources Portfolio Holder on 21 May 2018. As part of agreeing that report, amounts requested by services to be carried forward into 2018/19 were transferred to reserves pending Cabinet's approval. A summary of the amounts requested are set out in Table 1 along with the general variance for the year, which is proposed to be allocated as highlighted in Table 2 within the second part of this report:

Table 1

| | Amount |
|--|--|
| General Fund Revenue Carry Forwards | £9,935,810 |
| General Fund Capital Carry Forwards | £12,249,840 <i>(includes revenue contribution to capital of £4,591,470)</i> |
| General Variance for the 2017/18 Carried Forward | £1,263,112 |
| Total | £23,448,762 |

Why are carry forwards requested?

It is recognised that due to the size, nature and lead-in times of some schemes, expenditure can span financial years with some schemes not completed by the 31 March in any one year. Therefore commitments for goods and services are likely to remain outstanding at the 31 March, examples of which include uncompleted work that the Council has a contractual obligation against or the project is either currently underway or will be started shortly with payment dates or trigger points within the process yet to be reached, finalised and paid.

Subject to the approval of the requests to carry forward budgets, payments will become due as work is progressed during 2017/18, including budgets where general commitments have been made.

Strict criteria are applied to determine whether requests to commit expenditure in 2018/19 qualify as carry forwards. The criteria includes consideration of issues such as:

- Has a 'contractual commitment' been made;
- Is it related to a long term project which is expected to span a number of financial years;
- Is it a non-recurring item for which no budget provision exists in the following year;

As set out in the Outturn Report 2017/18 agreed by the Finance and Corporate Resources Portfolio Holder in May 2018, in addition to the carry forwards qualifying under the above criteria, there were a number of requests to carry money forward to support initiatives and projects that although not strictly complying with the above criteria, it could be advantageous for them to be agreed to support the delivery of the long term financial sustainability plan or meet costs which could otherwise become future pressures on the budget.

PART 1 – APPROVAL OF GENERAL FUND CARRY FORWARDS

Details of the General Fund Revenue requests to carry forward budgets into 2018/19 are set out

in **Appendix A** with capital items included within **Appendix B**.

Revenue Carry Forwards

Appendix A is further broken down into **Sections A and B**, with **Section A** highlighting those requests that meet the qualifying criteria highlighted above and **Section B** for those that do not.

It is recommended that the carry forwards that meet the qualifying criteria included in **Section A** of **Appendix A** are approved, which total **£9,688,690**.

In respect of the items not meeting the qualifying criteria set out in **Section B** of **Appendix A**, which total **£247,120**, it is recommended that Officers undertake a further review as part of a wider value for money / investment appraisal approach being developed, with the outcome presented to the Finance and Corporate Resources Portfolio Holder for final approval under a proposed delegation.

If any carry forwards are subsequently not approved, the associated amount will be added to the general fund variance for the year.

Capital Carry Forwards

As these inherently fall within the qualifying carry forward criteria, it is recommended all of the items set out in **Appendix B** are approved.

Although amounts are requested to be carried forward from 2017/18 as part of the overall financial management framework, it is recognised that the delivery of some schemes and projects may not necessary be completed in 2018/19. In response to an action emerging from the recent peer review, subject to the approval of the carry forwards requested, it is proposed to work with services to identify a more realistic spending profile which can then be reflected in the budget. This work will be undertaken as part of the budget monitoring process throughout the year.

PART 2 – PROPOSED ALLOCATION OF OVERALL GENERAL FUND VARIANCE FOR 2017/18

The 2017/18 Outturn report agreed by the Finance and Corporate Resources Portfolio Holder on 21 May 2018 set out an overall General Fund revenue variance for the year of **£1,263,112**. This has been held in reserves pending Cabinet's approval on how it is to be allocated.

It is proposed to allocate this funding in 2018/19 as follows:

Table 2

| Proposed Allocation | Amount | Comments |
|--|----------|--|
| Contribution to Forecast Risk Fund | £46,000 | The long term forecast highlighted the need to increase this fund by £500k each year from in-year savings etc. £454k was identified as part of the revised budget process for 2017/18 which was agreed by Full Council in February 2018. This amount is therefore the balance required to meet the planned £500k per year commitment. |
| Additional Contribution to the Office Transformation Project | £300,000 | As the office transformation project has evolved over recent months, opportunities have arisen to deliver value for money through timely variations to the |

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| | | overall project plan. This additional money would enable some of these value for money opportunities to be secured. This project is also being supported via a number of proposed carry forwards set out in Appendix A where services' repairs budgets can be 'pooled' to maximise opportunities as the project develops further. |
| Health and Safety Proactive Work Programme | £200,000 | The allocation of this funding would support the recent outcome from a Health and Safety Internal Audit where it was identified that establishing a proactive work programme would be beneficial to the Council. It could also be utilised to support work arising from legionella risk assessments that are currently taking place throughout the Council. |
| Contribution to Forecast Risk Fund | £717,112 (balance of the General Fund Revenue variance for 2017/18) | <p>The forecast risk fund not only supports the short term deficits arising from the long term sustainability plan, but it also available to support the delivery of savings or reductions in future cost pressures as part of the long term plan.</p> <p>With this in mind it is proposed to allocate the balance of the general fund revenue outturn position for 2017/18 to this fund. As part of the wider financial framework/forecasting process, projects and initiatives could be identified as part of a robust commitment to the long term approach being taken. This could include, for example, a review of operational assets to identify likely cost pressures emerging over the life of the forecast which could be met from this fund rather than it having to be accommodated within the forecast on an adhoc basis which would present a significant financial challenge to the long term plan.</p> |
| Total Proposed Allocation | £1,263,112 | |

As part of a prudent approach to the long term forecast, it is important to repeat the point highlighted in the table above of taking the opportunity to use the favourable outturn position for 2017/18 to support the long term plan. 'Isolating' the on-going revenue account for items set out in the table above would help underpin the deliverability of the long term approach. As mentioned in previous reports, significant investment in the Council's priorities can and has been made elsewhere in the budget already which to some extent negates the need to identify further funding from the outturn position for 2017/18.

The Council continues to carefully balance the Council's finances across investing in its priorities and delivering a long term sustainable financial plan. By taking the opportunity to maximise the benefit from the favourable outturn position to support the long term forecast compliments the overall General Fund budget where investment has already been cash backed across a range of priorities.

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| BACKGROUND PAPERS FOR THE DECISION |
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| None |
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| APPENDICES |
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| Appendix A | General Fund Revenue Carry Forwards Requested by Services |
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| Appendix B | General Fund Capital Carry Forwards Requested by Services |
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General Fund Revenue Carry Forwards

APPENDIX A

| | Requested C/Fwd Amount (£) | Comments |
|--|----------------------------------|--|
| SECTION A - ITEMS MEETING CARRYFORWARD CRITERIA | | |
| Office of Chief Executive | | |
| Veterans Tea Dance | 1,100 | To support Veterans Event in 2018 |
| CDRP Support and Initiatives | 59,910 | External funding used to support Community Projects / Community Safety Service |
| Members - Other Costs | 8,060 | To support training costs in future years |
| Total for Office of Chief Executive | 69,070 | |
| Corporate Services | | |
| Essex Family Needs Project | 23,850 | To support the continuation of this initiative into 2018/19 and beyond. |
| Personnel and Human Resources Issues | 2,370 | To support the Investors in People programme. |
| Emerging Property Projects | 98,780 | This is essential for improving and making the most of our assets through new property projects over the coming year along with the recruitment of a temporary post. |
| Accountancy Service Unit - Computer Software | 44,000 | The latest release of software is awaited. |
| Benefits & Revenues Service Unit - Agency Staff | 86,000 | To continue to support initiatives funded by the major preceptors as part of the Council Tax sharing agreement. |
| New Burdens Funding received in 2016/17 and 2017/18 | 193,020 | To enable associated activities to be funded in future years. |
| Corporate Agency staff budget | 250,000 | Agency staff costs incurred in 2017/18 were met from within the overall employee budgets as part of the outturn position which has enabled this money to be considered for carrying forward into 2018/19 to support the future cost of agency staff, primarily in Planning and Environmental Health. |
| Fit for Purpose Budget | 336,980 | To be used to support initiatives in 2018/19. |
| Contingency (Corporate) Budget | 322,010 | To support unexpected corporate expenditure. |
| Emergency Planning | 10,000 | To be used for printing and stationery/emergency planning initiatives. |
| Business Manager | 1,200 | To support the cost of officer training. |
| Garden Communities Project | 1,750,000 | To continue to support the development of this long term project. |
| IT Direct Service Costs - Data Communication | 12,900 | For the provision of Citrix into 2018/19. |
| Central Telephone Service | 19,600 | To support associated costs in 2018/19. |
| Fraud and Compliance Initiatives | 26,470 | Balance of external funding to support associated initiatives in 2018/19. |
| Digital Transformation Project | 865,200 | To support the major digital transformation project now underway |
| Total for Corporate Services | 4,099,970 | |

General Fund Revenue Carry Forwards

APPENDIX A

| | Requested C/Fwd Amount (£) | Comments |
|---------------------------------------|----------------------------|---|
| Operational Services | | |
| Community Warden Service Unit | 51,250 | Community Warden on-going Funding. |
| Fast Food Initiative | 88,020 | External Grant Funding to be used for ongoing projects. |
| Public Health & Complaints | 74,700 | External Grant Funding to be used for ongoing projects. |
| Recycling & Waste Contract | 77,920 | External Grant Funding to be used for ongoing projects along with a consultancy budget. |
| Public Health & Complaints | 3,350 | To support cost of asbestos clearance. |
| Weekly Collection Grant | 31,590 | External Grant Funding to be used for ongoing projects. |
| Recycling Rewards Scheme | 43,910 | External Grant Funding to be used for ongoing projects. |
| Recycling Rewards Scheme | (43,910) | External Grant Funding to be used for ongoing projects. |
| CCG Joint Working Funding | 100,000 | External Grant Funding to be used for ongoing projects. |
| Nature Conservation | 24,980 | External Grant Funding to be used for ongoing projects. |
| Crematorium | 8,600 | Delivery of goods delayed. |
| Print and Post Hub Service Unit | 41,620 | 2x Scanning Assistants - posts recruited to in 2018/19 |
| Highways TDC - General | 20,250 | To support a match funding scheme with ECC. |
| Shelters - General | 3,720 | To fund Shelter maintenance costs following adverse weather conditions delaying maintenance work in 2017/18 |
| CCTV | 9,940 | Balance of projects budget required for works to CCTV equipment |
| Careline | 1,200 | To carry out repairs to Careline vehicles. |
| Coastal Communities Team | 6,410 | To continue Jaywick CCT Project Funding work. |
| Community Housing Trust Grant | 687,180 | External Grant Funding to be used for ongoing projects. |
| Home Improvement Agency | 10,800 | To commission a pre grant/loan advice service for elderly and vulnerable residents. |
| Housing Service Unit | 1,490 | Skyguard project implementation delayed. |
| Community Activity Network | 9,900 | External Grant Funding to be used for ongoing projects. |
| Beach Hut Sites | 176,530 | To reinvest in beach huts / seafront amenities in 2018/19 |
| Miscellaneous Seafront Activities | 3,510 | One off Government Grant for seafront signage |
| CCTV | 4,070 | To support expenditure funded by external income received during the year. |
| Homelessness | 111,700 | External Grant Funding to be used for ongoing projects. |
| Total for Operational Services | 1,548,730 | |

General Fund Revenue Carry Forwards

APPENDIX A

| | Requested C/Fwd Amount (£) | Comments |
|--|----------------------------|---|
| Planning and Regeneration | | |
| Planning Service Unit | 112,000 | To meet ongoing long term training and recruitment costs. |
| Planning Policy and Conservation | 1,117,220 | For the on-going delivery of the Local Plan. |
| Heritage and Conservation - General | 15,800 | Ongoing project over number of years, including St Osyth Priory Heritage Works. |
| Planning and Enforcement | 75,650 | Ongoing improvements to the Planning Service. |
| Big Society | 56,020 | Big Society Grant Funding to be allocated to successful applicants during 2018/19 |
| SME Growth Fund | 257,020 | SME Growth Funding to be allocated to successful applicants during 2018/19 |
| Economic Growth Budget | 236,750 | As set out in the report to Cabinet (20 April 2018) this money is to support economic growth projects and schemes which will be determined in 2018/19 |
| Business Investment and Growth | 2,087,420 | To support schemes and projects in 2018/19 and beyond. |
| Jaywick Sands Team | 13,040 | To support Community Initiatives |
| Town Team Partners | 17,500 | External funding awarded to partners with projects still being considered. |
| Town Team Partners | (17,500) | External funding awarded to partners with projects still being considered. |
| Total for Planning and Regeneration | 3,970,920 | |
| Total GF Revenue Carry Forwards - SECTION A | 9,688,690 | |

| | Requested C/Fwd Amount (£) | Comments |
|--|----------------------------|--|
| SECTION B - ITEMS NOT MEETING CARRYFORWARD CRITERIA | | |
| Corporate Director and Administration Service Unit | 47,860 | On-going training provision for Officers, including health and safety and the development of new managers along with developing the Council's e-learning platform. |
| Personnel and Human Resources Issues | 6,550 | To support the cost of employees moving into the district as part of the recruitment process. |
| Personnel and Human Resources Issues | 9,020 | To support advertising, recruitment and counselling initiatives |
| Personnel and Human Resources Issues | 2,550 | To ensure provision in place for external legal advice. |
| Audit Services Service Unit | 2,000 | This budget has been provisionally earmarked to support changes to Internal Audit software. |
| Transport | 14,180 | To support the cost of contract hire extensions following delays in tender process during the year. |
| Car Parks - Off St | 25,000 | To support project with Essex Wildlife Trust to carry out maintenance works on the Naze Roadway. |
| Highways TDC - General | 43,570 | Contribution towards purchase of street cleaning equipment |
| Corporate Director Service Unit | 1,570 | To support on-going mandatory health & safety training |
| Depots General | 47,370 | Funding to support office transformation project. |
| Housing Service Unit | 43,580 | To fund fixed term Disabled Facilities Grant post |
| Housing Service Unit | 3,870 | To create a student EHO travel budget |
| Total GF Revenue Carry Forwards - SECTION B | 247,120 | |

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General Fund Capital Carry Forwards

| | Requested C/Fwd Amount |
|---|------------------------------|
| | £ |
| Milton Road car park repairs | 250,000 |
| Clacton Multi-Storey car park repairs | 180,000 |
| Cranleigh Close, Clacton, landscaping works | 6,660 |
| Environmental Health Database Migration | 5,250 |
| Public Access Module to CAPS | 54,140 |
| Laying Out Cemetery | 170,120 |
| Crematorium and Cemeteries Road Works | 150,000 |
| Bath House Meadow Play Area, Walton | 37,580 |
| Changing Place Facilities, Walton | 62,000 |
| Audit management software | 2,230 |
| Joint HR and Payroll System | 1,780 |
| Westleigh House Demolish/additional parking provision | 23,710 |
| Information and Communications Technology Core Infrastructure | 52,400 |
| IT Strategic Investment | 153,790 |
| Agresso e-procurement | 84,000 |
| Individual Electoral Registration - Scanning Equipment | 1,560 |
| Enhanced Equipment replacement - Printing and Scanning | 3,610 |
| Office Rationalisation | 1,160,000 |
| Replacement of High Volume Printers | 29,000 |
| Replacement debit and credit card payment facility | 14,630 |
| Replacement Scan Stations | 12,000 |
| Alteration of Redundant Cash Office | 29,260 |
| Housing in Jaywick | 500,000 |
| Private Sector Renewal Grants/Financial Assistance Loans | 365,640 |
| Disabled Facilities Grants | 2,047,070 |
| Private Sector Leasing | 75,660 |
| Empty Homes funding | 164,220 |
| Regeneration Capital Projects | 349,180 |
| SME Growth Fund Capital Grants | 65,000 |
| Harwich Public Realm | 1,000,000 |
| Replacement of beach hut supports - The Walings | 11,620 |

| General Fund Capital Carry Forwards | |
|--|---------------------------------------|
| | Requested C/Fwd Amount |
| | £ |
| Princes Theatre Toilets | 40,000 |
| Town Centre Fountain | 160,000 |
| Coast Protection - Cliff Road Sea Wall | 15,130 |
| Venetian Bridge Clacton | 108,140 |
| New Beach Huts | 64,600 |
| Cliff Stabilisation Scheme | 4,602,590 |
| Public Conveniences Works | 140,000 |
| Marine Parade West Clacton Cliff Works | 57,270 |
| Total GF Capital Carry Forwards Requested | 12,249,840 |

| | | | |
|-------------------------------|------------|-----------------------------|------------|
| Key Decision Required: | Yes | In the Forward Plan: | Yes |
|-------------------------------|------------|-----------------------------|------------|

CABINET

13 JULY 2018

REPORT OF FINANCE AND CORPORATE RESOURCES PORTFOLIO HOLDER

A.2 TREASURY MANAGEMENT PERFORMANCE 2017/18 (Report prepared by Richard Barrett and Wendy Borgartz)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To report on the Council's treasury management activities and Prudential Indicators for 2017/18.

EXECUTIVE SUMMARY

- Borrowing and investments have been undertaken in accordance with the 2017/18 Annual Treasury Strategy that was approved by Council on 28 March 2017.
- No external borrowing was undertaken in 2017/18 for either the General Fund (GF) or Housing Revenue Account (HRA).
- The amount of interest earned from investments remained low because of the continuing unprecedented low interest rates existing throughout the year, although the bank base rate was increased to 0.50% on 2 November 2017. However due to maximising investment opportunities and cash flow advantages during the year interest returns were in line with the budget.
- During 2017/18 the Council purchased an investment property in the District for £3.244 million, including stamp duty of £0.144 million. The book value of the property within the Councils accounts at the end of the year was lower than the purchase price due to the Stamp Duty Land Tax element not forming part of the asset's 'carrying' value in the balance sheet. Rental income of £0.173 million was earned on the property in 2017/18, which is in accordance with the rate of return reported as part of the purchase decision made during the year.
- Revised Treasury Management Practices were approved as part of the Treasury Strategy for 2018/19 presented to full Council in March 2018.
- Treasury performance figures for the year are set out in **Appendix A** with Prudential Indicators attached as **Appendix B**.

RECOMMENDATION(S)

That Cabinet notes the Treasury Management performance position 2017/18 and approves the Prudential and Treasury Indicators for 2017/18.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Good and effective Treasury Management supports the Council in delivery against its corporate goals and objectives.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

Key treasury management performance data is set out in **Appendix A**.

Risk

Risk is inherent in all treasury management activities. Such risks are considered within the Treasury Strategy with management actions necessary to mitigate the risks set out in the Council's Treasury Management Practices.

LEGAL

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

The Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 include the requirement for local authorities to have regard to CIPFA guidance which this Council has adopted.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no direct implications in respect of the above areas.

PART 3 – SUPPORTING INFORMATION

BACKGROUND AND CURRENT POSITION

The Council has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in the Public Services. The main reporting elements to comply with this code include:

- An Annual Treasury Strategy approved by Cabinet after consultation with the Corporate Management Committee for recommending to the Full Council.
- Regular monitoring reports that form part of the Council's Corporate Budget Monitoring arrangements during the year. (For 2017/18, a number of issues were brought to the attention of members as part of this reporting process with no further issues to raise as part of this outturn review)
- An annual treasury performance or outturn report for the preceding year that is presented to Cabinet.

This report sets out the necessary information in response to the third bullet point above and provides a summary of the treasury activities undertaken in 2017/18 (**Appendix A**) and final Prudential and Treasury Indicators at the end of 2017/18 (**Appendix B**).

During 2017/18, the Council complied with its legislative and regulatory requirements and associated treasury management activity remained in accordance with the Treasury Strategy and Treasury Management Practices with further details in respect of specific borrowing and investment considerations set out in the next section of the report.

BORROWING AND INVESTMENTS 2017/18

Borrowing

The Base Rate was increased to 0.50% on 2 November 2017 and the latest forecast from the Council's treasury advisors indicates that this is unlikely to change until November 2018 when an increase is forecast to 0.75% with an increase to 1.00% forecast in September 2019. Public Works Loan Board (PWLB) rates have also risen a little during 2017/18 but remain very low.

No external borrowing was undertaken during the year. In respect of the General Fund, the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with external loans, as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy remains prudent, as investment returns are low and counterparty risk is high. As set out in the Treasury Strategy, the current internal borrowing position is running just ahead of the £5m agreed. However given the continuing low return on investments and no significant increases in PWLB interest rates in the immediate future, it is felt prudent to maintain this position in the short term although this will be kept under review in consultation with the Council's external advisors and set against the background of potential increases in borrowing rates in the future.

No new borrowing or restructuring of existing debt was undertaken for GF or HRA purposes in 2017/18. Principal on HRA debt continues to be repaid each year in line with the 30 year business plan.

Debt rescheduling opportunities are limited in the current economic climate with no debt rescheduling taking place in 2017/18.

No temporary borrowing from the markets was required during the year.

One of the key prudential indicators relates to the Council's Authorised Borrowing Limit. It is therefore worth highlighting that borrowing has been maintained within the Council's Authorised limit as set out below:

| Key Indicator | Limit 2017/18 | Amount Borrowed (Internal and External) |
|------------------------------|----------------------|--|
| Authorised Limit – borrowing | £81.038m | £51.257m |

Investments

The year saw the continuation of the challenging investment environment of low investment returns and continuing high level of counterparty risk. The tight monetary conditions remain and short term deposit rates remain at low levels.

The Council manages its investments in-house and invests in accordance with the approved strategy. The Council invests for periods of time dependent on the Council's cash flows, the view as to future interest rate movements and the interest rates offered by

counterparties whilst balancing various risks such as interest rate risk and counterparty risk.

The Council's investments continued across the following investment types:

- Deposits at fixed rates and for fixed terms with other local authorities and the Government's Debt Management Office (DMO)
- Deposits at fixed rates and for fixed terms with UK-based banks and building societies meeting the counterparty risk criteria
- Treasury bills, which are tradeable but if held to maturity are at fixed rates, although none were purchased during 2017/18 as the rates were much lower than could be achieved elsewhere
- Certificates of deposit, which are tradeable but if held to maturity are at fixed rates
- Use of deposit accounts with UK banks for liquidity

These remain the same instruments the Council has used in prior years so there has been no new investment types used during 2017/18. Further details on how the investment types changed over the year is set out below.

With poor investment returns available along with limited 'low' risk counterparties, a significant proportion of the Council's investments were still made with other local authorities. A number of banks have, however, seen their ratings rise over the past 36 months which brought them back onto the Council's lending list. The returns on Treasury Bills were so low that none were bought during the year. Certificates of deposit and fixed deposits with banks were pursued for much of the year instead of investing with local authorities as a better return was available from these instruments without adding significant additional risk. Local authority rates rose in late 2017 and early 2018 and the Council continued to invest with them again. Both government and local authority investments fit well with the Council's low appetite for risk with the security and liquidity of the investment the prime concern.

The total invested in local authorities at 31 March 2018 was **£46.000 million** out of a total investment of **£55.440 million**. Other investments were held with UK banks with no amounts held with Building Societies, non-UK institutions or in Treasury Bills.

The Council receives regular credit rating updates during the year following which the appropriate action is taken as soon as practical where the credit rating falls below the minimum ratings which form part of the Council's Treasury Management Practices.

The UK holds an AA rating with two rating agencies and Aa2 with the third, with the lower grades not having a specific adverse impact on the Council's treasury activities at the present time.

During 2017/18 the last account held with the Co-operative Bank was closed, so the Council now only holds current accounts with Lloyds Bank.

In accordance with the Council's Commercial Property Investment Policy, an annual update on the portfolio is set out below.

In August 2017 the Council purchased an investment property in the District. The purchase was financed partly from capital receipts and partly from revenue resources, so there was no increase in indebtedness arising from the purchase. The purchase price, including stamp duty, was £3.244 million. The stamp duty land tax element of the purchase price cost of £0.144 million has been treated as an impairment, which is charged to revenue within the Comprehensive Income and Expenditure Statement and then reversed out

through the Movement in Reserves Statement so that it does not fall as a direct cost that needs to be financed. This remains as the only property in the portfolio.

The fair value of the asset assessed by the Council's Valuer at year end was £3.100 million in effect the purchase price less stamp duty land tax. During the year the rental income was £0.173 million. This represents an annual rate of return for the year of 6.3%. The property is therefore performing satisfactorily against the financial target with the budgeted investment income achieved for the year.

Since the end of 2017/18, the current leasehold occupier of the property purchased has informed the Council that they will no longer be trading from the property from November 2018. At the present time discussions remain on-going with the current leasehold occupier to explore options going forward, which could include them subletting the property for the unexpired period of the lease (approximately 8 years). It is worth highlighting that the Council's Commercial Property Investment Policy is underpinned by robust risk management actions which will respond to any changes to the situation.

Given the above, there are no current risks to the Council's long term forecast or significant changes to the risk of holding commercial property, but this will be reviewed on an on-going basis with any changes required to be made to the forecast set out as part of the financial strategy process over the remainder of the year.

Specific Issues Experienced in 2017/18

Already Reported to Members on 16 February 2018 as part of Corporate Budget Monitoring Report – Quarter 3 2017/18

The aggregate limit that can be placed with Lloyds Bank was increased temporarily from £1.000 million to £1.500 million for each day the Council offices were closed over the Christmas break. Unfortunately, on 29 December 2017 the actual amount held overnight until 2 January 2018 was £1.536 million, which exceeded the revised limit by £0.036 million. Although it is good to see that customers are increasingly shifting to electronic payment methods, the amount received over the Christmas period exceeded expectations. However the total across all accounts held with the Councils' bankers was **£3.283 million**, which was below the overall limit of **£4.000 million** allowable. This did not expose the Council to any significant additional risk and it is proposed to review the position again this year to identify how this situation can be prevented in future.

Compliance with Treasury and Prudential Limits

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy. The outturn for the Prudential Indicators is shown in **Appendix B**.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A Treasury Performance figures 2017/18

Appendix B Prudential and Treasury Indicators 2017/18

1 Borrowing

1a Long Term Debt

| Principal | Opening Balance 1 April 2017 £'000 | New Borrowing £'000 | Principal Repaid £'000 | Balance at 31 March 2017 £'000 | Average Debt for Year £'000 |
|----------------------------------|---|---------------------------|------------------------------|--------------------------------------|-----------------------------------|
| Long Term Borrowing | | | | | |
| PWLB - General Fund | 771 | 0 | 307 | 464 | 692 |
| PWLB - Housing Revenue Account | 45,099 | 0 | 1,665 | 43,434 | 44,208 |
| Total Long Term Borrowing | 45,870 | 0 | 1,972 | 43,898 | 44,900 |

| Average Interest Rates | Average Interest Rate 1 April % | New Borrowing % | Principal Repaid % | Average Interest Rate 31 March % | Average Interest Rate for Year % |
|------------------------------------|--|-----------------------|--------------------------|---|---|
| Long Term Borrowing | | | | | |
| PWLB - General Fund | 8.137 | 0.000 | 8.419 | 7.968 | 8.106 |
| PWLB - Housing Revenue Account | 3.331 | 0.000 | 2.371 | 3.368 | 3.348 |
| Overall Long Term Borrowing | 3.397 | 0.000 | 3.313 | 3.417 | 3.430 |

Interest paid relating to 2017-18

| | |
|-------------------------|--------------|
| General Fund | 56 |
| Housing Revenue Account | 1,484 |
| | <u>1,540</u> |

Long term debt is defined in legislation as loans repayable over more than one year.

1b Total debt

| | |
|-----------------------------------|---------|
| Average debt over the year | £44,900 |
| Interest paid relating to 2017-18 | £1,540 |
| Average interest rate for year | 3.430% |

This includes interest paid on temporary debt

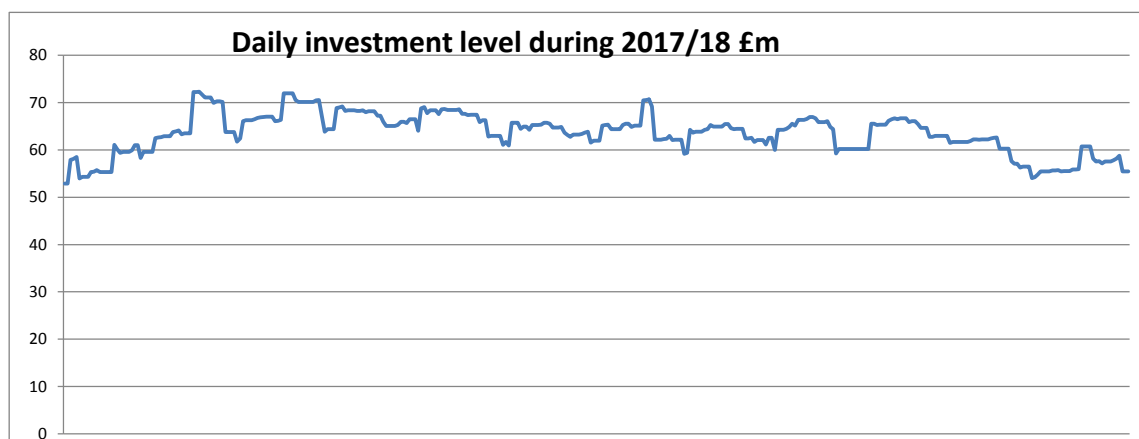
1c Budget for Total Interest Paid

| | Original Estimate £'000 | Revised Estimate £'000 | Out-turn £'000 | Variation from Revised Budget £'000 |
|----------------------------|-------------------------------|------------------------------|-------------------|--|
| General Fund | 56 | 56 | 56 | 0 |
| Housing Revenue Account | 1,492 | 1,492 | 1,484 | (8) |
| Total Interest Paid | 1,548 | 1,548 | 1,540 | (8) |

2 Investments

2a Temporary Investments

| Principal | Opening Balance 1 April 2017 £'000 | New Investments £'000 | Investments Repaid £'000 | Balance at 31 March 2018 £'000 | Average Investments for Year £'000 |
|---|---------------------------------------|--------------------------|-----------------------------|-----------------------------------|---------------------------------------|
| Investments less than a year | | | | | |
| Investments with UK Government via Treasury Bills, DMO, Local Authorities and other public bodies | 36,000 | 239,500 | 229,500 | 46,000 | |
| Investments with UK Financial Institutions (including Money Market Funds) | 16,865 | 44,125 | 51,550 | 9,440 | |
| Investments with non-UK Financial Institutions | 0 | 0 | 0 | 0 | |
| Total Temporary Investments | 52,865 | 283,625 | 281,050 | 55,440 | 63,506 |



| Average Interest Rates | Average Interest Rate 1 April % | Average Interest Rate 31 March % | Average Interest Rate for Year % |
|------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| Temporary Investments | 0.388 | 0.484 | 0.401 |

2b Budget for Total Interest Earned

| | Original Estimate £'000 | Revised Estimate £'000 | Out-turn £'000 | Variation from Revised Budget £'000 |
|------------------------------|----------------------------|---------------------------|-------------------|--|
| Total Interest Earned | (236) | (236) | (257) | (21) |

3 Base rates

%

At 1 April 2017 0.250

At 31 March 2018 0.500

The rate was increased by the Bank of England on 2 November 2017

PRUDENTIAL INDICATORS

CAPITAL EXPENDITURE

This is an estimate of the amount of investment planned over the period. As can be seen, not all investment necessarily has an impact on the Council Tax, schemes funded by grants, capital receipts or external contributions mean that the effect on the Council Tax is greatly reduced.

| Capital Expenditure - General Fund £000s | 2016/17 Actual | 2017/18 Revised | 2017/18 Actual | Notes | 2018/19 as agreed by Council March | |
|--|-------------------|--------------------|-------------------|----------|--|--------------------|
| | | | | | 2018 | Amended 2018/19 |
| Total Capital Expenditure | 2,295 | 18,523 | 5,811 | | 857 | 13,107 |
| Financing - General Fund | | | | | | |
| External contributions | (1) | (340) | (142) | | - | (159) |
| Section 106 | (64) | (87) | (80) | | - | (7) |
| Coast protection grant | (74) | (4,888) | (270) | | - | (4,618) |
| Other Government grants | (8) | (322) | - | | - | (322) |
| Disabled Facilities Grant | (1,432) | (2,819) | (1,151) | | (690) | (2,362) |
| Capital receipts | (62) | (1,730) | (850) | | (67) | (948) |
| Direct revenue contributions | (104) | (3,773) | (2,917) | | (100) | (100) |
| Earmarked reserves | (550) | (4,564) | (401) | | - | (4,591) |
| Total Capital Financing | (2,295) | (18,523) | (5,811) | - | (857) | (13,107) |
| Net Financing need (External Borrowing) | 0 | 0 | 0 | | 0 | 0 |

| Housing Revenue Account Capital Schemes £000 | 2016/17 Actual | 2017/18 Revised | 2017/18 Actual | Notes | 2018/19 as agreed by Council March | |
|---|-------------------|--------------------|-------------------|-------|--|--------------------|
| | | | | | 2018 | Amended 2018/19 |
| Total Capital Expenditure | 3,413 | 7,283 | 3,233 | | 3,657 | 7,409 |
| Financing - Housing Revenue Account | | | | | | |
| Major repairs reserve | (3,262) | (4,111) | (2,801) | | (3,176) | (4,096) |
| Direct revenue contributions | (32) | (2,837) | (85) | | (481) | (3,233) |
| Section 106 | (102) | - | (92) | | - | - |
| Capital receipts | - | (156) | (156) | | - | - |
| Government grant | (17) | (179) | (99) | | - | (80) |
| Total Capital Financing | (3,413) | (7,283) | (3,233) | | (3,657) | (7,409) |
| Net Financing need (External Borrowing) | 0 | 0 | 0 | | 0 | 0 |

CAPITAL FINANCING REQUIREMENT

Each year, the Council finances the capital programme by a number of means, one of which could be borrowing. The Capital Financing Requirement (CFR) represents the cumulative amount of borrowing that has been incurred to pay for the Council's capital assets, less amounts that have been set aside for the repayment of debt over the years. The Council is only allowed to borrow long term to support its capital programme. It is not allowed to borrow long term to support its revenue budget.

| CAPITAL FINANCING REQUIREMENT | 2016/17 | | 2017/18 | | Notes | 2018/19 as |
|-------------------------------|---------------|---------------|---------------|--------|-------|---------------|
| | Actual | Revised | Actual | Actual | | agreed by |
| | £000 | £000 | £000 | £000 | | Council March |
| General Fund | 6,158 | 5,912 | 5,912 | | 2018 | 5,676 |
| Housing Revenue Account | 45,099 | 43,435 | 43,435 | | | 41,771 |
| Total | 51,257 | 49,347 | 49,347 | | | 47,447 |

HRA LIMIT ON INDEBTEDNESS

The Council is required to report the level of the limit imposed (or subsequently amended) at the time of the implementation of self-financing by the Department for Communities and Local Government. This is to be compared to the Housing Revenue Account capital financing requirement.

| PRUDENTIAL INDICATOR | 2016/17 | 2017/18 | 2017/18 | Notes | 2018/19 as agreed by Council March 2018 |
|-------------------------------|---------|---------|---------|-------|---|
| | Actual | Revised | Actual | | |
| | £000 | £000 | £000 | | |
| Limit on indebtedness | 60,285 | 60,285 | 60,285 | | 60,285 |
| Capital Financing Requirement | 45,099 | 43,435 | 43,435 | | 41,771 |
| Headroom | 15,186 | 16,850 | 16,850 | | 18,514 |

GROSS DEBT AND THE CAPITAL FINANCING REQUIREMENT

This indicator compares the Capital Financing Requirement to the level of external debt and shows how much of the capital programme is financed from internal resources. The capital programme is partially funded in the short to medium term by internal resources when investment interest rates are significantly lower than long term borrowing rates. Net interest payments are, therefore, optimised.

| PRUDENTIAL INDICATOR | 2016/17 | 2017/18 | 2017/18 | Notes | 2018/19 as agreed by Council March 2018 |
|-------------------------------|---------|---------|---------|-------|---|
| | Actual | Revised | Actual | | |
| | £000 | £000 | £000 | | |
| Capital Financing Requirement | 51,257 | 49,347 | 49,347 | | 47,447 |
| External debt | 45,870 | 43,898 | 43,898 | | 42,076 |
| Internal borrowing | 5,387 | 5,449 | 5,449 | | 5,371 |

OPERATIONAL BOUNDARY AND AUTHORISED LIMIT

The Council must set an operational boundary and authorised limit for external debt. The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It reflects the decision on the amount of debt needed for the Capital Programme for the relevant year. It also takes account of other long term liabilities, which comprise finance leases, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt. The Council has none of these at present.

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

| PRUDENTIAL INDICATOR | 2016/17 | 2017/18 | 2017/18 | Notes | 2018/19 as agreed by Council March 2018 |
|----------------------------------|---------|---------|---------|-------|---|
| | Actual | Revised | Actual | | |
| | £000 | £000 | £000 | | |
| Operational boundary - borrowing | 71,538 | 72,934 | 72,934 | | 66,868 |
| Authorised limit - borrowing | 79,486 | 81,038 | 81,038 | | 74,298 |

RATIO OF FINANCING COSTS TO NET REVENUE STREAM

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

| ESTIMATE OF THE RATIO OF FINANCING COSTS TO NET REVENUE | 2016/17 | 2017/18 | 2017/18 | Notes | 2018/19 as agreed by Council March 2018 |
|---|---------|---------|---------|-------|---|
| | Actual | Revised | Actual | | |
| | £000 | £000 | £000 | | |
| General Fund | 0.51 | 0.53 | 0.33 | | 0.23 |
| Housing Revenue Account | 47.52 | 71.98 | 45.16 | | 48.65 |

INTEREST RATE EXPOSURE

Tendring District Council currently has all its borrowings at fixed rate and usually has a mixture of fixed and variable rate investments. This indicator is set to control the Council's exposure to interest rate risk.

| PRUDENTIAL INDICATOR | 2016/17 | 2017/18 | 2017/18 | Notes | 2018/19 as |
|---|---------|---------|---------|-------|---------------|
| | Actual | Revised | Actual | | agreed by |
| | £000 | £000 | £000 | | Council March |
| | | | | | 2018 |
| | | | | | £000 |
| Upper limit for Fixed Interest Rates on debt | 51,257 | 49,347 | 49,347 | | 47,447 |
| Upper limit for Variable Interest Rates on debt (based on 30% of the fixed rate limit) | 15,377 | 14,804 | 14,804 | | 14,234 |

TOTAL PRINCIPAL SUMS INVESTED FOR PERIODS LONGER THAN 364 DAYS (excluding property)

Interest rate risk is also affected by the proportion of the investments invested at fixed rates for longer periods, especially in a period when rates are expected to rise.

| PRUDENTIAL INDICATOR | 2016/17 | 2017/18 | 2017/18 | Notes | 2018/19 as |
|--|---------|---------|---------|-------|---------------|
| | Actual | Revised | Actual | | agreed by |
| | £000 | £000 | £000 | | Council March |
| | | | | | 2018 |
| | | | | | £000 |
| Limits on the total principal sum invested to final maturities longer than 364 days | 3,500 | 3,500 | 0 | | 3,500 |

MATURITY STRUCTURE OF FIXED RATE BORROWING

This indicator is set to control the Council's exposure to refinancing risk. The limits are set for each age range to ensure that the Council avoids too many fixed rate loans being matured at one time and spreads the maturity across several periods. The percentages for the upper and lower limits do not add up to 100% as they do not represent an actual allocation.

| PRUDENTIAL INDICATOR | Upper limit | Lower limit | Actual outstanding debt maturity | | 2018/19 as agreed by Council March 2018 |
|--------------------------------|-------------|-------------|----------------------------------|--|---|
| | | | % at | | |
| | % | % | 31/03/2018 | | 31/03/2019 |
| Under 12 months | 25 | 0 | 4.15% | | 4.19% |
| 12 months and within 24 months | 30 | 0 | 4.02% | | 4.09% |
| 24 months and within 5 years | 60 | 0 | 12.79% | | 12.63% |
| 5 years and within 10 years | 75 | 0 | 22.73% | | 22.92% |
| 10 years and above | 95 | 25 | | | |
| 10-20 years | | | 18.81% | | 17.90% |
| 20-30 years | | | 3.33% | | 2.61% |
| >30 years | | | 34.17% | | 35.65% |

TREASURY INDICATOR - EXPOSURE TO CREDIT RISK

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) using the rating applicable when it is taken out and taking the arithmetic average, weighted by the size of each investment. Investments in government instruments such as DMO, treasury bills and in local authorities are scored as 1.

| TREASURY INDICATOR | 2016/17 Actual | 2017/18 Actual | 2018/19 Upper limit |
|--------------------------------------|----------------|----------------|---------------------|
| Average credit score for investments | 1.56 | 1.39 | 2.00 |

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| | | | |
|-------------------------------|------------|-----------------------------|------------|
| Key Decision Required: | Yes | In the Forward Plan: | Yes |
|-------------------------------|------------|-----------------------------|------------|

CABINET

13 JULY 2018

REPORT OF THE PORTFOLIO HOLDER FOR HOUSING

A.3 THE DEMOLITION OF THE HONEYCROFT SHELTERED HOUSING SCHEME (Report prepared by Tim Clarke)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek agreement from Cabinet to demolish the main scheme building at Honeycroft.

EXECUTIVE SUMMARY

Following Cabinet’s decision on 23rd March 2018 the main scheme building at Honeycroft has remained closed.

Although vacant the property still incurs costs to the Housing Revenue Account (HRA).

The condition of the building is such that demolition is the only viable course of action whilst a decision is taken on the future of the site as a whole.

Therefore, it is proposed that the building be demolished which will provide estimated annual savings to the Housing Revenue Account (HRA) of **£37,000**. Options in respect of the future for the site will be brought back to Cabinet once fully evaluated.

RECOMMENDATION(S)

It is recommended that Cabinet agrees that:

1. **the Corporate Director (Operational Services) be authorised to make arrangements for the demolition of the main scheme building at Honeycroft; and**
2. **further work be continued by officers, in consultation with the Portfolio Holder for Housing, exploring the future use of the site after detailed financial modelling within the HRA and subject to the emerging Housing Strategy. Consultation on proposed future options to include Lawford Parish Council.**

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The decisions will contribute to the following priorities in the Corporate Plan 2016-2020:

Health and Housing – The proposals mark a further step towards providing more suitable accommodation on the site.

Our Council Our Community – The demolition of the building will provide confidence to the community and existing bungalow residents that the Council is taking positive action in relation to the future of the site.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The cost of demolition has been estimated at up to £250,000 based on a quotation obtained in May 2018. A formal procurement exercise will be carried out to ensure the best price is obtained.

It is proposed that the cost of demolition will be taken from the existing HRA Capital Programme.

A formal valuation of the site, as would normally be required when the use of a building is to be changed, has not been obtained at this stage and will be carried out as part of an options appraisal into the future of the site that will be subject to a future Cabinet decision.

As reported to Cabinet on 23 March 2018, the ongoing costs once fully vacant total **£49,877**, which will continue until such time as a decision is made on the future of the Honeycroft site. The amount includes one-off costs associated with security, etc. but is comparable to the annual net ongoing cost of **£84,356** if the scheme had remained open and operational and occupied at average historic levels

Following Cabinet's agreement to close the scheme at its meeting on 23 March 2018, the difference between the two figures above has therefore already been removed from the budget.

If it is now agreed to demolish / dispose of the site, then further reductions in costs can be secured. Of the **£49,877** figure set out above, it is possible to reduce the budget by a further **£37,000** on an ongoing basis. The difference relates to employee costs which are charged across a number of sheltered schemes and these will be revisited as part of the wider review of sheltered housing that will be included within the Housing Strategy that is currently be developed.

Risk

There are few risks associated with the proposals:

Financial – the costs of demolition and making good of the neighbouring building could be higher than estimated but this risk will be minimised through a robust procurement exercise and officers believe that the maximum of £250,000 allocated from the HRA Capital Programme will cover all of the associated costs.

Reputational – the longer the building remains vacant for, the more likely it is to attract unwanted attention through vandalism, etc. Residents of the bungalows on the site are concerned about security and safety. This risk can be mitigated by initiating demolition as soon as possible.

LEGAL

The proposed actions are within the Council's legal powers

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Area or Ward affected – Ward Members from Lawford will be informed of the proposals.

Consultation - residents of the bungalows on site will be consulted and advised on the process of demolition which might cause some disruption to them for a limited period of time.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

At its meeting on 23rd March 2018 Cabinet took the decision to close both the Honeycroft and Spendells sheltered housing schemes.

Both schemes are now vacant and this report focusses on the immediate future of the main scheme building at Honeycroft.

Honeycroft

Since the main scheme building at Honeycroft became vacant in October 2017 following legionella concerns it has been closed down. Unfortunately during the cold weather a water supply pipe burst on the first floor which resulted in some significant water damage to part of the building.

The condition and suitability of the building prior to closure have been documented in the previous reports to Cabinet on 10th November 2017 and 23rd March 2018.

The building is currently costing the HRA £49,877 annually and these costs cannot be avoided unless the building is demolished.

A basic quote for the demolition of the building of £130,000 has been provided to the Council as a guide. Additional costs associated with wildlife surveys, statutory undertakings, asbestos removal and disposal of all rubble from site will add to that figure.

Officers estimate that the total figure for demolition of the building including removal of the foundations and floor slab and making good to the neighbouring property are likely to be over £200,000 but the true costs will not be known until more detailed quotes are obtained and the work commences on site. This is a one-off cost to the HRA Capital Programme after which the site will require only monitoring and basic grounds maintenance. A formal procurement exercise will be undertaken to ensure value for money and suitability of contractor. Officers believe that a budget allocation of £250,000 will cover all costs involved in the safe demolition of the building and basic landscaping.

An alternative to demolition is to explore the sale or lease of the building on the open market. Given its condition and the fact it is on a site containing eight sheltered bungalows and a small block of general needs flats it is not deemed feasible to sell or lease the building as it is and any future use would need to be compatible with the existing uses on site. Once the demolition has taken place the future of the site as a whole can be considered in accordance with the emerging Housing Strategy.

By way of update, officers are working on future options for the Spendells House site in Walton and a report will be brought forward in due course for a decision.

BACKGROUND PAPERS FOR THE DECISION

Report to and Minutes of Cabinet - November 2017

Report to and Minutes of Cabinet - 23rd March 2018

APPENDICES

None

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