



RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE

AGENDA

DATE:	Tuesday, 5 March 2024
TIME:	7.30 pm
VENUE:	Committee Room - Town Hall, Station Road, Clacton-on-Sea, CO15 1SE

MEMBERSHIP:

Councillor P Honeywood (Chairman)
Councillor M Cossens (Vice-Chairman)
Councillor Bensilum
Councillor Doyle
Councillor Griffiths

Councillor S Honeywood
Councillor Newton
Councillor Smith
Councillor Steady

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DATE OF PUBLICATION: Monday, 26 February 2024

AGENDA

1 Apologies for Absence and Substitutions

The Committee is asked to note any apologies for absence and substitutions received from Members.

2 Minutes of the Last Meetings (Pages 1 - 38)

To confirm and sign as correct records, the minutes of the meetings of the Committee, held on 19 September 2023 and 10 January 2024.

3 Declarations of Interest

Councillors are invited to declare any Disclosable Pecuniary Interests, Other Registerable Interests of Non-Registerable Interests, and the nature of it, in relation to any item on the agenda.

4 Questions on Notice pursuant to Council Procedure Rule 38

Subject to providing two working days' notice, a Member of the Committee may ask the Chairman of the Committee a question on any matter in relation to which the Council has powers or duties which affect the Tendring District and which falls within the terms of reference of the Committee.

5 Portfolio Holder Introduction - Portfolio Holder for Housing & Planning

The Resources and Services OSC recorded at its meeting on 21 June 2023 (minute 21 refers) that there was, in its view, value in inviting to each of its next several meetings, a different Portfolio Holder to address it on the focus for their Portfolio. For this meeting, Councillor Baker (Portfolio Holder for Housing & Planning) has been invited to address the Committee in respect of his Portfolio. Previously, the Committee has been addressed by the Leader & Corporate Finance and Governance Portfolio Holder (Cllr M Stephenson) and the Deputy Leader & Economic Growth, Regeneration and Tourism Portfolio Holder (Cllr I Henderson). The purpose of the invitation is to enable the Portfolio Holder to provide a broad introduction to their Portfolio, including their current issues and challenges (as well as priorities for 2024/25).

6 Review of the Work Programme (Pages 39 - 56)

The report provides the Committee with an update on its approved Work Programme for 2023/24 (including progress with enquiries set out in its Work Programme), feedback to the Committee on the decisions in respect of previous recommendations from the Committee in respect of enquiries undertaken and a list of forthcoming decisions for which notice has been given since publication of the agenda for the Committee's last meeting.

7 Treasury Management Update (Pages 57 - 104)

The Chief Financial Officer will report during the course of the financial year on the Council's Treasury Management performance and activities. Such reports to be considered by Cabinet and the Resources and Services Overview and Scrutiny Committee.

The purpose of this report is to enable the Committee to review the Annual Capital and Treasury Strategy for 2024/25 (including the Prudential and Treasury indicators).

8 On street parking arrangements in the District (Pages 105 - 116)

The enquiry scope is as follows:

“On street parking arrangements in the District – and parking PCNs, Permits, Traffic Regulation and enforcement. The Council's participation in the North Essex Parking Partnership (NEPP), the work and business model of the Partnership.”

In respect of the NEPP, the enquiry will consider the role of the Council within the Partnership, the overall financial risks to the Council and the work of the Partnership to support road safety e.g. outside of schools and shortterm parking in shopping areas and its contribution to the economic success of those shopping areas.

Invitations have been sent to representatives of Essex County Council and the NEPP for them to assist the enquiry. Likewise, an invitation has been sent to the Portfolio Holder for Leisure and Public Realm (as the Council's representative on the NEPP). Relevant officers of this Council have also been invited to support the enquiry.

[Note: This enquiry was originally allocated to the Community Leadership Overview and Scrutiny Committee. However, with the agreement of the Chairmen of the two Committees the enquiry is to be undertaken by this Committee.]

Date of the Next Scheduled Meeting

The next meeting of the Resources and Services Overview and Scrutiny Committee is to be scheduled.

Information for Visitors

FIRE EVACUATION PROCEDURE

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**MINUTES OF THE MEETING OF THE RESOURCES AND SERVICES OVERVIEW
AND SCRUTINY COMMITTEE,
HELD ON TUESDAY, 19TH SEPTEMBER, 2023 AT 7.30 PM
IN THE SUNSPOT - SUNSPOTS**

Present:	Councillors P Honeywood (Chairman), Doyle, Griffiths, S Honeywood, Newton, Scott, Smith and Steady
Also Present:	Councillor I Henderson, Portfolio Holder Economic Growth, Regeneration and Tourism
In Attendance:	Lee Heley (Corporate Director (Place & Economy)), Keith Simmons (Head of Democratic Services and Elections), Barbara Pole (Economic Growth & Enterprise Manager), William Lodge (Communications Manager) and Keith Durran (Committee Services Officer)

23. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absence were received from Councillor Bensilum (with Councillor Scott substituting) and Councillor Cossens.

24. MINUTES OF THE LAST MEETING

It was **RESOLVED** that the minutes of the last meeting of the Committee, held on Tuesday 27 June 2023, be approved as a correct record.

25. DECLARATIONS OF INTEREST

There were no declarations of interest by Councillors in relation to any item on the agenda for this meeting.

26. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38

On this occasion no Councillor submitted notice of a question.

27. DEPUTY LEADER'S INTRODUCTION TO THE ECONOMIC GROWTH, REGENERATION AND TOURISM PORTFOLIO AND ITS FOCUS

The Portfolio Holder for Economic Growth, Regeneration, and Tourism outlined the Councils administration's commitment to delivering tangible benefits to local residents. The Committee heard of the ongoing consultation on the emerging corporate plan, emphasizing themes such as pride in the area, raising aspirations, championing the local environment, working with partners, and ensuring financial sustainability and openness. The Portfolio Holder highlighted priority projects within his Portfolio, including the Sunspot development, Orwell Place in Harwich, and the significant "Levelling Up" initiatives, aimed to turn words into reality for community benefits.

The Committee also heard details of various projects under his Portfolio, such as a Content Hub, improvements to town centres, and the Freeport East initiative, which

aimed to bring skills training and job opportunities to the region. He highlighted the success of the Freeport-related developments and the positive impact on the local economy.

It was reported to Members that the UK Shared Prosperity Fund, with 54 applications/bids received to the value of £1.2 billion against a £500,000 budget, officers were now working through those bids. The Portfolio Holder expressed optimism about the potential benefits for skills, town centres, and the visitor economy. He concluded by mentioning the 30th-anniversary celebration of an air show in Clacton on Sea and the Council's commitment to reviewing and improving the event for the following year. Despite acknowledging financial challenges, the Portfolio Holder commended the Council's community leadership role and recognized the hardworking team contributing to the projects.

The Committee thanked the Portfolio Holder for his update.

28. REVIEW OF THE WORK PROGRAMME

The Committee heard from the Chairman of Committee, who was also Chairman of the Enforcement Arrangements Task and Finish Group, that the Task and Finish Group had met for its first meeting on 14 September 2023 and was now in the process of setting a date for its second meeting.

The Committee considered and noted the progress set out in its Work Programme 2023/24 as submitted to the meeting.

29. POST DELIVERY SCRUTINY OF THE SUNSPOT COMMERCIAL WORKSPACE

In accordance with the decision of Council on 11 July 2023 (minute 37 refers) the Committee undertook a post decision scrutiny of the Sunspot commercial workspace in Brooklands, Jaywick Sands. As part of its enquiry, immediately prior to the Committee's meeting, its Members had been provided with a tour of the new premises and the adjacent community garden. During the tour the Committee's Members had met with the intended operator of the café on site.

The Portfolio Holder for Economic Growth, Regeneration and Tourism spoke to the Committee and expressed gratitude for the support received and provided an update on the Sunspot project, highlighting its positive progress. He mentioned the availability of 24 affordable commercial units, with 14 businesses already signed up, surpassing the initial expectation set out in its business plan. The operations and facilities manager, though absent for this meeting due to illness, was now employed to support tenants, and the Deputy Leader outlined the diverse spaces within the building, including a covered market, committee room, and a café with an experienced operator.

The Portfolio Holder also emphasized the potential for skills development and job opportunities within the project, citing the café's intention to take on apprentices. They acknowledged past challenges, including cost overruns and delays, attributing them to capital cost inflation and external factors such as the COVID-19 pandemic. Despite the challenges, he likened the project's journey to overcoming a "perfect storm" and

acknowledged the collective effort to reach the current stage. He also acknowledged Essex County Council's funding support.

The Corporate Director for Place and Economy (Lee Heley) addressed concerns related to costs and provided a detailed timeline of the Sunspot project. The feasibility study commenced in January 2020, and the application for further funding to the local Enterprise Partnership was submitted in September 2020. The initial estimate was 13 units for £1.97 million. Changes, including an increase to 24 units and an additional £300,000, were made after advisors reviewed the scope in February 2021.

Members heard that tenders were sought in December 2021 for a £2.1 million project. Cost consultants estimated a potential increase to £2.7 million, but the lowest tender came in at £3.9 million. Despite challenges, including cost overruns and delays, the decision was made to continue, securing investment from partners, including Essex County Council. The construction contract was awarded in April 2022.

The Corporate Director for Place and Economy highlighted the unique challenges faced, including unexpected ground conditions and the need for additional funding, leading to a total cost increase of £760,000. Refinancing was necessary, involving discussions with partners around the refinance process. The speaker emphasized the importance of closely monitoring costs, refining project scopes, and considering potential challenges for future projects.

It was reported to the Committee that the cost increases in the project were due to capital costs going up globally due to COVID and the Ukraine war.

It was **RESOLVED** to **RECOMMEND** to Cabinet:

- a) That the positive news about occupancy rates for the Sunspot Centre, Jaywick Sands and the intentions around the on-site market be noted; and
- b) that the capacity and expertise of the Council in costing and programme managing major capital schemes of the Council be strengthened to avoid or minimise unforeseen “mission creep” in schemes and unrealistic cost assessments being presented as part of approval mechanisms (that then needing to be repeated when true market costings are subsequently identified).

It was further **RESOLVED**:

- c) That delivery against the business plan compared with the experience in the first six months operation of the Sunspot Centre, Jaywick Sands be confirmed in the Committee's Work Programme for April 2024.

30. CORPORATE PLAN (OUR VISION) CONSULTATION

The Members had before them a report that outlined how Tendring had amazing opportunities and some deep-seated challenges. The Council's emerging Corporate Plan for 2024 -2028, would reflect this as the Council's focus. It needed to recognise the challenging financial position, with financial sustainability being key for delivery. The Council also recognised that it was a deliverer, influencer and facilitator, which would be the only way it could achieve ambitious Corporate Plan aspirations.

The report explained that the Council had an established set of arrangements to set out its long and medium term aims and to monitor progress in delivering them. This included a long-term Corporate Plan (agreed by Full Council), Annual Priorities and Projects in line with the Corporate Plan (agreed each year by Cabinet), and quarterly performance reporting. In addition, Departmental Plans were prepared annually at an operational management level to deliver against the long-term corporate plan.

The Committee was made aware that Cabinet on 27 July 2023 had approved the following (minute 23 refers).

- a) Notes and endorses the initial emerging themes for a Corporate Plan (Our Vision) for 2024-28 as set out at Appendix A to the report it was considering;
- b) requests officers to undertake consultation with the public, stakeholder organisations, Councillors and staff on the initial emerging themes referred to in (1) above;
- c) receives the outcome of that consultation to the meeting of Cabinet on 10 November 2023 with a view to development of finalised Corporate Plan (Our Vision) themes for 2024-28 being then recommended to Council on 28 November 2023; and
- d) endorses engaging a social research company to support the consultation referred to in (2) above and, in view of the limited capacity within the Council, authorises that the costs of that support (up to £25,000) be met from corporately accrued vacancy savings to date in 2023/24, where this will not impact on service delivery.

The consultation was still underway on the emerging themes and all Councillors could respond in that capacity as well as in their capacity as residents.

Picking up on the themes already referred to, the Cabinet would be developing its highlight priorities for 2024/25 and these could be considered by the Committee too.

It was **RESOLVED** to note the report to cabinet on 27 July 2023 in respect of the emerging Corporate Plan.

The meeting was declared closed at 8.17 pm

Chairman

**MINUTES OF THE MEETING OF THE RESOURCES AND SERVICES OVERVIEW
AND SCRUTINY COMMITTEE,
HELD ON WEDNESDAY, 10TH JANUARY, 2024 AT 6.45 PM
IN THE COMMITTEE ROOM - TOWN HALL, STATION ROAD, CLACTON-ON-SEA,
CO15 1SE**

Present:	Councillors P Honeywood (Chairman), M Cossens (Vice-Chairman), Bensilum, Griffiths, S Honeywood, Newton, Smith and Steady
Also Present:	Councillors Baker (Housing & Planning Portfolio Holder), Barry (Leisure & Public Realm Portfolio Holder) and M Stephenson (Leader of the Council & Corporate Finance and Governance Portfolio Holder) (all item 34 (part) only)
In Attendance:	Lisa Hastings (Deputy Chief Executive & Monitoring Officer), Damian Williams (Corporate Director (Operations and Delivery)), Lee Heley (Corporate Director (Place & Economy)), Gary Guiver (Director (Planning)), Richard Barrett (Assistant Director (Finance & IT) and Section 151 Officer), Ian Ford (Committee Services Manager), Keith Durran (Committee Services Officer) and Bethany Jones (Committee Services Officer)
Also in Attendance:	Anastasia Simpson (Assistant Director (Partnerships))

31. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

An apology for absence was received from Councillor Doyle (with no substitution).

32. DECLARATIONS OF INTEREST

There were no declarations of interest by Councillors in relation to any item on the agenda for this meeting.

33. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38

On this occasion no Councillor submitted notice of a question.

34. GENERAL FUND AND HRA BUDGET PROPOSALS 2024-25

The Committee heard how the initial General Fund and the Housing Revenue Account (HRA) Budget proposals for 2024/25 had been considered by Cabinet on 15 December 2023.

The Committee had been provided, as part of the material for them to consider, the following:

- 1) Appendix A, Updated General Fund Financial Forecast / Budget 2024/25

At its meeting on 15 December 2023, it was resolved that Cabinet:

- a) *approves the updated Financial Forecast and proposed budget position for 2024/25 as set out in report the Cabinet report and its appendices (Appendix A); and*
 - b) *requests the Overview and Scrutiny Committees' comments on this latest financial forecast and proposed budget position for 2024/25.*
- 2) Appendix B, Updated Housing Revenue Account Business Plan and Budget Proposals 2024/25

At its meeting on 15 December 2023, it was resolved that Cabinet:

- (a) *approves the updated Housing Revenue Account (HRA) 30 year Business Plan, which includes the proposed revised position for 2023/24 along with budget proposals for 2024/25; and*
- (b) *requests the Resources and Services Overview and Scrutiny Committee's comments on this latest HRA financial forecast.*

The Committee had before them the Leader of the Council, supported by the Assistant Director of Finance and IT, the Portfolio Holder for Housing and Planning, supported by the Corporate Director for Operations & Delivery and the Portfolio Holder for Leisure and Public Realm, supported by the Corporate Director for Place and Economy.

A series of written questions had been previously compiled by the Committee and put to the Portfolio Holders. The Portfolio Holders' responses had been provided in writing and circulated to the Committee prior to the commencement of the meeting. The Minutes of this meeting record those questions and responses below. Further supplementary questions were asked of Cabinet Members and responses provided and they are also recorded below.

During the question and answer section of this item, Councillor Steady, with the aim of transparency, reminded the Committee that both he and Councillor Barry were Members of Brightlingsea Town Council.

<u>Question to which Portfolio Holder</u>	<u>Question from Member of the Committee</u>	<u>Submitted Question</u>	<u>Answer from Portfolio Holder</u>
HOUSING REVENUE ACCOUNT			
Cllr Baker	Cllr P Honeywood	Can you set out for me how the HRA budget aligns with the Council's approved existing Housing Strategy 2020-2025 'Delivering Homes to meet the needs of local people'?	I do not believe it does, the Strategy was published just before we were hit with the Covid pandemic, and since then we have seen high inflation, meaning higher prices, along with the current Cost of Living crisis. The aspiration to

			<p>build/deliver 200 new council homes was highly ambitious, however currently the demands of impending regulation from the Regulator of Social Housing, building safety, a new decent homes standard and an increasing claims culture, are factors that take use of resources away from these aspirations, and towards ensuring the existing stock meets the appropriate standards, and is upgraded where necessary.</p> <p>The demands on the services supporting the HRA and Housing Stock are putting a strain on resources and I, together with officers, will be considering our approach to the scope of the Housing Investment Programme, recharges, procurement, and the use of any headroom within the 30-year business plan, which are considered necessary in order to meet the challenges ahead.</p> <p>Within the next few weeks, I will be speaking with officers to review the Housing Strategy 2020 – 2025, and am hoping to bring forward a revised strategy by the end of 2024.</p>
Cllr Baker	Cllr P Honeywood	<p><u>Supplementary questions</u></p> <p>Are we looking at joint ventures as a way to increase the Council's stock?</p> <p>It appears that the Council is</p>	<p>A written answer will be provided to this Committee.</p> <p>The original strategy had big aspirations that we</p>

		moving further away from the housing strategy, which was decided by Full Council last year, can this be explained?	feel need to be reviewed, so we are constantly reviewing and revising it, but we are not looking to rewrite it.
Cllr Baker	Cllr Steady	<p>Is the HRA sustainable with the current size of the Council's social housing stock? From a budgetary point of view, if there was an optimal size of housing stock what would that be?</p> <p>Thinking of the public purse, is the Council actively taking steps to identify and dispose of those Council homes that take disproportionately greater amounts of maintenance/cost more to maintain (including any are listed); replacing those with homes acquired using the receipt for the disposed of properties? If not, should that not be actively pursued?</p> <p>The Council has a stated policy of aspiring to deliver 200 additional Council homes in the District by 2025 (100 being in Jaywick Sands</p>	<p>The Council has a 30 year business plan for the housing service that demonstrates the future sustainability of the service based on all of the current circumstances and information.</p> <p>I do not think I can give an answer to that question, as I have just stated the Council has a 30-year business plan, which is currently sustainable, in regard to our current stock. Social Housing provision is a challenging environment, and providers, big and small, are facing significant challenges in meeting their own aspirations. Therefore, officer resource is directed at dealing with the stock we have.</p> <p>The disposal of any dwelling requires careful evaluation and the consent of the Secretary of State. There are a number of properties within the current housing stock that take a disproportionate amount of resource to maintain/repair, and therefore it is considered that it would be better for those to be disposed of, in order that resources can be focussed on the</p>

		<p>and 100 in other parts of the District). Is this a continuing commitment of this administration?</p> <p>Has any consideration been given to the transfer of the M&S store building in Clacton on Sea, to the HRA for conversion to Housing? If not the whole store, would it not be helpful to consider the upper floor for a Living Over the Shop (LOtS) scheme?</p> <p>Can you set out for us the main loans used to fund the purchase of the Council's housing stock and when those loans have or will be settled? In this regard, on page 59 of the agenda pack it shows at line 10 the interest payments and line 11 the principal payments on those loans. In 2027/28, the interest payments reduce by some £330K. per annum. What does Cabinet propose to do with this opportunity?</p>	<p>remaining stock. A number of proposals are currently being prepared for formal consideration. It is highly likely that further properties will be identified and a framework to deal with this, in the form of a Housing Asset Management Plan, is currently being prepared for formal consideration.</p> <p>There is a commitment of this administration to add properties into our housing stock, by the various means available, and where it is affordable to do so. As I have stated already, the aspiration to build/deliver 200 homes within the current Housing strategy was highly ambitious, but I personally do not believe that figure is achievable within the current strategy's time period. I have already outlined what I propose to do in regard to the Housing Strategy.</p> <p>The building is currently under lease, until 2027, and is occupied by a retailer. There are a number of use and conversion options that may be considered in the future.</p> <p>The following 6 loans were taken out to fund the 'purchase' of the Council's Housing Stock back in 2012: Loan 1 £1.5m over 5 years with the loan being</p>
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			<p>fully repaid in 2017 Loan 2 £2.5m over 10 years with the loan being fully repaid in 2022 Loan 3 £5m over 15 years with the loan being fully repaid in 2027 Loan 4 £7.5m over 20 years with the loan being fully repaid in 2032 Loan 5 £8.5m over 25 years with the loan being fully repaid in 2037 Loan 6 £11m over 30 years with the loan being fully repaid in 2042</p> <p>You are asking me to comment about something 3 years away, but I would suggest that any reduction in outgoing payments would be retained within the HRA account to support that budget, as although it may seem we will be £300k better off, but no one can predict what the maintenance costs, or other costs, within the HRA budget, might be at that time.</p>
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<u>Question to which Portfolio Holder</u>	<u>Question from Member of the Committee</u>	<u>Question to be asked</u>	<u>Answer from Portfolio Holder</u>
GENERAL FUND BUDGET			
Cllr Stephenson	Cllr P Honeywood	<p>In relation to the overall budget.</p> <p>What measures have you taken already and will take to ensure the expenditure in your Portfolio contributes to the savings requirement set out in the proposed budget for 2024/25, 2025/26 and 2026/27?</p>	<p>We have been and we will be continuing to work with Officers in the weeks and months ahead to identify options to support the Council's long-term financial future. The forecast risk fund has provided us with the time and flexibility to make well informed decisions and it is essential that we use this time wisely to maximise opportunities such as securing efficiencies, getting the most out of assets and generating additional income where possible. However, we recognise that given the scale of the savings required, avoiding reductions to the services we currently provide will not be possible. No member wants to see reductions in services but we need to recognise the tough decisions that have to be made, as the alternative is far worse. We do not want to end up like various Council's across the country that cannot set a balanced budget and have run out of money, which will have such a detrimental knock on impact on their local people and communities and will likely take them</p>

			<p>years to recover. In reflecting on our pledge to be open, honest and transparent we need to make sure we both inform and involve members and our residents in the associated activities and be clear about why such decisions will be necessary.</p> <p>Additional comments across the various portfolios are set out elsewhere in response to questions to the Portfolio Holders.</p>
Cllr Stephenson	Cllr P Honeywood	<p><u>Supplementary Questions</u></p> <p>Having read the report and the answers you have already supplied to my questions, I find them lacking detail, could you be more specific in how you are going to make up the shortfalls in the budget?</p>	<p>At present we are looking at:</p> <p>Careline review, this is underway and looking favourable.</p> <p>Homelessness, pushing Spendells to completion has helped us realise cost savings.</p> <p>Leisure, we are looking at ways to reduce our energy consumption and water bills but some of these solutions are too sensitive to talk about in this meeting. We have received a £200,000 grant from Government under a "Save the Swimming Pools" initiative.</p> <p>While we can't make a profit we are continuously looking at ways to reduce cost.</p>

			We have to consider that closing the leisure centre would also infer its own costs and they must be taken into account for any decision can be made.
Cllr Stephenson	Cllr Cossens	Can we not put more effort into raising income rather than saving costs? This could be in conjunction with other Councils – has the Leader lobbied Government? (either on behalf of this Council or in conjunction with other Essex Authorities, or both)	As highlighted earlier, opportunities to generate additional income will continue to be an important element of supporting the Council's financial position now and in the future. The Council has always taken the opportunity to lobby the government wherever possible, which is something that I will be keen to continue doing, which may involve joining forces with our partners where necessary.
Cllr Stephenson	Cllr Cossens	<u>Supplementary Question</u> As Leader do you think that we could use scrutiny to engage with other Local Authorities and lobby Government to change the law that stops us a local authority from making a surplus?	While sharing your sentiment, I haven't seen an appetite from other Councils to engage in such lobbying.
Cllr Stephenson	Cllr P Honeywood	Applying for grant funding in a more proactive manner may be a way of taking forward Council priorities without incurring additional cost pressures on the Council. Does the Leader believe this would be a positive way forward and see this approach adopted wholeheartedly?	Maximising external funding opportunities will be essential going forwards. This is also something that fits neatly with the list of potential future cost pressures that was mentioned earlier where we can explore opportunities to lever in external funding against the various items identified and it will also undoubtedly be a key

			activity to support the delivery of our corporate priorities.
Cllr Stephenson	Cllr Griffiths	<p>Where are we with the sign off by the External Auditors of the previous year's accounts, which I believe still includes the accounts for 2020/21, and what are the risks of nasty surprises once they are signed off?</p> <p>Between 10 November and 15 December, the forecasts show £1.024M of additional cost increases. Over £1M in about 5 weeks. What does that say about the budget management going forward for the Council?</p>	<p>Frustratingly we are still awaiting the sign off of the 2020/21, 2021/22 and 2022/23 accounts by our outgoing Auditors. I understand that they will be providing an update to the next meeting of our Audit Committee towards the end of January. The risk of any surprises emerging from the audit of these outstanding accounts is negligible as the statement of accounts process relates more closely to the accuracy of the preparation and presentation of the Council's financial position rather than issues that will have a direct financial impact on the Council's budget.</p> <p>As set out in earlier Financial Performance report, it was highlighted that work remained ongoing with Departments and Portfolio Holders with the aim of remaining 'sighted' on potential future cost pressures for consideration as part of finalising the draft budget that will be presented to Cabinet in December 2023. Earlier reports also listed a number of potential items. The work undertaken to date has therefore been based on updating this cost pressure position. The list of potential future</p>

			cost pressures is maintained on a 'live' basis which demonstrates good budget management and therefore avoids surprises and ensures financial decisions are made in the context of the most complete financial picture as possible.
Cllr Stephenson	Cllr Griffiths	<p><u>Supplementary Question</u></p> <p>From a Cabinet point of view, is there concern that the mechanism for reporting costs may leave Cabinet members unsighted on both budgets and Council initiatives due to fluctuating forecasts?</p>	<p>I don't think Cabinet Members are short-sighted most of them meet with their relevant Directors and Officers almost on a week basis. I certainly meet mine on a weekly basis. Are we shortsighted on it? Definitely not.</p> <p>Historically we had quarterly reports, now with regular reporting we have a chance to get ahead of problems.</p>
Cllr Stephenson	Cllr Steady	Is there any opportunity through schemes to be funded from the Levelling Up Fund and Future of Towns projects in Clacton-on-Sea and the Government's Capital Regeneration Project in Dovercourt for the Council's own revenue or capital schemes to be reduced (by displacing that expenditure with Government funding)?	No, the schemes which we are bringing forwarded through additional levelling up funding aim to be cost neutral, given the capacity funding that comes with them, but they are required to be for additional work, not to replace current investment in services that the Council already provides.
Cllr Stephenson	Cllr Steady	<p><u>Supplementary Question</u></p> <p>If we're already partaking in</p>	I met with Government

		a scheme somewhere, a levelling up scheme or an initiative that is going to start adjacent to that, is there any way that there could be a spin-off for the initiative in as much that enhancing the overall scheme?	officials today, in Clacton, they're here for a long deep dive into our project pipeline and that question was asked. The answer is no, they were very clear that the money is for Clacton only.
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<u>Question to which Portfolio Holder</u>	<u>Question from Member of the Committee</u>	<u>Question to be asked</u>	<u>Answer from Portfolio Holder</u>
Cllr Baker	Cllr Doyle	<p>On page 55 of the Agenda Pack I see reference to a £0.5M cost pressure per year from next year due to homelessness – including temporary (or emergency) housing. This cost pressure is after taking account of the Spendells Scheme to provide a set of temporary/emergency housing units rather than booking bed and breakfast rooms. What plans are in place to avoid that cost pressure and otherwise reduce the cost of temporary/emergency housing? For instance, providing further units like Spendells?</p> <p>What is being done to limit the time and therefore expenditure, of people in temporary accommodation?</p>	<p>The project to bring Spendells House back into use is due to be completed by the end of the financial year 2023/24. The aim of that project is to reduce the cost pressures on the General Fund, That pressure will not be realised straight away but I am hopeful that it will be quite quickly. I am very committed in exploring the potential for similar schemes, both within the current housing stock and also by potential acquisition of suitable properties. I am unable to give exact details but I can confirm that officers, in consultation with me, have considered two potential sites for acquisition within the last six months. Unfortunately, neither was suitable but I, and officers, will continue to look for potential and suitable locations.</p> <p>I am determined that the Spendells Project will be delivered on time, and this will assist with reducing the expenditure on temporary accommodation. Homelessness is a national problem, being a consequence of the broader housing and affordability crisis and</p>

			<p>beyond the Council's immediate control, and budgetary pressures are created by the ever-increasing homelessness presentation being seen by local authorities across the country. Investing in increased staffing, I am determined that the service will be more proactive in preventing homelessness. I would also point out that a new Temporary Allocations Policy and Homelessness Prevention Policy will be coming forward to Cabinet in the very near future.</p> <p>Reducing the time spent in temporary accommodation is dependent on the availability of suitable, and affordable, rented accommodation, both in the private and social/affordable sections.</p> <p>The Council works proactively to source private sector landlords and to ensure that new developments contribute new affordable homes under planning obligations.</p> <p>I have also asked officers to look at using, on a short-term basis, those properties that are potentially going to be listed to be disposed of and currently void, to assist where possible as temporary accommodation.</p>
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Cllr Baker	Cllr Steady	<p><u>Supplementary Questions</u></p> <p>Homelessness is a national a national problem as you as you stated in in your answer in the last paragraph where you've sked officers to look at using short-term bases properties that are potentially going to be listed and disposed of. Are these Tendring Council properties?</p> <p>Have we considered a scheme, which has been utilised in other Authorities, whereby Glamping Pods are used within properties to give homeless people address? Primarily with the potential of using the M&S building in Clacton to facilitate it?</p>	<p>Yes, we do have a couple of voids that are on a list to be disposed of they are expensive to maintain, and we potentially would have to spend a lot of money to get them up to recent home standards, which is coming soon, but at the moment they are void so they're not being occupied. A couple of them can be used in this manner, as far I'm as aware one of them is being used but I'm not sure about the other one.</p> <p>The building you are speaking if is still under lease at present so that is not possible.</p> <p>They are called Homelessness Pods and I have spoken to Officers about this as I was at a presentation in relation to this topic, from a large social housing provider who has supplied 10 of these Pods to York Council, unfortunately those ones cost £100k each, but it is something I would like to explore further.</p>
Cllr Baker	Cllr P Honeywood	<p><u>Supplementary Questions</u></p> <p>What is the current situation with Voids?</p>	<p>We are at about 2%.</p>
Cllr Baker	Cllr P Honeywood	<p>In relation to the overall budget.</p> <p>What measures have you taken already and will take to</p>	<p><u>Housing:</u> A potential cost pressure of £500k to deal with homelessness has been identified, however as</p>

		<p>ensure the expenditure in your Portfolio contributes to the savings requirement set out in the proposed budget for 2024/25, 2025/26 and 2026/27?</p>	<p>already stated Spendells House is due to be completed by the end of the financial year 2023/2024. I am hopeful that will relieve some, not all, of the pressure, as no one can predict the number of people that will come to the council claiming to be homeless. Work on prevention is also key, and the more that we as a council can do to help in this is vital, and this is why a new Homelessness Prevention Policy is being brought forward soon. Helping to keep people in their homes is surely a much better option than having to be placed in temporary accommodation. Potentially acquiring more properties of our own, to be used as temporary accommodation, similar possibly to Spendells House, would also help, and I refer to my previous answer to Councillor Doyle's question.</p> <p><u>Planning:</u> The review of the Local Plan is to be progressed in line with overarching principles agreed by the Planning Policy and Local Plan Committee in December 2023 that include updating rather than re-writing the Plan, using best use of existing information and evidence and carrying out only proportionate, necessary</p>
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			<p>and affordable updates to relevant technical evidence – with the aim of ensuring the updated Plan has a sound basis whilst achieving best value for money for Tendring’s residents at a time of significant financial pressure.</p> <p>In the Development Management process, the Planning Team has been delivering various improvements to its processes and procedures to improve efficiency and performance in the determination of planning applications. This includes reviewing the local validation list and Council’s pre-application service with the intention of improving the quality of planning applications and to ease the amount of time and resource required to determine them. The Council has secured funding through the government’s planning skills grant to assist with this.</p> <p>Through increased training for Planning Committee Members, we look to minimise the risk of planning decisions that, on appeal, could be deemed unreasonable and that could expose the Council to awards of costs.</p>
Cllr Baker	Cllr Steady	The budget identifies £500,000 per annum for homelessness services – how can that be more effectively	I would refer you to my answer to Councillor Doyle’s question, and point out that the sum of

		delivered?	£500k is a forecasted 'cost pressure' for 2024/2025. As I have previously said, I believe more work to prevent people from becoming homeless is vital, and officers will be undertaking this going forward in line with the upcoming Homelessness Prevention Policy.
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<u>Question to which Portfolio Holder</u>	<u>Question from Member of the Committee</u>	<u>Question to be asked</u>	<u>Answer from Portfolio Holder</u>
Cllr Barry	Cllr P Honeywood	<p>In relation to the overall budget.</p> <p>What measures have you taken already and will take to ensure the expenditure in your Portfolio contributes to the savings requirement set out in the proposed budget for 2024/25, 2025/26 and 2026/27?</p>	<p>There are two broad areas I have focused on so far to bring contribute to savings.</p> <p>Firstly, energy reduction, as Leisure facilities use energy intensively. Further details are included in my answer to Cllr Steady, but if we are successful in current funding bids to the Swimming Pool Support Fund, in addition to the projects already funded such as the swimming pool covers, are projects to save well over £100,000 a year. The Council also applied for and received £388,717 from the Government's Swimming Pool Support Fund to cover additional energy costs for the three leisure centres.</p> <p>The second is to increase income, and here I have had the opportunity to build on the work started under the previous administration. The Leisure Centres have 4,800 members, which is expected to bring £1.2 Million a year. This is nearly double the number of members the gym had a year ago. This increase in income is a mix of the right pricing strategy and inclusive range of courses and activities on offer in our facilities. It also includes the 3G pitch which is now operational</p>

			<p>and bringing in £32K since opening in July.</p> <p>I look forward to bringing forward a Sports and Activity strategy in Spring to Cabinet, and financial sustainability will of course be part of that work.</p>
Cllr Barry	Cllr Steady	<p>What is being done in respect of Leisure Centres (including swimming pools) to reduce energy charges incurred in running those centres/pools?</p>	<p>To reduce energy charges incurred in running these facilities, the following is being undertaken:</p> <p>Variable speed drives have been installed across the leisure centre pools. Estimated energy savings per year are £12,500.</p> <p>Procurement for new LED lights across all leisure centres within the facilities and car parks is underway, and we hope to have a contractor appointed in February. The exact costs and savings will be established at that time, and orders will be raised following a decision by the corporate director, in consultation with the portfolio holder for corporate finance and governance.</p> <p>Contracts are being finalised at present for the pool covers across the centres, and it is hoped that these will be installed by the end of March. Estimated energy savings per year are £79,400.</p> <p>Two bids have been submitted to the Swimming Pool Support Fund Phase 2 for the following projects; TDC should hear back on</p>

			<p>whether they have been successful by the end of January:</p> <ol style="list-style-type: none"> 1. Oil boiler replacement at Clacton Leisure Centre. Estimated Energy Savings per Annum is £9,000 2. New Building Management System at Walton on the Naze Lifestyles Estimated energy savings per year are £4,050. 3. New Air Handling Unit at Walton on the Naze Lifestyles: Estimated Energy Savings Per Annum: £21,800 <p>Additionally, the appointment of contractors to prepare plans for lower-carbon heating systems in the council's estate is underway.</p>
Cllr Barry	Cllr Steady	<p><u>Supplementary Questions</u></p> <p>I am concerned that the "good news" stories are not getting out there enough.</p>	<p>The Communications Team do a great job in getting the news out there. Some of these are still going through the process and have not been published yet.</p> <p>The new Communications Strategy is being drafted and will be submitted to Cabinet in the near future. I do agree with the sentiment that TDC needs to do more to promote itself and be more visible to the public.</p>

Cllr Barry	Cllr Doyle	<p>What is being done to make Leisure Centres more cost neutral to the Council, including local tourism facility marketing, through hotels etc? By way of an example, there could be hotels without swimming pools offering access to the Council's pools for guests and thereby extending the offer from the hotel as well as bringing new trade to the Council's Leisure facilities with payment coming from the hotels.</p>	<p>I have set out in detail in answers to other councillors the work we have underway to increase income, to reduce energy costs, and to bring forward a Sports and Activity Strategy in the Spring.</p> <p>At present, Leisure Services uses social media, internal marketing, and also links into local schools to advertise activities, encouraging more people to take up sessions.</p> <p>This approach is working well, as demonstrated by the substantial increase in members, almost doubled to 4,800 overall and 3000 for Clacton Leisure Centre. The financial impact of these are referenced in my earlier reply to Cllr Paul Honeywood's question.</p> <p>In the past, there has been a direct arrangement with hotels and holiday parks whereby the leisure centres have provided passes for the pools to allow those staying in the local area to use the centres with their families and friends.</p> <p>We will review the potential to reinstate this offer in in our future marketing plans.</p>
Cllr Barry	Cllr Smith	<p>Who owns the solar panels on the Clacton Cricket Club pavilion next to the Clacton Leisure Centre in Vista Road, Clacton-on-Sea?</p>	<p>The solar panels are owned by a private company called Freetricity Commercial Limited. The company occupies the roof of the building under a 25 year and 6 month underlease granted by</p>

			Clacton Sports Club in March 2012.
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THE FOLLOWING QUESTIONS ARE TO PORTFOLIO HOLDERS WHO HAVE PROVIDED WRITTEN REPLIES AS FOLLOWS. AS THEY WERE NOT REQUIRED TO ATTEND THE COMMITTEE MEETING THE QUESTIONS AND REPLIES WILL NEED TO BE READ INTO THE RECORD OF THE MEETING.

<u>Question to which Portfolio Holder</u>	<u>Question from Member of the Committee</u>	<u>Question to be asked (followed by supplementary question(s) based on response – initially from questioner – and others only if time permits)</u>	<u>Answer from Portfolio Holder (If time is tight the question and the response may be read into the record rather than spoken)</u>
Cllr I Henderson	Cllr P Honeywood	<p>In relation to the overall budget.</p> <p>What measures have you taken already and will take to ensure the expenditure in your Portfolio contributes to the savings requirement set out in the proposed budget for 2024/25, 2025/26 and 2026/27?</p>	<p>The Economic and Tourism portfolio has focused on bringing funding into the Council to deliver priorities, and drawing on the capacity funding that comes alongside the awards to enable delivery of the schemes.</p> <p>For example, there is or will be the following capacity funding available for levelling up schemes:</p> <p>Levelling Up Fund: £70,000 has been received in the 23/24 financial year, and DLUHC have advised that a further £40-£60,000 will also be made available. This can also be used to support CRP if needed</p> <p>Long term plan for Towns: £50,000 has been received</p> <p>Levelling Up Partnership: £45,000 has been received</p> <p>Accelerator: we will receive £50,000 for this which can be used for support if need be, but after discussions with the MP this will be used directly on projects</p> <p>In relation to the Airshow, the Council is considering</p>

			<p>how best to draw in sponsorship to reduce the costs of the event to the Council.</p> <p>In addition, we continue to work with funding partners such as the Arts Council and the Heritage Lottery to consider options for future investment in the District.</p>
Cllr Placey	Cllr P Honeywood	<p>On page 57 of the Agenda Pack, it states that there will be a one-off unavoidable net cost for Careline in this year of £120k and £296k in 2024/25. Can you set out what those cost pressures are and why a break-even position is not possible? How certain are we that that cost pressures will end in 2024/25 or will we see costs pressures then in 2025/26?</p>	<p>A staffing restructuring is taking place to reduce costs and an Options paper will be submitted to Cabinet over the next few months. The cost pressures relate to staffing and the digital switchover.</p> <p>The Options paper is the key document which will determine the future of the service. At this stage, you have the worst-case scenario cost pressure for 2024/25 and until the Options paper is completed, I would not like to comment on 2025/26, as we need to see the outcome of the review, which is being undertaken by a specialist Officer from the Finance team.</p>
Cllr Placey	Cllr P Honeywood	<p>In relation to the overall budget.</p> <p>What measures have you taken already and will take to ensure the expenditure in your Portfolio contributes to the savings requirement set out in the proposed budget for 2024/25, 2025/26 and 2026/27?</p>	<p>I keep all service areas under review to ensure that they are contributing the Corporate priorities, including savings requirements. It should be noted in Partnerships that I have a number of posts that are externally funded by the Alliance and DWP that are contributing to the delivery of the Council's priorities.</p> <p>I have two service areas where I have implemented</p>

			<p>additional reviews :</p> <p>Careline - An Options review and a restructuring are currently being undertaken. The restructuring consultation is taking place this month and the Options paper will be submitted to Cabinet over the next few months.</p> <p>Career Track - The Council's apprenticeship service, Career Track, is supported by the Council in its work to provide employment opportunities for those within the District who may otherwise struggle to progress. The service does not break even due to the fixed fees that can be charged which are set by national government. These fees have not been increased since they were established in 2017. The service is however, going to commence charging for re-sits to support the budget position going forward. The authority provides an additional investment into the service on an annual basis.</p>
Cllr Bush	Cllr P Honeywood	<p>In relation to the overall budget.</p> <p>What measures have you taken already and will take to ensure the expenditure in your Portfolio contributes to the savings requirement set out in the proposed budget for 2024/25, 2025/26 and 2026/27?</p>	<p>We are preparing for new waste and recycling collection and street sweeping arrangements from 2026. I cannot guarantee that the new arrangements will offer a financial saving as inflationary pressures are not in our favour in this respect. I can assure you though, that we will be seeking best value for money in what is delivered.</p>

			<p>Engineering: My team of officers is working towards a programme of replacement of drop in flood boards as part of a longer term investment to save scheme.</p> <p>The team is preparing proposals for a Cliff and Coast Policy that is aimed at limiting liabilities by providing for judicious interventions and the seeking out of external funding opportunities.</p> <p>Currently we are reviewing the Climate Change Action Plan that was originally adopted in 2020. The focus of the action plan is carbon reduction, which is primarily reducing the amount of energy the council uses, and so what it spends on energy. So whilst this action plan includes potential expenditure, it provides opportunities for spend to save by reducing energy usage. A briefing paper on the progress with the Climate Change Action Plan is being prepared for the Committee to be circulated later this month.</p> <p>Streets/lighting - The team has put in place a trial group of solar powered streetlights at Jaywick. Evaluation is ongoing but the idea has potential to create revenue savings and contribute to carbon reduction.</p> <p>I have also asked for an unadopted roads policy to be drafted. There is significant demand for such</p>
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			<p>discretionary works but that demand has to be carefully evaluated against available budgets.</p> <p>Transport - The team is evaluating options for a fleet decarbonisation strategy with the aim of finding efficient ways to procure and use vehicles that are both suitable for the various works uses and as low carbon as they can be.</p>
Cllr Kotz	Cllr P Honeywood	<p>In relation to the overall budget.</p> <p>What measures have you taken already and will take to ensure the expenditure in your Portfolio contributes to the savings requirement set out in the proposed budget for 2024/25, 2025/26 and 2026/27?</p>	<p>As mentioned elsewhere, maximising efficiencies will play a key role in balancing the budget / forecast. IT will undoubtedly be a key element in helping to unlock such efficiencies and we will continue to work with Services alongside our external partners such as other local authorities and software providers to generate savings opportunities for the Council.</p> <p>I have asked the property team to review the 72 sites that had been identified as potentially surplus in order to narrow down the areas of work and prioritise activity into a sharper focus in order to drive forward receipts and efficiency where it is appropriate to do so.</p> <p>The Property team is managing the redevelopment of the Honeycroft site. Work is about to start on site and will generate saving through homelessness reduction.</p> <p>I have requested resolution of a number of leasehold</p>

			<p>matters where lease renewals or other matters have been outstanding for some time. The council is supportive of community groups through the CAROS scheme and it is important that all of the beneficiaries and potential beneficiaries are taking part on a level playing field. Having up to date agreements is also important with regard to legal and other risks and liabilities.</p> <p>In the bereavement area I have asked officers to investigate ways in which the wider financing of the service including balancing of incomes and costs across the service and the development of ideas for added customer value.</p> <p>Public conveniences are facilities that are sensitive in terms of public support. However, the provision is costly. A review of the strategy will have to look at delivery options and rationalisation.</p>
Cllr Kotz	Cllr Steady	<p>Have we still got a preferred contractor list? If we have, can others be added?</p> <p>When work is completed is it checked to ensure we are getting value for money?</p> <p>Is it easy for a contractor to be taken off the list if the above is not obtained?</p>	<p>Services may have their own preferred contractor contacts, however, procurement rules still apply when seeking services and the relevant values for particular tender processes apply.</p> <p>Services should be managing the contract and any performance/standard issues throughout.</p> <p>Specifically in relation to Operational Services, there is no preferred list.</p>

			All of the work that is carried out at a larger scale is subject to competitive quotes or tenders. Where projects are tendered, they are open to all. Anyone wishing to bid for works or supplies can begin at the Doing Business With the Council page on our web site.
Cllr Kotz	Cllr Steady	<p><u>Supplementary Questions</u></p> <p>I am concerned at the use of the words “may” and “should”, the language should be more positive and certain.</p>	A written answer to be provided.
Cllr Stephenson	Cllr Bensilum	<p><u>Supplementary Questions</u></p> <p>There's some very basic cost savings, LED lighting, to pool covers I that occurs to me that very basic cost savings and we're only doing it now.</p> <p>Why do you think that is and more importantly can we commission some sort of review to look for other very basic cost savings?</p>	<p>Unlike the public sector, we have lengthy processes to go through, a procurement process and very specific governance, before we can take action on most things.</p> <p>Every department is asked to review their spending each year and try to find cost savings measures but if a recommendation was to come from this Committee to undertake a review, it would be considered at Cabinet.</p>
Cllr Barry	Cllr Bensilum		The Climate Change Action plan is due for renewal and it will address measures taken, build on them and look to bring in new measures to balance spend.

After an in depth discussion it was moved by Councillor P Honeywood, seconded by Councillor Griffiths and unanimously **RESOLVED** that the following recommendations be submitted to the Cabinet namely that:-

- (a) Portfolio Holders review the individual cost pressures and cost savings across their respective service areas and explain how they are managing that process;

- (b) this Committee must be consulted on both the review of the Housing Strategy and on any revised Strategy proposals that come forward before the Cabinet makes any decisions on this matter;
- (c) a longer term Savings Plan be produced to ensure longer term financial sustainability and that it be submitted to this Committee for scrutiny in the first quarter of 2024/2025;
- (d) a review be carried out of the Council's preferred service providers/contractors to ensure compliance with the Council's Procurement Procedure Rules; and
- (e) a review be carried out on whether to introduce a "traffic light" risk management system to manage cost pressures.

35. INTERIM REPORT OF THE COUNCIL'S ENFORCEMENT ARRANGEMENTS TASK AND FINISH GROUP

The Committee heard from the Director of Planning as he outlined a report that provided the Committee with the interim Report from its Council Enforcement Arrangements Task and Finish Group. This interim report had been submitted as the Task and Finish Group had concluded the element of its enquiry concerning Planning Enforcement. The interim report was set out in the Appendix to the Officer's report. The intention of the whole enquiry was recorded as:

"To identify the extent to which here are further steps that can be taken to further achieve a fair and equitable use of enforcement powers, taking account of relevant information and that the resources made available for enforcement are used to best effect."

Members heard that the Council, on 11 July 2023, had approved an enquiry through this Committee into the matters set out below. The Committee had subsequently approved that this enquiry would be undertaken through a Task and Finish Group and following a published decision the Task and Finish Group had been formed and the enquiry was underway.

"Council Enforcement arrangements, including:

- (a) Planning Enforcement (and other areas) where decisions are taken 'in the public interest' whether to take particular enforcement action. To look at written statements to support the basis of such judgements and the matters demonstrably weighed up in reaching such decisions,*
- (b) The existing and possible opportunities for information to be provided by Ward Councillors in respect of matters which may attract enforcement action and decisions to not take enforcement (given the unique role of Councillors in representing their Ward).*
- (c) The extent to which enforcement powers are looked at in a silo or corporate way to ensure that (within the purposes of particular enforcement powers) the Council considers the ability to address non-compliances robustly.*
- (d) The experience of fly tipping on public land and the actions to deter such fly tipping*

- (e) The use of mobile CCTV cameras overly and covertly to identify offences and, potentially, offenders.”*

The enquiry had addressed, to this point, elements (a), (b) and (c) above in relation to Planning Enforcement. The interim report referenced the enquiry to this point. Further phases of the enquiry would concentrate on points (d) and (e) from the above scope and that it might return to points (b) and (c) as it considered other enforcement matters within the scope of the enquiry.

After a brief discussion it was moved by Councillor P Honeywood, seconded by Councillor Griffiths and unanimously **RESOLVED** that the following recommendations be submitted to the Cabinet to approve on the basis that the relevant recipient of the approved recommendations will have the recommendation concerned referenced to them namely that:-

- (1) the pilot monthly update list on planning enforcement cases (showing Ward, location, alleged planning breach and reference number) be rolled out to all Councillors from the start of January 2024 and that, in the list, those cases relating to the same premises be cross referenced or be shown sequentially and allegations of breaches around the creation of Houses in Multiple Occupation be clearly identified.
- (2) moves be made to utilise the functionality built into the Planning computer software system, Uniform/Public Access, in order to provide up to date details on planning enforcement cases through the website. This use should be timed to commence from 1 April 2024 for new cases, that existing live cases be added as updates are made to those cases during 2024/25 and that in March 2025 a report be provided to Councillors of those cases not available at that point on the website through the stated software packages.
- (3) the following be instigated in relation to arrangements across the Council to support joined up and effective enforcement:
 - a. The pilot arrangements for action logs being created for meetings of the Operational Enforcement Group (that are associated with matters discussed at meetings of that Group (and are then monitored away from meetings of the Operational Enforcement Group)) be implemented fully going forward. These action logs would also include relevant responses concerning information held by other service areas of the Council about premises that are referenced to the Group by any one of the service areas who are represented on the Group (including ‘NIL’ responses if appropriate).
 - b. A mechanism of alerting service areas who are represented on the Operational Enforcement Group of live enforcement cases in each of the other service areas on that Group, an ongoing basis, be developed and implemented so as to improve the knowledge flow in the Council of allegations and provide for appropriate enforcement and timely interventions to be made to secure the best interests of the Council, its residents and businesses with a view to raising public confidence in the

Council's competence to secure those best interests and deliver 'smarter' working across service areas.

- c. A protocol be developed setting out the corporate expectations on individual service areas to identify the types of information that service areas hold, and examples of where that information could reasonably be expected to be utilised to support enforcement action or service delivery in that service area or another service area. By way of example, Council Tax Collection could usefully benefit from information around properties being empty for a year as the Council Tax payer may then be subjected to an empty property premium being applied to the Council Tax bill for the property. Another example would be around information that the Licensing Team were to revoke a Licence held by a Business and the potential need for swift action to recover unpaid Business Rates.
- (4) a mechanism for reviewing activity in respect of planning enforcement cases which have been live for over a year be developed and maintained with a view to avoiding the status quo continuing and resulting in an ever reducing harm assessment in respect of those cases to the point that the infringement/non-compliance becomes permitted by default/legal action is not an option as it is then out of time. The intention of the review is to ensure that issues are not missed and appropriate action is taken by the Council.
- (5) as part of good and reasoned decision making, a policy statement be developed or reviewed on the use of 'public interest' within Planning Enforcement as the reason for either taking or not taking particular enforcement action. The policy statement is to set out the considerations officers must take account of. In each case where 'public interest' is to be utilised to support a planning enforcement decision, an assessment of the competing elements of the public interest in taking or not taking that particular enforcement action are to be set out in writing with an indication as to why taking or not taking action outweighs the other public interest and that assessment is to be endorsed by a more senior officer.

36. DELIVERING AGAINST THE COUNCIL'S CORPORATE PLAN 2022-28 - INITIAL PROPOSALS FOR HIGHLIGHT PRIORITIES FOR 2024-25

The Committee heard that at Cabinet's meeting held on 15 December 2023 (Minute 62 referred), Cabinet had considered a report of the Leader of the Council & Portfolio Holder for Corporate Finance and Governance (A.2), which had reminded Members that the Council's strategic direction was set out in its Corporate Plan which was a fundamental element of the Council's Policy Framework. The Corporate Plan ('Our Vision') had been adopted unanimously by Council on 28 November 2023 (Minute 76 referred) and covered the period 2024-28. Key elements of delivering against the adopted Corporate Plan would be through annual highlight priority actions approved by the Cabinet. The 2024/25 initial proposals for highlight priorities had been set out at Appendix B to the Portfolio Holder's report. Through that report, Cabinet had been invited to adopt those initial proposals for consultation purposes before finalising its

highlight priorities for 2024/25; which would involve consideration of the outcome of the consultation undertaken.

It was reported to Members that recognising the rationale for the Portfolio Holder's recommendations was to set out openly for all concerned the initial proposals for highlight priorities for 2024/25 and that this supported the openness agenda of the Council and provided an opportunity for engagement with the public, businesses and partners on those initial proposals. Through consultation it was hoped that the views received could help shape the priorities that would finally be adopted (within the reality of the Council's budgetary position). Cabinet had therefore -

“RESOLVED that Cabinet resolves that -

- (a) the initial highlight priorities for 2024/25, as set out at Appendix B to report A.2, be approved for consultation;*
- (b) all Councillors, other partners and the public be invited to consider the initial priorities referred to in (a) above; and*
- (c) the outcome of the consultation referred to in (b) above be reported to Cabinet on 15 March 2024 in order that Cabinet can formally adopt its finalised highlight priority actions for 2024/25.”*

A copy of the published Leader of the Council's report (and its appendices) to the Cabinet meeting held on 15 December 2023 were attached to Officer's covering report.

Members heard that in relation to the stewardship of the Tendring Colchester Borders Garden Community, for any development to take place, stewardship must be in place or planning applications would be rejected.

After some discussion it was moved by Councillor P Honeywood, seconded by Councillor Griffiths and unanimously **RESOLVED** that –

(a) the following recommendations be submitted to the Cabinet namely that:-

- (1) any new measures arising from the new Climate Change Action Plan must be fully costed and resourced or planned to be fully costed and resourced and set out how they will be funded; and
 - (2) the performance against the delivery of the Priorities must be closely monitored.
- (b) Cabinet be also informed that, in the opinion of this Committee, the Stewardship Arrangements for the Tendring Colchester Garden Community must be treated as a priority as they are vital to the success of this project.

The meeting was declared closed at 8.33 pm

Chairman

RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE

5 MARCH 2024

REPORT OF HEAD OF DEMOCRATIC SERVICES AND ELECTIONS

A.1 WORK PROGRAMMING – INCLUDING MONITORING OF PREVIOUS RECOMMENDATIONS AND SUMMARY OF FORTHCOMING DECISIONS

(Report prepared by Keith Durran)

PURPOSE OF THE REPORT

The report provides the Committee with an update on its approved Work Programme for 2023/24 (including progress with enquiries set out in its Work Programme), feedback to the Committee on the decisions in respect of previous recommendations from the Committee in respects of enquiries undertaken and a list of forthcoming decisions for which notice has been given since publication of the agenda for the Committee's last meeting.

INVITEES

None.

BACKGROUND

The Council commissioned the Centre for Governance and Scrutiny (CfGS) to undertake an 'Overview & Scrutiny Development Review' in 2021 as a way of further improving that function at the Council. Two relevant recommendations arising from that review were:

“Further strengthening the annual process for developing work programmes for each O&S committee - Engaging Members, Officers, partners and the public to prioritise the topics for review. This could include a selection criteria to identify appropriate topics for the work programme. Currently the work programme is also the last item on the agenda at O&S meetings, we would recommend bringing it to the beginning, so it can be given greater priority and benefit from more considered discussion, rather than being subject to the inevitable end of meeting fatigue.

Reviewing how the recommendations are made and how impact is measured – This could include putting the 'recommendations monitoring report' at the beginning of agendas to orientate O&S towards outcomes-focused meetings, alongside an emphasis on finding strong recommendations from questioning to present to Cabinet (or partners) as improvement or challenge proposals.”

The inclusion of the matters set out in the “purpose of this report” section above seeks to further re-inforce the inter-relationship of the matters referred to. As such, it is designed to further support consideration of work programming of the Committee and contribute to addressing progress with the Corporate Plan.

DETAILED INFORMATION

WORK PROGRAMME 2023/24

The detailed matters relating to the following matters are set out in the relevant Appendix identified:

- (1) Work Programme for 2023/24 – See Appendix A;
- (2) feedback to the Committee on the decisions in respect of previous recommendations from the Committee in respects of enquiries undertaken – see Appendix B; and
- (3) a list of forthcoming decisions for which notice has been given since publication of the agenda for the Committee’s last meeting – See Appendix C.

In considering work programming matters, the Committee is further reminded of the other recommendations from the CfGS review undertaken in 2021:

“Considering greater use of task and finish groups – This more informal type of O&S can allow improved cross-party working and detailed investigation of a single issue focussed on producing substantive recommendations.

Improved agenda planning and management - Committees should focus on one or two substantive items per agenda to allow for cross-cutting themes to be properly identified and explored, and different insights brought to bear on critical issues.

Considering how to engage the public in the work of O&S - This could include O&S going on more site visits in the community, inviting the public to offer ideas for work programmes, and greater use of social media channels for resident input and communicating the progress and impact of scrutiny work.

A clearer focus on democratic accountability - Scrutiny of Cabinet Members should form a key part of the work programme, providing an opportunity to hold the Leader and portfolio holders to account for delivery of the corporate plan and any other issues O&S feel is important.”

The Resources and Services Overview and Scrutiny Committee is one of two overview and scrutiny committees established by the Council to specifically focus on the following areas of Council work (as detailed in Article 6.02(i) of the Council’s Constitution):

“To perform the role of Overview and Scrutiny and its functions in relation to:

- The Chairman and the Vice-Chairman of the Committee will normally be Members of a political group that is not represented on the Cabinet. The Committee will hold 8 scheduled meetings per year but with the Chairman able to call additional formal meetings. Meetings of Task and Finish Groups can be called as required, following the terms of reference being agreed by the Committee.***
- To perform the role of Overview and Scrutiny and its functions in relation to the effective use of the Council’s resources including approval of discrete researched and evidenced reviews on the effectiveness.***

Financial Forecast Budget setting and monitoring (including General Fund & Housing Revenue Account)

- *Service Delivery and Performance (where not delegated to the Community Leadership Overview and Scrutiny Committee)*
- *Procurement and Contract Management*
- *Transformation and Digital Strategies*
- *Customer Service and Standards*

The Constitution provides for the two overview and scrutiny committees to submit a work programme to full Council for approval. Rule 7 of the Overview and Scrutiny Procedure Rules sets out the position as follows:

“Each Overview and Scrutiny Committee will submit a work programme for the year ahead and a review of the previous year’s activities to the full Council for approval. In addition it will be responsible for co-ordinating and prioritising its work programme on an ongoing basis.

In preparing, co-ordinating and prioritising its programme, each Overview and Scrutiny Committee will take into account:-

- *The General Role and Principles of undertaking its functions, as set out in Part 2 Article 6;*
- *The planned work on the preparation of elements of the Budget and Policy Framework, as set out in the Council’s Business Plan;*
- *The need for statutory timetables to be met;*
- *The wishes of all members of the committee;*
- *Requests from the Cabinet to carry out reviews; and*
- *Requests from Group Leaders in accordance with Rule 8.”*

In considering the Work Programme of enquiries, the Committee must have regard to the Corporate Plan 2024-28 and the themes of that Corporate Plan are:

- Pride in our area and services to residents
- Raising aspirations and creating opportunities
- Championing our local environment
- Working with partners to improve quality of life
- Promoting our heritage offer, attracting visitors and encouraging them to stay longer
- Financial Sustainability and openness

The Committee should be aware, that in consultation with the Chairman of the Community Leadership Overview and Scrutiny Committee, an item from that Committees Work Programme “On street parking arrangements in the District” has been moved to this Committees Work Programme and is to be discussed at this meeting.

The item “Carbon Neutral by 2030” in the working programme will be circulated to the Committee as an off agenda briefing note shortly after this agendas publication.

RECOMMENDATION

That the Committee considers and notes the progress with enquiries set out in its Work Programme 2023/24, feedback to the Committee on the decisions in respect of previous recommendations and the list of forthcoming decisions.

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RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE FOR ENQUIRIES TO BE UNDERTAKEN IN 2023/24

Work Programme

[Draft Work Programme for 2023/24 outlining the planned for enquiries.]

Item	Date of Enquiry	Relevant Corporate Plan Theme/Annual Cabinet Priority	Information to be provided in advance	Those to be invited to attend	Articulated value of undertaking the review
Council Enforcement arrangements, including: (a) Planning Enforcement (and other areas) where decisions are taken ‘in the public interest’ whether to take particular enforcement action. To look at written statements to support the basis of such judgements and the matters demonstrably weighed up in reaching such decisions,	Underway	Delivering High Quality Services - Effective regulation and enforcement	<p>Details of the adopted Corporate Enforcement Policy and the intended review date for that policy, training to officers on common elements of enforcement and relevant service area enforcement policies.</p> <p>Details of the extent to which the Corporate Enforcement Group has provided the route to ensuring a corporate consideration to utilising different enforcement powers to address e.g. problem premises.</p> <p>Written statements on the judgement to be</p>	<p>Portfolio Holder for Planning and Housing</p> <p>Director of Planning</p> <p>Portfolio Holder for Environment</p> <p>Corporate Director for Operations and Delivery</p>	To identify the extent to which here are further steps that can be taken to further achieve a fair and equitable use of enforcement powers, taking account of relevant information and that the resources made available for enforcement are used to best effect.

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<p>(b) The existing and possible opportunities for information to be provided by Ward Councillors in respect of matters which may attract enforcement action and decisions to not take enforcement (given the unique role of Councillors in representing their Ward).</p> <p>(c) The extent to which enforcement powers are looked at in a silo or corporate way to ensure that (within the purposes of particular enforcement powers) the Council considers the ability to address non-compliances robustly.</p>			<p>applied when determining whether it is or is not in the public interest and example records where that weighed judgement has been set out (suitably redacted).</p> <p>Numbers of fly tipping instances recorded by the Council by quarter for the past five years in respect of public land and the measures taken to deter fly tipping.</p> <p>The policy and experience of the use of deployable CCTV cameras as part of enforcement (including covert and overt use).</p>		
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<p>(d) The experience of fly tipping on public land and the actions to deter such fly tipping</p> <p>(e) The use of mobile CCTV cameras overtly and covertly to identify offences and, potentially, offenders.</p>					
<p>Carbon Neutral by 2030. To review progress against the Council's current Climate Change Action Plan and the emerging proposals for the next Climate Change Action Plan</p>	<p>To be distributed as an off agenda briefing paper at the end of Feb 2024</p>	<p>Delivering High Quality Services/ A7 - Carbon Neutral by 2030</p>	<p>The reports considered by the Climate Change Portfolio Holder Working Party prior to the adoption of the Council's current Climate Change Action Plan</p> <p>The current Climate Change Action Plan</p> <p>An evaluation of achievements against the Climate Change Action Plan</p> <p>The emerging revised Climate Change Action Plan</p>	<p>Not applicable</p>	<p>To ascertain progress against the Action Plan 2020-2023 prior to the end of the period of the Action Plan and inform a process of informing the development of the Action Plan for the next period towards the 2030 net zero policy objective.</p>

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			An evaluation of the anticipated extent to which the Council will achieve the stated aim of net Carbon Neutral by 2030.		
To consider particular services/functions of the Council that should or could be Self-Funding (and thereby not be a call on the General Fund) and identify the extent to which they are self-funding and/or the measures needed to move them to being self-funded.	A Task and Finish Group to be established by the Committee at its meeting on 12 September 2023	Strong Finances and Governance - Balanced annual budget - 10 year financial plan Effective and positive Governance	Details of the services/functions that the Council considers should and could be self funding. Details of the services/functions concerned and the associated income and expenditure for those services (including appropriate recharges)	Leader of the Council (Portfolio Holder for Finance and Corporate Governance) Assistant Director for Finance and IT Appropriate Portfolio Holders (to be determined based on the services/functions concerned) Appropriate Officers (to be determined based on the services/functions concerned)	To assess and report on the extent to which services and functions that should and could be self funding are so funded and what steps could/should be taken to ensure those services/functions are self funded. There may be further recommendations around the scope of these services/functions based on the ability to cover the cost of the same in the future.
The following emerged from a meeting under the Council's Cabinet Scrutiny Protocol on 20 June 2023					
On street parking arrangements in	At this meeting.	Resources and Services	The business Model of the NEPP.		To consider this partnership and the

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the District – and parking PCNs, Permits, Traffic Regulation and enforcement. The Council's participation in the North Essex Parking Partnership (NEPP), the work and business model of the Partnership.		<p>Through Partnerships</p> <ul style="list-style-type: none"> • Joined up public services for the benefit of our residents and businesses <p>Strong Finances and Governance</p> <ul style="list-style-type: none"> - Use assets to support priorities 	<p>The agreement for the NEPP.</p> <p>The use of Tendring District Council Officers to undertake enforcement of on-street parking restrictions.</p> <p>The current position in relation to the use of camera enforcement cars in the District.</p> <p>Information on scrutiny undertaken or proposed in the other partners of the NEPP – including Epping Forest, Harlow, Uttlesford, Braintree and Colchester Councils.</p>	<p>Representatives of Councillors on the NEPP</p> <p>Councillor Lee Scott, Essex County Council's Portfolio Holder for Highways Maintenance and Sustainable Transport.</p> <p>This Council's Portfolio Holder for Environment</p> <p>This Council's Corporate Director for Operations and Delivery</p>	<p>role of the Council within the Partnership, the overall financial risks to the Council and the work of the Partnership to support road safety e.g. outside of schools and short term parking in shopping areas and its contribution to the economic success of those shopping areas.</p>
A review of the Council's Open space management/ Maintenance arrangements, policies and budget.	To be allocated	<p>Delivering High Quality Services</p> <ul style="list-style-type: none"> - Public spaces to be proud of in urban and rural areas <p>Community Leadership</p>	<p>Policies around open space management/ maintenance including levels and frequency of grass cutting, floral displays, wilding.</p> <p>Arrangements for securing seasonal staff</p>	Portfolio Holder for Leisure and Public Realm	To review the policy position and experience and review the resources applied and the opportunities for joint working.

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		<p>Through Partnerships</p> <ul style="list-style-type: none"> - Joined up public services for the benefit of our residents and businesses 	<p>to undertake the work at the required time.</p> <p>Details of all the open spaces that are maintained/managed by the Council and confirmation of ownership by the Council.</p> <p>Detail of the budget for open space management/ maintenance over the past five years</p> <p>Details of any known areas adjacent to Council Open Space tht is managed/maintained of Open Space managed/maintained by others such as Housing Associations and Town/Parish Councils</p>		
WORK UNDERTAKEN					
Scrutiny of the Budget proposals for 2024/25	Currently programmed for early January 2024	<p>Strong Finances and Governance</p> <ul style="list-style-type: none"> - Balanced annual budget 	The Medium Term Financial Strategy, Budget proposals and variations (with reasons) from 2023/24, details of fees and	Leader of the Council (the Portfolio Holder for Finance and Governance)	To provide the envisaged reality check on budgets and financial plans prior to their approval and ensure

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	(Consideration will be given to the arrangements for scrutiny and proposals will be brought forward)	- 10 year financial plan Effective and positive Governance	charges and reserves/provisions. The emerging/approved corporate plan for 2024-28.		that there are clear links between budget setting and strategic/operational plans
Post delivery scrutiny of the Sunspot commercial workspace in Brooklands, Jaywick Sands. The development consists of up of 24 low-cost business units, including six seafront shopfronts, as well as a covered market and event hall. It will also include a café, public toilet and community garden, along with new pavement provision and covered bus stop along Brooklands. The development, which is in partnership with Essex County	COMPLETED	<p>A Growing and Inclusive Economy</p> <ul style="list-style-type: none"> - Develop and attract new businesses - More and better jobs <p>Building Sustainable Communities for the Future</p> <ul style="list-style-type: none"> - Jaywick Sands - supporting the community <p>Strong Finances and Governance</p> <ul style="list-style-type: none"> - Use assets to support priorities 	<p>Details of the funding arrangements for the development of - £2.39million from the Government's Getting Building Fund (through, the South East Local Enterprise Partnership), £2.04million from Essex County Council and £816,000 from Tendring Council.</p> <p>The initial costings for the development and the reasons for increases in the costings and the extent of project management around the development.</p> <p>Arrangements for the management of the development – initially and then subsequently – and the reasoning for the changes.</p>	<p>Deputy Leader (Portfolio Holder for Economic Growth, Regeneration & Tourism)</p> <p>Corporate Director (Place and Economic Growth)</p>	<p>To look at the original plans for the development, how those plans changed and the extent to which the objectives of the development have been/will be met.</p> <p>To conduct a cost-benefit analysis related to the financial investment in the development.</p> <p>To look at lessons learned around the management of this development project for wider project management and major schemes in the Council</p>

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Council and the South East Local Enterprise Partnership.			Details of lettings of the business units, shops and café and use of the covered market and event hall.		
The Council's Waste Collection, recycling and street cleaning arrangements. This will include looking at kerb side and bring site recycling and the generation of recycling credits. It will also include the paid for garden waste collection service.	COMPLETED	Delivering High Quality Services Minimise waste; Maximise recycling	<p>Details of the current contracts for waste collection, recycling and street cleansing and the planned activity to provide services after the end of the current contract terms.</p> <p>The budget spend and income for all areas in the scope of this review over the last five years.</p> <p>Recycling figures for all recyclable materials across the bring sites and overall residual waste and recycling rates per quarter for the District over the last five years.</p> <p>Numbers of missed bin collections reports by quarter over the last five years</p>	<p>Portfolio Holder for the Environment</p> <p>Corporate Director for Operations and Delivery</p>	To assist the Committee to determine areas for scrutiny activity in the remaining period of the contract and to support contributions to the policy development in anticipation of the start of new arrangements at the end of the current contract term

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Resources and Services Overview and Scrutiny Committee

5 March 2024

RECOMMENDATIONS MONITORING REPORT

(Prepared by Keith Durran)

Recommendation(s) Including Date of Meeting and Minute Number	Actions Taken and Outcome	Completed, follow-up work required or added to Work Programme
<p><u>This Committees Budget meeting on 10 January 2024</u></p> <p><u>Budget Scrutiny</u></p> <p>Recommended that:-</p> <p>(a) Portfolio Holders review the individual cost pressures and cost savings across their respective service areas and explain how they are managing that process;</p> <p>(b) this Committee must be consulted on both the review of the Housing Strategy and on any revised Strategy proposals that come forward before the Cabinet makes any decisions on this matter;</p> <p>(c) a longer term Savings Plan be produced to ensure longer term financial sustainability and that it be</p>	<p><u>The Leaders response:</u></p> <p><i>“Firstly, I would like to thank the Committee for the work they undertook on the budget and for the opportunity to submit answers to the questions raised both in writing ahead of their formal budget meeting and verbally directly at the meeting. In terms of the 5 points raised my comments are as follows:</i></p> <p><i>(a) Cost pressures and savings are being reviewed by Portfolio Holders, and this work will continue throughout the year. Updates will be provided either via separate reports or via the regular financial performance reports that also form part of the Committee’s work during the year.</i></p> <p><i>(b) As part of the Council’s existing policy development framework, the</i></p>	

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<p>submitted to this Committee for scrutiny in the first quarter of 2024/2025;</p> <p>(d) a review be carried out of the Council's preferred service providers/contractors to ensure compliance with the Council's Procurement Procedure Rules; and</p> <p>(e) a review be carried out on whether to introduce a "traffic light" risk management system to manage cost pressures.</p>	<p><i>Committee will be consulted on any revised Strategy proposals which will include the outcome from any review process.</i></p> <p><i>(c) Similarly to the point made in (a) above, this essential piece of work will continue during the year which will be made available to the Committee as part of its review of in-year financial performance alongside the development of the long term forecast.</i></p> <p><i>(d) It is important to highlight that the engagement of any contractor / provider by the Council is expected to be done so in accordance with the procurement rules set out within the Council's Constitution. However, the point raised by the Committee will be picked up via existing internal control arrangements in consultation with Services.</i></p> <p><i>(e) As part of the work set out in point (a) above, the introduction of a 'traffic light' approach to prioritising cost pressure items will be considered".</i></p>	
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<p><u>This Committees meeting on 19 September 2023 (Minute 29 refers)</u></p> <p><u>SUNSPOTS JAYWICK</u></p> <p>It was RESOLVED to RECOMMEND to Cabinet:</p> <ul style="list-style-type: none"> a) That the positive news about occupancy rates for the Sunspot Centre, Jaywick Sands and the intentions around the on-site market be noted; and b) that the capacity and expertise of the Council in costing and programme managing major capital schemes of the Council be strengthened to avoid or minimise unforeseen “mission creep” in schemes and unrealistic cost assessments being presented as part of approval mechanisms (that then needing to be repeated when true market costings are subsequently identified). <p>It was further RESOLVED:</p> <ul style="list-style-type: none"> c) That delivery against the business plan compared with the experience in the first six months operation of the Sunspot Centre, Jaywick Sands be 	<p><u>These recommendations were submitted to Cabinet on 15 December 2023.</u></p> <p><u>The Cabinet report included the proposed response of the Portfolio Holder as follows:</u></p> <p><i>“The Sunspot is a great success for Jaywick, for the Tendring District and the Council. The building is already occupied with 15 of the 24 business units with a tenant in place. Another four units will be occupied in January 2024. That will leave 5 units vacant and just under 80 percent occupancy. Officers are going to start advertising one of the empty units as a ‘rent a desk space’ in the new year. The café is busy, and the market is popular. While capital costs rose across the World during the period the Council completed the Sunspot, the Council worked closely with partners including Essex County Council to ensure the project had sufficient funds to complete. The success of the project has received positive reviews in the local and national press, and has been used as an exemplar of good practice as far afield as Stockton. As with any major project, the Council has learnt during the process of completing the Sunspot, and</i></p>	
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confirmed in the Committee's Work Programme for April 2024.	<i>will be able to apply those lessons to future capital schemes. We have increased the capital delivery capacity of the organisation with the appointment of an expert contractor in support of the levelling up schemes."</i> RESOLVED that the recommendation made by the Resources and Services Overview & Scrutiny Committee be noted and that the response of the Portfolio Holder for Economic Growth, Regeneration and Tourism thereto be endorsed.	
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Recommendations monitoring for those recommendations from earlier meetings of the Committee have been previously reported to the Committee and, as such, are not repeated here as there is no further update to be provided on them.

Resources and Services Overview and Scrutiny Committee
5 March 2024

**OVERVIEW AND SCRUTINY PROCEDURE RULE 13 – SCRUTINY OF
PROPOSED DECISIONS**

(Prepared by Keith Durran)

The below forthcoming decisions are those published since 5 December 2023 – the publication date for the Committee's last ordinary meeting.

In presenting the following, the Committee's attention is drawn to the agenda item notes in respect of Overview and Scrutiny Procedure Rule 13.

DESCRIPTION OF DECISION	KEY DECISION – YES/NO	DECISION MAKER	Decision Due Date
Proposed PSPO (Nuisance Vehicles) - Brook Park, Clacton-on-Sea	NO	Cabinet	19/04/24
Update on projects under the Levelling Up banner	YES	Cabinet	19/04/24
Communications Strategy	YES	Cabinet	12/03/24
Safer Streets Programme - Clacton Town Centre CCTV - Post Public Consultation Decision	YES	Partnerships Portfolio Holder	29/03/24

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RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE

5 MARCH 2024

REPORT OF ASSISTANT DIRECTOR FINANCE & IT

A.2 ANNUAL CAPITAL AND TREASURY STRATEGY FOR 2024/25 (INCLUDING PRUDENTIAL AND TREASURY INDICATORS)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To enable the Committee to review the Annual Capital and Treasury Strategy for 2024/25 (including the Prudential and Treasury indicators).

SCOPE - THE AIMS AND OBJECTIVES OF THE REPORT

To enable the necessary consultation to be undertaken with the Committee as part of developing / finalising the Annual Capital and Treasury Strategy for 2024/25 for consideration by Full Council on 19 March 2024.

INVITEES

No external invitees are proposed.

BACKGROUND / DETAILED INFORMATION

Under delegated powers, on the 26 February 2024 the Portfolio Holder for Finance & Governance agreed the Annual Capital and Treasury Strategy for 2024/25 (including the Prudential and Treasury Indicators) for consultation with the Resources and Services Overview and Scrutiny Committee.

A copy of the report considered by the Portfolio Holder for Finance & Governance associated with the above decision is attached for consideration by the Committee.

Cabinet are due to consider the Strategy, including the comments of the Committee at its meeting on 12 March 2024, for recommending onto Full Council on 19 March 2024.

RELEVANT CORPORATE PLAN THEME/ANNUAL CABINET PRIORITY

The adoption of the Capital and Annual Treasury Strategy for 2024/25 will ensure that the Council's Investment and Treasury Management activities are carried out and managed in accordance with best practice, thereby safeguarding money held by the Council and making an appropriate contribution to the Council's overall financial position.

DESIRED OUTCOME OF THE CONSIDERATION OF THIS ITEM

To determine / provide comments to Cabinet as part of finalising the Strategy for 2024/25. Provide a succinct explanation of the desired outcome that will assist the Committee to focus its consideration.

RECOMMENDATIONS

That the Committee reviews the Annual Capital and Treasury Strategy for 2024/25 (including Prudential and Treasury Indicators) and determines its comments to Cabinet.

PREVIOUS RELEVANT DECISIONS

The previous Capital and Treasury Strategy for 2023/24 was agreed by Full Council at its meeting on 2 March 2023.

Treasury Management Performance 2022/23 was reported to Cabinet at its 21 July 2023 meeting.

A mid-year Treasury Performance review was presented to Cabinet at its 10 November 2023 meeting.

Annual Capital and Treasury Strategy 2024/25 agreed by the Portfolio Holder for Finance & Governance on 26 February 2024.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Annual Capital and Treasury Strategy 2024/25 (including the associated report to the Portfolio Holder for Finance & Governance referred to above)

REPORT CONTACT OFFICER(S)

Name	Richard Barrett
Job Title	Assistant Director Finance & IT
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FINANCE AND GOVERNANCE PORTFOLIO HOLDER

26 FEBRUARY 2024

A.1 ANNUAL CAPITAL AND TREASURY STRATEGY FOR 2024/25 (INCLUDING PRUDENTIAL AND TREASURY INDICATORS)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek the agreement of the Portfolio Holder for Finance and Governance to the Annual Capital and Treasury Strategy for 2024/25 (including the Prudential and Treasury indicators) for consultation with the Resources and Services Overview and Scrutiny Committee.

EXECUTIVE SUMMARY

- The Local Government Act 2003 and supporting regulations require the Council to set out its treasury strategy for borrowing, and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act) that sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments, "having regard" to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice. Revised editions of both documents were issued in December 2021, which come into force in 2023/24.
- The Capital Strategy continues to be combined with the Treasury Strategy into one document, which is required to be updated / approved annually.
- The proposed Annual Capital and Treasury Strategy for 2024/25 is set out in **Appendix A** and it continues to reflect the various changes set out in the latest Codes mentioned above.
- The Capital Strategy element of the combined document covers the various elements surrounding capital investment decisions and the key criteria that investment decisions should be considered against.
- The Treasury Strategy element of the combined document covers the various elements that satisfy the requirements of the various codes that govern the borrowing and investment activities of the Council and has been prepared in the light of advice received from the Council's Treasury advisors and reflects the latest codes and guidance.
- Prudential and Treasury indicators are included as an Annexe to the combined strategy and are therefore included within **Appendix A**.
- Under the Prudential Code the Council has freedom over capital expenditure as long as it is prudent, affordable and sustainable. The Prudential Indicators either measure the expected activity or introduce limits upon the activity and reflect the underlying capital appraisal systems and enable the Council to demonstrate that it is complying with the requirements of the Prudential Code.

- The Council's investments will be undertaken in accordance with its Treasury Management Practices. These include the use of non-specified investment in property to yield both rental income and capital gains. The new Codes require clear separation of commercial investments from treasury investments. As the Council only has one such investment, which will be clearly identified within the Strategy and the TMPs, a separate suite of Investment Management Practices is not proposed to be produced.
- As is always the case, other 'quality' investment opportunities will always be explored during the year in consultation with the Council's external advisors to maximise returns on investments within a continuing and overall risk-averse approach.
- It is worth highlighting the new requirements introduced by the Levelling Up and Regeneration Act 2023 that relate to 'trigger points' and risk thresholds, which if breached would see the Government provide risk mitigation directions to Local Authorities. Although further details are set out within the legal section later on in this report, at the present time the thresholds that would class as a breach against each of the newly introduced metrics have not been specified by the Government. Once received, future reports will look to set out the Council's position against each one. Although such 'trigger' events would be managed via the Council's existing financial governance and control arrangements, based on the Council's current position, there is effectively no risk of breaching any of the new metrics at the present time.

RECOMMENDATION(S)

That the Portfolio Holder for Finance and Governance approves the Annual Capital and Treasury Strategy for 2024/25 (including Prudential and Treasury Indicators) for consultation with the Resources and Services Overview and Scrutiny Committee.

REASON(S) FOR THE RECOMMENDATION(S)

To support the process of ensuring that a Capital and Treasury Strategy for 2024/25 is approved by Full Council before 1 April 2024.

ALTERNATIVE OPTIONS CONSIDERED

Not applicable given the requirements set out elsewhere in this report.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The adoption of the Capital and Annual Treasury Strategy for 2024/25 will ensure that the Council's Investment and Treasury Management activities are carried out and managed in accordance with best practice, thereby safeguarding money held by the Council and making an appropriate contribution to the Council's overall financial position.

OUTCOME OF CONSULTATION AND ENGAGEMENT

It is currently planned to consult the Resources and Services Overview and Scrutiny Committee at their meeting on 5 March 2024.

LEGAL REQUIREMENTS (including legislation & constitutional powers)			
Is the recommendation a Key Decision (see the criteria stated here)	Yes	If Yes, indicate which by which criteria it is a Key Decision	X Significant effect on two or more wards X Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)	This item has been included within the Forward Plan for a period in excess of 28 days.
<p>The Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 include the requirement for local authorities to have regard to CIPFA guidance. By adopting / approving an Annual Treasury Strategy and a Capital Strategy based on the requirements of the relevant and updated codes, the Council is complying with the regulations.</p> <p>S78 of the Levelling Up and Regeneration Act 2023 inserted new sections 12A to 12D into the Local Government Act 2003, which came into force on 31st January 2024. These new sections cover capital finance risk management and include risk mitigation directions, risk thresholds, restrictions of power to give risk-mitigation directions and a duty to cooperate with independent expert. These changes essentially seek to respond to the financial crisis that some local Authorities have found themselves in over the last year or two, with a summary a brief summary of each section as follows:</p> <p>Risk Mitigation Directions (Section 12A) - The Secretary of State may give one or more risk-mitigation directions to a local authority in England, for the purpose of reducing or mitigating the financial risk to the authority, if a trigger event has occurred in relation to the local authority, and the Secretary of State is satisfied that the direction is appropriate and proportionate to the level of that financial risk.</p> <p>A “trigger event” occurs if a risk threshold is breached by the local authority, a report is made by the Chief Finance Officer of the local authority under section 114(3) of the Local Government Finance Act 1988, where the Secretary of State gives a direction in response to a request for expenditure to be, or not be, treated as capital by a local authority, or the Secretary of State makes a grant to the local authority under an enactment for the purpose of preventing circumstances arising that would require such a report to be made.</p> <p>The following are “risk-mitigation directions:</p> <p>(a) a direction that sets limits in relation to the borrowing of money by the local authority;</p> <p>(b) a direction that requires the local authority to take action specified in the direction. This could include a requirement for a local authority to take action to divest itself of a specified asset.</p> <p>The Secretary of State may not give a risk-mitigation direction unless they have given the local authority notice of the proposed direction, and of the right of the local authority to make written representations to the Secretary of State about it within the period specified in the notice, and has considered any representations made by the local authority to the Secretary of State within</p>			

that period.

References to financial risk means the risk that the expenditure of the local authority (including expenditure it proposes to incur) in the current or any future financial year is likely to exceed, or further exceed, the resources (including sums borrowed) available to it to meet that expenditure.

Risk Thresholds (Section 12B) – A risk threshold is breached by a local authority in England if (and when) a capital risk metric for the local authority breaches the specified threshold for the following metrics:

- the total of a local authority's debt (including credit arrangements) as compared to the financial resources at the disposal of the authority;
- the proportion of the total of a local authority's capital assets which is investments made, or held, wholly or mainly in order to generate financial return;
- the proportion of the total of a local authority's debt (including credit arrangements) in relation to which the counter-party is not central government or a local authority;
- the amount of minimum revenue provision charged by a local authority to a revenue account for a financial year;
- any other metric specified by regulations made by the Secretary of State.

The Secretary of State may, by regulations, make further provision including specifying whether the specified threshold for a particular metric is breached by a failure to reach that threshold or by that threshold being exceeded and about how the metrics specified are to be calculated for the purpose of determining whether the specified threshold for that metric has been breached.

Before making such regulations the Secretary of State must consult all local authorities in England.

Restriction of power to give risk-mitigation directions (Section 12B) – The Secretary of State is required to give a cessation notice where at least 12 months have elapsed since the they last became aware of a trigger event having occurred in relation to the authority, any risk-mitigation direction given to the authority has been complied with or revoked, and the Secretary of State is satisfied no further risk-mitigation direction is likely to be required in the foreseeable future for the purpose of reducing or mitigating the financial risk to the authority,

Duty to cooperate with independent expert (Section 12D) – Where a trigger event has occurred and the Secretary of State has appointed an independent expert to review the level of the financial risk to the local authority, the local authority must, so far as reasonably practicable, co-operate with the independent expert in any way that the independent expert considers necessary or expedient for the purposes of the conduct of the review.

The above metrics may overlap with the work of the OFLOG who may introduce their own metrics, including those relating to the financial standing etc. At the present time it is understood that within the work of OFLOG, they do not want to replicate or cut across the metrics above, but they may wish to set out complimentary metrics in the future, which will be reviewed accordingly. It is also likely that the OFLOG will 'collect' the relevant data against each of the metrics set out above as part of their overall regulatory activities.

As set out in para 4.3 Part 3.37 of the Constitution, the Portfolio Holder for Finance and Governance has delegated authority to agree the Capital and Treasury Strategy for consultation

with the Resources and Services Overview and Scrutiny Committee.

YES	The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:
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Since last year's Capital and Treasury Strategy was agreed by Full Council in March 2023, the Best Value Inspection of Thurrock Council has been published, which included some significant learning points that are worth reviewing in light of this Council's own strategy and governance arrangements. Those significant points included the following:

- The positioning of their Investment Strategy at the heart of their strategy to tackle significant funding pressures - there was clearly some confusion within the Council as to the clarity and purpose of the strategy.
- A significant level of delegation was given to their Section 151 Officer to place investments in 'business' type investments such as solar farms etc. at a scale that the review described as 'extraordinary'. The delegation was also made without consideration of the experience and skills that would be needed - experience and skills that did not exist within their Council.
- Lack of managerial / political oversight and limited or no reporting of the performance of the investment programme to their Management Team or Cabinet.
- Internal checks were weak or wholly absent.
- The level of risk associated with their investment programme was never properly identified or made explicit within strategic risk reports and there was no focus from their internal audit function.
- Lack of transparency e.g. where members did request information it was denied internally and only minimal / high level information was provided within other reports etc. with no explanatory information. External challenge and criticism was readily dismissed and downplayed within the Council.
- The Council had not set a clear and consistent strategic direction. Their Cabinet avoided difficult choices on the prioritisation of resources. In years when budget savings had to be identified, Cabinet members rejected all savings options, leaving it to officers to develop plans to achieve a balanced budget.

The above places significant importance on the capital and treasury plans of local authorities which for Tendring District Council are encapsulated within the Annual Capital and Treasury Strategy and Treasury Management Practices. These two documents set out the governance framework in which capital spend, borrowing and investments are made. Clear roles and responsibilities are set out in the strategy and it is important to highlight that there is no delegation to any single Officer, such as the Section 151 Officer to undertake any investments outside of the more 'traditional' money market activities such as lending to other Local Authorities and depositing money in banks and building societies. In terms of these latter investments, the parameters in which the Section 151 Officer can make such investments are set out within the documents referred to above and include a number of criteria such as overall lending / borrowing limits and minimal credit ratings etc.

Treasury performance is reported during the year by way of an outturn report for the preceding year along with quarterly updates during the year, which includes a more detailed half yearly update in September / October.

Any decision to invest in 'non-traditional' money market activities or to undertake any borrowing activities would be subject to separate reports to Cabinet / Council as necessary, which would

set out various issues such as risks and resource implications including the level of skill and expertise to manage any associated investments.

The Best Value Duty relates to the statutory requirement for local authorities and other public bodies defined as best value authorities in Part 1 of the Local Government Act 1999 to “*make arrangements to secure continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness*”. Best Value authorities must demonstrate good governance, including a positive organisational culture, across all their functions and effective risk management. Failure to deliver best value can occur within any aspect of governance, delivery of services or financial management. Unlawful or excessively risky borrowing and investment practices with no adequate risk management strategy in place for financial losses is an indicator of potential failure under the Use of Resources definition for a Best Value authority, within the Government’s draft statutory guidance on Best Value Standards and Intervention, issued in 2023.

Members need to be satisfied with the governance arrangements set out within the strategy, which can be supported via training etc. as necessary.

The Council does employ external treasury management advice and to date they have not raised any concerns / issues with the Council’s borrowing / investment activities. Early in 2024/25, the Council should be receiving the new External Auditor’s Value for Money commentary which should also provide additional assurances to members. Access to both of these parties can be made directly and not via any one Officer such as the Section 151 Officer, which also supports the transparency / independent view of the various treasury activities undertaken by the Council.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Treasury and Capital Management Strategies and procedures will ensure that the Council’s investments and borrowing will be undertaken in such a way as to minimise the Council’s exposure to risk. At the same time, they will seek to maximise income from investments and minimise the costs of borrowing within the Council’s accepted level of risk.

YES	The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:
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The S151 Officer is the co-author of this report.

USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

<p>A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;</p> <p>B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and</p> <p>C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.</p>	<p>This is addressed in the body of the report and appendices where relevant.</p>
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MILESTONES AND DELIVERY

This has been highlighted elsewhere within this report.

ASSOCIATED RISKS AND MITIGATION

The placing of investments involves a number of risks. These risks and how the Council will manage them are set out in the Council's Treasury Management Practices.

As highlighted elsewhere in this report, investments are undertaken within an overall risk-averse approach, which is reflected in Treasury Management Practices. With this in mind, a significant level of investment is undertaken with other Local Authorities and with the Government.

As with recent examples, money lent to other Local Authorities is not at risk of not being repaid, as ultimately the Government would take the necessary steps to ensure liabilities are met as part of any intervention. The risk of lending money to another Local Authority is therefore not the same as lending money to a commercial / private organisation, which is one of the reasons why Councils lending to other Councils is common practice nationally.

As part of the mid-year treasury management review that Cabinet considered in November 2023, an update on the money lent to Birmingham City Council was set out in the context of their S151 issuing a S114 report. At the time it was reported that the Council had lent them **£6.000m** in total, with **£4.000m** due to be repaid in February 2024 and the balance of **£2.000m** repayable in June 2024. In terms of providing a further update, the **£4.000m** due to repaid in February is due back on 29 of the month and there are no further changes that impact on the underlying low risk associated with the outstanding loan repayment.

When undertaking lending to other Local Authorities, the Council continues to apply as much 'market intelligence' as possible, which would include any adverse reporting in the markets, the media, the risk of S114 reports being issued along with information from our own External Treasury Advisors. The new measures and metrics that have been introduced via the Levelling Up and Regeneration Act 2023 as set out earlier along with any potential indicators introduced by OFLOG will also likely be additional 'tools' that can be used to complement information already applied in managing the Council's day to day treasury management activities. This will be considered as part of developing the strategy in future years.

As reported previously, the investment property in Clacton is performing satisfactorily against the financial target set out within the original decision to purchase the property, with budgeted investment income continuing to be achieved each year. It is important to highlight that the rental payments can be seen as paying back the original investment made in purchasing the property. The budget for 2024/25 that was agreed by Full Council on 13 February 2024 includes an adjustment to reflect the potential for rental income to reduce once the current lease held by the existing tenant expires.

Within the above context, the overall performance of the investment therefore needs to take into account such considerations over the life of the Council's ownership of the property rather any shorter term position in isolation. It is also important to highlight that the latest valuation of the property set out in **Appendix A**, is an 'accounting' valuation and not a direct value that would be achieved on the market if it was sold.

It is also 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. With the latter point in mind and as set out within the Commercial Property Investment Policy, the Council's wider treasury management activities are designed to ensure that the

Council is not faced with a position of having to sell the property for cash flow purposes. This in turn ensures that the Council remains in control of when the property is ever exposed to the market rather than potentially having to sell the property during a period where there may be a downturn in commercial property prices.

EQUALITY IMPLICATIONS

There are no direct implications.

SOCIAL VALUE CONSIDERATIONS

There are no direct implications.

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030

There are no direct implications.

OTHER RELEVANT CONSIDERATIONS OR 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

Health Inequalities

Area or Ward affected

Please see comments above

PART 3 – SUPPORTING INFORMATION

BACKGROUND AND CURRENT POSITION

The Annual Capital and Treasury Strategy for 2024/25 is set out in **Appendix A** and is based on the most up to date Treasury Management Code of Practice and the revised Prudential Code, both of which were published by CIPFA in December 2021.

Last year, the Annual Capital and Treasury Strategy was subject to a number of changes to reflect the latest codes mentioned above, with a summary of those changes as follows:

- Changes to the definition of investments, splitting them between treasury investments, commercial investments and service investments, with commercial and service investments arrangements being separated out in reporting and supported by investment management practices. Tending currently has no service investments and just one commercial investment, the investment property in Clacton, so separate documentation has not been produced but instead the Strategy clearly reflects issues which relate to the investment property.
- Local authorities must not borrow to invest for the primary purpose of financial return.
- Local authorities must consider as part of the decision-making whether to divest any commercial investments before deciding to borrow.
- Introduction of a liability benchmark indicator which is in the form of a chart showing approved capital programmes and approved borrowing to maturity.
- A new affordability indicator showing the ratio of income from commercial and service investments as a proportion of the Council's net revenue stream.
- Requirement to include the Council's policy and practices relating to environmental, social and governance (ESG) investment considerations within TMP1 on risk management.
- Requirement to report treasury quarterly, which the Council already does via the

Corporate Budget Monitoring process.

- Various wording changes and amendments resulting from the new Codes on TMPs, which are reflected in the current TMPs.
- Amendments in areas such as the general economic outlook and interest rate forecasts.

It is important to highlight that the changes to the Codes highlighted above did not require the Council to take any direct action / remedial activities in terms of its investment / treasury processes.

In terms of 2024/25, there have been no major changes required, with only timely updates required along with the introduction of new technical accounting adjustments relating to assets that the Council leases in. The changes required are shaded in grey and are in italic font within **Appendix A**.

In terms of the technical accounting adjustments associated with leases referred to above, these will be treated as borrowing within the Council's accounts, although in reality it does not change the Council's overall liabilities, with the 'borrowing' being 'repaid' each year to reflect the actual lease payments made.

By approving the Annual Capital and Treasury Strategy for 2024/25, the Council will be adopting the latest CIPFA Code of Practice for Treasury Management in the Public Services. (the '2021 code').

The need to borrow money may arise in future years to reflect the Council's current commitments, corporate priorities and strategies. If the need / option to borrow money was identified, then it would form part of associated and separate decision-making process and would be considered within the overall Treasury Strategy framework.

The Council maintains a very low risk appetite approach to its treasury activities. However, set against this context, officers will still continue to explore opportunities to maximise investment returns in 2024/25.

In terms of sources of funding, the Government introduced a significant new constraint in terms of borrowing from the Public Works Loan Board (PWLB) in 2020/21. If a local authority purchases assets or plans to purchase assets over a future three-year period to generate investment income, then they will no longer be able to borrow money from the PWLB. This applies to all such purchases regardless of how they are funded. Although no such purchases are currently planned, this constraint may need to be considered in the future, as the Council could lose access to the preferential rates available from the PWLB.

Draft Prudential Indicators are set out in **Annex 1 to Part 2** of the Capital and Treasury Strategy. **Annex 2 to Part 2** of the Treasury Strategy sets out the specified and Non-Specified investments the Council may use in 2024/25.

In accordance with the relevant codes, the Capital and Treasury Strategy is subject to consultation with the Resources and Services Overview and Scrutiny Committee before being recommended to Council for approval before the start of each financial year.

PREVIOUS RELEVANT DECISIONS

The previous Capital and Treasury Strategy for 2023/24 was agreed by Full Council at its

meeting on 2 March 2023.

Treasury Management Performance 2022/23 was reported to Cabinet at its 21 July 2023 meeting.

A mid-year Treasury Performance review was presented to Cabinet at its 10 November 2023 meeting.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Appendix A - Annual Capital and Treasury Strategy 2024/25

REPORT CONTACT OFFICER(S)

Name	Richard Barrett
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Job Title	Assistant Director Finance and IT
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Email/Telephone	rbarrett@tendringdc.gov.uk 686521
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Tendring
District Council



**ANNUAL CAPITAL AND
TREASURY STRATEGY
2024/25**

PART 1 – CAPITAL STRATEGY 2024/25 to 2026/27

1. Introduction

SECTION A - Achieving Outcomes / Delivering Against Priorities

2. Corporate Priorities and Links to Other Key Strategies
3. Roles and Responsibilities in Respect of the Capital Strategy and the Formulation and Monitoring of the Capital Programme

SECTION B - Capital Investment and Sources of Funding

4. Capital Investment Considerations
5. Sources of Funding

Part 1 Annex 1 – Quick Reference Guide – Information Expected to be Included in Capital Investment Decisions Where Relevant

Part 1 Annex 2 – General Fund and Housing Revenue Account Capital Programmes 2024/25 to 2026/27

PART 2 – TREASURY STRATEGY FOR 2024/25

1. Introduction
2. Treasury Limits for 2024/25 to 2026/27
3. Prudential and Treasury Indicators for 2024/25 to 2026/27
4. Current Portfolio Position
5. Borrowing Requirement
6. Economic Position
7. Interest Rates
8. Borrowing strategy
 - 8.1 External v internal borrowing
 - 8.2 Gross and Net Debt Positions
 - 8.3 Policy on borrowing in advance of need
9. Debt Rescheduling
10. Annual Investment Strategy
 - 10.1 Investment Policy
 - 10.2 Creditworthiness Policy
 - 10.3 Credit Limits
 - 10.4 Country Limits
 - 10.5 Investment Strategy
 - 10.6 Allocation of Investment returns between GF and HRA.
 - 10.7 End of year investment report

Part 2 Annex 1 – Proposed Prudential Indicators 2023/24 revised, 2024/25 and forecasts for 2025/26 to 2026/27

Part 2 Annex 2 – Specified and non-specified investments

PART 1 – CAPITAL STRATEGY

INTRODUCTION

The Capital Strategy is an overarching document that sets out the Council's approach to Capital Investment and how it seeks to deliver value for money against the following underlying key principle, which is subject to review by the Council's External Auditor each year:

The Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources, which comprises of:

1. Taking informed decisions;
2. Deploying resources in a sustainable manner; and
3. Working with partners and other third parties.

Against this backdrop, the Capital Strategy is divided into two sections:

Section A provides an introduction and sets out the context for the Capital Strategy. It sets out how the plan links to corporate priorities and shows how they link to other key resource strategies and the related roles and responsibilities of members and officers.

Section B covers the framework within which capital financing decisions are considered and provides background to the funding sources available to meet the costs of capital projects that are included within the Capital Programme.

The Corporate Investment Plan along with the Capital Programme forms the basis of the Council's rolling plan of investment in assets. The Capital Programme spans a number of years and contains a mix of individual schemes.

Investment can include expenditure on:

- Infrastructure such as open spaces, coast protection
- New build
- Enhancement of buildings through renovation or remodelling;
- Major plant, equipment and vehicles;
- Capital contributions to other organisations enabling them to invest in assets that contributes to the delivery of the Council's priorities.

The Capital Programme is distinct from the Council's revenue budget which funds day-to-day services, but they are both linked and are managed together.

There is a strong link with the Treasury Management Strategy set out in PART 2 that provides a framework for the borrowing and lending activity of the Council.

The Council has set a de-minimus level of £10,000, below which expenditure is not classed as capital expenditure, but is charged instead to the revenue account.

SECTION A - ACHIEVING OUTCOMES/DELIVERING AGAINST PRIORITIES

CORPORATE PRIORITIES

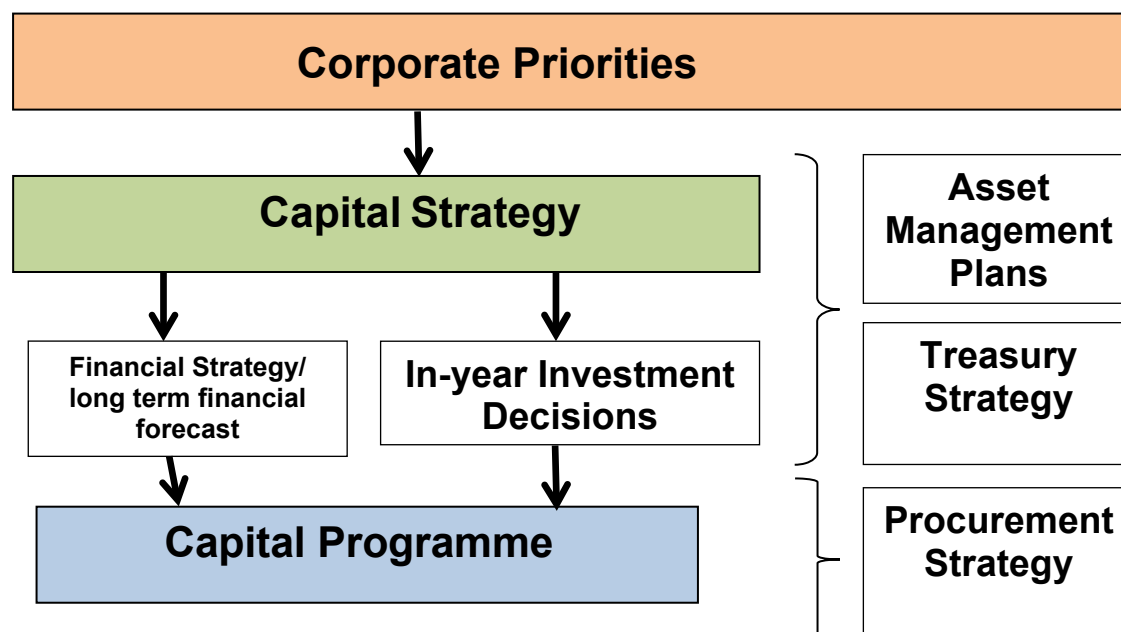
The Capital Strategy is subject to ongoing review and has a key role in supporting the delivery of the Council's Corporate Priorities

The Capital Strategy aims to set out the arrangements and processes in place to manage capital resources, the relationship with the Council's other key resource strategies and the practical/sustainable outcomes of those arrangements and processes by:

1. Setting out how schemes are evaluated and prioritised within the resources available.
2. Ensuring that any investment decision is prudent, sustainable and affordable in accordance with the prudential code and therefore represents value for money.
3. Setting out the performance processes in place to ensure that projects are delivered on time and within budget.
4. Ensuring that expected outcomes are delivered and lessons learnt from previous investment decisions.

LINKS TO OTHER KEY STRATEGIES

The ability of the Council to undertake capital investment to deliver its corporate objectives will be influenced or have direct links to a number of strategies, with the key 'links' set out below:



The above sets out the strategies/processes that are more closely aligned to the capital investment decision but are by no means exhaustive. Although subject to changes over the life of this Strategy, other key strategies and

policies may also need to be reflected in the investment decision such as those associated with workforce/staff capacity and ICT delivery. Decision-making must therefore reflect these requirements where relevant/necessary.

In respect of ICT within the Council, associated strategies or requirements set out how the Council intends to use technology to support service delivery and transform the way it delivers its services. ICT is therefore recognised as a key enabler in supporting capital investment and delivering sustainable outcomes.

The **long-term financial forecast** plays a pivotal role in developing and delivering capital investment. The long-term financial forecast not only determines the financial resources available to fund capital investment, both in terms of the initial investment and any revenue consequences of the capital investment itself, it also provides a key element within the framework for considering and prioritising capital projects. It is however recognised that to remain flexible to take advantage of investment opportunities that may arise during the year, decisions may be required in line with the Council's Financial Procedure Rules. The long-term financial forecast is reported to Cabinet each quarter, which allows this flexibility. To ensure consistency, such decisions should also follow the same requirements set out within the Capital Strategy.

The Corporate Investment Plan also forms a key element within the framework above as it forms a further link between the Corporate Priorities and the Financial Strategy and complements the development of the long-term forecast and prioritised projects that are included within the Capital Programme.

The Treasury Strategy is also highlighted above as a key influence as it sets out the Council's overall approach to debt and borrowing. This approach along with affordability form part of the investment decisions that are brought together via the long-term financial forecast process on a rolling basis through the year.

Other significant influences include the Local Development Framework (LDF) which sets out the Council's vision for change and new growth in the Tendring District in the long term which could present the Council with investment opportunities for consideration alongside other investment options.

ROLES AND RESPONSIBILITIES IN RESPECT OF THE CAPITAL STRATEGY AND THE FORMULATION AND MONITORING OF THE CAPITAL PROGRAMME

Management Team – As the most senior officer team of the Council the Management Team approves the Capital /Treasury Strategy for submission to Cabinet and having regard to the Council's priorities, recommends projects for inclusion in the Capital Programme in consultation with Portfolio Holders/ Cabinet (via the long-term financial forecast process). Management Team also considers all significant investment decisions via a project initiation /

development process prior to formal reporting to Members, especially those associated with in-year investment decisions.

Departments support Management Team in the above process through the development and investigation of investments opportunities and submitting reports / project initiation and development documentation in support of the associated capital projects.

Cabinet (including Portfolio Holders acting within approved delegations)

– The Cabinet recommends the 5-year capital programme to Council. The Cabinet and the Corporate Finance and Governance Portfolio Holder can, within the limits set by the Council's Financial Procedure Rules, approve supplementary estimates or approve virements between schemes during the year as part of separate investment decisions. The Cabinet is required to approve the Capital / Treasury Strategy each year.

Council – Approves a multi-year Capital Programme as part of the budget setting process in February each year and approves the Capital / Treasury Strategy in March each year or as soon as possible thereafter.

Subject to the limits set out in the Council's Financial Procedure rules, Council may be required to approve supplementary estimates to increase the costs of approved schemes or add new schemes over and above amounts that individually or on aggregation are over and above those amounts ordinarily agreed by Cabinet as part of in-year investment decisions.

CONSULTATION

The views of the local community and stakeholders are an important element in developing the priorities for the Council and identifying capital investment opportunities. This can be achieved in a number of ways depending on the specific investment that is considered, which should be complemented by wider consultation exercises such as those associated with the development of corporate priorities and the long-term forecast/corporate investment plan where necessary.

In addition to the above, Departments are expected to review the need to undertake consultation and the scale of that consultation, as appropriate, as part of the investment decision-making process.

MONITORING OF THE CAPITAL INVESTMENT/CAPITAL PROGRAMME

In terms of performance and monitoring the delivery of capital investment, this is primarily achieved through the existing and comprehensive financial processes such as the long-term financial forecast and budget setting process, outturn review and the quarterly financial performance reporting. In respect of the quarterly financial performance reports, an update on the delivery of projects and the position against the budget is included, which is reported to both Cabinet and the relevant Overview and Scrutiny Committee during the year. Some capital projects may also form part of the Council's

separate Performance Monitoring process that is also reported to Members during the year.

Where capital investment is material, the scheme or project may be subject to review by internal audit which would be at the discretion of the Internal Audit Manager as part of the annual Internal Audit Plan or if required by other key stakeholders.

SECTION B – CAPITAL INVESTMENT AND SOURCES OF FUNDING

CAPITAL INVESTMENT CONSIDERATIONS

The Council's capital investments are made in accordance with the Prudential Code, which aims to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable, which should also include where necessary a prioritisation and appraisal process. Under the Code the Council is free to determine the amount it borrows to finance capital investment.

All of the Council's capital investment is managed in accordance with the requirements of the Prudential Code. The prioritisation of capital investment is directly linked to the long-term financial forecast and/or in-year budget amendment processes as previously explained, which is complemented by the Corporate Investment Plan, all of which will be undertaken in an open and transparent manner.

Schemes that are agreed but not funded as part of the long-term financial forecast process will be considered a prioritised list within a wider Corporate Investment Plan approach and be a 'live' schedule of investment opportunities against which further investment opportunities should be considered during the year.

The Council faces ongoing significant financial challenges over the period of this Capital Strategy due to the significant reductions in Government Funding over recent years, the current high levels of inflation and the potential longer impact of the COVID 19 pandemic on Council funding. The latest long-term financial forecast for 2024/25 to 2026/27 reflects annual deficits, albeit on a reducing basis over the remaining period of plan, which is supported by the Forecast Risk Fund. To deliver the level of efficiencies and transformation that will in turn support the delivery of the long-term forecast, the following key principles have been identified which should be a key consideration of capital investment decisions:

Design schemes/projects to limit as far as possible any negative impact on the Council's on-going revenue budget.

Promote capital investment which allows either invest to save outcomes or generates a revenue and/or capital return and/or generates additional

external grant (e.g., new homes bonus) or core funding (e.g. Business Rates) whilst clearly setting out how it contributes to the Council's Corporate Priorities.
Foster effective working relationships with potential funders/partners.
Carefully consider value for money and efficiency of projects and associated outcomes.
Project risk is fully explored, and mitigating actions identified and taken as necessary.
Ensure appropriate project management tools and documentation are used and that project timescales are adequately matched to the capacity to deliver the project, both internally and externally (where internal, this needs to include services such as Legal, Finance and HR).
Responsibility for the delivery of the project is clearly defined and understood.
How the proposed investment contributes to the Council's commitment to be carbon neutral by 2030.

Although not always necessarily subject to formal reporting, as part of the Council's project management processes, Departments are expected to evidence the outcome from any investment undertaken against the key criteria set out within this Capital Strategy to inform future investment decisions with high level information being available within the usual performance/budget monitoring reports.

To promote consistency, a quick reference guide for detailed information that is expected to form part of any investment decisions is set out as **Annex 1**.

As highlighted above, the Corporate Investment Plan forms part of the overall governance framework in terms of linking corporate priorities and strategies to investment priorities. This framework takes into account a number of key priority 'drivers' such as financial viability / sustainability, non-financial consequences such as reputation / health and safety, the outcome from external assessment / regulatory reviews along with being outcome driven.

Impact Assessments

Impact assessments may be required depending on the specific capital investment decisions being considered. Therefore, as part of the Council's project management processes, Departments are expected to consider whether it is necessary to complete an impact assessment based on the Council's usual processes and documentation at the time a decision is made.

SOURCES OF FUNDING

Capital investment will have to be undertaken within the Council's limited resources and challenging financial environment.

In limited cases the cost of capital investment is supported by external grants/contributions. Any other capital investment the Council wishes to make has to be funded from its own resources or by borrowing (the revenue cost being met entirely by the Council). The Council's Financial Strategy/long term financial forecast includes consideration of a ten-year forecast, taking into account the revenue implications of capital investment plans and the resources available to fund capital investment. The level of capital investment will be constrained by the available resources identified via the long-term financial forecast process including revenue contributions or the ability to attract external funding and the generation of capital receipts. Any decision to invest in capital projects will need to match the available resources against criteria set out above, including how it meets corporate priorities within the wider Corporate Investment Plan Approach. The process also includes consideration of, where appropriate, whether to divest any commercial investments, in accordance with the requirements of the updated Prudential and Treasury Management Codes.

In planning any capital investment to contribute towards the achievement of the Council's priorities, the following resources are available:

- a) **Revenue Funding (Including Reserves)** – This continues to be limited each year given the challenging financial environment and on-going government grant reductions. This funding stream will need to be considered within the overall financial planning processes each year, including that for the HRA, which operates under a self-financing environment where changes in Government Policy have limited the revenue contributions available to support capital investment.
- b) **Capital grants/contributions** – These have contributed significantly to past and current capital projects and many aspects of the Council's and its partners' objectives can only be met if this funding source continues to be pursued. The delivery of the Council's priorities and commitments continue to be supported by successful grant applications. Section 106 money flowing from the planning process is also a significant source of external funding.
- c) **General Fund Capital Receipts** – It is acknowledged that the Council's current property/land holdings are not of significant high value or volume. Nevertheless, the Council recognises this important funding source and continually reviews its assets as part of separate asset management / investment plans which provide the context to consider opportunities to dispose of any assets that are surplus to requirements and/or not contributing to the delivery of the Council's priorities or where they provide alternative investment opportunities.

d) **Borrowing within the Prudential Framework (Prudential Borrowing) –**

The Council has the freedom to borrow to finance its capital expenditure provided it can demonstrate the prudence of the investment and its affordability and sustainability. During 2020/21 the rules governing borrowing from the PWLB were amended such that from 25 November 2020 no borrowing from the PWLB is allowed if an authority has purchased assets for yield in its capital programme for the following three years. Neither the General Fund nor the Housing Revenue Account capital programmes for 2024/25 to 2026/27 involve any such schemes. This means the Council is still able to access PWLB funding at preferential rates if it is prudent, affordable and sustainable.

CAPITAL STRATEGY CONCLUSIONS

The Capital Strategy sets out the high-level arrangements and processes to ensure that capital investment is managed within the Council's overall financial framework. It aims to ensure that its limited resources are applied consistently and effectively towards delivering the priorities of the Council. It links together the capital expenditure implications of various plans and strategies.

PART 1 - ANNEX 1**QUICK REFERENCE GUIDE – Information Expected to be Included in Capital Investment Decisions Where Relevant**

Formal Investment Considerations/Decisions/Business Cases
Link to priorities (including commitment to be carbon neutral by 2030) and/or 'safeguarding' of a Council Asset and what are the measurable benefits of the planned investment
Return on Investment/Net Present Value
Whole Life Costing/Revenue Consequences
Payback Periods
Key risks and how they will be managed
Alternative Options/Opportunity Costs
Sustainability
Financial Resources Available/Funding Options
Impact assessment where relevant
Capacity/Deliverability
Other considerations/important information to discuss/share with relevant internal department(s) and/or for inclusion in the formal decision making process if significant
Cash Flow Forecasts
VAT Arrangements/Implications
Insurance issues
Risk Management implications
Procurement processes

PART 1 - ANNEX 2**General Fund Capital Programme 2023/24 to 2026/27**

Capital Expenditure - General Fund £000s	2022/23 Actual	2023/24 Revised	2024/25 Estimate	2025/26 Forecast	2026/27 Forecast
Total Capital Expenditure	3,931	15,362	827	827	827
Financing - General Fund					
External contributions	(505)	(889)	-	-	-
Section 106	(80)	(224)	-	-	-
Government grants	(242)	(846)	-	-	-
Disabled Facilities Grant	(993)	(10,260)	(757)	(757)	(757)
Capital receipts	-	(1,000)	-	-	-
Direct revenue contributions	(178)	(196)	(70)	(70)	(70)
Earmarked reserves	(1,933)	(1,947)	-	-	-
Total Capital Financing	(3,931)	(15,292)	(827)	(827)	(827)
Net Financing need (External Borrowing)	0	0	0	0	0

HRA Capital Programme 2023/24 to 2026/27

Housing Revenue Account Capital Schemes £000	2022/23 Actual	2023/24 Revised	2024/25 Estimate	2025/26 Forecast	2026/27 Forecast
Total Capital Expenditure	7,351	11,920	3,928	3,928	3,928
Financing - Housing Revenue Account					
Major repairs reserve	(3,940)	(3,764)	(3,314)	(3,314)	(3,314)
Direct revenue contributions	(43)	(2,431)	(614)	(614)	(614)
Section 106	(328)	(159)	-	-	-
Capital receipts	-	(4,114)	-	-	-
External contributions	(2,745)	(1,452)	-	-	-
Government grant	(295)	-	-	-	-
Total Capital Financing	(7,351)	(11,920)	(3,928)	(3,928)	(3,928)
Net Financing need (External Borrowing)	0	0	0	0	0

PART 2 – TREASURY STRATEGY

1. Introduction

The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. Both CIPFA Codes were revised in December 2021 *and adopted by the Council in* 2023/24. The revised codes had the following implications:

- A requirement to adopt a new debt liability benchmark treasury indicator
- They clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate, however it is important to highlight that none of Tendring's borrowing falls within the inappropriate category
- A requirement to address environmental, social and governance (ESG) considerations in the Capital Strategy and in Treasury Management Practice 1 (TMP1).
- Implementation of a policy to review commercial property, with a view to divest where appropriate.
- Create new Investment Practices to manage risks associated with non-treasury investment (for Tendring this is the single Investment Property held *so separate documents were not considered appropriate, instead the TMPs were expanded*) that are similar to the current TMPs
- Expansion of the knowledge and skills register for individuals involved in treasury management, proportionate to the size and complexity of the work involved.
- All investments and investment income to be split between:
 - those held for treasury management arising from cash flows
 - those held for delivery of services such as housing, regeneration and local infrastructure – the Council has none in this category at present
 - those held for commercial return – i.e. investment property

The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Council's risk appetite is low, and it takes a risk-averse approach to Treasury Management, with the security and liquidity of the investment the prime concern, and the budget for income from investments being formulated on this basis. The Annual Strategy for 2024/25 is based on this risk-averse approach continuing.

For a number of years, the Council has engaged the services of treasury advisors to provide its officers with advice on treasury management issues. The current advisors are Link Asset Services, Treasury solutions. However, the

final decision and responsibility for the actions taken sits with the Council's own officers after considering that advice.

The details of the delegations and responsibilities for treasury management are contained within the Council's Constitution as follows: -

- Part 3 – delegated powers – The Executive / Corporate Finance and Governance Portfolio Holder
- Part 5 – Financial Procedure Rules

2. Treasury Limits for 2024/25 to 2026/27

It is a statutory duty under Section 3 of the Act and supporting regulations for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales, the Authorised Limit represents the legislative limit specified in the Act.

The Council must have regard to the Prudential Code when setting the Authorised Limit of external debt, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'. Capital investment must be considered in the light of the overall strategy and resources available, with decisions made with sufficient regard to the long-term financing implications and potential risks.

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for funding must include both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years. Details of the Authorised Limit can be found in Annex 1 of this part of the report.

The authorised limit reflects the additional borrowing requirement as part of the Housing Revenue Account (HRA) self-financing reforms. The Housing self-financing reforms also set an overall 'debt cap' for the HRA which in itself reflects an affordability level based on the Government's model of how much debt can be supported by the HRA after considering the forecast of income from rents and management and maintenance costs over a 30 year period. The HRA debt cap for Tendring was £60,285,000, but the Government announced the abolition of the HRA debt cap from 29 October 2018. The updated HRA Business Plan reported to Members in December 2022 and January 2023 as part of the HRA budget, reflected the financing of a maturing loan debt via internal borrowing in 2022/23 instead of borrowing and there were no maturities in 2023/24. More loan debt matures in 2024/25 and 2025/26 and decisions to address these will need to be confirmed during the year.

Due to a proposed technical accounting change relating to assets the Council leases in from 1 April 2024, for 2024/25 and beyond, these assets will be recognised on the Council's balance sheet as right of use assets, matched by a corresponding lease liability. They will count as a type of borrowing and will be written down each year.

Work is ongoing to finalise the list of assets that these changes relate to. At the present time they are all expected to be within the General Fund, be relatively short term with a maximum life of five years, so will be written down in line with the actual lease repayment made. This means that the total spend of the Council counted against the General Fund balance will be unchanged, but the spend will move to a different line in the Council's accounts and be split between Minimum Revenue Provision and interest.

The amounts currently identified suggest that at 1 April 2024 the total to bring onto the balance sheet will be some £0.265 million, although this will change as further information is obtained and when the 1 April 2024 PWLB rates are available, as these change on a daily basis and are used as part of the associated calculations. The authorised limit and operational boundary already identified are considered sufficient to cover this increase. The overall Capital Financing Requirement (CFR) of the Council for the General Fund will increase, but the loans CFR, which is referred to in the remainder of this Strategy, will not change.

3. Prudential and Treasury Indicators for 2023/24 to 2026/27

Prudential and Treasury Indicators are relevant for the purposes of setting an integrated Treasury Management Strategy. The latest revisions to the CIPFA Code of Practice on Treasury Management and to the CIPFA Prudential Code are effectively adopted via the approval of this Strategy which reflects the most up to date codes and guidance.

4. Current Portfolio Position

The Council's treasury position at the end of December 2023 comprised:

- GF borrowing from The Public Works Loan Board (PWLB) of £0.132 million at fixed rates at an average rate of interest of 7.04%
- HRA borrowing from the PWLB of £33.315 million at fixed rates at an average rate of 3.57%
- Investments of cash flow surpluses, which include reserves and capital receipts, on a short-term basis (less than 1 year) totalling £80.644 million at an average rate of interest of 4.61%.

5. Borrowing Requirement

No new, alternative or replacement borrowing is currently reflected in the budget for the General Fund or for the HRA.

6. Economic Position

The Council's Treasury Advisors provide economic updates during the year with their latest update summarised as follows:

World economy

The large increases in energy costs experienced in 2022 and early 2023 have begun to fall, although have risen again since the start of unrest elsewhere across the globe. Interest rates have risen around the world, although in the United States the Fed have indicated that they consider the peak in rates has occurred and the next move will be down. Over the next twelve months the faltering recovery in other major economies and the ongoing unrest referred to above, will weigh on world economies.

UK economy

The Bank of England Monetary Policy Committee (MPC) increased the bank rate in the first half of 2023/24 from 4.25% to 5.25% but this may prove to be the peak in the tightening cycle. CPI inflation fell from 8.7% in April to 3.9% in November 2023, the lowest since September 2021. There has been a cooling in labour market conditions during 2023, although wage inflation remains higher than the MPC would like and represents an upside risk to wage inflation. GDG for Q3 of 2023 fell to 0% suggesting that underlying growth has lost momentum since earlier in the year. As the growing drag from higher interest rates intensifies over the next six months, the Council's external treasury management advisers consider that the economy could fall into a mild recession. They expect that interest rates will remain at the probable peak of 5.25% until the second half of 2024. Gilt yields, and therefore PWLB rates which are linked to them, have remained high, and as a result the Council has continued to replace maturing HRA loans with further internal borrowing.

7. Interest Rates

The following table gives the Council's External Treasury Advisor's view on Bank Rate movements and their forecast for the PWLB new borrowing rate based on that view. The PWLB rates are based on the 'Certainty Rate' introduced by the Government for local authorities providing improved information and transparency on their locally determined long-term borrowing and associated capital spending plans. Investment returns *rose sharply over the course of 2023/24 due to increases in the bank base rate, and this higher level of return is expected to be maintained through the first part of 2024/25 before starting to drop back.*

	Bank Rate	Average earnings rate projected by the Council's External Advisors			PWL Borrowing Rate			
		3 month	6 month	12 month	5 yr.	10 yr.	25 yr.	50 yr.
Mar 2024	5.25	5.30	5.20	5.00	4.50	4.70	5.20	5.00
Jun 2024	5.25	5.30	5.10	4.90	4.40	4.50	5.10	4.90
Sep 2024	4.75	5.00	4.80	4.60	4.30	4.40	4.90	4.70
Dec 2024	4.25	4.50	4.30	4.10	4.20	4.30	4.80	4.60
Mar 2025	3.75	4.00	3.80	3.70	4.10	4.20	4.60	4.40
Jun 2025	3.25	3.50	3.30	3.20	4.00	4.10	4.40	4.20
Sep 2025	3.00	3.30	3.20	3.20	3.80	4.00	4.30	4.10
Dec 2025	3.00	3.00	3.10	3.10	3.70	3.90	4.20	4.00
Mar 2026	3.00	3.00	3.10	3.10	3.60	3.80	4.20	4.00
Jun 2026	3.00	3.00	3.10	3.10	3.60	3.70	4.10	3.90
Sep 2026	3.00	3.00	3.10	3.10	3.50	3.70	4.10	3.90
Dec 2026	3.00	3.00	3.10	3.20	3.50	3.70	4.10	3.90
Mar 2027	3.00	3.00	3.10	3.20	3.50	3.70	4.10	3.90

8. Borrowing Strategy

8.1 External v Internal Borrowing

The main Prudential Indicator relevant to capital investment is the Capital Financing Requirement (CFR). This is the total outstanding capital expenditure that has not yet been funded from either revenue or capital resources and is therefore a measure of the Council's underlying borrowing need after taking into account the provision included in the revenue budgets for the repayment of outstanding debt.

The borrowing to finance the capital expenditure can be either from external sources or the Council can use its own internal resources.

The planned external debt compared to the CFR over 5 years is shown in the following table, the difference between the two being the amount the Council has funded from internal resources. This is also set out separately for the GF and the HRA. This excludes other long-term liabilities such as long term creditors and pensions which form part of the separate Financial Strategy process of the Council from a prudential perspective.

Total External Debt

	Actual 2022/23	Revised 2023/24	Estimate 2024/25	Forecast 2025/26	Forecast 2026/27
	£000's	£000's	£000's	£000's	£000's
Debt as at 1 April	36,921	34,699	33,277	30,653	28,232
Estimated repayment of debt	(2,222)	(1,422)	(2,624)	(2,421)	(2,421)
Estimated debt as at 31 March	34,699	33,277	30,653	28,232	25,811
CFR as at 31 March	40,183	38,576	36,977	35,385	33,800
Difference - internally financed	5,484	5,299	6,324	7,153	7,989

General Fund External Debt

	Actual 2022/23	Revised 2023/24	Estimate 2024/25	Forecast 2025/26	Forecast 2026/27
	£000's	£000's	£000's	£000's	£000's
Debt as at 1 April	144	136	128	119	112
Estimated repayment of debt	(8)	(8)	(9)	(7)	(66)
Estimated debt as at 31 March	136	128	119	112	46
CFR as at 31 March	4,820	4,627	4,442	4,264	4,093
Forecast of internal financing	4,684	4,499	4,323	4,152	4,047

HRA External Debt

	Actual 2022/23	Revised 2023/24	Estimate 2024/25	Forecast 2025/26	Forecast 2026/27
	£000's	£000's	£000's	£000's	£000's
Debt as at 1 April	36,777	34,563	33,149	30,534	28,120
Estimated repayment of debt	(2,214)	(1,414)	(2,615)	(2,414)	(2,355)
Estimated debt as at 31 March	34,563	33,149	30,534	28,120	25,765

CFR as at 31 March	35,363	33,949	32,535	31,121	29,707
Forecast of internal financing	800	800	2,001	3,001	3,942

In respect of the General Fund, The Council is currently maintaining an under-borrowed position *for both the General Fund and the HRA*. 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 PWLB rates are currently elevated above what the Council's treasury management advisors consider to be a baseline level*.

Further HRA maturity loans of £1.200 million end in 2024/25 and £1.000 million end in 2025/26, which remain subject to further decisions as part of developing the HRA Business Plan in 2024/25.

The Council's officers have made an assessment, based on advice from treasury advisors, of the amount of internal resources that it is prudent to use to finance capital expenditure and it is felt, taking into account the Council's financial position, that approximately £4m-£5m would at the present time and over the medium term be an appropriate level of internal borrowing. A General Fund maturity loan of £1m fell due for repayment in 2014 but this was not replaced which has led to the General Fund internal borrowing position running just ahead of the £5m level. The HRA maturity loan repayments shown in the table have increased the level of internal borrowing further. However, given the significant increases in PWLB interest rates in 2022/23 and 2023/24, 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.

The use of internal resources is only a temporary solution as, in time, these reserves and capital receipts will be utilised to finance service initiatives and capital investment and at that point will not be available. This will need to be balanced against the replacement external borrowing which will be required at some point in the future which may attract higher rates of interest, so timing of such borrowing will need to consider forecasted rates of interest against the various types of borrowing structure to determine the most advantageous approach. Against this approach consideration may be required to borrow in advance of need, as set out in section 8.3 below, so as to reduce the need to borrow when interest rates may be higher.

8.2 Gross Debt v Investments

A comparison between the Council's gross and net borrowing position helps to assess the credit risk that would apply if the Council has surplus resources invested at a low interest rate which could be used to repay existing debt or to negate the need for additional new debt if at higher interest rates than that being achieved on the investments.

The table below sets out the Council's probable position taking account of both the individual GF and HRA debt figures.

Comparison of gross and net debt positions at year end	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Probable out-turn	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
General Fund external debt (gross)	136	128	119	112	46
HRA external debt (gross)	34,563	33,149	30,534	28,120	25,765
Investments	74,350	57,810	38,870	30,800	15,000
Net debt	(38,651)	(24,533)	(8,217)	(2,568)	10,811

The net debt positions show that the Council does not have underlying excess resources which could be used to repay long term debt – the surpluses and high current investment figures represent carry forwards and the current level of reserves / one-of budgets.

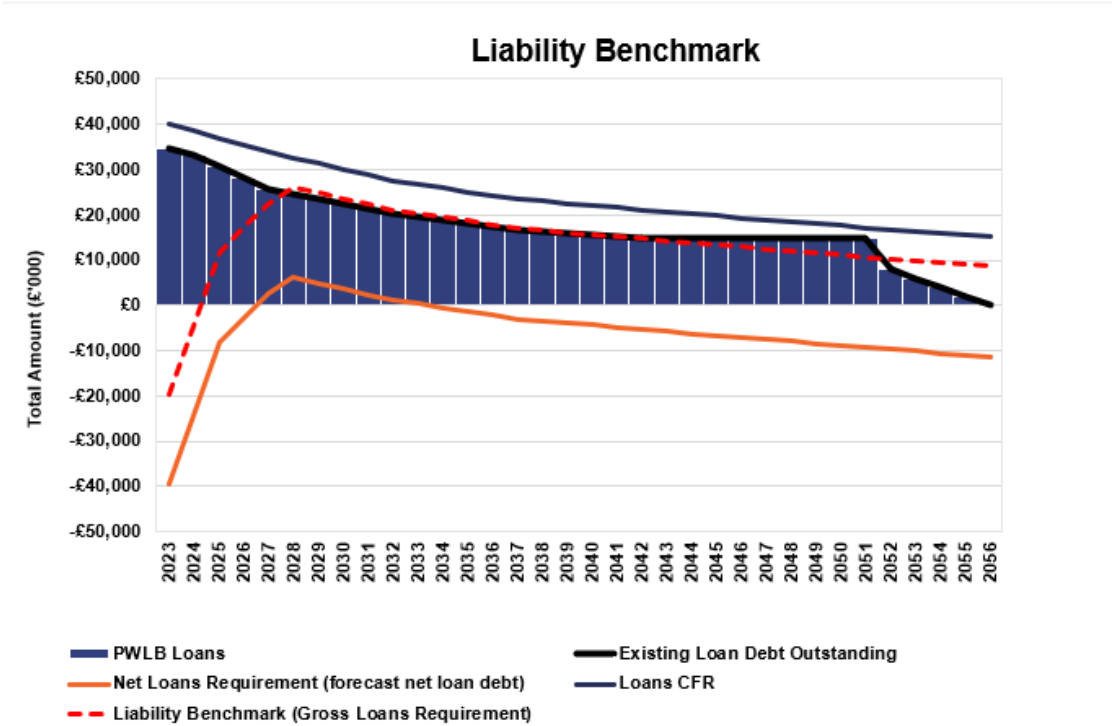
If opportunity arises, external debt will be repaid early, although this is difficult under current arrangements as set out in section 9. If borrowing is required then any requirement will be considered whilst balancing internal resources and forecasted interest rates within the parameters previously set out.

Against this background caution will be maintained within the 2024/25 treasury operations. Interest rates will be monitored and a pragmatic approach adopted to changing circumstances with appropriate action taken in accordance with the Council's Financial Procedure Rules.

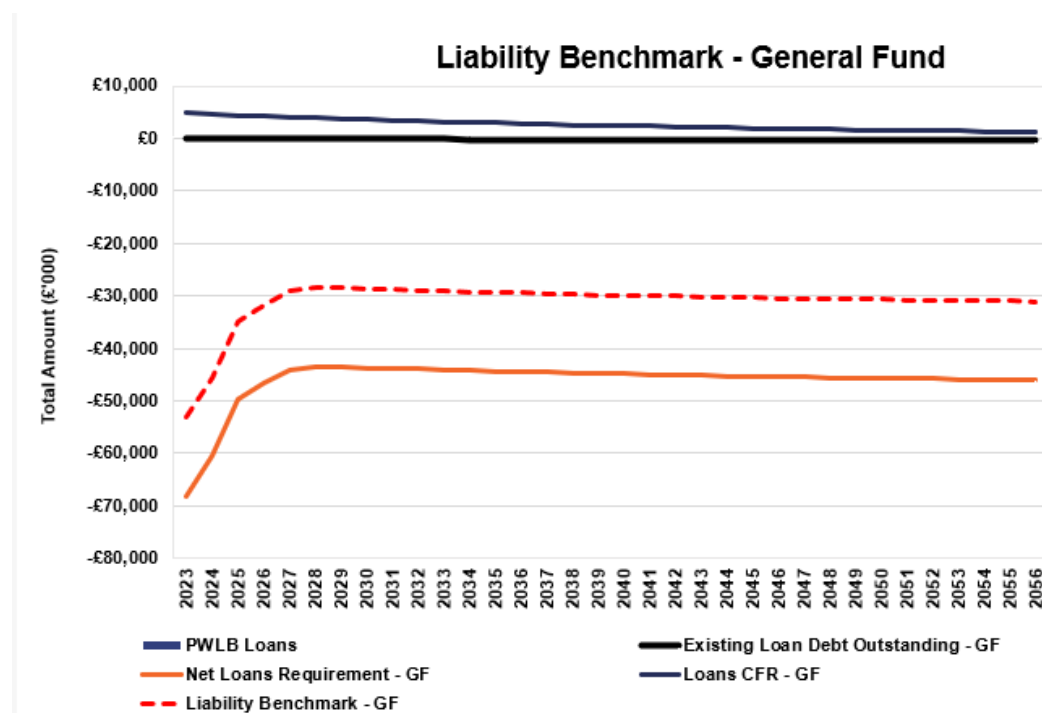
8.3 Liability Index

The tables in sections 8.1 and 8.2 are now required to be shown graphically for a minimum of 10 years and ideally to maturity of loan debt under the 2021 Prudential Code. The charts below show the overall position for the Council and then split over General Fund and HRA.

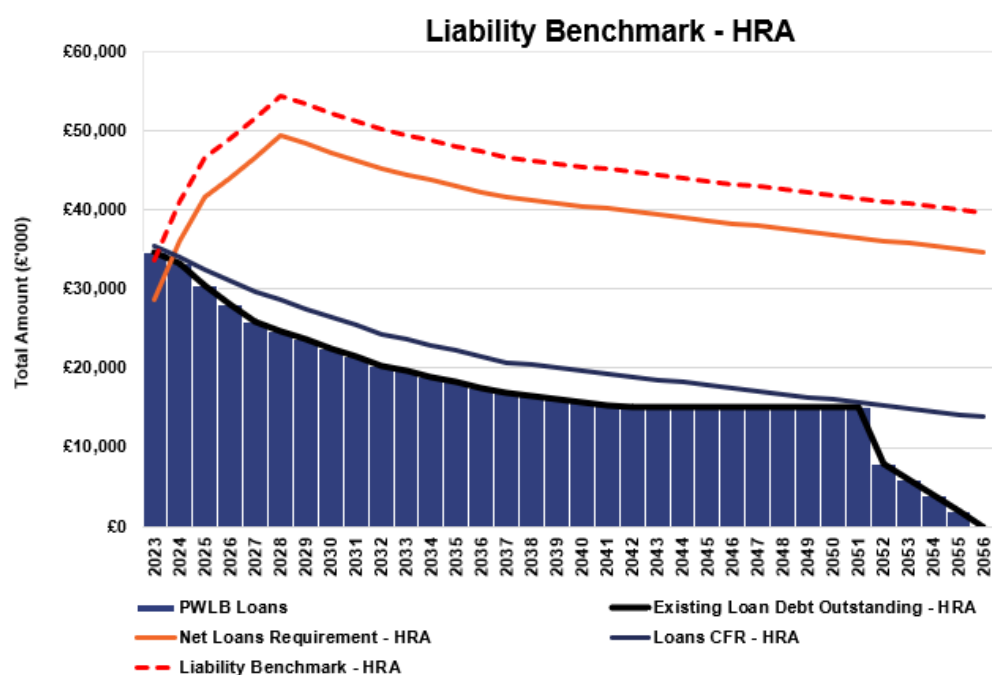
Total



The gap between the red dotted line and the PWLB loans shows the Council is under-borrowed. The net loans requirement line shows loans less anticipated investment balances. The Council needs to maintain some investment balances for liquidity purposes.



The low level of General Fund PWLB debt is demonstrated by this chart, with the bars falling below the blue PWLB loans line. Again, this shows the level of General Fund under-borrowing as set out in the table in section 8.1 above.



The HRA chart shows also that the HRA is under-borrowed, at least until 2051, unless maturity loans that end over the next few years are re-financed.

8.3 Policy on borrowing in advance of need

The Council cannot borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Council will;

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need;
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered;
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits and demerits of alternative forms of funding;
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

9. Debt Rescheduling

Officers together with the treasury advisors examine on a regular basis the potential for undertaking early repayment of some external debt to the PWLB in order to maximise any potential financial advantages to the Council. However, the continuing and significant difference between new borrowing and repayment rates has meant that large premiums would be incurred by such action and cannot be justified on value for money grounds. This situation will be monitored in case the differential is narrowed by the PWLB or repayment rates change substantially.

As short-term borrowing rates will usually be cheaper than longer term rates there may be some potential for some residual opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of premiums incurred, their short-term nature, and the likely cost of refinancing these short term loans once they mature compared to the current rates of longer term debt in the existing portfolio.

Any opportunities for debt rescheduling will be considered if such action would be advantageous to the Council. The reasons for any rescheduling to take place will include:

- the generation of cash savings and/or discounted cash flow savings

- helping to fulfil the strategy outlined above
- enhance the balance of the portfolio

Consideration will also be given to identifying if there is any residual potential left for making savings by running down investment balances to repay debt prematurely as short-term rates on investments are likely to be lower than rates paid on current debt.

10. Investment Strategy

10.1 Investment Policy

The Council will have regard to the Government's Guidance on Local Government Investments, the latest CIPFA Treasury Management in Public Services Code of Practice and Guidance Notes (the Code) along with any relevant revisions or updates. The Council's investment priorities when investing are: -

- The security of capital and
- The liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with these main priorities. It is important to note that the borrowing of monies purely to invest or on-lend and make a return is unlawful.

Investment instruments identified for use in the financial year are listed in Annex 2 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

The majority of the Council's investments will be in Specified Investments although the Council has limited investments in Non-Specified investments.

During 2017/18 the Council purchased an investment property in Clacton, which is a Non-Specified investment (a commercial investment). The historic cost (including stamp duty) of this asset was £3.245 million and it is financed from revenue. The property was purchased with the aim of yielding rental income and with the potential for capital gains. This investment does not have a defined maturity date and it is an illiquid investment as the Council would need to sell the underlying asset to redeem the investment.

The property will be subject to annual revaluation to reflect current value under the requirements of the Accounting Code of Practice and this will be reported in the Statement of Accounts. At 31 March 2023 the carrying value of the property was assessed by the Council's external Valuer at £2.354 million and at 30 September 2023 the carrying value was reduced to £2.283 million. The anticipated return on the property through rental income compared to the historic cost is forecast to remain in line with the figures included in the report

to Cabinet where the decision to purchase was made. Regardless of whether or not the property is being used for trading, the terms of the lease require payment of the rent until the end of the lease term.

The Council has adopted a Commercial Property Investment Policy which will be maintained as a separate document within the wider Capital and Treasury Strategy framework.

The Council does not intend to use derivative instruments as part of its treasury activities during the year.

10.2 Creditworthiness Policy and changes to the credit rating methodology

This Council uses credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors. In determining the appropriate credit rating the Council will use the lowest rating available to determine the investment limits both in terms of amount and period for a particular counterparty. This is in accordance with the recommendations of The Code. Counterparties rated by only one agency will not be used.

One of the credit rating agencies may be more aggressive in giving lower ratings than the other two agencies and this could result in the Council's counterparty list becoming too restrictive. If this happens the position will be discussed with the Council's treasury advisors and the Treasury Management Practices may need to be revised in accordance with delegated powers set out in the Council's Constitution.

- All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Creditworthiness Service provided by the Council's external advisors which is downloaded from Link Asset Services website each morning and uploaded to the Treasury Management system.
- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use for a new investment will be withdrawn immediately.

The Code also recommends that credit ratings are not the sole determinant of creditworthiness and therefore the Council will also use available market information from a variety of sources including

1. The Creditworthiness Service utilises movements in Credit Default Swaps against the iTraxx benchmark and other market data on a weekly basis. This creditworthiness service information will be used to confirm the assessed creditworthiness derived from the three ratings agencies. Where the information from this service indicates a lower standing for a particular counterparty than that derived via the credit ratings then the investment limits and length of investments applicable to that counterparty will be adjusted accordingly or the counterparty removed from the list.

2. Market data and information,
3. Information on government support for banks and the credit ratings of that government support

10.3 Credit Limits

Through its approved Treasury Management Practices the Council will set maximum limits for the amount that can be invested with any counterparty. This limit will be determined by reference to the counterparty's credit rating and other criteria. In addition the amount invested in building societies and Certificates of Deposit is also limited to 50% of the total investment portfolio.

100% of the Council's investments may be in Treasury Bills or Gilts or invested with the Government's Debt Management Office (DMO). Although these sums are very secure the rate of interest is usually lower than the market rate, however Treasury Bills are a valuable tool in providing security and liquidity whilst the DMO offers a variety of investment terms and is a valuable source of investment should credit ratings of other financial institutions result in a reduction in the number of counterparties that meet the Council's minimum credit rating criteria. There is no limit on the amount that can be invested with other local authorities in total, although there is a limit of £6 million with each individual local authority.

10.4 Country Limits

The Council has determined that it will only use approved counterparties from the UK and additionally those countries with a minimum sovereign credit rating of AA or equivalent from the relevant rating agencies.

In a similar way that individual counterparties have a maximum investment limit, countries other than the UK will also have a limit.

10.5 Investment Strategy

The Council's funds are managed in-house and are mainly cash flow based but there is a core balance that could be available for investment for longer periods (2-3 years). 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) and in respect of commercial property investment, this will be limited to the amount included in the Capital Programme.

The bank rate increased from 4.25% in April 2023 to 5.25% in September 2023. The rate is expected to remain at this level until later in 2024 before beginning to fall. (see Section 7). The Council will avoid locking into consider entering suitable low risk longer term deals before rates begin to fall without compromising the Council's priority of security of the investments.

For 2024/25 the Council has budgeted for investment returns based on the principles set out in this strategy including the forecast position on interest rates.

For its cash flow generated balances the Council will seek to utilise its business reserve accounts, Money Market Funds and short dated deposits (overnight to three months) in order to benefit from the compounding of interest. At the present time these short dated deposits are paying *lower* rates, but they provide a good level of liquidity to help manage the Council's cash flow.

10.6 Allocation of Investment returns between GF and HRA

As part of the introduction of HRA Self Financing a policy on the allocation of investments returns across the GF and HRA now forms part of the Annual Treasury Strategy.

The HRA holds balances and would benefit from cash flow advantages, which are amalgamated for the purposes of the overall investment activity of the Council. At the end of each year the transfer to the HRA of its share of the authority's overall investment returns will be agreed by the S151 Officer in consultation with the relevant officers based on the following principles:

- Equity
- Risk Sharing
- Minimising volatility between years

Returns from directly investing in commercial property will be allocated to the relevant fund where the Capital Programme / investment were made from.

10.7 End of year investment report

At the end of the financial year the Cabinet will receive a report on its investment activity.

GLOSSARY OF TERMS

Affordable borrowing limit – limit that the Council has to set under the CIPFA Prudential Code that shows how much the Council considers it can afford to borrow taking all its outgoings into consideration and how much income it considers it can generate.

Alternative financing arrangements – how the Council intends to finance its capital expenditure by other means besides borrowing.

Authorised limit – the amount the Council determines is the maximum that can be borrowed that is affordable and has been calculated in accordance with the legislation behind the CIPFA Prudential Code.

Borrowing requirement – how much the Council considers it needs to borrow to fund its spending plans.

CFR – Capital Financing Requirement – this calculation shows how much the Council needs to borrow or finance by some other measure to meet its planned capital spend.

Counterparty – the other party that participates when a loan or investment is placed.

CPI – Consumer Price Index – the Government's preferred measure of inflation, based on a set basket of goods and services. It excludes housing costs such as mortgage interest payments and council tax.

Credit arrangement – any quasi-loan, to ensure the legislation and Code pick up any unusual arrangements to provide funding other than from a straightforward loan

Credit default swap - A swap designed to transfer the credit exposure of fixed income products between parties. A credit default swap is also referred to as a credit derivative contract, where the purchaser of the swap makes payments up until the maturity date of a contract. Payments are made to the seller of the swap. In return, the seller agrees to pay off a third party debt if this party defaults on the loan. A CDS is considered insurance against non-payment. A buyer of a CDS might be speculating on the possibility that the third party will indeed default.

Credit limit – the maximum amount that can be lent to an individual organisation or group of organisations.

Credit rating – provided by one of the three credit rating agencies, an assessment of how likely the organisation is to repay any monies lent to it.

Creditworthiness - An assessment of the likelihood that a borrower will default on their debt obligations. It is based upon factors, such as their history of repayment and their credit score. Lending institutions also consider the availability of assets and extent of liabilities to determine the probability of default.

Debt cap (HRA) – the limit on the amount that can be borrowed by the HRA, set by central government.

Earmarked reserves – reserves that have been set aside for a specified purpose.

GDP – Gross Domestic Product – measures the output from the economy, if it rises then the economy is growing, if it falls the economy is in recession.

iTraxx - A group of international credit derivative indexes that are monitored by the International Index Company (IIC). The credit derivatives market that iTraxx provides allows parties to transfer the risk and return of underlying assets from one party to another without actually transferring the assets. iTraxx indexes cover credit derivatives markets in Europe, Asia and Australia.

Illiquid investment – An investment that cannot easily be sold or exchanged for cash without a substantial loss in value.

Non-specified investment – as defined in Annex 2.

Prudential indicators – a series of calculated figures specified in the CIPFA Prudential Code which are used to assess how affordable and realistic the Council's spending and financing plans are.

PWLB – Public Works Loans Board – central government lending to other public sector bodies, specifically local government.

PWLB Certainty Rate – The PWLB sets various rates for borrowing. From 1 November 2012 the Government reduced the interest rates on loans from PWLB to Councils who provide information as required on their planned long-term borrowing and capital spending by 0.20%. This reduced rate is called the Certainty Rate.

Replacement borrowing – borrowing taken out to replace other borrowing or other forms of credit that have been repaid.

RPI – Retail Price Index – another inflation index, this one includes the cost of housing.

Specified investments – as defined in Annex 2.

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Proposed Prudential Indicators 2023/24 revised, 2024/25 and forecasts for 2025/26 to 2026/27**Indicators for Prudence****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	2022/23	2023/24	2024/25	2025/26	2026/27
£000s	Actual	Revised	Estimate	Forecast	Forecast
Total Capital Expenditure	3,931	15,362	827	827	827
Financing - General Fund					
External contributions	(505)	(889)	-	-	-
Section 106	(80)	(224)	-	-	-
Government grants	(242)	(846)	-	-	-
Disabled Facilities Grant	(993)	(10,260)	(757)	(757)	(757)
Capital receipts	-	(1,000)	-	-	-
Direct revenue contributions	(178)	(196)	(70)	(70)	(70)
Earmarked reserves	(1,933)	(1,947)	-	-	-
Total Capital Financing	(3,931)	(15,362)	(827)	(827)	(827)
Net Financing need (External Borrowing)	0	0	0	0	0

Housing Revenue Account Capital Schemes	2022/23	2023/24	2024/25	2025/26	2026/27
£000	Actual	Revised	Estimate	Forecast	Forecast
Total Capital Expenditure	7,351	11,920	3,928	3,928	3,928
Financing - Housing Revenue Account					
Major repairs reserve	(3,940)	(3,764)	(3,314)	(3,314)	(3,314)
Direct revenue contributions	(43)	(2,431)	(614)	(614)	(614)
Section 106	(328)	(159)	-	-	-
Capital receipts	-	(4,114)	-	-	-
External contributions	(2,745)	(1,452)	-	-	-
Government grant	(295)	-	-	-	-
Total Capital Financing	(7,351)	(11,920)	(3,928)	(3,928)	(3,928)
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	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
General Fund	4,820	4,627	4,442	4,264	4,093
Housing Revenue Account	35,363	33,949	32,535	31,121	29,707
Total	40,183	38,576	36,977	35,385	33,800

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	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
Capital Financing Requirement	40,183	38,576	36,977	35,385	33,800
External debt	34,699	33,277	30,654	28,232	25,811
Internal borrowing	5,484	5,299	6,323	7,153	7,989

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	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
Operational boundary - borrowing	67,723	65,584	69,030	69,859	69,364
Authorised limit - borrowing	76,333	75,609	77,878	78,870	78,542

Indicators for Affordability**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. *Investment income is no longer deductible from cost from 2022/23 revised onwards*

ESTIMATE OF THE RATIO OF FINANCING COSTS TO NET REVENUE	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Revised	Estimate	Forecast	Forecast
	%	%	%	%	%
General Fund	1.81	1.43	1.28	1.23	1.17
Housing Revenue Account	42.14	44.39	40.18	38.89	37.66

RATIO OF COMMERCIAL AND SERVICE INVESTMENTS TO NET REVENUE STREAM

This is a new indicator from 2023/24 and highlights how much of the Council's net revenue spend is financed by income from commercial and service investments. The Council has one commercial investment and no service investments

ESTIMATE OF THE RATIO OF COMMERCIAL INVESTMENTS TO NET REVENUE	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Revised	Estimate	Forecast	Forecast
	%	%	%	%	%
General Fund	-1.93	-1.62	-1.55	-1.57	-1.61

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	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
Upper limit for Fixed Interest Rates on debt	40,183	38,576	36,977	35,385	33,800
Upper limit for Variable Interest Rates on debt (based on 30% of the fixed rate limit)	12,055	11,573	11,093	10,616	10,140

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	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
Limits on the total principal sum invested to final maturities longer than 364 days	3,500	3,500	3,500	3,500	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	Estimated outstanding debt maturity % at			
	%	%	31/03/2024	31/03/2025	31/03/2026	31/03/2026
Under 12 months	25	0	7.88%	7.90%	8.58%	4.22%
12 months and within 24 months	30	0	7.28%	7.90%	3.86%	4.22%
24 months and within 5 years	60	0	13.83%	10.67%	11.59%	12.67%
5 years and within 10 years	75	0	14.07%	14.02%	13.86%	13.68%
10 years and above	95	25				
10-20 years			11.86%	10.58%	8.98%	7.09%
20-30 years			33.06%	42.41%	53.13%	58.12%
>30 years			12.02%	6.52%	0.00%	0.00%

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	2022/23	2023/24 to	2024/25
	Actual	31/12	Upper limit
Average credit score for investments	1.17	1.16	2.00

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SPECIFIED AND NON-SPECIFIED INVESTMENTS

This schedule sets out the specified and Non-Specified investments the Council may use in 2024/25.

Investments may be in the form of direct deposits, Certificates of Deposits (CDs), property (including property funds) or the purchase of financial instruments such as Treasury Bills, Bonds and Gilts.

SPECIFIED INVESTMENTS:

An investment is a Specified Investment if all of the following apply

1. The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling
2. The investment is not a long-term investment which is one that is due to be repaid within 12 months of the date on which the investment is made or one which the local authority may require to be repaid within that period.
3. The investment is not defined as capital expenditure by regulations
4. The investment is made with a body or in an investment scheme of high credit quality or the investment is made with the following public sector bodies.
 - a. UK Government
 - b. Local authority
 - c. Parish council or community council

Where an investment is being made with a UK nationalised or part nationalised bank this will be treated for the purposes of classification as a Specified or Non-specified investment as being invested with the UK Government.

High credit quality

For a counterparty to meet the high credit quality criteria for specified investments, that counterparty must meet as a minimum the ratings of the three credit rating agencies listed below, and not be the subject of any adverse indications from the following sources.

- Credit Default Swap index
- The quality financial press
- Market data
- Information on government support for banks and
- The credit ratings of that government support

Ratings	Fitch	Moody's	Standard & Poors
Short term	F1	P-1	A-1
Long term	A-	A3	A

NON SPECIFIED INVESTMENTS

A maximum of £3.5m may be held, in aggregate, in Non-Specified Investments

The only non-Specified investments that the Council will use in 2024/25 are investments for periods of longer than 12 months with any institution or investment instrument that would have been classed as a Specified Investment if the investment had been for less than 12 months or property. The Council currently holds an investment property in Clacton. The historic cost of this property (including stamp duty) is £3.245 million. *The most up to date valuation received by the Council's external valuer is £2.283 million.* The purchase of the property was financed from revenue resources.

RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE

05 MARCH 2024

REPORT OF CORPORATE DIRECTOR FOR OPERATIONS AND DELIVERY

A.3 NORTH ESSEX PARKING PARTNERSHIP

(Report prepared by Andy Nepean Public Realm manager)

PURPOSE OF THE REPORT

To consider Tendring District Council's current relationship with the North Essex Parking Partnership.

INVITEES

- *Cllr Mick Barry – TDC – Portfolio Holder for Leisure and Public Realm*
- *Damian Williams – TDC - Corporate Director for Operations and delivery.*
- *Cllr Dan Land – NEPP – Chair*
- *Cllr Tom Cunningham – ECC – Portfolio Holder for Highways, Infrastructure and Sustainable Transport*

BACKGROUND

The Committee has requested information on matters related to the North Essex Parking Partnership:

1. The business model of the NEPP.
2. The agreement for the NEPP.
3. The use of TDC officers to undertake enforcement of on-street parking restrictions.
4. The current position in relation to the use of camera enforcement cars in the District.
5. Information on scrutiny undertaken or proposed in other partners of the NEPP – Including Epping Forest, Harlow, Uttlesford, Braintree and Colchester Councils.

With a view to considering

6. this partnership and the role of the Council within the partnership;
7. the overall financial risks to the Council;
8. the work of the partnership to support road safety eg outside schools, and;
9. short term parking in shopping areas and its contribution to the economic success of those shopping areas

DETAILED INFORMATION

The North Essex Parking Partnership (NEPP) was formed in April 2011 and reports to a Joint Committee (JC) of ECC, initially under a seven-year agreement known as the Joint Committee Agreement (JCA) with an option to extend for a further four years.

The six District and Borough Councils in North and West Essex, namely Colchester, Braintree, Uttlesford, Harlow, Epping Forest and Tendring are members of the JC, and Councilors are Executive Members. Essex County Council (ECC) is also represented at meetings.

A new JCA was agreed in 2022. The length of the new JCA is five years with an option for a further three-year extension. Prior to requests for Districts and Boroughs, to sign up to the new JCA in 2022 the lead authority Colchester Borough Council reported a favorable financial position.

Essex County Council is the Highway Authority for the area and has delegated the on-street parking provision to Colchester City Council as the lead authority of the NEPP.

The NEPP is responsible for all the functions entailed in providing a joint parking service including those for:

- Back-Office Operations
- Parking Enforcement
- Strategy and Policy Development
- Signage and Lines, Traffic Regulation Orders (function to be transferred, over time, as agreed with Essex County Council) On-street charging policy insofar as this falls within the remit of local authorities (excepting those certain fees and charges being set out in Regulations.
- Considering objections made in response to advertised Traffic Regulation Orders (as part of a sub-committee of participating councils)
- Car-Park Management (as part of a sub-committee of participating councils)

Tendring District Councils role in the partnership is, by way of voting and attendance at Joint Parking Committee meetings:

- Agreement of future business plans
- Agreement of service levels including the different levels of enforcement requirements in individual authorities.
- Agreement of any introduction or changes in fees and charges including permits.
- Agreement and scrutiny of the annual proposed budget.
- Scrutiny of financial reports
- Submission of Traffic Regulation Orders for the Tendring area.

The Joint Committee meets at least four times per year with an elected member and officer in attendance. Past meetings have been attended by Tendring's Section 151 Officer and Corporate Director alongside the officer responsible for parking.

On street parking enforcement is the responsibility of the highway authority and as such doesn't allow involvement from TDC enforcement officers without the consent from the lead authority. TDC have in the past offered our services to the NEPP and have periodically enforced outside schools but this has not continued due to reluctance of the NEPP to use our resources.

TDC have continued to refuse the use of a camera car in the area and have repeatedly requested financial reports showing the viability of this way of enforcing, these have not been submitted to this point.

While at time of renewing our membership with the NEPP in 2022 the financial status of the partnership was in surplus. Parking habits since the Covid pandemic have changed and as such income to the NEPP has substantially reduced resulting in a deficit currently of £160k (£337k of reserves used to bring the deficit to this amount).

Any deficit is to be equally shared between the seven authorities at the end of the following financial year.

The NEPP has produced a rescue plan to reduce the deficit and to bring the partnership financials back into surplus. The plan is shown in Appendix A. Rescue plan 2023.

TDC are continuing to scrutinize the financial proposals and considering options available to them regarding the continuation of the partnership. TDC are in conversation with all partner authorities and discussing items of concern but it's officers are unable to comment on behalf of those other authorities.

RECOMMENDATION

That the Committee determines whether it has any comments or recommendations it wishes to put forward the relevant Portfolio Holder or Cabinet.

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Rescue Plan for 2023/24 and Service Transformations

3PR – the three parking rules, educational scheme near schools.

The 3PR officer left during 2022 and the vacant post has been saved. Due to the vacancy saving, the 3PR scheme has been suspended for the time being as part of the Rescue Plan.

Other vacant posts

The data analyst left during 2022 and the vacant post has been saved. This work is significantly reduced, and less data analysis will be available to the Partnership.

The Client and Contract Manager and Group Development Manager are also leaving, due to promotion outside the service, in early 2024.

The budgets for these posts have also been frozen whilst they are vacant and will be dealt with in the forthcoming Service Transformation. Work will be covered by other managers wherever possible, with a reduction in activity being necessary in some areas.

Park Safe Schools – cameras

The Park Safe Schools camera pilot project has been remarkably effective in reducing contraventions of the school yellow zig-zag markings. In excess of all predictions, these cameras can reduce contravention levels by 82% within 6-8 weeks of installation. It was originally thought that the compliance might take up to two school terms. This unexpected reduction has impacted on the viability of the scheme, as cameras need to be moved more regularly to new areas.

Costs involved have increased to the point where this important service cannot currently be sustained. The cost of moving cameras, installing new posts and configuration of the services required to provide coverage has become significantly more expensive over the last three years – part of this is due to working at height, and the contractor's costs have increased significantly.

To reduce the costs associated with moving and operating Park Safe Schools cameras, it is proposed to temporarily halt the School Park Safe camera service until schemes similar to the June 2020 model can be designed and implemented to ensure better compliance in the whole area around schools and better cover costs involved. Any future fixed camera service will be on a smaller scale than before.

Impact of Salary increases

Salary negotiations concluded in Colchester applying the National Joint Committee amounts of £1,925. This additional cost is above the budgeted 4% for 2023/24. In addition, the unprecedented social shift caused by the pandemic, very large increases in costs due to high inflation, increased supplier costs, overheads and the salary increases have all contributed increased costs to the operation. The budget for 2024/25 has been set against this background and has shown the need for further transformation in the Service.

Service Transformations

A Transformation began and the consultation closed in December 2023. This first round recommended the removal of two posts from the structure. Looking at future budgets, that project alone does not go far enough, and a further Transformation consultation will be necessary to help control costs further, with the control of up to £650k of service costs (equivalent to eleven posts with overheads and on-costs). The consultation for this second Transformation will begin in early February 2024 (with some staff messaging during late January) and will reset the core NEPP Operational Service and its cost base to be ready for the next three to five years.

Delivering Traffic Regulation Orders

Each year, as and when funding allows, a programme of works is proposed to the Joint Committee consisting of up to 36 schemes (i.e. 6 per District). With some uncertainty over funding of late, the most recent round of schemes has been postponed.

2023/24 Scheme Applications for delivery in 2024/25

At the November 2023 Joint Committee there were £42.0k worth of schemes not yet approved. This did not include Harlow schemes; with those the total was £65.8k. Included in this amount are some 'self-financing' schemes. The total without considering schemes that are 'self-financing' is £44.1k. Some additional self-financing schemes have been requested since this.

'Self-financing' means where schemes can generate an income such as Resident Parking schemes, where first-year permit sales are in excess of the start-up costs (see the RoI section). Patrol time will need to be paid for out of future income if a step change is found to be required in the number of patrolling CEOs needed.

The self-financing schemes in the current draft programme are awaiting approval. It is recommended that the self-financing (and any other schemes paid for from outside finances) are approved and progressed.

Other schemes have a cost which needs to be to be budgeted. Within the budget for 2024/25, is an amount of £42.0k for new schemes.

It is hoped that fresh clarity with the budget will allow Members to approve a selection of (but maybe not all) the schemes requiring funding, which are compliant with the Policy, to recommence (in part, at least) the future work programme by committing to the budgeted spend in the year 2024/25.

It is of note that this £42.0k budget cannot quite cover the entire £44.1k worth of schemes in the draft programme, which are not self-financing, so a selection process may be necessary to reduce the number of schemes in the draft programme down to a list of those which can be afforded, for decision.

Even schemes that are not initially self-financing do eventually have an income, but this is trivial, and would only cover the cost of any extra patrols if a step change in numbers of officers deployed is required.

Self-financing Applications for delivery in 2024/25

Received up to 31 July:-

£13k worth of self-financing resident parking schemes (paid for by an income from Permits sold (which has not been not budgeted for, so is new income), or paid delivery through district (there are 3 of these schemes).

Received since 31 July :-

An additional £5.6k worth of self-financing schemes has been requested (and will also be paid for via new Permits sold).

These are scheme applications from the public and Districts – they are proposals from the 2023/24 year, for implementation using 2024/25 budgets, and not the schemes in the Rescue Plan.

Sign & Line Maintenance

£25k has been included in the new budget for sign and line maintenance. There is a very high risk that deferring maintenance would impact on the ability to deliver the patrol and enforcement service.

Alternative Inward Funding

There are also options for applicants and Districts to self-fund (full recovery) any Traffic Regulation Order schemes – and this would accelerate the process for those schemes.

These schemes may not meet the criteria – but would be carried out and need to meet all the costs in implementation.

Return on Investment – example parking schemes

As an indication, in a Residential Parking Area, only 28 permits (depending on location) would need to be sold to pay for providing the scheme, then ongoing income would be available to fund patrols and maintenance year-on-year.

For a non– income-generating scheme, around 53 PCNs would need to be issued to pay for the scheme, before paying for any of those patrols, follow-up, or overheads. These types of schemes have very extended pay back timescales (many years) and need to be funded by budget up front.

A budget has been allowed for within 2024/25 to cover Traffic Regulation Order schemes which have previously been brought before Committee but postponed.

Rescue Plans 2023/24 & 2024/25

Rescue Plan 2023/24

During the year several initiatives have been implemented to keep control of service costs – such as the vacancy freeze highlighted above.

These have been successful at controlling costs but have not gone far enough to ensure the long-term viability of the Partnership's finances. A twin-track approach of investigating new income streams and transforming the service to reduce costs is underway.

The service transformation is described elsewhere. The Rescue Plan for the future involves investigating new areas of parking which require other controls, a by-product of which is income.

These schemes have a modest start-up cost, which will need to be paid for from the first year's income. Income has been forecast in line with the standard NEPP model.

New On-Street Parking – 'Rescue Plan 2024/25' Schemes

Twenty-one new on-street parking places have been identified in phases 1 and 2, which would generate an income of between £140k and £190k after start-up costs.

A further set of on-street parking in phase 3 has been identified and located within Colchester (within 600m of Resident/shared use bays). This could generate an income of between £23k and £25k.

There is a further list of schemes also possible, in phase 4, as part of the implementation of Uttlesford's Parking Strategy.

Delivering the 'Rescue Plan 2024' schemes

The *Traffic Regulation Order* and *Additional On-Street Paid Parking* Reports detail new schemes which are proposed to manage traffic in the more highly sensitive roadside areas. A by-product of this would mean a yield of around £140k (lower estimate) after start-up costs in-year (with no VAT in on-street locations).

This income would go to help cover future operating cost increases, and has been included in the draft budget, to cover salary and

inflationary costs which have been identified as continued risks over the life of the Agreement.

Other Income

Annual Increases

Essex expects at least an inflationary increase annually.

NEPP missed deciding Resident Parking increases between 2020 and 2023 when the Joint Committee didn't decide the recommendations put before Committee in 2020, and only decided at a second meeting in 2023 a larger inflationary increase to residents parking, from late August.

This delay may have cost as much as £200k p.a. in lost income between 2020 and 2023.

Resident Parking

A 10p uplift based on inflation for 2023/24 was decided in June 2023 and implemented after governance timescales and statutory consultation in late August 2023.

Further increases and a harmonisation in prices (ahead of inflation) were agreed in 2023 and will be implemented annually up to 2026/27.

Pay & Display/Pay to Park

A proposal is made to uplift roadside charges by 20p over the local parking fee. With in excess of 200,000 stays annually to be managed, this is worth £41k p.a.

MiPermit – Convenience Fee

Convenience Fees of 17p could be introduced for MiPermit cashless parking to cover transaction fees and other processing costs and this would be worth c.£15k p.a.

However, it is recognised that a 20p tariff uplift is also being recommended and almost all payment transactions are through

MiPermit at the roadside, reducing the convenience factor here, and therefore implementation of the Convenience Fee is not recommended at the current time.

The National Parking Platform might sweep up, and provide a resolution for, all of these fees in future. A paper on the National Parking Platform was circulated to Client Officers during 2023.

Permit Booking Fee or equivalent

There is a cost to providing the Permit system through MiPermit – c.£1.18 for annual permits or c.10p per visitor permit (a total of c.£75k p.a.) as part of the automated service.

This could be offset by either adding a booking fee/convenience fee, or adding this amount onto the annual permit price.

A booking/convenience fee would be simplest to implement, but it is not yet clear if the supplier can offer this service.

This is therefore not proposed to be implemented due to the other increases already planned. These costs must be kept in mind when preparing future fees and charges reviews and could instead be added to the tariff of fees and charges.

Other work

The NEPP Group has offered to work in partnership with a neighbour in district in another county.

There are also some other Partnerships which NEPP manages with Parishes and prospectively other areas which have been under negotiations.

Full costs will be recovered in all Partnership arrangement

Districts may fund parking schemes if they wish to.

The NEPP Agreement

Understanding differences in the North Area

It is acknowledged by Essex that there are Structural differences between SEPP and NEPP, with costs increasing in NEPP due to its largely rural nature, with deficits in all but two of the districts – precisely the same situation as when NEPP was formed 13 years ago.

It is important to know where these deficits are, but impossible for every District to manage its own, as there isn't enough scope in each place to support a Recovery Plan.

Some rural areas are, simply, too rural.

Covid hit, then inflationary factors have been present since then – which have all damaged the Partnership in different ways and for different reasons.

NEPP budgets can only keep pace with inflation if new income is forthcoming, and/or the cost base is reduced and kept under control, for it is unlikely that the penalty charge level will increase in value in the foreseeable future.

Contracts Register

Current Tenders cover outside work placed with suppliers:–

Software and Hardware System, including electronic payments and permits	Chipside Ltd Awarded 01/04/2020 (5 years to 2025)
Sign and Line Maintenance	DAT Images Requires review 2024
Cash Collection	G4S Requires review 2024
Ad-hoc Parking consultancy contracts	Parking Perspectives (2023) Parking Matters (2022)

Part 3: Business Plan; Programme of Works for 2024/25

Implement a Rescue Plan sufficient to maintain a non-deficit position, provide funding for the works programme, to pay off historic deficit, and rebuild the Reserve Fund.	The Rescue Plan and Transformation to support future operations is contained within this document and the Table below.	Throughout 2024/25 FY.
Carry out service Transformation to ensure costs are reduced in line with the Rescue Plan.	Sets up service cost base for next 5 years and make c.£400k savings after costs.	Q1/Q2 2024/25
Monitor the recovery from the Pandemic.	Report on parking trends as seen.	Ongoing
Maintain an operational focus on attendance levels.	To ensure maximum deployment.	Ongoing
Continue to operate the service within the Parking Management Policy and Statutory Operational Guidance	For good operational governance.	Ongoing
Monitor Key Performance Indicators for the service	Key Performance Indicators are reported in the Operational and Annual Reports, published online	Reported quarterly
Operate the service against data from the system.	Continually apply most resources to the areas of most need.	Ongoing
Operate the Inter-Agency Agreements with Braintree, Colchester, Harlow and Uttlesford for off-street car parks.	Maintain existing relationships and continue to develop new Partnerships.	Ongoing
Review ongoing contractual arrangements (tenders) to ensure best value in all areas.	Implement and maintain contracts for services above the threshold. G4S and DAT to be reviewed in 2024.	Ongoing
Carry out a prudent programme of essential maintenance works during the summer months.	To ensure key signs and lines remain substantially compliant with the regulations within budget.	Q2/Q3 2024/25
Continue to develop the School Park Safe Camera Zones.	Better implement schemes around schools where enhanced schemes may be self-funding.	As appropriate

Contribute to the Colchester Master Plan, Estate Plan and Structures Projects, and Uttlesford Parking Strategy Project.	Off-street works.	Ongoing
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