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Uttlesford District Council

Chief Executive: Dawn French

Scrutiny Committee Remote Meeting

Date: Tuesday, 2nd February, 2021

Time: 7.00 pm

Venue: Zoom - <https://zoom.us/>

Chair: Councillor N Gregory

Members: Councillors A Coote, C Criscione, A Dean, G Driscoll, R Jones, P Lavelle, G LeCount (Vice-Chair), G Sell and J De Vries

Substitutes: Councillors S Barker, M Caton, A Khan, M Lemon, R Pavitt and M Sutton

Public Speaking

At the start of the meeting there will be an opportunity of up to 15 minutes for members of the public to ask questions and make statements subject to having given notice by 12 noon two working days before the meeting. Please register your intention to speak at this meeting by writing to committee@uttlesford.gov.uk

Public speakers will be offered the opportunity for an officer to read out their questions or statement at the meeting, or to attend the meeting over Zoom to readout their questions or statement themselves.

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AGENDA

PART 1

Open to Public and Press

- 1 Apologies for Absence and Declarations of Interest**
To receive any apologies for absence and declarations of interest.
- 2 Minutes of the Previous Meeting** 4 - 13
To consider the minutes of the previous meeting held on 19 January 2021.
- 3 Responses of the Executive to reports of the Committee**
To consider any responses of the Executive to reports of the Committee.
- 4 Consideration of any matter referred to the Committee in relation to call in of a decision**
To consider any matter referred for call in.
- 5 Cabinet Forward Plan** 14 - 15
To receive the updated Cabinet Forward Plan.
- 6 Corporate Plan Review 2021-2025** 16 - 23
To consider the Corporate Plan Review 2021-2025
- 7 Medium Term Financial Strategy & 2021/22 Budget** 24 - 165
To consider the Medium Term Financial Strategy & 2021/22 Budget

REMOTE MEETINGS AND THE PUBLIC

Due to the Government's social distancing measures imposed in the wake of Covid-19, the way in which the public can participate in Uttlesford District Council meetings has changed. Meetings are no longer being held on site or in person and 'remote meetings' will be held on the virtual meeting platform Zoom until further notice. Members of the public are welcome to listen live to the debate of any of the Council's Cabinet or Committee meetings. All live broadcasts and meeting papers can be viewed on the Council's calendar of meetings webpage.

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The agenda is split into two parts. Most of the business is dealt with in Part I which is open to the public. Part II includes items which may be discussed in the absence of the press or public, as they deal with information which is personal or sensitive for some other reason. The broadcast will be unable when Part II items are discussed.

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Agenda Item 2

SCRUTINY COMMITTEE held at ZOOM on TUESDAY, 19 JANUARY 2021 at 7.00 pm

Present: Councillor N Gregory (Chair)
Councillors A Coote, C Criscione, A Dean, G Driscoll, P Lavelle, G LeCount, G Sell and J De Vries

Officers in attendance: R Auty (Assistant Director - Corporate Services), C Edwards (Democratic Services Officer), G Glenday (Assistant Director - Planning), J Pine (Planning Policy/Development Management Liaison Officer), A Webb (Director - Finance and Corporate Services) and M Wilson (Energy & Climate Change Manager)

Also present: Councillors L Pepper (Portfolio Holder for Environment and Green Issues), N Reeves (Portfolio Holder for the Economy and Investment), J Evans (Portfolio Holder for Planning and the Local Plan)

SC47 PUBLIC SPEAKERS

Ms Tealby-Watson, a resident from Great Chesterford, said she was concerned with the problems at the Planning Committee meeting to consider the Stansted Airport application. The recording at the meeting had failed and approval of the minutes had been delayed, which highlighted a breakdown of procedures and meant the decision notice was issued before the minutes were finally agreed.

Her key questions were as follows:-

- Clarification on the steps that were taken once it was realised that the recording had not worked.
- Why there was such a long delay to agree and publish the minutes.
- An understanding of the steps taken to rectify the problem, especially due to the reliance on technology caused by the pandemic situation.

Ms Tealby-Watson said how important it was that record keeping was pristine and the minutes were taken and circulated quickly to avoid misunderstandings and disputes. She said this was critical to the smooth running of the Council.

Councillor Merifield said the Planning Committee meeting in question was on the 24th January 2020 and that notes were taken by a Democratic Services Officer and a Legal Officer. She wanted it to be clear that there was no dispute within the Planning Committee about what was said on the day or regarding the decision taken. Members had wanted more detailed minutes because of the sensitivity of the subject and the lack of a recording. She said that Scrutiny should look in more detail at the queries that had been raised. She also wanted it to be understood that no one knew until after the meeting that it had not recorded.

Councillor LeCount explained that the technology had failed on the day with both the broadcast and the recording. He said that a new system had been implemented and was working well. He said he had worked with the Manager of Democratic Services to resolve the problem and to ensure that this would not happen again.

Ms Tealby-Watson asked for a report to be written to explain what had gone wrong. She said that pen and paper notes should be taken as a further back up to the new system.

The Assistant Director, Corporate Services said that notes were taken.

The Chair summarised:-

- The system had failed in a way that had not been anticipated.
- The Covid situation caused an extended delay to Planning Committee meetings and therefore had delayed the approval of the minutes.
- Assurances had been made that this would not happen again.
- Detailed handwritten notes were taken at each meeting.
- There was an evidence trail which showed the minutes were an accurate record of what took place.

The Chair, Councillor LeCount and Councillor Merifield agreed to undertake a report.

The Chair thanked Ms Tealby-Watson for her contribution.

SC48 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies were received from Councillor Jones.

SC49 **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 24th September 2020 were approved and would be signed by the Chair as a correct record at the next opportunity.

The Chair explained that at the last meeting he had thanked Officers for transforming the financial situation but had forgotten to include Assistant Director – Corporate Services, he asked for this to be reflected in the minutes. There was general consent from members.

SC50 **RESPONSES OF THE EXECUTIVE TO REPORTS OF THE COMMITTEE**

Councillor Reeve set out the details of the Economic Development Recovery Plan which he said would be integrated into the Climate Change agenda and reflected in the emerging Local Plan. The report was supported by Cabinet on the 24th November 2020 and approved by Full Council on the 8th December 2020 but had been impacted by the pandemic.

He had been asked to come up with performance indicators and measurable goals which were included in a framework for activities aimed at businesses and residents. There was a £1m budget over 3 years.

He explained that there were four main work themes and that each of these would have a breakdown of current, planned and additional activities as well as the resources required.

The themes were:-

1. Business engagement and support
2. Information and advice guidance
3. Skills and training
4. Creating jobs and inward investment

In the short term two Officers had worked on allocating the Covid 19 Essex Business Adaptation Grant and the Social Media Training which included the 'Click Local Uttlesford' initiative. The team had also set up their own Service Plan and evidence of performance indicators to monitor the progress of the Economy Recovery Action Plan. This document will be used to prepare the Recovery Plan media update.

He also mentioned that there were two proposals with the Cambridge University Judge Business School which related to economic development. The proposals related to new businesses for Uttlesford and the green economy in Uttlesford. Teams of students had worked on a project for a month to produce practical results. Councillor Pavitt had also submitted a proposal regarding Uttlesford's water issues and Councillor Reeve hoped that one or more of these would proceed.

Councillor Reeve asked the committee to join with him to thank everyone who had taken part in the development of the Recovery Plan.

Councillor Sell offered his help, and asked what the status of the group was in terms of finance and resources he said it was important to make an impact on businesses. He was impressed that the team were proactively contacting businesses to offer help.

Councillor Reeve said that help for businesses was critical. The outcome of the grant applications had highlighted that the full range of businesses in Uttlesford were not known. These unknown businesses which were not on the Business Rates register were being recorded and contacted with the offer of help and resources. The team was made up of 2 people. There was also recruitment underway.

Councillor Sell asked that future meetings were updated with further progress to help raise the understanding and profile of the team and to be passed onto the wider community through members.

Councillor Dean asked whether the Council could employ some people who had lost their jobs from the airport and elsewhere. He had noticed that the district was untidy, with litter and leaves as well as street furniture that looked very tired. He thought the Street Services team would benefit from additional resources to help tidy up the district ready for the summer and easing of restrictions and to provide employment.

The Assistant Director – Corporate Services said he would pass this on to the Environmental Services team.

Councillor Lavelle praised the Economic Development Recovery Team for proactively contacting businesses to advice on what support was available and said he recognised the effectiveness of the department.

The Chair and the Committee commended and thanked Councillor Reeve and the team for their outstanding work with limited resources; they had set clear objectives that were reported on and achieved.

SC51 **CABINET FORWARD PLAN**

Councillor Dean wanted assurances that the annual refresh of the Corporate Plan would be more up-to-date than this time last year.

The Assistant Director – Corporate Services said this would be included at the Scrutiny meeting on the 2nd February 2021 along with the budget and would then go to Cabinet on the 9th February 2021.

Councillor Criscione said the Delivery Plan was more important and fundamental to the role of this committee. The Chair agreed and said the Corporate Plan Delivery Plan was very important and asked if a draft could be seen before the April meeting.

The Assistant Director – Corporate Services said that this was an initial top level Corporate Plan and the Delivery Plan would be brought to a future meeting.

In response to a question from Councillor Criscione, the Assistant Director – Corporate Services said he would feed back that the Corporate plan item on the Cabinet Forward Plan did not have a Portfolio Holder's name with it.

Councillor Sell said it was the Scrutiny Committee's role to support, to help and inform. He said there had been big issues with the Corporate Plan Delivery Plan and asked that it be circulated in good time before the start of the financial year.

Councillor Pepper said the Corporate Plan Delivery Plan was being refreshed and worked on through the Cabinet working groups. It would then go to Officers for comments. She would pass on the comments made at this meeting.

Councillor Coote said that the administration understood that before any decision was made, it needed to be considered by the Scrutiny Committee.

Councillor Reeve said that he was the responsible person as the Portfolio Holder for the Corporate Plan and Delivery Plan. He thought the Corporate Plan would be a month ahead of the Delivery Plan; and that there was a great deal of work to prepare for both.

SC52 **UPDATE ON PLANNING RELATED STUDIES**

The Chair said there were 3 studies that had been temporarily stopped due to Covid related issues and to reduce the burden on Officers.

Councillor Criscione as the Chair for Planning Obligations Task and Finish Group said he was very keen to progress this report. The report was due at the March Scrutiny meeting.

Councillor LeCount as the Chair of the Major Planning Applications Task and Finish Group said the group needed 2 new members as Councillor Loughlin had stood down. Councillor Criscione said that Councillor Lemon would be interested and said he would speak to him.

Councillor Dean questioned whether it caused a problem for there to be a representative from the Planning Committee on the task and finish group as they would be scrutinising their own work. He thought there should be some representatives that were not from Planning.

The Chair said this had been discussed at the time of setting up the task and finish group, and as the group looked at the earlier processes of applications and their progression before they went to the Planning committee this had not posed a problem. The Assistant Director – Corporate Services agreed with the Chair's summary.

Councillor LeCount said the PAS report would be signed off by the end of January and brought to the next scrutiny meeting.

In response to a question from Councillor Dean, the Assistant Director – Corporate Services explained that the task and finish group had been formed earlier than necessary. The Scrutiny Committee would receive the report first, decide what actions needed to be taken and these would then be passed to the task and finish group.

The Chair thought the Airport related parking task and finish group would be busy once the pandemic restrictions were eased.

Councillor Driscoll said they had not been as busy due to much lower levels of unauthorised parking. He said the Manchester Airport Group (MAG) had agreed with the Council to provide funds for zoning and resident permits. The local equivalent of North Essex Parking would remove cars and would take the proceeds as their part of the deal.

Councillor Driscoll said they were working on preventing pavement parking and the relevant legislation required. It is only an offence in London to be parked on the pavement, although if a vehicle had caused an obstruction this could be treated differently.

Councillor Dean said he thought there should be an interim report by now to plan ahead for problems. The air traffic will increase once Covid restrictions were relaxed and this would drive up parking costs in the airport and mean that even more cars could be parked in the district.

Councillor Sell said he had met with the Operations Manager of the North Essex Parking Partnership who was awaiting legislation from government to prevent pavement parking.

Councillor Driscoll agreed that the plans were with the Transport Select Committee, he said it would be countrywide but thought that villages could apply to be exempt.

Councillor Coote said the driving force behind people parking in the district was the airport and the high parking charges. He thought that the airport needed to take responsibility.

Councillor Driscoll said he would take this up with the airport at their next meeting.

SC53 **UTTLESFORD CLIMATE CHANGE STRATEGY**

The meeting was adjourned at 8:12pm and reconvened at 8:22pm.

Councillor Pepper introduced the item; she responded to Councillor Dean's point about litter in the district. There were staff shortages at the Waste Depots due to the pandemic but she had set up initiatives and encouraged green champions in the local community to pick up litter and address this issue.

She introduced both reports and thanked all those who helped getting the documents ready. The Climate Change Action plan had set out a clear robust carbon reducing time frame with key objectives and actions. This report was the first of 2 reports, and the key objective was to make a complex subject easy to follow for all residents of any age so the wider community could support the net zero carbon target.

The second part would have all 5 key objectives:-

- Air Quality
- Transport
- Biodiversity
- Energy/Waste
- Planning and Development

It would also include lobbying in a tabled 5 to 10 year plan with measurable targets and actions which were being worked on. It would need to be proof read and checked by Officers before going to Cabinet on the 9th February 2021.

She explained that the pandemic had helped with some key climate objectives e.g. working from home, more cycling, walking and support for the local shops. She hoped this would be a long term behavioural change. The Climate Change interim policy document would indicate to developers the Council's commitment to reaching the net zero carbon target. She said Uttlesford District Council would be more likely to approve planning applications from developers who were serious about mitigating the impact of climate change.

In response to a question from Councillor LeCount, Councillor Pepper said the amendments would be made by the Cabinet meeting on the 9th February 2021.

Councillor Pepper said it would be published in two parts with milestones and time frames. She was unable to give an exact date as it would need to be sent to Officers, she wanted it to be a democratic process and therefore it would also need to go back to the community and working groups.

Councillor Dean said that the first document was an attractive leaflet but wanted more details on what the Council planned to do. He said otherwise it gave the impression that it was all down to the public to make the changes. He proposed that the second document was launched at the same time so that there was more detail of the Council's intentions.

The Climate Change Manager said he also wanted to get the document out as soon as possible and build on existing actions. One of the key partners to take into consideration was Essex County Council (ECC) they had produced their interim report but he was waiting for their action plans as these would feed into the Council's plans.

He said the other factor for consideration was the Environmental bill which was due in late spring and would also feed into Uttlesford's strategy; with key elements related to Planning and Waste. He said there were actions and schemes that were on going and would also form part of the new strategy.

Councillor Dean said he thought there could be an interim action plan published that set out what the Council was committed to do. It would send a strong message that the Council was not just waiting for others before action was taken. It could then be updated when ECC and the Government had produced their reports.

The Chair agreed and said there was not much being implemented in the next few months that would produce results.

Councillor Pepper explained the difficulties as it was an evolving and constantly changing document. She said there had been no funding until September and the ECC interim document had also been published and needed to be taken into account. Other factors related to the pandemic which had stopped the take up of some grants and caused uncertainty about companies being allowed into houses and whether work could be carried out.

Councillor Sell said it was now 2 years into this administration and he was not clear who set the objectives and how the funding was being monitored. He suggested that there was a role for someone to be going into schools to educate students.

Councillor Pepper said that they would have a dedicated climate expert to look at how the funds were spent and unfortunately at the moment schools were shut so it was more difficult to complete all the objectives. She said it would be promoted through the Youth Council with video clips and she had already forwarded details of the Green Champions to Parish and Town councils. She also hoped to secure a monthly feature with Broadcast. The intention was for another part time member of staff to be recruited to work only on Climate Change.

Councillor Coote said he was concerned about the term 'key partners' in relation to ECC and Central Government he felt it was not accurate as they were not collaborative partners. He thought care was needed to ensure the Council was pushing these 'partners' rather than waiting for them to act.

He explained that the Committee was not criticising but scrutinising; it was important to make these points that may otherwise be missed.

He picked up on Councillor Sell's point and said the new administration had followed the previously set budget in the first year and had only now been able to set a new budget with £3m for the green issues. He said the conversations in the meeting needed to be fair and balanced.

Councillor Pepper said she had good communication and meetings with ECC especially in relation to cycling, reduction of speed limits, street lighting and pavement.

She said she had also been in touch with Councillor Gooding to ask Essex College to provide different courses to fill skill shortages e.g. plumbing, installation of heat pumps and solar panels and to ask the hotels in the area to offer accommodation and food for these courses to encourage sustainable employment.

In response to a question from Councillor LeCount who suggested sending the brochure to Uttlesford residents, Councillor Pepper said that the objective was to save paper.

The Assistant Director – Planning explained that it was not a brochure but the actual strategy, which would be backed up by a more detailed action plan. He said they would be working towards an interim document and reiterated that it was a live document which would be available for scrutiny every 4 months.

The Chair said it needed to show deliverables and specifics and asked when this would happen.

The Assistant Director – Planning said the draft action plan had been providing measurable outcomes, but then funding had been allocated and there were new elements of the action plan that needed to be considered. He said there was not the technical knowledge in house and external help would be required to get the best results.

The Chair suggested and it was agreed that this action plan was brought back to Scrutiny in 3 months' time.

Councillor Driscoll suggested publishing in the newspapers in the letters section. Councillor Pepper said they could advertise and would consider this as it would save paper.

The Chair asked for permission for the meeting to continue at 9:00pm. The Committee agreed.

Councillor Criscione said he was part of the working group and could think of little to argue with in terms of objectives. He reserved the right to speak later on the detailed action plan and asked for it to be bold and innovative.

Councillor Pepper said it would deliver on many targets, but it was an investment and would take time.

The Chair said he was looking forward to this item coming back to the Committee in the future with deliverables, performance indicators and measurable achievements.

SC54 **INTERIM CLIMATE CHANGE PLANNING POLICIES**

The Assistant Director - Planning said this was an interim policy and a means of influencing developers to ensure that they understood the Council was serious about the measures it wanted to take in terms of climate change.

In response to a question from Councillor Criscione, the Assistant Director - Planning said it was effective and would form Council policy. He said it showed how serious the Council was in terms of climate change and it was a real opportunity for members to be involved in large developments at the pre-application stage. He thought the document was a very valuable way to raise these points with developers earlier on in the process.

Councillor LeCount said it was a fabulous document and asked when the Planning Committee would be able to start implementation of the principles. The Assistant Director - Planning said it would be formally agreed by Cabinet on the 9th February 2021 and endorsed as Council policy. He said that in fairness to developers it should not be used for a few months but some of the points could be raised in future planning meetings.

Councillor Dean said it was an effective document. He thought the plan for every new house to have 5 trees would be difficult to implement and dependent on the size of garden. He asked if a policy could be adopted whereby every tree which was taken down could be replaced by 3 or 4 others. The Assistant Director – Planning said it was difficult to work out a formula for this and thought that if 5 trees were not possible then a contribution to trees in other areas could be requested. This was difficult however because account had to be taken of the on-going maintenance.

Councillor Pepper added that the trees also needed to have protection.

In response to a request by Councillor LeCount the Assistant Director – Planning agreed to circulate to all members, as well as the Developer Forum and Planning Agents. He also said that ECC had endorsed the document.

SC55 **WORK PLANNING INITIAL DISCUSSION**

The Assistant Director – Corporate Services said due to the pandemic this had not been carried out with the usual amount of detail last year. He had received a document from the Centre for Governance and Scrutiny with a methodology for work planning which had worked well in other authorities. He suggested that members think about what the priorities would be for this year; to list and then score them and the top priorities would then be taken forward. He said this would need to be worked on outside formal committee time and he would send out more information.

Meeting ended at 9:25pm

UTTLESFORD DISTRICT COUNCIL CABINET FORWARD PLAN

Item	Meeting	Date	Brief information about the item and details of documents submitted for consideration	Key Decision?	Part 2?	Portfolio Holder	Contact officer from where the documents can be obtained
Corporate Plan 2021-25	Cabinet	9 Feb	Annual refresh of the Corporate Plan for the period 2021-2025.	No	Open	Portfolio Holder for the Economy, Investment and Corporate Strategy	Dawn French, Chief Executive dfrench@uttlesford.gov.uk
Grant towards a 3G football pitch in Saffron Walden	Cabinet	9 Feb	To consider a grant to Saffron Walden Community Football Club towards a 3G pitch in Saffron Walden.	Yes	Open	Portfolio Holder for Sports, Leisure, Education and the Arts	Fiona Gardiner, Communities Manager fgardiner@uttlesford.gov.uk
Interim Climate Change Planning Policy	Cabinet	9 Feb	To consider the Interim Climate Change planning Policy.	No	Open	Portfolio Holder for Environment and Green Issues; Equalities	Gordon Glenday, Assistant Director - Planning gglenday@uttlesford.gov.uk

Item	Meeting	Date	Brief information about the item and details of documents submitted for consideration	Key Decision?	Part 2?	Portfolio Holder	Contact officer from where the documents can be obtained
Medium Term Financial Strategy and Budget 2021/22	Cabinet	9 Feb	to review and recommend the 2021/22 MTFS and budget to Full Council	No	Open	Portfolio Holder for Finance and Budget	Angela Knight, Assistant Director - Resources aknight@uttlesford.gov.uk
Statement of Community Involvement and Community Engagement Strategy	Cabinet	9 Mar	To consider the comments received and proposed amendments following consultation and approval to publish the documents	No	Open	Portfolio Holder for Planning and the Local Plan	Sarah Nicholas, New Communities Senior Planning Officer snicholas@uttlesford.gov.uk
Budget Forecast Outturn - 2020/21 Quarter 3	Cabinet	9 Mar	April to December budget position for 2020/21	No	Open	Portfolio Holder for Finance and Budget	Angela Knight, Assistant Director - Resources aknight@uttlesford.gov.uk
Corporate Plan Delivery Plan 2020/21 progress update	Cabinet	9 Mar	To receive an update on the progress made against the CPDP for 2021/21	No	Open	Portfolio Holder for the Economy, Investment and Corporate Strategy	Dawn French, Chief Executive dfrench@uttlesford.gov.uk

Agenda Item 6

Committee: Scrutiny Committee
Title: Corporate Plan Review 2021-2025
Report Author: Dawn French, Chief Executive
dfrench@uttlesford.gov.uk
Tel: 01799 510400

Date:
Tuesday, 2
February 2021

Summary

1. Council adopted a new corporate plan, following a change of Administration, in February 2020. This has been reviewed and will be considered by Council at its meeting on 23 February alongside the budget, medium term financial strategy and other budget reports.

Recommendations

2. Members are requested to provide comments and feedback.

Financial Implications

3. There are none directly arising from the corporate plan but the draft budget reflects allocations for the members' priorities, which will be detailed against the corporate plan delivery plan.

Background Papers

4. None.

Impact

- 5.

Communication/Consultation	There has been no specific consultation on the review but the changes proposed are minor.
Community Safety	Community safety continues to be featured in the Corporate plan
Equalities	Equality continues to be featured in the Corporate plan
Health and Safety	No issues arise from the corporate plan
Human Rights/Legal Implications	None arising from the corporate plan

Sustainability	The corporate plan makes clear reference to sustainability
Ward-specific impacts	None
Workforce/Workplace	A strong vision that creates a sense of purpose is key to engaging staff effectively in their work

Situation

5. Council adopted a new Corporate Plan 2020-2024 at its meeting in February 2020; this had been proposed by the new administration elected in May 2019. The Corporate Plan sets out the vision for the next four years and the priority areas of work to deliver that vision.
6. The corporate plan 2020-2024 has now been reviewed by the Executive and a draft corporate plan 2021-2025 is attached at enclosure 1. The corporate plan is reviewed annually but the expectation is that having adopted a new one in 2020, the annual review will be light touch and result in no/little change.
7. However, the last 12 months has seen two major events impact on the work of the council. This review, therefore, included specific consideration of the potential for change in light of these events:
8. Covid19 pandemic: It is considered that the plan holds up well, even in light of the significant impact the pandemic has had on our residents, businesses and communities. Therefore no change is recommended.
9. The withdrawal of the local plan and commencement of a new one: It is considered that the plan holds up well, even in light of the significant step taken by the council to withdraw the emerging local plan and commence work on a new one. Therefore no change is recommended.
10. However, one small change is proposed. Under the theme: Putting Residents First, it is proposed that 1c (which currently reads 'Increase the reach of the Youth Council') is changed to 'Provide opportunities for young people'.
11. The intention is to broaden the work undertaken to support young people, which will continue to include supporting and encouraging the youth council, but may also include doing things that provide positive opportunities for young people to be able to engage with their local community and do things that interests them, keeps them safe, makes them happy and supports improved mental wellbeing.
12. Members will be aware that a corporate plan delivery plan is prepared by the Executive, which defines the actions to be taken. The financial implications arising from the draft delivery plan are reflected in the budget papers being considered by the Committee at this meeting.

13. The delivery plan for 2021-22 has been drafted and will be brought to Scrutiny Committee at its meeting in March, ahead of being adopted by Cabinet later in the month. This will reflect any changes made to the Corporate Plan and/or the budget and will build on the progress made in 2020-21, which will also be reported at the March meeting of Cabinet.

Risk Analysis

14.

Risk	Likelihood	Impact	Mitigating actions
The Council fails to deliver on its priorities	1 – The Delivery Plan will set out an achievable programme of work for 2021/22	3 – If staff are not sufficiently focused on the priorities, some projects bringing benefit to the community may not be delivered	Greater clarity and explanatory narrative enables staff to understand the priorities more clearly; the Delivery Plan alongside the budget will ensure that adequate resources are allocated; activities will feature in service and individual performance plans

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.

Our Vision: Making Uttlesford the best place to live, work and play

Theme: Putting Residents First	
<p>Why this is important:</p> <p>We are elected by residents. Their needs and welfare are our first and highest priority.</p> <p>They expect us to be open, honest and responsible. They deserve high standards of governance and trustworthiness.</p> <p>They want good levels of service and expect their council taxes to be used efficiently and wisely.</p> <p>The result will be: Residents will know their views have been listened to; they will feel they have the opportunity to influence the decision making; they will understand why decisions have been made even if they disagree with them. They will report increased levels of trust and confidence in the way the Council conducts its business and manages its resources.</p>	<p>We will:</p> <ol style="list-style-type: none"> 1) Be a council that listens to and acts for residents <ol style="list-style-type: none"> a. Increase the voice and influence of residents in planning and other Council matters b. Administer public consultations that are effective, accessible, timely and high quality c. Provide opportunities for young people d. Improve the council’s use of the web and social media to increase communication with residents e. Actively and positively engage with and listen to our town and parish councils f. Support town and parish councils to better represent their communities 2) Deliver local government with outstanding levels of transparency and accountability <ol style="list-style-type: none"> a. Implement a corporate change programme to increase accountability, transparency and democracy at the Council b. Seek external review of and recognition for positive change achieved by the Council c. Deliver a comprehensive continuing member development programme 3) Be responsible with your money and mitigate the impact of government cuts. <ol style="list-style-type: none"> a. Be a self-sufficient Council that generates its own resources from local taxation (Business Rates and Council Tax) and commercial investments thereby removing the reliance on Central Government grants b. Deliver cost-effective and efficient services that live within the Council’s means c. Constantly seek to improve the quality of contracted out services d. Apply for all relevant grants e. Set a Medium Term Financial Strategy (MTFS) to fund council services by a prudent mix of investment, services and tax income, while maintaining adequate reserves f. Follow best-practices for investment risk management and board composition

Theme: Active Place-Maker For Our Towns And Villages	
<p>Why this is important:</p> <p>A focus on strategic master-planning in partnership with towns and villages will create better resident-centred places to live.</p> <p>Our unique connectivity, location, and character can be used to drive a local economy that creates local jobs and prosperity.</p> <p>Taking an active role in providing homes and services for in need will safeguard the health and welfare of all our residents.</p> <p>The result will be:</p> <p>District, town and parish councillors will feel they have participated in decision making that positively shapes the communities they represent.</p> <p>New policies and plans will be implemented that give our towns and villages a strong sense of purpose and place.</p> <p>Residents will see that their council is working hard for them and their families to create great places for them to live, work and play.</p>	<p>We will:</p> <ol style="list-style-type: none"> 1) Masterplan our new communities for and with residents <ol style="list-style-type: none"> a. Use locally led Development Corporations to deliver sustainable new settlements b. Provide the greatest level of influence and protection for communities adjacent to new settlements 2) Support our towns and villages to plan their neighbourhoods <ol style="list-style-type: none"> a. Deliver an outstanding planning and place-making capability with the right capacity to create quality outcomes with and for all our communities b. Facilitate Neighbourhood Planning across the district through strong engagement with and support of all town and parish councils c. Implement policies which create better homes and neighbourhoods that meet or exceed national standards d. Work with partners and stakeholders to deliver new sports, play and community facilities 3) Secure greater benefits for our community from new development <ol style="list-style-type: none"> a. Implement the Community Infrastructure Levy along with s106 to deliver strategic community projects and greater local benefit from development b. Increase the transparency of the Section-106 Agreement process and councillor engagement in it c. Ensure that strong Planning Enforcement holds developers to account d. Require developers to be considerate of the communities in which they build 4) Work with the airport on issues of concern to communities <ol style="list-style-type: none"> a. Seek a reduction in night flights b. Implement programmes to reduce airport related village fly-parking c. Work to secure investment in sustainable transport to and from airport, including for local workers 5) Nurture employment and retail areas to create jobs and retain businesses <ol style="list-style-type: none"> a. Protect and grow our town centres as economic hubs b. Increase tourist spend c. Support the creation of amenities that stimulate and facilitates local businesses, such as enterprise zones, business parks, office blocks, industrial areas, and start-up hubs d. Support the expansion and promotion of key relevant employment sectors for the district e. Work with partners to promote the economic opportunities of the London - Cambridge Innovation Corridor, Stansted Airport and our main transport corridors f. Work with the airport to increase local airport-based employment opportunities

	<ul style="list-style-type: none">6) Enforce good business standards in our district<ul style="list-style-type: none">a. Make sure that businesses and trades in our district meet the national standards and licensing required of them7) Deliver more affordable homes and protect those in need in our district<ul style="list-style-type: none">a. Increase the number of affordable homes delivered and different tenure options including social rentingb. Refurbish our existing council homes to sustainable standards when requiredc. Reduce the number of empty homesd. Ensure that landlords maintain high quality private sector housing conditionse. Ensure that services to protect vulnerable women and men who live in our district are accessible and appropriate8) Promote healthy lifestyles in diverse and inclusive communities<ul style="list-style-type: none">a. Work with partners, including the voluntary sector, to improve the general quality of life for residents, including for residents that experience social isolation, poor mental health, obesity, addiction and dementiab. Continue to be an active partner of the Health and Wellbeing Partnership, to promote healthy lifestyles
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Theme: Progressive Custodian Of Our Rural Environment	
<p>Why this is important:</p> <p>Residents live here because of our beautiful and historical rural character. We need to protect it for those that live here now.</p> <p>We must act quickly and responsibly to reduce the chances of a climate catastrophe. We have a clear obligation to ensure a clean, healthy and safe future.</p> <p>The result will be:</p> <p>Residents will see that their council is a strong protector of our environment; they will feel that the council is taking affirmative action on combating the effects of climate change locally.</p>	<p>We will:</p> <ol style="list-style-type: none"> 1) Take action on Climate Change <ol style="list-style-type: none"> a. Adopt policies to meet new environmental national guidelines/standards as they emerge b. Drive policies to deliver low carbon homes c. Improve average energy efficiency of council housing stock d. Increase the number of trees in the district e. Oppose a second runway at Stansted Airport f. Set a Net Zero Carbon goal for the Council and implement supporting policies g. Increase walking, cycling and sustainable transport h. Recognise the district’s ‘greenest’ business and developers 2) Conserve our natural resources <ol style="list-style-type: none"> a. Implement and enforce policies that protect water and reduce energy consumption b. Drive programmes that increase biodiversity c. Support local energy production initiatives d. Implement programmes to reduce single-use plastics e. Work to reduce per-capita landfill in the district 3) Protect and enhance our rural character and heritage <ol style="list-style-type: none"> a. Meet or exceed national standards for open and green spaces b. Encourage positive planning that values and protects our heritage c. Work with others to increase access to the heritage and history of our district d. Work with our rural partners and developers to maintain habitat and wildlife corridors e. Target littering and fly-tipping 4) Take strong action on dealing with pollution <ol style="list-style-type: none"> a. Increase air quality monitoring across the district b. Deliver reductions in pollution at identified problem areas

Theme: Champion For Our District	
<p>Why this is important:</p> <p>Residents deserve clear accountability, but they would like us to step in to help solve problems even when others are responsible.</p> <p>In our role as a place-maker we must work with other authorities and organisations to influence, prioritise and coordinate actions to collectively deliver the best for our district and its residents. This will include, when necessary, holding others to account.</p> <p>The result will be:</p> <p>Residents will feel that the council is proactively working on their behalf for the good of the district with other authorities and organisations.</p>	<p>We will:</p> <ol style="list-style-type: none"> 1) Improve Uttlesford’s connectivity <ol style="list-style-type: none"> a. Work to set the agenda for ECC highway maintenance and pothole fixing b. Work with ECC and communities to develop the highway improvement schemes we need c. Hold Essex Highways to account to deliver what they promise d. Promote and support sustainable transport initiatives, such as bus, rapid transport and rail upgrades e. Lobby Highways England to improve the capacity and safety of the M11 f. Work with ECC and hold them to account to deliver rural superfast broadband in our district 2) Support our students, schools and libraries <ol style="list-style-type: none"> a. Conduct a wholesale review of school transport to understand the gap in provision of what ECC provides b. Ensure that developer contributions are collected for ECC to provide our local school and Early Years places c. Create and support new services inside our libraries to increase their viability 3) Work with partners to keep the district safe <ol style="list-style-type: none"> a. Work with the Police, Fire and Crime Commissioner and the Chief Constable to reduce crime on our area b. Continue to be an active partner of the Community Safety Partnership 4) Work to create a better local Health Service for residents <ol style="list-style-type: none"> a. Work with NHS on in-district local healthcare provision b. Work to secure Addenbrookes, The Princess Alexandra Harlow, and Mid-Essex hospitals as our recognised local hospital providers c. Deliver programmes to support our aging population

Agenda Item 7

Committee: Scrutiny Committee

Date:

Title: Medium Term Financial Strategy and Budget
Proposals - 2021/22

Tuesday, 2
February 2021

**Report
Author:** Angela Knight, Assistant Director - Resources
aknight@uttlesford.gov.uk

Summary

1. The Council is required to prepare detailed budget reports to enable the annual budgets for the General Fund and Council Tax, Housing Revenue Account and the Capital Programme to be set.
2. The Section 151 Officer is also required to provide members with a Section 25 report giving advice and assurance on the reserves position, including the minimum safe level of contingency funds that need to be held and the robustness of any estimates used in the calculation of the proposed budgets. The report also provides commentary on the assumptions in the Medium Term Financial Strategy and any associated plans and strategies.
3. In addition the council is required to prepare a number of supporting strategies:
 - Medium Term Financial Strategy
 - Reserves Strategy
 - Treasury Management Strategy
 - Commercial Strategy
 - Capital Strategy
4. The Commercial Strategy was approved by the Investment Board on the 21 January 2021 and the Housing Rent and Service Charges for the Housing Revenue Account were recommended for approval by the Tenants Forum and the Housing Board.

Recommendations

5. The Scrutiny Committee are requested to review and provide comments to the Cabinet on the budget strategies and reports as set out in Appendices A to H of this report and the associated Annexes.

The reports and individual recommendations are set out in the table at the end of this report

Financial Implications

6. All financial implications are included in the individual reports and strategies

Background Papers

7. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

Impact

8.

Communication/Consultation	Members, CMT and Budget Holders
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	N/A
Sustainability	N/A
Ward-specific impacts	N/A
Workforce/Workplace	N/A

Report Title	Purpose of report	Recommendations
Appendix A Section 25 Report - Robustness of Estimates and Adequacy of Reserves	This is a statutory report provided by the S151 Officer, this report provides members with advice and assurances on reserves, safe levels of contingency, assumptions used for estimates and any associated risks. Annexe A1 provides details of all the reserves held by the Council	<p>I. Take account of the advice in the report when determining the 2021/22 General Fund budget and Council Tax</p> <p>II. Review the risk assessment relating to the robustness of estimates as detailed in the report</p> <p>III. Set the minimum safe contingency level for 2021/22 at £1,458,615 million for the General Fund and £463,865 million for the Housing Revenue Account</p> <p>IV. Agree that no transfers to or from the Working Balance should be built</p>

Report Title	Purpose of report	Recommendations
		into the 2021/22 budget
Appendix B Commercial Strategy	Sets out good practice as per MHCLG guidance relating to Local Authorities commercialisation and investment activity. The strategy also details our current investment and future aspirations	V. Review and consider the Commercial Strategy 2021 - 2026
Appendix C Medium Term Financial Strategy	Details all known factors affecting the financial position of the council over a 5 year period, providing a clear and concise view of future sustainability and resilience, allowing for effective longer term planning	VI. Review The Medium Term Financial Strategy
Appendix D Treasury Management Strategy	Sets out the strategy and governance relating to the council's cash-flow management, use of banks, investments and borrowing, taking into account guidance from our independent advisors and risk appetite	VII. Review the Treasury Management Strategy
Appendix E Capital Strategy	An overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability	VIII. Review the Capital Strategy IX. Review the Minimum Revenue Provision (MRP) Policy
Appendix F Capital Programme	Sets out capital expenditure and the associated financing over a 5 year period for the council's assets, including buildings, vehicles and ICT infrastructure.	X. Review the 5 year Capital Programme
Appendix G Housing Revenue Account (HRA)	Details the spending plans for council housing for 2020/21 and includes the action plan for the	XI. Review the Housing Revenue Account

Report Title	Purpose of report	Recommendations
	30 year business plan developed as part of the self-financing arrangements	
Appendix H General Fund Revenue and Council Tax	Details all the income, expenditure and use of reserves during the financial year 2020/21 and includes the action plan, sets out the proposals for the council's council tax precept	XII. Review the General Fund Council Tax requirement of £6,158,686 XIII. Review the use of reserves XIV. Review the schedule of fees and charges as set out in Annexe H6

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
All risks are Included in the individual appendices			

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

Section 25 Report – Robustness of Estimates and Adequacy of Reserves

Summary

1. As part of the annual budget setting process, the Section 151 Officer is required to give the Council formal advice on the robustness of estimates and the adequacy of reserves. This is so Members can set a budget in full awareness of the risks and uncertainties, and ensure that adequate contingency reserves exist.
2. The advice, known as the “Section 25 report”, is being considered by Cabinet on the 2 February and then by Full Council on 23 February as part of the budget approval process.

Section 25 report

3. Section 25 of the Local Government Act 2003 requires each local authority, when setting its annual General Fund budget and level of Council Tax, to take account of a report from its Section 151 Officer on the robustness of estimates and adequacy of reserves. This document is the report made under Section 25 by the Director of Finance and Corporate Services, as UDC’s Section 151 Officer, applicable to the setting of the General Fund budget and Council Tax for 2021/22.
4. The purpose of this requirement is to ensure that when deciding on its budget for a financial year, a local authority is formally made aware of any issues of risk and uncertainty by the Section 151 Officer. The local authority is then expected to ensure that its budget provides for a prudent level of reserves to be maintained.
5. The Director of Finance and Corporate Services has assessed that the minimum safe contingency level for the Working Balances are;
 - a) General Fund - £1,458,615 million
 - b) Housing Revenue Account - £463,865 million

6. The working balance is calculated using the following formula:

Total gross service expenditure + total gross service income + capital financing costs + investment income + interest charged + recharge to/from HRA + HRA share of corporate costs) x 2%

General Fund 2021/22 working balance reserve equates to;

£37,181,080m + £26,080,790m + £3,625,715m + £2,316,070m + £2,174,767m + £1,167,260m + £385,050m = £72,930,732m x 2% = £1,458,615m

Housing Revenue Account 2020/21 working balance reserve equates to;

£4,820,500 m + £16,170,460m + £650,000m + £0 m + £0 m + £1,167,260 m + £385,050 = £23,193,270 m x 2% = £463,865 million

7. Section 26 of the Act empowers the Secretary of State to set a minimum level of reserves for which a local authority must provide in setting its budget. Section 26 would only be invoked as a fallback in circumstances in which a local authority does not act prudently, disregards the advice of its Section 151 Officer, and is heading for financial difficulty.

Basis of advice for the Section 25 report

- 8. In forming the advice for this report, the Director of Finance and Corporate Services has considered the following:
 - The requirement established in the Council’s Medium Term Financial Strategy to ensure that a safe level of contingency is maintained.
 - The degree to which the Council’s financial plans are aligned to the Council’s statutory obligations, local priorities and policy objectives.
 - The adequacy of the information systems underpinning the Council’s financial management processes.
 - Risks associated with the Council’s activities, as identified within the risk register.
 - The level of earmarked and unearmarked reserves within the General Fund.
 - The degree to which uncertainties exist within the draft 2021/22 budget.

Robustness of Estimates

- 9. There has been detailed scrutiny, review and challenge of budgets by managers, finance officers and the Corporate Management Team. The aim has been to ensure that the budget is based upon realistic estimates, for example, ensuring that contractual commitments are provided for, salary budgets reflect the approved establishment and current staff in post, and income budgets are based on an assessment of price and demand.
- 10. No budget can ever be completely free from risk. Assumptions are made which means that the budget will always have an amount of uncertainty. The analysis below sets out the major risks applicable to 2021/22 and an indication of the possible impact.
- 11. It is not possible to give a precise estimate of the impact of each identified risk. As a general guide, the following broad definitions have been used:

Probability	Low	Possible, but unlikely
	Medium	Probable
	High	Almost certain
Impact	Low	Possible variance of £5,000 to £20,000
	Medium	Possible variance of £21,000 to £50,000
	High	Possible variance of over £50,000

Risk item	Probability	Impact	Overall Risk of budget variance
<p>Covid 19 Coronavirus Pandemic – it is expected that the social distancing and restrictions around large gathering will continue in 2021/22 and potentially longer but at a lower level. and there is no definitive timescale for recovery;</p> <p>The ongoing implications are unknown but some areas of risk are listed;</p> <ul style="list-style-type: none"> • Loss of income (fees and charges) • Reduced collection rates for Business Rates and Council Tax • Increase in unemployment generates additional claims for council tax support reducing the tax base • Additional costs to accommodate safe working practices 	High	High	High
<p>Government Funding Review and Reforms;</p> <p>The Fair Funding Review, which will assess the level of funding required, based on an assessment of needs and resources has been postponed along with the reform of Business Rates Retention. It is expected that all our external funding will be delivered through an adjustment to our Baseline funding level, tariffs/top ups and levies. The New Homes Bonus grant is also planned to end in line with the reforms and there is no defined scheme to replace it, a consultation on this is due later in the year.</p> <p>The reforms being implemented for 2022/23 will be dependent on how the pandemic evolves over the next 6 months and it is likely we will receive a further one year settlement</p>	Medium	High (adverse)	High
<p>Investment regulations. CIPFA/LASAAC continuous reviews of the code of practice and IFRS', this may require changes to the accounting definition, presentation and disclosure of income and costs in the budget</p>	Medium	High (adverse)	Medium
<p>Commercial Investment income. The investment income that has been included in the budget is not achieved. This could be from tenant failure or future investment opportunities fail to proceed</p>	Medium	High (adverse)	High
<p>Treasury management. Investment risks are spread between public and private sector counterparties including UK banks systemically important to the UK economy. In the unlikely event of a banking failure, there could be a serious impact on the Council</p>	Low	High (adverse)	Low
<p>Waste & Recycling. This is a complex area financially and at greatest risk of volatility. Fuel costs and disposal costs, particularly around cost of dry recycling disposal are variable.</p>	Medium	High (adverse or favourable)	Medium

Risk item	Probability	Impact	Overall Risk of budget variance
Other budget risks have been identified regarding trade waste and green waste, all of which have income budgets that depend upon accuracy of forecasting activity levels. The Council maintains a Waste Management reserve to mitigate the risks			
Local Plan. The Council has received the letter from the Inspectors examining the Local Plan, work is currently being undertaken to ascertain the level of consultancy and/or resources needed to take the Local Plan process forward.	High	High (adverse)	High
Planning appeals. The current position of the Local Plan process following receipt of the inspector's letter raises the risk levels in the cost of defending appeals and any awards that may be made against the planning authority.	High	High (adverse)	High
Efficiency Savings. Work continues to find ways of achieving the same or improved outcomes at lower cost. It is probable that some savings opportunities will be realised with unbudgeted savings arising in 2021/22. It is also possible that unbudgeted costs will arise. Where budgets have already been reduced because of identified savings, the revised budget level is untested so there is an inherent risk of adverse variances	Medium	Medium (adverse or favourable)	Medium
Fees & Charges income. If economic conditions deteriorate or demand fluctuates there may be unbudgeted loss of income. Building Control, Planning, Land Charges, Licensing, Lifeline and Food Imports are all income streams where risk of volatility has been noted	Medium	Low (adverse)	Medium
Supplies & Services contracts. Where contracts have indexation clauses, estimates have been made of the inflationary increase that will be applied. In addition some contracts are due to be re-tendered during the year which could affect the base price. Accordingly there is an inherent risk of price volatility	Medium	Low (adverse or favourable)	Low
Capital Financing costs. These are influenced by variable factors such as cash flow, variations in the Capital Programme and availability of capital receipts. In some circumstances greater revenue financing of capital expenditure may make economical sense over the longer term	Medium	Low (adverse or favourable)	Low

12. Taking all of the above into consideration, the Director of Finance and Corporate Services is unable to provide a full assurance that there will be no unforeseen variances. This is an expected and acceptable situation for any organisation that has to deal with a large number of variables; any variations arising in the estimates should be manageable.

13. The risks identified will be proactively monitored and mitigating action taken as soon as reliable trends emerge. Budget monitoring reports are presented to Members on a quarterly basis during the financial year and will set out the latest position and action being taken, where applicable.

Adequacy of reserves

14. It is the opinion of the Director of Finance and Corporate Services that the reserves as set out in the MTFs are adequate and appropriate. Full details of all the reserves held are set out in Annex A1, this includes the purpose and any associated risks.

Risks – Future Years

15. In previous years there has been commentary around the uncertainty of future funding. However, the current level of uncertainty is unprecedented with major funding streams ending whilst others are being reformed.

16. The Commercial Strategy is a key part of addressing this challenge; this is evidenced in the MTFs.

Impact

Communication/Consultation	Corporate Management Team and Joint Executive Team
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights	None
Legal implications	The report is prepared in order to comply with Section 25 Local Government Act 2003
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Actual events may differ from the assumptions and estimates used to produce the draft budget, which will	4 (variances will occur requiring action to be taken)	3 (potential impact which could adversely affect the council's financial	Budget monitoring and corrective action taken as necessary.

Risk	Likelihood	Impact	Mitigating actions
lead to variances from the budget.		position if not managed)	Maintain sufficient reserves and Working Balance.

Reserves held - 2021/22

Reserve	Purpose	Risks	Mitigation
MTFS Reserve	Provides a contingency fund to support payments for the investments should there be an in year income shortfall	Income received from investments do not meet the amount of the annual loan repayment	Each investment has a business case which is verified by external consultants and approved by the Investment Board, Cabinet and Council as part of the decision making process. Officers undertake continuous evaluation of actual performance of the investment against the forecast position.
Transformation Reserve	To enable the council to change the way it operates in order to meet the financial challenges ahead	1. Uttlesford Moving Forward Programme of change – it is essential the council adopts new ways of working, to include automation of processes with improved functionality where possible. Failure to adopt new ways of working will seriously affect the future functioning of the council. 2. As the council transforms it is possible that a number of services will need to change in the way they are delivered or cease to be provided. This may lead to statutory redundancy payments	This is to support and enable changes to service delivery, efficiency programmes and improvements to enhance customer interactions with the council
EU Exit Reserve	To manage any risks relating to EU Exit	Possible issues particularly with regard to the import of foodstuff through the border control point at Stansted Airport	To provide funds to support any extra work/staffing required for supporting the outcomes of EU Exit. The Council receives new burdens funding for potential costs. If these funds are not required they will be released back into the General Fund
Income Protection Reserve	Provides a contingency fund to bridge any gaps in income from	Void periods are extended	The council's portfolio comprises investments with tenancies on long leases without short term break clauses. Tenants are in business sectors resilient to current economic conditions and are subject to rigorous financial assessment. Where relevant, parent company

Reserve	Purpose	Risks	Mitigation
	commercial rents in the event, for example, of void periods between tenancies		guarantees will be secured.
Emergency Response	To support any resource requirement to enable an effective local response to an emergency situation	The emergency exceeds the scale or duration anticipated and funds are inadequate	Any large scale emergency would involve other Cat 1 agencies and Essex County Council In case of larger emergencies it is likely that Central Government will reimburse the council for costs over set thresholds
Depot – new site Page 35	It is proposed to provide the necessary accommodation and utilities in the south of the district. The reserve was increased in 2017/18 to enable a single depot site to be established and a further increase was approved in 2020/21	1. Premises have been identified and purchased but development is subject to Planning Permission for change of use 2. The reserve is insufficient to meet the total costs of the project	If planning permission is not obtained for the current proposals, an alternative scheme or a new site would need to be identified The land vacated would have existing use value and could be sold to provide additional funding for the new Depot.
Development Control S106 monitoring income	To support resourcing the costs of rigorously monitoring S106 agreements	Resources needed to carry out the function to the optimum standard may exceed the amount of funds received	Review frequency of monitoring Prioritise monitoring activity
Sustainable new communities	To support the master planning of strategic new communities/ neighbourhoods	MHCLG funding and current allocated revenue budgets will not be sufficient to meet the total costs. Bidding for grant funding is competitive	Quality bids submitted for additional external grant funding

Reserve	Purpose	Risks	Mitigation
	designed on Garden Community principles	and funding available is oversubscribed As non-ring fenced grant, MHCLG funding is diverted to other pressing priorities	
Economic Development	To assist with the promotion of economic development of the district Support for Businesses in the district and initiatives to rebuild the local economy in the recovery period of the Covid-19 Coronavirus Pandemic	The reserve is inadequate to fund the projects identified in the strategy External partner organisations seek Increased contributions for activity over a wider geography Funds are inadequate to support all the businesses and initiatives identified/requested Funds are not spend as no businesses or local initiatives are identified as requiring support	Specific projects identified in the strategy and ongoing monitoring of each one against funds available Re-prioritisation of action plan required Active participation in external partnerships Officers will work closely with economic development partner organisations, local businesses, business networks/forums and the BID team to provide support during recovery An economic recovery plan identifies agreed priorities
Elections	The reserve is to offset the impact of the cost of elections, not to fully cover it. The amount is felt to be sufficient	The costs of elections exceed the reserve amount Additional unanticipated costs are incurred on neighbourhood plan referenda or by elections	Each year £25,000 is allocated to the reserve to fund future election costs. The reserve is drawn down in UDC election years
Health and Wellbeing	To support the resourcing of Health and Wellbeing strategy actions.	Annual budgeted allocations of funding for the Health and Wellbeing agenda are linked to specific projects but other opportunities may materialise	This is monitored and the Health and Wellbeing agenda/strategy is kept under review
Homelessness	To assist with the	New legislation has increased the	Extra funding has been received from Central Government and the

Reserve	Purpose	Risks	Mitigation
	fluctuating demand for homelessness support.	requirement on Local Authorities to provide housing options to homeless people	Homelessness Strategy has been updated to account for the new requirements
Housing Strategy	Enable the establishment of local community led housing groups to support delivery of affordable housing units	These funds are a government grant and if the Council is unable to identify suitable schemes the funds may have to be repaid	The use of the funds has a broad scope and can be used for collaboration, skills and supply chains at a local level to promote the sustainability of community led housing as an approach to housebuilding.
New Homes Bonus (Ward Members)	An annual allocation of £2k is provided to each ward member, any unspent monies are c/fwd. into future years subject to meeting the criteria approved at 17 March 2016 Cabinet and set out in the next column	<p>That monies held are not spent within the timescales and the criteria as listed below:</p> <ol style="list-style-type: none"> 1. It has to be spent in the Member's Ward 2. Any unspent allocation can be carried forward to the following year, providing the amount is less than 50% of the allocation for that year. If it exceeds 50% of the in-year allocation only 50% shall be carried forward 3. It has to be for the good of the community 4. It must not commit the Council to expenditure in future years 5. The Member should be mindful of the financial status of the recipients 	Members are provided with an annual report of remaining funds.

Reserve	Purpose	Risks	Mitigation
		<p>6. The Member should have no personal interest in the organisation receiving the award</p> <p>7. In election year the money only becomes available from 1 June (i.e. to the newly elected Member)</p>	
<p>Planning</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 38</p>	<p>For three primary purposes</p> <p>The costs of evaluating the impacts of Stansted Airport development proposals.</p> <p>Planning Appeals</p> <p>Local Plan</p>	<p>The reserve is insufficient to meet the total costs because a majority of the reserve has been allocated to the Local Plan.</p> <p>There are limited funds remaining to support the increase in planning appeals or to support actions relating to Stansted Airport</p>	<p>The Strategic Initiative Fund has been earmarked to support the ongoing work of the Local Plan and any further costs relating to the defence of the council's refusal to grant planning permission for development of Stansted Airport to handle 43 mppa</p>
Neighbourhood Planning	This is to support the costs of preparing Neighbourhood plans	The number of plans required to be produced will exceed the amount of funding available	The Planning Policy team monitor the expected requirement to allow for an annual review of the level of funds required
Private Finance Initiative	This reserve has been set up as part of the 2015/16 external audit process	The external audit indicated that there would be a possible shortfall in repayments in future years	All extra income received from the PFI income share is allocated to the reserve. Further analysis of the PFI model shows that the current reserve will cover any shortfalls
Strategic Initiatives Fund (SIF)	For 2021/22 the reserve has been earmarked to support the Local Plan and any ongoing costs	The funding is insufficient to meet the potential costs	This is combined with the available funds in the planning reserve

Reserve	Purpose	Risks	Mitigation
	relating to the refused planning application at Stansted Airport		
Waste Management	This is a high profile service and by the nature of the work suffers from budget variances. To enable the Council to smooth fluctuations in areas such as cost of disposal and agency staffing.	Disposal costs increase due to a change in the market for recyclables	The budget is based on current cost with any increase in disposal costs being met from this reserve
Working Balance	Maintained to protect the Council's budget from unexpected risks	Calculation as set out in point 19, full details are included in Appendix A – Section 25 Report	MTFS and Transformation reserves are available to support the Council in absorbing any significant reductions in funding and/or income
Capital Slippage	Financing budget from reserves and revenue contributions c/fwd. in line with associated projects in the capital programme slipping to future financial years	None, Any unspent funds will be released back to either the original reserve or the revenue budget	Financing is aligned with associated projects within the capital programme and monitored on a regular basis
Access Fund	This reserve was set up to pump prime the provision of cycle paths in the district. The intention is that the initial £200,000 would be replenished	No suitable S106 monies are available to continue the cycle path rollout	This is an Essex County Council responsibility which this Council contributes to by way of S106 monies. If no such money is available the Council will need to decide whether or not to invest more money from other reserves into this scheme This reserve has a zero balance so is not included in the main reserves table.

Reserve	Purpose	Risks	Mitigation
	by appropriate S106 monies as they become available		
Pension Reserve	This reserve is used to support the Pension Fund Deficit and where possible support a triannual payment	That the cost of the 3 year payment is higher than expected or there is insufficient revenue funds available to take up the option of a triannual payment	This reserve currently has a zero balance as there are insufficient funds to allocate to the reserve in the life of this MTFS
Business Rates Retention	To manage any Collection Fund deficit and/or shortfall in income.	Fund is insufficient to meet demand	Due to the accounting treatment of Business Rates income, where any surplus or deficit is accounted for in the year after it is incurred, a reserve is maintained to ensure that years where there is a deficit can be addressed without impacting on the revenue account
Licensing	A ring-fenced reserve that can only be spent on the taxi licensing service	The new fee schedule of licence renewal on either a 3 or 5 year basis, means that income and resource fluctuates annually	Any excess income is held in the reserve to support service provision in the intermediate years
DWP	To support any financial implications of a negative Benefits Audit and repayment of subsidy to DWP	DWP seek to recover more money than in the reserve	There is a zero balance in the reserve as this is the third year that we have had no repayment required due to a positive audit opinion
Climate Change Reserve	Funding of the Climate Change Action Plan to respond to the declaration of a Climate Change and Biodiversity Emergency in 2019	The planned projects are not achieved due to external factors The number/ scope of the planned projects exceed the potential of the allocated funding.	A working group meets regularly and the 2021/22 budget includes additional resources to manage and implement the action plan. The working group will be provided with regular reports/updates on the progress of the action plan 3 year allocation of funds – £1,000,000 2021/22 - £380,000 2022/23 - £300,000 2023/24 - £320,000
Major Sports	Specific funds set	These are fixed allocations and are a	If appropriate schemes are not identified the funds will be released

Reserve	Purpose	Risks	Mitigation
facilities Reserve	aside to enable the delivery of major sports facilities in each principal area of the district	contribution to a specific sports scheme	back into the revenue account 3 year allocation of funds – £450,000 2020/21 - £150,000 2021/22 - £150,000 2022/23 - £150,000
Emergency Reserve	Contingency funds to cover any significant shortfalls in cash flow due to the pandemic restrictions	During the first lockdown cash flow from loss of income collection had a significant impact on Treasury activities, increasing the risk of not being able to cover commitments, e.g. Housing Benefit payments	The reserve will provide emergency payments whilst alternative cash is being sourced. This is an emergency fund and will only be drawn in the case of a further complete national lockdown.

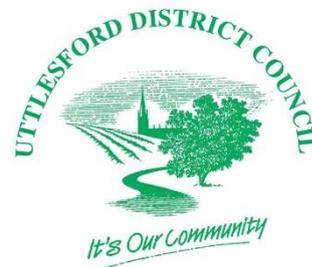


Uttlesford District Council

Commercial Strategy 2021 to 2025



Prepared by:
Commercial Team
Uttlesford District Council
January 2021



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Introduction

1. The Council recognises that as a consequence of reducing government funding there is an increased requirement to generate additional income to underpin the core services provided by the Council to its residents. Traditional ways of generating additional income such as through Council Tax and fees and charges will not be able to absorb the reduction in government funding. By way of illustration, a 1% rise in Council Tax is equivalent to about £55,000 in additional income.

2. The 2020-2024 Corporate Plan sets an ambitious target to

Be a self-sufficient Council that generates its own resources from local taxation (Business Rates and Council Tax) and commercial investments thereby removing the reliance on Central Government grants.

This will be achieved by the 2024/25 financial year.

3. The 2020-2025 Medium Term Financial Strategy (MTFS) predicted an annual shortfall by 2024/25 of £4.853 million per annum. The new 2021-2026 MTFS, which includes the investment income from all of the agreed commercial acquisitions, now predicts small surpluses for each of the years from 2022/23 onwards. As future years are added to the plan the additional costs will in part be offset by increases in rent from the investments.
4. When the 2020-2024 Commercial Strategy was approved in February 2020, the Administration indicated that they proposed to address the shortfall primarily through investments. To achieve that the Council agreed to set an investment fund approved limit of £300 million.
5. Most of the assets were acquired during the 2020/21 financial year and therefore income for most is part year only. Even allowing for that, by the 31 March 2021 Council investments will have provided income to the Council of £5,183,000

Vision

6. To generate sufficient income to enable the Council to be self-sufficient, in that it generates its own resources from local taxation (Business Rates and Council Tax) and commercial investments thereby removing the reliance on Central Government grants.

Purpose of the Investments

7. The investments are to generate funds to underpin core service delivery; the Council is not undertaking the investments for yield. This income requirement

has arisen because of reductions in the Council's finance from central government. Government also restricts the ability of councils to raise income from council tax increases.

8. The Council seeks to operate in the most cost effective ways and will continuously look for improvements in operations that will reduce costs or avoid increased costs. However, the scale of reduction in external finance was such that other income sources had to be found. Reductions in council services would only be considered as a last resort.
9. The income target for the Board was guided by the Medium Term Financial Strategy (MTFS). The MTFS forecasts the income and expenditure over a five year period and includes all known factors. It shows the predicted annual net surpluses or deficits. The investment income is sought to cover the forecast significant deficits in each of the years of the MTFS, so as to ensure that existing services can continue to be provided.

Current Portfolio

Chesterford Research Park

10. In May 2017 the Council, through its wholly owned subsidiary Aspire (CRP) Ltd, acquired a 50% share in Chesterford Research Park and formed a joint venture with Aviva Investors. As part of the Cambridge Life Science cluster the Park is world renowned, having been in existence for 19 years, with available space to significantly increase the commercial floor space, plus expand the Park into other areas of research to diversify and reduce the risk.
11. The Council gave a loan to Aspire (CRP) Ltd for the purchase of 50% of Chesterford Research Park (£47.25m). The loan was funded by
 - Phoenix Life – borrowing of £37m for 40 years on a repayment basis @ 2.86% fixed. The first £10m drawdown was 5 July 2017 with the remainder as follows
 - 5 July 2020 - £12m
 - 5 July 2021 - £15m

Whilst this loan is being drawn down the balance will be funded by a mix of local authority and internal borrowing – The amount of each varies during the year dependant on the level of UDC balances available. Average interest rate, interest only, is 0.8%

 - Use of reserves and balances (£10.25m) funds the balance.

12. Since the initial purchase the Council has made additional ongoing loans to Aspire (CRP) Ltd for further development totalling £13,591,000 taking the total investment to £60,841,000.
13. For 2021/22 the income from Chesterford Research Park is expected to be £2,317,000. There is also repayment to the Council of staff time whilst undertaking company work on Aspire (CRP) Ltd.

Skyway House, Takeley

14. On 30 June 2020 the Council completed the purchase of Skyway House at Takeley. The tenant is Weston Homes Plc who have signed a long lease.



Stane Retail Park, Colchester

15. On 4 August 2020 the Council completed on the forward funding opportunity at Stane Retail Park on the outskirts of Colchester adjacent to the A12. This will see the construction of two buildings, one for Aldi and the other for B&Q located on an extension to the existing site. Both tenants have agreed long leases. Completion is due in the late autumn of 2021.



1 Deer Park Road, Livingston

16. On 21 August 2020 the Council completed on the acquisition of 1 Deer Park Road, Livingston. The tenant, Veterinary Specialist (Scotland) Ltd had recently taken occupation and final fit out was taking place.



17. At the time of purchase Veterinary Specialist (Scotland) Limited was a partnership between Pets At Home (Guarantors) and Dick White Referrals. Pets At Home have remained the guarantor but they have sold their interest to Linnaeus Group. Dick White Referrals have also joined Linnaeus Group which is part of the Mars Veterinary Health Group.

Matrix Park, Chorley

18. On 16 September 2020 the Council completed the purchase of a large logistics building on Matrix Park, Chorley adjacent to the M6. The tenant, on a long lease, is Waitrose Limited and this regional distribution centre serves the north west and Scotland.



Loans to wholly owned subsidiaries

19. The Council recognises that, to further support the budget ongoing and to ensure the continued delivery of services at the level currently provided, further investment in the expansion of Chesterford Research Park will be necessary. To date, the following loans to Aspire (CRP) Ltd have been made

Date	Amount	Term	Rate	Basis	Annual Repayment	Repaid
03/05/2017	£47,250,000	50 years	4%	Interest Only	£1,890,000.00	
27/06/2017	£60,000	10 months	4%	Interest and principal	£61,827.95	✓
26/03/2018	£223,000	49 years 1 months	4%	Interest only	£9,000.00	
02/01/2019	£2,518,000	48 years 4 months	4%	Interest only	£101,000.00	
20/08/2019	£3,000,000	20 years	4.5%	Interest and principal	£135,000.00	
09/06/2020	£1,250,000	20 years	4.5%	Interest and principal	£56,000	
01/07/2020	£2,600,000	20 years	4.5%	Interest and principal	£117,000	

20. In addition, there is approval for a further loan of £4 million for the refurbishment of Building 300 which will be drawn down by the end of the 2020/21 financial year.
21. Interest only loans relate to refurbishment of a building and thereby extending its useful life. Interest and principal loans are where it is for fit out works which have a 20-year life expectancy.

The Investment Fund

22. This strategy sets out an investment fund requirement of £300 million with a portfolio yield target (before borrowing costs) of 4%. The table below is split into three parts

- Completed investments – those already in the portfolio
- Future committed investments – those where completion is imminent
- Future option investments – one of the completed investments has an option agreement for further acquisitions

£'000	Capital Investment (exc. fees)
<u>Completed Investments</u>	
Chesterford Research Park	60,841
Weston Homes	20,000
Veterinary Hospital	5,925
Stane Retail Park	30,424
Waitrose Retail Distribution Centre	55,000
	172,190
<u>Future Committed Investments</u>	
Chesterford Research Park	13,400
Investment 7	42,555
Investment 12	35,000
	90,955
<u>Future Option Investments</u>	
Investment 2	35,000
	35,000
Investment Total	298,145

23. This strategy also confirms the previous allocation of £20 million to future development at Chesterford Research Park, of which £13.4 million remains to be allocated.

24. In a full year the portfolio yield, once all outstanding acquisitions are completed, will have a yield of 4.85%. The rental income for the next five years is shown in the following table

£'000	Capital Investment (exc. fees)	Annual Rental				
		2021/22	2022/23	2023/24	2024/25	2025/26
<u>Completed Investments</u>						
Chesterford Research Park	60,841	(2,317)	(2,487)	(2,487)	(2,487)	(2,487)
Weston Homes	20,000	(1,142)	(1,171)	(1,200)	(1,230)	(1,261)
Veterinary Hospital	5,925			(202)	(392)	(411)
Stane Retail Park	30,424		(626)	(1,784)	(1,784)	(1,784)
Waitrose Retail Distribution Centre	55,000	(2,267)	(2,508)	(2,508)	(2,508)	(2,508)
	172,190	(5,726)	(6,792)	(8,181)	(8,401)	(8,451)
<u>Future Committed Investments</u>						
Chesterford Research Park	13,400			(603)	(603)	(603)
Investment 7	42,555	(709)	(2,270)	(2,270)	(2,270)	(2,270)
Investment 12	35,000	(786)	(1,558)	(1,558)	(1,558)	(1,558)
	90,955	(1,495)	(3,828)	(4,431)	(4,431)	(4,431)
<u>Future Option Investments</u>						
Investment 2	35,000		(1,500)	(2,000)	(2,000)	(2,000)
	35,000	0	(1,500)	(2,000)	(2,000)	(2,000)
Investment Total	298,145	(7,221)	(12,120)	(14,612)	(14,832)	(14,882)

* Veterinary Hospital – the tenant has a rent-free period until September 2023. The purchase price was reduced by the amount of the lost rent. The Council accounts for this as the true purchase price with the rent compensation placed in a reserve and drawn down annually.

25. Assuming all remaining investments complete, the portfolio will be at the level required to achieve the purpose for which it was established. Council core service funding will be protected for the foreseeable future.

The Portfolio Moving Forward

26. The Council is committed to investing in Chesterford Research Park. The Council is keen to see existing tenants expand and grow on the Park and for the Park to attract new tenants from a diverse range of research activities. The Park is within the district boundary and investing helps to sustain existing employment, introduce new employment opportunities and generate additional Business Rates.

27. The Council will need to decide, during 2021/22 whether or not it wishes to take up the option on Investment Opportunity 2. If it doesn't a replacement investment will be required.
28. When considering new investments, the Council will always seek to invest in district where practicable. However, as will be set out in the Investment Protocol, location is only one factor in determining future investments and other factors combined may result in out of area opportunities being recommended.
29. Regular reviews of assets in the portfolio will be undertaken. However as the investments were made to generate long term income for the Council it is unlikely any will be sold in the near future.

Borrowing, the Prudential Code and Statutory Guidance on Local Government Investments

30. The Council can rely on a variety of statutory powers to borrow and invest. Where the primary purpose of borrowing and investment is to secure a financial return, the Council has powers under sections 1 and 12, Local Government Act 2003. Section 1 provides that:

A local authority may borrow money—

(a) for any purpose relevant to its functions under any enactment, or

(b) for the purposes of the prudent management of its financial affairs.

Section 12 states:

A local authority may invest—

(a) for any purpose relevant to its functions under any enactment, or

(b) for the purposes of the prudent management of its financial affairs.

31. Where the Council proposes to rely on the borrowing powers in Local Government Act 2003 section 15 of the Act makes it a requirement to “have regard –

(a) to such guidance as the Secretary of State may issue, and

(b) to such other guidance as the Secretary of State may by regulations specify for the purposes of this provision.”

The current guidance to which the Council must have regard is:

- Statutory Guidance on Local Government Investments (3rd Edition) issued by the Secretary of State; and
- The Prudential Code issued by CIPFA.

32. The Statutory Guidance contains two paragraphs on what is termed “borrowing in advance of need. The guidance states:

46. Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

47. Where a local authority chooses to disregard the Prudential Code and this Guidance and borrows or has borrowed purely to profit from the investment of the extra sums borrowed the Strategy should explain:

- *Why the local authority has decided not to have regard to this Guidance or to the Prudential Code in this instance; and*
- *The local authority’s policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing.*

33. The Council will adopt a “case by case” approach in considering whether to depart from the Statutory Guidance and the Prudential Code where the primary purpose of borrowing is to “profit from the investment of the extra sums borrowed”. In reaching a decision, the Council will balance the need to generate additional income to underpin core services to Uttlesford residents against the risks involved in taking on the borrowing and against the risks involved in the investment to be funded by borrowing. It will ensure that investments funded by borrowing in these circumstances are proportionate to the need to make good shortfalls caused by the reduction in Government funding. Given the Council’s acute funding shortfall and the likely consequences for Uttlesford residents of not being able to maintain core services without additional funding, the Council is likely to depart from the Statutory Guidance and from the Prudential Code where sound investment opportunities are identified.

34. The Council will set out for each investment the risks associated with the investment, be they specific or industry/sector. These will be monitored on a regular basis by the Investment Board, and where necessary recommendations will be made to the Cabinet. The Council maintains a Medium Term Financial Strategy Reserve which is retained for use in the event of a significant drop in revenue income from an investment.

Performance Reporting

35. A quarterly report is produced for the portfolio. This includes a
- a) professional valuation undertaken by a market leading specialist for each asset
 - b) commercial market trading update to help inform investment decisions
 - c) report on each asset by professional asset managers who are responsible for tenant liaison, rent collection, rent reviews etc.

Investment Protocol

36. It is important for the future development of the portfolio that an Investment Protocol is developed. This will be formally developed during 2021/22. The protocol will not only set out types of investments and financial allocations available, but also ethical considerations.
37. Whilst the protocol is being developed, the Investment Board will be mindful of the commitments and policies that the Council has adopted. For example, the Climate Emergency Declaration means that the Council would not consider physical assets that would be contrary to the declaration. An example of assets that would not be considered under this declaration would be a portfolio of forecourt garages. It should be remembered that, whilst the Council does not currently have a set out Investment Protocol it has 39 councillors, many of whom have no investment experience, who consider all aspects of proposed investments rather than just the commercial return.

Security, Liquidity and Yield

38. As the Council only has a small amount of money of its own to invest, any further expansion of the commercial strategy will necessarily be funded from a mix of external borrowing, from financial institutions, Public Works Loan Board (PWLB) and other local authorities. The Council will not invest in high yield, high risk opportunities. This will be reflected in an average portfolio yield target of 4% (before cost of borrowing).
39. Investments at Chesterford Research Park will be made by way of loans to Aspire (CRP) Ltd the Council's wholly owned subsidiary. All commercial investments outside of Chesterford Research Park will be undertaken by the Council. Property purchase for letting at market rents will be undertaken through a new wholly owned subsidiary company Aspire (MRH) Ltd.
40. Financing of acquisitions will be decided on a case by case basis. In almost all cases a mix of repayment and interest only loans will be undertaken, with

the expectation being that this will be on an 80:20 interest only: repayment basis. The final decision will be made by Cabinet following recommendations made by the Investment Board.

41. The Council undertakes investments to underpin core services, not for yield. It is the opinion of the Section 151 Officer, supported by QC Opinion, that the recent changes announced by the PWLB will not impact on the ability of the Council to request loans from the PWLB should they be required.
42. The option to liquidate funds is either by selling the investment (or part thereof) or by refinancing the debt.

Risks

43. Each investment must be considered independently and only those viewed as having a positive expected yield and an acceptable risk profile will be taken forward for consideration by the Council.
44. The Council takes advice from its professional advisers at all times. For example, with the purchase of the 50% share at Chesterford Research Park the Council engaged
- Arlingclose as its financial advisers who project managed the funding tender
 - Cushman and Wakefield who undertook all of the purchase negotiations and due diligence
 - Hogan Lovells for Legal due diligence
45. With the Covid-19 pandemic, the Council has introduced additional financial due diligence. This involves the tenant and any guarantor being interviewed and financial report prepared by external advisers. This ensures that the latest financial information is available for consideration by the Council.
46. For Aspire (CRP) Ltd the Council has appointed two non-executive directors to serve on the Board and bring independent challenge and support.
47. There are two main risks with regard to the wider portfolio

Risk	Probability (L, M, H)	Favourable Impact (L, M, H)	Adverse Impact (L, M, H)	Mitigation
Tenant default rent payments	M	L	H	Additional financial due diligence has been undertaken before any acquisition is recommended for approval. The Council has established an Income Protection Reserve (£1.06m) to help mitigate the budget impact of this risk occurring.

Cost of borrowing increases beyond yield	L	L	H	Cost of borrowing is monitored. In time, the Council will look to obtain a credit rating with a view to issuing a bond to protect from interest rate rises. At present the Council is using inter-authority borrowing to maximise the investment income potential.
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Proportionality

48. The investments are to generate funds to underpin core service delivery; the Council is not undertaking the investments for yield. This income requirement has arisen as a result of reductions in the Council's finance from central government. Government also restricts the ability of councils to raise income from council tax increases.

49. The Council has established an Income Protection Reserve of £1.06m to protect services from rent default by tenants.

Capacity, Skills and Culture

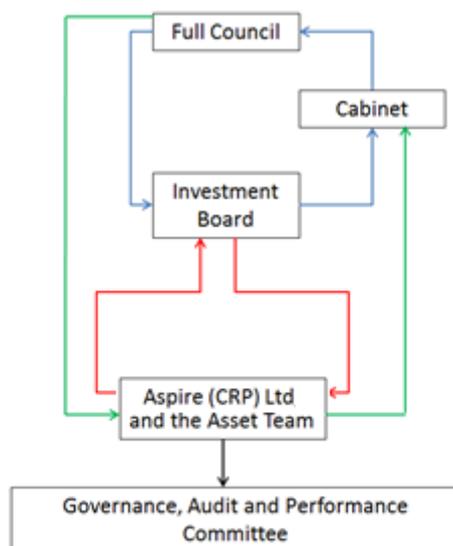
Investment Board (IB)

50. The IB will operate in accordance with the Commercial Strategy which is adopted annually by Full Council. Cabinet will delegate to the Leader; Portfolio Holder for Finance and Budget and the S151 Officer (or Assistant Director of Resources for Aspire investments) to conclude investments where authorisation has been given by Full Council.

51. Constitution of the IB

- a) The IB is a Working Group of Cabinet and membership will be determined by the Leader of the Council
- b) In addition there will be two independent members to supplement the skills of the elected Members.

52. The investment decision making and monitoring process is as set out overleaf



53. Democratic Process (blue line)

- a) As part of the annual budget setting process, Cabinet develops the Commercial Strategy in consultation with the IB. Cabinet recommends to Council the adoption of the Commercial Strategy.
- b) Council adopts the Commercial Strategy.
- c) The IB develops a protocol to implement the Commercial Strategy which will be approved by Cabinet.
- d) The Cabinet will receive from the IB quarterly updates, including KPIs, on the performance of the portfolio.
- e) For new investments, the IB reviews the business cases and if appropriate supports a recommendation to Cabinet for the acquisition.
- f) Cabinet reviews the investment and if satisfied recommends to Council that funding is made available. Given that the IB will be constituted by members with a knowledge of commercial investment, supplemented with external training as necessary, and supported by industry expert independent people, it is acknowledged that Cabinet will not, without good reason duly considered, reject opportunities presented by officers that are supported by the IB.
- g) Ahead of the Council meeting, the IB Chairman, along with officers, undertakes an all-Member briefing session to set out the investment and the reasons for its recommendation.

54. Internal Process (red line)

- a) The IB provides the two Aspire companies with a Commercial Protocol and sets out in detail the type of new investments it is seeking. Aspire (CRP) Ltd looks after developments at Chesterford Research Park, whilst Aspire (MRH) Ltd is responsible for residential housing to be let at market rents. The Council's Asset Team will manage all other non-CRP commercial investments.
- b) Depending on the category of investment sought, Aspire (MRH) Ltd, Aspire (CRP) Ltd or the Asset Team, working with professional advisors, will identify investments which meet the protocol set out by the IB. They will prepare investment business cases for consideration by the IB. The IB will review and consider the cases in detail and if suitable will make the recommendation to the Cabinet to proceed. Approval by the Boards of the Aspire companies is also required prior to submission to the IB.
- c) The Aspire companies, along with the Asset Team, prepare the quarterly KPI and other information for submission to the IB.

55. New Investments (green line)

- a) At an Extraordinary Meeting of Council a decision is taken on whether or not to allocate the funding.
- b) If the investment is agreed, funding will be made available to the relevant Aspire company or to the Asset Team to enable the purchase to be made.
- c) The Aspire companies report annually to the Cabinet as the shareholder board of the Council.

56. Governance, Audit and Performance Committee (GAP) (black line)

- a) A report on annual performance of the Aspire companies is taken to the GAP Committee. A similar report will be presented by the Asset Team.

Joint Working

57. The Council recognises the benefits of working with other parties, be they local authorities or private sector. Joint Working mitigates risk and has potential to enable the Council to consider new commercialisation opportunities in markets that alone it would not be able to do so.

Uttlesford District Council

Medium Term Financial Strategy 2021 – 2026



Prepared by:
Finance
Uttlesford District Council
February 2021



Financial Outlook

1. The Medium Term Financial Strategy (MTFS) was prepared based on the final settlement announced 17 December 2020. The final settlement is due to be confirmed in early February, it is not expected that there will be any changes in the settlement but any amendments will be reflected in the MTFS prior to presentation for approval at Council.
2. The Fair Funding Review (FFR) and Business Rates Reform (BRR) have been delayed for a further year due to the additional pressures of the Covid 19 pandemic.

Covid-19 Pandemic

3. The Covid-19 pandemic has significantly impacted on all aspects of the Councils functions, including service delivery and the way our residents interact with us. The most significant impact financially has been income reductions across all services but in particular business rates and car parking.
4. The national lockdowns and tier restrictions have impacted mainly on the high street and the hardest hit have been the retail, leisure and hospitality sectors which have been forced to close their businesses or operate under restrictions for much of the year.
5. Government has put into place a significant level of financial support to help these businesses each time they are required to close, including extending the retail relief and providing direct grants to businesses.
6. The Council has also received numerous grants and financial support over the year, which includes 4 tranches of funding for expenditure, income loss compensation and support for low earning and vulnerable residents.
7. The expectation is that although there is significant progress in the test and trace and vaccination programme, restrictions will be ongoing albeit at a lesser level during the spring and summer. It is also expected that the level of restrictions will be 'ramped' as we approach the Christmas period and the early part of 2022 when it is expected cases will rise again.
8. The Government has provided additional funding for direct Covid 19 impact support during 2020 and have provided an additional tranche of funding in the 2021/22 settlement. This is alongside their commitment to continue the 75% income compensation where losses are over 5% of budgeted income.
9. Even with the above support the council will still be affected by income losses as the local economy begins to recover and people's confidence in visiting the high street returns, both of these will be a gradual process.
10. The pandemic has also seen a significant rise in unemployment and this is expected to continue with a spike once the furlough scheme ends in April and this will reduce income collection rates and increase levels of support in Local Council Tax Support and Housing benefit claims. The Government has provided an additional grant in 2021/22 to support an increase in claimants and has stated it will reimburse 75% of unrecoverable collection fund losses.

Financial Settlement 2021/22

11. The key items announced were:

- Local Government have received an increase in Core Spending Power of 4.5% although this is reliant on council tax increases
- Council Tax threshold – an increase of up to 2% or £5
- An additional Lower Tier Services Grant has been provided to ensure that no council would receive less funding than last year
- Further Covid-19 support funding was announced to provide Local Authorities (LA's) with further certainty in the budget setting process
- New Homes Bonus has been extended by a further year (in line with the delay in FFR and BRR reforms, similar to last year this will attract no legacy payments. The legacy payments in line with the original scheme will remain and the baseline was maintained at 0.4%.
- Rural Services Delivery Grant was increased by 4.5%
- Business Rates baseline funding level was frozen along with the business rates multipliers

12. Uttlesford are reliant on the following sources of income and funding in 2021/22:

- Council Tax
- Business Rates Retention Income (BRR) – subject to review and significant changes in 2022/23
- New Homes Bonus (NHB) – one year only
- Rural Services Delivery Grant (RSDG) – one year only as a standalone grant
- Investment income
- Fees and charges

Future Funding

13. The Fair Funding Review (FFR) will affect how funding is allocated and redistributed between local authorities and it is expected to be introduced over the next 2 year financial year. It is expected to use three main 'cost drivers': population, deprivation and sparsity, together with additional cost drivers related to specific local authority services

14. The basis of the FFR is to provide a simpler and more transparent formula with a fairer allocation of funds which are based on spending need. It is viewed that a flatter formula will benefit rural district councils, although there is also a lot of focus in the review to address the issues faced by the upper tier authorities and unitaries.

15. In addition there has been a long running plan to reform business rates and this is expected to include a full baseline reset in 2022. This will mean that all the growth prior to 2021/22 that has been generated since the introduction of the BRR scheme in 2013 will be incorporated into our baseline funding level calculation. We currently retain 50% of growth above our baseline funding level, so the changes will have a direct cost impact on the Council.

16. It is not expected that the NHB scheme will continue once the reforms are introduced but remaining legacy payments due will be received. In the 2021/22 settlement the Secretary of State announced it is the Government's intention to consult on the future of a housing incentive scheme to replace the NHB grant. This will include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need and which are aligned with other measures around planning performance.

17. Central Government Funding is expected to reduce over the life of the MTFS, a prudent approach has been taken and this is based on the current information available. The table below shows how this translates in actual figures and a more detailed explanation is included under the section Budget Model. This emphasises the need for new, more efficient ways of working and supports the decisions set out in the Commercial Strategy to look for innovative income generating opportunities.

£'000	2021/22	2022/23	2023/24	2024/25	2025/26
Business Rates Retention	(2,064)	(1,960)	(1,960)	(1,960)	(1,960)
New Homes Bonus	(2,823)	(826)			
Rural Services Delivery Grant	(293)				
Central Annual Funding	(5,180)	(2,786)	(1,960)	(1,960)	(1,960)

Commercial Investments

18. The Commercial Strategy has an investment limit of £300 million that was approved as part of the 2020/21 budget, to enable the Council to manage the funding reductions and the added pressures generated by the Covid-19 pandemic.

19. The Council has invested a total of £172 million with a further £126 million planned over the next year; this is set out in more detail in the Budget Model section of this report and full details are included in the Commercial and Capital Strategies.

Budget Model

20. To inform the financial outlook for UDC, a detailed budget model has been prepared, full details of the General Fund budget for 2021/22 are set out in Appendix H. Direct Services estimated income and expenditure for the next 5 years is set out in the table below.

£'000	2021/22	2022/23	2023/24	2024/25	2025/26
Service Expenditure	37,181	37,090	37,823	37,002	37,594
Service Income	(21,176)	(21,049)	(21,112)	(21,175)	(21,241)
Demand Growth		200	400	600	800
Service Net Expenditure	16,006	16,241	17,111	16,427	17,153

The following key inflationary assumptions are used in the model.

- a) **Gross service expenditure and income:** Takes the 2020/21 base budget as a starting point with any one-off in year items being removed. Inflation has been included for salaries at 2%, utilities are in line with the current market forecasts and 2% for fees and charges except where special arrangements apply e.g. car park charges and taxi licences.

The uplift in expenditure in 2023/24 is for the additional costs to support the submission and inspection of the Local Plan.

- b) **Service demand growth** – Due to growing population and housing numbers, it is prudent to assume greater demand for council services such as refuse and recycling, revenues collection, etc.

21. The council also incurs corporate expenditure and non-service related income that sits outside the direct service budgets, these items are set out below.

£'000	2021/22	2022/23	2023/24	2024/25	2025/26
Capital Financing	3,626	1,514	2,091	1,997	1,960
Pension Fund - Deficit			250	250	250
Pension Fund - Added years	85	85	85	85	85
HRA recharge/Corporate Core	(1,552)	(1,599)	(1,647)	(1,696)	(1,747)
PFI Interest Cost	360	348	334	319	303
Corporate Costs	2,519	347	1,113	954	851

- a) Capital Financing Costs – are in line with the projected capital programme’s financing requirements, set out in Appendix F.
- b) Pension Fund deficit payment – In 202/21 a discounted triennial payment was made covering the years up to and including 2022/23. Thereafter the MTFS reverts to annual payments.
- c) Recharges to HRA – based on the apportionment of the actual costs of central services and corporate core used by the Housing Revenue Account.
- d) PFI Interest – this the Council’s element of the cost of financing for the Leisure Centres

22. The investment income is made up of the interest return on the loans made to Aspire (CRP) Ltd for the purchase and development of Chesterford Research Park and the rental income on the Council’s direct commercial property investments.

£'000	2021/22	2022/23	2023/24	2024/25	2025/26
Investment Income	(7,221)	(12,140)	(14,632)	(14,852)	(14,902)
Investment Cost	1,814	5,982	6,046	6,111	6,175
Investment Income net of borrowing	(5,407)	(6,158)	(8,586)	(8,742)	(8,727)

23. The investments are currently funded by a mix of long term and short term borrowing; the MTFS includes the cost of reducing its interest rate risk in 2022/23 by securing further long term borrowing.

24. The following table sets out the completed and future investments including the individual purchase costs and the annual predicted income.

£'000	Capital Investment (exc. fees)	Annual Rental				
		2021/22	2022/23	2023/24	2024/25	2025/26
Completed Investments						
	Chesterford Research Park	60,841	(2,317)	(2,487)	(2,487)	(2,487)
	Weston Homes	20,000	(1,142)	(1,171)	(1,200)	(1,230)
	Veterinary Surgery	5,925			(202)	(392)
	Stane Retail Park	30,424		(626)	(1,784)	(1,784)
	Waitrose Retail Distribution Centre	55,000	(2,267)	(2,508)	(2,508)	(2,508)
		172,190	(5,726)	(6,792)	(8,181)	(8,401)
Future Committed Investments						
	Chesterford Research Park	13,400			(603)	(603)
	Investment 7	42,555	(709)	(2,270)	(2,270)	(2,270)
	Investment 12	35,000	(786)	(1,558)	(1,558)	(1,558)
		90,955	(1,495)	(3,828)	(4,431)	(4,431)
Future Option Investments						
	Investment 2	35,000		(1,500)	(2,000)	(2,000)
		35,000	0	(1,500)	(2,000)	(2,000)
	Investment Total	298,145	(7,221)	(12,120)	(14,612)	(14,882)

25. The funding the Council expects to receive is detailed below and includes one off grants and previous year deficits for business rates and council tax. Estimates for future years has been calculated based on the current information we have available; the indications Government has provided and in consultation with our specialist advisors 'Pixel Financial Management'.

£'000	2021/22	2022/23	2023/24	2024/25	2025/26
Business Rates Retention	(2,064)	(1,960)	(1,960)	(1,960)	(1,960)
Business Rates prior year balance	4,785	383	383		
New Homes Bonus	(2,823)	(826)			
Rural Services Delivery Grant	(293)				
Lower Tier Services Grant	(435)				
Covid-19 Support Funding	(359)				
Local Council Tax Support Grant	(96)				
Council Tax prior year balance	55	55	55		
Funding Total	(1,230)	(2,348)	(1,522)	(1,960)	(1,960)

a) The Council currently retains 40% of business rates income collected. From 2021/22 government has announced that this will increase to 75% income retention and will be included in the Business Rates Reforms.

The business rates income assumes a full reset in 2022/23, meaning all growth will be included in the baseline funding level (BFL). Our BFL will remain as it is, in effect we will lose all our growth. A prudent forecast has been included for future years until more information is released on exactly how this will be calculated. The amount allocated for years 2022/23 to 2025/26 includes the transfer of the Rural Services Grant into our BFL.

- b) Business Rates prior year balance for 2021/22 is an accounting adjustment for the deficit relating to uncollected income in the previous year and the additional reliefs introduced during the year. In normal circumstances accounting rules state any deficit or surplus is offset against the following year's income and retail reliefs are known in advance and funded by section 31 during the year that are applied. The prior year deficit is made up of the following amounts;
- i. Additional retail reliefs - £4.402m which is funded by a drawdown on reserves from Section 31 grant received in 2020/21
 - ii. Uttlesford share of uncollected income for 2020/21 is £1.149m, Government has instructed that all deficits must be recovered over a 3 year period and this gives an annual deficit figure of £0.383m

The Government has also said they will fund 75% of unrecoverable losses of Business Rates and Council Tax that is a direct result of the pandemic. This has not been included as there is no guidance published on what is deemed as 'unrecoverable'.

- c) New Homes Bonus: The model shows the announced figure for 2021/22. Year 2022/23 is based on our final year of legacy payment due and no payment from 2023/24. A consultation is being carried out later in 2021 on the possible replacement scheme around providing funding for Districts but ensuring the 'right housing in the right areas'. It is expected that this will be linked to the potential planning reform and planning performance.
- d) The Government has provided additional grants as part of the settlement totalling £0.890m, these are made up of the following;
- I. Lower Tier Services Grant - £0.435m which ensures that we are no worse off than in the previous year settlement
 - II. Covid Support Funding - £0.359m this is tranche 5 of funding provided to support the council with additional costs related to the pandemic
 - III. Local Council Tax Support – £0.096m to provide financial support to the increased claims and hardship grants
- e) Council Tax prior year balance is the Uttlesford share of the uncollected council tax and for 2020/21 this is £0.165m. As with Business Rates Government has instructed that all deficits must be recovered over a 3 year period and this gives an annual deficit figure of £0.055m.
26. The MTFs has been prepared on the assumption that Council Tax will be increased by £5 in 2021/22, with future years based on increases of 1.99%, which is in line with Government guidance.

27. The Tax base assumptions are in line with current housing growth forecasts, an estimate of Local Council Tax Support discounts and predicted future collection rates. The following table provides an estimate of the council tax income over the life of the MTFS.

	2021/22	2022/23	2023/24	2024/25	2025/26
Tax base (net of adjustments)	38,108.32	38,489.40	38,874.30	39,263.04	39,655.67
Band D equivalent	161.61	164.83	168.11	171.45	174.86
Council Tax income	(6,158,686)	(6,344,056)	(6,535,006)	(6,731,703)	(6,934,320)
<i>Band D increase</i>	£ 5.00	1.99%	1.99%	1.99%	1.99%

28. After taking into account all the above expenditure, income, funding and net reserves drawdowns the council has achieved a balanced budget for 2021/22; future years the MTFS shows a deficit position with the exception of 2024/25.

	2021/22	2022/23	2023/24	2024/25	2025/26
Direct Service Net Expenditure	16,006	16,241	17,111	16,427	17,153
Corporate Costs	2,519	347	1,113	954	851
Net Investment Income	(5,407)	(6,158)	(8,586)	(8,742)	(8,727)
Funding	(6,070)	(2,786)	(1,960)	(1,960)	(1,960)
Collection Fund prior year deficits	4,839	438	438		
Net Operating Costs	11,888	8,083	8,116	6,680	7,317
Reserves Movements	(5,729)	(1,575)	(1,214)	(57)	(59)
Council Tax Income	6,159	6,508	6,902	6,623	7,258
Council Tax Income	(6,159)	(6,344)	(6,535)	(6,732)	(6,934)
(Surplus) / Deficit	0	164	367	(109)	324

29. To support Council's during the funding reforms (FFR and BRR) it is expected that Government will provide Local Authorities with a level of transitional funding referred to as 'Damping'. When the reforms were originally announced a predicted Damping figure was estimated at £475,000 per year.

30. It is extremely difficult to predict how much this damping will be and the figure will be dependant on a number of variables, including if and what a new housing grant reward scheme will be and so the MTFS retains the original figure of £475,000.

31. After applying the Damping the adjusted overall financial outlook shows an annual surplus for each of the years in the MTFS.

	2021/22	2022/23	2023/24	2024/25	2025/26
(Surplus) / Deficit	0	164	367	(109)	324
Damping	0	(475)	(475)	(475)	(475)
Adjusted (Surplus) / Deficit	0	(311)	(108)	(584)	(151)

32. Due to the degree of estimation involved and the longer term projections referred to in the preceding paragraphs, it will be absolutely essential to maintain strong financial discipline around all aspects of the Council's costs and income. The Council must continue to ensure it is in a strong position to anticipate and adapt to funding outcomes that differ from those currently assumed.

General Fund – 5 year summary

	2020/21 Budget £ '000	2021/22 Budget £ '000	2022/23 Budget £ '000	2023/24 Budget £ '000	2024/25 Budget £ '000	2025/26 Budget £ '000
Gross Service Expenditure	36,693	37,181	37,090	37,823	37,002	37,594
Gross Service Income	(21,820)	(21,176)	(21,049)	(21,112)	(21,175)	(21,241)
Demand Growth			200	400	600	800
Sub Total Net Service Expenditure	14,874	16,006	16,241	17,111	16,427	17,153
Capital Financing Costs	1,672	3,626	1,514	2,091	1,997	1,960
Pension Fund - Deficit	571			250	250	250
Pension Fund - Added Years	85	85	85	85	85	85
Recharge to HRA/Corporate Core	(1,747)	(1,552)	(1,599)	(1,647)	(1,696)	(1,747)
Exceptional Corporate Items						
PFI Interest cost	372	360	348	334	319	303
Investment Income	(2,912)	(7,221)	(12,140)	(14,632)	(14,852)	(14,902)
Investment Cost	788	1,814	5,982	6,046	6,111	6,175
Corporate Costs	(1,171)	(2,888)	(5,810)	(7,473)	(7,787)	(7,877)
Total Net Expenditure	13,703	13,117	10,431	9,639	8,640	9,277
Business Rates Retention	(3,317)	(2,064)	(1,960)	(1,960)	(1,960)	(1,960)
Business Rates prior year Balance		4,785	383	383		
New Homes Bonus	(3,635)	(2,823)	(826)			
Rural Services Grant	(279)	(293)				
Council Tax prior year Balance	(20)	55	55	55		
Covid-19 Support Funding		(890)				
Funding	(7,251)	(1,230)	(2,348)	(1,522)	(1,960)	(1,960)
Total Net Operating Costs	6,452	11,888	8,083	8,117	6,680	7,317
Business Rates Reserve		(6,123)	(383)	(383)		
Ringfenced Reserves (exc. BRR)		(24)	1			
Other Reserves	(495)	419	(1,193)	(831)	(57)	(59)
Total Net Reserves (drawn)/addition	(495)	(5,729)	(1,575)	(1,214)	(57)	(59)
Council Tax Requirement	5,957	6,159	6,508	6,902	6,623	7,258
Council Tax Income	(5,957)	(6,159)	(6,344)	(6,535)	(6,732)	(6,934)
(Surplus) / Deficit			164	367	(108)	324
Government Damping for Funding/BR review			(475)	(475)	(475)	(475)
Adjusted (Surplus) / Deficit			(311)	(108)	(584)	(151)

Reserves

34. Total General Fund reserves during this five year model are estimated to decrease from the predicted balance of £21.370 million to £12.737 million, a reduction of £8.633 million. A detailed schedule of forecasted reserves balances is set out on the following page and the table below sets out the use of reserves as approved at Council on the 8 December 2020 and the proposed updates for 2021 – 2026

Movements in Reserves		Estimated balance as at 31 March 2021	2021/22 £'000		2022/23 £'000		2023/24 £'000		2024/25 £'000		2025/26 £'000	
Details of reserve use			Addition Drawdown		Addition Drawdown		Addition Drawdown		Addition Drawdown		Addition Drawdown	
Ring Fenced Reserves												
Business Rates Reserve	Section 31 grant received in 2020/21 for additional reliefs		(4,402)									
	To support the prior year deficit due to reduced collection rate		(383)	(383)	(383)							
	To support the current year income reduction due to lower collection rate		(1,338)									
		7,759	0	(6,123)	0	(383)	0	(383)	0	0	0	0
Working Balance	Calculation to meet the statutory requirement minimum balance	1,496		(37)								
Licencing	Allocations to support service 3 year licences	35	13		1							
			13	(6,160)	1	(383)	0	(383)	0	0	0	0
Usable Reserves												
Medium Term Financial Strategy	Release of rental income compensation for commercial investment received in advance	2,439		(373)		(373)		(166)				
	Highways panel c/fwd 2020/21			(100)		(100)						
Emergency Response	Additional funding held in reserves to manage future impact of Covid 19 pandemic	540	794									
Economic Development	To support Business and local economic recovery	247	1000	(340)		(330)		(330)				
Elections	Annual/draw allocation to support cycle of local elections	70	30		25	(100)	25		25		25	
Homelessness	Grant received from MHCLG and draw to support service	402	188	(86)								
Neighbourhood Plan	To support the Neighbourhood planning process	43		(15)								
Sustainable New Communities	To fund specialist consultancy and additional fees relating to the Local Plan	940		(640)		(300)						
Private Finance Initiative	To cover the shortfall in rental over the life of the agreement (identified by Auditors)	307				(5)		(30)		(82)		(84)
Depot - New Site	Funds to support the development of Little Canfield Business Park		500	(500)								
Major Sports Facilities	Grant funding for major sports projects	150	150	(150)	150	(150)						
Climate Change	To support the Climate Change Emergency action plan	380	300	(340)	320	(330)		(330)				
			2,962	(2,544)	495	(1,688)	25	(856)	25	(82)	25	(84)
Total Net Reserves additions / (drawdowns)				(5,729)		(1,575)		(1,214)		(57)		(59)

General Fund Reserves – 5 year summary

£'000	Est. Balance 31st March 2021	2021/22			2022/23			2023/24			2024/25			2025/26		
		Transfer From General Fund	Transfer to General Fund	Balance 31st March 2022	Transfer From General Fund	Transfer to General Fund	Balance 31st March 2023	Transfer From General Fund	Transfer to General Fund	Balance 31st March 2024	Transfer From General Fund	Transfer to General Fund	Balance 31st March 2025	Transfer From General Fund	Transfer to General Fund	Balance 31st March 2026
RINGFENCED RESERVES																
Business Rates	7,759		(6,123)	1,636		(383)	1,253		(383)	869			869			0
Departments for Work and Pensions	71			71			71			71			71			71
Licensing	35	13		48	1		50			50			50			50
Capital Slippage	(105)			(105)			(105)			(105)			(105)			(105)
Working Balance	1,496		(38)	1,459			1,459			1,459			1,459			1,459
TOTAL RINGFENCED RESERVES	9,256	13	(6,161)	3,109	1	(383)	2,727	0	(383)	2,344	0	0	2,344	0	0	2,344
USABLE RESERVES																
<u>Financial Management Reserves</u>																
Medium Term Financial Strategy	2,439		(473)	1,967		(473)	1,494		(166)	1,328			1,328			1,328
Transformation	1,139			1,139			1,139			1,139			1,139			1,139
EU Exit	513			513			513			513			513			513
Income Protection	1,060			1,060			1,060			1,060			1,060			1,060
	5,151	0	(473)	4,678	0	(473)	4,206	0	(166)	4,039	0	0	4,039	0	0	4,039
<u>Contingency Reserves</u>																
Emergency Response	540	794		1,334			1,334			1,334			1,334			1,334
	540	794	0	1,334	0	0	1,334									
<u>Service Reserves</u>																
Economic Development	247	1,000	(340)	907		(330)	577		(330)	247			247			247
Elections	70	30		100	25	(100)	25	25		50	25		75	25		100
Homelessness	402	188	(86)	504			504			504			504			504
Health and Wellbeing	118			118			118			118			118			118
<i>Planning</i>	628			628			628			628			628			628
<i>Neighbourhood Planning</i>	43		(15)	28			28			28			28			28
<i>Housing Strategy</i>	25			25			25			25			25			25
<i>Development Control</i>	96			96			96			96			96			96
Strategic Initiatives	1,660			1,660			1,660			1,660			1,660			1,660
Sustainable New Communities	940		(640)	300		(300)	(0)		(0)	(0)			(0)			(0)
Pension Reserve	0			0			0			0			0			0
New Homes Bonus Ward Members	22			22			22			22			22			22
Voluntary Sector	0			0			0			0			0			0
Waste Depot Relocation Project	1,086	500	(500)	1,086			1,086			1,086			1,086			1,086
Waste Management	250			250			250			250			250			250
Private Finance Initiative	307			307		(5)	302		(30)	272		(82)	190		(84)	107
Major Sports Facilities	150	150	(150)	150	150	(150)	150			150			150			150
Climate Change	380	300	(340)	340	320	(330)	330		(330)	0			0			0
	6,423	2,168	(2,071)	6,520	495	(1,215)	5,800	25	(690)	5,135	25	(82)	5,078	25	(84)	5,020
TOTAL USABLE RESERVES	12,114	2,962	(2,543)	12,532	495	(1,688)	11,339	25	(856)	10,508	25	(82)	10,452	25	(84)	10,393
TOTAL GENERAL FUND RESERVES	21,370	2,975	(8,704)	15,641	496	(2,071)	14,067	25	(1,239)	12,852	25	(82)	12,796	25	(84)	12,737

Housing Revenue Account (HRA)

35. Under the self-financing reform the Council took out a loan for housing stock of £88.4m and the debt has been structured so that it is repaid in years 6 to 30 i.e. from 2017/18 to 2041/42, 2021/22 is the fourth year of the principal repayment.
36. The HRA has completed an extensive programme of new builds and redevelopments of both general needs and sheltered housing units. As expected the repayment of the loan principal has impacted significantly on the business plan, HRA reserves and future year's capital programme.
37. A review of the HRA Business Plan and the financing of the loans was undertaken in 2017/18, by Arlingclose Ltd (Treasury Management advisors) to ensure that maximum benefit is being obtained, both in terms of interest rates and also the ability for the HRA to continue to deliver new housing.
38. The review showed that complete refinancing of the loan would incur high penalty fees, the option that offered best value and allowed the business plan to continue to deliver a programme of development would be to re-borrow the amounts repaid in previous years as required.
39. Government announced in October 2018 that the HRA borrowing cap had been removed. The removal of the cap was welcomed as it took away one of the restrictions faced by local authorities looking to invest in their housing stock and build homes.
40. The Council utilises the entire existing retained one for one RTB receipts to invest in its development programme however there is a risk the HRA will not be able to build up enough receipts to fully finance 30% of the scheduled developments at the time of construction. If there is a short fall in retained receipts the HRA will have to borrow to fund 100% of the development until sufficient receipts have been received.
41. The decision to increase HRA borrowing is not just dependent on whether it is permitted; it also needs to be affordable. There is currently a balanced HRA business plan and therefore costs arising from additional borrowing would need to be funded either through additional income or a reduction in costs.
42. The Council has Homes England Investment Partner Status and will continue to work with Homes England to access grant for affordable housing schemes to deliver its development programme.
43. The Government policy of 1% rent reductions over 4 years, which ended in 2019/20, had a significant impact on income levels and limited the affordability of additional borrowing. Rental income increases for 2021/22 have been applied based on current government guidelines of CPI + 1%, which equates to a total increase of 1.7%.
44. Officers will continue to review the financing rules and options for additional borrowing to support the Council's development of new homes and investment in its current stock. The Council is already committed to building homes for local people and since the introduction in 2012 of self-financing the Council has been able to build, redevelop and purchase 146 homes despite the previous borrowing cap.

45. A number of financial assumptions, including interest rates, rent setting, void rates, bad debt levels and repair costs have been used in the HRA Business Plan and revenue budget setting. These and other assumptions will be kept under review and monitored in 2021/22.
46. The Covid Crisis may impact on HRA rent collection as tenants are faced with financial hardship and lockdown restrictions reduce the ability to collect monies owed. At this point it is impossible to quantify what impact the virus will have and a bad debt provision of £100,000 has been built into each year of the years in the draft budget.
47. The following tables set out the predicted 5 year financial position for the HRA, the reserve balances and proposed use of these reserves.

Housing Revenue Account – 5 year Summary

£'000	2020/21	2020/21	2021/22	Increase / (Decrease)	2022/23	2023/24	2024/25	2025/26
	Original Budget	Current Budget	Original Budget		Original Budget	Original Budget	Original Budget	Original Budget
Housing Revenue Income								
Dwelling Rents	(14,667)	(14,667)	(14,875)	(209)	(15,128)	(15,386)	(15,647)	(15,913)
Garage Rents	(230)	(230)	(233)	(3)	(237)	(241)	(245)	(249)
Other Rents etc	(3)	(3)	(1)	2	(1)	(1)	(1)	(1)
Charges for Services & Facilities	(1,079)	(1,079)	(1,061)	19	(1,079)	(1,097)	(1,116)	(1,134)
Contributions towards Expenditure	0	0	0	0	0	0	0	0
TOTAL INCOME	(15,979)	(15,979)	(16,170)	(192)	(16,445)	(16,725)	(17,009)	(17,298)
Housing Finance & Business Management								
Rents, Rates & Other Property Charges	75	75	80	5	81	82	84	85
	75	75	80	5	81	82	84	85
Housing Maintenance & Repairs Service								
Common Service Flats	209	209	224	15	228	231	235	239
Estate Maintenance	196	196	200	4	203	207	210	214
Housing Repairs	2,449	2,449	2,626	177	2,671	2,716	2,762	2,809
Housing Sewerage	60	60	61	1	62	63	64	65
Newport Depot	0	0	0	0	0	0	0	0
Property Services	356	356	436	80	443	451	458	466
	3,270	3,270	3,547	277	3,607	3,669	3,731	3,794
Housing Management & Homelessness								
Housing Services	528	528	536	8	545	554	564	573
Sheltered Housing Services	691	691	658	(33)	669	680	692	704
	1,219	1,219	1,194	(25)	1,214	1,235	1,256	1,277
Total Service Expenditure	4,564	4,564	4,821	257	4,902	4,986	5,071	5,157
Other Costs								
Bad Debt Provision	100	100	100	0	100	100	100	100
Depreciation - Dwellings (to MRR)	4,555	4,555	4,230	(325)	4,230	4,230	4,230	4,230
Depreciation - Non- Dwellings (to MRR)	66	66	51	(14)	51	51	51	51
Interest/Costs re HRA Loan	2,613	2,613	2,601	(12)	2,601	2,570	2,519	2,438
Investment Income	(13)	(13)	0	13	0	0	0	0
Pension Costs - Added Years	19	19	0	(19)	0	0	0	0
Pension Deficit - Triennial payment	126	126	0	(126)	126	126	126	126
Recharge from General Fund	1,652	1,652	1,167	(485)	1,167	1,167	1,167	1,167
HRA Share of Corporate Core	96	96	385	289	385	385	385	385
Right to Buy Admin Allowance	(10)	(10)	(10)	0	(10)	(10)	(10)	(10)
Total Non-Service Expenditure	9,203	9,203	8,525	(678)	8,650	8,619	8,568	8,487
TOTAL EXPENDITURE	13,767	13,767	13,345	(422)	13,553	13,605	13,639	13,644
OPERATING (SURPLUS)/DEFICIT	(2,212)	(2,212)	(2,825)	(613)	(2,893)	(3,120)	(3,370)	(3,654)
Funding from Cap Rec Res for HRA Loan	(2,000)	(2,000)	0	2,000	0	0	0	0
Repayment of HRA Loan	2,000	2,000	2,000	0	2,000	2,000	3,000	3,000
Funding of Capital Programme from HRA								
Capital Schemes Funded from Revenue	1,325	1,325	650	(675)	650	650	650	650
	1,325	1,325	650	(675)	650	650	650	650
Transfers to/(from) Reserves								
Capital Projects	897	897	216	(681)	235	463	(287)	(3)
Change Management Reserve	0	0	0	0	0	0	0	0
Potential Developments	0	0	0	0	0	0	0	0
HRA Slippage Reserve	0	0	0	0	0	0	0	0
HRA Slippage Reserve	0	0	0	0	0	0	0	0
Sheltered Housing Reserve	0	0	0	0	0	0	0	0
Transformation Reserve	0	0	0	0	0	0	0	0
Working Balance	(10)	(10)	(40)	(30)	7	7	7	8
	887	887	176	(711)	242	470	(280)	5
(SURPLUS)/DEFICIT	0	0	0	0	(0)	0	0	0

Housing Revenue Reserves – 5 year Summary

Reserve £'000	2020/21 Q2 Forecast				2021/22			2022/23			2023/24			2024/25			2025/26		
	Actual Balance 1st April 2020	Transfer from HRA	Transfer to HRA	Estimate d Balance 31st March 2021	Transfer from HRA	Transfer to HRA	Balance 31st March 2022	Transfer from HRA	Transfer to HRA	Balance 31st March 2023	Transfer from HRA	Transfer to HRA	Balance 31st March 2024	Transfer from HRA	Transfer to HRA	Balance 31st March 2025	Transfer from HRA	Transfer to HRA	Balance 31st March 2026
<u>RINGFENCED RESERVES</u>																			
Working Balance	514		(10)	504		(40)	464	7		471	7		478	7		486	8		493
TOTAL RINGFENCED RESERVES	514	0	(10)	504	0	(40)	464	7	0	471	7	0	478	7	0	486	8	0	493
<u>USABLE RESERVES</u>																			
Revenue Reserves	180		0	180			180			180			180			180			180
Revenue Projects	160		0	160			160			160			160			160			160
Transformation Reserve			0	0			0			0			0			0			0
	340	0	0	340	0	0	340	0	0	340	0	0	340	0	0	340	0	0	340
<u>Capital Reserves</u>																			
Capital Projects	13		897	910	216		1,126	235		1,361	463		1,824		(287)	1,537		(3)	1,534
Potential Projects Reserve	110			110			110			110			110			110			110
Sheltered Housing Projects Reserve			0	0			0			0			0			0			0
HRA Slippage Reserve	1,302			1,302			1,302			1,302			1,302			1,302			1,302
	1,425	0	897	2,322	216	0	2,538	235	0	2,773	463	0	3,236	0	(287)	2,949	0	(3)	2,946
TOTAL USABLE RESERVES	1,765	0	897	2,662	216	0	2,878	235	0	3,113	463	0	3,576	0	(287)	3,289	0	(3)	3,286
TOTAL RESERVES	2,279	0	887	3,166	216	(40)	3,342	242	0	3,584	470	0	4,054	7	(287)	3,775	8	(3)	3,779
<u>OTHER RESERVES</u>																			
Capital Receipt Reserve	1,789	1,761	(2,552)	998	1,600	(1,037)	1,562	1,600	(1,037)	2,125	1,600	(1,037)	2,689	1,600	(1,037)	3,252	1,600	(1,037)	3,816
Major Repairs Reserve	215	4,621	(4,022)	814	4,230	(4,345)	699	4,230	(4,345)	584	4,230	(4,345)	469	4,230	(4,345)	354	4,230	(4,345)	239
TOTAL OTHER	2,004	6,382	(6,574)	1,812	5,830	(5,382)	2,261	5,830	(5,382)	2,709	5,830	(5,382)	3,158	5,830	(5,382)	3,606	5,830	(5,382)	4,055



Uttlesford District Council

Treasury Management Strategy

2021/22



Prepared by:
Finance
Uttlesford District Council
February 2021



Introduction

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in the Investment Strategy.

External Context

Economic background: The impact on the UK from coronavirus, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union (EU), will remain major influences on the Authority's treasury management strategy for 2021/22.

The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month. The Monetary Policy Committee (MPC) voted unanimously for both, but no mention was made of the potential future use of negative interest rates. In the November Monetary Policy Report (MPR) forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast. By the time of the December MPC announcement, a COVID-19 vaccine was approved for use, which the Bank noted would reduce some of the downside risks to the economic outlook outlined in the November MPR.

UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In October, the headline 3-month average annual growth rate for wages was 2.7% for total pay and 2.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.9% while regular pay was up 2.1%.

GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remain well below its pre-pandemic peak. Looking ahead, the BoE's November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in November, the fourth successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time but expanded its monetary stimulus in December 2020, increasing the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

The US economy contracted at an annualised rate of 31.4% in Q2 2020 and then rebounded by 33.4% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.

Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization.

Credit outlook: After spiking in late March as coronavirus became a global pandemic and then rising again in October/November, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 and 2021 may be significantly lower than in previous years.

The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

Interest rate forecast: The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the first quarter of 2024. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the new EU trading arrangements. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold and maintained this position in December. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.60% and 0.90% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Annex D1 at the end of this report.

Local Context

On 31st December 2020, the Authority held £206m of borrowing and £12m of treasury investments. This is set out in further detail at Annex D2. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.03.20	31.3.21	31.3.22	31.3.23	31.3.24
	Actual	Estimate	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
General Fund CFR	10	20	21	21	20
HRA CFR	83	81	87	89	86
Investments CFR	53	145	264	274	274
Total CFR	146	246	372	384	380
Less: Other debt liabilities *	(5)	(4)	(4)	(4)	(4)
Loans CFR	141	242	368	380	376
Less: External borrowing **	(117)	(202)	(133)	(118)	(110)
Internal/over borrowing	24	40	235	262	266
Less: Usable reserves	(27)	(24)	(20)	(19)	(19)
Less: Working capital	(8)	(8)	(8)	(8)	(8)
Investments/(new borrowing)	11	(8)	(207)	(235)	(239)

* leases and PFI liabilities that form part of the Authority's total debt

** shows only loans to which the Authority is committed and excludes optional refinancing

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2021/22.

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the minimum debt required at the end of each year. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	31.03.20	31.3.21	31.3.22	31.3.23	31.3.24
	Actual	Estimate	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Loans CFR	141	242	368	380	376
Less: Usable reserves	(27)	(24)	(20)	(19)	(19)
Less: Working capital	(8)	(8)	(8)	(8)	(8)
Plus: Minimum investments	10	10	10	10	10
Liability Benchmark	116	220	350	363	359

Borrowing Strategy

The Authority currently holds £206 million of loans, an increase of £96 million on the previous year, as part of its commercial strategy and funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow an additional £206m on top of the existing external borrowing of £133m 2021/22. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £420 million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal/short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer readily available to local authorities planning to buy investment assets primarily for yield; the Authority intends to only purchase investment assets to support service provision.

Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow further short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Essex Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

Municipal Bonds Agency: Established in 2014 by the Local Government Association as an alternative to the PWLB that exists primarily to reduce councils' capital long term financing costs in the United Kingdom. It allows Local Authorities to diversify funding sources and borrow at a lower cost than is available from Central Government via the PWLB. The agency will sell municipal bonds to investors, raising funds that it will then lend to councils. The risks of the bond failing are shared with all participating members and this minimises the exposure of any

one authority and it is further limited by apportioning the risk across all members equal to the amount borrowed.

The MBA is only one example of a bonds agency, and it has only issued a small number of bonds since its inception. Should the Council choose to follow this option of long term financing a full market appraisal would be undertaken to determine the best agency to use.

Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Treasury Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £10 and £32 million, and levels are expected to be maintained above £10m in the forthcoming year.

Objectives: The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding asset classes during 2021/22. This is especially the case for the estimated £10m that is available for longer-term investment. All of the Authority's surplus cash remains invested in short-term unsecured bank deposits, and money market funds.

Business models: Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority’s “business model” for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits

General Counterparty List	Time Limit	Counterparty Limit	Sector Limit
UK Central Government	50 years	Unlimited	n/a
UK Local Authorities including Police and Fire (irrespective of credit rating) per authority	25 years	£3m	Unlimited
Secured investments*	20 years	£3m	Unlimited
Banks (unsecured)*	12 months	£2m	Unlimited
UK Building societies (unsecured)*	12 months	£2m	£4m
Registered providers (unsecured)*	5 years	£2m	£5m
Money Market Funds*	n/a	£2m	Unlimited
Strategic Pooled Funds	n/a	£2m	£10m
Real estate investment trusts	n/a	£2m	£5m
Saffron Building Society	n/a	£0.5m	100 days
Other Investments	5 years	£2m	£2m

This table must be read in conjunction with the notes below

* **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £500,000 per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

Operational bank accounts: The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept within the £2m per bank investment limit. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits: The Authority’s revenue reserves available to cover investment losses are forecast to be £28 million on 31st March 2021. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £2 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Limits are also placed on fund managers as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£5m per manager

Liquidity management: The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority’s medium-term financial plan and cash flow forecast.

The Authority will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£2m

Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£2m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£2m

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

The limit has been increased due to the additional short term borrowing that will be required whilst securing the longer term borrowing for the commercial investments.

Maturity structure of borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper Limit
Less than 12 months	70%
12 months and within 24 months	50%
24 months and within 5 years	50%
5 years and within 10 years	80%
10 years and within 20 years	80%
20 years and above	100%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

The less than 12 months limit has been increased temporarily with a view to securing long term funding for the commercial investments.

Principal sums invested for periods longer than a year: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£10m	£10m	£10m

Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

Financial derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Housing Revenue Account: On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

Markets in Financial Instruments Directive: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Director of Finance and Corporate Services believes this to be the most appropriate status.

Financial Implications

General Fund

The budget for the General Fund short term investment income in 2021/22 is £23,500 based on its share of the average investment portfolio of £12 million at an average interest rate of 0.20%. The budget for general fund loan income is £2.3 million from the loans totalling £56.8 million to Aspire at interest rates of 4 and 4.5%.

The budget for general fund short term local authority debt interest paid in 2021/22 is £108,000 at an average rate of 0.12%, based on an average debt portfolio £90 million and the budget for long-term local authority debt interest paid is £767,000 at an average rate of 0.50%, based on an average total debt portfolio of £153 million. The budget for long-term debt interest paid is £940,000 at a rate of 2.86%, based on an average total debt portfolio of £33 million.

HRA

The budget for HRA investment income in 2021/22 is £1,500, based on its share of an average investment portfolio of £12million at an average interest rate of 0.20%. The budget for long term debt interest paid in 2021/22 is £2.6 million based on an average debt portfolio of 80.4 million at an average rate of 3.1%

If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance and Corporate Services, having consulted the Cabinet Member for Finance and Administration, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain

Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Annex D1 – Arlingclose Economic & Interest Rate Forecast – December 2020

Underlying assumptions:

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out, especially with likely emergency action in response to a no-deal Brexit.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Official Bank Rate													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Artingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month money market r.													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Artingclose Central Case	0.10	0.10	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
1yr money market rate													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Artingclose Central Case	0.15	0.15	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Downside risk	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
5yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Artingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.20	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
10yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Artingclose Central Case	0.25	0.30	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.55	0.55	0.55	0.60
Downside risk	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
20yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Artingclose Central Case	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.90	0.90
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
50yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Artingclose Central Case	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

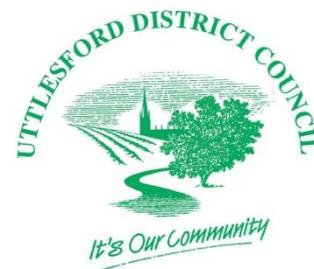
Annex D2 – Existing Investment & Debt Portfolio Position

31/12/2020	Actual Portfolio £m	Average Rate %
External Borrowing:		
Public Works Loans Board	82.4	2.88
Local Authorities	101.5	0.83
Phoenix Life Ltd	22	2.86
Total External Borrowing	205.9	
Other Long term Liabilities:		
Private Finance Initiative	4.4	8.29
Total gross external debt	210.3	
Treasury Investments:		
Banks and Building Societies (unsecured)	1.4	0.15
Government (including Local Authorities)	8	0.75
Money Market Funds	4	0.73
Total Treasury Investments	13.4	
Net Debt	196.9	

Uttlesford District Council Capital Strategy 2021/22



Prepared by:
Finance
Uttlesford District Council
February 2021



Introduction

This Capital Strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

Capital Expenditure and Financing

Capital expenditure is where the Authority spends money on assets, such as property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Authority has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

The Council's policy on capitalisation is detailed in the Accounting Policies of the 2019/20 Statement of Accounts.

In 2021/22, the Authority is planning capital expenditure of £134m, and the amounts are summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2019/20 actual	2020/21 forecast	2021/22 forecast	2022/23 forecast	2023/24 forecast
General Fund services	4	13	2	1	1
Council housing (HRA)	9	7	6	6	6
Capital investments	3	120	126	14	0
TOTAL	16	140	134	21	6

The main General Fund capital projects include a vehicle replacement programme, asset maintenance programme and ICT development, the details of all capital schemes are detailed in the Capital Programme (Appendix F). The Council also plans to incur capital expenditure on investments, details of these can be found in the Commercial Strategy (Appendix B).

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes the building of over 100 new homes over the forecast period.

Governance: Service managers bid annually in September to include projects in the Authority's capital programme. Bids are collated by Financial Services who calculate the financing cost (which can be nil if the project is fully financed externally). Capital Officers appraise all bids based on a comparison of service priorities against financing costs and makes recommendations to Corporate Management Team. The final capital programme is then presented to Cabinet and Council in February each year.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2019/20 actual	2020/21 forecast	2021/22 forecast	2022/23 forecast	2023/24 forecast
External sources	1	1	0	0	0
Capital resources	8	16	5	4	4
Revenue resources	2	2	3	2	
Debt	5	121	126	15	0
TOTAL	16	140	134	21	6

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). The Council's full minimum revenue provision statement is set out in Annex E1.

Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance in £ millions

	2019/20 actual	2020/21 forecast	2021/22 forecast	2022/23 forecast	2023/24 forecast
Internal resources	1	1	1	1	1
TOTAL	1	1	1	1	1

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to

increase by £122m during 2021/22. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 4: Prudential Indicator: Capital Financing Requirement in £ millions

	31/3/2020 actual	31/3/2021 forecast	31/3/2022 forecast	31/3/2023 forecast	31/3/2024 forecast
General Fund services	10	11	11	11	10
Council housing (HRA)	83	81	79	77	74
Capital investments	53	172	296	310	310
TOTAL CFR	146	264	386	397	393

Asset management: To ensure that capital assets continue to be of long-term use, the Authority has an Asset Management Strategy in place.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2022/23. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £2m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts receivable in £ millions

	2019/20 actual	2020/21 forecast	2021/22 forecast	2022/23 forecast	2023/24 forecast
Asset sales	3	3	2	2	2
Loans etc. repaid	2	2	2	2	3
TOTAL	5	5	4	4	5

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved, as set out in the Treasury Management Strategy (Appendix C). Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to decisions taken in the past, the Authority currently has £206m borrowing at an average interest rate of 2.19% and £12m treasury investments at an average rate of 0.54%.

Borrowing strategy: The Authority’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.10%) and long-term fixed rate loans where the future cost is known but higher (currently 1.5 to 2.5%).

Projected levels of the Authority’s total outstanding debt (which comprises borrowing, PFI liabilities, and leases) are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	2019/20 actual	2020/21 forecast	2021/22 forecast	2022/23 forecast	2023/24 forecast
Debt (incl. PFI & leases)	135	254	377	389	386
Capital Financing Requirement	146	264	386	397	393

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Authority expects to comply with this in the medium term.

Liability benchmark: To compare the Authority’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This benchmark is currently £116m and is forecast to rise to 357m over the next three years, details of the calculation for this can be found in table 2 of the Treasury Management Strategy (Appendix C).

Table 7: Borrowing and the Liability Benchmark in £ millions

	2019/20 actual	2020/21 forecast	2021/22 forecast	2022/23 forecast	2023/24 forecast
Outstanding borrowing	117	225	260	385	382
Liability benchmark	116	220	349	361	357

The table shows that the Authority expects to remain borrowed above its liability benchmark. This is because a deliberate decision has been made to borrow additional sums for further investments

Affordable borrowing limit: The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit
Authorised limit – borrowing	295	416	416	416
Authorised limit – PFI and leases	5	4	4	4
Authorised limit – total external debt	300	420	420	420
Operational boundary – borrowing	295	416	416	416
Operational boundary – PFI and leases	5	4	4	4
Operational boundary – total external debt	300	420	420	420

Treasury investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Authority’s policy on treasury investments is to prioritise security and liquidity over yield, this is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Authority may request its money back at short notice.

Further details on borrowing are detailed in the Treasury Management Strategy (Appendix C)

Risk management: The effective management and control of risk are prime objectives of the Authority’s treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy approved by council. Quarterly reports on treasury management activity are presented to Cabinet.

Commercial Activities and Service Investment

Government funding to Local Authorities (LA's) has been reduced significantly, and there is an increased requirement for LA's to generate additional income to underpin core service delivery. The Commercial Strategy (Appendix B) sets out the current and future plans for commercial investments, including making loans to the Council's subsidiaries. The Medium Term Financial Strategy (Appendix C) sets out the financial impacts of the funding reductions and the income generated from the investments.

The Council plans on making commercial investments totalling £310m (inclusive of professional fees) over the 5 year strategy of which in year one the council forecasts a return of approximately 5%.

The principal risk exposures include tenants defaulting on their tenancy agreements resulting in loss of income from specific investments. With cost of borrowing at all time lows, the risk that the loss of income will result in the Council being unable to meet its debt repayments is negligible.

The Council's 5 year Capital Programme (Appendix F) details all the capital schemes and projects related to normal service activity capital expenditure and includes all current commercial property investments.

Governance: Decisions on commercial investments are made by the Director of Finance and Corporate Services in line with the criteria and limits approved by Full Council in the Commercial Strategy. Where the commercial investment is by way of loan to a subsidiary, the decision is taken by the Chief Executive in consultation with the Assistant Director Resources, as the Director of Finance and Corporate Services is a member of the subsidiary board. Property and most other commercial investments are also capital expenditure and will therefore be approved as part of the capital programme.

Capital schemes and projects relating to normal service activities are submitted via a Capital Bid by the Service Manager and these are subject to the current budget approval process.

Liabilities

In addition to debt of £310m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £31.9m).

Governance: Decisions on incurring new discretionary liabilities are taken by Service Managers in consultation with the Director of Finance and Corporate Services. The risk of liabilities crystallising and requiring payment is monitored by Financial Services and reported quarterly to Cabinet.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2019/20 actual	2020/21 forecast	2021/22 forecast	2022/23 forecast	2023/24 forecast
Financing costs (£m)	6	7	8	12	12
Proportion of net revenue stream	21.21%	23.90%	26.44%	31.98%	31.64%

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Finance and Corporate Services is satisfied that the proposed capital programme is prudent, affordable and sustainable.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Finance and Corporate Services is a qualified accountant. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, AAT and ILM.

Where Council staff does not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, other specialists will differ depending on the expertise required. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Minimum Revenue Provision Statement – 2021/22

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following are the options recommended in the Guidance and locally determined prudent methods of which the Council will apply to unsupported capital expenditure:

Capital Projects

Asset life method – For new unsupported capital expenditure for assets with short lives i.e. vehicles and IT MRP will be determined by the life of the asset and charged in equal instalments in line with depreciation.

Lease life method – For assets acquired using finance lease arrangements MRP will match the portion of annual lease payment used to write-down the lease liability

Housing Revenue Account – Self-financing payment

MRP in respect of the £88.407m payment made in 2012 to exit the Housing Revenue Account subsidy system will be determined as being equal to the principal amount repaid on the loans borrowed to finance that payment.

If an asset is classified as work in progress at the end of the financial year where MRP will be charged the first instalment will take place in year 1 after the asset is operational.

The policy will be kept under review during the year and updated with any new proposals as appropriate and in line with the MHCLG guidance.

Investment Projects

Acquisition of investment property

For long-term projects where an investment property is acquired; MRP will be charged over a maximum of 50 years if the projected residual value is below the original expenditure and will be calculated on the balance spread over the remaining of the 50 years since acquisition. If the projected residual value is above the original expenditure then no MRP will be charged.

Loans to subsidiaries

For long-term capital loans to other bodies MRP will be charged based fair value of the investment by the subsidiary, for infrastructure investments MRP will be charged over a maximum of 50 years if the projected residual value is below the original expenditure. Where the residual value is projected to be below the expenditure value MRP will be calculated on the balance spread over the remaining of the 50 years since acquisition.

For long-term loans to other bodies where the loan supports expenditure on fixtures and fittings MRP will be charged in equal instalments over the life of the loan.

The following table illustrates the Capital Financing Requirement (CFR) for 2021/22 which underpins the Minimum Revenue Provisions.

	Estimated CFR 31/03/2021 £'000	Estimated CFR 31/03/2022 £'000	Estimated CFR 31/03/2023 £'000	Estimated MRP 2021/22 £'000
Capital Expenditure before 01/04/2008				
Unsupported Capital Expenditure after 31/03/2008	6,892	7,068	6,999	886
Finance Leases and Private Finance Initiative	4,345	4,191	4,024	167
Total General Fund	11,237	11,259	11,023	1,053
Unsupported Capital Expenditure	171,638	295,785	309,673	150
Total Investments	171,638	295,785	309,673	150
HRA Subsidy Revenue Account	80,771	78,771	76,771	2,000
Total Housing Revenue Account	80,771	78,771	76,771	2,000
Total	263,646	385,815	397,467	3,203

Housing Revenue Account – Budget 2021/22

Summary

1. This report sets out the Housing Revenue Account (HRA) budget and the reserves position for 2021/22.
2. Housing and supported accommodation rents to be increased by 1.7% as per central government policy. When a property is re-let the rent will be revised to the formula rent level.
2. Other income and service charges for 2021/22 have been set on the following basis:
 - Garage rents are increased by RPI of 1.1%
 - Housing related support charges are increased in line with actual costs
 - Intensive housing management charges are increased in line with actual costs
 - Lifeline charges are increased by RPI of 1.1%
 - Heating, Service and Sewerage charges are increased in line with actual costs
3. The Housing Board reviewed the Housing Revenue Budget for 2021/22 and the five year financial strategy on the 10 December and the Tenants Forum also reviewed the housing rent and service charge proposals on the 4 December.

Background

4. The HRA budget for 2020/21 reflects the service arrangements and investments in relation to the Council's housing services for the tenth year under 'Self Financing'.
5. The new financial arrangements enable the service to stand alone financially and take 'local' decisions for housing services.
6. Decisions about the level of expenditure in the Housing Revenue Account continue to be made in the context of a 30 year Business Plan. The current version was updated and approved at Cabinet in January 2016 and is reviewed annually. A full re-write of the plan is due in 2021.
7. The Business Plan sets the financial strategy for Housing and the budget proposals are reflected in this report.
8. The Business Plan has been framed in the light of:
 - Estimated rental income is in line with the Government's guidance
 - Appropriate capital investment in maintaining the quality of the housing stock through planned maintenance and replacement works
 - The new build programme and service improvements
 - One for one replacement of Right to Buy sales
 - Servicing and repaying debt so that new borrowing is available for future maintenance works and/or investment in further new build schemes
 - Remodelling and modernising sheltered housing schemes
9. Income and expenditure is budgeted on an incremental and inflationary basis to reflect the financial and operational needs of the housing service.

Debt Cap Removal

10. In August 2018 Uttlesford were one of the ambitious councils who submitted a bid for funds to build more homes. It was the popularity of that bidding process amongst local authorities that led to the Government's unexpected announcement in October 2018 that the Housing Revenue Account (HRA) borrowing cap had been removed.
11. The removal of the cap is welcomed as it takes away one of the restrictions faced by local authorities looking to invest in their housing stock and build homes. However, the decision to increase HRA borrowing is not just dependent on whether it is permitted; it also needs to be affordable.
12. There is currently a balanced HRA business plan and therefore costs arising from additional borrowing would need to be funded either through additional income or a reduction in costs.
13. The Council is already committed to building homes for local people and since the introduction of self-financing the Council has been able to build, redevelop or directly purchase 146 homes despite the previous borrowing cap.

National Social Rent Policy

14. Since 2001, rents for properties let at 'social rent' have been set based on a formula set by government. This creates a 'formula rent' for each property, which is calculated based on the relative value of the property, relative local income levels, and the size of the property. An aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties.
15. In 2011, the government introduced 'affordable rent' which permits rents to be set at up to 80% of market rent. The policy allows the council to let new build properties at affordable rent where certain conditions apply.
16. The majority of the councils new build properties are let at affordable rent and the additional income make it possible to build more homes.
17. In October 2017, government announced its intention to set a long term rent deal for social housing landlords in England. This new policy permits annual rent increases on both social rent and affordable rent properties of up to consumer price index (CPI) plus one percentage point from 2020, for a period of at least five years.
18. Rents are set in line with Government policy and to that end the council's social and affordable rents have been modelled at CPI+1% from 2021/22. The Council's Housing Revenue Account Business Plan fundamentally requires this level of increase to take place to remain viable.
19. It is proposed that the council continue with the policy of where rent is still not at the formula rent level that the rent be revised to the formula rent level when the property is re-let.

Covid 19 Budget implications

21. The HRA is forecasting a balance budget position for the current financial year. However, the remains concern over the on-going social-economic factors which will emerge as a result of the current pandemic.
22. The coronavirus pandemic adversely affected re-let times in 2020/21 as choice based lettings were suspended for a period of time during the first lockdown. This meant the properties which were void before or during the period of suspension remained void for a much longer period of time than usual, increasing void losses.

Housing Revenue Account Budget 2021/22

23. The following table summarises the HRA budget for 2021/22, a more detailed breakdown is set out in Annex G1. The budget identifies a net operating surplus of £2,825,000 made up of total income of £16,170,000 and total expenditure of £13,345,000, allowing a contribution to fund the capital programme of £650,000 and an addition to reserves of £175,000 for future capital projects

	2020/21 Original Budget £'000	2020/21 Restated Budget £'000	2021/22 Original Budget £'000	Increase / (Decrease) £'000
Dwelling Rents	(14,667)	(14,667)	(14,875)	(209)
Rents and Charges (other)	(1,312)	(1,312)	(1,295)	17
Service Income	(15,979)	(15,979)	(16,170)	(192)
Housing Finance & Business Management	75	75	80	5
Housing Maintenance and Repairs Service	3,270	3,270	3,547	277
Housing Management and Homlessness	1,219	1,219	1,194	(25)
Service Expenditure	4,564	4,564	4,821	257
Recharge from General Fund	1,652	1,652	1,167	(485)
Depreciation and Impairment	4,621	4,621	4,281	(339)
Interest/Costs re HRA Loan	2,613	2,613	2,601	(12)
Other (net)	317	317	475	157
Non-Service Expenditure	9,203	9,203	8,525	(678)
Operating Surplus	(2,212)	(2,212)	(2,825)	(613)
Repayment of HRA Loan	2,000	2,000	2,000	0
Capital Receipt Reserve (for HRA Loan)	(2,000)	(2,000)	0	2,000
Funding of Capital Programme from HRA	1,325	1,325	650	(675)
Transfer to/from (-) Reserves	887	887	176	(711)
HRA (Surplus) / Deficit	0	0	0	0

24. The following table sets out the key budget movements from 2020/21 to 2021/22 and paragraphs 25 to 35 provides a breakdown of all the HRA income;

Budget Movements	£'000
2020/21 Net Operating Surplus	(2,212)
Dwelling Rents inflationary increases	(209)
Income (other) - changes are in line with actual costs	17
Housing Repairs - Budget estimated due to first year JV and budget realigned to reflect actual cost of service	177
Property Services - Budget estimated due to first year JV and budget realigned to reflect actual cost of service	80
Depreciation on Housing Stock - Current market valuations adjustment	(325)
Pension Deficit Payment - Advanced triennial payment made in 2020/21 - no payments until 2023/24	(126)
Recharge from General Fund - calculated on apportionment of central services required using budgeted GF costs	(208)
Other minor variances	(19)
	(613)
2021/22 Net Operating Surplus	<u>(2,825)</u>

Housing Rents

25. Rents are set in line with Government policy. This will give all tenants a 1.7% increase in their current rent. The average rent in 2020/21 was budgeted as £100.84 however the actual average rent as at September 2020 was £100.87. In 2021/22 the average rent will increase to £102.73.

Garage rents

26. The Council manages a total of 450 garages, of these 305 are rented by private residents. It is proposed to increase the garage rents by RPI of 1.1% (as at September 2020). The current weekly rent is £10.87 and this will increase to £10.99 (excluding VAT) per week for 2021/22.

Housing Related Support (HRS) charges and Intensive Housing Management (IHM) charges

27. In 2017 the council reviewed all support and housing management charges in preparation for further cuts to HRS funding made by Essex County Council (ECC).
28. The review resulted in the introduction of an Intensive Housing Management (IHM) charge to recover a proportion of the reduction in funding from ECC. The IHM charge is covered by Housing Benefit and its introduction therefore lessened the impact of the cuts to HRS for those tenants on benefits who previously had not contributed to support costs.
29. All HRS funding from ECC ceased from April 2017 and the cost of support and intensive housing management is now recovered in full from all sheltered tenants. The rationale that ECC made for these cuts is that people who require this type of support can claim appropriate benefits to pay for it themselves.
30. It is proposed to continue to calculate the charges for the council's sheltered housing scheme management service (made up from IHM and HRS) in line with actual costs. The charges to be set at:

i) Intensive Housing Management (IHM):	£16.29 per week
ii) Housing Related Support (HRS):	£ 6.05 per week
Total Charge:	£22.34 per week

Lifeline Service

31. It is proposed charges for the council's Lifeline service are raised by RPI of 1.1% (as at September 2020) following a 2 year freeze. The current weekly charge is £4.45 and this will increase to £4.50 (excluding VAT) per week for 2021/22. There is an additional cost of £1 for extra sensors.

Heating, service and sewerage charges

32. The Council manages leasehold and freehold properties where service and sewerage charges are payable and these will continue to be calculated and charged in line with actual costs.

33. General needs and sheltered housing service and sewerage charges are calculated on the same basis as Leasehold/freehold properties.

34. Heating charges will be calculated and charged in line with actual costs

Garden Welfare

35. The Council provides a gardening scheme for tenants who are unable to maintain their gardens because they have a physical or mental health disability or a long term illness.

36. For some tenants this may be a one-off clearance that then enables them to keep their garden tidy in the future, whilst others may need regular maintenance visits as well. Proposed fees for this service for 2021/22 are:

Garden Service	Cost (exc. VAT)
One-off clearance	£40.00
One-off clearance (Substantial clearance where the majority of the garden is ➤ higher than 1 metre, this ➤ includes bramble, grass and weeds)	£75.00
Grass cutting: Throughout the growing season and includes up to two hedge cuts a year <i>This charge will not be covered by housing benefit and is payable throughout the year</i>	£3.50 per week

Reserves

37. The reserves position for 2021/22 is shown in the table below and this is based on the estimated position at quarter 2 of 2020/21.

Reserve £'000	2020/21 Q2 Forecast			Estimated Balance 31st March 2021	2021-22 Estimates		
	Actual Balance 1st April 2020	Transfer from HRA	Transfer to HRA		Transfer from HRA	Transfer to HRA	Balance 31st March 2022
RINGFENCED RESERVES							
Working Balance	514		(10)	504		(40)	464
TOTAL RINGFENCED RESERVES	514	0	(10)	504	0	(40)	464
USABLE RESERVES							
Revenue Reserves	180		0	180			180
Revenue Projects	160		0	160			160
Transformation Reserve				0			0
	340	0	0	340	0	0	340
Capital Reserves							
Capital Projects	13		897	910	216		1,126
Potential Projects Reserve	110			110			110
Sheltered Housing Projects Reserve				0			0
HRA Slippage Reserve	1,302			1,302			1,302
	1,425	0	897	2,322	216	0	2,538
TOTAL USABLE RESERVES	1,765	0	897	2,662	216	0	2,878
TOTAL RESERVES	2,279	0	887	3,166	216	(40)	3,342

38. The following table details the Capital Receipts and the Major Repairs Reserve.

Reserve £'000	2020/21 Q2 Forecast			Estimated Balance 31 March 2021	2021-22 Estimates		
	Actual Balance 1st April 2020	Transfer from HRA	Transfer to HRA		Transfer from HRA	Transfer to HRA	Balance 31 March 2022
OTHER RESERVES							
Capital Receipt Reserve	1,789	1,761	(2,552)	998	1,600	(1,037)	1,562
Major Repairs Reserve	215	4,621	(4,022)	814	4,230	(4,345)	699
TOTAL	2,004	6,382	(6,574)	1,812	5,830	(5,382)	2,261

5 Year Budget forecast

39. The 5 year financial forecast for the HRA revenue and reserves position are detailed in the Medium Term Financial Strategy, Appendix C, and the capital programme and associated financing are detailed in the Capital Programme, Appendix F.

Self financing and 30 year Business Plan

40. As part of the self financing arrangements a 30 year Business plan was produced to set out the council's priorities for the housing stock, this was updated in 2016. Annex G2 provides an update on the progress to date.

Impact

41.

Communication/Consultation	Tenants Forum and Housing Board reviewed the rent, heating, service and sewerage charges Corporate Management Team have reviewed the report
Community Safety	None
Equalities	EQIA submitted with the agenda to cover all budget reports
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	Affordable rent levels and appropriate housing supply are an important factor in the sustainability of local communities and in particular rural communities
None Ward-specific impacts	None
Workforce/Workplace	None

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Property lettings suspended again due to the pandemic	2 – Further lockdowns may require more stringent measures	3 Increase in numbers of people in housing need loss of rental income	Source temporary accommodation in hotels until property lettings resume
Changes in legislation may alter the assumptions contained in the proposed 2021/22 Budget and HRA Business Plan	2 - we are currently unaware of any changes	2 – reduced income and or increased costs	Prudent budget mgt. and assumptions built into the budget, supported by minimum operational balance and earmarked reserves to provide a short term contingency
Rent arrears increase	2 – Long term effects of the pandemic	2 – increased arrears and resources needed to support tenants to manage their payments	Housing officers and Benefit Welfare Officer provide Tenant support for those in financial difficulty.
Failure to deliver major	2 – the Council	3 – schemes do	Robust project

housing and development projects	has an ambitious development programme	not progress	planning and resources aligned to deliver projects.
Increase in interest rates	2 – not anticipated that rates will significantly increase in the next year	3 – increase in loan repayment	Prudent budget management. Monitor the situation with our Financial Consultants, Arlingclose and consider fixed rate alternatives
RTB replacements – The HRA will not be able to build up enough receipts to fully finance 30% of the scheduled developments at the time of construction	2 HRA unable to sustain additional borrowing	2 RTB receipts will have to be paid back	Continuous review of the Business Plan and borrowing options Lobby Government to change rules on using RTB receipts

Housing Revenue Account – 2021/22 Budget

£'000	2020/21 Original Budget	2020/21 Current Budget	2021/22 Original Budget	Increase / (Decrease)
Housing Revenue Income				
Dwelling Rents	(14,667)	(14,667)	(14,875)	(209)
Garage Rents	(230)	(230)	(233)	(3)
Other Rents etc	(3)	(3)	(1)	2
Charges for Services & Facilities	(1,079)	(1,079)	(1,061)	19
Contributions towards Expenditure	0	0	0	0
TOTAL INCOME	(15,979)	(15,979)	(16,170)	(192)
Housing Finance & Business Management				
Rents, Rates & Other Property Charges	75	75	80	5
	75	75	80	5
Housing Maintenance & Repairs Service				
Common Service Flats	209	209	224	15
Estate Maintenance	196	196	200	4
Housing Repairs	2,449	2,449	2,626	177
Housing Sewerage	60	60	61	1
Newport Depot	0	0	0	0
Property Services	356	356	436	80
	3,270	3,270	3,547	277
Housing Management & Homelessness				
Housing Services	528	528	536	8
Sheltered Housing Services	691	691	658	(33)
	1,219	1,219	1,194	(25)
Total Service Expenditure	4,564	4,564	4,821	257
Other Costs				
Bad Debt Provision	100	100	100	0
Depreciation - Dwellings (to MRR)	4,555	4,555	4,230	(325)
Depreciation - Non- Dwellings (to MRR)	66	66	51	(14)
Interest/Costs re HRA Loan	2,613	2,613	2,601	(12)
Investment Income	(13)	(13)	0	13
Pension Costs - Added Years	19	19	0	(19)
Pension Deficit - Triennial payment	126	126	0	(126)
Recharge from General Fund	1,652	1,652	1,167	(485)
HRA Share of Corporate Core	96	96	385	289
Right to Buy Admin Allowance	(10)	(10)	(10)	0
Total Non-Service Expenditure	9,203	9,203	8,525	(678)
TOTAL EXPENDITURE	13,767	13,767	13,345	(422)
OPERATING (SURPLUS)/DEFICIT	(2,212)	(2,212)	(2,825)	(613)
Funding from Cap Rec Res for HRA Loan	(2,000)	(2,000)	0	2,000
Repayment of HRA Loan	2,000	2,000	2,000	0
Funding of Capital Programme from HRA				
Capital Schemes Funded from Revenue	1,325	1,325	650	(675)
	1,325	1,325	650	(675)
Transfers to/(from) Reserves				
Capital Projects	897	897	216	(681)
Change Management Reserve	0	0	0	0
Potential Developments	0	0	0	0
HRA Slippage Reserve	0	0	0	0
HRA Slippage Reserve	0	0	0	0
Sheltered Housing Reserve	0	0	0	0
Transformation Reserve	0	0	0	0
Working Balance	(10)	(10)	(40)	(30)
	887	887	176	(711)
(SURPLUS)/DEFICIT	0	0	0	0

Housing Revenue Account Business Plan Priorities for Action
2016 – 2021

Action	Timescale	Resources	Outcome	Update January 2021
1. Operate a sound and viable housing business in a professional and cost effective manner				
Continue to develop business plan financial model to inform investment and service planning	Ongoing	Within existing resources	HRA that continues to be managed on sound business principles	<p>The council has been undertaking formal business planning for the Housing Revenue Account (HRA) since the introduction of the self-financing regime for council housing in 2012</p> <p>For 2021/22 The Council's social and affordable rents have been modelled at CPI+1%. The business plan fundamentally requires this level of increase to take place to remain viable following a period of 4 years during which there has been an annual reduction in all social rents of 1% in line with Government requirements</p>
Prepare for supporting people funding reductions	Mar-17	Within existing resources	Options identified to enable key services to continue to be delivered	<p>Complete. New delivery model for sheltered housing in place. Tenants have been written to and new charges explained. All costs are now fully recoverable from tenants since the ending of support grant funding from county</p> <p>A new Intensive Housing Management (IHM) charge has been introduced – this can be included in Housing Benefit claim to reduce impact on residents receiving this service</p>
Improve performance management systems in Housing Services	Mar-17	Within existing resources	PI targets based on a combination of performance of peer LA's in HouseMark benchmarking group and historic UDC performance data	Complete. The Housing Service has developed a suite of Performance Indicators (PIs) to monitor services against its own targets, and to provide customers with information on how our

Action	Timescale	Resources	Outcome	Update January 2021
				services are performing. These PIs are monitored by managers on a monthly basis, with key indicators reported quarterly to CMT
Maximise income to the HRA by achieving high collection rates for rents, service charges, sewage charges, garage rents and miscellaneous invoices	Ongoing	Within existing resources	Rent arrears action taken at an earlier stage to prevent arrears from escalating. Providing debt support and signposting to tenants/leaseholders who are struggling. Corporate approach to rent collection to ensure join-up with individual cases	Income collection has been separated from the debt support work resulting in a significant reduction in rent arrears All costs for services provided are fully recovered through annual charges
Implement re-chargeable repairs policy	Apr-16	Within existing resources	Improve recovery of costs of repairs which are tenants' responsibility	Complete. A new re-charge policy has been written to clarify the definition of rechargeable repairs and to improve the recovery of costs associated with rechargeable repairs and to deter misuse or negligence of Council property by tenants By identifying and recovering these costs, it enables the council to reinvest the money to help improve services and properties which will ultimately benefit tenants
Evaluate the alternative options available for the delivery of housing services through strategic and /or operational partnerships	Apr-17	Within existing resources	Options identified for step change improvement in value for money	Alternative options for the delivery of housing repairs and void works have been evaluated with the preferred option being a joint venture with the Norse Group. Uttlesford Norse Ltd, jointly owned on an equal basis by Uttlesford District Council and Norse, have taken on all the housing response repairs, maintenance and void works from 1 April 2020
Review the arrangements for the management of non-	Oct-16	Within existing resources	Rationalisation of management responsibilities and clarification of	Complete. Asset Management and Development Strategy in place

Action	Timescale	Resources	Outcome	Update January 2021
housing assets			development potential	
Ensure the void turnaround figures do not exceed targets to minimise rent losses	Ongoing	Within existing resources	Rent loss through voids minimalised	<p>A further review of the void processes carried out in 2019 following recommendations from the Tenant Regulatory Panel (TRP)</p> <p>New processes introduced include a move to weekly bids and advertising hard to let bungalows as being available for any age groups on the first time of advertising</p> <p>Whilst the review shows that the new processes that have been implemented are working well the void turnaround figure is exceeding targets. This is in part due to a number of unpopular hard to let properties affecting the void figures. For each of these void properties Officers consider if they represent a development opportunity or what can be done to make them more desirable</p>
2. Ensure that all the council's tenants live in a decent home in settled communities for as long as needed, consistent with the council's Tenant Strategy				
Review Tenant Strategy to ensure that local housing need is met and assets are used effectively, utilising all available flexibilities	Apr-17	Within existing resources	Updated strategy	Complete. Strategy has been reviewed. No change to policy recommended at this time
Create a tenancy sustainment team	Aug-16	Within existing resources	Increased support for vulnerable tenants. A failed tenancy costs the Council several thousands of pounds so the success of this team will ultimately save money for re-investment in the housing stock	Complete. Team in place. Successful Tenancy Sustainment Programme implemented. We have been able to prevent evictions, organise sustainable repayment programmes and tenancies, and help individuals who have been previously unable to engage with us and many

Action	Timescale	Resources	Outcome	Update January 2021
				other support organisations
Improve the information on the housing stock	Apr-17	Within existing resources	Accessible up to date stock data	Complete. New stock data management system (SAM) has been implemented. UNL are progressing on collecting stock data – it is anticipated that a 100% stock condition survey will be achieved on a rolling 5 year basis
Continue to manage and maintain the housing stock effectively and efficiently ensuring that properties meet, as a minimum, the decent homes standard	Ongoing	Within identified resources - approximately £5.3m pa	Well maintained homes and assets to minimum decent homes standard	The authority is continuing to deliver a significant programme of investment in the stock to ensure that all properties continue to meet the decent homes standard. Planned works programmes are progressing well through UNL however some contracts have been delayed due to the pandemic
Deliver an improved repairs and maintenance service through: 1. Enhancement of mobile technology for repairs and voids teams; 2. Electronic van stocking of operatives' vehicles 3. Online reporting of repairs	Aug-16	£120k	Homes well maintained Improved tenant satisfaction More efficient and responsive deployment of personnel	Complete. Project plan to deliver IT improvements, including mobile technology, has been implemented In 1 April 2020, under UNL, new ICT systems were introduced including mobile technology, electronic van stock and online reporting of repairs
Improve average energy efficiency for council properties	Apr-17	£530k	Reduced fuel costs for residents	Complete. All works identified in Phase I, II and III of the Business Plan have been completed and include the installation of air source heat pumps/external wall cladding/solar panels to council properties Further properties have been identified for improvement works and budgets are being prepared for works to be carried out in 2021/22

Action	Timescale	Resources	Outcome	Update January 2021
Continue to fund disabled adaptations for tenants and improve the delivery process	Ongoing	£260k pa	Reduction in the time people have to wait for adaptations	Disabled Adaptation Policy in place. There continues to be a high demand for disabled adaptations however we are currently able to meet all requests within a reasonable timescale
Undertake fundamental review of policies and procedures to ensure service is 'Fit for Purpose'	Ongoing	Within existing resources	Policies in place that reflect best practice/current legislation	All policies and procedures along with equality impact assessments are regularly reviewed. Changes identified are brought to the tenant forum and housing board for approval
3. Help tenants and leaseholders get involved with decisions about their housing				
Continue to develop Housing Regulatory Panel to scrutinise the performance of the Housing Service and to undertake service reviews	Ongoing	5k pa - training for members	A Housing Regulatory Panel that deliver in-depth challenging inspections - achieving improvements that really matter to tenants	The TRP have carried out a review of repairs and the sheltered housing service following their successful review of the Void process. Reports have been presented to officers and progress with implementing the recommendations are reported to the TRP and Housing Board
Review the approach to gathering tenant feedback and satisfaction	Mar-17	Within existing resources	Refreshed approach to assessing tenant satisfaction to inform service improvement planning	Complete. Online satisfaction survey has been designed so that tenants can feed back immediately after repair is carried out New STAR tenant satisfaction/feedback survey sent to all tenants in November 2019. Results have been analysed and show an overall improvement in satisfaction with housing services (see below)
Link tenant participation with opportunities for skill development	Ongoing	Within existing resources	Skilled Tenant Forum and Tenant Regulatory Panel members	Annual training programme in place
Publish annual tenants report	Ongoing	£3k pa	Annual report published	Annual report to tenants prepared which included performance data as well as satisfaction data from the STAR survey

Action	Timescale	Resources	Outcome	Update January 2021
Benchmark service with other landlords through HouseMark	Ongoing	Within existing resources	Core benchmarking data uploaded to HouseMark for full organisational review	<p>The Housing Service uses Housemark to benchmark its performance against other landlords</p> <p>Latest core benchmarking data has been submitted – performance data and comparison with other authorities is reviewed by officers at section heads meeting</p> <p>Performance compares well to other councils, with indicators relating to rent collection and repairs sitting within the top quartile. Compared to the previous year, costs have remained roughly the same in all areas except lettings which has marginally increased, whilst performance has improved in repairs and tenancy management</p> <p>Whilst Performance Indicators are instrumental in assessing performance, the opinion and views of tenants adds an extra depth and validity to the council's performance and service improvement works. In 2019 the council carried out a district wide survey of tenants and residents (STAR survey).</p> <p>Using a core questions set compiled by HouseMark comparative data has been obtained on the services offered to tenants. In addition the inclusion of additional questions has provided information regarding the way the council engages with tenants through the tenant forum and tenant regulatory panel</p> <p>Results of STAR 2019 show that levels of satisfaction have remained positive amongst all</p>

Action	Timescale	Resources	Outcome	Update January 2021
				service areas within housing services over the 5 year period of the business plan. The survey shows that the majority of tenants are satisfied with the overall services provided (80.42%)
4. Regenerate the stock/estates and build new affordable rented council housing in an efficient and effective manner				
Deliver the new homes programme	Mar-21	£6.898m	New homes to replace those lost through RTB sales - approximately 6 -10 per year	The development programme is on track - 146 new/redeveloped properties have been delivered to date during the life of the business plan and work has commenced on site for a further 16 properties. Officers are continuing to investigate possibility of UDC becoming delivery partner on some S106 sites - subject to sufficient RTB receipts
Deliver Sheltered scheme re-development programme	Mar-18	£11.5m	Fit for purpose accommodation for the elderly	Holloway Crescent and Mead Court have been demolished to provide new build general needs properties. Reynolds Court and Hatherley Court have been re-developed Members have approved plans to progress the re-development of Walden Place – project due to commence in 2021/22 Consultation has begun on the re-development of Alexia House and Parkside
Review Housing Asset Management Strategy	Apr-18	Within existing resources	Established a clear policy on the use of HRA assets, regeneration and development	Complete. Strategy has been reviewed

Action	Timescale	Resources	Outcome	Update January 2021
Develop and implement initiatives for improving estates	Ongoing	Within existing resources	Delivery of estate improvement/ regeneration initiatives as part of the housing asset management strategy. Delivery of resident led improvements	Regular trailer events being held with more agencies offering to attend. Estate inspections carried out. Work identified has been added to the planned work programme. Consultation with residents affected has commenced
Carry out development appraisals of identified sites and review business plan capacity to develop	Mar-21	Revenue cost of £50k pa for officer/surveyor to co-ordinate works	Established housing development programme	Proposals/plans have been drawn up/approved for sites in Great Chesterford and Saffron Walden that will deliver 27 council properties. The financing of these schemes will be through a combination of RTB receipts, S106 receipts, HRA funds and borrowing A number of garage and infill sites and excess garden land are being assessed for development viability, or for the opportunity to sell in order to cross-subsidise the development programme

General Fund and Council Tax – 2021/22

Summary

1. This report sets out detailed revenue estimates for the General Fund and the Council Tax requirement for 2021/22. This budget must be considered alongside the report made by the Director of Finance and Corporate Services under Section 25 of the Local Government Act 2003, included as an item earlier in the agenda. The budget is consistent with the Medium Term Financial Strategy also presented earlier on the agenda.
2. The estimates, as summarised in Annex H1, show a Council Tax Requirement of £6,158,686 which balances to the level of Council Tax yield, assuming an increase of £5 in Council Tax for a Band D equivalent property.
3. The estimates in this report are based on the recommended Capital Programme, Treasury Management Strategy, Commercial Strategy and Housing Revenue Account budget for 2021/22 considered earlier in this agenda.

Council Tax – 2021/22

4. By law the budget (Council Tax Requirement) has to balance to the expected Council Tax income receivable.
5. The Director of Finance and Corporate Services (s151 Officer), under delegated authority, has approved the gross Council Tax base of 40,121.40 to be used for setting the 2021/22 draft Council Tax, an increase of 0.63% on the 2020/21 figure of 39,868.68.
6. The taxbase for the purposes of budget setting is calculated by deducting the Local Council Tax Support Discounts from the gross Council Tax base. The estimate of these discounts in Band D equivalent terms is 2,013.08 and this produces a taxbase for budget setting purposes of 38,108.32.
7. The 2020/21 UDC Band D equivalent Council Tax was £156.61. In accordance with the Cabinet's guidance, an increase of £5 has been assumed for the purpose of preparing this report; this gives a Band D equivalent figure for 2021/22 of £161.61. Multiplied by the taxbase, this produces a Council Tax yield of £6,158,686.
8. The Council is therefore required to balance its net budget to a Council Tax Requirement of £6,158,686; the increase in tax base and Band D equivalent for 2021/22 compared to 2020/21 is illustrated in the table below.

	2020/21	2021/22	% Change
Taxbase (gross)	39,868.68	40,121.40	0.63%
LCTS Discounts	(1,832.54)	(2,013.08)	9.85%
Taxbase (net)	38,036.14	38,108.32	0.19%
Band D	£156.61	£161.61	3.19%
Council Tax Yield	£5,956,840	£6,158,686	3.38%

9. The Council Tax Yield is higher than the equivalent sum for 2020/21 and an analysis of the income for the increase in taxbase and Band D equivalent is set out below:

Council Tax increases		
2020/21 Council Tax Requirement		£5,956,840
Additional income arising from Taxbase increases	£11,666	
Additional income arising from UDC £5 increase	£190,180	
2021/22 Council Tax Requirement		<u>£6,158,686</u>

10. The £6,158,686 figure represents estimated Council Tax income, but for budget purposes it is treated as a UDC levy on the Collection Fund and is therefore a reliable figure. Inevitably the actual amount of Council Tax income collected will differ from the assumed amount due to in year changes in Local Council Tax Support, reliefs, empty properties and level of collection. This will give rise to either a surplus or deficit on the Collection Fund which will be taken into account as part of next year's budget setting.
11. Assuming an increase of £5 in Council Tax, the amount of Uttlesford Council Tax, by each Council Tax band, is shown below.

Band	Proportion of Band D	2020/21 UDC Council Tax £	2021/22 UDC Council Tax £	Increase £5 £/year
A	6/9ths	101.07	107.74	6.67
B	7/9ths	117.92	125.70	7.78
C	8/9ths	134.76	143.65	8.89
D	9/9ths	151.61	161.61	10.00
E	11/9ths	185.30	197.52	12.22
F	13/9ths	218.99	233.44	14.44
G	15/9ths	252.68	269.35	16.67
H	18/9ths	303.22	323.22	20.00

General Fund Budget

12. A summary of the 2020/21 General Fund budget is shown in the table below. A more detailed summary is set out in Annex H1 and each portfolio budget is set out in Annex H2.

£'000	2020/21	2020/21	2021/22	
	Original Budget	Current Budget	Original Budget	Increase / (Decrease)
Portfolio Budgets				
Net service expenditure	14,874	14,874	11,100	(3,773)
Corporate Items				
Capital Financing	1,672	8,160	3,626	(4,534)
Recharge to HRA	(1,747)	(1,747)	(1,552)	194
Other Corporate Items	(1,096)	(1,096)	(56)	1,040
Net Expenditure	13,703	20,191	13,117	(7,073)
Funding				
New Homes Bonus Grant	(3,635)	(3,634)	(2,823)	811
Business Rates Retention	(3,317)	(3,317)	2,721	6,038
Rural Services Grant	(279)	(279)	(293)	(13)
Covid 19 Support Funding	0	0	(890)	(890)
Council Tax - Collection Fund Balance	(20)	(20)	55	75
	(7,251)	(7,251)	(1,230)	6,021
Net Operating Expenditure	6,452	12,940	11,888	(1,052)
Net transfers to/(from) other earmarked reserves	(495)	(6,983)	(5,729)	1,254
	(495)	(6,983)	(5,729)	1,254
Council Tax Requirement	5,957	5,957	6,159	202
Council Tax (precept levied on Collection Fund)	(5,957)	(5,957)	(6,159)	(202)
	0	0	0	0

13. A subjective analysis of net service expenditure is detailed below.

£'000	2020/21	2020/21	2021/22	
	Original Budget	Current Budget	Original Budget	Increase / (Decrease)
Employees	12,852	12,852	13,900	1,048
Premises	708	681	672	(9)
Transport	692	692	600	(92)
Supplies & Services	9,690	9,717	9,548	(169)
Third Party Payments	211	211	341	130
Transfer Payments	12,525	12,525	12,120	(405)
Expenditure	36,677	36,677	37,181	504
External Funding	(1,703)	(1,703)	(1,656)	47
Fees & Charges	(6,037)	(6,037)	(11,063)	(5,026)
Specific Government Grants	(13,475)	(13,475)	(12,999)	476
Other Income	(589)	(589)	(363)	226
Income	(21,804)	(21,804)	(26,081)	(4,277)
Net portfolio expenditure	14,874	14,874	11,100	(3,773)

14. The following table is a reconciliation of the movement from the 2020/21 budget to the 2021/22 budget.

	£'000	£'000
Council Tax Requirement - 2020/21		5,957
<u>Direct Service Budget Changes</u>		
Budget movements to restated base 20/21	(1,213)	
Inescapable growth	770	
Service growth	2,201	
Efficiency savings	(881)	
Changes to Income	(32)	
Commercial Investment rental income	(4,584)	
Other adjustments	(34)	
		(3,773)
<u>Corporate Items</u>		
Capital financing costs decrease	(4,534)	
Joint venture impact on charges to HRA	194	
Net treasury investment increase	1,611	
Triennial pension payment	(571)	
		(3,300)
<u>Funding Items</u>		
Change in New Homes Bonus	812	
Net impact of Collection Fund	6,113	
Covid impact funding	(890)	
Other net adjustments	(13)	
Net change in draw on reserves	1,254	
		7,275
Total net changes to base budget		202
Council Tax Requirement - 2021/22		6,159

15. A full analysis of all budget changes, savings, growth and adjustments are detailed in Annex H3 and the key elements of the changes are explained in the following points:

- The budget movements to restated base are items of expenditure which were approved for 2020/21 only and have now been removed from the budget
- Inescapable growth relates to inflationary and incremental increases for salaries and other service expenditure inflation
- Growth is direct service investment and includes the items approved by Council in the 2020 – 2025 updated MTFS, Business Recovery, Climate Change and the Major Sports Facilities Grants
- Efficiencies have been achieved by the natural evolution of services and the way we deliver those services, there is no direct action for achieving savings in 2021/22. This includes savings on the Management Fees for the Norse JV and the review of the Garden Communities element of the Local Plan.

16. The key factor in the reduction of the cost of services is the rental income for commercial investments of £4.584m, if you remove this and the adjustment for previous year one off budgets; this gives an adjusted services budget net growth of £2.024m.
17. The net growth figure of £2.024m is supported by reserve contributions of £1.006m which reduces the cost of services growth to £1.018m. The following table sets out the growth and the reserve contributions;

	£'000	£'000
Direct Services Net Budget Movements		(3,773)
One off items - 2020/21	1,213	
Commercial Rental Income	4,584	
		5,797
Cost of Services actual net growth		2,024
Growth Items funded from Reserves		
Climate Change	(340)	
Economic Development Business Recovery	(340)	
Major Sports Facilities	(150)	
Local Highways Panel	(100)	
Homelessness	(76)	
Reserves Contribution to Services		(1,006)
Actual service growth cost to revenue		1,018

18. The Commercial rental income is discussed in the MTFs and includes details of the 5 year predictions. The following table sets out the total income we will receive in 2021/22 from our current year investment activity.

Commercial Investments		Income Return
	£'000	£'000
Completed Investments		
Chesterford Research Park	(2,317)	
Weston Homes	(1,142)	
Veterinary Surgery	(373)	
Waitrose Retail Distribution Centre	(2,267)	
Future Committed Investments		
Investment 7	(709)	
Investment 12	(786)	
		(7,594)
Cost of Borrowing		
Phoenix Loan	940	
Local authority short term borrowing	874	
		1,814
Net Investment Income total		(5,780)

19. The income for the Vets was an amount of £0.912m rental compensation to cover a period of just under 3 years received in advance. This was held in the MTFS reserve and will be released annually; this year's rental amount is £0.383m and is shown in the above table and in the reserves table later in the report.
20. The Capital Financing is the revenue cost of financing the capital programme and includes direct revenue contributions and the minimum revenue provision.
21. The HRA recharge are the overheads for support services charged to the housing service, e.g. IT, Finance, HR, utilities etc.

Funding

22. The Government announced a one year settlement for 2021/22, which means that both the Fair Funding Review and Business Rates Reforms are again postponed. This did mean that the New Homes Bonus was extended for a further year, again a one year only pot with no legacy payments.
23. The Government pledged that no Local Authority would be worse off in this year's settlement and provided all Lower Tier Authorities with a grant to bring us up to the same level of funding as last year; this grant assumes that we would increase council tax by the maximum amount.
24. The Council will receive two further grants providing additional funding to directly support the impact of the Covid 19 Pandemic during 2021/22.
25. The additional funding totals £0.890m and is made up of the following amounts;
 - £0.435m – Lower Tier Services Grant
 - £0.359m – Covid 19 Tranche 5 Grant
 - £0.096m – Support for additional cost of Local Council Tax Support
26. Of the above new funding, it is proposed that the lower tier and Covid 19 grants are added to reserves to support the future impacts of the Covid 19 pandemic including costs associated with Uttlesford Moving Forward.

Risks and Assumptions

27. The key areas of risk both adverse and favourable are detailed in the Section 25 report - Robustness of Estimates and Adequacy of Reserves - presented earlier in the agenda. A full analysis of all operational service risks and assumptions has been included in Annex H4.

Local Government Finance Settlement

28. The Government announced the provisional settlement on 17 December 2020 for 2021/22 and the final settlement is expected to be announced in late February 2021. It is unlikely there will be any changes to the settlement figures, but if there is these will be discussed with members and all reports and financial tables will be updated to reflect this.
29. There is continued uncertainty about the level of funding in future years and this was discussed in more detail in the Medium Term Financial Strategy (MTFS) earlier in the agenda.

General Fund Reserves

30. The report made by the Director of Finance and Corporate Services (s151 Officer) under Section 25 of the Local Government Act 2003, received as Appendix A earlier in tonight's agenda, recommended that the Working Balance be maintained at £1.459m and has been included in the 2021/22 Budget.
31. Annex H5 shows a summary of the current reserves, a detailed breakdown of the reserves transfers and the working balance calculation is shown within the Section 25 report and the Reserves Strategy (Appendix A and Annex A1 in tonight's agenda).
32. The reserves estimated balance at the end of the 2020/21 financial year is £21.370m a net increase of £0.412m. The proposed net use of reserves for 2021/22 is £5.729m and these are detailed in the following table.

Reserves £'000				
	To	(From)	Net total	
Use of Reserves - to/(from)				
Business Rates		(4,401)	(4,401)	S31 grant to fund additional business rate reliefs in 2020/21
		(383)	(383)	Funding for prior year deficit balance and S31 funding to cover impacts of the Pandemic
		(1,338)	(1,338)	Allocation to offset current year deficit due to reduced collection rate
Licensing	13		13	Reserve top up in relation to the schedule of taxi licences renewals (3 or 5 years)
Working balance		(37)	(37)	As per statutory requirement to meet the minimum contingency level as per Section 25 report
Medium Term Financial Strategy		(373)	(373)	Rent compensation received in advance during 2020/21 drawn to match rental due
		(100)	(100)	Local Highways panel funding unspent budget from 2020/21
Emergency Response	794		794	Support future impacts due to the Covid 19 Pandemic and new ways of working
Economic Development	1,000	(340)	660	Support for local businesses and initiatives in the recovery of the local economy from the Covid 19 closures and restrictions
Elections	30		30	Annual contribution to the cost of elections
Homelessness	188	(86)	102	Homelessness grant and current identified resource requirement
Planning and Development		(15)	(15)	Neighbourhood planning allocation
Sustainable New Communities		(640)	(640)	To support specialist consultancy and additional fees relating to the local plan
Major Sports Facilities	150	(150)	0	Grant funding for major sports projects within the district
Depot - New Site	500	(500)	0	to fund capital expenditure in developing the Little Canfield Business Park
Climate change	300	(340)	(40)	Approved annual allocation and spend for climate change actions
Total	2,975	(8,704)	(5,729)	

Fees and Charges review

33. Officers have reviewed fees & charges in line with the Council's Pricing and Concessions policy and Cabinet decisions where relevant. A schedule of proposed charges is included at Annex H6.
34. Where charges are statutory and outside the jurisdiction of Council these have not been included, but are available to view on the Councils website.
35. Where services are operating in competition with other commercial providers, for example trade waste, the service manager needs to have authority to negotiate as required where it is in the Council's best interests to do so.

Impact

Communication/Consultation	Members, CMT and Budget Managers
Community Safety	No specific implications
Equalities	An EQIA is included with the agenda papers
Finance	Detailed in the report
Health and Safety	No specific implications
Human Rights	No specific implications
Legal implications	The recommendations fulfil the legal requirement to set a balanced budget.
Sustainability	No specific implications
Ward-specific impacts	No specific implications
Workforce/Workplace	No specific implications

Risk Analysis

36. The formal risk analysis of the budget is set out in the report earlier on today's agenda, Section 25 Report "Robustness of Estimates and Adequacy of Reserves".

Risk	Likelihood	Impact	Mitigating actions
Actual events may differ from the assumptions and estimates used to produce the draft budget, which will lead to variances from the budget.	3 (some risk that variances will occur requiring action to be taken)	2 (potential impact which could adversely affect the Council's financial position if not managed)	Budget monitoring and corrective action taken as necessary.

List of Annexes

- Annex H1 – General Fund Budget Summary
- Annex H2 – Portfolio Budgets
- Annex H3 – Schedule of Budget Adjustments
- Annex H4 – Risks and Assumptions
- Annex H5 – General Fund Reserves Summary
- Annex H6 – Fees and Charges

General Fund Budget – 2019/20

£'000	2020/21	2020/21	2021/22	
	Original Budget	Current Budget	Original Budget	Increase / (Decrease)
Portfolio Budgets				
Communities & Partnerships	914	917	1,097	180
Housing & Economic Development	1,855	1,869	2,677	808
Environmental Services	5,065	5,106	4,265	(841)
Finance & Administration	7,040	6,982	3,062	(3,921)
Subtotal - Portfolio Budgets	14,874	14,874	11,100	(3,773)
Corporate Items				
Capital Financing Costs	1,672	8,160	3,626	(4,534)
PFI interest cost	372	372	360	(12)
Interest charge	788	788	1,814	1,026
Investment Income	(2,912)	(2,912)	(2,316)	596
Exceptional Corporate items	0	0	0	0
Pension Fund - Added years	85	85	85	0
Pension Triennial Payment	571	571	0	(571)
HRA share of Corporate Core	(372)	(372)	(385)	(13)
Recharge to HRA	(1,375)	(1,375)	(1,167)	208
Subtotal - Corporate Items	(1,171)	5,317	2,017	(3,300)
Funding				
Council Tax Collection Fund Balance	(20)	(20)	55	75
Business Rates - Collection Fund Balance	(26)	(26)	4,785	4,810
Business Rates - UDC Share (net of tariff)	(2,440)	(2,440)	(1,068)	1,372
Business Rates - Levy Payment (safety net reimbursement)	690	690	393	(296)
Business Rates - Renewable Energy Scheme	(133)	(133)	(107)	26
Business Rates - Section 31 Funding	(1,408)	(1,408)	(1,282)	126
Rural Services Grant	(279)	(279)	(293)	(13)
New Homes Bonus	(3,635)	(3,635)	(2,823)	812
Covid 19 Support funding	0	0	(890)	(890)
Subtotal - Funding	(7,251)	(7,251)	(1,230)	6,021
Subtotal - Net Operating Expenditure	6,452	12,940	11,888	(1,052)
Net Transfers to/(from) Reserves				
Business Rates	197	197	(6,123)	(6,321)
Department for Work and Pensions	0	0	0	0
Licensing	34	34	13	(20)
Capital Slippage	0	(1,984)	0	1,984
Working balance	0	0	(38)	(38)
Medium Term Financial Strategy	0	0	(473)	(473)
Transformation	(3)	(3)	0	3
EU Exit	0	0	0	0
Income Protection	0	0	0	0
Emergency Response	0	0	794	794
Economic Development	0	0	660	660
Elections	25	25	30	5
Homelessness	102	102	102	(0)
Health & Wellbeing	0	0	0	0
Planning and Development	(15)	(15)	(15)	0
Strategic Initiatives	0	0	0	0
Garden Communities	0	0	0	0
Sustainable New Communities	(835)	(835)	(640)	195
Pension Reserve	0	0	0	0
New Homes Bonus Ward Members	0	0	0	0
Voluntary Sector	0	0	0	0
Waste Depot Relocation Project	0	(4,504)	0	4,504
Waste Management	0	0	0	0
Private Finance Initiative	0	0	0	0
Major Sports Facilities	0	0	0	0
Climate change	0	0	(40)	(40)
Subtotal - Movement in Earmarked Reserves	(495)	(6,983)	(5,729)	1,254
Council Tax Requirement	5,957	5,957	6,159	202
Council Tax (Precept levied on Collection Fund)	(5,957)	(5,957)	(6,159)	(202)
(Surplus) / Deficit	0	0	0	0

Communities and Partnerships

£000	2020/21 Original Budget	2020/21 Current Budget	2021/22 Original Budget	Budget changes
Community Information	51	51	51	1
Day Centres	91	92	95	3
Emergency Planning	26	26	34	8
Grants & Contributions	394	394	568	174
Leisure & Performance	43	44	47	3
Saffron Walden Museum	227	229	240	11
New Homes Bonus	78	78	78	0
Private Finance Init	3	3	11	8
Renovation Grants	0	0	(27)	(27)
Portfolio Total	914	917	1,097	180

Finance and Administration

£000	2020/21 Original Budget	2020/21 Current Budget	2021/22 Original Budget	Budget changes
Asset management (New)	0	0	0	0
Benefits Admin	343	347	353	6
Business Improvement	0	0	0	0
Corporate Management	1,907	1,827	1,998	171
Conveniences	0	0	0	0
Central Services	457	459	463	4
Corporate Team	49	50	(4,584)	(4,634)
Conducting Elections	1	1	4	3
Electoral Registration	55	55	38	(17)
Financial Services	1,024	1,028	1,176	149
Housing Benefits	(77)	(77)	104	180
Human Resources	377	379	374	(5)
Internal Audit	150	152	159	7
Information Technology	1,532	1,535	1,585	50
Land Charges	(66)	(65)	(63)	3
Legal Services	182	183	374	191
Local Taxation	(100)	(100)	(100)	0
Norse Partnership (New)	0	0	0	0
Non Domestic Rates	(146)	(146)	(146)	0
Office Cleaning	213	213	217	5
Offices	688	688	420	(268)
Revenues Admin	597	602	671	69
Council Tax Discounts	(148)	(148)	18	166
Portfolio Total	7,040	6,982	3,062	(3,921)

Environmental Services

£000	2020/21 Original Budget	2020/21 Current Budget	2021/22 Original Budget	Budget changes
Animal Warden	8	8	6	(1)
Grounds Maintenance	355	357	364	6
Car Park	(668)	(668)	(573)	95
Development Control	(125)	(119)	(270)	(151)
Depots	53	53	56	3
Garden Communities	1,638	1,639	0	(1,639)
Street Cleansing	415	417	422	5
Housing Strategy	57	58	60	2
Highways	6	7	8	2
Local Amenities	(12)	(12)	(13)	(1)
Licensing	(282)	(280)	(261)	19
Vehicle Management	483	484	491	7
Public Health	678	684	718	34
Planning Management	407	410	422	12
Planning Policy	910	912	1,660	748
Planning Specialists	218	219	210	(10)
Waste Management	311	321	315	(6)
Community Safety	370	372	398	27
Street Services	240	242	250	8
Portfolio Total	5,065	5,106	4,265	(841)

Housing and Economic Development

£000	2020/21 Original Budget	2020/21 Current Budget	2021/22 Original Budget	Budget changes
Building Surveying	7	10	(11)	(20)
Committee Admin	288	290	308	18
Customer Services Centre	547	551	569	18
Democratic Represent	352	352	358	6
Economic Development	272	273	611	338
Energy Efficiency	34	34	424	389
Housing Grants	0	0	0	0
Health Improvement	169	171	193	23
Homelessness	107	108	143	35
Lifeline	(158)	(158)	(160)	(2)
Communications	237	238	241	3
Portfolio Total	1,855	1,869	2,677	808

Budget movements – 2021/22

CURRENT BUDGET 2020/21 to RESTATED BASE 2020/21			
Portfolio	Service	Description	£'000
Environmental Services	Planning Policy	Local Plan continuation work	(520)
Finance & Administration	Corporate Management	Funding for additional resources to support the Local Plan	(300)
Environmental Services	Development Control	Increased to reflect the current levels of appeals	(215)
Finance & Administration	Corporate Management	Member priorities allocated to services where spend has been identified	(145)
Finance & Administration	Central Services	Temporary post for GDPR compliance scanning	(23)
Communities & Partnerships	Grants & Contributions	Grants for expansion of Tourist Information Centres	(20)
Communities & Partnerships	Grants & Contributions	Civic pride funding for parish councils	(15)
Finance & Administration	Human Resources	Undertaking of staff wellbeing survey	(10)
Finance & Administration	Revenues Administration	In year restructure (HS to add further detail 11-01-20)	60
Finance & Administration	Offices	Removal of final budgets under the Uttlesford Norse Partnerships	(25)
			(1,213)
INESCAPABLE ADJUSTMENTS (£10K MINIMUM)			
Portfolio	Service	Description	£'000
Various	Staffing	Inflationary and incremental increases in salaries	376 On-going
Finance & Administration	Asset management	Running costs of new commercial assets	326 On-going
Environmental Services	Development Control	Support additional workload from appeals	45 One-off
Environmental Services	Waste Services	Assumed inflationary increase of 3% for Trade waste disposal charge	42 On-going
Finance & Administration	Information Technology	Inflationary increases of hardware and software	14 On-going
All	Various	Rates and utility inflationary increases	12 On-going
Environmental Services	Waste Services	Assumed fuel adjustment to match AA price plus inflation	(71) On-going
		Net other immaterial changes	26
			770

SERVICE GROWTH (£10K MINIMUM)			
Portfolio	Service	Description	£'000
Housing & Economic Development	Energy Efficiency	Ecology and Climate Change Project costs	390 Fixed term
Housing & Economic Development	Economic Development	Economic Recovery funding	340 Fixed term
Finance & Administration	Corporate Management	Transformation costs for Uttlesford Moving Forward (the new way of working)	250 One-off
Finance & Administration	Corporate Management	Funding for additional resources to support the Local Plan	240 On-going
Finance & Administration	Legal Services	Restructured Legal services costs	179 On-going
Communities & Partnerships	Grants & Contributions	Major Sports facilities funding	150 Fixed term
Finance & Administration	Financial Services	Broker fee increase as a result of funding of the commercial strategy	140 On-going
Finance & Administration	Corporate Management	Highways panel funding	100 Fixed term
Housing & Economic Development	Homelessness	2 posts to support housing options team	76 On-going
Communities & Partnerships	Grants & Contributions	Grants to support on-going Member priorities	65 Fixed term
Finance & Administration	Corporate Management	Member priority funding	60 On-going
Environmental Services	Licensing	2 additional posts to support increase in license application and processing	52 On-going
Finance & Administration	Offices	Project Officer for new depot site	45 Fixed term
Environmental Services	Licensing	Increase costs and additional materials required for processing and support across the district	27 On-going
Finance & Administration	Central Services	Resourcing for compliance scanning	23 One-off
Finance & Administration	Information Technology	Additional software and hardware to support transformational change	18 On-going
Finance & Administration	Financial Services	Additional resource to support business continuity and the financial implications	14 On-going
Environmental Services	Public Health	Growth in hours of Health and Safety officer	10 On-going
		Net other immaterial changes	23
			2,201
Growth to be offset against reserves or fees			
		Ecology and Climate Change action planning from Climate Change reserve	(340)
		Business recovery and employment support funding from Economic Development reserve	(340)
		Additional major sports facilities grants from Sports reserve	(150)
		Highways panel funding from Medium term Financial Strategy reserve	(100)
		Homelessness resource from Homelessness grant held in reserve	(76)
			(1,006)
		Total actual growth	1,195

SERVICE EFFICIENCIES / SAVINGS (£10K MINIMUM)				
Portfolio	Service	Description	£'000	
Finance & Administration	Offices/Uttlesford Norse Partnership	Reduction in total fees for managed service	(292)	On-going
Finance & Administration	Corporate Management	Deletion of Assistant Director of Legal post corresponding restructure costs in Legal Services	(96)	On-going
Finance & Administration	Financial Services	Insurance premium reduction due to UNL joint venture reductions on officers and vehicles	(24)	On-going
Environmental Services	Garden Communities	Redirection of Local Plan and associated activities	(426)	On-going
Housing & Economic Development	Building Surveying	Restructure of staffing	(15)	On-going
All	Various	Savings from changes to working methods as a result of the pandemic	(28)	On-going
			<u>(881)</u>	
CHANGES IN INCOME (£10K MINIMUM)				
Portfolio	Service	Description	£'000	
Increases				
Finance & Administration	Asset management	Rental income and service charges as a result of the Commercial Strategy	(4,963)	On-going
Environmental Services	Licensing	Net increase in overall Licensing income	(69)	On-going
Finance & Administration	Offices	Additional office space put on market	(21)	On-going
Communities & Partnerships	Renovation Grants	Reimbursements of grants monies paid out	(27)	On-going
			<u>(5,080)</u>	
Decreases				
Finance & Administration	Corporate Management	Reduction in Director time recharged to Aspire subsidiary	37	On-going
Environmental Services	Car Parks	Net reduction in income recovery from Car Parks	94	On-going
		Net other immaterial changes	13	On-going
			<u>145</u>	
Uncontrollable changes				
Housing & Economic Development	Homelessness	Additional government (MHCLG) grant for supporting homelessness reduction	(38)	
Finance & Administration	Housing Benefits	Net change in Housing Benefit/rent rebate due to estimated annual use	180	
Finance & Administration	Council Tax Discounts	Income is generated from additional taxbase - pandemic has reduced collection	176	
			<u>319</u>	
		Total net changes to income	<u>(4,617)</u>	

Risks and Assumptions – 2021/22

Service	Budget item	Description of key assumptions and/or what variable outcomes may arise	Probability of variance arising (L, M, H)	Favourable Impact (L, M, H)	Adverse Impact (L, M, H)
Revenues	Legal fees	This is hard to estimate, potentially there maybe an increase due to large businesses requiring recovery action. In addition the legal team are investigating transferring some legal work outside of UDC so payments may need to be made to third parties for areas such as Fraud and complex Council Tax cases	H		M
Benefits	DCLG LCTS Admin Grant	It is assumed that the LCTS Admin Grant will be paid at similar or slightly reduced levels to 2019/20. The notification of grant amounts are unlikely to be made available until early 2020. There is therefore a risk that the amount budgeted may change	M	L	M
Benefits	Rent Rebates Expenditure	It is assumed that Rent Rebate Expenditure will remain stable. There are no current plans to significantly increase the level of HRA stock. Natural migration of Universal Credit is anticipated to gradually reduce the numbers of active working age claims	M	L	H
	Rent Allowance Expenditure	As above with the exception of HRA stock assumption and an additional risk of cost of private rents significantly increasing in the Uttlesford area.	M	L	H
Benefits	Housing Benefit Subsidy	It is assumed that Rent Rebate Subsidy can continue to be claimed in line with levels reflected in previous years. There is however a continued risk that an increase in new burdens and DWP incentives, could incur subsidy implications due to limited percent	M	L	H
Benefits	DWP Discretionary Funding	It is assumed the governments Discretionary Housing Payment Funding will remain relatively stable, if not slightly decrease for the 2020/21 financial year. There is a risk however that the amount granted will not meet local requirements following the	L	L	M

Service	Budget item	Description of key assumptions and/or what variable outcomes may arise	Probability of variance arising (L, M, H)	Favourable Impact (L, M, H)	Adverse Impact (L, M, H)
Human Resources	Training Budget	Most of the spending on the training budget is as a result of CMT and SMT corporate priorities and in the last financial year the budget was underspent. There is a risk of both under or overspending this budget in 2021/22. There is a particular risk this year as the Council will need to both train staff in the 'new way of working' and also provide support to staff during the pandemic	M	L	M
Human Resources	Consultants Budget	We may need to overspend on this budget if external consultants are needed to help shape and implement the 'new way of working'	M	L	M
Private Finance Initiative	Contract costs	If the PFI leisure contract does not provide value for money due to ineffective contract management then there may be a negative impact on the investment made by the council, the opposite effect could be achieved if capacity allows for full management of the contract	L	M	H
Day Centres	All Day Centre Lines	With the continuation of COVID restrictions it is unknown when and how the Centres may open and in what format they will operate. There is a risk that there could be significant variances to the budget set as we enter the financial year.	H	M	L
Customer Service Centre	All CSC budget lines	With the continuation of COVID restrictions it is not yet known what format the CSC will operate in and from which locations. There is a risk that there could be variances to the budget set as we enter the financial year due to a required investment in remote technology and support.	H	M	L
Planning	Planning fees	It is assumed that planning applications will continue to come in at the current rate. There is a risk that activity will slow down due to the unknown impact of EU Exit and pandemic.	M		H
Planning	Local Plan doesn't get adopted	It is assumed that the Local Plan will eventually be adopted however there is a risk that it will be rejected by the Inspectors which could mean intervention from Government and additional cost.	L		H

Service	Budget item	Description of key assumptions and/or what variable outcomes may arise	Probability of variance arising (L, M, H)	Favourable Impact (L, M, H)	Adverse Impact (L, M, H)
Planning	Building Control Income	There is a risk that the service will receive fewer applications than expected and would therefore see a reduction in income. This will be monitored throughout the year and any necessary adjustments made.	L		M
Planning	Building Control Income	Stansted Airport's anticipated expansion project will generate an Inspection fee in the region of £70k which will cover possibly 2 or 3 years of inspections. There will be some increased staffing costs associated with this work. The time frame for construction of additional arrivals terminal capacity is uncertain and is currently on hold.	M	H	
Planning	Planning Appeals	It is assumed that the number of appeals will continue to increase given the amount of refused applications. The cost of officer time along with cost of Barristers and Consultants will increase. The risk is that whether there will be an appeal or not is an unknown. The Stansted Airport Inquiry has opened and the appellant has stated that there is potential for it to apply for a costs award.	H		H
Planning	Energy and 'Climate Change Emergency'	The council declared a 'Climate Change and Biodiversity Emergency'. The risk is the unknown cost of meeting the Net Carbon Zero objective.	M		M/H
Planning	Enforcement Conservation	The Conservation SLA with Place Services does not include resource to address enforcement issues relating to Heritage structures.	M		L
Planning	Planning Applications	Not having sufficient experienced resources to ensure that there is capacity to respond to reform of the planning system and speculative applications resulting in teams being overwhelmed, government targets not being met and government intervention occurs.	M		H
Offices	Office Repairs	There is a risk that the budget estimate could be under or over due to unpredicted repairs that arise during the year.	M	L	M

Service	Budget item	Description of key assumptions and/or what variable outcomes may arise	Probability of variance arising (L, M, H)	Favourable Impact (L, M, H)	Adverse Impact (L, M, H)
Asset Management	Asset Management	Tenant defaults on rent	M	L	H
Public Health	ECC Better Care Fund allocation for Disabled Facilities Grants	There is a risk, although not anticipated that the BDF allocation will reduce in 21/22. In addition with the withdrawal of Council revenue funding, there is a risk of a substantial overspend in 21/22 or delays in adaptations	M	L	H
Public Health	Environmental Protection/ Enforcement - Works in default	The budget does not have provision for works in default to abate nuisance and harm	L	L	L
Public Health	Contaminated Land	The Council has a statutory duty to identify contaminated land. Such matters can be complex and involve specialist consultants to test and provide advice	L	L	L
Public Health	Planning consultation advice	Incorrect advice could prevent the adoption of mitigation measures to protect residential amenity. There is a risk of potential claims against the Council should this occur	L	L	L
New Homes Bonus	Grants	May be a possibility that budgeted amounts are not realised.	M	M	L
Grants	Grant applications	Revised process for grants introduced in 2016/17 however there still may be a possibility that budgeted amounts are not realised through lack of applications.	L	M	L
External Grants	CSP and H&W budget	Due to increasing funding pressure the grants may not stay at the same level or may be removed by	L	L	L
	Comms	It was decided in last year's budget (19/20) to remove the budget to fund the Uttlesford Life. There	M		M

Service	Budget item	Description of key assumptions and/or what variable outcomes may arise	Probability of variance arising (L, M, H)	Favourable Impact (L, M, H)	Adverse Impact (L, M, H)
Car Parks	Dunmow Market	The income has been removed from the budget because there currently isn't anyone in charge of	L	L	
Car Parks	Fairycroft/Swann Meadow / Lower St Car	It is assumed that the level of ticket purchases and season tickets for these car parks will remain low	M		M
Car Parks	Penalty Notices	It is assumed that the penalty notice will continue at a high rate. This is based on 2019/20 income and	L		L
Financial Services	Bank Fees	It is assumed the bank fees will remain at a constant level but there is a risk due to an annual	M		M
Financial Services	Merchant Charges	It is assumed the merchant charges will increase to current forecasted levels. There is a risk that the	M		L
Financial Services	Insurance	It is assumed that insurance premiums will increase only by inflation, there is risk that more	L		M
Public Health	Border inspection Food inspection	Unpredictability of the numbers and types of consignments coming into Stansted or control any changes to work governed by legislative requirements i.e. what needs to be sampled and at what % and frequency and the implications and continuing uncertainty of Brexit notwithstanding the Trade Deal	M	L	H
Licensing	Licensing	Possibility that an operator responsible for the majority of licensing application income will move their applications to another licensing authority	M	L	H
Licensing	Licensing	Possibility that an operator responsible for the majority of licensing application income will substantially increase their applications to UDC	M	L	M

Annex H4 continued...

Service	Budget item	Description of key assumptions and/or what variable outcomes may arise	Probability of variance arising (L, M, H)	Favourable Impact (L, M, H)	Adverse Impact (L, M, H)
Recycling and Waste	Agency costs	With an increase in Covid-19 cases within the community and our own workforce it may be necessary to use more agency staff to keep front line services operating. Business continuity plans are in place to ensure service critical functions are maintained however it may be necessary to use agency workers to support critical functions.	H		M
Recycling and Waste	Sale of recyclable materials and processing fees	Recycling markets have historically been volatile and the Council does have a Waste management reserve to help manage fluctuations in material processing fees. However as the global pandemic is likely to have a significant impact on the world economy it is possible that the reserve will be insufficient to cover a large variation.	M		M
Museum	General	The museum has been unable to open since March 2020. there could be an impact from further enforced closure during 2020/21 depending on further lockdowns. In addition, visitor numbers may be reduced. This affects museum income.	M		L

Service	Budget item	Description of key assumptions and/or what variable outcomes may arise	Probability of variance arising (L, M, H)	Favourable Impact (L, M, H)	Adverse Impact (L, M, H)
Specific Covid-19 related on-going financial risks					
	Business Team	It is assumed that the Business Team will be able to manage the Business Grant process without any further resources. This is unlikely given the levels of work in administrating the grants and covering the normal day to day work. Further resources will be necessary however this will be covered by new burdens funding	H	L	M
	IT Costs	Additional IT products and licenses may need to be purchased to deliver Government Covid response. This will be met by the new burdens funding	H		L
	Fraud Team	Additional resource may need to be brought in to support the Compliance and Fraud work in respect of the Business grants and other Financial support such as Covid Hardship payments. The Government has promised new burdens funding to cover these costs	H		L
	Office equipment	It maybe necessary to purchase additional home working office furniture to facilitate working securely and safely at home	H		L
Benefits	DWP Test and Trace Funding	It is assumed that if the government continue the Test and Trace Payment Scheme into 2021/22, the standard scheme will continue to be fully funded. There is a risk however that if the discretionary scheme continues, the finite fund allocated to UDC will not be sufficient to meet demand. Demand levels are difficult to predict as numbers are impacted by covid infection rates and contact tracing in area.	M	L	L
Planning	General	The impact of Covid on income from fees and charges is unknown, as is the impact of restrictions with teams working from home and limitations on carrying out site visits.	M		H

General Fund Reserves 2020/21

£000	2020/21 Quarter 2 Forecast				Estimated Balance 31 March 2021	2021/22 Estimates			
	Actual Balance 1 April 2020	Forecast Transfer from General Fund	Forecast Transfer To General Fund	Forecast Transfer between Reserves		Forecast Transfer from General Fund	Forecast Transfer To General Fund	Forecast Transfer between Reserves	Estimated Balance 31 March 2022
RINGFENCED RESERVES									
Business Rates	2,833	4,934	(8)		7,759		(6,123)		1,636
Department for Work and Pensions	71				71				71
Licensing	80	34	(78)		35	13			49
Capital Slippage	1,279		(1,384)		(105)				(105)
Working balance	1,311	185			1,496		(38)		1,459
TOTAL RINGFENCED RESERVES	5,574	5,153	(1,470)	0	9,257	13	(6,161)	0	3,109
USABLE RESERVES									
<u>Financial Management Reserves</u>									
Medium Term Financial Strategy	1,527	912			2,439		(473)		1,967
Transformation	1,142		(3)		1,139				1,139
EU Exit	513				513				513
Income Protection	1,060				1,060				1,060
	4,242	912	(3)	0	5,151		(473)	0	4,678
<u>Contingency Reserves</u>									
Emergency Response	40	500			540	794			1,334
	40	500	0	0	540	794	0	0	1,334
<u>Service Reserves</u>									
Economic Development	247				247	1,000	(340)		907
Elections	45	25			70	30			100
Homelessness	283	150	(31)		402	188	(86)		504
Health & Wellbeing	118				118				118
Planning	1,628		(1,000)		628				628
Neighbourhood Planning	58		(15)		43		(15)		28
Housing Strategy	25				25				25
Development Control	96				96				96
Strategic Initiatives	1,660				1,660				1,660
Garden Communities	0				0				0
Sustainable New Communities	1,774		(835)		940		(640)		300
Pension Reserve	0				0				0
New Homes Bonus Ward Members	22				22				22
Voluntary Sector	0				0				0
Waste Depot Relocation Project	4,590	1,000	(4,504)		1,086	500	(500)		1,086
Waste Management	250				250				250
Private Finance Initiative	307				307				307
Major Sports Facilities	0	150			150	150	(150)		150
Climate change	0	380			380	300	(340)		340
	11,102	1,705	(6,385)	0	6,423	2,168	(2,071)	0	6,520
TOTAL USABLE RESERVES	15,384	3,117	(6,388)	0	12,114	2,962	(2,543)	0	12,532
TOTAL RESERVES	20,958	8,270	(7,858)	0	21,370	2,975	(8,704)	0	15,642

Fees and Charges – 2021/22

Building Control other charges	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
Provision of Energy Performance Certificates (Depends on size of property)	POA	n/a	Yes
Copying charges (statutory limitations)	10p a sheet + 25.00 per hour officer time if job exceeds 1 hour		Yes

Street Naming and Numbering	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Charge per dwelling/unit</u>			
Add a name to a numbered property	35.00	35.00	No
Name change/renumber	75.00	75.00	No
New dwelling/unit	110.00	110.00	No
2-5 dwellings/units	75.00	75.00	No
6 - 25 dwellings/units	55.00	55.00	No
26 - 75 dwellings/units	45.00	45.00	No
76 plus dwellings/units	35.00	35.00	No
New Street Name	200.00	200.00	No
Name of block or block of flats of industrial estate	175.00	175.00	No
Confirmation of plot or postal address for utility company (charged to utility companies only)	35.00	35.00	No
Issuing a new address following demolition and reconstruction	n/a	35.00	No
Change to new addresses due to the development changing after the schedule has been issued (applies to all amended plots)	n/a	55.00	No

Annex H6 continued...

STANDARD CHARGES SCHEDULE 1- NEW DWELLINGS Dwelling houses and Flats						
Code	<u>New Build Houses or Bungalows Not Exceeding 250m²</u>		Plan Charge	Inspection Charge*	Building Notice*	Regularisation Charge*
HO1	1 Plot	Fee	310.00	460.00	820.00	1,025.00
		VAT	62.00	92.00	164.00	
		Total	372.00	552.00	984.00	
HO2	2 Plots	Fee	395.00	705.00	1,150.00	1,437.50
		VAT	79.00	141.00	230.00	
		Total	474.00	846.00	1,380.00	
HO3	3 Plots	Fee	465.00	960.00	1,525.00	1,906.25
		VAT	93.00	192.00	305.00	
		Total	558.00	1,152.00	1,830.00	
HO4	4 Plots	Fee	520.00	1,085.00	1,705.00	2,131.25
		VAT	104.00	217.00	341.00	
		Total	624.00	1,302.00	2,046.00	
HO5	5 Plots	Fee	580.00	1,215.00	1,895.00	2,368.75
		VAT	116.00	243.00	379.00	
		Total	696.00	1,458.00	2,274.00	
<u>New Build Flats Not Exceeding 250m² and Not More Than 3 Storeys</u>						
FL1	1 Plot	Fee	310.00	460.00	820.00	1,025.00
		VAT	62.00	92.00	164.00	
		Total	372.00	552.00	984.00	
FL2	2 Plots	Fee	395.00	705.00	1,150.00	1,437.50
		VAT	79.00	141.00	230.00	
		Total	474.00	846.00	1,380.00	
FL3	3 Plots	Fee	465.00	960.00	1,525.00	1,906.25
		VAT	93.00	192.00	305.00	
		Total	558.00	1,152.00	1,830.00	
FL4	4 Plots	Fee	520.00	1,085.00	1,705.00	2,131.25
		VAT	104.00	217.00	341.00	
		Total	624.00	1,302.00	2,046.00	
FL5	5 Plots	Fee	580.00	1,215.00	1,895.00	2,368.75
		VAT	116.00	243.00	379.00	
		Total	696.00	1,458.00	2,274.00	
<u>Conversion to</u>						
COH	Single dwelling house (Where total floor area does not exceed 150m ²)	Fee	265.00	385.00	650.00	812.50
		VAT	53.00	77.00	130.00	
		Total	318.00	462.00	780.00	
COF	Single Flat (Where total floor area does not exceed 150m ²)	Fee	265.00	385.00	650.00	812.50
		VAT	53.00	77.00	130.00	
		Total	318.00	462.00	780.00	
Notifiable Electrical work (in addition to the above, where applicable.)						
DNE	(Where a satisfactory certificate will not be issued by a Part P registered electrician)	Fee	250.00	This charge relates to a first fix pre-plaster inspection of the wiring and final testing on completion. Re- visits/testing will be subject to further charges. For regularisation applications a full appraisal and testing will be carried out		
		VAT	50.00			
		Total	300.00			

Where Standard Charges are not applicable please contact Building Control on 01799 510539

Please note that the charges marked with an * have been reduced to reflect where controlled electrical installations are being carried out, tested and certified by a registered Part P electrician. If these reductions are claimed and a self certifying electrician is not subsequently employed, the applicant will be invoiced for supplementary charges equal to the discount (see DNE below)

Annex H6 continued...

STANDARD CHARGES						
SCHEDULE 2 WORK TO A SINGLE DWELLING						
Limited to work not more than 3 storeys above ground level						
Full Plans						
Code	Extension and New Build		Plan Charge	Inspection Charge*	Building Notice Charge*	Regularisation Charge*
DX1	Separate single storey extension with floor area not exceeding 40m2	Fee	155.00	325.00	495.00	618.75
		VAT	31.00	65.00	99.00	
		Total	186.00	390.00	594.00	
DX2	Separate single storey extension with floor area exceeding 40m2 but not exceeding 100m2	Fee	170.00	400.00	600.00	750.00
		VAT	34.00	80.00	120.00	
		Total	204.00	480.00	720.00	
DX3	Separate extension with some part 2 or 3 storeys in height and a total floor area not exceeding 40m2	Fee	160.00	360.00	545.00	681.25
		VAT	32.00	72.00	109.00	
		Total	192.00	432.00	654.00	
DX4	Separate extension with some part 2 or 3 storeys in height and a total floor area exceeding 40m2 but not exceeding 100m2	Fee	240.00	455.00	725.00	906.25
		VAT	48.00	91.00	145.00	
		Total	288.00	546.00	870.00	
DG0	A building or extension comprising solely of a garage, carport or store not exceeding 100m2	Fee	110.00	240.00	345.00	431.25
		VAT	22.00	48.00	69.00	
		Total	132.00	288.00	414.00	
DNH	Detached non-habitable domestic building with total floor area not exceeding 50m2	Fee	110.00	240.00	345.00	431.25
		VAT	22.00	48.00	69.00	
		Total	132.00	288.00	414.00	
<u>Conversions</u>						
DLC	First and second floor loft conversions	Fee	170.00	385.00	615.00	768.75
		VAT	34.00	77.00	123.00	
		Total	204.00	462.00	738.00	
DOC	Other work (e.g. single garage conversions)	Fee	85.00	205.00	290.00	362.50
		VAT	17.00	41.00	58.00	
		Total	102.00	246.00	348.00	

Annex H6 continued...

STANDARD CHARGES						
SCHEDULE 2 WORK TO A SINGLE DWELLING						
Limited to work not more than 3 storeys above ground level						
Alterations (inc underpinning)						
DTH	Renovation of a thermal element	Fee	60.00	110.00	165.00	206.25
		VAT	12.00	22.00	33.00	
		Total	72.00	132.00	198.00	
DRW	Replacement windows, rooflights, roof windows or external glazed doors	Fee	60.00	110.00	165.00	206.25
		VAT	12.00	22.00	33.00	
		Total	72.00	132.00	198.00	
DA1	Cost of work not exceeding £5000 (inc Renewable Energy Systems)	Fee	60.00	110.00	165.00	206.25
		VAT	12.00	22.00	33.00	
		Total	72.00	132.00	198.00	
DA2	Cost of work exceeding £5000 but not exceeding £25000	Fee	125.00	240.00	365.00	456.25
		VAT	25.00	48.00	73.00	
		Total	150.00	288.00	438.00	
DA3	Cost of work exceeding £25000 but not exceeding £100000	Fee	180.00	415.00	650.00	812.50
		VAT	36.00	83.00	130.00	
		Total	216.00	498.00	780.00	
DA4	Cost of work exceeding £100000 but not exceeding £250000	Fee	275.00	635.00	940.00	1,175.00
		VAT	55.00	127.00	188.00	
		Total	330.00	762.00	1,128.00	
Notifiable Electrical work in addition to the above, where applicable.						
DNE	(Where a satisfactory certificate will not be issued by a Part P registered electrician)	Fee	250.00			
		VAT	50.00			
		Total	300.00			
				This charge relates to a first fix pre-plaster inspection of the wiring and final testing on completion. Re- visits/testing will be subject to further charges. For regularisation applications a full appraisal and testing will be carried out		

Where Standard Charges are not applicable please contact Building Control on 01799 510539

Please note that the charges marked with an * have been reduced to reflect where controlled electrical installations are being carried out, tested and certified by a registered Part P electrician. If these reductions are claimed and a self certifying electrician is not subsequently employed, the applicant will be invoiced for supplementary charges equal to the discount (see DNE below)

SCHEDULE 3- ALL OTHER NON-DOMESTIC WORK					
Limited to work not more than 3 storeys above ground level					
<u>Code</u>	<u>Extensions and New Build</u>		Plan Charge £	Inspection Charge £	Regularisation Charge £
NX1	Single storey with floor area not exceeding 40m ²	Fee	165.00	350.00	643.75
		VAT	33.00	70.00	
		Total	198.00	420.00	
NX2	Single storey with floor area exceeding 40m ² but not exceeding 100m ²	Fee	185.00	425.00	762.50
		VAT	37.00	85.00	
		Total	222.00	510.00	
NX3	With some part 2 or 3 storey in height and a total floor area not exceeding 40m ²	Fee	280.00	535.00	1,018.75
		VAT	56.00	107.00	
		Total	336.00	642.00	
NX4	With some part 2 or 3 storey in height and a total floor area exceeding 40m ² but not exceeding 100m ²	Fee	310.00	695.00	1,256.25
		VAT	62.00	139.00	
		Total	372.00	834.00	

Annex H6 continued...

SCHEDULE 3- ALL OTHER NON-DOMESTIC WORK					
Limited to work not more than 3 storeys above ground level					
<u>Alterations</u>					
NO1	Cost of work not exceeding £5,000	Fee	65.00	145.00	262.50
		VAT	13.00	29.00	
		Total	78.00	174.00	
NO2	Replacement windows, roof lights, roof windows or external glazed doors (not exceeding 20 units)	Fee	65.00	145.00	262.50
		VAT	13.00	29.00	
		Total	78.00	174.00	
NO3	Renewable energy systems (not covered by an appropriate Competent Persons scheme)	Fee	65.00	145.00	262.50
		VAT	13.00	29.00	
		Total	78.00	174.00	
NO4	Installation of new shop front	Fee	65.00	145.00	262.50
		VAT	13.00	29.00	
		Total	78.00	174.00	
NO5	Cost of work exceeding £5,000 but not exceeding £25,000	Fee	140.00	270.00	512.50
		VAT	28.00	54.00	
		Total	168.00	324.00	
NO6	Replacement windows, roof lights, roof windows or external glazed doors (exceeding 20 units)	Fee	140.00	270.00	512.50
		VAT	28.00	54.00	
		Total	168.00	324.00	
NO7	Renovation of thermal elements	Fee	140.00	270.00	512.50
		VAT	28.00	54.00	
		Total	168.00	324.00	
NO8	Installation of Raised Storage Platform within an existing building	Fee	140.00	270.00	512.50
		VAT	28.00	54.00	
		Total	168.00	324.00	
NO9	Cost of works exceeding £25,000 but not exceeding £100,000	Fee	200.00	480.00	850.00
		VAT	40.00	96.00	
		Total	240.00	576.00	
N10	Fit out of building up to 100m ²	Fee	170.00	425.00	743.75
		VAT	34.00	85.00	
		Total	204.00	510.00	
N11	Cost of works exceeding £100,000 but not exceeding £250,000	Fee	280.00	665.00	1,181.25
		VAT	56.00	133.00	
		Total	336.00	798.00	

Where Standard Charges are not applicable please contact Building Control on 01799 510539

Car Parking	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Saffron Walden</u>			
<i>Fairycroft</i>			
30 Minutes	0.50	0.50	Yes
1 Hour	0.70	0.70	Yes
2 Hours	1.20	1.20	Yes
3 Hours	2.00	2.00	Yes
<i>Common</i>			
30 Minutes	0.50	0.50	Yes
1 Hour	0.70	0.70	Yes
2 Hours	1.20	1.20	Yes
3 Hours	2.00	2.00	Yes
<i>Rose & Crown</i>			
30 Minutes	0.50	0.50	Yes
1 Hour	0.70	0.70	Yes
2 Hours	1.20	1.20	Yes
<i>Swan Meadow</i>			
1 Hour	0.70	0.70	Yes
2 Hours	1.20	1.20	Yes
4 Hours	2.00	2.00	Yes
6 Hours	2.50	2.50	Yes
9 Hours	3.50	3.50	Yes
Season Tickets (1month) Private Individuals only	30.00	30.00	Yes
Season Tickets (6 months)	175.00	175.00	Yes
Season Tickets (per annum)	300.00	300.00	Yes
<u>Coaches</u>			
5 Hours	3.00	3.00	Yes
9 Hours	6.00	6.00	Yes

Car Parking	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Great Dunmow</u>			
<i>White Street</i>			
30 Minutes	0.40	0.40	Yes
1 Hour	0.60	0.60	Yes
3 Hours	1.20	1.20	Yes
4 Hours	2.00	2.00	Yes
5 Hours	2.40	2.40	Yes
9 Hours	3.50	3.50	Yes
Season Ticket (1 month)	30.00	30.00	Yes
Season Ticket (6 months)	175.00	175.00	Yes
Season Ticket (per annum)	300.00	300.00	Yes
<i>New Street/Chequers & Angel Lane</i>			
30 Minutes	0.40	0.40	Yes
1 Hour	0.60	0.60	Yes
3 Hours	1.20	1.20	Yes
<i>Chequers</i>			
Season Ticket (6 months) - Renew als only	175.00	175.00	Yes
Season Ticket (per annum) - Renew als only	300.00	300.00	Yes
<u>Stansted Mountfitchet</u>			
<i>Lower Street</i>			
30 Minutes	0.40	0.40	Yes
1 Hour	0.60	0.60	Yes
2 Hour	1.00	1.00	Yes
3 Hours	1.20	1.20	Yes
4 Hours	2.00	2.00	Yes
6 Hours	2.40	2.40	Yes
9 Hours	4.70	4.70	Yes
Coaches	6.00	6.00	Yes
Season Ticket - Commuter employed locally (1 month)	30.00	30.00	Yes
Season Ticket - Commuter employed locally (6 months)	130.00	130.00	Yes
Season Ticket - Commuter employed locally (per annum)	250.00	250.00	Yes
Season Ticket - Commuter employed elsew here (6 months)	320.00	320.00	Yes
Season Ticket - Commuter employed elsew here (per annum)	620.00	620.00	Yes
<i>Crafton Green</i>			
30 Minutes	0.40	0.40	Yes
1 Hour	0.60	0.60	Yes
3 Hours	1.20	1.20	Yes
9 Hours	3.00	3.00	Yes
Season Ticket - Commuter employed locally (6 months)*	130.00	130.00	Yes
Season Ticket - Commuter employed locally (per annum)*	250.00	250.00	Yes
Season Ticket - Commuter employed elsew here (6 months)*	220.00	220.00	Yes
Season Ticket - Commuter employed elsew here (per annum)*	420.00	420.00	Yes
*Due to capacity pressures new season tickets are not currently available for this car park			

Annex H6 continued...

Environmental Health	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Food and Water Safety</u>			
Food Safety course - level 2 certificate	80.00	80.00	No
Health Certificate for Export	92.50	94.00	No
Food disposal if required	At cost	At cost	Yes
Voluntary Surrender Certificate	92.50	94.00	No
Water Samples (Airport)	26.00	26.50	Yes
Private water supply sampling and analysis under Regulation 10 (small supplies) - per visit (plus laboratory fee)	47.50	48.00	Yes
Group A parameter sampling and analysis (large supplies) - per visit (plus laboratory fee)	47.50	48.00	Yes
Group B parameter sampling and analysis (large supplies) - per visit (plus laboratory fee)	95.00	96.50	Yes
Investigation (per hour)	59.50	60.50	No
Risk Assessment (per hour)	59.50	60.50	No
EIR information	116.50	118.00	No
Contaminated land	116.50	118.00	No
Officer charges for works in default - per hour	56.50	57.50	No
Chemical Water Samples on request	Charged at cost	Charged at Cost	Yes
<u>Imported Food Inspection Charges</u>			
POAO per CVED (Products of animal origin) (per consignment)	185.50	188.50	No
POAO per additional CVED on same AWB	51.50	52.50	No
POAO per CVED Out of Hours additional fee(Products of animal origin)	77.50	78.50	No
Organic product certificate office hours	72.00	73.00	No
Organic product certificate out of office hours	257.50	261.50	No
High Risk NAO per CED (Non animal origin)	56.50	57.50	No
High Risk NAO sampling fee + laboratory charges	67.00	68.00	No
High Risk NAO per CED Out of Hours	67.00	68.00	No
High Risk NAO Out of Hours sampling fee + laboratory charges	98.00	99.50	No
High Risk destruction charge + disposal costs	62.00	63.00	No
IUU Catch Certificate EEA	26.00	26.50	No
IUU Catch Certificate non EEA	51.50	52.50	No
CED rejection fee	77.50	78.50	No
Consignment abandon fee	62.00	63.00	No
ID check - Weekdays	51.50	52.50	No
ID check - Weekends	87.50	89.00	No
Organics check - Weekdays	41.00	41.50	No
Organics check - Weekends	62.00	63.00	No
Melamine check	77.50	78.50	No
Destruction Supervision	56.50	78.50	No

Environmental Health	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Animals</u>			
Stray dog - administrative costs (plus kennel and vet fees if applicable)	52.50	53.50	No
Stray dog - statutory fee	26.00	26.50	No
<u>Other charges</u>			
<u>HMO (Homes of Multiple Occupancy) Licensing Fees</u>			
HMO licence fee for up to 5 bedrooms * part 1 fee	525.50	533.50	No
HMO licence fee for up to 5 bedrooms * part 2 fee	588.00	597.00	No
HMO licence fee for 5 letting rooms or more-charge per additional room	31.00	31.50	No
HMO licence fee for up to 5 bedrooms - Renewal charge	588.00	597.00	No
HMO licence fee - Incomplete Application	31.00	31.50	No
Reminder letter on failure to apply for a licence	31.00	31.50	No
Variation of licence i.e. change in address or new appointed manager	9.50	9.50	No
Missed appointment	132.00	134.00	No
Any other correspondence such as sending out a final reminder letter	31.00	31.50	No
<p>* The total cost of licensing an HMO in 2020/21 with Uttlesford District Council is £1,113.50 and is payable in 2 parts. Part 1 fees are to be paid at the time of application to cover the costs of processing the application and inspecting the property. Part 2 fees are levied upon completion of the application process to cover the costs of running and enforcing the scheme. Applicants will need to ensure that Part 2 fees have been paid to the Council prior to the licence being issued.</p> <p>For 2020/21 a discount of 5% will be applied for valid applications that are received without a request from the Council. This will also apply to valid renewal applications received within the time specified by the Council.</p> <p>The licensing period is for 5 years from the date the application was made</p> <p>HMO Licensing fee charges will be subject to annual review from the 1st April each year</p>			
Housing Immigration Inspection	173.00	175.50	No
Housing improvement notice - fixed price	253.50	257.50	No
Suspended improvement notice - fixed price	253.50	257.50	No
Prohibition order - fixed price	253.50	257.50	No
Suspended prohibition order - fixed price	253.50	257.50	No
Emergency prohibition order - fixed price	253.50	257.50	No
Emergency remedial action notice - fixed price	253.50	257.50	No

Annex H6 continued...

Land Charges	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
Note: Since March 2017 VAT has been payable on all charged searches aside from LLC1 enquiries.			
LLC1 Residential/Commercial	22.00	22.00	No
LLC1 Residential/Commercial extra parcels of land	4.50	4.50	No
CON29 - Residential	89.00	89.00	Yes
CON29 - Residential extra parcels of land	12.60	12.60	Yes
CON29 - Commercial	112.00	112.00	Yes
CON29 - Commercial extra parcels of land	12.60	12.60	Yes
LLC1 & CON29 - Residential	111.00	111.00	Yes
LLC1 & CON29 - Commercial	134.00	134.00	Yes
CON29O*	18.00	18.00	Yes
* The following CON29O questions are free of charge: 6,7,10,11,12,13 & 14			
The current schedule of land charges can also be found at the Uttlesford District Council website:			
https://www.uttlesford.gov.uk/article/4913/Local-Land-Charges-and-Searches-fees			

Lifeline (Council Tenants and Private Residents)	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
Lifeline units - Level 1 - Weekly charge - including evening and weekend emergency response visits	5.34	5.40	Yes*
Lifeline units - Level 2 - Extra Sensors (up to a maximum of 4, customers requiring more than 4 extra sensors will be charged at the rate of 50p per extra sensor)	6.54	6.60	Yes*
*a zero rating for VAT will apply if the customer can provide evidence that they have a disability			

Democratic Services	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
Road closure order	36.00	36.00	Yes

Museum	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Museum Admission Charges</u>			
Admission Charge adult (over 18)	2.50	2.50	Yes
Admission Charge discount adult	1.25	1.25	Yes
Season Ticket adult	8.00	8.00	Yes
Season Ticket discount	4.00	4.00	Yes
<u>Museum Learning Services</u>			
Taught session for schools per pupil	3.00	3.00	Yes
Taught session for schools min group charge	48.00	48.00	Yes
Taught session in schools half-day	120.00	120.00	Yes
Taught session schools w hole day	210.00	210.00	Yes
On-line session for one school class*	n/a	60.00	Yes
School and Reminiscence Loan Boxes per half term	18.00	18.00	Yes
School Loan, Reminiscence and Reference Boxes for max. of 1 week	12.00	12.00	Yes
Charge for craft activities per child (charges for other activities and events may vary)	1.50	1.50	Yes

Museum	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Reproduction Charges</u>			
<u>Fee for providing images of collections for commercial publications</u>			
Printed image (books etc.) on cover, East of England region	96.00	96.00	Yes
Printed image (books etc.) inside, East of England region	45.00	45.00	Yes
Printed image (books etc.) on cover, UK and international	126.00	126.00	Yes
Printed image (books etc.) inside, UK and International	64.80	64.80	Yes
Website image, corporate / commercial use	72.00	72.00	Yes
Television, East of England region	60.00	60.00	Yes
Television, UK	78.00	78.00	Yes
Television, International	120.00	120.00	Yes
Supply of new image (in-house photography)	5.00	5.00	Yes
<u>Hire of premises (corporate and private)</u>			
Museum - Hire for first hour	75.00	75.00	No
Museum - Hire per hour after first hour	50.00	50.00	No
<u>Museum Evening Group Visits with talk or activity</u>			
Evening talk/ activity and viewing of galleries	78.00	78.00	Yes
<u>Museum Shirehill Store Group Visits and Workshops</u>			
Weekday daytime min charge (1 hr session + set-up/clear-up)	24.00	24.00	Yes
Weekday daytime charge per additional hour	18.00	18.00	Yes
Evening visit	78.00	78.00	Yes
Saturday half-day	90.00	90.00	Yes
Saturday whole day	174.00	174.00	Yes
<u>Museum Staff lectures and talks at other venues</u>			
Talks for local groups, in Uttlesford or 20-mile radius of Saffron Walden	72.00	72.00	Yes
Talks for local groups, outside Uttlesford or 20 mile radius of Saffron Walden	84.00	84.00	Yes
On-line talk for local groups (in or outside Uttlesford)*	n/a	60.00	Yes
* New charge for 2021-22			

Housing	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Garage Rents</u>			
Private (per week)	13.04	13.19	Yes
Tenants (per week)	10.87	10.99	No
<u>Sheltered Housing Scheme</u>			
Intensive Housing Management (IHM) (per week)	15.24	16.29	No
Housing Related Support (HRS) (per week)	5.92	6.05	No
<u>Allotments</u>			
Allotment per Rod (annually)	3.00	3.00	No
<u>Garden Welfare Services for Tenants</u>			
Regular Grass and Hedge Service (weekly charge)	3.60	4.20	Yes
Small one off Clearance	24.00	48.00	Yes
Large one off Clearance	54.00	90.00	Yes
<u>Guest Rooms - Sheltered Accommodation</u>			
Guest Room (per night)	18.00	18.00	Yes

Licensing	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Taxi Licensing</u>			
Drivers (licence valid for 3 years)			
- New Application	216.00	218.00	No
- Renewal	215.00	218.00	No
Drivers (licence valid for 2 years)			
- New Application	199.00	202.00	No
- Renewal	198.00	202.00	No
Drivers (licence valid for 1 years)			
- New Application	182.00	186.00	No
- Renewal	181.00	186.00	No
Operators (licence valid for 5 years)			
- New Application	478.00	493.00	No
- Renewal	476.00	493.00	No
Vehicles (licence valid for 1 year)			
- New Application	108.00	145.00	No
- Renewal	96.00	145.00	No
Vehicle Licence Transfer Fee	100.00	105.00	No
CRB checks	Charged at cost	Charged at cost	No
<u>Caravan Site Licence Fees</u>			
<u>New Applications</u>			
1-5 pitches	417.00	423.50	No
6-10 pitches	417.00	423.50	No
11-20 pitches	500.50	508.00	No
21-50 pitches	586.00	595.00	No
51-100 pitches	769.50	781.00	No
>100 pitches	834.50	847.00	No

Licensing	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Other Licences</u>			
Skin piercing premises & 1 person	185.50	188.50	No
Skin piercing additional person	10.50	10.50	No
Skin piercing additional Treatment (at same time)	36.00	36.50	No
Additional ear piercing operator added at a later date	41.00	41.50	No
Additional operator added at a later date (other)	62.00	63.00	No
Additional treatment added at a later date	72.00	73.00	No
Table and Chairs on the Highway	125.00	100.00	No
<u>Scrap Metal</u>			
Grant of a site or collectors licence	378.00	383.50	No
- each additional site after first site	198.00	201.00	No
Renewal of a site or collectors licence	331.50	336.50	No
- each additional site after first site	198.00	201.00	No
Variation of a site or collectors licence	134.00	136.00	No
- each additional site being added to the licence	331.50	336.50	No
<u>Alcohol Licensing Act 2003</u>			
For the current schedule of statutory fees, please visit the Uttlesford District Council website:			
https://www.uttlesford.gov.uk/article/5519/Licensing-Act-2003-personal-licence			
https://www.uttlesford.gov.uk/article/5518/Licensing-Act-2003-premises-licence			
<u>Gambling Act 2005</u>			
For the current schedule of fees, please visit the Uttlesford District Council website:			
https://www.uttlesford.gov.uk/media/2834/Gambling-Act-2005-Fees/pdf/Gambling_Act_2005_Fees.pdf			

Licensing	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Licences</u>			
Animal boarding establishment (cattery, kennel, dog day care)*			
- Part A fee	279.00	283.00	No
- Part B fee	181.50	184.00	No
- Re-inspection	133.00	135.00	No
- Variation	20.50	21.00	No
Riding Establishments *			
- Part A fee	344.00	349.00	No
- Part B fee	193.50	196.50	No
- Re-inspection	186.50	189.50	No
- Variation	20.50	21.00	No
Home boarding *			
- Part A fee	190.50	193.50	No
- Part B fee	198.00	201.00	No
- Re-inspection	133.00	135.00	No
- Variation	20.50	21.00	No
Dog breeding establishment *			
- Part A fee	257.50	261.50	No
- Part B fee	181.50	184.00	No
- Re-inspection	133.00	135.00	No
- Variation	20.50	21.00	No
Pet shop *			
- Part A fee	279.00	283.00	No
- Part B fee	184.50	187.50	No
- Re-inspection	133.00	135.00	No
- Variation	20.50	21.00	No
Dangerous wild animals * - Quote on application (based on a 2 year licence)	POA	POA	No
Zoo licence (5 years) * - Quote on application (based on a 5 year licence)	POA	POA	No
Keeping or Training Animals for Exhibition * - Quote on application (based on a 5 year licence)	POA	POA	No
* Part A fees need to be paid on application. Part B fees are paid on issuing report & confirmation of the licence and rating. The issuing of the license will occur following payment of Part B fees.			
For licenses where there is more than one activity, the fee will be based on the applicant's main business activity as judged by the inspecting officer.			
Additional charges will be applied for secondary activities as outlined below.			

Annex H6 continued...

Licensing	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
Additional Costs			
Cattery, Kennel, Dog Day Care	62.00	63.00	No
Riding Establishments	125.00	127.00	No
Home Boarders	62.00	63.00	No
Breeders	62.00	63.00	No
Pet Shop	62.00	63.00	No
Keeping or Training Animals for Exhibition - Quote on application	POA	POA	No
Vets fees to be recharged to the operator + Administration costs of £7.50 for Horse Riding Establishments and new breeders only			

Planning Applications

For the current schedule of planning application fees, please visit the Uttlesford District Council website:

<http://www.uttlesford.gov.uk/article/4864/Planning-Application-Fees>

Other Planning fees and charges	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
Documents provided under Local Government Access to Information Act 1985	10p a sheet plus 25.00 per hour if job exceeds 1 hour	10p a sheet plus 25.00 per hour if job exceeds 1 hour	Yes
Documents - TPO, BPN, LB			
Planning & Building Regulation Decision Notices			
Uttlesford Local Plan Adopted 2005	25.00	25.00	Yes
Emerging Local Plan	75.00	n/a	Yes
Confirmation regarding Agricultural Ties	42.00	42.00	Yes
An administrative pre application submission check for householder applications	35.00	35.00	No
To retain a % of fee paid if the application is withdrawn - planning applications	15%	15%	No
To retain a % of fee paid if the application is withdrawn; Pre-Applications	15%	15%	Yes
Parish and Town Councils - Neighbourhood Planning mapping		The time charged will be at the appropriate officer hourly rate	No
S106/Legal Agreement Monitoring Fee - including monetary value	Bespoke Fee	2% - 5% depending on complexity	Yes
S106/Legal Agreement Monitoring Fee - including non-monetary value	Bespoke Fee	Bespoke Fee	Yes
Listed Building Authorisation Check (Vendor/Purchaser)	1,000.00	1,000.00	No
Solicitor's queries regarding compliance with Enforcement Notices - per 30 minutes	POA	110.00	No
Solicitor's queries regarding compliance with Enforcement Notices - additional charge if site visit required	n/a	276.00	No

Annex H6 continued...

Other Planning fees and charges	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
Planning conditions - variation / removal discussion	n/a	200.00	Yes
Change of use to house in multiple occupation	n/a	150.00	Yes
Is Planning Permission required - requests seeking confirmation as to whether planning permission is required for development - Householder?	n/a	100.00	Yes
Is Planning Permission required - requests seeking confirmation as to whether planning permission is required for development - Anything else?	n/a	175.00	Yes
Informal confirmation of permitted use class (formal confirmation can only be obtained by a certificate of lawfulness) - A Planning history will be carried out and a response provided within 10 working days	n/a	150.00	Yes
Confirmation that Permitted Development Rights have not been removed - Householder	n/a	55.00	Yes
Confirmation that Permitted Development Rights have not been removed - all other development	n/a	150.00	Yes
Confirmation of Designated Area in response to customer requests we can provide confirmation of designated areas (self service is available) however, we can provide a list of constraints on a property within 3 working days	n/a	75.00	Yes
Copy of history	n/a	25.00	Yes
Copy of history and more investigation	n/a	110.00 per 30 minutes	Yes
Confirmation of Conditions and s106 Compliance	n/a	110.00 per 30 minutes	No
Confirmation of conditions and s106 Compliance - site visit	n/a	276.00 plus the per 30 minutes	No
Advice for variation or deletion of s106 Agreements (per 1hr meeting)	n/a	240.00	Yes
Other (not listed above)	n/a	110.00 per 30 minutes	Yes
What constitutes a material start? Material starts can only be confirmed by submitting a Cert of Law however we also offer an informal response from a case officer on what constitutes a material start.	n/a	75.00	Yes

Annex H6 continued...

Planning Pre-application advice	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
Householder - Written Advice only	100.00	100.00	Yes
- Meeting 1 hr and written advice	150.00	150.00	Yes
- Follow up advice	75.00	75.00	Yes
Householder/Heritage*/ Listed building Consent			
- Written advice only	300.00	300.00	Yes
- Meeting 1 hr and written advice	450.00	450.00	Yes
- Follow up advice	225.00	225.00	Yes
MINOR development			
- Written Advice only	175.00	225.00	Yes
- Meeting 1 hr and written advice	375.00	390.00	Yes
- Follow up advice	175.00	175.00	Yes
MINOR development and Heritage* advice			
- Written Advice only	450.00	450.00	Yes
- Meeting 1 hr and written advice	550.00	550.00	Yes
- Follow up advice	275.00	275.00	Yes
Strategic MAJOR (Residential development of 100+ and commercial developments of 5,000+ square metres of floor space or on sites over 3 hectares)			
- Meeting 1 hr and written advice	2,700.00	See new fees below	Yes
- Follow up advice	1,000.00		Yes
Strategic MAJOR (Residential development of 100+ and commercial developments of 5,000+ square metres of floor space or on sites over 3 hectares) including Heritage* Advice			
- Written advice only	2,000.00	See new fees below	Yes
- Meeting 1 hr and written advice	3,000.00		Yes
- Follow up advice	1,250.00		Yes
Large Scale MAJOR (Residential development of 50-99 dwellings and commercial developments of 2,000-4,999 square metres of floor space or on sites of 2-3 hectares)			
- Written Advice only	1,000.00	See new fees below	Yes
- Meeting 1 hr and written advice	1,500.00		Yes
- Follow up advice	850.00		Yes
Large Scale MAJOR (Residential development of 50-99 dwellings and commercial developments of 2,000-4,999 square metres of floor space or on sites of 2-3 hectares) including Heritage Advice*			
- Written Advice only	1,500.00	See new fees below	Yes
- Meeting 1 hr and written advice	2,250.00		Yes
- Follow up advice	1,000.00		Yes
Small Scale MAJOR (Residential development of 10 - 49 dwellings and commercial developments of 1,000-1,999 square metres of floor space or on sites of 1 - 2 hectares)			
- Written Advice only	750.00	See new fees below	Yes
- Meeting 1 hr and written advice	1,250.00		Yes
- Follow up advice	600.00		Yes
Small Scale MAJOR (Residential development of 10 - 49 dwellings and commercial developments of 1,000-1,999 square metres of floor space or on sites of 1 - 2 hectares) and Heritage Advice*			
- Written Advice only	900.00	See new fees below	Yes
- Meeting 1 hr and written advice	1,500.00		Yes
- Follow up advice	850.00		Yes
Planning Performance Agreements (PPAs)	POA		
High Hedge Complaints	500.00	500.00	Yes

*Heritage advice includes Locally Listed Buildings/ Ancient Monuments/Works or development in a Conservation Area.

Annex H6 continued...

Planning Performance Agreement (PPA) band categories	Initiation Fee £	What is included?	Arrangement fee for setting up the PPA and Project time frame	What is included
Category A* Developments over 1000 residential units or large commercial areas over 20,000sqm net commercial floor space (including change of use)	5,000.00 + VA*	Initial meeting to share the proposal, discuss PPA.	50,000.00 + VAT	Virtual meetings w ith UDC officers x 6 Engagement w ith Parish/Tow n Council x up to 2 Presentation to Members x 1 Officers attending Design Panel x up to 2
Category B* 501 - 1000 residential units or 10,000 to 19,999sqm net commercial floor space (including change of use)	5,000.00 + VA*	Initial meeting to share the proposal, discuss PPA.	40,000.00 +VAT	Virtual meetings w ith UDC officers x 6 Engagement w ith Parish/Tow n Council x 1 Presentation to Members x 1 Officers attending Design Panel x 1
Category C* 251 to 500 residential units or betw een 5,000 to 9,999sqm net commercial floor space (including change of use)	5,000.00 + VA*	Initial meeting to share the proposal, discuss PPA.	30,000.00 + VAT	Virtual meetings w ith UDC officers x 6 Engagement w ith Parish/Tow n Council x 1 Presentation to Members x 1 Officers attending Design Panel x 1
Category D* 50 to 250 residential units or betw een 2,500 to 4,999sqm net commercial floor space (including change of use)	2,500.00 + VAT	Initial meeting to share the proposal, discuss PPA.	17,500.00 + VAT	Virtual meetings w ith UDC officers x 3 Engagement w ith Parish/Tow n Council x 1 Presentation to Members x 1 Officers attending Design Panel x 1
Category E* Up to 49 residential units or up to 2,499sqm net commercial floor space (including change of use)	2,500.00 + VAT	Initial meeting to share the proposal, discuss PPA.	12,500.00 + VAT	Virtual meetings w ith UDC officers x 3 Engagement w ith Parish/Tow n Council x 1 Presentation to Members x 1 Officers attending Design Panel x 1
UDC's reasonable legal costs incurred in association w ith the preparation of the S106 Agreement that may commence at pre-application stage.			Individually tailored to your development	
*The council's reasonable costs w hich may be incurred w ith the appointment of external and statutory consultants and stakeholders to progress the planning application to be agreed by the interested parties on a case by case basis. The cost of commissioning additional consultants w ill be covered by the interested parties w ith the agreement of the council on project scoping and draft reports.				
Additional Services - Charges on a cost recovery only. If additional w ork/meetings is required there w ill be an additional payment based on the relevant hourly rate of the officer/s required to participate.				

Annex H6 continued...

Saffron Walden Offices	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Room charges - non wedding - minimum 2 hour charge applies</u>			
Room hire - Flitch (Chairman's room) (per hour)	36.00	37.00	Yes
Room hire - Flitch (Chairman's room) (per hour) Charity Rate	31.00	32.00	Yes
Room hire - Cutlers (Committee room) (per hour)	66.00	67.00	Yes
Room hire - Cutlers (Committee room) (per hour) Charity Rate	41.00	42.00	Yes
Room hire - Gibson (Council Chamber) (per hour)	87.00	89.00	Yes
Room hire - Gibson (Council Chamber) (per hour) Charity Rate	56.00	57.00	Yes
Refreshments - per 10 people	18.00	18.00	Yes
Tenants (Flitch Room) (per hour)	26.00	27.00	Yes
Tenants (Cutlers Room) (per hour)	31.00	32.00	Yes
Tenants (Gibson Room) (per hour)	51.00	52.00	Yes
<u>Room charges - wedding</u>			
Flitch (Chairman's Room) Mon-Thur	110.00	112.00	Yes
Flitch (Chairman's Room) Friday	159.00	162.00	Yes

Print Room	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<p>Printing services for town & parish councils, voluntary organisations, clubs & societies.</p> <p>Hourly charge.</p> <p>Materials charged on top.</p> <p>* Addition of VAT varies depending on what is being printed.</p>	41.50	41.50	No*

Refuse Collection & Recycling	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Bulky Waste Collection Service</u>			
Minimum charge for 2 items	17.50	17.50	No
Each additional item	8.75	8.75	No
Waste Electrical Equipment Collection Services (1 item)	17.50	17.50	No
Each additional item	8.75	8.75	No
Garden Waste Bags	1.20	1.20	No
<u>Garden Waste Collection Service</u>			
240 litre w heeled bin (payment by DD)	40.00	40.00	No
240 litre w heeled bin (Other Payment Options)	46.00	46.00	No
Bin delivery charge	22.50	22.50	No
<u>Waste container supply and delivery (new developments)</u>			
Full set of containers, Green lidded bin, Grey lidded bin, Food Caddy	75.00	75.00	No
<u>Town and Parish Council Garden Waste weekend collection</u>			
Charge per hour	70.00	70.00	No
<u>Trade Waste Collection and Disposal Charges</u>			
Trade sacks (85 litres)	3.00	3.00	No
Bins 180 litres	6.14	6.14	No
Bins 240 litres	8.19	8.19	No
Bins 660 litres	13.54	13.54	No
Bins 1100 litres	20.88	20.88	No
Skip - 12 cubic yard (light materials)	157.74	157.74	No
Skip - 12 cubic yard (heavy materials)	247.19	247.19	No

Day Centres	2020/21 charge £	2021/22 charge £	Does the charge include VAT?
<u>Thaxted</u>			
Meal	5.00	6.50	Yes
Hall hire per hour	8.00	10.00	Yes
Kitchen hire per hire	10.00	12.00	Yes
Kitchen and hall hire together - per hire and the charge per hour	15.00	20.00	Yes
Local Groups;			
Kitchen and hall hire together - per hire and the charge per hour	10.00	n/a	Yes
	8.00	n/a	Yes
<u>Saffron Walden</u>			
Meal (main)	6.00	6.50	Yes
Meal (dessert)	1.30	n/a	Yes
Hall hire per hour	8.50	10.00	Yes
Kitchen hire per hour	10.00	12.00	Yes
Kitchen and hall hire together - per hire and the charge per hour	15.00	20.00	Yes
Local Groups;			
Kitchen and hall hire together - per hire and the charge per hour	10.00	n/a	Yes
	8.50	n/a	Yes
<u>Takeley</u>			
Hall hire per hour	n/a*	n/a*	Yes
Kitchen Hire per hour	n/a*	n/a*	Yes
Kitchen and hall hire together - per hire and the charge per hour	n/a*	n/a*	Yes
	n/a*	n/a*	Yes
* Takeley no longer available for hire (decommissioned 1st November 2019)			