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CABINET

This meeting will be recorded and the sound recording subsequently made available via the Council's website.

Please also note that under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, other people may film, record, tweet or blog from this meeting. The use of any images or sound recordings is not under the Council's control.

To: Councillors Barkley (Deputy Leader), Bokor, Harper-Davies, Mercer, Morgan (Leader), Poland, Rollings, Smidowicz, Taylor and Vardy (for attention)

All other members of the Council
(for information)

You are requested to attend the meeting of the Cabinet to be held in The Preston Room, Woodgate Chambers, Woodgate, Loughborough on Thursday, 13th December 2018 at 6.00 pm for the following business.

Chief Executive

Southfields
Loughborough

30th November 2018

AGENDA

1. APOLOGIES

2. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

3. LEADER'S ANNOUNCEMENTS

4. MINUTES OF PREVIOUS MEETING 4 - 9

   To approve the minutes of the previous meeting.

5. QUESTIONS UNDER CABINET PROCEDURE 10.7

The deadline for questions is noon on Wednesday, 5th December 2018.

6. CHARNWOOD GRANTS - ROUND THREE 2018/19 - COMMUNITY FACILITIES AND COMMUNITY DEVELOPMENT AND ENGAGEMENT GRANT APPLICATIONS — 10 - 37

A report of the Head of Neighbourhood Services to consider applications received for funding in round three of the Community Facilities and Community Development and Engagement Grants schemes for 2018/19.

Key Decision

7. HOUSING DEVELOPMENT COMPANY — 38 - 97

A report of the Strategic Director of Housing, Planning and Regeneration, and Regulatory Services to consider setting up a County wide development company and/or a Council owned Housing Development Company to deliver new homes and regeneration projects in the Borough.

Key Decision

8. PURCHASING OF ELECTRICITY THROUGH A FRAMEWORK CONTRACT — 98 - 100

A report of the Strategic Director of Corporate Services to consider accessing Eastern Shires Purchasing Organisation (ESPO) framework contract for the supply of Electricity for the financial years 2020 to 2024.

Key Decision

9. AMENDMENTS TO THE ANNUAL PROCUREMENT PLAN — 101 - 105

A report of the Head of Finance and Property Services to consider additions to the Annual Procurement Plan 2018/19.

Key Decision

10. DRAFT GENERAL FUND AND HRA 2019-20 BUDGETS — 106 - 126

A report of the Head of Finance and Property Services to advise of the projected base budget position for 2019/20 on the basis of the estimated grant settlement for 2019/20, also to review the savings and growth proposals put forward for the year 2019/20, and to begin a period of consultation.

Key Decision

11. <u>CAPITAL PLAN AMENDMENT REPORT</u> 127 - 138

A report of the Head of Finance and Property Services to consider proposed changes to the 2018/19-2020/21 Capital Plan and its financing.

Key Decision

12. <u>WRITE OFF REPORT FOR BUSINESS RATE PROPERTIES</u> 139 - 142

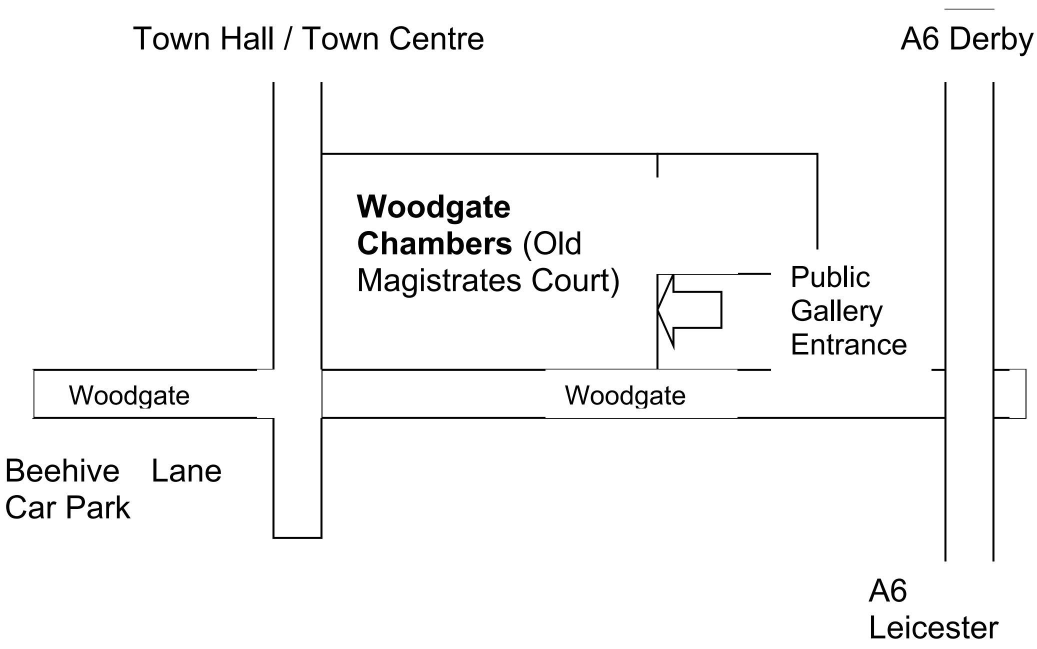
A report of the Head of Customer Experience to consider the write off irrecoverable debts in line with Financial Procedure Rules.

13. <u>RISK MANAGEMENT FRAMEWORK AND STRATEGIC RISK REGISTER</u> 143 - 175

A report of the Head of Strategic Support to consider a refreshed Risk Management Strategy and Framework and draft Strategic Risk Register, following the recent review of the Council's risk management arrangements.

WHERE TO FIND WOODGATE CHAMBERS AND PUBLIC ACCESS

Woodgate Chambers
70 Woodgate
Loughborough
Leics
LE11 2TZ



CABINET
15TH NOVEMBER 2018

PRESENT: The Leader (Councillor Morgan)
The Deputy Leader (Councillor Barkley)
Councillors Bokor, Mercer, Rollings, Smidowicz, Taylor and Vardy

Councillor Seaton

Chief Executive
Strategic Director of Corporate Services
Head of Strategic Support
Head of Planning and Regeneration
Head of Cleansing and Open Spaces
Democratic Services Officer (LS)

APOLOGIES: Councillors Harper-Davies and Poland

The Leader stated that this meeting would be recorded and the sound recording subsequently made available via the Council's website. He also advised that, under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, other people may film, record, tweet or blog from this meeting, and the use of any such images or sound recordings was not under the Council's control.

46. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

The following disclosure was made:

In respect of item 6 on the agenda (Five Year Housing Supply Scrutiny Panel), Councillor Taylor stated that she had been the original Chair of that Panel (prior to her appointment to Cabinet).

47. LEADER'S ANNOUNCEMENTS

No formal announcements had been published prior to the meeting, but the Leader wished to thank all officers and councillors who had been involved with the Remembrance Services on Sunday. Many people had commented what an extraordinary day of remembrance it had been and the work involved in ensuring that success was very much appreciated.

48. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 18th October 2018 were confirmed as a correct record and signed.

49. QUESTIONS UNDER CABINET PROCEDURE 10.7

No questions had been submitted.

50. AGENDA VARIANCE

RESOLVED that the order of the agenda be varied to consider items 6 and 7 at the end of the meeting.

Reason

Due to unforeseen circumstances, Councillor Seaton's arrival at the meeting had been delayed. Councillor Seaton would be presenting items 6 and 7 to the Cabinet and considering those items later in the meeting would enable her to do so.

51. MEDIUM TERM FINANCIAL STRATEGY 2019-2022

Considered a report of the Strategic Director of Corporate Services to consider a Medium Term Financial Strategy (MTFS) 2019-2022, for recommendation to Council (item 8 on the agenda filed with these minutes).

The Strategic Director of Corporate Services assisted with consideration of the report. He asked the Cabinet to note an error in the Strategy which would be corrected prior to submission to Council. The correction would be as follows:

Table 18: Impact on Revenue Reserves. The following figures to be listed on the line titled "Working Balances": 2019/20 £3,893k; 2020/21 £3,367k; 2021/22 £3,440k.

RESOLVED that it be recommended to Council that the Medium Term Financial Strategy 2019-2022, attached as an Appendix to the report of the Strategic Director of Corporate Services and including the above correction, be approved.

Reason

To identify the financial issues affecting the Council and the Borough in the medium term in order to provide a base for priorities to be set and to inform the Council's budget setting process.

52. TREASURY MANAGEMENT UPDATE - MID-YEAR REVIEW FOR THE 6 MONTHS ENDED 30TH SEPTEMBER 2018

Considered a report of the Head of Finance and Property Services to consider a review of the Treasury Management Strategy and the Annual Investment Strategy, plus the various Prudential Borrowing and Treasury Indicators for the first six months of 2018/19, for recommendation to Council (item 9 on the agenda filed with these minutes).

The Strategic Director of Corporate Services assisted with consideration of the report.

RESOLVED that it be recommended to Council to note the mid-year review of the Treasury Management Strategy Statement, Prudential Borrowing and Treasury Indicators plus the Annual Investment Strategy, as shown in Part B of the report of the Head of Finance and Property Services.

Reason

To ensure that the Council's governance and management procedures for Treasury Management reflect best practice and comply with the Revised CIPFA Treasury Management in the Public Services Code of Practice, Guidance Notes and Treasury Management Policy Statement, that funding of capital expenditure is taken within the totality of the Council's financial position and that borrowing and investment is only carried out with proper regard to the Prudential Code for Capital Finance in Local Authorities.

53. FIVE YEAR HOUSING SUPPLY SCRUTINY PANEL

Considered a report of the Head of Strategic Support presenting the findings and recommendations of the Five Year Housing Supply Scrutiny Panel along with officer advice in response (item 6 on the agenda filed with these minutes).

Councillor Seaton, as Chair of the Panel, presented the findings and recommendations of the Panel. The Head of Planning and Regeneration presented the officer advice and recommendations in response.

The Head of Strategic Support assisted with consideration of the report.

Following consideration of the report, the Leader thanked Councillor Seaton and the Panel for the work undertaken in respect of the matter.

RESOLVED

1. that, in respect of Panel Recommendation 1, the Council's Business Plan be amended to include the five year housing supply figure as one of the Council's Key Performance Indicators (KPIs), with effect from the 2019/20 Business Plan, and that quarterly direction of travel indicators be made available to councillors as required;

2. that, in respect of Panel Recommendation 2, the Council's Business Plan be amended to include the various deadlines by which planning applications of different types should be determined as KPIs, with effect from the 2019/20 Business Plan;

3. that Panel Recommendation 3 be noted and that, once the Council had had the opportunity to consider the draft report by Sir Oliver Letwin setting out his review of land supply and housing delivery, the Cabinet Lead Member for Planning, Inward Investment and Tourism Strategy, in consultation with the Chair of the Five Year Housing Supply Scrutiny Panel, writes to the Government with any further recommendations of this Council to that report;

4. that, in respect of Panel Recommendation 4, the Cabinet Lead Member for Planning, Inward Investment and Tourism Strategy, in conjunction with relevant officers, continuously reviews the processes for dealing with section 106 agreements, reserved matters applications and pre-commencement conditions, to identify any areas for improvement and to bring any issues to the attention of the Cabinet as appropriate;

5. that, in respect of Panel Recommendation 5, the current review of the Core Strategy be completed in accordance with the timetable set out in the Local Development Scheme agreed by the Cabinet most recently on 15th March 2018.

Reasons

1. To ensure the figures are reported and monitored corporately and by the Performance Scrutiny Panel on a regular basis and to ensure that councillors are informed of the general direction of travel with the Five Year Housing Supply on a quarterly basis. Discussion at this meeting suggested that the latter information might usefully be made available to the Performance Scrutiny Panel, the Plans Committee and at quarterly planning training for councillors.

2. To ensure the figures are reported and monitored corporately and by the Performance Scrutiny Panel on a regular basis

3. The Cabinet acknowledged the Panel's wish to reinforce the need for enforcement sanctions for non-completion of developments through writing to the Government, but considered it appropriate and useful to consider the content of the Letwin report before doing so.

4. The Cabinet acknowledged the Panel's wish for a best practice review of these processes and the reasons for that, but considered continuous review by the Cabinet Lead Member to be more appropriate and useful, particularly as a comprehensive best practice review had been undertaken in 2015.

5. To ensure that it remains the most relevant for the residents of Charnwood and that the review is completed in a timely manner.

54. MANAGEMENT OF PUBLIC OPEN SPACE - RECOMMENDATIONS OF SCRUTINY MANAGEMENT BOARD

Considered a report of the Head of Strategic Support presenting the recommendations of the Board following its consideration of the recommendations of the Policy Scrutiny Group relating to the management of open spaces (which arose during the Group's consideration of the Open Spaces Strategy) along with officer advice in response (item 7 on the agenda filed with these minutes).

Councillor Seaton, as Chair of the Policy Scrutiny Group, presented the recommendations of the Board. The Head of Cleansing and Open Spaces presented the officer advice and recommendations in response.

The Head of Strategic Support assisted with consideration of the report.

Following consideration of the report, the Leader thanked Councillor Seaton and the Policy Scrutiny Group for its recommendations in respect of the matter. The Cabinet also considered whether the issue should be monitored in the future and the best way of doing so, concluding, following advice from the Chief Executive, that scrutiny could do so via the usual mechanisms.

RESOLVED

1. that, in respect of Board Recommendation 1, it be noted that the fact that developers could choose not to offer open spaces for adoption by the Council, and the increasing use of management companies to manage open space on developments as an alternative to adoption by the Council, were of concern to the Policy Scrutiny Group;

2. that, in respect of Board Recommendation 2, it be noted that the Policy Scrutiny Group had identified the following particular issues with the operation of the management company model in addition to its general concerns:

    - the service charges that were levied by management companies could be significant for local residents affected by them;
    - there could be a lack of transparency in the way in which service charges were increased;
    - there was no consideration of ability to pay when service charges were levied;
    - there was evidence that maintenance work was of low quality in some cases;

3. that, in respect of Board Recommendation 3, at the next quarterly meeting of the Leader/Chief Executive/local Members of Parliament, the Leader raises again, on behalf of the Cabinet and the Policy Scrutiny Group, the issues identified above, to include sharing the report considered by the Cabinet at this meeting.

<u>Reasons</u>

1.&2. To note areas of concern which the Board wished to draw to the Cabinet's attention.

3. To support the Policy Scrutiny Group's wish that Cabinet seek to influence Government policy so that a change in the law could be considered to require developers to offer areas of open space to local authorities for adoption, while noting that issues around the management company model had been raised at a previous quarterly meeting between the Leader, Chief Executive and local Members of Parliament.

NOTES:

1. The decisions in these minutes not in the form of recommendations to Council will come into effect at noon on 23rd November 2018 unless called in under Scrutiny Committee Procedure Rule 11.7.

2. No reference may be made to these minutes at the Council meeting on 21st January 2019 unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on 23rd November 2018.

3. These minutes are subject to confirmation as a correct record at the next meeting of the Cabinet.

CABINET – 13TH DECEMBER 2018

Report of the Head of Neighbourhood Services
Lead Member: Councillor Deborah Taylor

Part A

ITEM 6 CHARNWOOD GRANTS – ROUND THREE – 2018/19 COMMUNITY FACILITIES AND COMMUNITY DEVELOPMENT AND ENGAGEMENT GRANT APPLICATIONS

Purpose of Report

To enable the Cabinet to consider applications received for funding in round three of the Community Facilities and Community Development and Engagement Grants schemes for 2018/19.

Recommendations

1. That the following Community Development and Engagement Grants be awarded:

    - £5,066 to Without Walls Christian Fellowship towards a singing café;
    - £6,400 to The Loughborough Leggo Group towards volunteer, website and social media development;
    - £3,200 to Coping with Cancer in Leicestershire and Rutland towards a Time-out group in Wanlip;
    - £10,000 to Go-Getta CIC towards their overall youth diversion provision across Charnwood;
    - £10,000 to The Exaireo Trust towards a Community Addiction Support project (£7,500 to be funded through the Community Development and Engagement Grant scheme, and £2,500 to be funded through the Loughborough Community Grants scheme);
    - £5,000 to Transition Loughborough towards a 'Fantastic Home' project (to be funded through the Community Development and Engagement Environmental Grants scheme);
    - £300 to Carillon Arts towards the 'Feel Hear Be' project (to be funded through the Loughborough Community Grants scheme);
    - £6,600 to Passion Youth Centre towards running costs, new weekly cooking sessions and a small kitchen upgrade.

2. That the following Community Development and Engagement Grant application be declined:

    - Miller and Peverill Residents' Association Sileby - £2,000 requested – applied for funding towards general running costs.

3. That the Head of Neighbourhood Services be given delegated authority to finalise the terms and conditions of the awarded Community Development and Engagement Grants.

4. That approval is given to run a Round 4 in 2018/19 with a focus on Environmental projects only.

Reasons

1. To provide financial support to organisations which meet the criteria of the Community Development and Engagement Grants and Environmental schemes in terms of community and organisational need and to use funding provided through the Loughborough Grants scheme to support projects in Loughborough.

2. To decline to provide financial support to organisations which do not meet the criteria for the award of a grant under the Community Development and Engagement Grants scheme.

3. To enable the grants awarded to be finalised and appropriate information to be supplied to the Council about the outcomes of the project.

4. To enable the monies received for grants for projects that deliver environmental outcomes to be disbursed.

Policy Justification and Previous Decisions

The Council's Corporate Plan 2016-20 makes a commitment to make sure that Charnwood is a great place to live for families by creating a safe, secure and caring environment and to provide opportunities for participation in social, leisure and cultural activities and in community life. It aims to make Charnwood an attractive place for all by funding community groups and providing a range of diverse opportunities and events.

The Council's Corporate Plan 2016-2020 was approved by Council on the 29th February 2016. A review of the existing grants criteria was undertaken at this time and it was concluded that the existing criteria were still appropriate and aligned with the priorities of the Corporate Plan 2016-2020.

Implementation Timetable including Future Decisions and Scrutiny

The Community Development and Engagement Grants considered in this report will be released, providing they are approved, once the applicants have met any required payment conditions. Grant payment terms will be on a grant by grant basis, depending on the nature of the organisation/project and level of grant awarded. Payment may be made in stages, and copy invoices, or proof of project expenditure, requested.

Report Implications

The following implications have been identified for this report.

Financial Implications

Community Facilities Grant Funding

The remaining budget for Community Facilities Grants after Round 2 in 2018-19 was £70,142 (or £63,742 if additional works were needed for the previous East Goscote Village Hall scheme application). There were no applications received for Round 3, and following the completion of works at East Goscote Village Hall, the balance is now £68,961 for future rounds of Community Facilities Grants.

Community Development & Engagement Grant Funding

The 2018/19 budget for Community Development and Engagement Grants is £64,100. The balance after Round 2 was £38,770.

This Round 3 report recommends that eight applications are supported totalling £46,566, with £38,766 of this amount being funded through the Community Development and Engagement grants scheme, £2,800 being funded through the Loughborough Community grants scheme, and £5,000 being funded through the Community Development and Engagement Environmental grants scheme. This will leave a balance of £4 for Community Development and Engagement Grants.

Loughborough Community Grant Funding

Cabinet at its meeting on the 21st January 2016 (min 93) approved the recommendation that the Head of Neighbourhood Services be given delegated authority to allocate any grant budget for schemes in Loughborough that are funded through the Loughborough Special Expenses between the Loughborough Community Grants fund (maximum £2,000) and a budget within the Community Development and Engagement Grants fund (maximum £10,000) ring-fenced for schemes based in Loughborough. This was to enable the budget for funding schemes in Loughborough to be more flexibly allocated between large and small applications.

The intention as outlined above is to allocate £2,800 from the Loughborough Community Grants budget towards the Loughborough based projects, The Exaireo Trust (£2,500) and Carillon Arts (£300).

Community Development and Engagement - Environmental Grant Funding (External funding provided by Serco)

Serco have agreed to provide £20,000 per year to Charnwood Borough Council (CBC) for grants to projects that deliver environmental outcomes. They have made a commitment to provide this funding for three financial years (2017/18, 2018/19 and 2019/20).

The ring-fenced budget for environmental projects in 2018/19 is £24,000 as the underspend of £4,000 from 2017/18 is available, as the external funding is ring fenced for this purpose. An application for an environmental project has been received in Round 3 for 2018/19, Transition Loughborough (£5,000), therefore the balance remaining for this year is £19,000. The Grants Panel recommend that an additional round of Grant applications be invited specifically for environmental projects.

Risk Management

The risks associated with the decision Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
Grants do not deliver the objectives of the Grants scheme	Unlikely	Moderate	The grants have been assessed against the criteria and will be supported with appropriate monitoring information.

Equality and Diversity

There is a requirement in the grants criteria for each organisation that applies to either have their own Equal Opportunities Policy or provide a statement that the organisation will abide by the Council's Equal Opportunities Policy.

In addition an Equality Impact Assessment has been completed and attached at Appendix 2.

Crime and Disorder

The grants criteria specifically cover crime and disorder with projects needing to outline how the proposed project reduces the impact of crime and anti-social behaviour and promotes stronger, cohesive and balanced communities.

Sustainability

Many of the grants criteria are concerned with sustainability.

Key Decision: Yes

Background Papers: None

Officers to contact:

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Head of Neighbourhood Services
01509 634590
julie.robinson@charnwood.gov.uk

Verity Graham
Neighbourhoods & Partnerships Co-ordinator
01509 632516
verity.graham@charnwood.gov.uk

Part B

Charnwood Community Grants Criteria

1. At its meeting on 12th April 2012, Cabinet agreed the revised Community Grants Criteria to reflect the changes in the Council's Corporate Plan.

   The Council's new Corporate Plan 2016-2020 was approved by Council on the 29th February 2016. A review of the existing grants criteria has been undertaken and it was concluded that the existing criteria was still appropriate and aligned with the priorities of the new Corporate Plan 2016-2020.

Community Facilities Grants

2. The criteria include the following:

   - That the maximum amount awarded would be £20,000 (was previously £30,000) for projects that link well into the Council's Corporate Plan and can achieve wider community benefits.
   - That the scheme would support up to 50% of the cost of feasibility studies, with an upper limit of £5,000.

3. Schemes are scored using an assessment matrix which looks for:

   - Well prepared schemes, with a realistic costing of the work, and projects that are well targeted, have good local support and a strong input from volunteers.
   - Projects that link well into the Council's Corporate Plan and can achieve wider community benefits.
   - Applications from organisations with a strong local base and full accessibility to the community.
   - The need of the community for the facility and the need of the organisation for the funding.

4. The assessment matrix produces a maximum score of 100. A scheme scoring below 30 on the matrix is recommended for refusal and the Grants Panel will provide feedback to the community organisation on the reasons why it was not successful. Where a scheme scores between 30 and 40 on the first assessment the Grants Panel will work with the community organisation to see whether the bid can be improved and strengthened. Schemes scoring 40 and above are normally recommended for approval. However applicants seeking a large grant which scores only just over 40 are advised that they may only receive part of the money they have applied for.

Community Development and Engagement Grants

5. The criteria include the following:

   - Maximum amount to be awarded is £10,000.
   - Provides funding for projects delivered by the voluntary and community sector

- Must be available for the wider community

6. All applications are assessed against two measures of need: how the project meets the Council's aims and objectives in meeting identified community needs and the organisational need of grant funding from the Council to enable the project to succeed. Both measures seek to demonstrate the value for money to be obtained in providing grant funding. Twelve criteria are used to assess community need based on the aims and objectives set out in the Corporate Plan.

   - How does your project promote stronger, cohesive and balanced communities (in particular encouraging people from different backgrounds to get along together)?
   - How does your project involve volunteers and how will volunteers be supported and developed?
   - How does your project promote and support physical health and well-being (in particular healthy eating, physical activity, sexual health and reduced substance misuse)?
   - How does your project promote and support improved mental health and emotional well-being?
   - How does your project reduce the impact of crime and/or anti-social behaviour?
   - How does your project improve the quality of life of people living in priority neighbourhoods?
   - How does your project improve the well-being of residents through acknowledging their diverse needs?
   - How does your project enable children, young people and older people to make a positive contribution to the communities in which they live?
   - How does your project enable older people to live independent lives?
   - How does your project promote access of local people to green spaces and the countryside?
   - How does your project add value to Charnwood's commitment to reduce the impact of climate change?
   - How does your project help promote local businesses to prosper and develop vibrant towns and villages, and support rural enterprise?

7. Five criteria are used to assess the need for the Council to provide grant funding. Organisations must demonstrate that their projects are prepared and managed well and will be encouraged to explore other funding sources where appropriate.

   - Has a realistic total cost and timetable for the project been identified after being researched, for example through obtaining quotes or using reliable information from previous years?
   - Have efforts been made to obtain other funding to enable the project to begin and is the amount sought from the Council necessary to secure match funding or because other sources of funding are not available?
   - What balances and reserves are available and has using these to fund the activity been considered?
   - Is the proportion of the cost of the project the Council is being asked to fund justified?

- No specific geographically based conditions or targets are applied to grant awards but the geographical distribution of grants across the Borough is taken into account.

8. Applications are assessed qualitatively against these criteria and rated high, medium or low. These ratings are converted to a score on the following basis which rewards those applications which rate highly in meeting community need and provide a maximum possible score of 97.

Table 1 – Conversion of rankings into scores

Ranking	Community Need Score	Organisation Need Score
HIGH	6	5
MEDIUM	2	3
LOW	1	1
Maximum Score	72	25

Levels for funding

Score	Level of funding
Less than 30	Nil
30 – 40	Some of grant funding applied for
More than 40	Most or all of funding applied for

<u>Community Facilities Grant Applications</u>

9. No applications for Community Facilities Grant funding have been received for this round.

<u>Community Development & Engagement Grant Applications</u>

10. Nine applications were received for funding in Round 3 for 2018/19. Nine applications have been assessed against the criteria; eight have been recommended for approval, and one has been recommended for refusal.

Without Walls Christian Fellowship - Score 43 - Recommendation to award up to £5,066

11. Without Walls Christian Fellowship is a charity which was formed in 2006, working in Leicestershire and serving the local community. Their 'Singing Café' project began five years ago and they have been successful in reaching and helping people with mental health challenges such as dementia, memory loss and other issues. Their focus is to care for and look after people, relieving any suffering and providing a safe place. They run four cafés across Leicestershire. The aim in providing the cafés is to enhance the quality of life of those that attend. The organisation is aware of the increasing need for the provision of help for those facing issues in the area of mental health, and knows that their service is helping alleviate the problem.

12. Singing Café sessions enable participants to have a singalong using a large TV screen and computer to follow words if they are able, while providing visual stimulation. They are encouraged to shake tambourines, which requires concentration to keep to the rhythm and light exercise, to upbeat and positive songs. Guests can participate entirely at whatever level they are able, and they do find that even those in the most advanced stages of dementia who have difficulty talking are still able to sing.

13. The organisation is applying for funding towards two of the Singing Cafés, which are held in Loughborough and Shepshed libraries. Funding would cover 12 months general running costs, and allow for growth and development of the cafés.

14. The benefits of the project include:

- Reduces loneliness and isolation, by providing a setting where people can come with their carers, and connect with others in a similar situation;
- Music and singing is therapeutic and studies have shown that it can help the structural connectivity of the brain;
- Improves confidence and self-esteem.

15. The application identifies strong links with the following aims and objectives set out in the Council's Corporate Plan:

- Promotes stronger, cohesive and balanced communities;
- Promotes and supports improved mental health and emotional wellbeing;
- Improves the well-being of residents through acknowledging their diverse needs.

16. The application of £5,066 is for 45.2% of the total scheme costs of £11,209.

17. The Panel scored this scheme at 43 and recommends that a grant of up to £5,066 be awarded.

18. The Panel feel that this is a great project, which addresses a need that we have in the Borough to support people with dementia. The Panel would be happy to work with the organisation to promote the sessions through the Health and Wellbeing Partnership.

The Loughborough Leggo Group - Score 62 - Recommendation to award up to £6,400

19. The Loughborough Leggo Group is an established group based at Fearon Hall in Loughborough for young people with special needs, aged 10-19 years who have physical, mild learning and social interaction difficulties. Several of the members have anxiety and mental health issues, and nearly all of the members have Autism and other conditions that impact young people, including ADHD, ADD, Aspergers Syndrome, Cerebral Palsy, Downs Syndrome, Dyspraxia and Dyslexia. The organisation delivers a Friday night

youth club at Fearon Hall, providing a programme of structured physical and social activities in which gross and fine motor skills, co-ordination and strength can be developed.

20. The organisation aims to enable the young people to achieve their potential through:

- The provision of recreational and leisure activities to aid their co-ordination, strength and general well-being;
- The provision of support and activities which develop their skills, capacities and capabilities to enable them to participate in society as mature and responsible individuals;
- The provision of support to meet their emotional and mental wellbeing needs.

21. Networking and partnership working has led to the increased demand for places at Loughborough Leggo Group. Membership has increased much faster than expected and the group is operating a waiting list, with eight young people waiting for a place. In autumn 2017, a new model for the youth club was established and the group doubled its capacity by delivering two youth groups on one evening.

22. The organisation is applying for funding towards a volunteer development programme, which will support volunteers to help run the sessions and in the upkeep of the organisation's website and social media development.

23. The benefits of the project include:

- Increase in physical activity for the young people with disabilities;
- Participants' increase in confidence and self-esteem;
- Improvement of social skills and independence;
- A support network for parents/guardians.

24. The application identifies strong links with the following aims and objectives set out in the Council's Corporate Plan:

- Promotes stronger, cohesive and balanced communities;
- Involves, supports and develops volunteers effectively;
- Promotes and supports physical health and wellbeing;
- Promotes and supports improved mental health and emotional wellbeing;
- Improves the quality of life of people living in priority neighbourhoods;
- Improves the well-being of residents, through acknowledging their diverse needs.

25. The application of £6,400 is for 33.5% of the total scheme costs of £19,106.

26. The Panel scored this scheme at 62 and recommends that a grant of up to £6,400 be awarded.

27. The application scored highly against the criteria of the scheme and the Panel feel that this is a very positive application, showing growth in an organisation which is well-managed and supported by volunteers and parents.

Coping with Cancer in Leicestershire and Rutland – Score 45.3 - Recommendation to award up to £3,200

28. Coping with Cancer in Leicestershire and Rutland is an independent charity which was formed in 1981. Their aim is to empower people to help themselves by actively promoting self-help, mutual support and equal access to all cancer and care services in the locality of Leicestershire and Rutland. They offer impartial and confidential guidance and practical and emotional support to anyone affected by cancer. They also provide an opportunity to have views and concerns heard about cancer services in the area and will consider how else they can better their services to cater for those service users who require them.

29. This application is for funding towards 12 months' general running costs of the Wanlip Time-out Group, which meets twice a month and has approximately 20 attendances per month. The sessions offer cancer patients, their families and carers the chance to access advice and support, plus enjoy complementary therapy treatment in a calm, relaxing atmosphere and chat to other patients over a cup of tea. The sessions run by the group work with the person as a whole, giving them a sense of control over what is happening to them, reducing stress, tension, sleeplessness, anxiety and depression.

30. The benefits of the project include:

- An opportunity for people from all backgrounds to meet and socialise, supporting each other in similar circumstances;
- Improved mental health, reduced anxiety/depression;
- Support for family members, and carers.

31. The application identifies strong links with the following aims and objectives set out in the Council's Corporate Plan:

- Promotes stronger, cohesive and balanced communities;
- Promotes and supports physical health and well-being;
- Promotes and supports improved mental health and emotional well-being;
- Improves the well-being of residents through acknowledging their diverse needs.

32. Local Ward Councillors were consulted on the application. One Councillor was unable to comment due to a personal interest in the organisation, and another Councillor provided the following response:

"I have read the application and it seems the group are offering a great service to those in need. I do have a couple of reservations which I'm hoping could be cleared up by requesting some further information from the applicant. A great project but I think the applicant should be given the opportunity to clarify a couple of points and the option to amend the application if they so wish, before it goes forward for a final decision." The issues raised were in relation to :

- The costs of the leaflets – which seemed very high
- That they don't seem to be doing any of their own fundraising. All funds for the project seem to be coming from grant applications.

33. The application of £3,434 is for 47.1% of the total scheme costs of £7,290.

34. The Panel scored this scheme at 45.3 and recommends that a grant of up to £3,200 be awarded, subject to the organisation working with officers to look at the cost of the the production of the leaflets and the distribution. If these costs are reduced the grant awarded will also reduce.

35. The application scored well against the criteria of the scheme, and the Panel liked the self help approach to the project. The Panel will work with the applicant to find ways of reducing the marketing costs. The VCS Development Officer will work with the group to develop their Business plan and move the organisation towards a more sustaianable funding position.The Panel also clarified that the group are generating donations and additional income from the Charnwood Lottery.

Go-Getta CIC – Score 53.5 - Recommendation to award up to £10,000

36. Go-Getta CIC was launched in 2012 to deliver high quality provision for young people. Existing statutory services would often report difficulties in engaging particular groups of 'hard to reach' young people. Existing policies would often mean vulnerable young people or those with challenging behaviours were being excluded due to risk issues. Go-Getta CIC are passionate that their approach, ethos and diverse experience in supporting the most vulnerable and disadvantaged young people in society, attributes to success in engaging those 'hard to reach' groups and modifying behaviours.

37. Go-Getta CIC have extensive experience in supporting particularly vulnerable groups including;

- Young offenders – including those with high risk sexual and violent offences;
- Children in care / care leavers;
- Young people and adults with mental health diagnoses or difficulties;
- Young people with learning needs;
- Young people and adults with substance misuse issues;
- Young people and adults with complex or multiple additional needs;
- Homeless young people and adults;
- Refugee and asylum seeking children;
- Victims of child sexual exploitation.

38. Their direct experience and expertise in project management and Community Engagement has enabled them to successfully deliver projects working with young people across Leicestershire since their launch 4 years ago. Their aims are to improve the life chances of disadvantaged young people at high risk of social exclusion, to reduce youth related anti-social behaviour in

deprived neighbourhoods, and to increase awareness and support around mental health and substance misuse within targeted communities.

39. The benefits of the project include:

- Enhancement of young people's understanding of the impact of their behaviour on their communities, neighbours, families, and schools;
- Open to young people of all backgrounds, ethnicities, religion, and engages with young people with a wide range of diverse needs, including young people with gender identity issues, those identifying with LGBT, learning or mental health/cognitive needs such as dyslexia, dyspraxia, ADHD and autism;
- Increase in young peoples' self confidence and self-esteem;
- Reduction of anti-social behaviour.

40. The organisation delivers a comprehensive youth diversion programme in Charnwood and is applying for funding towards their youth motivators element of the programme which forms part of their overall co-ordinated provision across Charnwood, which includes the following:

- Words over Weapons (a project tackling knife crime amongst 11-19 year olds);
- Youth Engagement (supporting young people identified as being particularly vulnerable);
- Desire (youth group project managed by Ashby Road Estates Community Association for young people in the Ashby Road estate area);
- Mountsorrel Youth Café (delivered in partnership with Fusion, with the aim of diverting young people in the area away from ASB);
- Anstey Youth Sessions (delivered in partnership with Fusion, with the aim of diverting young people in the area away from ASB);
- Syston Youth Café (weekly youth café for young people from Syston and the surrounding area;
- Youth Motivators (delivery of detached youth work across Warwick Way, Ashby Road, Thorpe Acre and Shelthorpe Estates, engaging with young people aged 8yrs to 19yrs).

41. The application identifies strong links with the following aims and objectives set out in the Council's Corporate Plan:

- Promotes stronger, cohesive and balanced communities;
- Involves, supports and develops volunteers effectively;
- Promotes and supports physical health and well-being;
- Promotes and supports improved mental health and emotional well-being;
- Reduces the impact of crime and/or anti-social behaviour;
- Improves the quality of life of people living in priority neighbourhoods.

42. The application of £10,000, towards the Youth Motivators element of the project, is for 17.44% of the total youth diversion programme costs of £57,345.

43. The Panel scored this scheme at 53.5 and recommends that a grant of up to £10,000 be awarded.

44. The application scored highly against the criteria of the scheme, and the Panel recognise that the organisation fulfils a vital function, filling a gap in provision for youth diversion from crime and anti-social behaviour with young people. The Panel believe the organisation provides excellent value for money, not only working with young people, but also providing support to other organisations working with young people. They also recognise that the organisation levers in other external funding towards their overall package of provision which contributes towards reducing asb, crime and disorder by young people.

The Exaireo Trust – Score 51.8 - Recommendation to award up to £10,000 (£7,500 through the Community Development and Engagement Grants scheme, and £2,500 through the Loughborough Community Grants scheme)

45. The Exaireo Trust provides temporary supported housing for people who have been, or are at risk of becoming homeless. The accommodation is in shared houses in Leicestershire (ten in Loughborough and one in Coalville), with each resident having their own bedroom and mainly shared communal spaces. Residents are assigned a key-worker with whom they meet weekly. The organisation also provides guaranteed work experience. Many residents have a history of substance misuse, and the organisation provides a rehabilitation house, support to attend community groups and a dedicated addiction support worker. They currently co-ordinate various groups including 'Road to Recovery' (Exaireo), 'Hope' (joint venture) and 'Streets to Seats' (Falcon Support Services). They also accompany people to community groups, and with this individual support, the project builds relationships with individuals with a view to supporting them to attend meetings wherever possible.

46. The main focus of their application is to maintain and extend the project, to provide support to a greater number of people. They will set aside specific hours to work within the Bell Foundry Estate and they will work with the Marios Tinenti Centre within the area, which supports the need identified for outreach drugs support work as part of the Bell Foundry People Zone stakeholder workshop. They would provide a detox facility using Care Quality Commission registered professionals. This is a facility which is not currently available, and would enable the organisation to prepare people for residential rehabilitation. The project currently provides 20 hours per week, split between Exaireo and Falcon Support Services. They are aiming to increase this to 45 hours (to provide within the community, hours within Exaireo and Falcon Support Services and hours within the Bell Foundry Estate). The project will benefit people living in supported housing, within the Bell Foundry Estate and within the wider Loughborough community who are experiencing substance misuse issues.

47. The benefits of the project include:

- Reduction of substance misuse;
- Improvement of mental health, including self-esteem/confidence;
- Positive effect on crime and anti-social behaviour.
- Addressing significant identified need within the Bell Foundry People Zone project

48. The application identifies strong links with the following aims and objectives set out in the Council's Corporate Plan:

- Promotes and supports physical health and well-being;
- Promotes and supports improved mental health and emotional well-being;
- Reduces the impact of crime and anti-social behaviour;
- Improves the quality of life of people living in priority neighbourhoods.

49. The application of £10,000 is for 29.15% of the total scheme costs of £34,339.

50. The Panel scored this scheme at 51.8 and recommends that a grant of up to £10,000 be awarded, subject to the Police and Crime Commissioner funding bid being approved, and further discussions with CBC Officers around the delivery of the project. (£7,500 to be funded through the Community Development and Engagement Grant scheme, and £2,500 to be funded through the Loughborough Community Grants scheme).

51. The application scored highly against the criteria of the scheme, and the Panel recognises that this project fills a gap in the Borough for work with drug addiction, prevention and outreach work. The Panel would like the applicant to meet with CBC Officers to discuss specifics around the delivery of the project in the Bell Foundry area of Loughborough. The Panel notes that the applicant has applied to the Police and Crime Commissioner for two year funding, to a total value of £49,331, and that this application, if successful, will enable them to develop the project further during Year 1, with a second part-time addiction support worker. The applicant is working with the PCC and their 'People Zone' project and the Community Safety Partnership to address the issues highlighted in this application.

Transition Loughborough - Score 46 - Recommendation to award up to £5,000 through the Community Development and Engagement Environmental Grant scheme

52. Transition Loughborough was formed in November 2010, and aims to make the community more resilient in the face of environmental problems, including climate change, declining oil supplies, rising energy prices and issues caused by waste and unsustainable transport. Whilst many of the problems are global, the organisation works to tackle them through practical local projects involving local people and local ideas.

53. The organisation is seeking funding towards a 'Fantastic Home' mobile exhibition, in the form of a house on wheels, visiting six outdoor community events in the area (likely to include Picnic in the Park and Loughborough Mela), promoting living in an environmentally sustainable manner. The exhibition will cover topics including domestic energy efficiency, domestic renewables, waste reduction, water efficiency, affordable warmth and sustainable transport. It will include interactive elements such as a bike which can be pedalled to see how much power people can generate, a miniature living room full of energy efficiency and affordable warmth features, and the opportunity for members of the community to share their own 'top tips' for energy saving with others. Members of Transition Loughborough will create six bespoke posters for the exhibition containing Charnwood-specific

information on them. The project will aim to help communities in Charnwood learn more about the many practical ways in which they can tackle climate change, making their homes warmer, cheaper to heat, more energy efficient, better for the environment and healthier to live in. The project will reach around 240 people, (40 per event), with tailored one-to-one advice. It will also engage around six volunteers who will work alongside an expert Energy Advisor to deliver the exhibition to the public.

54. The benefits of the project include:

- Will encourage householders in Charnwood to make their homes easier and cheaper to heat;
- A knock-on effect of the exhibition may be that some householders then feel able to heat their homes, leading to improvement of general health and wellbeing;
- One-to-one advice will ensure the needs of individuals are met;
- Raising awareness of climate change for a wide audience, including older people, children and young people.

55. The application identifies strong links with the following aims and objectives set out in the Council's Corporate Plan:

- Involves and supports volunteers effectively;
- Promotes and supports physical health and wellbeing;
- Enables older people to live independent lives;
- Adds value to Charnwood's commitment to reduce the impact of climate change.

56. The application of £5,024 is for 38.85% of the total scheme costs of £12,930.

57. The Panel scored this scheme at 46 and recommends that a grant of up to £5,000 be awarded through the Community Development and Engagement Environmental Grant scheme.

58. The application scored well against the criteria of the scheme and the Panel feel that this is a positive project which is suited to the environmental element of the grants schemes.

Carillon Arts - Score 30.3 - Recommendation to award up to £300 through the Loughborough Community Grants scheme

59. Carillon Arts is a new organisation which aims to explore how people connect to place, through sensory and bodily engagement with sounds and materials. This is achieved by creating participatory, playful artistic experiences which focus on a group's daily physical and sensory engagement with a site. By exploring these daily experiences through fine art practice, they want to demonstrate how art can relate to people within the context of their own individual social and physical worlds.

60. The organisation is applying for funds towards their first project, 'Feel, Hear, Be', a participatory art project focusing on the John Storer Charnwood

therapeutic allotment in Loughborough (JSC Thyme Project), where adults with learning difficulties and other disabilities spend quality time performing gardening activities. They will work with approximately 20 adults. Their planned participatory art activities will record the nuances of everyday life on the allotment site, and the artists will aim to encapsulate the deep sense of connection which the adults have with the allotment, by documenting their sensory and bodily engagement with it, through activities which involve sound and soil. A sound artist will explore and synthesise the sounds of the allotment, juxtaposing the urban and natural soundscape of the allotment along with the group's verbal responses to the sound of traffic. Another artist, whose art practice encompasses painting and sculpture, will explore the participants' tactile and bodily interaction with the natural aspects of the allotment. Participants will:

- Collect soil and other organic materials with which they will learn to make paint, eventually making a large group earth painting;
- Make tracks with a mud-covered wheelbarrow tyre over long rolls of paper – this will become an undulating sculptural piece;
- Be involved in making a large scale "book of soil" imprinted with the adults' handprints and embedded with small objects, which they will collect from the allotment;
- Make a map of "rubbings" which plot the adults' everyday journeys around the site by recording contact with specific natural materials and objects.

61. Outcomes will be presented as an installation of sound and objects within the main John Storer House Community Centre and the Martin Hall Gallery at Loughborough University.

62. The benefits of the project include:

- Opening up new artistic opportunities for the participants;
- Will foster a deeper connection with the site for the participants;
- Working with soil has significant health and therapeutic benefits;
- Increase in self-esteem and self-confidence.

63. The application identifies strong links with the following aims and objectives set out in the Council's Corporate Plan:

- Promotes and supports physical health and well-being;
- Promotes and supports improved mental health and emotional well-being;
- Promotes access of local people to green spaces and the countryside.

64. The application of £450 is for 9.56% of the total scheme costs of £4,704.

65. The Panel scored this scheme at 30.3 and recommends that a grant of up to £300 be awarded through the Loughborough Community Grants scheme, subject to their bid for funding to the Arts Council being successful**.**

66. The Panel like this project and feel that it is offering something different, to enhance an already successful project at the allotment. They do however feel that the artists' costs are high, and would encourage the applicant to look into how these costs could be reduced.

Passion Youth Centre - Score 50.2 - Recommendation to award up to £6,600

67. Passion Youth Centre was formed in 2009, to act as a resource for young people primarily up to the age of 18 living in Shepshed and surrounding areas, by providing advice and assistance and organising programmes of physical, educational and other activities. They aim to:

- Help young people advance in life by developing their skills, capacities and capabilities to enable them to participate in society as independent, mature and responsible individuals;
- Advance education;
- Provide recreational and leisure time activity in the interests of social welfare for those living in the area who have need by reason of their youth, age, infirmity or disability, poverty or social and economic circumstances.

68. The youth club has been operating for a number of years, and they currently offer three sessions a week on Thursdays, Fridays and Sundays from 7-9pm. During the sessions they engage with 15-20 young people, many of whom are experiencing a range of social, emotional and behavioural issues. The sessions operate as a drop-in and they provide a range of activities such as pool, karaoke, arts and crafts and discussion circles. They also host a film night each month, and throughout the year the young people get involved with fundraising activities.

69. The organisation is requesting funding towards overall running costs and the delivery of new cooking sessions, which will require a small upgrade to their kitchen. The upgrade will increase the opportunities available to the young people they work with. They will be offering after-school sessions on Fridays from 4-7pm. During this time they will work with the young people and teach them how to cook simple meals. They will be supervised by a sessional youth worker from a catering background along with the Youth Leader. This project will allow the organisation to:

- Deliver youth sessions throughout the year;
- Deliver new cooking sessions;
- Invite older people from the community to support an inter-generational cooking session. (Their aspiration is to create a learning environment where our older supporters and donors can teach the young people how to cook);
- Enhance their fundraising events (e.g. monthly soup kitchen) by being able to cook meals to serve to the community;
- Develop the venue so it functions as a community hub which offers coffee mornings and other community activities in Shepshed.

70. The benefits of the project include:

- Bringing older and younger people together;
- Provides diversionary activities for young people who are likely to be involved in crime or ASB;
- Will promote healthy eating and a healthy lifestyle;
- Facilitating young people’s integration into the community;

- Improvement of self-esteem and self-confidence.

71. The application identifies strong links with the following aims and objectives set out in the Council's Corporate Plan:

    - Promotes stronger, cohesive and balanced communities;
    - Promotes and supports physical health and well-being;
    - Promotes and supports improved mental health and emotional well-being;
    - Reduces the impact of crime and/or anti-social behaviour.

72. The application of £6,600 is for 14.47% of the total scheme costs of £45,600.

73. The Panel scored this scheme at 50.2 and recommends that a grant of up to £6,600 be awarded.

74. The application scored very highly against the criteria of the scheme. The Panel feel that this is a strong project meeting a need for youth diversionary activity in the Shepshed area.

Miller and Peverill Residents' Association Sileby – Score 16.5 - Recommendation to decline

75. Miller and Peverill Residents' Association Sileby was formed in May 2018, to work on behalf of residents who live on the newly developed Miller and Peverill housing estate. Primarily the residents association represents residents in liaising with Meadfleet, a private land management company who residents make quarterly payments to in order to maintain land on the estate, to ensure they are acting in the best interests of residents. Meadfleet own large areas of recreational land on the estate, and the quarterly maintenance fees go towards management of the land, which includes parkland used by residents. Invoicing to residents is with little explanation of the services provided or how Meadfleet selects its contractors. The Residents' Association aims to hold Meadfleet to account for the quality and cost of services residents are charged for whilst also having a say in the improvements made. It will also help residents with wider issues such as community engagement, anti-social behaviour and a neighbourhood watch scheme.

76. The organisation is requesting funding towards general running costs, including IT equipment, promotion costs and meeting room hire.

77. Local Ward Councillors were consulted on the application, and one provided the following response / comments:

    Concerns were raised in relation to the application being about the residents issues with Meadfleet, the costs of services, invoicing and holding the organisation to account. The Councillor went on to say:

    "Whilst looking at this application and the issues that they are having with Meadfleet I can only encourage them to work with them and develop a strong Partnership. I think it's a valid point they have made about better communication with the Parish Council and Councillors and I welcome this going forward. In the village we have many problems regarding anti-social behaviour and we have a very good neighbourhood watch scheme that I would encourage the residents of Miller and Peverill Estate to join."

78. The application of £2,000 is for 100% of the total scheme costs.

79. The Panel scored this scheme at 16.5 and recommends that the application be declined.

80. The Panel feel that this particular project does not meet the criteria of the scheme, and that funding cannot be contributed towards legal challenges. However, the Panel will be happy to offer support and advice to the organisation with any community-led activities or events.

Appendices

Appendix 1 – Community Development and Engagement Grants Summary
Appendix 2 – Equality Impact Assessment

APPENDIX 1

Budget for 2018-19: £64,100
Balance after Rd 2: £38,770
Balance Remaining: £4

Round 3 2018/19 - Community Development and Engagement Grants Summary

Applicant	Project description	Amount applied for (£)	Total project cost (£)	Community need score	Organisation need score	Total score	Recommendation
Grant ref 1186 Without Walls Christian Fellowship	Singing café	5,066	11,209	24	19	43	Approve up to £5,066
Grant ref 1187 The Loughborough Leggo Group	Volunteer, website and social media development	6,400	19,106	43	19	62	Approve up to £6,400
Grant ref 1188 Coping with Cancer in Leics and Rutland	Wanlip Time-out Group	3,434	7,290	28.8	16.5	45.3	Approve up to £3,200
Grant ref 1190 Go-Getta CIC	Overall youth provision across Charnwood	10,000	57,345	39.5	14	53.5	Approve up to £10,000

Grant ref 1191 The Exaireo Trust	Community Addiction Support project	10,000	34,339	30.8	21	51.8	Approve up to £10,000 (£7,500 to be funded through Community Development and Engagement Grants scheme and £2,500 through Loughborough Community Grants scheme)
Grant ref 1192 Transition Loughborough	‘Fantastic Home’ project	5,024	12,930	30	16	46	Approve up to £5,000 (to be funded through Community Development and Engagement Environmental Grants scheme)
Grant ref 1193 Carillon Arts	‘Feel Hear Be’ project	450	4,704	16.3	14	30.3	Approve up to £300 (to be funded through Loughborough Community Grants scheme)
Grant ref 1194 Passion Youth Centre	Running costs, weekly cooking sessions, including a small kitchen upgrade	6,600	45,600	32.8	17.4	50.2	Approve up to £6,600

Grant ref 1189 Miller and Peverill Residents' Association	General running costs	2,000	2,000	9.5	7	16.5	Decline – does not meet the criteria of the scheme

Appendix 2

Charnwood Borough Council

Equality Impact Assessment
'Knowing the needs of your customers and employees'

Background

An Equality Impact Assessment is an improvement tool. It will assist you in ensuring that you have thought about the needs and impacts of your service/policy/function in relation to the protected characteristics. It enables a systematic approach to identifying and recording gaps and actions.

Legislation- Equality Duty

As a local authority that provides services to the public, Charnwood Borough Council has a legal responsibility to ensure that we can demonstrate having paid due regard to the need to:

- ✓ Eliminate discrimination, harassment and victimisation
- ✓ Advance Equality of Opportunity
- ✓ Foster good relations

For the following protected characteristics:

1. Age
2. Disability
3. Gender reassignment
4. Marriage and civil partnership
5. Pregnancy and maternity
6. Race
7. Religion and belief
8. Sex (Gender)
9. Sexual orientation

What is prohibited?

1. Direct Discrimination
2. Indirect Discrimination
3. Harassment
4. Victimisation
5. Discrimination by association
6. Discrimination by perception
7. Pregnancy and maternity discrimination
8. Discrimination arising from disability
9. Failing to make reasonable adjustments

Step 1 – Introductory information

Title of the policy	Community Development & Engagement Grant and Community Facilities Grant.
Name of lead officer and others undertaking this assessment	Julie Robinson
Date EIA started	March 2018
Date EIA completed	March 2018

Step 2 – Overview of policy/function being assessed:

Outline: What is the purpose of this policy? (Specify aims and objectives)
Charnwood Borough Council recognises the value and contribution of individuals, voluntary sector organisations and other community-led projects and the benefits they provide to the residents of Charnwood. Through our Charnwood grant schemes we provide a range of grants to help these organisations, groups and individuals access the funding support they need. Three times a year Cabinet considers applications for revenue funding for the Community Facilities Capital Grants and Community Development and Engagement Grants Schemes. It is the Councils aim to ensure the grants process is inclusive of all community groups and funding supports projects targeting individuals across a range of protected characteristics, as outlined in the Equality Act 2010.
What specific group/s is the policy designed to affect/impact and what is the intended change or outcome for them?
It is the Councils aim to ensure that the grants process is inclusive of all community groups and funding supports projects targeting individuals/ residents across a range of protected characteristics, as outlined in the Equality Act 2010. Analysis is therefore undertaken to ensure that the grant are distributed in a reasonable and proportionate manner.
Which groups have been consulted as part of the creation or review of the policy?
Evaluation takes place on successful applications to analyse whether there any gaps with regards to the protected characteristics in order to ensure the grants process is fair and equal to all. In particular analysis is undertaken to determine any barriers which may prevent specific community groups/ communities of interest from successfully applying or even applying at all to Charnwood Grants.

Step 3 – What we already know and where there are gaps

List any existing information/data do you have/monitor about different diverse groups in relation to this policy? Such as in relation to age, disability, gender reassignment, marriage and civil partnership, pregnancy & maternity, race, religion or belief, sex, sexual orientation etc.

Data/information such as:

- Consultation
- Previous Equality Impact Assessments
- Demographic information
- Anecdotal and other evidence

- Analysis of successful Community Development & Engagement Grants, Loughborough Grants and Community Facilities Grants 2017/18

What does this information / data tell you about diverse groups? If you do not hold or have access to any data/information on diverse groups, what do you need to begin collating / monitoring? (Please list)

Number & total of grants awarded based on protected characteristic:

	Number of grants awarded	Total funding approved
Age	10	£29,720
Disability	5	£24,200
Gender Reassignment	0	£0
Pregnancy & Maternity	0	£0
Race	3	£4,490
Religion or Belief	N/A	N/A
Sex/ Gender	2	£7,895
Sexual Orientation	0	£0
No Characteristic/ Wider Community	18	£84,332
TOTAL	37	£150,637

N.B. The characteristic of Marriage and Civil Partnership was not included due to its status within the Equality Act 2010 legislation, as it is to protect individuals from discrimination in the employment law. The harassment provisions that relate to other protected characteristics do not apply to marriage or civil partnership.

It is acknowledged that some of the approved grants are towards projects which support individuals with multiple characteristics and those projects supporting the wider community have a wide range of beneficiaries.

Step 4 – Do we need to seek the views of others? If so, who?

In light of the answers you have given in Step 2, do you need to consult with specific groups to identify needs / issues? If not please explain why.

Further equalities monitoring may be required for those projects which have applied and are deemed unsuccessful in order to identify any further issues or potential barriers.

However, at this stage of analysis it is felt the information currently held is sufficient to analysis trends

and determine any barriers or negative impacts.

Step 5 – Assessing the impact

In light of any data/consultation/information and your own knowledge and awareness, please identify whether the policy has a positive or negative impact on the individuals or community groups (including what barriers these individuals or groups may face) who identify with any ‘protected characteristics’ and provide an explanation for your decision (please refer to the general duties on the front page).	
	Comments
Age	There is a reasonable proportion of grant funding awarded to projects relating to Age. Of the grants awarded, there is a reasonable proportionate spread between projects for older and younger people. The process has therefore created a positive impact in relation to the protected characteristic of Age.
Disability **(Physical, visual, hearing, learning disabilities, mental health)**	There is a reasonable proportion of grant funding awarded to projects relating to disability. In addition it is acknowledged that some of the projects funded are cross- cutting and support individuals with multiple characteristics. Therefore, creating further positive impacts for people with disabilities. The process has therefore created a positive impact overall in relation to the protected characteristic of Disability.
Gender Reassignment **(Transgender)**	No projects have been specifically funded to support the protected characteristic of Gender Reassignment. The impact of this is neutral as there have been no applications to date. However it is acknowledged that specific marketing / promotion of Charnwood Grants could take place where specific support groups etc. meet for further awareness raising.
Race	There is some grant funding awarded to projects relating to Race. In additional it is acknowledged that some of the projects funded are cross- cutting and support individuals with multiple characteristics.
Religion or Belief **(Includes no belief)**	Whilst Charnwood Grants do not specifically support religious groups / activities, it does provide funding to these groups who are delivering activities for the wider community. The impact is therefore neutral with regards to the protected characteristic of religion or belief with the acknowledged that wider benefits are created for the wider community.
Sex **(Gender)**	There is some grant funding awarded to projects relating to Gender. In addition it is acknowledged that some of the projects funded are cross- cutting and support individuals with multiple characteristics. The process has therefore created a positive impact in relation to the protected characteristic of

	Gender.
Sexual Orientation	No projects have been specifically funded to support the protected characteristic of Sexual Orientation. The impact of this is neutral as there have been no applications to date. However it is acknowledged that specific marketing / promotion of Charnwood Grants could take place where specific support groups etc. meet for further awareness raising.
Other protected groups (Pregnancy & maternity, marriage & civil partnership)	There is no grant funding awarded to projects relating to these other protected groups. In addition it is acknowledged that some of the projects funded are cross - cutting and support individuals with multiple characteristics. Additional targeted promotional work will be undertaken.
Other socially excluded groups (carers, low literacy, priority neighbourhoods, health inequalities, rural isolation, asylum seeker and refugee communities etc.)	The grants which focus on the wider community have a wide range of benefits, particularly for residents from priority neighbourhoods or areas of deprivation.

Where there are potential barriers, negative impacts identified and/ or barriers or impacts are unknown, please outline how you propose to minimise all negative impact or discrimination. Please note: a) If you have identified adverse impact or discrimination that is illegal, you are required to take action to remedy this immediately. b) Additionally, if you have identified adverse impact that is justifiable or legitimate, you will need to consider what actions can be taken to mitigate its effect on those groups of people.
No negative impacts or potential barriers have been identified. However it is acknowledged that specific marketing / promotion of Charnwood Grants could take place for the protected characteristics of Gender Reassignment, Pregnancy and Maternity and Sexual Orientation.
Summarise your findings and give an overview as to whether the policy will meet Charnwood Borough Council's responsibilities in relation to equality and diversity (please refer to the general duties on the front page).
It is the opinion that the Community Development & Engagement Grant and the Community Facilities Grant comply with Charnwood Borough Council's equality and diversity responsibilities. It will further promote equal opportunities and achieve positive outcomes.

Step 6- Monitoring, evaluation and review

Are there processes in place to review the findings of this Assessment and make appropriate changes? In particular, how will you monitor potential barriers and any positive/ negative impact?
Monitoring will continue on a quarterly and annual basis to assess the grant applications that are successful. Continuous monitoring and analysis will aim to identify gaps which may potentially highlight barriers or negative impacts towards specific community groups/ communities of interest. Further equalities monitoring will be explored for those projects which have applied and are deemed unsuccessful, for the further identification of issues or potential barriers.

How will the recommendations of this assessment be built into wider planning and review processes? e.g. policy reviews, annual plans and use of performance management systems.
Where barriers/ negative impacts are identified, the mitigating action and progress against this will be included within the relevant service plan.

Step 7- Action Plan

Please include any identified concerns/actions/issues in this action plan: The issues identified should inform your Service Plan and, if appropriate, your Consultation Plan			
Reference Number	**Action**	**Responsible Officer**	**Target Date**
001	Continue to monitor the Grants on a quarterly and annual basis to assess the grant applications that are both successful and unsuccessful.	J. Robinson	March 2019

Step 8- Who needs to know about the outcomes of this assessment and how will they be informed?

	Who needs to know (Please tick)	**How they will be informed** (we have a legal duty to publish EIA's)
Employees	✓	This EIA will be published on the Council's website.
Service users	✓	
Partners and stakeholders	✓	
Others	✓	
To ensure ease of access, what other communication needs/concerns are there?	✓	

Please delete as appropriate
I agree with this assessment / action plan
If *disagree*, state action/s required, reasons and details of who is to carry them out with timescales: N?A
Signed (Service Head): Julie Robinson
Date: 14.08.2018

Please send completed & signed assessment to Suzanne Kinder for publishing.

CABINET – 13TH DECEMBER 2018

Report of the Strategic Director for Housing, Planning & Regeneration and Regulatory Services
Lead Member: Councillor Eric Vardy

Part A

ITEM 7 HOUSING DEVELOPMENT COMPANY

Purpose of Report

This report seeks approval from the Cabinet to consider proposals for a county wide development company and a Council owned Housing Development Company to deliver new homes and regeneration projects in the Borough.

Recommendations

1. That, having considered the outline business case attached, Charnwood does not participate in the wider Leicestershire development company proposal.

2. That delegated authority is given to the Strategic Director for Housing, Planning & Regeneration and Regulatory Services, in consultation with the Cabinet Lead Member for Planning, Inward Investment and Tourism Strategy to investigate the establishment of a Charnwood Housing Development Company.

3. That the Strategic Director for Housing, Planning & Regeneration and Regulatory Services develops a business case for a Charnwood Housing Development Company to be considered at a future meeting of Cabinet.

4. That a budget up to £20,000 be identified from the reinvestment reserve to fund professional advice and associated legal and administrative costs in developing the business case for the establishment of a Charnwood Housing Development company.

Reasons

1. The business case for the proposed Leicestershire Collaborative Development Company does not support the Council's participation in this proposal.

2. To investigate whether a Housing Development Company, wholly owned by Charnwood Borough Council, is an appropriate development vehicle for the Council to deliver new homes and physical regeneration projects in the Borough.

3. To allow Cabinet to be appraised of the findings of the business case.

4. To ensure the development of the business case is adequately funded.

Policy Justification and Previous Decisions

A key objective of the Council's Corporate Plan 2016 – 2020 is: 'Creating a strong and lasting economy'. This includes a commitment to deliver growth: new homes, new businesses and improved infrastructure. Creating a Housing Development Company will directly support the delivery of these objectives.

Implementation Timetable including Future Decisions and Scrutiny

A draft Business Plan setting out the objectives and potential financial commitment of the company will be brought back to the Cabinet in 2019

At its meeting on 13th November 2018, the Policy Scrutiny Group considered the proposal for a Housing Development Company. The Group was enthusiastic about the proposal in that the establishment of a Housing Development Company was an exciting initiative that could provide an opportunity for the Council to act more flexibly in responding to housing needs in the Borough.

Report Implications

The following implications have been identified for this report.

Financial Implications

The cost of developing a business plan and (if appropriate) setting up a wholly owned Housing Development Company is estimated at around £20,000.

Risk Management

The risks associated with the decision Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
That the setting up of the Housing Development Company has a negative impact on the reputation of the Council.	Possible	Moderate/ Major	Make sure that the objectives of the Housing Development Company are aligned with the Council's Corporate Plan 2016-2020.
The setting up of the Housing Development Company prevents the Council participating in a Collaborative Development Company	Unlikely	Minor	Continue dialogue with partners relating to the proposed Leicestershire District Council's Collaborative Development Company

Key Decision:	Yes
Background Papers:	Yes Corporate Peer Challenge, Charnwood Borough Council (6-8 March 2018): Feedback Report
Officer(s) to contact:	Eileen Mallon Strategic Director Housing, planning & Regeneration and Regulatory Services tel (01509 634662) eileen.mallon@charnwood.gov.uk

Part B

1. Background

1.1 The proposal to set up a Council owned Housing Development Company responds to the challenges facing the Council in relation to meeting housing needs and presents the opportunity to take on a more proactive and commercial role in the delivery of new homes and new business opportunities in the Borough.

1.2 Legislation, including the Localism Act 2011, requires the establishment of a company if the Council wishes to act for commercial purposes. Therefore, if the Council wishes to consider investing in wider regeneration and housing projects outside of the housing revenue account providing social housing to rent, then it needs to set up a Housing Development Company. This will enable the Council to deliver additional affordable or market housing and physical regeneration schemes in the Borough.

1.3 The Government has highlighted the Local Housing Company model as a useful tool for local authorities to contribute directly to the local housing supply. However, the Social Housing green paper: a 'new deal' for social housing (published 14 August, 2018) appeared ambiguous on the role of Local Housing Companies. The green paper indicates that councils would be expected to evidence home ownership opportunities within housing companies where they seek consent to transfer properties. The consultation on the green paper closed on 06 November, 2018. Therefore any business plan would need to take into account the potential changes or requirements brought about through the progression of the proposals in the green paper.

1.4 The setting up of an Housing Development Company would respond to a key recommendation of the Local Government Association Corporate Peer Challenge (March, 2018), that the Council could join up the growth and regeneration agenda, with commercial opportunities and financial forecasting, and ensure that cross-over opportunities are maximised.

1.5 The detail of the delivery objectives of any Housing Development Company would be agreed as part of the Draft Business Plan, however it is expected that the Company could help address the challenges facing the Council by proactively supporting:

- the maintenance of a five year supply of housing – the Company will focus on the delivery of additional new homes across the Borough to support the supply of plan led housing development;
- the supply of affordable housing for rent and where appropriate for affordable home ownership to meet local housing needs (see Appendix A);
- revenue generation for the Council from providing and charging for housing management services in relation to affordable homes for rent and shared ownership and privately rented properties owned by the Company;

- development of Council owned assets – the Company will develop a Strategic Asset Management Plan to deliver outcomes in line with the Council's vision; and
- deliver growth, new homes and new job opportunities in the Borough – develop a pipeline of regeneration projects through a business plan, setting out a pipeline of projects over a short, medium and long-term.

2. Options

2.1 There are a number of options which the Council can consider in relation to the delivery of housing and regeneration schemes as set out below

<u>(i) Option 1 – do nothing.</u>

2.2 The Council already invests resources to support the delivery of new homes and regeneration in the Borough. This is delivered across the housing and planning and regeneration functions. However, the Council does not currently have the ability to deliver new homes; proactively intervene in physical regeneration projects; or act as lead developer.

<u>(ii) Option 2 - Proposed Leicestershire District Council's Collaborative Development Company</u>

2.3 The proposed work on the Leicestershire District Council's Collaborative Development Company needs to be completed, and it is not clear what the timeframe is for the setting up of the Company. Therefore, there could be a delay in progressing projects through this vehicle, or there is a chance that this Company is not set up at all, due to the complexity of bringing all of the partners together to agree to the setting up of the Company.

<u>(iii) Option 3 – set-up a Housing Development Company wholly owned by Charnwood Borough Council.</u>

2.4 The Housing Development Company would offer a vehicle for the Council to directly deliver housing and wider regeneration projects in the Borough. The Company would be wholly owned and accountable to the Council. The Council could decide to defer a decision on setting up a Housing Development Company until the feasibility on a Collaborative Development Company is completed. However, the setting up of a Leicestershire Housing Development Company by the Council would not limit the options available to the Council.

3. The proposed Leicestershire District Council's Collaborative Development Company

3.1 In March 2018, the District Chief Executives considered the potential for collaborating on housing development across the County and asked that the options for developing a joint housing company be considered. Of the seven District Councils, three have withdrawn from the process: Hinckley and Bosworth BC, Harborough DC and Blaby DC, as they feel that the local arrangements they have in place at present will enable them to deliver on their housing objectives.

3.2 Officers of this Council have been working in partnership with the four remaining Leicestershire District Councils to consider the feasibility of setting up a Collaborative Development Company. An outline business case for a Leicestershire District Council's Collaborative Development Company was completed in November 2018 and is attached at appendix A.

3.3 A commentary on the merits of the outline business case is attached at Appendix B. The high level outline business case is not clear on what the governance structure of the Company would be and proposes that a number of activities could be delivered by the Collaborative Development Company, such as: (i) a development vehicle, (ii) management and maintenance of housing stock, and (iii) as a consultancy provider.

3.4 The outline business case seeks funding for the next stage, the Full Business Case, of £52,000 shared between the partners - a £13,000 commitment from Charnwood. However, the focus of the business and the outputs are not sufficiently developed at this stage therefore it is not clear what the benefit would be to the Council of investing in a Collaborative Development Company as currently proposed and set out in the Outline Business Case.

3.5 The proposed Leicestershire District Council's Collaborative Development Company is an ambitious and complex project. It is not clear at this point in time, based on evidence from the outline business case and given the level of development that has been indicated in the proposals, that the Collaborative Development Company can be a viable proposition.

3.6 Even if the business case is fully developed, it is considered that the volume of new development that might be created across the various local authority areas would not be sufficient to justify the level of revenue investment the Council would need to make in relation to running the business, particularly in the short term. There is also a significant element of risk in relation to the individual pipeline programmes and their certainty at this stage which has to be considered.

3.7 Consequently, on the basis of the evaluation of the outline business case for the Collaborative Development Company, it is recommended that the Council does not participate any further in the wider Leicestershire development company proposal.

4. The proposed Housing Development Company – wholly owned by Charnwood Borough Council

4.1 The options for a housing and regeneration delivery vehicle that addresses the challenge facing the Council to take a proactive and more commercial role to the delivery of new homes in the Borough have been considered. The most effective vehicle for this appears to be a wholly owned Housing Development Company.

4.2 The focus of a Housing Development Company, wholly owned by Charnwood Borough Council, would be to deliver new homes, physical regeneration and housing led mixed use development schemes in the Borough, where:

- the Council owns an asset or land that can be developed for housing, of all tenures, or housing-led mixed use development;
- the Council can acquire newly built properties to meet local housing needs and provide certainty to developers to continue to build new homes;
- through the acquisition of land and buildings the Council can deliver homes at sites that have stalled, or are otherwise not coming forward for delivery;
- the Council can collaborate with and support other public sector organisations to deliver new homes on publicly owned land; and,
- the council wishes to invest in land and property to broaden its investment portfolio.

4.3 Melton Borough Council and North West Leicestershire District Council are also looking to set up individual housing companies to give them a similar flexibility to provide alternative housing outside of the Housing Revenue Account social housing stock, Therefore there is the potential to share costs and experience as we go through the administrative process. It is estimated that the legal and administrative costs of setting up a local company, with some further advice on the business plan development, is estimated at around £20,000 although this work has yet to be commissioned.

4.4 The setting up of a Housing Development Company by the Council does not in any way limit the ability of the Council to be part of a wider Collaborative Development Company in the future should this prove to be a viable option, or the potential development programme increases. Therefore, setting up the Housing Development Company now would be a positive step, enabling the Council to look at alternative ways to deliver more affordable or market housing in the Borough.

5. Benefits that a Council owned Housing Development Company might bring

5.1 The Company could act as a delivery vehicle for regeneration projects across the Borough, delivering new homes that are needed in the right places.

5.2 The Company could offer the Council a ‘triple dividend’: delivering new homes in the right places; an increased role and control of the quality of development and place-making; and, a financial return to the Council – to invest in further housing and regeneration.

5.3 The Council could take a flexible approach and provide a variety of housing tenures depending on the business model and strategic needs; for example, homes for sale on the open market as well as affordable products such as social rent and private rent, which could result in additional revenue for the Council through its housing management function.

5.4 The Council, through the Housing Development Company, could take a more flexible approach on how profits are realised through a portfolio of projects. This might mean that the Council takes a different view to the private sector on how a commercially viable scheme is identified for the benefit of residents.

5.5 The delivery of new physical regeneration through the Housing Development Company would enable the Council to demonstrate clear distinction between its regulatory role (for example: acting as the Local Planning Authority) and the commercially focussed regeneration function (the Housing Development Company).

5.6 Currently development in the Borough by the private sector will only be considered to be commercially viable where there is an identifiable profit margin (this varies depending on development risk but is usually between 20% and 25%). At the end of the development those profits are normally taken out of the Borough. The development projects delivered by the Housing Development Company could be retained and those profits reinvested in the Borough. The Company can also employ local firms, support training, economic development and innovation in the Borough.

5.7 Charnwood Borough Council is in a unique position to deliver new homes and regeneration projects as it is committed to ‘deliver growth: new homes, new businesses and improved infrastructure’ within Charnwood Borough.

6. Next Steps

6.1 The process to set up a Housing Development Company, wholly owned by Charnwood Borough Council, could be completed over the next few months, subject to the business case for such an organisation being deemed acceptable. This could be done regardless of any potential development schemes and will require only the proposal of company directors/secretary to ‘go live’. It is suggested that the Strategic Director for Housing, Planning and Regeneration and Regulatory Service is a director along with the Monitoring Officer or Section 151 Officer.

6.2 A revenue budget of around £20,000 would be required to establish the company to cover the cost of project management and specialist legal and financial advice.

6.3 The prospective creation of the Housing Development Company should follow the Council’s approach to project management. A draft Business Plan setting out the objectives and potential financial commitment of the company will be brought back to the Cabinet in 2019.

Appendices

Appendix A: Outline Business Plan
Appendix B: Review of the Outline Business Plan

Appendix A

Outline Business Case for the Leicestershire District Councils collaborative Development Company

Leicestershire District Councils collaborative working Group, led by John East.
September 2018

Contents

1) Introduction
2) Key Priorities
3) Outline Options Appraisal
4) Scoring the Options
5) Benefits to the Councils from establishing a Development Company
6) Relationship between the Councils and Governance overview
7) Investment Decisions, Indicative Development Pipeline and Resourcing the Development Company
8) Overview of the Development Company
9) Funding
10) Risk Assessment
11) Summary and recommendation
12) Appendices

Outline Business Case

1. Introduction

Strategic and Local Context:

1.1 There is a requirement to meet Housing needs across Leicestershire. The direction of travel from Central Government to Local Authorities is for additional housing to be provided, Councils are also obliged to fulfil their 5-year housing supply requirements and meet demand for the longer term in accordance with their Local Plan, as well as fulfil their landlord objectives. Certain Districts also have wider regeneration and town centre improvement objectives. There are statutory, social and political needs to fulfil.

1.2 District Councils hold packages of land which may be suitable for development. The Councils are obliged to ensure that VfM is achieved in respect of any related transaction, and to maximise use of such public assets. At the same time resources within individual Councils are limited, particularly in terms of skill base and capacity to be able to independently undertake schemes of this nature. Certain Districts have been able to develop some housing on a small scale, but are limited by resource, capacity and cost. The nature of development is such that Councils acting independently are limited in what they are able to deliver.

1.3 A number of Leicestershire [i]District Councils have considered options for the potential establishment of a collaborative vehicle or similar which could be used to efficiently provide the expertise on behalf of the participating Districts to drive forward development and provision of the housing products and regeneration outcomes which they have prioritised.

1.4 The company is intended to provide councils with the expertise and capacity to carry out development by sharing the costs and therefore benefiting from the economies of scale. The company is not intended to be the asset holder, and a parallel business case will be developed looking at housing companies or centrally retained within agreed arrangements.

Collaborative assessment:

1.5 Four local authorities; Charnwood, Melton, NW Leicestershire and Oadby & Wigston are considering a partnership to create a company to lead regeneration development in local areas which will address the need. An Options Appraisal has been undertaken and is presented within this Outline Business Case (OBC). It is noted that Blaby District Council were initially considering being party to the company, however their circumstances are unique, in that they do not have housing stock nor currently have areas of land which are ready to be developed which are immediately available. At this stage Blaby has decided not to formally participate.

1.6 A common vision has been considered which addresses the Councils' corporate priorities for regeneration recognising the need for supply that meets local requirements and the need to ensure that they have control and share the risks and rewards associated with the regeneration. The Councils' dominant purpose in taking forward any proposal for a company is to bring forward sites for development in their areas, whether those sites remain in the ownership of the Councils or are otherwise transferred to other Council companies and in doing so enable access to joint expertise in promoting and managing development, thus ensuring that they are able to promote regeneration and the effective supply of housing. Participation in a company may result in the Councils sharing in profits generated although this is not a dominant purpose of the Councils in considering such a company, and is incidental to the regeneration and housing purposes outlined above.

1.7 There will be different approaches to the provision of housing and the affordable element. It is proposed that these will be addressed separately by the local authorities individually or their housing companies, with a jointly initiated company at the centre of the scheme to enable implementation of participating development initiatives.

1.8 The Company will be established by the participating Councils and will act as the lead developer on specific terms decided on viability and commercial models.

1.9 The Company will also have to be flexible, agile, responsive and act with pace to meet the needs of the shareholders by utilising its technical strength and position in the market over time. Further advice will be required on the legal relationship between the parties, but in principle the Company could act as a management contractor taking governance and procurement requirements into account.

1.10 The Company could be established in various forms. Detailed below in this paper is an assessment of the different options and an analysis which considers the needs of the Councils, and the structure of the company which would best meet those needs. The commercial considerations have been set out by Councils and most explicitly state that control, pace and financial risk awareness are key considerations.

1.11 The Shareholders/Partners (in this case the Councils) and the Company will adopt the principle of "surplus for a purpose" in ensuring that the required return expectations are met.

1.12 There is a need to fully investigate the financing arrangements and how these might differ for each option. This includes the need to consider the arrangements for the funding of the company, or any Housing Companies, and the development projects that are to be delivered. Scale and ambition cannot be met if the financing required is a risk too far for the participating authorities. Further examination of the funding requirements is considered within this OBC.

<u>Draft vision statement</u>

1.13 "In creating a Company, the Councils in Leicestershire will increase the housing supply, regeneration and commercial outcomes that meet local need, ensuring that long term value is maintained in publicly funded assets."

<u>Why should the Councils jointly establish a Development Company?</u>

1.14 The establishment of a development company (DevCo) is subject to an options analysis, this is set out within this OBC. The options analysis considers a number of options and reflects the advantages and disadvantages of each to determine the appropriate basis for Councils individually and jointly, to enable development.

1.15 Underlying the need for this OBC to consider a development company is the fact that such a company could offer the opportunity of a platform to enable each Council to deliver their strategic development objectives on a controlled and managed basis. The company being owned and controlled by them under a formal governance structure.

1.16 The development activities which the initiative is intended to enable, would then generate value for the respective Councils or help the Councils meet social and housing objectives.

1.17 Currently the Councils individually are limited by resource to be able to develop their land and assets, but this shared and controlled approach for a development company would enable the hurdles and restrictions that Councils are facing individually to be overcome.

1.18 By setting up a company (on a basis and form determined by the options analysis), the participating Councils will have access to jointly owned resources of a technical and specialist nature which each individually does not currently have. The shared cost of such resources would otherwise be at a total cost to each Council individually, should they need to provide for such resource themselves to meet their development requirements. Or represent a cost to the individual Councils to resource, procure and manage.

1.19 As a public sector initiative, value attained from land and assets would be retained within the public sector.

1.20 It is proposed that Councils support the scheme and their individual projects with funding, and that this may also offer opportunity for income to Councils in respect of certain asset types.

1.21 Set out within this OBC is a summary of benefits. Approval is requested to progress this initiative to Full Business Case (FBC) stage to enable further detail to be provided to inform the final case for the establishment of a development company. Councils may then individually assess the FBC and commit or otherwise to investment in the vehicle with colleague Councils. At this stage, only approval to move to FBC is requested, subject to the recommendation at the end of this document.

2. Key priorities

The key priorities of the Councils have been identified and are as follows:

2.1 Mixed use development activity that delivers development benefits including housing and commercial use.

- Councils have set out their policy and approaches to development in each area in their Local Plans and individual Needs Assessments. There are common approaches, challenges and opportunities across the County as recognised in their Local Plans and strategic housing assessments.
- The collaboration between local authorities in establishing a company will be to ensure as much flexibility and agility as possible in order to bring forward development by operating outside the ways in which local councils work.
- It will have the ability be a leading partner in key housing regeneration schemes and be a recognised in the local market as an active and serious player.

- The company will be backed by the participating authorities acting together and making timely and consistent decisions.
- Provision of sufficient land that will benefit all the participating authorities. One consideration will be how those with limited development assets can be assisted.
- Participating Councils have access to different assets and different delivery objectives which the company will need to be able to service, work with and progress for development.

2.2 *Housing outcomes meet local need reflecting affordability and people's income*

- A consistent approach to the provision of house types and tenures and accommodation for all of the communities is to be taken. However, each Council will need to determine its own approach
- Most Councils would see their own housing company holding market and sub-market tenure units and at times a separate arrangement for rented units at affordable levels.
- A key driver for the non-social rent units is to ensure a level of surplus for the Councils but this driver relates primarily to the operation of the Councils' housing companies and not to the establishment of a company where the key drivers are set out above.
- Addressing statutory housing needs is also an issue for some Councils and the acquisition of street property and other stock will also be included if supported by strong viability testing.

2.3 *Scale and Pace*

- The participating authorities have several potential regeneration and development proposals, planned or forecast.
- The Company will support individual Councils' proposals to have an active role in the control of delivery, but the exact legal relationship will be dependent on the outcome of the options appraisal and proper consideration of legal implications.
- Each Council will make investment decisions taking into account the impact on the company and its own position. The scale and ambition of the overall initiative will be dependent on the rate of flow from participating Councils. Each scheme will need to be supported by funding and financial investment decisions made by the respective Council, as well as by the supply of development sites.
- The company and the Councils will set out property specifications from the outset which reflect viability, value for money and the Councils' approach to quality policies.
- There are several reviews of land, assets and office/commercial buildings in the general fund (GF) and Housing Revenue Account (HRA) that will provide Councils with more accurate information and options for disposal. This will enable a four year indicative pipeline to be agreed.
- The Company will also be able to act as a Management Contractor providing a range of services such as technical advice, design and cost consultancy. This will be dependent on how the company is structured and whether the company is an internal facing company or a legally compliant external/market facing business.
- The company will not have exclusive access to development opportunities and each Council will retain the right to pursue alternatives if pace and viability expectations cannot be met.
- Although the company will not have exclusivity, it is important for the initiative that agreement is reached on a basis for commitment of a flow of projects over a prolonged period to the scheme from all Councils to enable economies of scale and fulfilment of shareholder objectives.

2.4 Surplus for a purpose

- Councils seeking to increase the supply of housing overall also want to take a greater control in the local area across all tenures including private rented sector housing (PRS) and town centre regeneration schemes. Councils are prepared to take the risk and retain the value of their investment
- Councils will act as shareholder and funder, they must ensure that each role is different and accept that at times it may be contradictory. Governance arrangements within Councils and within the company will be established to ensure appropriate control of differing interests.
- As the provider of funds Councils will need to act commercially assessing risk and provide funding on commercial terms. Councils will only approve viable schemes which are shown to meet that Council's lending requirements.
- As shareholders/partners and funders Councils will expect not only a return on funding, but also to receive the benefit of future capital growth. Returns will depend on performance including that of the market over the term of the respective development schemes.
- Councils will generally have to borrow or use their own resources and assets to fund developments and will expect to make a return on loans and fees. One Council referred to this as being risk aware and it is critical that the financial position of each Council against that of the Company is properly set out.
- How the surplus is returned to the investor and shareholder/partner will be dependent on several options which will have different taxation implications.

2.5 Control

As well as ensuring delivery at pace and ensuring a calculated risk and reward approach, the Councils see control as key.

- Governance processes will be established for the company with control of the scheme at its heart.
- Each Council will appoint members with a casting vote agreement.
- It is recommended that lead members and chief officer influence over the operation of the company is managed through the shareholder function (for those operating executive arrangements), noting that this is an executive matter (for those operating executive arrangements) save where matters are outside of the budget and policy framework.
- Separate governance arrangements will need to be put in place by each Council to make decisions about land that it owns (or that it owns through its local housing company).
- A Business Plan will be submitted and approved in line with an approval stage process ensuring that the shareholders, funders and company have full opportunity to consider all relevant issues in advance of formal decisions
- Each Council will have the right to replace their members on the board and reject or amend the Business Plan including making recommendations at the draft stage.
- The Councils will control the viability conditions and ensure that no scheme that they are involved in can progress without funding.
- There will be security over assets through the funding arrangements and control of business bank accounts through a cascade mechanism.

3. Outline Options Appraisal

The Leicestershire District Council Working Group have set out the following options for the creation of a jointly owned company for further assessment and consideration. The options assume that the Councils' future decisions on individual developments are not restricted and remain available. For example, a Council or local housing company will not grant exclusivity to the Development Company (DevCo) or a third party.

3.1 **<u>Options in detail</u>**

3.2 **Traditional Options – Sale of land for capital receipt**

For many years, councils have used disposal of land to generate a receipt or support Registered Providers (RPs) to develop in their own areas. This approach carries less risk as the development risk is passed to the third party in exchange for full market value and/or nominations rights. However, once the land is sold, the Council has little control and any future asset value increase is to the benefit of the third party. There are some measures that a council can take, but any restrictions will have had a negative impact on the value of the land.

In the last few years councils have been able to build using HRA resources including Right to Buy (RTB) receipts. There are no GF benefits other than New Homes Bonus (NHB). Building directly, enables the Council to control the developments and retain the units for the long term unless sold under the RTB. However, the funding for such development may be limited by the Borrowing Headroom (although the Prime Minister has announced that the borrowing cap will be lifted, no details have been provided of what this will mean in practice) and HRA capital funding available. Within this regime, there are significant restrictions on the products that can be created and rent levels that can be set/achieved.

3.3 **Each District acts alone**

Currently, districts have the option to combine the development and landlord roles through one housing company, although this may have tax implications. Some limited activity relating to development and sale could potentially be undertaken directly by a Council provided that it acts in compliance with its housing powers. Residential rental activity for the Councils is limited by the Councils' housing powers.

The option of acting alone has the benefit of each district focusing on their own outcomes, at their own pace and not being restricted by others' limitations or contrary expectations. The extent of risk and how they are controlled, is limited to its own developments. However, the benefits of joint working are not achieved. One of the original considerations for a joint development arm was the collective strength that acting together would bring, especially by sharing resources/developing joint expertise, having a greater market strength and benefiting from economies of scale.

In terms of market presence, a smaller player will have less purchasing power and its overheads and technical skills base may not be fit for purpose especially on a limited pipeline of development. The principles for joint working also offer the flexibility of still being able to act alone when it is appropriate to do so. Land disposal also continues to be an option.

3.4 **Entering into a Joint Venture (JV) or Development Agreement (DA)**

These are well tested routes that local authorities have been carrying out for the last 20 years. Case law has provided clarity around procurement implications, but these are both positive and negative. Precise delivery outcomes from the outset are vital, as making changes further down the line is potentially complex and costly. The control that the authority retains is a contractual one and depends on the terms of its own investment. Getting to the agreed position may be lengthy and internal or external skills will be required to protect a Council's position. As one off, JVs or DAs are a good option, but the more Councils that are involved, then the greater complexity and the number of unknowns. In terms of development pipeline, this may increase the risk of additional costs, legal hurdles and prolonged timescales.

Dependency on a third party who is a private sector partner may also carry unforeseen risk, not only in terms of cost but also in relation to time, and influence by the third-party shareholders who may have other interests and priorities that could affect performance and ultimately reward to the Council whose scheme it is.

A joint venture may (depending upon how it is structured) require a public procurement process. A development agreement invariably will because it usually involves a contract for services, supplies and works.

3.5 **A Joint Collaborative Development Company (DevCo)**

The option of a Collaborative Company has been considered on the basis of two separate companies that operate sharing the same board and resources:

a) a company focussed on delivery to the Councils (Teckal), and

b) a company focussed on delivery to the market that develops land that it owns and provides supplies, services and works to third parties.

a. Company that has an inward focus to deliver goods, services and supplies to the Councils - Teckal company

This is the option of a company controlled by the Councils which is able to carry out development on behalf of the Councils. It has the benefits of being able to operate more competitively/flexibly than the Councils but is still required to comply with public procurement law when it engages with the market. The prime benefit is that the relationship between the Councils and the company falls outside of the public procurement regime. To achieve this the company will need to be a Teckal compliant vehicle passing two basic tests:

- the control test, and
- the activities test.

The Councils will be the sole shareholders and will exercise control over its affairs achieved through the governance structure. Further legal advice is included with this document. Within the advice it is confirmed that such a company must carry out more than 80% of its turnover (over three years) for its shareholders/partners. The company can undertake activities for non-controlling authorities, but these can only account for 19.99% of its overall activities.

b. Outward facing company

The clear distinction of an outward facing "commercial" company is that it operates just like any other developer or private sector company. This means that the Councils cannot contract with it for goods, services and works without following a public procurement process but the company itself should not have to comply with the public procurement rules when it engages with the market. This can give the company significantly more flexibility in how it acts and designs its business than the Council itself or a Teckal company.

3.6 Two reports: Market information on development specific delivery vehicles: The rise of Local Housing Companies (Published by the Smith Institute – 2016) and Local Authority Direct Provision of Housing (Published by the Royal Town Planning Institute and National Planning Forum – 2017) set out the various options which councils have taken to deliver housing directly through housing companies, the experiences of those authorities and what they have delivered, and some of the issues. These reports are contained in Appendix 5 and 6 of this report.

3.7 **Table 1: Summary of Options**

Option	Benefit	Loss	Opportunity	Risk
Traditional Options Land disposal to private party Land disposal to RP Build in HRA	 Immediate Capital receipt Delivers affordable housing and nominations rights Council retains units	 Once sold, Council has limited control Long term value retained by the RP Borrowing headroom may be limited	 Capital receipt available to support council's priorities Can use RTB receipts Can seek grant from HE	 Units mix and standards only controlled through planning process Nominations agreement may be time limited. Housing Acts and rent control restrictions
Do Nothing - Each District acts alone	Able to set its own pace and not be restricted by other Councils' decisions Control over risk Locally focused Individual Housing Company (if they have one) act as developer	Economy of scale: Company costs Development costs Shared skills and experience with greater opportunity to standardise. Position in the market as a smaller player No new benefits gained May not be able to deliver to the scale required on a sole basis	Local control	Scale does not justify overheads If using Individual Housing Company then would need to ensure development/rental activities are structured for tax efficiency purposes.

Entering into a JV, development agreement or similar with a developer	Market tested and generally delivers what was agreed in contract Delivery pace once agreed Share of the risks and rewards as defined Land contribution as part of financial investment	Clarity about outcomes required when going to market Control and reward depending on the contract terms 'One size fits all' may not suit the Council for all its programme Value generated from public sector assets and initiatives is shared with Private sector	Utilising private sector expertise JV interest can be sold	Four Councils agreeing collective terms for JV or similar Could be more inflexible or changes at the cost to the Councils Being tied to a single partner Harder to exit if outcomes are not delivered Risk of dependency on private sector partner Relationship with private sector partner must comply with the public procurement regime.
Establishing a Collaborative Development Company (DevCo) – **Inward facing company (Teckal)**	Economies of scale Shared resources and expertise Focus on approved business plan Relationship with the Councils falls outside of the public procurement regime Able to deliver Council objectives Land receipt	Upfront set up costs Bound by public procurement law when it contracts with the market.	Able to invest and grant aid affordable housing Benefits from long term value	State aid compliance Takes market risk and reward Land disposals must comply with national law (best consideration)

Establish a DevCo – **Outward focussed company (CDV)**	For profit company free to operate as a private sector organisation It has greater freedom than the Councils and even if it acts commercially/makes a profit the Councils can still set the agenda. Land receipt Should not be bound by public procurement when its engages with the market.	Cannot take on works and services from the Councils without procurement compliance Land disposal at market value even for affordable housing	Investment at market rates Maybe be viewed as a stronger player as not restricted by Council's objectives	All transactions as with private companies, therefore certain transactions will be more complex Development of affordable housing will be subject to strict viability State aid compliance
Establishing a Collaborative Housing Company	Ability to pool assets, investment and share outputs Particular benefit for those with limited land	Complex pooling agreement and sharing agreement Host council will need to justify loss of local benefits Housing priorities/delivery driven by the Company, not by local autonomy Danger that Company moves at the pace of the slowest	Procurement specialism and contract management Pipeline of development control	Follows public sector rules Lack of local support may lead to inaction

4. Scoring the Options

The options appraisal will be scored against the set-out priorities. Each priority is scored based on the headings set out above, taking into account how the Council will be able to:

1. Deliver Mixed-use development;
2. Provide Housing outcomes that meet local need;
3. Achieve Scale and pace;

And enable

(a) opportunity to maximise its **Return**; and

(b) how much **Control** it will have in ensuring that outcomes are delivered.

The score awarded will be high 4-5, medium 2-3, low 0-2 and multiplied on the same basis by return and control.

The final score for each option will the sum of 1 to 3 multiplied by the sum of a +b.

The total scores for each option have also been moderated by any individual disadvantages as explained in the narratives below.

The approach to scoring reflects that each of the Councils may have differing needs, purposes and priorities, and the joint position relative to how an option may best serve the participating Councils.

4.1 **Traditional routes:**

1. 5
2. 3
3. 2

Subtotal: 10 multiplied by

a. 1
b. 1

Total: 20

The scores reflect the risk that the Council is passing on to the third party but also reflect that selling individual plots will take time and that the development pace will be determined by the market. Equally, they reflect that while receipts will be available, the Council will not retain the long term value and control over developments. The HRA new build option has not been scored as it similar to the option below.

4.2 **Each District acts alone:**

1. 5
2. 5
3. 2

Sub-Total: 12 multiplied by

a. 3
b. 4

Total: 84

If each Council chose to act independently, it will have full control over the final outcomes in that it decides when and what to develop without external considerations. It can decide to carry out some developments and then stop if it chooses. However, its opportunity to maximise returns will be limited by the internal resources that it will require.

The scores need to reflect that in acting alone, it will not share the economies of scale, standardisation, expertise and knowledge of a long term development company that it owns with other Councils. Equally, setting up a local housing company or development team on its own will require the same skills and resources but at a cost which will not be as viable as contributing to and sharing the services of a collaborative DevCo. The scoring for criterion 3 has been lowered accordingly.

4.3 **JV Option:**

1. 5
2. 3
3. 2

Sub-Total: 10 multiplied by

a. 2
b. 3

Total: 50

For a JV to be successful there is a need for clear objectives. The private partner will need clear information about the requirements. Failure of the procuring Council to provide this detail from an early stage represents a risk to both price and the outcome of the project. The JV will be also be expected to be allowed to operate independently and outside of the Council focussing on growth, pace of delivery and cost reduction for the Councils. The temptation to make the JV another corporate directorate that acts in the same way as others needs to be resisted. The scoring for criterion 2 is therefore lower than for other options. The criterion 3 score also reflects the procurement complexity and time that it will take to establish it.

The biggest benefit of a joint venture approach is the coming together of parties to pool resources and share risks. However, setting up a joint venture and getting it right can be a costly exercise. It also involves sharing out the benefits generated by a project, so each party gets a smaller slice of the pie. Most joint ventures involve parties with partially overlapping interests – when their other interests come to the fore, difficulties often arise. Difficulties also arise where projects have to be changed or are aborted after expenditure is incurred.

The scoring for criteria a and b is reflected for these reasons and the fact the Council would have to share any of the benefits with the JV partner.

4.4 **Collaborative Development Company (DevCo) Option**

1. 5
2. 5
3. 3

Sub-Total: 13 multiplied by

a. 4
b. 4

Total: 104

The scoring for this option for the provision of a development company collectively has been set on the basis of the Councils acting as shareholders and investors and therefore controlling the objectives and outcomes, subject only to viability and planning policy. Outcomes including financial benefits arising from the development are also for the benefit of the participating Councils, rather than for the financial benefit of 3rd parties.

The scoring for criterion 3 is dependent on the level of investment and time taken to start up the business. Criteria a and b score higher because of the control that the Councils will retain over projects and the company, and also as the Councils will not have to share any savings or surplus with a 3rd party. However, they also need to reflect the costs the council will need to incur to support internal activities such as treasury management, and the need to incorporate the company(s) from an accounting and financial reporting perspective.

4.5 **Collaborative Housing Company Option**

1. 5
2. 3
3. 2

Sub-Total: 10 multiplied by

a. 4
b. 3

Total: 70

Criterion 3 has been scored on the basis that as a housing company the vehicle would have other purposes other than to enable development, as a consequence there may be some conflicts as to purpose and priorities. As a commercial entity it is also unlikely to be able to service requirements for the development of social assets as required without further complexity to the proposed structure. Further, the collaborative company's principle of pooling and sharing resources and outputs irrespective of where assets are built would need a complex agreement addressing collective and individual requirements. To succeed the company will require a degree of autonomy and ability to avoid deadlock scenarios, which could potentially have an impact on control. However, this may have a positive impact on the ability of the company to operate more commercially.

4.6 **Table 2: Summation of Option Appraisal Scores**

Option	Score	Comment
Traditional	[20]	Sale of land for capital receipt
Each District acts alone	[84]	Effectively Do -Nothing, as this is the current status quo
Enter into a JV, Development agreement	[50]	With a third-party private sector contractor
Collaborative Development Company	[104]	Teckal/Commercial Development company to service Inward looking and Outward looking development requirements
Collaborative Housing Company	[70]	Use of a Housing Company to undertake development

4.7 **Recommendation:** based on previous discussions, the group of chief officers recommend that the DevCo option is the preferred route and based on legal advice, two companies are formed as set out above. The proposal for two companies is suggested within the legal advice received in order to ensure the maximum flexibility for the Development Vehicle. Thus, DevCo will comprise of:

a) A TDV – a Teckal Entity which is purely focused upon delivery of supplies and services and works to the Councils, for example it would be able to efficiently manage affordable housing delivery, and

b) A CDV – a commercial delivery vehicle, being an outward facing entity that operates on commercial market terms, for example it would be able to develop PRS schemes. It may also work for third parties and be able to develop land itself for sale to the market.

4.8 This option requires 2 operating companies to be established for accounting purposes. The structural contractual relationship between the 2 operating companies is yet to be determined and will form part of the process for FBC. However, at this stage it is thought possible that CDV could be a subsidiary of TDV, or act as sister companies.

4.9 It is also considered that the companies would be operated jointly and in parallel, the differentiation being the type of business, and funding requirements that relate to each and for the funding needs of the business types that they will respectively undertake.

4.10 For the purpose of this document any further reference to either 'the Company' or 'DevCo' may mean either the Teckal 'TDV' or the commercial development company 'CDV', unless specifically stated otherwise.

5. Benefits to the Councils anticipated from jointly establishing a DevCo.

5.1 The following benefits have been identified:

- A key objective of the initiative is to provide a basis which will enable development to take place. The commissioning of a vehicle dedicated to this purpose enables this.

- As a jointly commissioned vehicle with an agreed programme over the life of the 3-5 year business plan, the costs of establishing a DevCo are shared, enabling access to the company and its benefits.

- As a public sector developed initiative, profits and returns are retained for the individual participating Councils.

- Delivery of a programme comprising of individual Council developments offers the opportunity for economies of scale, standardisation and potentially cost savings compared to those that a Council would otherwise encounter on smaller individual developments.

- The DevCo is to be structured and resourced so that a range of development types will be accommodated, and projects accordingly brought forward which might otherwise not be able to be economically resourced within individual Councils.

- Development activities on projects will be undertaken by the DevCo providing capacity or releasing resources within Councils to enable other projects or initiatives to be fulfilled. The approach may enable certain tax and other trading benefits to be achieved, subject to the final structure, prevailing tax regime, and independent tax and accounting treatment advice.

- It offers an alternative to conventional development mechanisms that Districts may have had to rely on, and the issues that these may carry such as negotiation of joint venture arrangements.

- The DevCo is to be staffed with experienced industry resources providing experienced support to Councils, local knowledge and advice.

- The DevCo will enter contractual arrangements with specialist suppliers, potentially offering volume discounts.

- As shareholders/partners in the vehicle participating Councils will have control through the shareholder decision-making process of the activities of DevCo.

- The procedures proposed are to ensure that schemes are only taken forward where viable and returns are projected to be achieved.

- The vehicle will enable assets to be developed which will be assets of the respective participating member Councils which will offer opportunity for income from sales, or value from rent revenues and sale over time where contracted with a Housing company.

- For Councils who wish to use the initiative together with their Housing company to develop a PRS scheme it offers the opportunity to build a flow of income derived from rents received and to accumulate value in assets that are held for rent at market rates over the longer term. The assets being held and owned by the Housing Company.

- The vehicle will potentially enable larger scale schemes to be entered into, compared to those which a district might individually be able to develop due to resource restrictions. For example, regeneration initiatives.

- Properties developed and held in a Housing company are anticipated to be outside of Right to Buy requirements however it should be noted that the Councils cannot set up a Housing company for the purposes of avoiding the application of Right to Buy.

6. Relationship between the Councils and Governance - Overview

6.1 The principles of the form of relationship between the Councils for the conduct of the initiative and the basis for the operation of the company has been discussed at a high level. It is suggested that with legal guidance a form of partnership agreement might be entered into in order to set out the principles. This would need to be developed further at FBC stage and would include aspects such as commitment to the scheme, basis on which projects are introduced, whether the company is to receive first refusal for qualifying projects (where the company is able to fulfil the delivery requirements), and other matters such as time frame for participation. It would also include the commitment to fund the company and should include the principles agreed for the handling of abortive costs and for the sharing of such costs where all participants might be liable.

6.2 The agreement would also make it clear that individual Councils would be able to influence delivery of schemes being undertaken by the company on that individual Council's behalf. The document would also include reference to the basis of governance that is agreed between the Councils for the company and for the operation of the scheme. Further details on governance are set out within this OBC.

6.3 Diagrams:

Diagram 1: Principle of joint ownership of a collaborative development vehicle

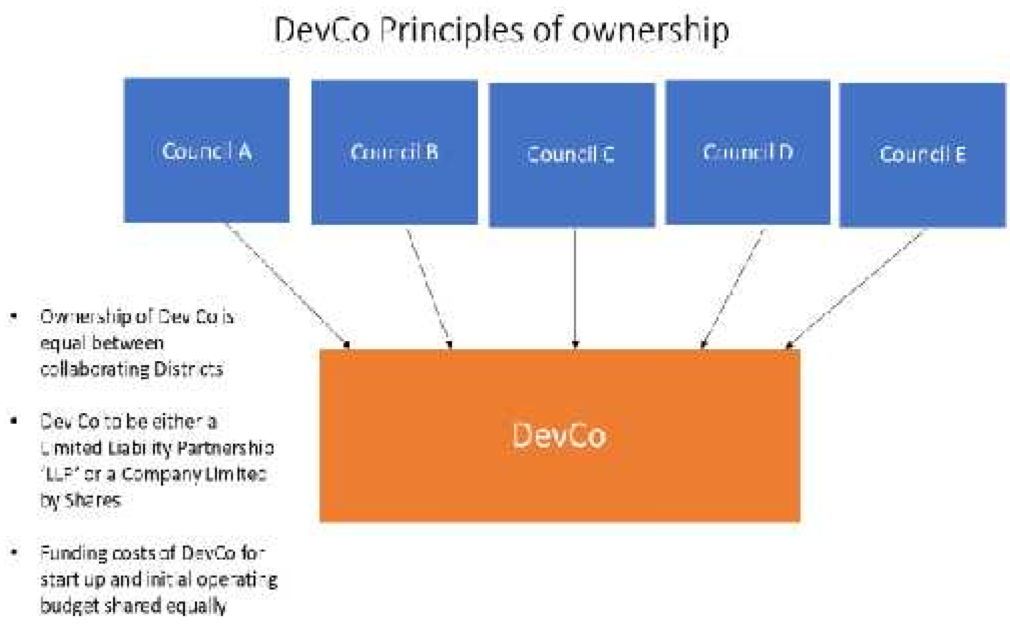
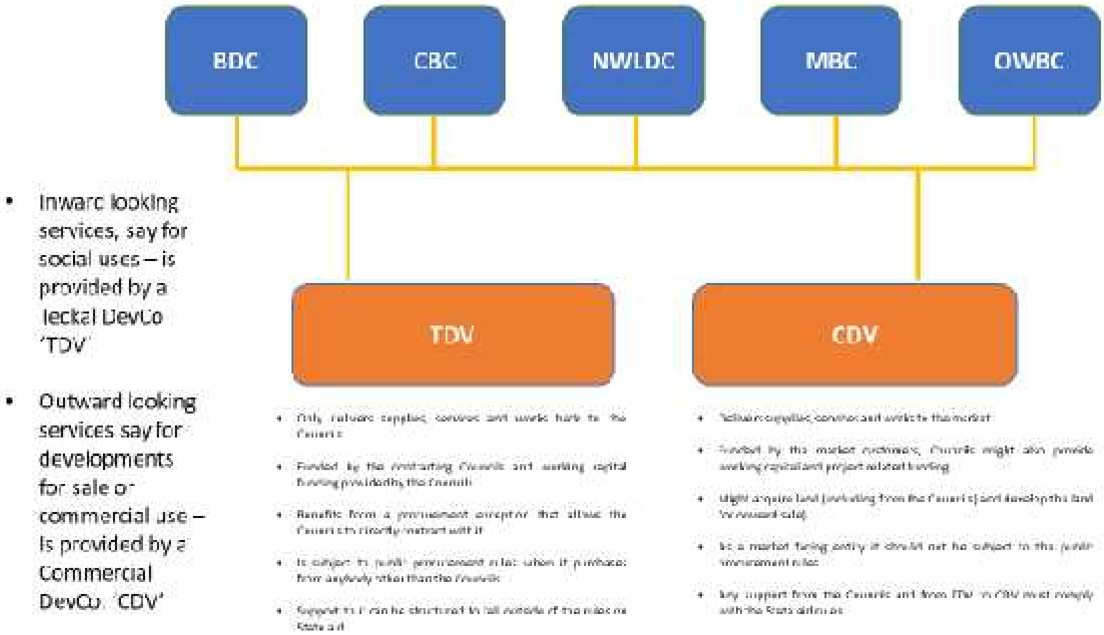


Diagram 2: Proposed Relationship structure chart*



Note *this and the following diagrams are illustrative as Blaby will not now be participating in the initial set up.

Governance

6.4 There will need to be an established set of parameters and working boards with certain delegated responsibilities that will enable the company to operate effectively and in accordance with the requirements of the shareholders/partners. Control is a key requirement of the Councils.

6.5 The shareholders/partners will need to agree individual decision making processes and a collective shareholder governance arrangement.

6.6 The potential governance structure is likely to be different for a Company Limited by Shares 'CLS' compared to that which is a Limited Liability Partnership 'LLP'.

6.7 As the decision as to whether the company will be a LLP or a CLS is to be determined as part of the FBC, shown below are diagrams which reflect the structure suggested by the legal advisors for CLS and LLP respectively. The governance structure is proposed in order to enable the degree of control and independence whilst also enabling effective operation of the initiative, and will be considered further at FBC.

Key points for Governance and Decision making are:

6.8 The Councils will take decisions in different capacities including:

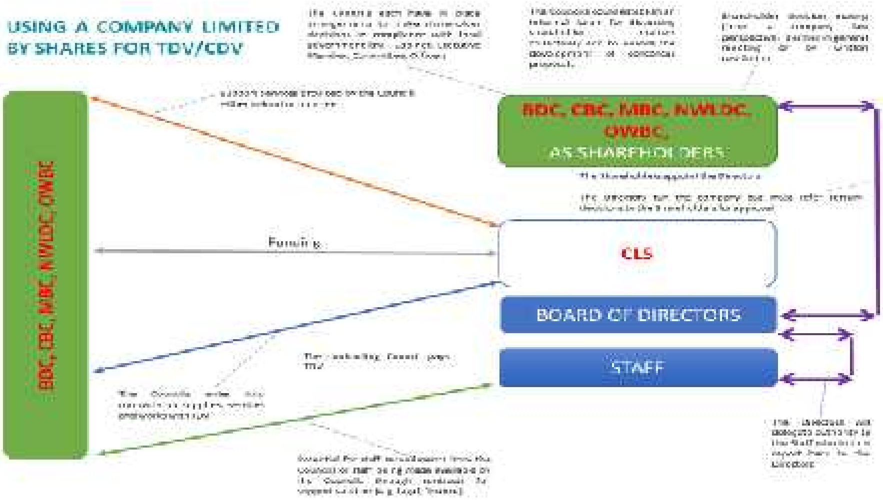
a) As a commissioner – focussed on the delivery of supplies, services and works back to it;
b) As an owner (Shareholder or LLP Member) – how the company operates and what it does;

c) As a lender/funder.

6.9 Officers and Elected Members must ensure that conflicts of interest do not arise – e.g. Directors of a company should not be involved in Council shareholder decision making. Officers and Elected Members might be involved in decision making where the Councils are acting in different capacities.

It is important to have clear terms of reference and defined areas of responsibility which also enable control. The following diagrams illustrate the proposed structures for governance to address this.

6.11 <u>Diagram 3: Proposed Governance Structure where the company is a Company Limited by Shares 'CLS'</u>



6.12 <u>Diagram 4: Proposed Governance Structure where the company is a Limited Liability Partnership 'LLP'.</u>

6.13 The above diagrams set out the relationship proposed between the Councils as shareholders/partners and the operation of the company. Integrated within the governance arrangements shown above there will need to be a defined decision making process to agree an investment strategy and how decisions will be made. An approach to this is to have an Investment Panel with an agreed decision making process which may be at LLP Management Board/Board of Directors level with 'authority' delegated from the LLP Members/Shareholders subject to defined limits and delivery of a Business Plan. Alternatively, the Investment Panel can sit outside the formal company arrangements, but this will be decided at FBC stage.

6.14 The Business Plan for the company is a key document that will be agreed at Partner/Shareholder level based on planned projects and investment requirements which the company will be required to work to.

6.15 The key responsibility of the Investment Panel or similar will be to decide whether an investment should be made or not, taking into account viability, risk and delivery. The company will need to operate on set financial principles. For example, if the Company purchases land or is commissioned to carry out a specific development, the Investment Panel will sign off, or not, the scheme as viable and whether it is projected to achieve the required financial outcomes that the Council expects. It will not be for the Panel to refuse the funding on the basis that the development is not in line with the Council's objectives.

6.16 Councils will also need to have a process in place for their Housing Companies when the decision is taken to use the vehicle for the commissioning of development.

6.17 Collectively, Councils will approve, reject or request changes to the Business Plan on formation of the Company and thereafter annually (or more frequently as the Councils require). In terms of individual schemes in each locality, it will be for the Council concerned to reserve their rights to approve them or not. Councils will need to agree how approvals take place and whether a collective Reference Board duplicates or supports local decision making.

6.18 Summary of the principles of governance arrangements relative to decision making:

Internal local decision making process for each council

- Local developments
- Funding decisions
- Formal approvals
- Commissioning arrangement for LHC

Joint decision making

- Terms of reference to be agreed by FBC completion
- Financial performance of company(s)
- Annual business plan

7. Investment Decisions, Indicative Development Pipeline and Resourcing the Development Company.

7.1 The DevCo will collaborate with the Councils and Housing Companies through an agreed investment protocol. This will not duplicate the role of the Shareholder (described above). Each

Council will act as the funder and it will ensure that each scheme is viable taking into account the Council's and the Housing Company's position.

7.2 The DevCo (and Housing Companies if involved in a scheme) will need to set out their proposals and an application for funding of a project to the respective Council who is to fund and invest in the scheme, having considered pre-agreed KPI's for the project and its viability. Different schemes are likely to have different outcomes, but all must be demonstrated to be viable in order to support the funding decision. Different types of schemes include: Affordable Rented, Intermediate Affordable, Private Sales, and Commercial schemes.

7.3 Proposed KPI's are set out at Appendix 7.

Development Pipeline

7.4 The development pipeline for a jointly owned DevCo will work on the basis of a collectively funded development core, but with individual agreements for each scheme funded by Councils individually. The development pipeline in the first three years, as an indicator of construction costs and company's resource requirements, is anticipated to be circa 100 units per shareholder. This is to ensure that funding and development risks are controlled. At this stage the development costs are the critical concern, not the end use which will be a viability exercise between the individual council and housing company.

7.5 Information provided by individual Councils has enabled a high-level pipeline to be assembled. The detail of the pipeline is provided below and in a larger format as an appendix to this OBC by way of a spreadsheet attachment (Appendix 4).

7.6 **Table 3: Summary Pipeline**

Council	Total units	Affordable Flats			Private Flats			Affordable Houses		Build Costs Flats			Build Cost Houses		Total
		1 (35%)	2 (50%)	3 (15%)	1	2	3	2	3	1	2	3	2	3	
Charnwood	200	9	12	4	51	73	21	18	12	5910000	9477500	3000000	1521000	1650000	21558500
Melton	200	9	12	4	51	73	21	18	12	5910000	9477500	3000000	1521000	1650000	21558500
NW Leics	75	0	0	0	10	20	0	25	20	985000	2230000	0	3137500	2750000	9102500
Oadby & Wigston	280	29	42	11	66	99	26	4	3	9357500	15721500	4440000	338000	412500	30269500
Total Dev	**755**	**47**	**66**	**19**	**178**	**265**	**68**	**65**	**47**	**22162500**	**36906500**	**10440000**	**6517500**	**6462500**	**82489000**

7.7 The figures and costs used are not market tested and are not therefore the final costs. Future regeneration and town centre schemes may also be included. This is subject to development plans, appraisals, further design and procurement strategy.

Resourcing the Development Company

7.8 It is intended that DevCo will be resourced in line with business requirements and an assumed operational budget has been built up on this basis. In order to minimise costs during the earlier years it is proposed that DevCo will operate from a participating Council office for the first 3 years, and then potentially move to its own premises subject to the outstanding pipeline at that time.

7.9 An indicative operating budget together with supporting assumptions is shown within the appendix and is in excel format. The detail shows that the highest cost is for staff. It may be possible to reduce these costs by purchasing experienced staff resources from Councils on a time restricted basis, if they have the required expertise available.

7.10 The following table is a brief summation of the key outputs from the assumed/indicative operating budget. It excludes VAT and funding for working capital (cost of borrowing input).

7.11 **Table 4: Indicative Operating Budget of the DevCo – Years 1-5**

Cost type	Year 1 £000	Year 2 £000	Year 3 £000	Year 4 £000	Year 5 £000
Staff	189	280	320	380	390
General overheads	59.9	53.3	54	75.6	71.8
Other Project related	90	120	95	95	90
Total	338.9	453.3	469	550.6	551.8

7.12 It will be for the Councils to agree and determine the resource requirements of the DevCo and to set the operating budget accordingly as part of the Business Plan. At this stage the assumed operating budget and resources proposed have been considered by the Working Group and will be developed in further detail for the FBC.

7.13 It may be that in formulating the Business Plan, and fee and income structure, the Councils determine that a specific level of profit or surplus be generated, either for reinvestment in DevCo, or as an income by way of dividends/profit share. Equally any losses arising from performance against the Business Plan would need to be addressed by the Councils.

7.14 It is therefore suggested that the Business Plan for the DevCo, when agreed by the Councils, should seek to ensure that the assumed pipeline is deliverable, or that there is sufficient pipeline and fee income committed to enable costs to be covered and the principle of a positive return to be achieved.

7.15 In principle from the table for the pipeline and estimated build costs presented at 7.6 above, it can be seen that a fee of just 2.5% of build costs would generate income for the DevCo approximate to the operating budget assumed for the first 2 years, based on a projected pipeline of 200 dwellings a year. This is given as an example to illustrate that even a fee only basis could in principle enable the company to operate profitably, although of course it will be for the Councils to set a fee/basis of income in line with the pipeline appropriately. This does not include any income from development of assets on land that it has acquired.

7.16 The following is an extract from the operational budget as currently assumed and presented. This shows indicative staff numbers for the first 3 years. The actual costs and budget will need to be determined by the Councils in joint agreement as part of the Full Business Plan process.

7.17 **Table 5: Indicative DevCo Staff Numbers and Costs - Years 1-3**

		YR1	YR2	YR3
Assumptions	Financial Year	2019/20	2020/21	2021/22
		Start up cost		
10 months yr 1	MD/Head	84,000	60,000	100,000
3 months yr 1	Devt Manager	40,000	60,000	60,000
PT 12mt All in costs	FD (PT)	50,000	50,000	50,000
2 head from end yr 2	Junior staff		50,000	60,000
Resource to meet peaks	Bought in time	15,000	20,000	30,000
Districts option to recharge for representation, from end year 3	Directors time			
	Total	£189,000	£280,000	£320,000

7.18 The level of investment in staff would be reviewed as part of the governance process and could be reduced or increased in accordance with the flow of work and fees earned. The principle is that the company would be generating a sufficient level of income from the pipeline of projects to fund its costs including the level of staff proposed by the end of year 2. This will be developed in detail for the FBC and informed further by the detail of the development pipeline.

7.19 Individual Councils have already carried out development and have the benefit of testing the market for new build costs based on comparable quality and standards and these are reflected in the table mentioned above.

7.20 Potentially developing around 50 units each per year would require investment to be included in the participating Councils MTFS later in the financial year. Each Council will need to allow for the costs including any land costs (if applicable), and the Working Capital required for the company in order for it to be able to set up and commence development activities.

8. Overview of the DevCo

What type of business will each DevCo develop?

Various scenarios in respect of what participating Councils may need to be delivered have been considered in order to confirm that the proposed approach is able to meet their needs. The scenario table is set out in Appendix 2.

The following considers the characteristics of TDV and CDV and provides some examples of schemes for illustrative purposes.

Teckal Development Company (TDV)

8.1 TDV will be the relevant vehicle whenever a Council wants to enter into a contract with TDV which may be for minor works or full-scale development of directly owned Councils assets, which remain Council assets during development.

8.2 As TDV is an inward-looking company its purpose is to provide goods, services and works to Councils and (on current proposals) does not acquire land.

As an example, it could develop a site for a Council to provide stock which may on completion return say 20 affordable units for the HRA. It could in the same contract also develop say 10 homes for sale and be instructed by the Council to help manage the sale, but the assets and sale proceeds are for the Council.

8.3 When such assets are sold they must be sold at market price. It would also be possible for a Council to develop assets through the Teckal intended for long term private rental use, however, such assets would need to be sold on completion by the respective Council to their Housing Company at market value. The Housing Company would then own and manage them. This example is illustrated in the diagram below.

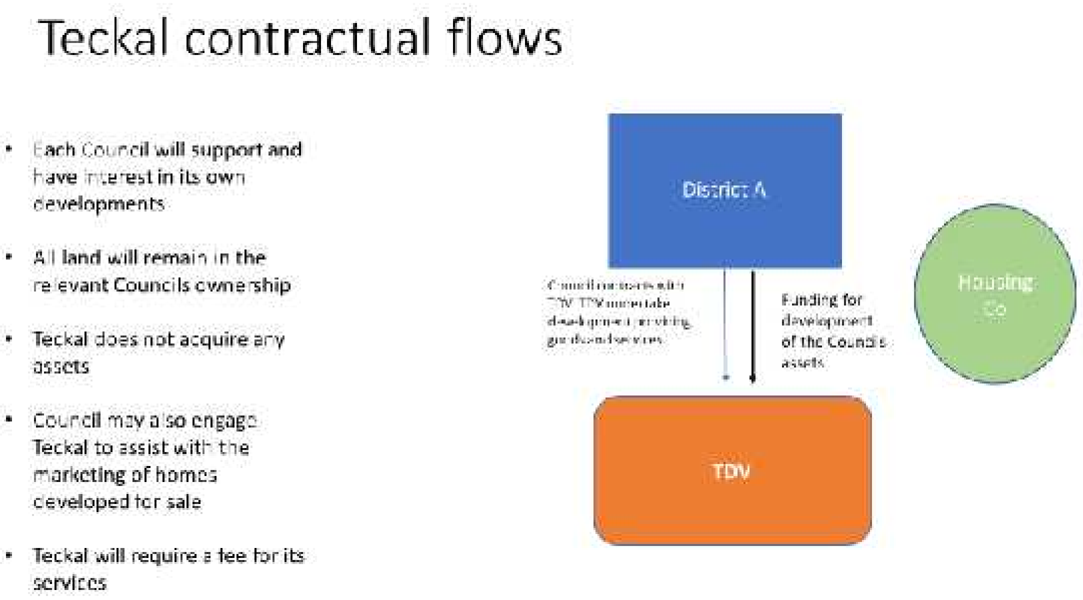
8.4 As it is inward looking there is no requirement on the Council engaging for the work to follow procurement requirements to procure the TDV.

8.5 In order for the Teckal to operate positively, there will need to be a form of renumeration agreed, perhaps by way of a conditions of engagement (to be determined by way of agreement between the Councils).

8.6 As it is inward looking the funding of the development may be on a basis as determined by the Council concerned. With affordable homes, to enable a rent to be set below market rent levels, the funding might include a form of subsidy/grant.

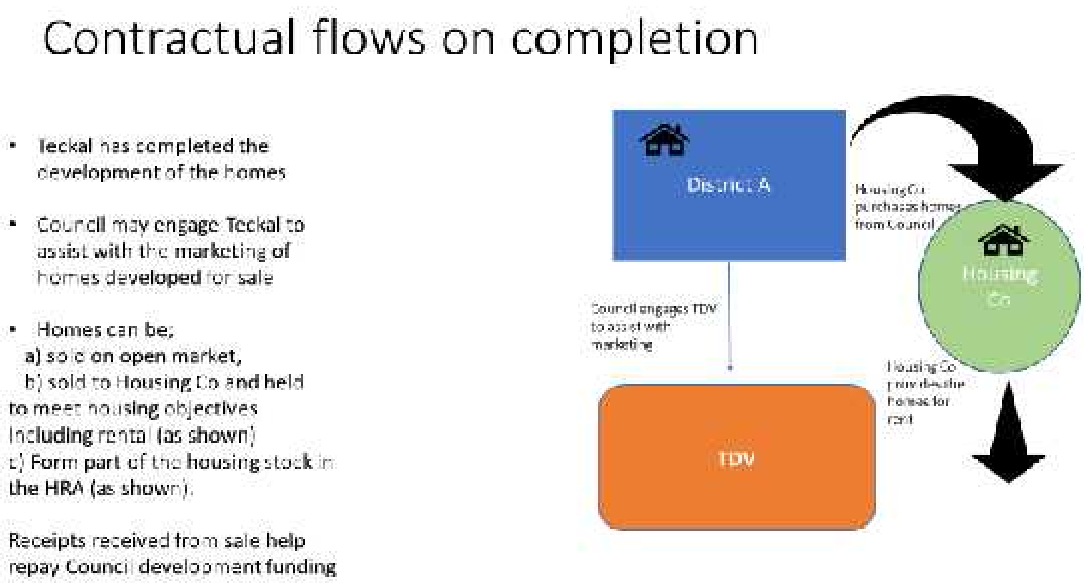
Whilst TDV is focused on servicing the Councils inwardly, it can have just under 20% of its business outward looking, and so may on occasions manage such business where it is efficient to do so, however, this would be unusual as a CDV is also proposed.

8.7 Diagram 5: TDV is engaged to develop land and generate housing assets



8.8 What happens to an asset once built by the DevCo is for the respective Council to decide.

8.9 Diagram 6: In this example, on completion some units are retained in the HRA, others are sold to the Housing Company who will let them for long term rent. (Other options also noted include sale to the market with TDV engaged to implement the marketing).



Commercial Development Vehicle (CDV)

As the CDV is outward looking it will be able to operate in the open market without any procurement restrictions and be free to compete. It will be able to buy land and to develop land for sale.

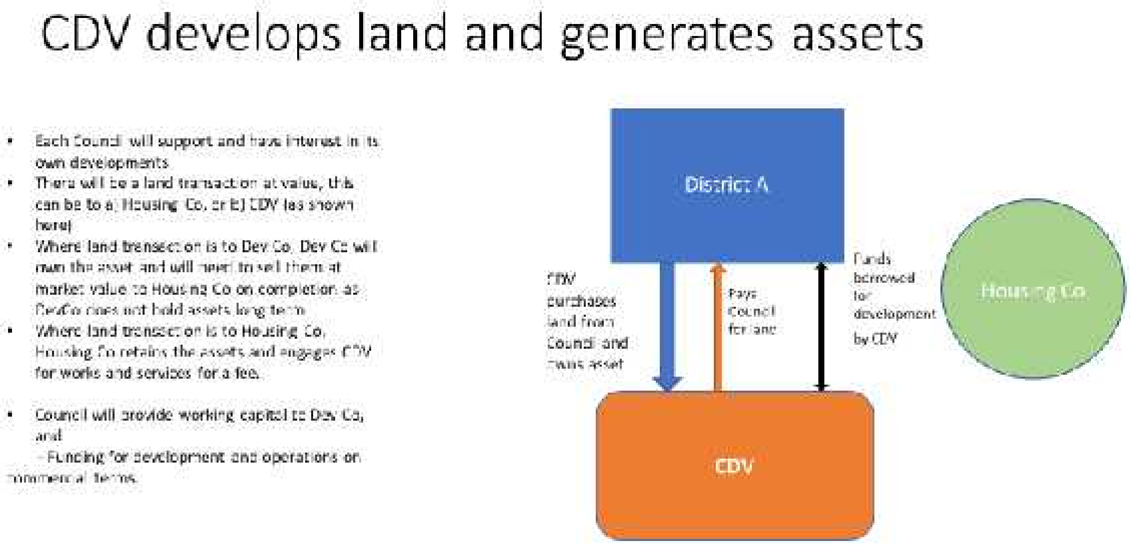
8.10 It can also fulfil a role of providing goods and services and entertain contracts which may be for minor works or full-scale development of assets owned by third parties. To this end it could therefore in principle develop Council owned assets provided that the Council has engaged it following an open procurement, (however, the need for this is unlikely as the proposal is to also have a Teckal company which would fulfil this function).

The CDV would be able to:

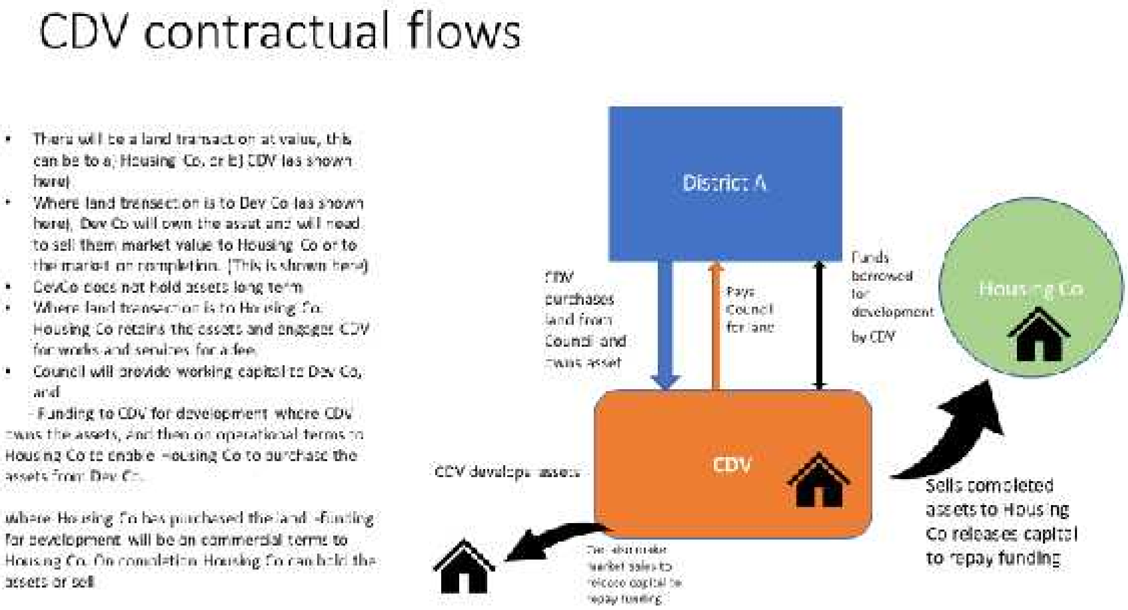
a) Purchase land from a Council at market value and develop it for sale itself;
b) Purchase land in the open market and develop it for sale itself; or
c) Be engaged by a Council's Housing Company to provide services to develop land owned by the Housing Company. In this case the Housing Company may have purchased the land from the Council, and the asset will remain an asset of the Housing Company;
d) Undertake engagements involving works and services from Councils and Housing Companies. In the case of works directly from Councils, that would need to be following procurement by the Council, which might be through a framework;
e) Undertake engagements directly with third parties.

8.11 As an example, it could acquire land from a Council and develop that site to build stock which may on completion provide say 20 units which could be sold to the Housing Company to fulfil this purpose, or to the Council (subject to SDLT provisions). The houses could also be sold to the open market.

8.12 Diagram 7: The diagrams below shows the example of land sold to CDV who develop the site, then on completion CDV sell the completed homes to the Housing Company and to the open market.



8.13 Then following completion:



8.14 A further example (as noted in the diagrams above) is for the Housing Company to acquire the land from the Council, and for Housing Company to engage CDV to develop the site, following which the assets are retained for the long term by the Housing Company.

8.15 As CDV is outward looking there is no requirement to follow Council procurement requirements. The same applies to the Housing Company where it is assumed that the relationship with the relevant Council will not be Teckal compliant. Instead, the Housing Company will be outward focused, like the TDV.

8.16 For the CDV to operate positively, it may attain value from sale of assets and/ or attain a fee for goods and services provided. There will need to be a form of remuneration agreed, perhaps by way of a conditions of engagement (to be determined by way of agreement between the Councils).

8.17 As it is outward looking the funding arrangements need to be state aid compliant and will be on commercial terms.

9. Funding

9.1 There are two aspects of funding of this initiative to consider:

1) The funding requirements of the DevCo;
2) The funding needs and form of finance required to fund individual projects for construction and long term.

The funding requirements of the DevCo

9.2 It is assumed that the funding will be provided by the Councils for both the operation of the DevCo and the funding of projects. It is assumed that the Councils will fully support the DevCo with funding directly and receive a return on the funds provided.

9.3 As with all development projects it is assumed that in order to fund projects, the financing of individual schemes will have the benefit of a security package, secured by charges over the respective assets.

9.4 The DevCo effectively requires finance for 3 different purposes:

a) Capitalisation of the business;
b) Funding of day to day overheads and operational business costs. These are costs that as a business which employs staff and runs an office it will need to incur;
c) Funding needed to develop projects. These are typically expected to be costs that relate to the development of schemes.

a) <u>Capitalisation of the business</u>

9.5 Subject to the form of the company that is decided upon, it is likely to be either a Company Limited by Shares (CLS), or a Limited Liability Partnership (LLP).

9.6 Both are likely to require some funds as a capital investment, which for the CLS would be through the issue of shares. In addition, as set out at b) above, both would need loans from the Shareholders/Partners to enable the business to operate. The extent of the requirement for share capital or Partnership investment has not yet been determined and is to be considered as part of the FBC. This would be determined through agreement between the participating District Councils.

b) Funding of day to day overheads and operational business costs

9.7 Whatever the extent of the capital invested, a balance in the form of loans will be required. It is proposed that such loans may either be in the form of a bullet loan or working capital facility and will be provided by each of the participating member Councils equally.

9.8 A driver of the interest rates and terms applied against the facilities is the need to comply with the requirements relating to state aid, consequently, the commercial vehicle CDV must be funded with facilities that mirror those available in the market.

9.9 At this stage in respect of working capital Loans to the CDV, an interest rate of circa 6% over base is assumed, subject to market comparisons at FBC.

9.10 For the TDV, as this is an inward-looking vehicle servicing the participating Councils, it is assumed that a lower rate of interest may be applied, (subject to legal confirmation relating to the status of the TDV for state aid).

The Size/Scale of funding facility that may be required for DevCo operational business costs

9.11 To gain a sense of the extent of funding that may be required to enable the business to meet its operational overhead costs during the initial years a draft operating budget has been assumed. This is provided within the appendices (see appendix 3). Although it is very high level at this stage and is subject to further consideration and firming up of key costs at the FBC stage, it helps provide an indication of the level of working capital/loans that may be required for the first 2 years. It should be noted that these figures currently exclude VAT, debt servicing costs and remain subject to change.

The actual operating budget will be determined by the Shareholders and agreed annually as part of the business plan, as set out within the section on Resourcing.

9.12 The level of funding requirement indicated from the assumed operating budget provided in the appendices, for the first 2 years is summarised in the following table:

Table 6: Assumed Operating Budget of the DevCo – Years 1-2

	Year 1 £000	Year 2 £000
Total of operating costs for DevCo from assumed operating budget (excluding VAT) and cost of funding – Shared costs	338	453

This funding would be provided by the participating Councils jointly. It is probable that the company would earn fee income within this period and reduce the level of requirement, however, for prudency the full operating budget to be set by the Councils as part of the Business Plan should be provided for.

9.13 As there are likely to be 2 different vehicles, it is not proposed that the funding requirement will be double, rather that this be a budget for both companies, the budget being based on overhead costs including staff, which is the largest single cost.

9.14 The consideration is only for the first 2 years as it is suggested that it be an objective within the Business Plan set by the Councils, for the company to be able to generate sufficient income to service its debts and become self-sufficient within 2 years. This period is suggested as it relates to initial developments within the pipeline provided by the Councils which are anticipated to be in construction or have reached completion by the end of this period. Thereafter, the plan should provide for the company to have sufficient income to cover its operational overheads and also repay remaining working capital loans which relate to the funding of base operating costs.

9.15 Within the costs assumed in the operating budget, there are some that may qualify as being of a project expenditure nature, for example, the portion of staff time that may be incurred on the development of a project. As the purpose of the company is development, various costs may fall into this category.

9.16 When a scheme is sufficiently developed to the point of entering a construction contract, development funding facilities may be entered into to fund the construction. The costs incurred during development of a project to that point will form part of the facility. Consequently, when the construction loans are entered into funds would be released for qualifying expenditure, enabling repayment of this aspect of the operating budget working capital facility.

This means that a much lower net position on base costs may arise. The following table illustrates this:

Table 7: Net Assumed Operating Budget of the DevCo – Years 1-2

	Year 1 £000	Year 2 £000
Total of operating costs for DevCo from assumed operating budget (ex vat) and cost of funding – Shared costs	338	453
Element of costs assumed to apply to development (forms part of individual Council project funding costs)	278	400
Net cost - Net shared costs assumed, after repayment from project funding	60	53

Source: Assumed operating budget.

As can be seen, provided that the costs which are assumed to be appropriated to development of a project, are able to be utilised (as per the information provided by individual Councils), then the Net Costs which the Councils would jointly need to provide for reduces from £338k excluding VAT for year 1 to £60k, and from £453k to £53k for year 2. It is worth emphasising however, that the full value would need to be funded in full as working capital jointly until such time as projects reached the point of entering construction contract, or alternatively that it was agreed by the benefitting Council(s) to fund such costs directly.

9.17 Project related expenditure may (subject to qualification and accounting advice) if apportioned to a project be able to be capitalised. Independent tax and accounting advice will be required during the FBC stage to ensure that the company (and the relationship Housing Companies) are established to work effectively and efficiently on a compliant basis.

9.18 For clarity the operating costs assumed in the Operating Budget are in the main base costs such as staff, and certain core project related costs which the business would need to provide to perform its objectives. Other costs that a scheme will attract will need to be funded separately, by individual Councils as described at c), below.

c) Funding needed in order to develop projects

9.19 Details regarding the funding of development projects is provided within the appendix. Please see appendix 8. The key principles that apply to the funding of the projects directly are as follows:

- Social assets that are owned by a Council will be developed through the Teckal company and funded directly by the Council. The basis of that funding will be determined by the Council and may include use of subsidy (where compliant with State Aid law).

- Other non-social assets will be funded on a commercial basis in order to be compliant with state aid requirements. The facilities, rates and terms will be those that are prevailing in the market at that time.

- As land and assets subject of such development will have been acquired by the DevCo or Housing Company, the funding provided by the lending Council will be to the company that owns the assets, to enable the development.

- For every scheme a viability assessment will be undertaken, and projects will only be brought forward for funding where it is evidenced that the loans are capable of being repaid in full, inclusive of returns on the funding lent.

9.20 For the early stages of the development of a project, the funding from the respective Council is anticipated to be in the form of working capital. This will then be repaid on entering into the construction phase (Development Finance).

9.21 Development finance facilities will reflect those available in the market for developments through the CDV (or Housing Company). Details of typical funding facilities together with example rates and terms are set out for reference in the appendix.

9.22 As the DevCo is not able to hold assets for the long term, any financial commitments of the DevCo relating to the development of projects will be repaid following completion. This may be through sale of the assets or refinancing where assets are intended for long term use such as rental. In this circumstance, the refinancing will be on Operational Finance terms provided to the company who will own them for the long term (such as a Housing Company). Further details of the Operational funding facilities, including example rates and terms are set out within appendix 8.

9.23 Whilst the development costs of a project are repaid when a project reaches a point of entering construction, there is a risk that a project may not mature or may fail. To mitigate against this, it is proposed that DevCo provides a service of reviewing all opportunities at an early stage and provides a viability report. Thus, the intention is that there will be checks and balances to ensure that unviable or flawed schemes, or those which carry excessive risk are not progressed.

9.24 It is currently assumed that any costs incurred relating to failed projects are a risk equally to the Councils where such expenditure is not able to be appropriated to the failed project but will be solely for the sponsoring party where specific development expenditure has been incurred. The process for this is to be determined as part of the FBC.

9.25 Similarly, where a project is delayed, and interest costs arise as a consequence, the risk of the additional interest is apportioned as described. It is important that as part of the governance that a process is put into place to oversee project progress and the early viability assessment for investment. See investment protocol, above.

Minimum Revenue Provision (MRP)

9.26 Subject to advice at the FBC stage MRP may need to be provided for in respect of a certain portion of the funds for construction and long term finance where the funding provided by the Council is not repaid within a specified framework. The use of funds raised from development (sales) may help reduce or relieve the need for such a provision subject to each Councils own considerations of whether the requirements for this are met within the detail of a specific scheme. Where it is considered that the provision should be made, this may form part of the costs to the lending Council of the project and be addressed as part of the development strategy applied to the scheme.

9.27 At this stage it is thought that if a provision were to be required it would most likely arise following commitment to any long term/operational funding to the Housing Company.

9.28 The funding profile and repayment schedules including any need for provisioning for MRP would be considered in the model and an assessment provided for the evaluation of the project.

Practical considerations for Councils

9.29 It should be noted that whilst the DevCo provides capacity and technical resources as well as the basis for development to deliver an increase in the volume of homes more speedily than would otherwise be the case, there will also need to be some consideration of the change in the status quo within the Councils and respective roles and responsibilities.

9.30 As an example, the provision of funding will need to be facilitated, and whilst the flow of loans may be irregular (relative to a single Council), there will be a need for an officer to be allocated responsibility when required to ensure that operations work from the Council perspective, such as for approvals, release of funds, and also monitoring.

9.31 The formation of the company will also mean additional financial reporting. Representation on respective boards, is also a consideration.

9.32 Respective Roles and Responsibilities

Setting out the respective roles of the Finance officers within the DevCo, Housing Company, and Local Authority, they would have the following responsibilities:

Development Company Finance Director

- Involvement with the development of a scheme from an early stage including the case for the assessment of the viability of a project and appraisal of the funding requirement.
- Initial drafts of the loan agreements and applying the product mix and commercial rates in line with state aid/transfer pricing report. Liaison with respective lawyers appointed to complete the development and funding transactions.
- Preparing and signing off the DevCo accounts in sufficient time to inform the LA Statement of Accounts deadline.
- Accounting for Corporation Tax applicable to the DevCo.
- Producing all internal DevCo returns and reports.

Housing Company Finance director

- Preparing and signing off the Housing Company Accounts in sufficient time to inform the LA Statement of Accounts deadline.
- Accounting for Corporation Tax applicable to the Housing Company.

Local Authority Finance Team

- Point of liaison with DevCo for provision of funding, and reporting.
- Assuring for the authority that the loan agreements are in line with legislative requirements and the business plan and is in the best interests of the Council. This will need to be undertaken for every loan for each company (although schemes could potentially be batched).
- Identifying the appropriate accounting treatment of the loan in the revenue account and in the statement of accounts in line with IFRS9.
- Incorporating the revenue and capital implications of the DevCo into the council's revenue and capital budgets.
- Incorporating the Development company accounts into the LA Statement of Accounts under Group Accounting requirements.

9.33 As a guide and taking into consideration the assumed operating budget net of project costs, the potential initial costs estimated to enable this initiative to progress through OBC to FBC and into implementation are shown in the table below. Such costs would need to be reassessed at FBC stage, but would be shared between the participating Councils.

9.34 **Table 8: Costs of DevCo from Initial Consideration to End-Year 2 Operation**

	Pre trading £k	**Year 1 £k**	**Year 2 £k**	**Cumulative**
OBC	£35k	-	-	£35k
FBC	£50k	-	-	£50k
Implementation/ set up	£30k	-	-	£30k
Trading – assumed net position (as above)	-	£60k	£53k	£113k
Total	**£115k**	**£60k**	**£53k**	**£228k**

Note: a) this excludes the funding of projects by individual Councils, and the interest costs/ funding of the DevCo working capital facility. b) The costs are based on a net position after VAT, and assuming repayment of qualifying project costs. c) Figures to be updated for FBC (following receipt of updated cost quotations/advice).

10. Risk assessment and mitigation

10.1 Consideration has been given to the major risks that could arise.

10.2 As this is at OBC stage the assessment is outline in nature and high level, but seeks to follow the principles of an established risk management strategy used in Local Government relating to recognised categories of risk.

10.3 The assessment relates purely to the provision of a DevCo as a collaborative vehicle engaged in provision of housing and associated assets.

10.4 It does not consider the risks associated with individual projects that a Council may decide to engage in, as this would be specific to each Council, the nature of the type of scheme and how that Council chose to fund the respective project or projects. Such considerations would be a matter for each individual Council if needed as part of their own internal considerations at FBC (when the pipeline and project details may be more progressed).

10.5 The categories of risk and assessment considers the likelihood of risk considered on a range from Very High, to Almost impossible (Very High, High, Significant, Low, Very Low, Almost impossible).

The potential impact of the consequence of a risk occurring has also been considered. This ranges from Negligible to Catastrophic.

10.6 The risk assessment is provided in a table within the appendices, please see appendix 9. For most risks the outcome is considered to be low or very low, but it is up to the participating individual Councils to determine the risk relative to their own considerations.

10.7 It should however, be noted that to have a development vehicle the principle of engaging in development is being raised and that the development of projects commercially would bring the opportunity of the benefits and rewards of development as well as any associated risks.

10.8 As can be seen from the assessment appended, the greatest risks are:

- Lack of commitment to participate by Councils – leading to insufficient pipeline: Mitigated/overcome by the parties agreeing to enter into a partnering arrangement for a minimum period;

- Recession leading to collapse in the housing market, resulting in all Councils agreeing to refrain from development/defer: Mitigated by completion of existing works and run down of staff and costs.

11. Summary and Recommendation

11.1 This OBC helps evidence that the provision of a development company on a collaborative basis would be beneficial to the Councils who participated in the Working Group..

11.2 The assessment sets out the most effective basis to take forward the participating Councils ambitions..

11.3 The detail within this document also highlights the benefits and disadvantages of options that the Councils have considered.

11.4 The provision of a vehicle as proposed would enable the Councils joint objectives to be achieved.

Councils to add any further statements, recommendation, and basis for recommendation.

12. Appendices

Appendix 1) Legal advice received from Anthony Collins Solicitors.
Report: Collaborative Development Vehicle. *Provided as an attachment.*

Appendix 2) Table: Project Scenarios. *Provided as an attachment.*

Appendix 3) DevCo initial operating period cost budget assumptions – to be updated for FBC against pipeline and cost confirmations. *Provided as attachment.*

Appendix 4) Potential development pipeline. *Provided as attachment.*

Appendix 5) Report – Market information on development specific delivery vehicles: The rise of Local Housing Companies. Published by the Smith Institute. *Provided as attachment.*

Appendix 6) Report – Local Authority Direct Provision of Housing – Report of Professor Janice Morphet and Dr Ben Clifford (Bartlett School of Planning) for Royal Town Planning Institute and National Planning Forum – December 2017. *Provided as attachment.*

Appendix 7) Suggested KPI 's – *Given below.*

Appendix 8) Overview of proposed basis for the Funding of individual projects/schemes - *Given below.*

Appendix 9) Risk Matrix – *Given below.*

Appendix 10) Extract from the UK Price Index - Average Prices August 2000 to 2018 for East Midlands – Provided to illustrate the level of growth in house prices in the East Midlands over recent years, and average values being achieved. *Provided as an attachment.*

Appendix 11) Glossary – *Given below.*

Appendices noted as ‘Given below’

Appendix 7) - Suggested KPI‘s

Development KPIs

Gross Development Value of scheme
Average value of unit
Value per square foot
Land cost as % of GDV
Land cost per unit
Build and fees cost per m2
Build and fees cost per f2
Average build costs per unit
Capitalised Interests as % of GDV
Cost to value %

Operational KPIs

Business Plan Years
Type of NPV modelled
% of 1st tranche sold
Rental Income years 1
Gross yield to cost year 1
Net yield to cost year 1
Year of 1st net surplus
Loan debt at completion
Peak debt
Year of peak debt
Year loan repaid
Cash/loan at end of business plan
Loan as % of OMV at end of BP
Internal rate of return
Discount rate
Interest rate charged during development
Interest rate charged operation

Vehicle KPIs

Overheads as a % of turnover
Profit Margin within scheme
% repayment of working capital
Accumulative cost of overhead per quarter and yearly
Accumulative profit by quarter and yearly
Accumulative % of working capital repaid against target

Appendix 8) - Over view of proposed basis for the Funding of individual projects/schemes

This appendix considers the funding needs and form of finance required in order to fund individual projects for construction and long term retention of stock.

Funding needed in order to develop projects

Early Stage Funding - Working Capital

For the early stages of the development of a project (meaning progression of a project inclusive of all costs to the point of entering a construction agreement) the funding is assumed to be in the form of working capital or loans. For CDV this will be on a commercial basis.

As the DevCo will be providing the development service for the scheme to the benefitting Council, that respective Council will provide the funds for the costs of the development.

Depending on the nature of the project, the funding may be from the Council sponsoring the project to the DevCo, or through their Housing Company. The contractual and funding relationships are discussed further below and are subject to legal advice.

Once the point of entering construction is reached supported by construction contracts, formal project loan agreements will apply and construction finance facilities specific to a project entered into. The facilities being supported by security as is standard for development finance and construction contracts.

For projects developed through the TDV (Teckal company) the Council will own the asset and will provide funding inclusive of any subsidies directly to the scheme.

The costs that will be funded include all project development costs that are required for a specific project, such as technical, legal, architect, and planning. With CDV where commercial terms are applied all costs incurred in the development of a project will form part of the construction finance facility. Thus, effectively enabling the working capital/loan facility for the formulation of the project to be repaid.

As described in the main text, the qualifying costs that relate to the project are assumed to be capitalised (subject to independent accounting and tax advice at FBC stage).

The interest rate to be charged will depend on the type of facility that the Councils decide to put into place, but based on a working capital arrangement to support the early stages of the development of a scheme, the interest rate is currently assumed to be in the region of 6% over base.

Finance for construction and long term project funding.

1) Funding for projects through TDV

As the Teckal company is inward looking its funding arrangements do not need to be based on market terms provided that funding is ringfenced to delivery back to the Councils.

As the funding does not need to be on market terms it will be for the respective Council to decide whether the funding of these projects (which are likely to be mainly of a social nature) is to be provided at cost, or inclusive of a margin. This can be considered further for the FBC.

Each scheme needs to be viable and therefore may need a margin to enable repayment of any underlying long-term loans.

It is a matter for the Council that has engaged the Teckal to develop the assets to see how that Council is able to raise funds and on what basis it supplies them.

Funding for a project may work as follows:

Example: A scheme is for development of 20 properties which are to comprise of say 10 Affordable Home products such as shared equity, and some social rents, as well as 10 houses for sale to the market. The Council would need to fund the development in full, with the funding released in tranches as the houses are constructed.

As development of the houses may be in stages this would enable the early completions to be sold to generate and release funds for recycling into the scheme. Profit achieved from the sales, can also be used as a subsidy. On completion of the full site and sale of shared equity homes further funding repayments would be received against the Council's debt.

Homes to be used for rental purposes, depending on their nature, will either be financed by and held in the HRA, or purchased by the Housing Company.

Sources of subsidy:

*Grants
*Section 106 receipts/commuted sums/affordable housing contributions
*Lent from the HRA (Local Treasury decision)
*Surpluses that may be generated within the scheme from sales/staircasing

2) <u>Funding for Projects through CDV</u>

Funding for CDV needs to be on commercial rates and terms in order to be State Aid compliant.

Development Finance during Construction

As with the funding of projects through the Teckal company the Councils will effectively be funding 100% of the costs of the development but will do so on the basis of facilities that are the same as those which a commercial lender would provide for the same transaction.

Thus, margin and fees are applied which generate a return to the lending Council. It also means that different loan products in line with the market are applied which generate different returns and are documented separately.

The facilities, rates and terms assumed are subject to comparison with the market. It is assumed that the funding will comprise of 3 elements, these are equity/initial investment, sub debt and senior debt. All of the funding required for a project will be supported by the respective Council, and provided in line with commercial lending terms.

For explanatory purposes, a table which sets out these facilities including an indicative split of the funding is provided below.

As with all lending arrangements the Councils will want to ensure that the loan facilities will be fully repaid, and that if they have borrowed funds to finance the arrangement, that the underlying loan is fully serviced by the income received. A detailed financial assessment prior to entering the loans known as the Full Viability Assessment will be provided by the DevCo and reviewed and approved or otherwise by the lending Council as part of the process, whether the borrower is the Devco, or the Housing Company.

An assessment would also be provided for funding requirements for projects through the Teckal company.

During construction funding is lent on a basis of a Loan to Cost ratio 'LTC.'

Both senior and sub debt are contracted to be repaid. The sub debt is lent in the form of loan notes, and the senior as a loan in the form of a loan agreement.

Equity investment is either from equity interest/value already accumulated in a project or from shareholder funds. As this is for development finance of new projects typically the expectation will be for the sponsors to contribute the equity funding.

Example: A scheme costs £3m to develop a site (in this example there is no sub debt).

Based on the indicative terms in the table below the funding during the development period would comprise of:

50% equity	£1.5m
50% senior debt	£1.5m

The equity is the investors investment which will be realised over time following completion and the determination of the use of the asset. If it is for long term use it may stay or a portion of it may be retained within the value of the asset. Repayment is met in time following say a sale, or by way of dividends on performance.

Whilst the facilities are intended to generate a return to the Council, during the construction period the senior debt cannot be repaid, nor is interest serviced as there is no operational asset to generate income. Interest is therefore rolled up. The senior debt commitment is then repaid inclusive of the rolled-up interest after completion of the asset following sale, or if the asset is to be used for long term rent, notionally on refinancing to operational terms.

Refinancing onto Operational funding terms effectively resets the debt arrangements and provides a profile for regular repayments of the senior and sub debt over the contract period.

As the funding attracts fees these may be apportioned to the Council on commencement of the loans.

The terms of the funding would be modelled to ensure servicing of any funding commitments that the Council may have entered into in order to raise the funds, or to meet internal return requirements.

Where the assets are for long term housing social rent use, funding may be on a fixed loan debt profile against anticipated rents.

Operational Funding

Operational funding is lent on a basis of Loan to Asset Value (LTV) which is the market value of the asset.

If for example the assets which cost £3m to build are considered to be worth £4m in the market once built, then the funding requirement for the operational period will from the example table be:

30% equity £1.2m

10% sub debt £400k

60% senior debt £2.4m

Senior debt and sub debt loans will be fully amortising.

Note the cost of rolled up interest would also be factored into the refinance facilities as well as the funding fees that may apply.

Typically where a Council has borrowed funds in order to provide the facilities the Council would be expected to match and hedge commitments. It will however, be up to the lending Council as to the basis (fixed or variable) on which they wish to lend the funds, and the type of facilities available in the market at that time.

The table below provides for indicative purposes an example of the mix of commercial funding facilities and terms that might be applied (subject to the market at the time of lending). It outlines a typical proportion of debt for each category of funding, which determines the interest rate that would be payable to the Council as the funder.

Summary Table of Funding Terms: For example purposes

Funding Type					The rate shown is the margin, not the total rate.		Cost of Money assumed, including additional funding costs		All in rate senior debt
	Equity%		Sub debt %		Senior debt %		MLA costs	0.04	
	Rate	Ratio	Rate	Ratio	Rate	Ratio	Credit spread	0.1	
Development	*	50	N/A	0	4.00	50	(Example)Libor [25 yr fixed swap rate]	1.86	6
Operations	*	30	10	10	3.25	60	Total	2	5.25
Working capital facility					(Example) 6% assumed over base, current rate would be 6.75% variable.				

Note: Rates and product mix to be applied will need to be referenced to the market ideally from a Transfer Pricing or State Aid report.

Roll up of senior debt interest and roll up of sub debt interest during the investment phase is disregarded for the purpose of the table.

The interest rate to be charged is the margin plus the cost of funds (Libor, in this example).

For the final rates to be used consideration will be given to the Councils internal cost of funds, or cost of funds to the Council to enable a return to the Council.

The above assumes funding on a fixed rate basis. Consideration also needs to be made of variable rates available in the market at the time of funding a project.

Typical Fees

Arrangement fee – Sub debt	1 - 2% Payable on draw down. Higher more likely on development loan.
Arrangement Fee – Senior debt	1- 2% Payable on draw down
Non Utilisation fee (Commitment fee)	50% of loan margin
Exit fee at PC/on refinance (from the devt. loan)	1% of outstanding balance.
Agency fee at:	£10,000 plus per annum on the senior debt – but can vary.

Fees and margins enable a revenue return to the lending Council.

Appendix 9) - Risk Matrix

Table: Risk Matrix

Risk category	Description/ Identification of specific risk	Likelihood	Impact	Mitigation	Control	Comment
Political	**Local and National Political Issues / Interaction and decision making**					
	Change at a National level politically in the agenda for provision of housing and regeneration.	Very Low. Especially in the short and medium term. Currently both major parties support provision of housing, regeneration, and infrastructure.	Critical	Development is on a planned basis with a known horizon for the projected pipeline.	Commitments are managed, and governance arrangements are provided to enable control	
	General change at a local level politically away from housing priorities	Very Low. Especially in the short and medium term given national focus and local pressures for housing	Critical	Development is on a planned basis with a known horizon for the projected pipeline	Commitments are managed, and governance arrangements are provided to enable control	
	Change by a single Council mid term to invest resources elsewhere away from the initiative.	Low. Particularly given the national focus and local pressures for housing. However, demands on a Councils planned expenditure and priorities for resources arising from political change could arise.	Marginal	Councils are to be equal within DevCo with share of base costs, which would be contracted. Main risk would be to the differentiating Councils own individual schemes that were not contracted.	No control over individual Councils but DevCo works to a business plan from the Councils jointly and most likely any decision by a single Council would manifest in a managed gradual process due to contracted pipeline.	For example might arise following a change in leader/political control or from new manifesto commit-ment.
	Impact of Brexit If impact on the economy is adverse it may generate a reduction in demand for housing and development.	Currently not known, but may have impact on the economy.	Negligible / Marginal	Pipeline of development can be managed to meet demand. Main operating cost of Dev Co is staff and can be managed against pipeline, reducing cost and commitments.	Business Plan	
Economic	**Local and National economic issues including interest rates/ suppliers/ inflation**					
	Supplier issues	Low	Negligible / Marginal	A purpose of DevCo is to enable a dedicated entity that engages with suppliers and as a dedicated entity has a panel or range of suppliers. Mitigation will be the industry relationships that arise and ability for CDV to employ new	Experienced dedicated resource. Supplier contracts and ability to engage in market.	

				suppliers. TDV would benefit from CDV relationships but would need to procure if a supplier was unable to deliver. Mitigated by use of framework.		
	Inflation	Low	Negligible	Increases in wages and construction costs may be matched or exceeded by property and rent inflation.	A financial plan will need to be developed at FBC and may need to make inflation assumptions. It s possible that inflation will change and scenarios should be modelled to test outcomes.	
	Interest Rates	Low Interest rates are stated to be increased gradually in the short and medium term. There may be some fluctuation in interest rates and availability of capital following Brexit depending on the nature of the deal.	Negligible	Impact of interest rates on DevCo and its funding facilities can be modelled to test viability. Funding of schemes particularly for assets held for the long term can be on fixed rate products tied into the current low interest rate environment.	Interest rates are set by Bank of England but influenced by outside economic factors. Short and medium term environment looks controlled. If needed the Councils can control impact on projects by use of fixed rate funding products and management of working capital facilities to DevCo.	Returns to Councils from lending on commercial terms are likely to be at a margin which moves with the market
	Property Inflation	Low Risk is fall in property values making projects unviable.	Marginal	There has been continued growth in house values during last 10 years. At some point growth will slow, but long term in the UK there has been strong annual average property value increases. Should property prices fall whilst DevCo is developing a project the asset on completion can be held for long term by the Housing Co, rather than for sale. DevCo would need to be remunerated for its service.	Viability assessment is undertaken on all projects unviable projects will not be progressed, and are also unlikely to meet requirements for funding, funding being controlled by the respective Council.	
	Recession	Low	Critical	UK economic growth is upward. The initial period of the pipeline is likely to be 4 to 5 years. It is for the Councils to plan the business accordingly.	Mitigated by Business Plan, enabling management of business. Depending on the purpose of a scheme, might be positive.	The UK is subject to national and worldwide recession, which are typically

				If provision of housing is key, a slight downward curve giving rise to reduced costs might be positive to Council delivery objectives.		cyclical currently markets are inclined upwards recovering from the 2008 recession
Social	**Social and demographic issues in local population and workforce**					
	Demographic change affects type of houses needed	Very Low	Negligible	Able to use land to meet demand and apply for planning permission that meets needs	Development is managed and aligned to the Business plan set by the Councils.	
	Lack of skilled work force	Low, availability of suitable staff may change.	Marginal	DevCo is a dedicated company with small workforce. If required can change business plan to meet /attract required resource.	Ultimately Councils are able to influence the company and staffing.	
	Demographic changes lead to fall in demand for housing within the region.	Almost impossible, especially in the short term	Negligible	Pipeline of development can be managed to meet demand. Main operating cost of Dev Co is staff and can be managed against pipeline, reducing cost and commitments.	Business Plan.	
Tech-nological	**Reliability and ability of technology to meet the needs**					
	Technology Failure	Very Low	Negligible	DevCo is to be based at a Council office and have access to technology and support services. It is not high technology dependent.	Able to invest in new technology if needed. The development processes are also typically conformed and not dependent on new technology.	
Environ-mental	**Environmental Consequences**					
	Development has impact on the environment.	Very Low.	Negligible	DevCo will act as a developer and be required to follow guidelines and legislation relevant to impact on the environment.	All developments will need to have met planning, protecting DevCo from entering any development that could have an adverse impact.	
Professio-nal Manage-rial	**Managerial abilities and skills**					
	Failure of appointed senior staff and lack of required skills	Low. Recruitment error leading to staff failings.	Negligible /Marginal	DevCo is a dedicated company with small workforce. If required it can act quickly and recruit replacement staff.	Ultimately Councils are able to influence the company and staffing. Regular performance and reporting.	

				As work is subcontracted core projects will carry contractor warranties and have been advised by professional parties, mitigating impact of any staff inadequacy/inexperience. Training.		
Financial	**Financial Planning and Control**					
	No or ineffective financial planning and control	Almost Impossible	Marginal	A key post will be a dedicated FD. The FD will be a qualified individual responsible for financial reporting and financial planning of projects. As an early resource engagement the FD is likely to be appointed by stakeholder representatives from the Councils.	Councils through the governance arrangements have direct insight into performance, and also determine the Business Plan. Councils have control and also determine funding to DevCo and projects.	Company is subject to audit
Financial	**Expenditure**					
	Operational Costs exceeded	Low	Marginal	Working Capital expenditure managed against budgeted operational and project costs.	Operational costs of DevCo are a matter for the Councils who will set the budget and the Business plan. Reporting and management controls	
	Repayment of working capital is delayed due to project delays	Low	Negligible	Working capital /loan commitment will attract interest and be repaid on financing to project funding terms	Management of the working capital/loan facility	
	Project fails during early stage and working capital is expended	Low	Marginal	It is possible that a project might fail for reasons outside of the control of the company/respective Council. Viability assessment in place to mitigate this risk. An example risk might be refusal of planning permission.	Certain base costs accrued may be shared (be a company cost), working capital accrued is suggested to be to the account of the interested Council (subject to any other agreement to address this risk between the Councils). Controls and management of project expenditure and development against programme are tools to protect against failure.	

Legal	**Risk of breaching legislation and meeting regulatory requirements**					
	Risk of breaching legislation and not meeting regulatory requirements	Very Low. Supported by professional legal advice. DevCo to be developed and delivered following appropriate due diligence and respective Council approvals Once established risk management and reporting regimes to be in place.	Marginal	Formation of DevCo has been subject to legal advice. Company documents and structure is to be implemented with legal support. Funding arrange-ments are to follow guidance and will use documents provided by legal advisors. Projects by their nature will be subject to legal represent-ation and support.	Signatories with delegated authorisation only will ensure control	
	State Aid	Low Funding for CDV and TDV to be State Aid compliant and will be implemented with legal advice.	Critical	Councils will lend to CDV and projects through CDV on a commercial basis including utilisation of market rates, and terms. Funding to TDV to be ringfenced to Council provision.	Funding terms and facilities to Dev Co and projects will be confirmed as part of the viability assess-ment and loan provision arrangements	
Physical	**Fire, security, accident prevention to workforce and population**					
	Construction arrangements do not meet regulations	Almost impossible	Marginal	This is a risk passed onto the appointed construction contractors, works are not undertaken by DevCo directly.		
	Office premises	Almost impossible	Negligible	DevCo is to be based in a Council office during the initial trading period.		
Partner-ship/ Contrac-tual	**Associated with failure of contractors and partnership arrangements to deliver services and products to an agreed cost and specification**					
	Failure of contractors	Low	Negligible / Marginal	Mitigated by ability to work with the market without procurement restrictions, and to have access to a range of suppliers		
	Delivery to cost budget	Very Low	Marginal	Development contracts are recommended to be on a fixed price contract basis.	Projects to be managed by DevCo against budget, funding released by Council against milestones. Prudent to contract on fixed cost basis	

					with financial plan inclusive of contingency	
Compe-titive	**Risks that may affect competitiveness and/or ability to deliver best value**					
	Competition	Very Low	Marginal	DevCo is a company dedicated to delivering for the Councils. Therefore competition would only arise from a decision by a Council to procure a development through a different route such as a JV (for example). N.B To do this value which through Devco would remain with the public sector would be lost to the JV developer, thus DevCo should always be better VfM on a project basis, especially when long term use of assets developed is also considered.	Councils both benefit and have control. DevCo provides a means for a range of public sector assets to be developed by the public sector for the public sector and enable value to be achieved.	
Customer /Citizen	**Risk of failure to meet current and changing citizen needs**					
	See Social above.					

Appendix 11) - Glossary

- DA means Development Agreement
- GF means General Fund
- HE means Homes England
- HRA means Housing Revenue Account
- JV means Joint Venture
- LLP means Limited Liability Partnership
- MTFS means Medium Term Financial Strategy
- NHB means National House Builder
- PRS means Private Rented Sector
- RP means registered provider
- RTB means Right To Buy

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Appendix B: Review of the Outline Business Case of the Collaborative Development Company

Outline Business Case Proposal	Commentary	Conclusions
Key Priorities	The paper sets out, in general terms, what the participating councils have highlighted as the key priorities for the Collaborative DevCo, these are: ▪ Mixed use development activity that delivers development benefits including housing and commercial use; ▪ Housing outcomes meet local need reflecting affordability and people's income; ▪ Scale and pace; ▪ Surplus for a purpose; and, ▪ Control. It is not clear what advantage there is in progressing these priorities through a collaborative DevCo, as opposed to a different vehicle. Indeed, in places it appears contradictory: suggesting that the councils '…see control as key…', but that '…lead members and chief officer influence over the operation of the company is managed through the shareholder function…'. This suggests that the control would lie with the Company, rather than through the democratically elected Members of the Council.	The delivery of mixed-use development should be a priority; however the outline business case does not convincingly set-out how the collaborative DevCo is key to delivering the priority. Especially as it acknowledges that each of the participating councils will have '…different assets and different delivery objectives'. Likewise, in relation to the delivery of 'Housing outcomes', the outline business case sets out that: '…each Council will need to determine its own approach…' suggests that there is a lack of synergy between the potential members of the DevCo. Under 'scale and pace' the outline business plan it is unclear how the DevCo would operate more effectively than other development models, such as each Council setting up their own company. The 'control' section appears ambiguous and confused. It is difficult to assess the benefit that there might be from participating in a collaborative DevCo.
Outline Options Appraisal	The scoring matrix accepts three assumptions that the DevCo: ▪ will deliver economies of scale – to achieve 'scale and pace'; ▪ will be most effective in maximising returns; and,	The outline business case does not offer any evidence to support these assumptions. As set out above, assessing the benefit of 'control' is problematic and does not appear to

Outline Business Case Proposal	Commentary	Conclusions
	▪ will ensure that outcomes are delivered through 'control'.	offer a governance model that the Council could become part of.
Benefits to the Council from establishing a Development Company	The benefits appear to be generic, in that they could be delivered either through a collaborative DevCo, a development company wholly owned by the Council, or other models of delivery. It also appears to suggest that there might be an umbrella company – the collaborative DevCo - but the Councils might also have their own company. It is difficult to see what the benefit of having a collaborative DevCo would be in securing 'scale and pace' and efficiencies of scale.	The benefits set out in the outline business case sets out generic benefits which could be delivered through other delivery models. The outline business plan does not establish the benefits to the Council of joining the proposed collaborative DevCo.
Relationship between the Councils and Governance overview	A number of governance options are suggested, a preferred option is not developed.	Not sufficiently progressed.
Investment Decisions, Indicative Development Pipeline and Resourcing the Development Company	The benefit of the Collaborative DevCo is unclear, as the Outline Business Plan sets-out that the DevCo provides a collectively funded development core. However, it also states that: 'individual agreements for each scheme funded by Councils individually'. Moreover, each development project will need to demonstrate that it is 'viable' as a stand-alone project.	It is difficult to see the benefit to the Council in being part of a Collaborative DevCo, especially as the Councils will be responsible for promoting their own development pipeline.
Overview of the Development Company	The document outlines possible business models.	The outline business case does not establish the benefit to the Council of the umbrella collaborative DevCo.
Funding	The Outline Business Case seeks financial investment, to be provided by the participating councils, of: Year 1 £338,000 and Year 2 £453,000. That means that if the four remaining Councils commit to the collaborative DevCo that Charnwood Borough Council would be required to invest: £84,500 in Year 1 and £113, 250 in Year 2.	The outline business case does not set out when it is expected that the participating Councils will achieve a return on their investment. The document sets out a complicated

Outline Business Case Proposal	Commentary	Conclusions
	The Outline Business Case states that the DevCo will be financially self-sufficient within two years. However, the document does not indicate when the Council can expect a return on the investment. It appears that the DevCo would seek to promote sites which are viable and low risk. This might not be the appropriate approach for the Council. As the Council might also seek to deliver some sites for regeneration purposes and the social and environmental good of the community.	business model, which does not clearly set out the benefit to each of the Councils.
Risk Assessment	Relates to the operation of the Collaborative DevCo.	Suggests that the risk of bringing forward development remains with the Council, as each development would be a project.
Summary and Recommendations	The recommendation does not effectively set out how a collaborative DevCo would be beneficial to the participating Councils, as opposed to them working independently.	The Collaborative DevCo is complex and the outline business case does not effectively set out the benefits to the Council.

CABINET – 13TH DECEMBER 2018

Report of the Strategic Director of Corporate Services

Lead Member: Councillor Tom Barkley

Part A

ITEM 8 PURCHASING OF ELECTRICITY THROUGH A FRAMEWORK CONTRACT

Purpose of Report

This report is to seek approval from Cabinet to access Eastern Shires Purchasing Organisation (ESPO) framework contract for the supply of Electricity for the financial years 2020 to 2024.

Recommendation

That permission is granted to use the Eastern Shires Purchasing Organisation (ESPO) Framework contract to procure and award a contract for the supply of Electricity via ESPO Framework Contract 191_20.

Reason

To allow contracts of the Council to be let in accordance with the contract procedure rules and to benefit from economies of scale provided by using ESPO members' combined budgets and buying power.

Policy Justification and Previous Decisions

This links with the Council's strategic aim for Delivering Excellent Services.

Financial Implications

The 2018/19 budget for Electricity is £435K, inclusive of both General Fund and Housing Revenue Account. Utility prices will vary throughout the life of the contract and these variations will be dealt with through the normal budgetary process.

Implementation Timetable including Future Decisions and Scrutiny

Subject to call-in the implementation timetable for entering into the ESPO framework agreements and new contracts would be as follows.

Task	**Indicative Timeframe**
Sign ESPO Electricity Procurement Service Agreement	1st March 2019
Electricity Supply Contract start date	1st October 2020

Risk Management

The risks associated with the decisions the Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
Failure to follow the agreed Council Procedures and, of consequence, not obtain best value procurement	Possible	Minor	Framework contracts comply with CBC procedures and provide economies of scale
Failure to follow EU procurement Rules by not advertising in OJEU an above threshold contract.	Possible	Minor	Consortium Framework contracts are let in accordance with EU regulations access procedures for the framework will be followed

Key Decision: Yes

Background Papers: None

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Part B

Background

1. The Council is a significant consumer of Electricity and has budget of £435K for Electricity in the financial year 2018/19. The Council's current contract with Total Gas and Power is due to expire on the 30th September 2020 and it is therefore necessary for the Council to put in place arrangements for procuring a new contract. The existing contract was procured by the Eastern Shires Purchasing Organisation (ESPO) in financial year 2015/16.

2. There are several advantages for the Council in making use of the contracts procured through ESPO. ESPO procures Electricity, for its members in accordance with the Pan Government Energy Project which recommended that, all public sector organisations adopt aggregated, flexible and risk managed energy procurement as the best solution to cost reduction in a complex and volatile market by the use an approved body like ESPO which has the resources to manage aggregated contracts and to mitigate risk by procuring on 250 days a year rather than purchasing one year's supply on a single day. The alternative would be for the Council to make its own, individual procurement arrangements. This would be likely to result in the Council paying more for its energy needs and potentially being exposed to greater risks of price volatility.

3. Electricity and Gas are purchased by ESPO at various points throughout the year following a prescribed plan; this eliminates the risk of going to the market on a single day to buy a year's supply, negating market distortions and purchasing at a time when the markets are unfavourable. All of the Council's energy requirements would be purchased in the year leading up to the beginning of the new contract year which provides a high level of budgetary certainty, the price being fixed for the following 12 months. Economies of scale are provided to the Council with the purchasing power ESPO being far greater than that of the Council. ESPO purchases 920,000,000 kWh of Electricity per annum of which the Council consumes 3,031,532 kWh per year less than 0.33% of the contracts annual volume.

Procedure

4. Should the Cabinet agree to procuring its Electricity through the ESPO framework, the Council would need to provide details of its supply points to ESPO who would then tender for the price per kWh for the utility, network charges, and supplier margin on behalf of the Council and other members.

5. The Council would sign the ESPO Electricity Procurement Service Agreement in March 2019 for a contract which would commence on 1st October 2020.

Appendices

None.

CABINET – 13TH DECEMBER 2018

Report of the Head of Finance and Property Services

Lead Member: Councilor Tom Barkley

Part A

ITEM 9 AMENDMENTS TO ANNUAL PROCUREMENT PLAN 2018/19

Purpose of Report

This report sets out additions to the Annual Procurement Plan for Charnwood Borough Council for 2018/19. Cabinet approved the Annual Procurement Plan on 15 March 2018 and amendments to that plan on 05 July 2018 and 13 September 2018. Since the amended report, there have been other requirements by the Council's services for the supply of goods and services, and this report seeks approval for these

Recommendations

1. That the contracts, over £25,000 and up to £75,000, listed in Appendix A be let in accordance with Contract Procedure Rules.

2. That the contracts, over £75,001 and up to £500,000, listed in Appendix B be let in accordance with Contract Procedure Rules.

Reason

1 & 2. To allow contracts of the Council to be let in accordance with contract procedure rules.

Policy Justification and Previous Decisions

This links with the Council's strategic aim for Delivering Excellent Services.

Implementation Timetable including Future Decisions and Scrutiny

Contracts will be let in accordance with the timetables in appendices A and B.

The Annual Procurement Plan 2019/20 will be submitted to Cabinet on 14 March 2019.

Financial Implications

There are no direct financial implications arising from this report as expenditure will be funded from existing budgets.

Risk Management

The risks associated with the decisions that the Cabinet are asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
Failure to follow the agreed Council Procedures and, as a consequence, not obtaining best value procurement	Possible	Minor	Wide circulation of 'reasons to meet the Rules' and provide advice to officers needing to use the Rules
Failure to follow EU procurement rules by not advertising in OJEU above a threshold.	Possible	Minor	Wide circulation of information relating to contract compliance, advice and service in placing requisite advert in OJEU for officers in service areas.

Key Decision: Yes

Background Papers: None

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Part B

Background

1. The Contract Compliance Rules require the Contract Compliance Officer to submit a report at the beginning of the financial year showing details of contracts to be let above £25,000 and below £500,000. In approving the report, Cabinet will agree for each contract the form of tender evaluation arrangements, whether the tender specification needs to be approved by Cabinet and whether authority is delegated to the Contract Compliance Officer to agree exceptions and open negotiation procedures.

2. Having an Annual Plan does not allow sufficient flexibility for goods and services that are found to be required during the year. Therefore, to avoid individual reports being submitted for each contract, and to encourage services to adhere to the Contract Compliance Rules, update reports will be produced with contracts to be let in the second, third and fourth quarters of the year.

Procedure

3. Heads of Service have been contacted with a view to producing a plan for 2018/19 and details of all contracts that they have asked to be included are given in the Appendices attached to this report. The contracts have been divided into those contracts estimated to cost between £25,000 and £75,000 and those contracts between £75,001 and £500,000.

4. For contracts up to £75,000, it is recommended that, in line with Quotation and Tender procedures the relevant Head of Service should deal with these by requesting 3 written quotations. In cases where a quotation other than the lowest is accepted, authority has been given to the Contract Compliance Officer to authorise a waiver or exception to the Contract Procedure Rules. Contracts falling under this authority have been listed in Appendix A to this report.

5. For contracts in excess of £75,000, a written specification must be prepared and tendering completed in line with Contract Procedure Rules. Contracts falling under this authority have been listed in Appendix B to the report.

6. Contracts above the £500,000 threshold need to be reported separately to Cabinet during the year before procurement begins.

Appendices

Appendix A – Contracts between £25,000 and £75,000
Appendix B – Contracts between £75,001 and £500,000

APPENDIX A

Additions to Annual Procurement Plan 2018/2019 – Contracts Greater than £25,000, but less than £75,000

No.	Service Area	Contract Title / Description	Tendering Method: 3 Quotes/Waiver	Delegation to Contract Compliance Officer	Procurement Start:
1	Information Services	Improved provision of Wi-Fi (wireless networking/internet) access for external visitors and staff covering Town Hall and Southfields Council offices	Framework Contract / Waiver	Yes	01/01/2019
2	Landlord Services	Hand Arm Vibration Monitoring Equipment. To monitor the exposure of operatives to vibration while using power hand tools.	3 Quotes	Yes	01/02/2019

APPENDIX B

Additions to Annual Procurement Plan 2018/2019 – Contracts Greater than £75,001, but less than £500,000

No.	Service Area	Contract Title / Description	Tendering Method: (Full Tender/OJEU Procedure)	Delegation to Contract Compliance Officer	Procurement Start:
1	Information Services	Payment Card Industry Data Security Standard Payment Card (PCI DSS) Compliance Telephony software.	Framework Contract / Waiver	Yes	01/03/2019

CABINET – 13TH DECEMBER 2018

Report of the Head of Finance and Property Services
Lead Member: Councillor Tom Barkley

Part A

ITEM 10 DRAFT 2019/20 GENERAL FUND AND HRA BUDGETS

Purpose of the Report

To advise members of the projected base budget position for 2019/20 on the basis of the estimated grant settlement for 2019/20.

To review the savings and growth proposals put forward for the year 2019/20, and to begin a period of consultation.

Recommendations

1. That the Cabinet endorses for consultation the General Fund and HRA Revenue Budgets for 2019/20 as set out in Tables 1 and 4 in the the report.

2. That the Cabinet endorses for consultation the Loughborough Special Expense Budget and Levy for 2019/20 as set out in Appendix 2.

Reason

1.& 2. To provide the opportunity for consultation on the 2019/20 budgets as well as potential pressures and savings.

Policy Justification

The Council's Budgets are fundamental to the delivery of all services.

Implementation Timetable including Future Decisions and Scrutiny

Cabinet is asked to endorse the Budget proposals contained in and appended to this report as a basis for consultation. These proposals will be subject to consultation over the period from 21st December 2018 to 20th January 2019. Both the Overview Scrutiny Group and the Budget Scrutiny Panel will have the opportunity to scrutinise this report before it is presented to Cabinet.

The Overview Scrutiny Group will also have the opportunity to scrutinise the final report to Cabinet on 14th February 2019. In addition, consultation will be with:

Trade Unions;
Local Businesses and Commercial Ratepayers;
Formal consultation with key partners, including members of Charnwood Together, and Towns and Parishes.

It is planned that the proposals on the General Fund and HRA Budgets and Council Tax will return to Cabinet on 14th February 2019 for recommendation to Council on 25th February 2019.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no direct financial implications from approving this report for consultation. However, if the final report is approved then there will be financial implications for the Council and these are set out in Part B of this report.

Risk Management

There are no specific risks associated with the decision Cabinet is being asked to make. However, Part B of the report identifies risks associated with the eventual adoption of the new Budgets.

Equality and Diversity

There are no specific Equalities and Diversity issues affecting the recommendation in this report, though any such issues affecting particular service pressures and savings will have been considered when those proposals were submitted.

Key Decision:	No
Background Papers:	None
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Part B

Background

1. As has been the case over recent years, this draft budget is being prepared without knowing the contents of the financial settlement from the government for 2019/20. The announcement is due to be communicated on 6 December 2018.

2. The Revenue Support Grant (RSG) from central government has been reducing year on year since 2014/15 and the amount received in 2019/20 will be the final RSG payment to the Council. This will have an impact on the town and parish councils. Since 2013/14, when the RSG included an explicit amount to transfer to the town and parish councils to lessen the impact of introducing the Council Tax Support Scheme, the Council has continued to passport an amount to the town and parish councils in the same proportion as originally transferred in that year. However, given the cessation of RSG there will be no funds to transfer after 2019/20.

3. The Council's Medium Term Financial Strategy (MTFS) indicated that there will be a shortfall of £1.097m in the General Fund for 2019/20. This is based on illustrative grant and National Non-Domestic Rate (NNDR) figures issued by the government in February 2018 and the assumptions that the Council's transformation and efficiency savings of £0.48m are delivered. The MTFS assumed that the shortfall would be covered by the use of reserves and the reallocation of budgets from areas which have underspent in previous financial years. There are many uncertainties going forward due to expected changes in government policy (for example the allocation of business rates and the New Homes Bonus payments); the outcome of the Fairer Funding Review; Brexit scheduled for March 2019 and the global economic environment which affects interest rates, inflation and demand for services.

4. The proposed Draft Budget requires the use of £1.025m of General Fund Working Balances for 2019/20, a decrease of £72k compared to the MTFS. This change is a combination pressures offset by savings. The increases to the budget are proposed service pressures of £290k, along with a reduction in the level of savings anticipated of £70k, which are offset with a target saving of £300k, by a reduction to the base budget of £67k and an increase in investment income of £65k. Of the proposed service pressures, £227k is for one-off items in 2019/20 and there are ongoing pressures of £63k. It is proposed to fund this in-year shortfall of £1.025m from the General Fund Working Balance reserve. In addition to this there are service pressures relating to the planning service of £63k and it is proposed that this will be funded from the earmarked planning reserves.

5. The key assumptions that underpin this budget are set out in the paragraphs below.

6. Given the reduction in RSG and New Homes Bonus payments, the uncertainty over future funding, service pressures and the fact that

Charnwood Borough Council still has one of the lowest council tax rates of all districts in the country, the budget assumes a council tax increase of £5 per Band D equivalent property. This is in line with the increase allowable by Central Government and will not be subject to a referendum.

7. The New Homes Bonus ('NHB') will continue in 2019/20, albeit at a reduced level as this is now only payable for four years and has a 'deadweight' growth assumption of 0.4% upon which no NHB is payable.

8. United Kingdom base rates increased in August 2018 to 0.75% following six months of moderate but robust economic growth. There are some concerns over inflationary pressure particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August (due to increases in some volatile components that are in the CPI basket), but it fell back to 2.4% in September and is expected to fall back to the 2% inflation target over the next two years

9. The longer term view is that the base rate will remain low for the foreseeable future and would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019. This will continue to suppress the level of investment income that the Council can generate. The budget for interest receivable in 2019/20 of £390k reflects an assumption of increased returns based upon a combination of the impact that the higher base rate is having on the interest rates, the longer term nature of some of the Council's investments which are generating better than market average returns and also the interest yields being generated by the investment in two property funds that the Council now has.

10. The HRA draft budget has been prepared on the assumption that rental income will be reduced by 1%. This 1% rent reduction each year was introduced in April 2016 following the announcement by the Chancellor in his 2015 summer budget that HRA rent increases were to be reduced by 1% per annum for four years. The financial year 2019/20 will be the final year when the reduction will apply. After this rent increases will be allowed to increase by CPI +1%. Other assumptions and changes are discussed in the HRA section of this report.

11. For the General Fund the main issues are that 2019/20 will be the last year that the Council will receive any RSG, the possible changes in the basis of the New Homes Bonus Payments, the uncertainty over future funding as a result of potentially not introducing a 100% business rate retention scheme, and the fairer funding review.

12. The Government had originally intended to introduce 100% business rate retention before the end of the previous parliament. However the fall of the Local Government Finance Bill, when Parliament was dissolved in the run up to the General Election 2017, and the decision not to introduce a new

Local Government Finance Bill has meant that the 100% retention scheme could not be introduced nor will it be introduced in the foreseeable future.

13. However the Government will continue with its reform of the business rates system and have invited local authorities to pilot 75% business rates retention in 2019 to 2020. Charnwood have applied to be part of this pilot scheme along with the other authorities in Leicester and Leicestershire who are in the current pooling arrangement across the county. It is expected that successful applications will be announced before or alongside the publication of the provisional Local Government Finance Settlement in December. As the results of this application and the full details of the scheme will not be known in time for the draft budget no account has been taken of the application. It is envisaged that participation in this scheme will be financially beneficial to the Council, or at least will not result in any detriment. All authorities currently operating the 50% retention scheme will move to a 75% retention scheme in 2020/21 when the 75% retention scheme is introduced in England.

Overview

14. During 2018/19 the Council has continued to look for ways of improving services and securing value for money with the services it delivers. It continues to actively seek out partnership opportunities that will lead to improvements in service delivery and value for money. The Council will aim to retain the services it delivers even as resources continue to reduce, primarily by looking at the way services are delivered.

15. The draft budget for 2019/20 contains £352k of service pressures, of which £289k are one-off's (i.e. will be for 2019/20 only) and £63k are ongoing.(i.e. will continue after the end of 2019/20). The pressures are offset by one-off savings of £306k and ongoing efficiencies of £404k, giving a net saving in 2019/20 of £358k. For 2019/20 and future years there are recurring net efficiencies of £341k. If this draft budget for 2019/20 is approved, and achieved, it will result in revenue balances remaining above the minimum target levels at the end of March 2020.

Approach to the 2019/20 Budgets

16. The principles underpinning the Council's approach to constructing the budget are summarised above. The method by which the Council has addressed specific budgetary issues is detailed in the paragraphs below.

17. A base budget has been established which reflects the current year budget for 2018/19 adjusted for inflation, where relevant, and for known service changes. Any one-off items that were included in the 2018/19 budget have been removed. Heads of Service have then prepared business cases (for any pressures greater than £10k in value) to support requests for budget pressures and savings that they were aware of for the forthcoming year. These pressures and savings have been identified as either a one-off, i.e. will only impact in 2019/20, or ongoing which will continue for the foreseeable future.

18. Heads of Service have then presented their pressures, savings and business cases to the Senior Management Team (SMT), who has then looked at each one in turn and in their totality. The SMT agreed on the pressures that were ‘unavoidable’ e.g. expenditure required as a result of complying with legislation and identified any pressures within a Directorate that could be covered by savings within that Directorate budget. These pressures and savings have been built into the budget.

19. The SMT also considered if the use of the Service Pressure Budget Reserve might be appropriate for some pressures.

20. Cabinet members have then reviewed and discussed the remaining budget pressures and savings, including those where it may be appropriate to fund from Service Pressure Budget Reserve, with a view to arriving at a prudent and acceptable use of reserves to balance the budget. The Strategic Director of Corporate Services provided officer support during this process. All of the pressures and savings approved at this stage have been built into the budget. The details of all the included pressures and savings are set out by Service Area in Appendix 1.

21. The base position of the Council’s General Fund spending proposals for 2019/20, incorporating the recommended pressures and savings and use of the Service Pressure Reserve, as shown in detail in Appendix 1, is set out in Table 1 overleaf. The base position is compared with the original budget for 2018/19 and shows the major changes between the two years.

22. The remainder of this report covers:

- Details of proposals for savings and pressures, the use of Service Pressure Reserve and member approved budgets in Appendix 1.
- Information in respect of the Loughborough Special Expense Budget and Levy is detailed in Appendix 2.
- A review of the Council’s reserves. It is the duty of the Council under the Local Government Act 2003 to ensure that a balanced budget is set after due consideration of the duties and plans which are proposed for the coming year and that adequate financial reserves are held.
- A section on the HRA.
- A brief section on risks.

Table 1 – General Fund spending proposals for 2019/20

	Budget Summary 2019-20			
Actual 2017/18 £000	**General Fund**	**Original Budget 2018/19 £000**	**Draft Budget 2019/20 £000**	**Variance £000**
16,942	General Fund Service Expenditure	18,029	18,525	496
0	One Off Directorate Savings Target in year	0	(300)	(300)
0	Net Ongoing Service (Savings) & Pressures	(178)	(341)	(163)
0	Net One Off Service (Savings) & Pressures	370	283	(87)
16,942	**Net Service Expenditure**	**18,221**	**18,167**	**(54)**
1,007	Revenue Contributions to Capital	0	0	0
47	Council Tax Support Grants to Parishes/Towns	29	0	(29)
325	Interest Paid	240	240	0
(285)	Less: Interest on Balances	(300)	(390)	(90)
18,036	**Total Borough Expenditure**	**18,190**	**18,017**	**(173)**
(182)	Contribution (from) Reinvestment Reserve	0	0	0
(167)	Contribution(from)/to Working Balance to Fund Services	(1,164)	(825)	339
(431)	Contibution (from) Working Balance to Fund Collection Fund	(234)	(200)	34
(882)	Contribution to Capital Plan Reserve	0	0	0
307	Contribution (from)/to Other Reserves	(8)	(63)	(55)
(16)	Contribution (from)/to Growth Support Fund	0	0	0
16,665	**Precept Requirement**	**16,784**	**16,929**	**145**
1,265	Revenue Support Grant	745	165	(580)
4,507	NNDR	4,957	5,125	168
6,118	Council Tax Receipts	6,502	6,917	415
1,184	Loughborough Special Levy	1,194	1,215	21
4,004	New Homes Bonus	3,620	3,707	87
18	General Government Grants	0	0	0
(431)	Collection Fund Surplus/(Deficit)	(234)	(200)	34
16,665	**Precept Income**	**16,784**	**16,929**	**145**
£p	**Council Tax for Band D**	**£p**	**£p**	
112.09	**Base Borough Council Tax**	**117.09**	**122.09**	
74.97	**Loughborough Special Levy**	**74.97**	**74.97**	

£000 2017/18	**REVENUE BALANCES** **Working Balance**	**£000 2018/19**	**£000 2019/20**
7,655	Balance at 1 April	7,474	4,990
(598)	Transfer from/(to) General Fund	(1,398)	(1,025)
0	Transfer from/(to) Reinvestment Reserve	(43)	0
7,057	**Balance at 31 March**	6,033	3,965
	Reinvestment Reserve		
776	Balance at 1 April	457	608
(181)	Transfers from/(to) General Fund	43	0
595	**Balance at 31 March**	500	608
	Capital Plan Reserve		
3,526	Balance at 1 April	1,790	1,629
43	Transfer from/(to) General Fund	0	0
(925)	Funding of Capital Expenditure	(563)	(557)
2,644	**Balance at 31 March**	1,227	1,072
	Growth Support Fund		
130	Balance at 1 April	96	0
(16)	Transferred from General Fund	0	0
0	Funding of Capital Expenditure	(96)	0
114	**Balance at 31 March**	0	0
	Other Revenue Reserves		
506	Balance at 1 April	791	805
307	Transferred from/(to) General Fund	(8)	(63)
813	**Balance at 31 March**	783	742
11,223	**TOTAL BALANCES**	**8,543**	**6,387**

23. The level of uncertainty in the above figures should not be underestimated as the NNDR and New Homes Bonus, in total amounting to £8,832k, are estimates at the moment as final figures have not yet been released by the Government

24. It is proposed to increase Council Tax by the permitted £5 per band D property for the third year in a row. The Loughborough Special Levy will be frozen so the overall increase remains at £5. This increase is required to meet the shortfall resulting from the reductions in Revenue Support Grant and New Homes Bonus funding and is necessary if reductions in service levels re to be avoided. Charnwood still has a relatively low level of Council Tax.

25. The General Fund Net Service Expenditure Draft Budget 2019/20 is £54k lower than the Original Budget for 2018/19. The variance is due to increased salary costs and the Environmental Service contract costs, offset by an increase in net savings.

26. Since 2013/14 when the Council Tax Support Scheme was introduced the Council has transferred an element of the RSG that it has received each year to parishes and towns to lessen the impact of the scheme. It should be noted that other than in 2013/14 when the RSG included an explicit amount for this there has been no requirement since for Charnwood to passport any grant. However the Council continued to do so, but the amount paid over each year has been reducing in line with the reduction in overall RSG. As 2019/20 will be the final year when the Council will receive RSG this will also be the final year when it will be able to transfer funding to the parishes and towns to cover the impact of the Council Tax Support Scheme.

27. The forecast for investment income in 2019/20 is £90k higher than the amount originally forecast for 2018/19. This additional income can be attributed to increased investment interest rates now available (off the back of the Bank of England base rate increase to 0.75% in August 2018), along with having made some longer term loans to other Local Authorities at a higher interest rates and finally with having two property funds that are performing well.

28. The budget has been set as a balanced one with a shortfall contribution from the working Balance of £1.025m. This would leave the working Balance at £3.965m at the end of March 2020 which is above the minimum target of £2m for this reserve. It should be noted that at the time of writing this report it is anticipated that the budgeted use of reserves for 2018/19 will not be required at the year end. The current forecast is that at the year-end there will be a transfer to the Working Balance in the region of £550k. However this is dependent on the outturn position for some service areas where there are currently large underspends. However reserves are still expected to be at a healthy level at the beginning of 2019/20.

29. The base position includes provision for inflation at rates deemed appropriate to the major contracts, supplies and income streams. There is no general inflation provision and services are expected to manage within existing budgets. An average 2% provision for salary increases is in the budget and this is in line with the recent pay settlements.

30. On-costs' for salaries, such as employer's pension and National Insurance contributions, are calculated on an individual basis.

Loughborough Special Levy

31. Appendix 2 shows the current estimated position of the Loughborough Special Expense budget and Levy for 2019/20, including relevant pressures and savings. There is no proposed increase to the Loughborough Special Levy and the Council Tax Support Grant is set at zero, a reduction of £27k in line with the other parishes and towns.

32. Detailed explanations of principal differences between the 2018/19 and 2019/20 budgets are provided in Appendix 2.

Reserves and Balances

33. There is a requirement to ensure that the level of balances is appropriate for the Council's commitments and current level of expenditure. The following basis is used to determine the reserves and working balance.

34. **Working Balance**

The recommended minimum Working Balance is £2m, and this represents between 6 and 7 weeks net expenditure by the Council and is in line with good practice. As a result of the uncertainty of future funding it is felt that holding a Working Balance of £3m or above would be prudent until further details are known. The draft budget balance on this fund at the end of March 2020 is anticipated to be £3.965m, which is above this limit.

35. **Reinvestment Reserve**

This is used for three purposes, these being:

- For items that produce a payback to the Council;
- To fund costs that lead to appreciable service improvements;
- To fund one-off costs.

This reserve has a minimum target level of £500k and is predicted to be at £608k at 31 March 2020.

36. **Capital Plan Reserve**

This revenue reserve is used to finance General Fund capital expenditure and there are no restrictions on the types of capital schemes that this can be used for. In addition, there is no minimum balance for this reserve. This reserve is predicted to be at £1.072m at 31 March 2020.

37. **Earmarked Revenue Reserves**

There are eight Earmarked Reserves and these will be utilised in line with the purpose of the reserve fund or for general purposes.

38. From 2019/20 onwards contributions to and from the earmarked "Service Pressure Reserve" will be processed differently. As soon as a budget saving is identified within Directorate budgets it will be swept into the reserve by the

finance team. Then when a service pressure is identified budget holders can make a request (with a supporting business case) to the s151 officer and/or SMT for funds to be released to cover the service pressure. The s151 officer and/or SMT will consider each request and, having consulted with Members where appropriate, either approve or reject it. If approved the service budget will be increased, but if rejected then the pressure will have to be managed within existing Directorate budgets.

Table 2 - Revenue Reserves (assuming the draft budget in Table 1 is adopted).

Reserve Balances	**Estimated Balance at 1 April 2019**	**Used or Transferred to Other Reserves in 2019/20**	**Balance at 31 March 2020**
	£'000	**£'000**	**£'000**
Working Balance	4,990	(1,025)	3,965
Reinvestment Reserve	608	0	608
Capital Plan Reserve	1,629	(557)	1,072
Growth Support Fund	0	0	0
Earmarked Reserves	805	(63)	742
Total Revenue Reserves	**8,032**	**(1,645)**	**6,387**

Housing Revenue Account

39. The overall budget position for 2019/20 is a surplus of £440k. This is £141k higher than the 2018/19 original budgeted surplus of £299k. This is largely due to 2019/20 being a 53 week year and therefore the budget includes an extra week of rental income. Also the budget for interest payable has been reduced as internal loans from the General Fund have come to an end and consequently there is no interest to pay on these going forward.

40. There are ongoing service pressures of £244.5k for 2019/20. There two substantial ongoing pressures of £171k and £63k. The first pressure of £171k is for the condition testing of electrical installations in council houses. This is a planned rolling programme of testing whereby it will be carried out when testing becomes due. The Council must undertake this work as a landlord, so that tenants can be assured that council houses are safe. This is a requirement of the Landlord and Tenant Act 1985. The second pressure of £63k is to undertake maintenance on external wall insulation (EWI) works, that covers cleaning and painting of the EWI system and the replacement of silicone sealant. The EWI works that were carried out several years ago are now at the age where maintenance is now required. It is proposed to implement a rolling programme of maintenance for EWI works. This should reduce the risk of water ingress damaging the Council’s housing stock, reduce the risk of non-compliance with the right to repair legislation and minimise the number of potential disrepair claims from tenants. A summary of all the pressures are given in Table 3 below.

Table 3 – Summary of 2019/20 HRA budget pressures

	One-Off 2019/20 £'000	Ongoing 2019/20 £'000	Total 2019/20 £'000
Head of Landlord Services			
Electrical Testing 5 year programme		171	171
EWI maintenance works		63	63
HRA tenants lifeline income		5	5
Sheltered courts laundry budget		6	6
Subtotal for Head of Landlord Services	**0**	**245**	**245**
Total for the Housing Revenue Account	**0**	**245**	**245**

41. In line with government guidance the Council has applied a 1% reduction to the 2018/19 rents to give the 2019/20 rent level. So the 2019/20 draft budget therefore includes a 1% reduction on the 2018/19 weekly rent amount for all properties. However this will be the final year of four when this policy applies. Following this the council will be able to increase rents again up to a maximum of CPI +1%.

42. The 2019/20 budget is based on a 53 week year. This is because rents are due every Monday and there are 53 Mondays in the year. This last occurred in 2013/14 when charging the additional week's rent was approved by Cabinet. (See Minute 103 for the Cabinet meeting held on 14 February 2013). This allows the Council to recuperate rental and service charge losses from the previous six years and is consistent with best practice. Taking account of void loss, the additional rent week for 2019/20 will generate approximately £425k of additional income.

43. However this does lead to a risk of increasing the level of rent arrears. This is due to housing tenants on Universal Credit not having the additional week's rent factored into the calculation when DWP converts a weekly rent into a monthly for the purpose of the award. For Universal Credit awards the DWP calculates the monthly Housing Cost element on a 52 week basis. This wasn't a risk in 2013/14 as Universal Credit hadn't been introduced at that time.

44. The 2019/20 budget for the provision for bad debts has been kept at the 2018/19 level of £383k. This is a contribution to the bad debt reserve. The provision for arrears at 1 April 2018 was £961k made up of rent arrears of £866k and court costs of £95k. As explained in the paragraph above there is the risk of an increase in arrears due to having a 53 week year which isn't factored into the monthly Universal Credit awards. Also a larger roll-out of Universal Credit for rent rebates is anticipated in 2019/20 which could also lead to an increased level of rent arrears.

HRA Balances

45. The Chief Financial Officer's recommended minimum level of working balances for the HRA is £110 per property. There are 5,528 properties anticipated at 31st March 2019 (anticipating 40 RTB sales) and working balances have been adjusted to reflect the recommended minimum of £608k.

46. The service pressures for 2019/20 can be absorbed within the year's draft budgeted income so there is no requirement at this stage to fund these through using the HRA working balances or the Housing Financing Fund.

47. The planned capital programme has increased from the 2018/19 original budget of £7.257m to £7.554m. The final 2019/20 HRA Capital Programme will be presented to Cabinet in March 2019 and may include additional capital expenditure relating to sheltered units. If this is included it will reduce the contribution to the HRA Financing Fund, and increase revenue funding of capital expenditure.

48. The HRA Financing Fund was set up in order to set aside monies to cover future HRA expenditure. This includes the repayment of external debt principal of the £79m incurred when the self-financing regime came about in 2012. This costs the HRA approximately £2.7m in interest payments each year. The first of these loans is due for settlement during 2024/25. The anticipated balance of the HRA Financing Fund at 31 March 2020 is £8.2m. This assumes an additional surplus in the 2018/19 outturn of £500k. Any further underspends will increase this reserve further.

Table 4 – Draft HRA 2019/20 Budget

2017/18 Actual	Housing Revenue Account	2018/19 Final Budget	2019/20 Draft Budget
£000		£000	£000
	Expenditure		
4,602	Supervision and Management	4,914	5,086
6,204	Repairs and Maintenance	6,557	6,461
116	Rents, Rates and Other Charges	138	139
0	Rent Rebates	1	0
330	Provision for Bad Debts and Other Charges	383	383
(6,628)	Depreciation	2,955	3,057
0	Net Revaluation increase of non-current assets	0	0
16	Debt Management Expenses	12	10
4,640	**Expenditure Sub-total**	14,960	15,136
	Income		
(21,038)	Dwelling Rent Income	(20,673)	(20,812)
(372)	Shops, Land and Garages Rent	(384)	(381)
(56)	Warden Service Charges	(57)	(56)
(315)	Central Heating and Communal Charges	(309)	(327)
(158)	Leasehold Flat and Shop Service Charges	(117)	(158)
(30)	Hostel Service Charges	(27)	(24)
(10)	Council Tax Recharged	(11)	(11)
(21,979)	**Income Sub-Total**	(21,578)	(21,769)
(17,339)	**Net (income)/Cost of service**	(6,618)	(6,633)
(80)	Transfer from General Fund – Grounds Maintenance	(83)	(83)
2,777	Interest Payable	2,742	2,706
(51)	Investment Income and Mortgage Interest	(56)	(89)
(14,693)	**Net Operating Expenditure/(Income)**	2,603	2,534
2,581	Revenue Contribution to Capital	3,716	3,659
(1)	Accumulated Absence Adjustment	0	0
(495)	Pension Adjustment	0	0
9,597	Reversal of Gain on Revaluation	0	0
63	Adjusted to charges based on impairment of General Fund Asset	0	0
11,745	Appropriations	3,716	3,659
(2,948)	**(Surplus)/Deficit for the year**	**(299)**	**(440)**
<u>**HRA Balances:**</u>			
(621)	**HRA Balance at beginning of year**	(616)	(612)
(2,948)	(Surplus)/Deficit for the year	(299)	(440)
2,952	Transfer to/from Reserves	303	444
(617)	**HRA Balance at end of year**	**(612)**	**(608)**
(4,030)	**HRA Financing Fund at beginning of year**	(6,982)	(7,726)
(2,952)	Transfer to/from Reserves	(303)	(444)
0	Adjustments to 2018/19 budget	(441)	0
(6,982)	**HRA Financing Fund at end of year**	**(7,726)**	**(8,170)**
(2,633)	**Major Repairs Reserve at end of year**	**(2,324)**	**(2,324)**
(10,232)	**Overall HRA balances at end of the year**	**(10,662)**	**(11,102)**

Risks

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
One off expenditure that is dependent, to a greater or lesser extent, on specific external funding is susceptible to that funding either not being forthcoming or being reduced.	Unlikely	Moderate	Expenditure will either be curtailed or scaled back and/or or alternative funding sought.
Government grants and other centrally set amounts are materially different to those assumed.	Possible	Major	Final budgets will not be approved until the settlement is known.

Appendices

Appendix 1 – General Fund and HRA Service Pressures and Savings 2019/20

Appendix 2 – Loughborough Special Expense Budget and Levy 2019/20

Appendix 1

2019/20 Service Pressures & Savings Summary

	Notes	One Off £'000 Pressures	One Off £'000 Savings	Ongoing £'000 Pressures	Ongoing £'000 Savings
One Off Directorate Savings Targets in year	1		**(300)**		
Housing, Planning, Regeneration & Regulatory Directorate					
Housing Renewal Regrade (downwards) of Administrator Post		0	0	0	(4)
Homelessness MHCLG New Burdens grant saving		0	(6)	0	0
Subtotal for Head of Strategic & Private Sector Housing		**0**	**(6)**	**0**	**(4)**
Private Lifeline income	2	0	0	0	(24)
Subtotal for Head of Landlord Services		**0**	**0**	**0**	**(24)**
Planning Applications pre-planning advice increased income		0	0	0	(7)
Building Control various reductions to budget e.g. training, travel, printing & books		0	0	0	(8)
Conservation & Landscape reduction in travelling expenses		0	0	0	(1)
Local Plans reduction in printing costs		0	0	0	(3)
Local Plans contribution to Strategic Growth Plan (SGP) in Leicestershire one-off contribution towards the production (£165K over 3 years)	3	55	0	0	0
Subtotal for Head of Planning & Regeneration		**55**	**0**	**0**	**(19)**
LCC Reimbursement Street Wardens Civil Parking Enforcement income		0	0	0	(10)
Subtotal for Head of Regulatory Services		**0**	**0**	**0**	**(10)**
Total for Housing, Planning, Regeneration & Regulatory Directorate		**55**	**(6)**	**0**	**(57)**
Neighbourhoods & Community Wellbeing Directorate		**Pressures**	**Savings**	**Pressures**	**Savings**
Review of Bulky Waste charging policy (to be implemented from October 2019)	4				(30)
Garden Waste Bin additional income based on 2018/19 take-up & fee levels	5	0	0	0	(242)
Subtotal for Head of Waste, Engineering & Open Spaces					
Tourism Support contribution to promote borough through annual Service Level Agreement with Leicestershire Promotions	6	28	0	0	0
Opening Biggin Street Toilets on Friday		0	0	5	0
Subtotal for Head of Leisure & Cultural		**28**	**0**	**5**	**0**
Community Grants Lottery additional income		0	0	0	(3)
Loughborough Grant Contributions funded through Loughborough Special Expenses	7	0	0	20	0
Members Grant Scheme to support Local Community and Voluntary Sector, a further £26k is also included within the Capital Programme	8	26	0	0	0
Subtotal for Head of Neighbourhood Services		**26**	**0**	**20**	**(3)**
Total for Neighbourhoods & Community Wellbeing Directorate		**54**	**0**	**25**	**(275)**
Corporate Services Directorate		**Pressures**	**Savings**	**Pressures**	**Savings**
External Audit Fees - new auditors	9	0	0	0	(10)
Accountancy Valuation Fees - 5 yearly valuation cost	10	20	0	0	0
Messenger Close - additional rental income for new compounds	11	0	0	0	(44)
Subtotal for Head of Finance and Property Services		**20**	**0**	**0**	**(54)**
Telephony Payment PCI Compliance for GDPR & DPA , Software annual maintenance costs split £17.3K Harborough DC/£21.1k Charnwood BC	12	0	0	38	0
Subtotal for Head of Customer Experience		**0**	**0**	**38**	**0**
Contribution to Combined Authority no longer required	13	0	0	0	(17)
May 2019 Borough Elections:net overall estimated cost	14	160	0	0	0
Insurance Premiums/Excess		0	0	0	(1)
Subtotal for Head of Strategic Support		**160**	**0**	**0**	**(18)**
Total for Corporate Services Directorate		**180**	**0**	**38**	**(72)**
Overall General Fund (Savings) and Pressures		**289**	**(6)**	**63**	**(404)**
Net Service (Savings) & Pressures		**One-off**	**283**	**Ongoing**	**(341)**

Additional commentary on selected service pressures and savings

1. *One-off Directorate Savings targets – £300k saving; one-off*

The Council has a record of significant underspends in recent years, as tabulated below:

Outturn versus budget – net service expenditure

Numbers £000	*2012/13*	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*
Under / (overspend)	1,312	2,997	664	(2)	800	346

As can be seen, recent underspends are substantial; even in 2015/16 underlying underspending versus controllable budgets was in excess of £400k, only offset by technical adjustments.

In the current (2018/19) financial year, the underspend against controllable costs to period 7 is £553k.

Given this record it is proposed that a £100k non-specific savings target will be allocated to each Directorate of the Council giving total target savings of £300k. This would be monitored and enforced via more 'aggressive' financial management processes. These will include in-year monitoring of savings realised and should these prove unacceptable in the context of the year-end target further management actions will be implemented.

2. *Private Lifeline income - £24k saving (income generation) - ongoing*

Based on current demand for the Lifeline service it is considered that additional income will be generated as compared to the base budget.

3. *Contribution to the Strategic Growth Plan - £55k pressure – one-off*

The jointly prepared strategic growth plan (SGP) will set a statutory strategic planning framework for local plans in Leicester and Leicestershire to follow. It is considered that cross-local authority working is the only practical solution to the delivery of the SGP.

A cost sharing arrangement has been agreed with partner authorities for the production of the SGP with the Charnwood share estimated at £165k over three years, or £55k per annum on average.

Due to the nature of this expenditure it is planned to source funding from the earmarked planning reserves.

4. *Review of bulky waste charging policy - £30k saving (income generation)- ongoing*

The current arrangements for charging for bulky waste are complex and likely to result in some income due not being collected. Additionally, this complexity does not lend itself to an efficient on-line customer process. It is therefore envisaged that both the policies and underlying business processes should be reviewed with a view to implementation of revised arrangements in mid-2019/20.

Based on current usage (around 20,000 annual collections) and charging policies it is estimated that an additional £30k should be realisable in 2019/20.

5. *Garden Waste Bin income - £242k saving - (income generation) ongoing*

Based on current demand for the Garden Waste Bin service it is considered that additional income will be generated as compared to the base budget.

This additional income reflects demand, and no increase in charges for the 2019/20 year is planned.

6. *Tourism support - £28k pressure – one-off*

This amount will provide additional project management support for key tourist events including 'Loogabarooga' and the Edible Forest.

7. *Loughborough Grant contributions - £20k pressure – ongoing*

This grant scheme has been funded on a one-off basis for a number of years, This proposal would allow the scheme to be included within the base budget on an ongoing basis.

8. *Members grant scheme - £26k pressure – one-off*

This pressure will enable the continuation of the Member grant scheme for an additional year. Experience has shown that around half of grants are of a capital nature. Funding this year will therefore be split between capital and revenue sources (£26k from each) giving a total 'pot' of £52k as in previous years.

9. *External audit fees - £10k saving – ongoing*

This saving has been achieved through the tendering of external audit services. A new supplier won the tendering exercise and has been appointed. This is an ongoing saving.

10. *Valuation fees - £20k pressure – one-off*

This is an unavoidable pressure as the Council is required to have a valuation of its General Fund Assets at least once every five years in order to comply with the Chartered Institute of Public Finance and Accountancy guidance which it must follow.

11. *Messenger Close – additional rental income for new compounds - £44k saving – ongoing*

Property Services have successfully secured tenants for all the new compounds at Messenger Close.

12. *Annual maintenance cost of software the enables PCI compliance - £38k pressure – ongoing*

This is an unavoidable cost as the authority must comply with the Payment Card Industry (PCI) compliance legislation. This is necessary for making secure payment by debit/credit card over the phone. The additional cost of this can be shared with Harborough District Council (£17.3k). This pressure is based on the first quote received for the software required. Other quotes are being sought to ensure that both authorities obtain the best value for money. So it is anticipated that the costs will be less than £38k.

13. *Contribution to Combined Authority no longer required - £17k saving – ongoing*

This saving is due to the removal of the budget that had been included for the Council's contribution to costs for developing a Combined Authority. As this is no longer going forward, the costs will not be incurred.

14. *May 2019 Borough Elections net overall estimated cost - £160k pressure – one-off*

Council elections are held once every four years to appoint democratically elected councillors.

Appendix 2

LOUGHBOROUGH SPECIAL EXPENSES						
2018/19		2019/20				
Loughborough Special	Service	Total	District / Capital Charges	Loughborough Special Expenses	2018/19 to 2019/20 difference	Note
£		£	£	£	£	
68,600	Loughborough CCTV	314,400	246,600	67,800	-800	1
79,600	Community Grants - General / Fearon Hall / Gorse Covert	81,800	0	81,800	2,200	2
45,100	Marios Tinenti Centre / Altogether Place / Community Hubs	44,900	0	44,900	-200	3
9,100	Charnwood Water Toilets	9,600	0	9,600	500	4
33,500	Voluntary & Community Sector Dev Officer post (75% LSX)	34,500	0	34,500	1,000	5
5,700	Biggin Street Toilet - Friday Opening	4,400	0	4,400	-1,300	6
119,000	Contribution towards Loughborough Open Spaces Grounds Maintenance	120,000	0	120,000	1,000	7
-5,900	November Fair	-5,100	0	-5,100	800	8
	Parks:					
428,200	Loughborough - including Loughborough in Bloom	491,600	86,900	404,700	-23,500	9
69,000	Gorse Covert and Booth Wood	68,200	0	68,200	-800	10
	Sports Grounds:					
114,100	Derby Road	125,700	13,000	112,700	-1,400	11
46,700	Lodge Farm	43,700	0	43,700	-3,000	12
63,100	Nanpantan	129,500	56,600	72,900	9,800	13
21,200	Park Road	25,000	4,800	20,200	-1,000	14
23,500	Shelthorpe Golf Course	21,500	100	21,400	-2,100	15
19,000	Loughborough Cemetery	45,100	0	45,100	26,100	16
56,800	Allotments - Loughborough	52,000	0	52,000	-4,800	17
12,700	Carillon Tower	37,600	22,000	15,600	2,900	18
49,300	Festive Decorations and Illuminations	69,800	18,600	51,200	1,900	19
92,400	Town Centre Management	112,400	9,900	102,500	10,100	20
1,350,700		1,826,600	458,500	1,368,100	17,400	
-130,014	Adjustments from Year 2016/17					
0	Adjustments from Year 2017/18	-88,417	55,825	-144,242		
1,220,686	AMENDED SUB TOTAL	1,738,183	514,325	1,223,858		
-26,601	Council Tax Support Grant			-5,892		
1,194,085	AMENDED TOTAL			1,217,966		
Divided by				Divided by		
15,927.50	Council Tax Base			16,246.05		
74.97	Special Council Tax			74.97		

Loughborough Special Expense Notes	
1	Employee costs have increased by £6,700, this is due to a 2% pay award and additional pension/NI contributions. Support Service recharges have reduced by £9,000 overall, this is mainly due to reduced Insurance Premium and Phone recharges. 23% of these costs are charged to the Loughborough Special Rate.
2	The 2019/20 budget includes a £20K ongoing service pressure for Loughborough Community Grants. The £2,200 increase is due to Fearon Hall, Gorse Covert & the Loughborough Grant budgets being increased by 1% plus inflation, as approved by Cabinet on the 18th January 2018 (min 79) for both 2018/19 & 2019/20.
3	no comment required
4	The Metered Water budget has increased by £400, making it more in line with previous year actuals and anticipated future usage.
5	Increased costs are due to a 2% pay award and additional pension/NI contributions for the Voluntary and Community Sector Development post M298, 75% of which is funded by Loughborough Special Expenses.
6	An ongoing service pressure for £4,400 has been included in the 2019/20 budgets for the continuation of this service. The employee costs include the 2019/20 pay award and additional pension/NI contributions, part offset by estimated income for this extra day. The overall reduced costs year on year are due to a more effective way of providing the service.
7	This minimal increase is due to inflation. Future years funding via the Loughborough Special Rate is to be reviewed each subsequent year, as approved by Cabinet 16/02/17 (min 88).
8	The Traffic Management and Site Preparation and Clearance budgets have increased by £500 due to inflation. Site Rental income has been increased by 2% inflation £1,700, however this is offset by £1,600 reduced contributions from services who submitted their temporary traffic regulation orders under the fairs global order, this is due to changes in the way Leicestershire Highways operate, event organisers are no longer expected to post official notices. Support Service Recharges have increased £500, this is mainly due to more time being spent in this area by the Markets and Fairs Team
9	The budget for Tree Maintenance work has reduced by £2,000, this is part of the £40K ongoing service pressure approved as part of the 2016/17 budget process (Cabinet 18/02/16 min 106), tree maintenance work elsewhere has been increased accordingly due to work being carried out as needed previous years. Both the Environmental Services and Management of Open Spaces budgets have increased by inflation £1,300 & £1,400 respectively. The Band Concert budget has reduced by £500, making it more in line with previous years actuals. Support Service recharges have reduced £23,600 overall, this is mainly due to less time being spent in this area by the Cleansing, Management of Open Spaces and Policy & Green Spaces Development Teams and the Head of Waste, Engineering and Green Spaces. More time will be spent on other areas funded by both the Loughborough Special Expenses such as Nanpantan Sports Ground and the Cemetery, investigating options for the future provision of the service and non Loughborough Special areas like the continued site development at the Outwoods.
10	The budget for Tree Maintenance work has increased by £500, this is part of the £40K ongoing service pressure previously explained for Parks Loughborough. The Management of Open Spaces budget has increased by inflation £500. Support Service Recharges have reduced by £1,800, this is mainly due to less time being spent in this area by the Cleansing Team.
11	Employee costs have increased by £1,300, this is due to the agreed pay award and additional pension/NI contributions. The budget for Tree Maintenance work has reduced by £800, this is part of the £40K ongoing service pressure previously explained for Parks Loughborough. The Electricity budget has reduced by £1,100, making it more in-line with anticipated future usage. Both the Environmental Services and Management of Open Spaces budgets have increased by inflation, £700 in total. Support Service recharges have reduced £1,800 overall, this is mainly due to slightly less time being spent in this area by the Management of Open Spaces team.
12	The Electricity budget has been reduced by £3K to £1,200, making it more inline with anticipated future usage, which is expected to be on average £100 per month.
13	The Building Repair and Maintenance budget has increased by £1,600, making it more in-line with previous year spend and anticipated ongoing costs. The budget for Tree Maintenance work has reduced by £800, this is part of the £40K ongoing service pressure previously explained for Parks Loughborough. The Electricity budget has increased by £1,200, making it more in-line with anticipated future usage and increased charges. Rental income has increased by £900 as per the lease agreements. Support Service Recharges have increased £8,700, this is mainly due to more time being spent in this area by the Cleansing Team on site preparation.

14	The Metered Water budget has reduced by £500, making it more in line with anticipated future usage. Support Service Recharges have reduced by £600 overall, this is mainly due to slightly less time being spent in this area by the Policy and Green Spaces Development Team.
15	Both the Environmental Services and Management of Open Spaces Contracts have increased by inflation, £500 in total. Offset by increased Golf income £700, this is part of the Management of Open Spaces contract whereby CBC receive a guaranteed income amount, pre-set by Idverde and increased by inflation each year. Support Service Recharges have reduced by £1,800 this is mainly due to a lower Insurance Premium Recharge, this recharge is partly based on the cost of claims over the previous 3 years and there have been none for the Golf Course since 2015/16.
16	An inflation increase of £1,600 has been included for the cemetery service provided by North West Leicester District Council. The budget for Tree Maintenance work has reduced by £1,500, this is part of the £40K ongoing service pressure previously explained for Parks Loughborough. The Metered Water budget has also reduce by £800, making it more in-line with previous year actuals and anticipated future usage. A £5,500 budget has been included for Consultant Fees, to enable the required survey work to be carried out on the cemetery extension land at Nanpantan, as approved by Cabinet 18th October 2018 min 45. The Management of Open Space budget has increased by inflation £400. Support Service recharges have increased by £21,000 this is mainly due to more time being spent in this areas by both the Cleansing and Policy and Green Spaces Development teams and the Head of Waste, Engineering and Green Spaces on developing the future provision of the service.
17	The budget for Tree Maintenance work has reduced by £600, this is part of the £40K ongoing service pressure previously explained for Parks Loughborough. The Metered Water budget has also reduced by £1K. These are offset by reduced rental income of £1,600, making it more in line with previous year actuals and ongoing achievable expectations. Support Service Recharges have reduced by £4,900 this is mainly due to less time being spent in this area by the Cleansing Team.
18	The Electricity budget has increased £600 making it more in-line with anticipated future usage. Support Service Recharges have increased £5,100 this is mainly due to more time being spent in this area by the Head of Leisure and Culture. 50% of the total cost of the Carillon is charged to the Loughborough Special Rate
19	The Equipment Purchase, Repair & Maintenance budget has been reduced by £10K, which has been transferred to a new Town Centre Dressing budget to more accurately describe how this budget is spent, this will be reviewed during the next few years. Support Service Recharges have increased £1,900 this is mainly due to more time being spent in this area by the Head of Leisure and Culture, as project manager for the new festive lights and street dressing.
20	The Income expected from Street Trading Consents has increased by £4,500, the £1,500 additional income predicted for 2018/19 has already been exceeded, this further increase makes next years budget more in-line with expected ongoing achievable income. Loughborough BID are also expected to contribute approximately £3,000 to support specific events. Support Service Recharges have increased £17,500, this is mainly due to more time being spent in this area by the Head of Leisure & Culture and the Markets and Fairs team in the delivery of the market review which includes town centre dressing and major events.

CABINET – 13TH DECEMBER 2018

Report of the Head of Finance and Property Services
Lead Member: **Cllr Tom Barkley**

Part A

ITEM 11 CAPITAL PLAN AMENDMENT REPORT

Purpose of the Report

This report requests Cabinet to consider and approve changes to the 2018/19-2020/21 Capital Plan and its financing.

Recommendations

1. That, the current Capital Plan for 2018/19 - 2020/21, as amended by the changes shown in Appendix 1, in the sum of £31,450,800 be approved.

2. **That it be recommended to Council** that the Acquisition of Affordable Housing to meet housing need HRA scheme be increased by the sum of £477k, be added to the Capital Plan in 2020/21 and that it proceeds.

3. **That it be recommended to Council** that the Loughborough University Science and Enterprise Park budget of £350k slippage from 2018/19 to 2019/20 be approved.

4. That the slippages on the following budgets from 2018/19 to 2019/20 be approved; Leicestershire Superfast Broadband Phase 3, £100,000; Carbon Management Schemes, £57,000 and Public Realm Shepshed Town Centre, £12,200.

5. That £40k budget for Hardware Replacement be brought forward from 2019/20 to 2018/19 be approved.

6. That the Loughborough Markets – replacement of tug and trailer scheme to the sum of £21,500 be added to the Capital Plan in 2018/19.

7. That the Carillon Tower Restoration project scheme which is currently in the Capital Plan 2018/19 for £282k be increased by £7,500 to allow for works on refurbishing the bronze metal plaques and the new enhanced lighting scheme.

8. That the Messenger Close, Loughborough Scheme be increased by £12,100.

9. That the Green Spaces Programme be reduced by £25k.

10. That a new scheme for the Outwoods, £140k fully funded by a grant is added to the Capital Plan in 2018/19.

Reasons

1. To enable the Capital Plan to be the basis for capital spending by the Council and so that schemes may proceed.

2. To confirm that the Acquisition of Affordable Housing to meet housing need HRA scheme, should be increased to the sum of £477k, and that the cost be funded 30% from retained 141 capital receipts and 70% from HRA Reserves.

3. To enable the scheme budget to be available in 2020/21.

4. To enable the scheme budgets to be available in 2020/21.

5. To enable work to proceeds in 2018/19.

6. To enable Loughborough Markets to operate.

7. To confirm that the Carillon Tower Restoration project scheme be increased and funded by an external contribution.

8. To confirm that the Messenger Close, Loughborough Scheme be increased funding by income from tenants.

9. To ensure that the Council's costs will not increase as this part of the scheme was to be external funded. The funding will not be received.

10. To enable works to proceed in 2018/19.

Policy Justification and Previous Decisions

The Capital Plan is an integral element of all policies and the current three-year plan was adopted by Council on 26th February 2018. Amendments to the Capital Plan were last reported to the Cabinet on 13th September 2018.

Implementation Timetable including Future Decisions and Scrutiny

This report will be available for scrutiny by the Overview Scrutiny Panel on 10th December 2018.

Report Implications

The following implications have been identified for this report.

Financial Implications

The financial implications are covered in the body of this report.

Risk Management

Risks Identified	Likelihood	Impact	Risk Management Actions Planned
Insufficient funding	Possible	Major	The funding of the Capital Plan is regularly monitored and any apparent shortfalls are brought to the attention of Cabinet with suggested solutions.
General Risks associated with capital expenditure	Possible	Moderate	The Capital Plan is controlled through Project Boards for larger schemes and Project Officers for smaller schemes. Progress, risks and possible problems are notified to these boards and to the Capital Programme Team for all projects of £50k or more. Such risks are identified and dealt with and reported as necessary to the Senior Management Team and Cabinet.

Key Decision: Yes

Background Papers: None

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Part B

Background - Capital Plan

1. Since the last Capital Plan Amendment Report on 13th September 2018 a number of amendments and additions to the Capital Plan have been put forward. These changes have affected the overall total and the funding of the Plan and those requiring an amendment to the expenditure budget are set out in Appendix 1. This report summarises these changes and, if approved, becomes the current Capital Plan for 2018/19 - 2020/21.

2. The net effects of these changes on the 2018/19 Capital Plan are as follows:

2018/19 Capital Plan	**£'000**
2018/19 Capital Plan as at 13 October 2018	12,779
Add: Net new/amended schemes	156
Less: Net slippage to 2019/20	(479)
Amended 2018/19 Capital Plan	**12,456**

Funded by:	**£'000**
General Fund:	
Grants, Contributions and Revenue Contributions	2,559
Contributions from Capital Plan Reserve	1,015
Contributions from Capital Receipts	1,316
Total General Fund	**4,890**
HRA:	
MRA or equivalent	3,257
Contribution from HRA Financing Fund	7
Contributions from Capital Receipts	586
Revenue Contributions	3,716
Total HRA	**7,566**
Total Funding for 2018/19	**12,456**

3. Details of the decisions and amendments are listed in the attached Appendix 1 and the current Capital Plan, including the changes outlined in Appendix 1, is included as Appendix 2.

4. Information on Changes

5. **Acquisition of Affordable Housing to meet housing need HRA,** £477k increase – this is an addition to the existing scheme which will provide more homes owned by the Council for social rent in order to meet local housing needs. The objective is to acquire properties, preferably two bed accommodation and bungalows for sale on the open market to address the housing needs of households on the Housing Register. This additional amount will be funded via receipts arising from Right to Buy sales of Council properties and HRA Reserves. The Council has entered into an Agreement with The Secretary of State to be allowed to retain Right to Buy receipts on the basis this funding will be used to increase the supply of affordable housing. The Government policy is that these receipts must be spent within three years of receipt. Receipts not spent within this timeframe must be repaid to the Government plus interest at a rate of 4% above the base rate. The capital receipts can only fund 30% of a scheme. This budget increase is to spend the receipts retained in quarter 2 of 2018/19. The 70% can be funded by HRA Reserves.

6. **Loughborough University Science & Enterprise Park** - £350k slippage - the programme for the allocation of this funding remains undecided however the Chief Executive has advised that he wishes to retain the allocation within the Capital Plan in order to respond expeditiously to any partnership initiatives related to the delivery of the Science and Enterprise Park. As no project has yet emerged for the use of this fund it is unlikely now that it will be required within the current financial year – it would be expedient to slip the allocation into 2019/20.

7. **Leicestershire Superfast Broadband Phase 3** - £100k slippage - The delay in the procurement launch means that the Council's contribution will be delayed also – given the need to undertake a value for money assessment of the preferred bid likely to be selected in May / June 2019 the CBC contribution is not now anticipated for release before August 2019.

8. **Carbon Management, £57k slippage.** Two schemes have completed in 2018/19, Beehive Lighting and Town Hall lighting. No further schemes have been currently identified by the Project Board for the uncommitted balance of £57k. While other potentially viable schemes are being developed by Property Services, the approval and implementation will not be until 2019/20**.**

9. **Public Realm - Shepshed Town Centre Management**, £12,200 slippage. Complexities in the negotiation of competitive quotations for the work delayed the consideration of the Town Team application until the end of July 2018 resulting in the slippage of the installation programme. Installation is now in progress with payment of the grant (£24,600) falling due upon project completion anticipated now in January 2018. The uncommitted balances in the budget (£12,221) will remain in the programme pending the submission of further applications for public realm improvement projects – realistically they are unlikely to emerge before the third quarter of 2019/20 and the remaining funding reasonably might be slipped to December 2019.

10. **Replacement Hardware,** bringing forward £40k. This budget is being brought forward to support the requirement for new 2 in 1 devices, laptops and monitors to support the migration to Windows 10 and Office 365.

11. **Loughborough Market, replacement of tug and trailer, £21,500** – this is a new scheme. To operate effectively the Markets & Fairs operation requires the use of two electric tugs plus trailers to move the markets infrastructure around when setting up the three weekly markets and other Town Centre events. The service currently owns two tugs; one has just been condemned along with its trailers and not in use and the other tug would cost £10,000 to repair which is more that 50% the cost of replacement, a new tug can be purchased for c£18,500. A tug has been rented on a five year rental agreement at an annual cost of £5,160. There is a revenue budget to cover this. The tug was rented so that there was at least one tug operational. This does limit the effectiveness of the market set up. It is proposed that one new tug is purchased along with an appropriate trailer.

12. Carillon Tower Restoration Project, £7,500 increase – this scheme is being increased in order to spend money held from a legacy on refurbishing the bronze memorial plaques and to support the cost of the new enhanced lighting scheme.

13. **Messenger Close, Loughborough**, £12k addition – this is a relatively small addition to give a total budget of £196k to develop industrial storage compounds on industrial land owned by the Council at Messenger Close. The £12k is for utility works specifically required by the tenants which the tenants are paying for.

14. **Green Spaces Programme, -£25k reduction** – it was originally anticipated that there would be £25k of external funding for Sidings Park and Jubilee Park. This funding will not be received thus this element of the Green Spaces Programme Scheme is being reduced.

15. The virements on the HRA schemes, Sheltered Housing Improvements including heating and equipment £37k to Communal Area Electrical and Door Replacement £30k to electrical Upgrades are to realign budgets with expenditure and have been approved by the S151 Officer in accordance with the Financial Procedure Rules.

16. **Outwoods, £140k -** this is for a new scheme of improvements to the Outwoods. This project is a key component to regenerate and bring into positive use the currently empty cottage and surrounding area at the Outwoods. Taken together with the replacement of the out of date septic tank and the planned work to convert the redundant building into a multifunction visitor centre and café, this project will have a significant impact on the level of services and quality of visitor experience. In addition, the provision of these facilities on site is likely to significantly improve the level of interest in any future lease for the provision of café services and thereby increase the potential for return on the Council's own investment currently contained within the capital plan.
    The project focuses on the triangular area around the cottage which is outside of the Site of Special Scientific Interest (SSSI) between the woodland and the

car park. In particular, the proposals focus on providing facilities for very young children and their carers as well as the provision of basic facilities to support a wider range of events and activities throughout the year.

There are three key components of the scheme. Firstly an informal natural play area constructed from logs, boulders and other natural materials will be created in the area of woodland adjacent to the car park. The selected design is low key and has been chosen particularly for its fit with the character of the wider site. Secondly an open flat area to the front and side of the existing cottage building will be levelled, landscaped and better drainage will be added to provide a flat open area suitable for picnics and occasional events. Thirdly, an open sided covered area will also be provided to support a wider range of events and workshops including woodland craft skills such as chair making and hurdle making. The structure will also be useful for organisations such as volunteers on work party days and Forest schools throughout the year.

The project will be entirely funded by a grant under the Rural Development for England (RDPE) Growth Programme. The funding is confirmed and the funding agreement has been scrutinised by legal services prior to signing.

17. The Capital Plan is fully funded as per the table in paragraph 2 of this report.

Appendices

Appendix 1 – Details of Capital Plan Amendments
Appendix 2 – Capital Plan 2018/19-2020/21

CAPITAL PLAN AMENDMENT REPORT 2018/19			**Appendix 1**
	2018/19 £	**2019/20 £**	**2020/21 £**
Capital Plan Amendment Report - 13th September 2018 - Minute 32	12,778,900	10,662,300	7,376,500
E-mail D Bartlett - 21st August 2018			
Windows - Fortem - virement	-10,000		
Door Entry Systems - virement	10,000		
Capital Programme Team 13 November 2018			
Acquisition of Affordable Housing to meet housing need - receipts retained			477,000
Loughborough University Science & Enterprise Park - slippage	-350,000	350,000	
Leicestershire Superfast Broadband Phase 3 - slippage	-100,000	100,000	
Carillon Tower Restoration Project - externally funded	7,500		
Green Spaces Programme - remove external funding	-25,000		
Carbon Management Schemes - slippage	-57,000	57,000	
Public Realm - Shepshed Town Centre - slippage	-12,200	12,200	
Replacement Hardware Programme - Block Sum - bring budget forward	40,000	-40,000	
Messenger Close, Lough - Options for future use - externally funded	12,100		
Sheltered Housing Improvements inc heating & equipment - virement	-37,000		
Communal Area Electric - virement	37,000		
Door Replacement - virement	-30,000		
Electrical Upgrades - virement	30,000		
Loughborough Market - replacement of Tug and Trailer - new scheme	21,500		
Outwood Country Park - new scheme	140,000		
Update Report - Total	12,455,800	11,141,500	7,853,500

CAPITAL PLAN 2018/19

Appendix 2

				2018/19				2019/20		2020/21		External Funding		
Scheme Details	First year in Capital Plan	Total Cost £	Spend Before 2018/19 £	Original Plan £	Current Budget £	Actual Spend 31/10/18 £	Balance £	Original Plan £	Current Budget £	Original Plan £	Current Budget £	2018/19 £	2019/20 £	2020/21 £
CAPITAL PLAN														
Direct Delivery														
Community Wellbeing		**3,453,015**	**670,315**	**793,600**	**1,909,700**	**505,211**	**1,404,489**	**188,000**	**188,000**	**685,000**	**685,000**	**535,300**	**50,000**	**0**
Corporate Services		**2,960,629**	**2,149,029**	**315,000**	**631,600**	**322,702**	**308,898**	**110,000**	**70,000**	**110,000**	**110,000**	**12,100**	**0**	**0**
Housing, Planning & Regeneration & Regulatory Services - General Fund		**785,430**	**184,530**	**50,000**	**243,900**	**26,586**	**217,314**	**200,000**	**257,000**	**100,000**	**100,000**	**1,100**	**0**	**0**
Housing, Planning & Regeneration & Regulatory Services - HRA		**78,799,466**	**57,913,466**	**7,257,300**	**7,566,200**	**915,624**	**6,650,576**	**6,613,300**	**7,554,300**	**5,288,500**	**5,765,500**	**0**	**0**	**0**
Sub-total Direct Delivery		**85,998,540**	**60,917,340**	**8,415,900**	**10,351,400**	**1,770,123**	**8,581,277**	**7,111,300**	**8,069,300**	**6,183,500**	**6,660,500**	**548,500**	**50,000**	**0**
Indirect Delivery														
Community Wellbeing		**1,264,539**	**146,439**	**0**	**878,100**	**64,421**	**813,679**	**30,000**	**180,000**	**60,000**	**60,000**	**683,300**	**0**	**0**
Corporate Services		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Housing, Planning & Regeneration & Regulatory Services - General Fund		**16,085,339**	**10,833,839**	**515,000**	**1,226,300**	**321,924**	**904,376**	**2,430,000**	**2,892,200**	**1,133,000**	**1,133,000**	**1,037,800**	**1,540,000**	**1,058,000**
Housing, Planning & Regeneration & Regulatory Services - HRA		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Sub-total Indirect Delivery		**17,349,878**	**10,980,278**	**515,000**	**2,104,400**	**386,345**	**1,718,055**	**2,460,000**	**3,072,200**	**1,193,000**	**1,193,000**	**1,721,100**	**1,540,000**	**1,058,000**
GF Total		**24,548,952**	**13,984,152**	**1,673,600**	**4,889,600**	**1,240,844**	**3,648,756**	**2,958,000**	**3,587,200**	**2,088,000**	**2,088,000**	**2,269,600**	**1,590,000**	**1,058,000**
HRA Total		**78,799,466**	**57,913,466**	**7,257,300**	**7,566,200**	**915,624**	**6,650,576**	**6,613,300**	**7,554,300**	**5,288,500**	**5,765,500**	**0**	**0**	**0**
Grand Total		**103,348,418**	**71,897,618**	**8,930,900**	**12,455,800**	**2,156,468**	**10,299,332**	**9,571,300**	**11,141,500**	**7,376,500**	**7,853,500**	**2,269,600**	**1,590,000**	**1,058,000**
Community Wellbeing														
Direct Delivery														
JT Z478 Shortcliffe Community Park	2015/16	162,119	144,419	0	17,700	2,380	15,320	0	0	0	0	9,400	0	0
JT Z697 Bell Foundry Pocket Park	2016/17	66,976	4,776	0	62,200	62,528	-328	0	0	0	0	62,200	0	0
JT Z494 Public Art Provision - Loughborough & Shepshed	2017/18	92,824	17,724	0	75,100	0	75,100	0	0	0	0	75,100	0	0
JR Z388 CCTV	2014/15	225,009	106,609	35,000	48,400	-8,735	57,135	35,000	35,000	35,000	35,000	0	0	0
SW Z389 Loughborough - Town Centre signage	2014/15	59,020	54,020	0	5,000	0	5,000	0	0	0	0	0	0	0
SW Z413 Town Hall - Tills	2015/16	10,967	9,767	0	1,200	0	1,200	0	0	0	0	0	0	0
SW Z392 Public Realm and Art Improvements	2014/15	103,354	93,754	0	9,600	3,200	6,400	0	0	0	0	0	0	0
SW Z393 Grants for Shop Front Improvements	2014/15	15,031	13,431	0	1,600	500	1,100	0	0	0	0	0	0	0
SW Z421 Carillon Tower Restoration Project	2017/18	289,500	0	0	289,500	232,705	56,795	0	0	0	0	44,600	0	0
SW Z426 Trailer	2018/19	21,500	0	0	21,500	0	21,500	0	0	0	0	0	0	0
KS Z746 Charnwood Museum Public Toilets Refurbishment	2018/19	16,000	0	16,000	16,000	0	16,000	0	0	0	0	0	0	0
NB Z748 Loughborough Festive Lights and Street Dressing	2018/19	130,000	0	130,000	130,000	0	130,000	0	0	0	0	10,000	0	0
NB Z749 Loughborough Market Improvements	2018/19	60,000	0	60,000	60,000	2,960	57,040	0	0	0	0	20,000	0	0
RK Z756 Town Hall Public Wifi Installation	2018/19	15,000	0	15,000	15,000	0	15,000	0	0	0	0	0	0	0
RK Z757 Town Hall Roof Upgrade	2018/19	50,000	0	50,000	50,000	4,277	45,723	0	0	0	0	0	0	0
RK Z758 Town Hall Seating Replacement	2018/19	80,000	0	60,000	80,000	0	80,000	0	0	0	0	0	0	0
MB Z394 Provision of Neighbourhood Notice Boards	2014/15	15,001	8,901	0	6,100	0	6,100	0	0	0	0	0	0	0
MB Z739 Green Spaces Programme	2016/17	588,995	77,195	125,000	511,800	170,393	341,407	0	0	0	0	134,000	0	0
JT Z747 Dishley Pool Access Works	2018/19	32,600	0	32,600	32,600	0	32,600	0	0	0	0	0	0	0
MB Loughborough Cemetery - New Burial Provision	2018/19	650,000	0	0	0	0	0	0	0	650,000	650,000	0	0	0
SR Z750 Loughborough Old Cemetery Green Flag Site Deve	2018/19	40,000	0	40,000	40,000	0	40,000	0	0	0	0	20,000	0	0
MB Z751 Loughborough Playgrounds - Replacement Surfaci	2018/19	60,000	0	60,000	60,000	0	60,000	0	0	0	0	0	0	0
SR Z752 Mountsorrel Castle Park Green Flag Site Developm	2018/19	40,000	0	40,000	40,000	0	40,000	0	0	0	0	20,000	0	0
MB Z753 The Outwoods Country Park - Septic tank system r	2018/19	45,000	0	45,000	45,000	0	45,000	0	0	0	0	0	0	0
MB Z754 The Outwoods Country Park - Visitor Centre and C	2018/19	188,000	0	35,000	35,000	0	35,000	153,000	153,000	0	0	0	50,000	0
MB The Outwoods Country Park - improvements	2018/19	140,000	0	0	140,000	0	140,000	0	0	0	0	140,000	0	0
MB Z755 Shortcliffe Park Access Bridges	2018/19	50,000	0	50,000	50,000	34,750	15,250	0	0	0	0	0	0	0
AG Z484 Closed Churchyards Walls	2016/17	156,119	139,719	0	16,400	253	16,147	0	0	0	0	0	0	0
AG Z503 Charnwood Sites Access and Security	2018/19	50,000	0	0	50,000	0	50,000	0	0	0	0	0	0	0

CAPITAL PLAN 2018/19

Appendix 2

Scheme Details	First year in Capital Plan	Total Cost £	Spend Before 2018/19 £	2018/19 Original Plan £	2018/19 Current Budget £	2018/19 Actual Spend 31/10/18 £	2018/19 Balance £	2019/20 Original Plan £	2019/20 Current Budget £	2020/21 Original Plan £	2020/21 Current Budget £	External Funding 2018/19 £	External Funding 2019/20 £	External Funding 2020/21 £
Sub-total Direct Delivery		**3,453,015**	**670,315**	**793,600**	**1,909,700**	**505,211**	**1,404,489**	**188,000**	**188,000**	**685,000**	**685,000**	**535,300**	**50,000**	**0**
Indirect Delivery														
JR Z348 Community Facilities Grants	On-going	421,551	136,751	0	194,800	6,981	187,819	30,000	30,000	60,000	60,000	0	0	0
JR Z488 towards community hub building	2016/17	25,900	0	0	25,900	0	25,900	0	0	0	0	25,900	0	0
JR Z499 Syston Town Council - contribution towards Cemet	2017/18	219,588	9,688	0	209,900	9,662	200,238	0	0	0	0	209,900	0	0
JR Z292 Hallam Fields Community Hall	2007/08	500,000	0	0	350,000	22,610	327,390	0	150,000	0	0	350,000	0	0
JR Z500 Birstall Cedars Academy MUGA	2018/19	50,000	0	0	50,000	0	50,000	0	0	0	0	50,000	0	0
JR Z502 Quorn Parish Council - redevelopment of Old Scho	2018/19	25,200	0	0	25,200	25,168	32	0	0	0	0	25,200	0	0
MB Z778 Syston Community Garden	2018/19	22,300	0	0	22,300	0	22,300	0	0	0	0	22,300	0	0
Sub-total Indirect Delivery		**1,264,539**	**146,439**	**0**	**878,100**	**64,421**	**813,679**	**30,000**	**180,000**	**60,000**	**60,000**	**683,300**	**0**	**0**
Community Wellbeing - Total		**4,717,554**	**816,754**	**793,600**	**2,787,800**	**569,632**	**2,218,168**	**218,000**	**368,000**	**745,000**	**745,000**	**1,218,600**	**50,000**	**0**
Corporate Services														
Direct Delivery														
DC Z310 Planned Property Refurbishment	On-going	0	0	155,000	0	0	0	0	0	0	0	0	0	0
AK Z085 Replacement Hardware Programme - Block Sum	On-going	1,319,984	1,012,684	80,000	187,300	55,861	131,439	80,000	40,000	80,000	80,000	0	0	0
AK Z354 Infrastructure Development - Block Sum	2012/13	201,522	111,522	30,000	30,000	3,042	26,958	30,000	30,000	30,000	30,000	0	0	0
AK Z780 Wireless connectivity including presentation facilitie	2018/19	25,000	0	0	25,000	81	24,919	0	0	0	0	0	0	0
KB Z423 Call Secure System - PCI Compliance	2017/18	40,152	4,252	0	35,900	0	35,900	0	0	0	0	0	0	0
KB Z425 Corporate Booking System	2017/18	22,913	16,013	0	6,900	0	6,900	0	0	0	0	0	0	0
SL Z485 Online Customer Experience Project	2016/17	55,696	55,696	0	0	4,862	-4,862	0	0	0	0	0	0	0
DC Z415 Southfields Offices - Roofing	2015/16	100,020	84,620	0	15,400	12,590	2,810	0	0	0	0	0	0	0
DC Z466 DWP Co-Location	2014/15	653,471	653,471	0	0	-3,000	3,000	0	0	0	0	0	0	0
DC Z493 Fearon Hall	2017/18	250,035	174,235	0	75,800	37,361	38,439	0	0	0	0	0	0	0
DC Z740 Emergency Backup Generator & UPS Power	2016/17	38,302	36,302	0	2,000	1,663	337	0	0	0	0	0	0	0
DW/DC Z759 Woodgate Chambers - high level roof and windows	2018/19	50,000	0	50,000	50,000	0	50,000	0	0	0	0	0	0	0
DC Z777 Messenger Close, Lough - Options for future use	2017/18	196,534	234	0	196,300	204,595	-8,295	0	0	0	0	12,100	0	0
DC Z779 Jubilee Avenue Sileby	2018/19	7,000	0	0	7,000	5,647	1,353	0	0	0	0	0	0	0
Sub-total Direct Delivery		**2,960,629**	**2,149,029**	**315,000**	**631,600**	**322,702**	**308,898**	**110,000**	**70,000**	**110,000**	**110,000**	**12,100**	**0**	**0**
Corporate Services - Total		**2,960,629**	**2,149,029**	**315,000**	**631,600**	**322,702**	**308,898**	**110,000**	**70,000**	**110,000**	**110,000**	**12,100**	**0**	**0**
Housing, Planning & Regeneration & Regulatory Services - General Fund														
Direct Delivery														
AT Z744 Beehive Lane Car Park Improvements and refurbis	2018/19	180,000	0	50,000	50,000	10,524	39,476	30,000	30,000	100,000	100,000	0	0	0
AT Z781 Beehive Lane Car Park fire & safety evacuation sy	2018/19	125,000	0	0	125,000	0	125,000	0	0	0	0	0	0	0
AT Car Parks Resurfacing and Improvements	2018/19	170,000	0	0	0	0	0	170,000	170,000	0	0	0	0	0
DC Z738 Carbon Management Schemes	2016/17	190,969	101,169	0	32,800	0	32,800	0	57,000	0	0	0	0	0
RB Z468 Planning and Regeneration Essential Technology	2015/16	84,461	83,361	0	1,100	0	1,100	0	0	0	0	1,100	0	0
AS Z424 Choice Based Lettings Software	2017/18	35,000	0	0	35,000	16,062	18,938	0	0	0	0	0	0	0
Sub-total Direct Delivery		**785,430**	**184,530**	**50,000**	**243,900**	**26,586**	**217,314**	**200,000**	**257,000**	**100,000**	**100,000**	**1,100**	**0**	**0**
Indirect Delivery														
DH Z366 Loughborough University Science & Enterprise Par	2012/13	500,000	150,000	0	0	0	0	0	350,000	0	0	0	0	0
DH Z367 Bleach Yard	2013/14	30,000	20,300	0	9,700	3,751	5,949	0	0	0	0	0	0	0
DH Bedford Square Gateway	2018/19	780,000	0	0	0	0	0	780,000	780,000	0	0	0	390,000	0
DH Shepshed Bull Ring	2018/19	600,000	0	0	0	0	0	600,000	600,000	0	0	0	170,000	0

CAPITAL PLAN 2018/19

Appendix 2

Scheme Details			First year in Capital Plan	Total Cost £	Spend Before 2018/19 £	2018/19 Original Plan £	2018/19 Current Budget £	2018/19 Actual Spend 31/10/18 £	2018/19 Balance £	2019/20 Original Plan £	2019/20 Current Budget £	2020/21 Original Plan £	2020/21 Current Budget £	External Funding 2018/19 £	External Funding 2019/20 £	External Funding 2020/21 £
DH	Z745	Leicestershire Superfast Broadband Phase 3	2018/19	100,000	0	100,000	0	0	0	0	100,000	0	0	0	0	0
RB	Z396	Public Realm - Shepshed Town Centre	2014/15	50,488	13,688	0	24,600	0	24,600	0	12,200	0	0	0	0	0
RS	Z210	Disabled Facilities Grants - Block Sum	On-going	11,651,278	8,584,478	5,000	1,028,800	316,861	711,939	980,000	980,000	1,058,000	1,058,000	1,028,800	980,000	1,058,000
RS	Z346	Private Sector Housing Grants - Block Sum	On-going	398,957	142,657	0	111,300	1,312	109,988	70,000	70,000	75,000	75,000	0	0	0
RS	Z141	Regional Housing Pot Grant	On-going	1,889,057	1,846,157	0	42,900	0	42,900	0	0	0	0	0	0	0
RS	Z363	Fuel Poverty Scheme	2012/13	85,559	76,559	0	9,000	0	9,000	0	0	0	0	9,000	0	0
RS	Z346	Housing Grants	2016/17	0	0	410,000	0	0	0	0	0	0	0	0	0	0
		Sub-total Indirect Delivery		**16,085,339**	**10,833,839**	**515,000**	**1,226,300**	**321,924**	**904,376**	**2,430,000**	**2,892,200**	**1,133,000**	**1,133,000**	**1,037,800**	**1,540,000**	**1,058,000**
		g & Regeneration & Regulatory Services - General Fund - Total		**16,870,769**	**11,018,369**	**565,000**	**1,470,200**	**348,510**	**1,121,690**	**2,630,000**	**3,149,200**	**1,233,000**	**1,233,000**	**1,038,900**	**1,540,000**	**1,058,000**
		Housing, Planning & Regeneration & Regulatory Services - HRA														
		Direct Delivery														
PO	Z300	Major Adaptations	On-going	5,741,912	5,741,912	0	0	-103,138	103,138	0	0	0	0	0	0	0
PO	Z761	Major Adaptations - Fortem	2018/19	1,425,000	0	525,000	525,000	21,098	503,902	450,000	450,000	450,000	450,000	0	0	0
PO	Z301	Minor Adaptations	On-going	718,292	568,292	50,000	50,000	21,619	28,381	50,000	50,000	50,000	50,000	0	0	0
PO	Z302	Stairlifts	On-going	721,444	541,444	60,000	60,000	40,669	19,331	60,000	60,000	60,000	60,000	0	0	0
PO	Z380	Major Void Works	On-going	1,337,954	1,337,954	0	0	10,372	-10,372	0	0	0	0	0	0	0
PO	Z762	Major Void Works - Fortem	2018/19	840,000	0	280,000	280,000	25,716	254,284	280,000	280,000	280,000	280,000	0	0	0
														0	0	0
		Compliance												0	0	0
PO	Z434	Asbestos Removal	On-going	1,621,896	1,171,896	150,000	150,000	85,355	64,645	150,000	150,000	150,000	150,000	0	0	0
PO	Z741	Communal Area Improvements	2016/17	21,889	11,389	0	10,500	1,506	8,994	0	0	0	0	0	0	0
PO	Z771	Communal Area Improvements - Fortem	2018/19	450,000	0	150,000	150,000	16,030	133,970	150,000	150,000	150,000	150,000	0	0	0
PO	Z742	Communal Area Electric	2016/17	985,899	296,599	200,000	289,300	289,251	49	200,000	200,000	200,000	200,000	0	0	0
PO	Z374	Carbon monoxide/smoke alarms	On-going	239,875	239,875	0	0	1,039	-1,039	0	0	0	0	0	0	0
PO	Z772	Carbon Monoxide Alarms - Fortem	2018/19	120,000	0	50,000	50,000	2,050	47,950	40,000	40,000	30,000	30,000	0	0	0
PO	Z401	Fire Safety	On-going	1,472,314	1,472,314	0	0	-38,061	38,061	0	0	0	0	0	0	0
PO	Z773	Fire Safety Works - Fortem	2018/19	300,000	0	100,000	100,000	1,292	98,708	100,000	100,000	100,000	100,000	0	0	0
PO	Z404	Cavity/Loft insulation	On-going	66,320	66,320	0	0	-4,745	4,745	0	0	0	0	0	0	0
PO	Z774	Cavity/Loft insulation - Fortem	2018/19	150,000	0	50,000	50,000	0	50,000	50,000	50,000	50,000	50,000	0	0	0
		Stock Maximisation														
PO	Z375	Garages	2016/17	150,000	0	50,000	50,000	0	50,000	50,000	50,000	50,000	50,000	0	0	0
		Decent Homes														
PO	Z460	Charnwood Standard Kitchens	On-going	9,867,207	9,867,207	0	0	7,332	-7,332	0	0	0	0	0	0	0
PO	Z763	Kitchens - Fortem	2018/19	870,000	0	322,000	322,000	24,335	297,665	190,000	190,000	358,000	358,000	0	0	0
PO	Z461	Charnwood Standard Bathrooms	On-going	4,470,151	4,470,151	0	0	-4,063	4,063	0	0	0	0	0	0	0
PO	Z764	Bathrooms - Fortem	2018/19	1,925,100	0	616,300	616,300	275	616,025	578,300	578,300	730,500	730,500	0	0	0
PO	Z454	Electrical Upgrades	On-going	4,597,646	4,567,646	0	30,000	22,863	7,137	0	0	0	0	0	0	0
PO	Z765	Electrical Upgrades - Fortem	2018/19	199,000	0	66,000	66,000	4,800	61,200	54,000	54,000	79,000	79,000	0	0	0
PO	Z011	Windows	On-going	2,787,224	2,787,224	0	0	-5,369	5,369	0	0	0	0	0	0	0
PO	Z766	Windows - Fortem	2018/19	50,000	0	20,000	10,000	0	10,000	20,000	20,000	20,000	20,000	0	0	0
PO	Z005	Charnwood Standard Planned Heating	On-going	12,131,262	12,131,262	0	0	-217,579	217,579	0	0	0	0	0	0	0
PO	Z767	Central Heating and Boiler Installation - Fortem	2018/19	1,190,000	0	518,000	518,000	7,455	510,545	238,000	238,000	434,000	434,000	0	0	0
PO	Z743	Sheltered Housing Improvements inc heating & eq	2016/17	1,102,130	539,130	200,000	163,000	38,080	124,920	200,000	200,000	200,000	200,000	0	0	0
PO	Z462	Door Replacement	On-going	2,613,997	2,596,597	0	17,400	-45,096	62,496	0	0	0	0	0	0	0
PO	Z768	Door Replacement - Fortem	2018/19	945,000	0	315,000	315,000	100	314,900	315,000	315,000	315,000	315,000	0	0	0
PO	Z459	Roofing/guttering	On-going	3,072,036	2,943,936	0	128,100	157,411	-29,311	0	0	0	0	0	0	0
PO	Z769	Re-roofing - Fortem	2018/19	1,800,000	0	600,000	600,000	1,095	598,905	600,000	600,000	600,000	600,000	0	0	0
PO	Z369	Major Structural Works	On-going	1,233,589	1,233,589	0	0	-160,203	160,203	0	0	0	0	0	0	0

CAPITAL PLAN 2018/19 Appendix 2

Scheme Details	First year in Capital Plan	Total Cost	Spend Before 2018/19	2018/19				2019/20		2020/21		External Funding		
				Original Plan	Current Budget	Actual Spend 31/10/18	Balance	Original Plan	Current Budget	Original Plan	Current Budget	2018/19	2019/20	2020/21
		£	£	£	£	£	£	£	£	£	£	£	£	£
PO Z770 Major Structural Works - Fortem	2018/19	750,000	0	250,000	250,000	0	250,000	250,000	250,000	250,000	250,000	0	0	0
												0	0	0
PO **General Capital Works**												0	0	0
PO Z357 Estate Works	On-going	632,070	625,070	0	7,000	-834	7,834	0	0	0	0	0	0	0
PO Z776 Estate and External Works - Fortem	2018/19	615,000	0	205,000	205,000	71	204,929	205,000	205,000	205,000	205,000	0	0	0
PO Z857 Housing Capital Technical Costs	On-going	4,435,943	3,499,943	312,000	312,000	0	312,000	312,000	312,000	312,000	312,000	0	0	0
PO Z378 Door Entry Systems	On-going	1,331,814	680,014	200,000	251,800	66,717	185,083	200,000	200,000	200,000	200,000	0	0	0
AS Z419 New Build/Acquisitions	2017/18	304,577	304,577	0	0	1,536	-1,536	0	0	0	0	0	0	0
AS Z760 Acquisition of Affordable Housing to meet housing	2018/19	5,227,000	0	1,953,000	1,953,000	645,945	1,307,055	1,856,000	2,797,000	0	477,000			
PO Z406 Mobility Scooter Storage in Sheltered Schemes	On-going	128,363	128,363	0	0	0	0	0	0	0	0	0	0	0
PO Z775 Mobility Scooter Storage - Fortem	2018/19	45,000	0	15,000	15,000	0	15,000	15,000	15,000	15,000	15,000	0	0	0
PO Z470 Job Management System	2015/16	112,562	90,762	0	21,800	700	21,100	0	0	0	0	0	0	0
Sub-total Direct Delivery		**78,799,466**	**57,913,466**	**7,257,300**	**7,566,200**	**915,624**	**6,650,576**	**6,613,300**	**7,554,300**	**5,288,500**	**5,765,500**	**0**	**0**	**0**
g, Planning & Regeneration & Regulatory Services - HRA - Total		**78,799,466**	**57,913,466**	**7,257,300**	**7,566,200**	**915,624**	**6,650,576**	**6,613,300**	**7,554,300**	**5,288,500**	**5,765,500**	**0**	**0**	**0**

CABINET – 13TH DECEMBER 2018

Report of the Head of Customer Experience

Lead Member: Councillor Thomas Barkley

Part A

ITEM 12 WRITE OFF REPORT FOR BUSINESS RATE PROPERTIES

Purpose of the Report

To seek Cabinet approval to write off irrecoverable debts in line with Financial Procedure Rules.

Recommendation

That the following debts be written off:

1) £21,932.31 owed by KM Shepshed Ltd;
2) £24,609.61 owed by Surrey Pubs and Inns Ltd;
3) £51,907.95 owed by Earl Pubs Ltd.

Reason

The normal enforcement/recovery and tracing of these debts have been exhausted and Write Off is now the only alternative.

Policy Justification

The Collection of Business Rates (National Non-Domestic Rates) is a statutory function.

The Council's financial procedures require any debt over £20,000 be approved by Cabinet.

Implementation Timetable including future Decisions and Scrutiny

Irrecoverable debts will be written off immediately following approval.

Report Implications

The following implications have been identified for this report

Financial implications

Since 1 April 2013 the Council retains a certain amount of the business rates collected whereas before that the whole amount was paid over to the Government. Therefore, this write off could impact on the amount of income receivable by the Council. However, there is a bad debt allowance already included in the business rates projections for the year so it is unlikely that there will be any direct impact on the council's budgeted income for 2018/19.

Risk Management

There are no risks associated in this report

Key Decision:	No
Background Papers:	None
Officer to Contact:	Karey Barnshaw Head of Customer Experience 01509 634923 karey.barnshaw@charnwood.gov.uk

Part B

1. **KM Shepshed Limited** occupied the Armstrong Mill site at Charnwood Road, Shepshed at 1st April 2017. The company was still in the process of making monthly payments to enforcement agents in relation to 2016/17 business rates, with the final settlement taking place in July 2017. In the meantime payments were not being made towards the 2017/18 rate account and a liability order was issued by Loughborough Magistrates on 9th June 2017.

2. The company offered to continue with monthly instalments once the 2016/17 debt was settled but did not make payments and the matter was referred to enforcement agents on 11th August 2017. The director took advice from insolvency practitioners and convened a meeting to consider a company voluntary arrangement on 29th September 2017. The CVA was not accepted by HM Revenues & Customs, who had large arrears, and so was rejected. The company then called a meeting of creditors and entered liquidation on 13th October 2017.

3. The liquidators anticipate “a small dividend payment” to creditors but to date no payments have been received.

4. On 13th December 2013 **Surrey Pubs and Inns Ltd** took occupation of Varsity, 22 Market Street, Loughborough. Payments were not made as requested and the Loughborough Magistrates issued a liability order in June 2014. The matter was referred to enforcement agents who collected part payment but the company vacated the property on 30th July 2014. The agents returned their involvement in June 2015 as they were unable to find goods belonging to the company over which to take control.

5. The matter was then referred for winding-up proceedings and the Council served a statutory demand in March 2016. In separate proceedings by another Council the company was wound-up in June 2016 although that winding up order was subsequently rescinded. The company was dissolved on 27th February 2018.

6. **Earl Pubs Limited** took the tenancy of The Earl of Stamford, Front Street, Birstall in September 2014. Payments have been haphazard and the company has fallen into arrears with each year’s rate charges. In addition there have been several disputes as who was in occupation of the property.

7. As a result of the non-payment the debts were referred to two companies of enforcement agents who have endeavoured to collect the outstanding monies. On 25th September 2017 Earl Pubs Ltd vacated the property and the enforcement agents returned their cases saying they are unable to find goods belonging to the company over which to take control.

8. The company was dissolved on 3rd July 2018.

9. The Business Rates team has concluded that the outstanding sums should be written-off because they are no longer appropriate to retain as debts in the

accounts as assets to the Authority. It seems prudent to write-off now rather than carry debts which are very unlikely to be recovered. In the scenario that the Council does receive some dividend towards the debt, the write-off would be reduced to take account of any payment received.

	Outstanding Rates	Outstanding Costs	Total Balance	Liable Period
Account 96243142 and 96243151 KM Shepshed Ltd 173 Charnwood Road, Shepshed LE12 9NN	£21,872.31	£60.00	£21,932.31	1st April 2017 to 12th October 2017
Account 96234703 Surrey Pubs and Inns Ltd Varsity, 22 Market Street, Loughborough LE11 3ER	£10,664.62 £13,944.99	- -	£10,664.62 £13,944.99	13th December 2013 to 31st March 2014 1st April 2014 to 29th July 2014
Account 96241992 Earl Pubs Ltd The Earl of Stamford, Front Street, Birstall LE4 4DP	£21,708.73 £22,613.50 £7,477.22	- £48.50 £60.00	£21,708.73 £22,662.00 £7,537.22	1st April 2015 to 31st March 2016 1st April 2016 to 31st March 2017 1st April 2017 to 24th September 2017

Appendices

None

CABINET - 13TH DECEMBER 2018

Report of the Head of Strategic Support
Lead Member: Councillor Poland

Part A

ITEM 13 RISK MANAGEMENT FRAMEWORK AND STRATEGIC RISK REGISTER

Purpose of Report

The report proposes a refreshed Risk Management Strategy and Framework and draft Strategic Risk Register following the recent review of the Councils risk management arrangements.

Recommendations

1. That the proposed Risk Management Strategy and Framework set out in Appendices 1 and 2 are approved.

2. That the draft Strategic Risk Register set out in Appendix 3 is adopted and that the Audit Committee monitor progress against those risks on the register by receiving quarterly monitoring reports.

3. That authority is delegated to the Head of Strategic Support to make amendments to the risk register where required, in consultation with the relevant risk owner and Lead Member.

Reasons

1. To ensure that risk management principles and processes are formally documented and that a consistent approach is embedded throughout the Council.

2. To ensure that the most significant risks to the Council achieving its objectives are identified and actively managed.

3. To ensure that the Strategic Risk Register is kept up to date and relevant.

Policy Justification and Previous Decisions

Sound risk management arrangements that are embedded and applied consistently throughout the Council will support the achievement of Corporate Plan objectives by ensuring that resources and activity are concentrated on the areas of greatest risk.

The maintaining and monitoring of the Strategic Risk Register will support the delivery of the Council’s corporate goals in ensuring that the identified risks are appropriately managed.

Implementation Timetable including Future Decisions and Scrutiny

If approved, the Risk Management Strategy and Framework will come into immediate effect.

If approved the Strategic Risk Register will come into effect from January 2019 and will remain current until March 2020.

Cabinet will continue to receive an annual risk management report which will include the proposed Strategic Risk Register for the forthcoming year. The risk register will be monitored on a quarterly basis by the Audit Committee.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no financial implications associated with these decisions.

Risk Management

The risks associated with the decision Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
Risk management arrangements are not embedded and applied consistently across the Council resulting in significant risks to the Council not being identified and appropriately managed leading to objectives not being achieved.	Possible	Moderate	The Risk Management Strategy and Framework will be communicated and made available to all staff. Risk management training will be provided to staff to raise awareness of the Strategy and Framework.
A significant Strategic Risk has not been identified and therefore may not be appropriately managed.	Unlikely	Moderate	The register has been developed following consultation with Members and the Senior and Corporate Management Teams, and will be reviewed, and updated if necessary, on a quarterly basis
Risks may have been wrongly assessed resulting in insufficient risk management actions being taken.	Unlikely	Minor	The risk register will be reviewed, and updated if necessary, on a quarterly basis.

Key Decision:	No
Background Papers:	None
Officers to contact:	Adrian Ward Head of Strategic Support Tel: 01509 634573 Email: adrian.ward@charnwood.gov.uk Shirley Lomas Audit & Risk Manager Tel: 01509 634806 Email: shirley.lomas@charnwood.gov.uk

Part B

Background

1. During March 2018, the Council was subject to a Local Government Association (LGA) Peer Challenge review. One of the recommendations (Recommendation 7) arising from the review was for the Council to:

   - **Establish risk appetite and strengthen approach to risk management.** To provide stronger assurance around risk and identify a risk tolerance level that is right for Charnwood to further its commercial activities.

   To address this recommendation, the Council's risk management framework has been reviewed and a revised risk management framework and strategy produced. The format of the Strategic Risk Register was also considered and revised as part of the review.

2. At their meeting of 14th June 2018, Cabinet approved an interim Strategic Risk Register to ensure that the most significant strategic risks which could impact on the delivery of the Corporate Plan objectives were identified and actively managed whilst the risk management review was completed.

Development of the Risk Management Strategy and Framework

3. The review of the Council's risk management arrangements was undertaken through researching best practice as advised by the LGA and the Association of Local Authority Risk Managers (ALARM).

4. The proposals made have been considered by and developed with the Corporate Management Team through the Risk Management Group and by informal consultation with Cabinet Members.

Proposals

5. It is proposed that the Council's existing Risk Management Strategy, which incorporated the Risk Management Framework, is replaced with two separate documents i.e. a Risk Management Strategy and a Risk Management Framework.

6. The proposed Risk Management Strategy is a high level document that sets out the Council's strategic approach to risk management. (Appendix 1)

7. The proposed Risk Management Framework provides the detailed approach to risk management including the risk matrix and risk appetite tables for measuring the level of risk and ensuring that risks are managed within the Council's risk appetite. (Appendix 2)

8. It is proposed to revert from the current three levels of risk to two levels i.e. strategic risks and operational risks. The Council's working definition of risk, to be applied to both strategic and operational risks is:

"Risk is something that may have an impact on the achievement of our objectives. This could be an opportunity as well as a threat.

8. It is proposed to change the risk matrix from the current 5x5 matrix to a 4x4 matrix as set out in the Risk Management Framework. Risks will continue to be measured based upon likelihood and impact; i.e. the likelihood of the risk materialising and the impact to the Council should the risk materialise to produce the overall risk rating.

9. As recommended following the LGA Peer Challenge review, risk tolerance levels have been considered to set the Council's 'risk appetite'. As the Council is a diverse organisation, with statutory obligations, it has been recognised that it is not appropriate to set one level of risk appetite to be applied to all identified risks. Therefore, as set out in the Risk Management Framework it is proposed to set the Council's risk appetite for four primary risk types i.e. strategic, delivery, financial and compliance. Although many risks will fall into more than one risk type it is the primary risk type i.e. the one that carries the greatest risk that will be used to manage the risk within the tolerable level.

10. It is proposed to amend the format of the Strategic Risk Register as set out in the Risk Management Framework. The revised format allows for commentary to be included as to the current status of the risk and for a risk owner to be identified who will be responsible for the management of the risk. This template will also be used at service level for operational risk registers.

<u>Development of the Strategic Risk Register</u>

11. The proposed Strategic Risk Register has been produced following consultation with the Corporate Management Team, Cabinet members and Audit Committee members.

12. In reading the risk register attached at Appendix 3 it is important to understand that the 'Overall Score' shown in the first risk matrix is the risk that the Council would bear if ***no*** actions were taken to mitigate the risk. In the vast majority of cases the Council is able to operate risk mitigation processes which result in the lower 'Net Risk Score' shown in the second risk matrix it is this latter score which represents the current assessment of strategic risks faced by the Council.

13. Ongoing work will be undertaken with Services to fully identify existing mitigating controls and actions, and to review the residual risk scores.

<u>Appendices</u>

Appendix 1 - Proposed Risk Management Strategy

Appendix 2 – Proposed Risk Management Framework

Appendix 3 – Draft Strategic Risk Register

Risk Management Strategy

November 2018

Contents

1. Introduction 3
2. Risk Management Objectives 3
3. Assessment 4
4. Risk Appetite 4
5. Risk Registers 4
6. Governance 5

1. Introduction

The purpose of this document is to outline an overall approach to risk management that addresses the risks, both negative and positive, facing the Council in achieving its objectives and which will facilitate the effective recognition and management of such risks. The approach has been designed to support Members and officers in fulfilling their risk management responsibilities in a consistent manner.

Risk management will be embedded within the daily operations of the Council, from strategy and policy formulation through to business planning, general management and operational processes. It will also be applied where the Council works in partnership with other organisations to ensure that partnership risks are identified and managed appropriately.

Through understanding risks, decision-makers will be better able to evaluate the impact of a particular decision or action on the achievement of the Council's objectives.

Risk management will not focus upon risk avoidance, but on the identification and management of an acceptable level of risk. It is the Council's aim to proactively identify, understand and manage the risks inherent in our services and associated with our plans, policies and strategies, so as to support responsible, informed risk taking and as a consequence, aim to improve value for money. The Council will not support reckless risk taking.

The Council will seek to learn from other organisations where appropriate and to keep up to date with best practice in risk management.

2. Risk Management Objectives

The Council is committed to establishing and maintaining a consistent risk management approach throughout its decision making and operational processes.

The Council's risk management objectives are to:

- Ensure that the risks that could prevent the Council achieving its objectives are identified and appropriately managed.
- Ensure that risk management is clearly and consistently applied and evidenced throughout the Council.
- Raise awareness of the principles and benefits involved in the risk management process, and to obtain staff and Member commitment to the principles of risk management and control
- Inform policy and operational decisions through the identification of risks and their likely impact.
- Ensure compliance with statutory requirements.
- Ensure safety and wellbeing of staff, Members and customers.

These objectives will be achieved by:

- Defining clear roles, responsibilities and accountability for risk management.
- Maintaining documented risk management procedures and provision of guidance and training to Members and staff.
- Considering risk management implications in reports and decision making processes.
- Maintaining strategic and operational risk registers that identify and rank all significant risks facing the Council, which will assist the Council achieve its objectives through pro-active risk management.

3. Assessment

This will involve consideration of all potential risks facing the Council, with risks broken down into strategic risks, which could impact on the achievement of the Council's objectives, and operational (service) risks which could impact upon service delivery or the achievement of service objectives.

Identified risks will be assessed on the basis of the likelihood of the risk materialising and the impact to the Council should the risk materialise. This will include an assessment of both the inherent risk i.e. the level of risk prior to mitigating actions and controls being applied and the residual risk i.e. the level of risk considering the mitigating actions and controls in place. The Council's specified risk matrix will be used to score each risk.

Where the risk carries more than one risk type e.g. financial and compliance; the primary risk factor will be used to ensure the risk is managed within the Council's risk appetite.

4. Risk Appetite

The Council will define its risk appetite across designated risk types i.e. strategic, delivery, financial and compliance. Appropriate mitigating actions and controls will be put into place to ensure that residual risk scores are within the risk appetite for the primary risk type.

5. Risk Registers

The Strategic Risk Register will be approved by Cabinet annually and reviewed quarterly through the Risk Management Group. Quarterly monitoring reports will be provided to the Audit Committee as resolved by Cabinet

Operational Risk Registers will be maintained by Heads of Service and will be reviewed at least quarterly. Where an operational risk materialises to a level where it becomes a potential strategic risk this will be escalated to the Risk Management Group for consideration.

All risks will be allocated a ‘Risk Owner’ who will be responsible for ensuring that the risk is appropriately managed.

6. Governance

There will be clear accountability for risks. This will be achieved through an annual report to Cabinet on risk management, an Annual Governance Statement signed by the Chief Executive and the Leader of the Council, and by making the Council’s risks and risk management process open to regular Internal Audit and external inspection (e.g. by the Council’s external auditors). The Audit Committee will be responsible for monitoring the Council’s risk management arrangements.

An annual review of this Strategy will be undertaken to ensure it remains current and up to date and reflects current best practice in risk management. Recommendations will be made to the Cabinet if it is considered that any improvements or amendments are required.

Members of the Cabinet will be briefed regularly to ensure they are aware of significant risks affecting their portfolios and any improvements in controls which are proposed.

The Risk Management Group will meet regularly to ensure that risk management processes are being applied consistently, to promote risk management throughout all services and to ensure continuous improvement in risk and opportunity management.

The Internal Audit section will focus audit work on significant risks, as identified by management, and will audit the risk management process across the whole Council to provide assurance on its effectiveness.

APPENDIX 2

Risk Management Framework

November 2018

Contents

1. Introduction 3

2. Leadership, roles & responsibilities 3

3. Risk Management Process 6

1. Introduction

The purpose of the risk management framework is to define how risks and opportunities will be handled within Charnwood District Council. The framework provides information on roles and responsibilities, processes and procedures. It sets the context for the management of risks and defines how they will be identified, assessed, managed and reviewed.

The Council has a clear framework and process for identifying, assessing, managing / controlling, reviewing and reporting of its risks. The leadership, roles and responsibilities are defined for managing those risks. Some groups or individuals will have a specific leadership role or responsibility for risk management and this detail is set out in Section 2.

The Council expects all of its employees, officers and Councillors to have a level of understanding of how risks and opportunities could affect the performance of the Council and to regard the management of those risks / opportunities as part of their everyday activities. This could be the management of strategic risks (those risks that need to be taken into account when making judgements about medium and long-term goals), or operational risks that managers and staff will encounter in the daily course of their work.

The Council has a four-step process for identifying, assessing, managing and controlling and reviewing risk (See Figure 1, page 5). This is a continuous process and integrates with performance management. The Council has agreed criteria by which to judge the likelihood and impact of risks, effectiveness of control measures and required levels of management of residual risks.

2. Leadership, roles & responsibilities

The Cabinet	• Approve the Council's Risk Management Strategy and Framework and Strategic Risk Register • Consider risk management implications when making decisions • Agree an appropriate response to the Council's highest risks • Receive an annual report on risk management
Audit Committee	• To maintain an independent oversight of risk management issues • To undertake reviews of specific areas of risk management activity or initiatives where required • To consider the effectiveness of the implementation of the risk management strategy • To review and approve the Council's Annual Governance Statement
The Officer Risk	• To be responsible for the oversight of the risk management

Champion (Head of Strategic Support)	activities of the Council • To provide the Cabinet and Audit Committee with assurance that the Council's corporate business risks are being actively and appropriately managed.
Senior Management Team	• To oversee the corporate approach to risk management • To identify, assess and capture improved performance and value for money through risk and opportunity management • To ensure that a robust framework is in place to identify, monitor and manage the Council's strategic risks and opportunities • To demonstrate commitment to the embedding of risk management across the organisation
Risk Management Group (Corporate Management Team)	• To raise the awareness of risk management issues and promote a risk management culture across the organisation • To create a forum for discussion and a focal point for risk management • To assess strategic risks and opportunities identified by the Authority • To review and keep up to date the strategic risk register • To ensure that the most appropriate and cost effective measures are adopted to avoid, minimise and control those risks in accordance with 'Best Value' principles • To develop good risk management practices within the Council • To encourage the development of contingency plans
Heads of Service	• To identify and assess new risks and opportunities • To include Risk Management as an Agenda item at team meetings • To maintain the Council's operational risk registers in relation to their areas of responsibility, identifying and reporting upwards any significant risk management issues affecting their service area • To ensure compliance with corporate and service risk management standards • To ensure that all service deliverers (employees, volunteers, contractors and partners) are made aware of their responsibility for risk management and the mechanisms for feeding concerns into the Council's risk management process • To ensure that an effective framework is in place to manage risks faced by the service • To identify and analyse risks for impact and likelihood and introduce risk control measures • To identify initiatives that could reduce the impact and/or likelihood of risks occurring • To identify initiatives that could increase the likelihood of an

	opportunity being realised • To ensure that risk register entries and controls are accurate and up to date • To monitor the progress of planned actions on a quarterly basis to ensure that aims are achieved • To report quarterly to their Director on the progress of risk management action plans and any new risks identified • To communicate the risk process to all staff and ensure they are aware of their responsibilities
Team Risk Owners (if other than Head of Service)	• To have responsibility for the management of risk within their area, including the implementation of action plans • To include Risk Management as an Agenda item at team meetings • To review each risk at least quarterly and report to the Head of Service and/or Director, identifying any changes in circumstances or factors around the risk • To communicate the risk process to staff in their section and to ensure that they are aware of their responsibilities
Audit & Risk Manager and Insurance Officer	• To provide facilitation, training and support to promote an embedded proactive risk management culture throughout the Council • To provide facilitation, training and support to Members • To assist services in identifying, analysing and controlling the risks that they encounter • To ensure that risk management records and procedures are properly maintained and that clear audit trails exist in order to ensure openness and accountability • To provide risk management advice & support to Strategic Directors, Heads of Service, risk owners and service teams • To develop means of best practice in risk management by reference to risk management standards and comparisons with peer authorities • To address internal audit recommendations • To keep SMT and the Head of Strategic Support fully briefed on the Council's top risks and any other risk issues as appropriate • To liaise with internal and external audit / Insurers / Health & Safety / Emergency Planning • To liaise with external consultants and risk management organisations to promote and maintain best practice within the Council • To ensure the timely purchase of adequate insurance for the transfer of risk

All Employees

- Within their given area of responsibility and work, to have an understanding of risks and regard their management as part of their everyday activities, including the identification and reporting of risks and opportunities which could affect the Council
- To carry out or assist with risk assessments for their areas of work
- To maintain an awareness of risk and feed this into the formal management and reporting processes
- To support and participate in risk management activities

Internal Audit

- To independently assess the Council's risk management arrangements
- To review the content and scope of the risk registers
- To review the adequacy of procedures by departments to assess, review and respond to risks
- To review the effectiveness of the Council's system of internal control
- To consider the content of the risk registers when preparing the Annual Audit Plan

3. Risk Management Process

The following four step process is fundamental to good risk management. Figure 1 below shows the four steps and the link to business objectives.

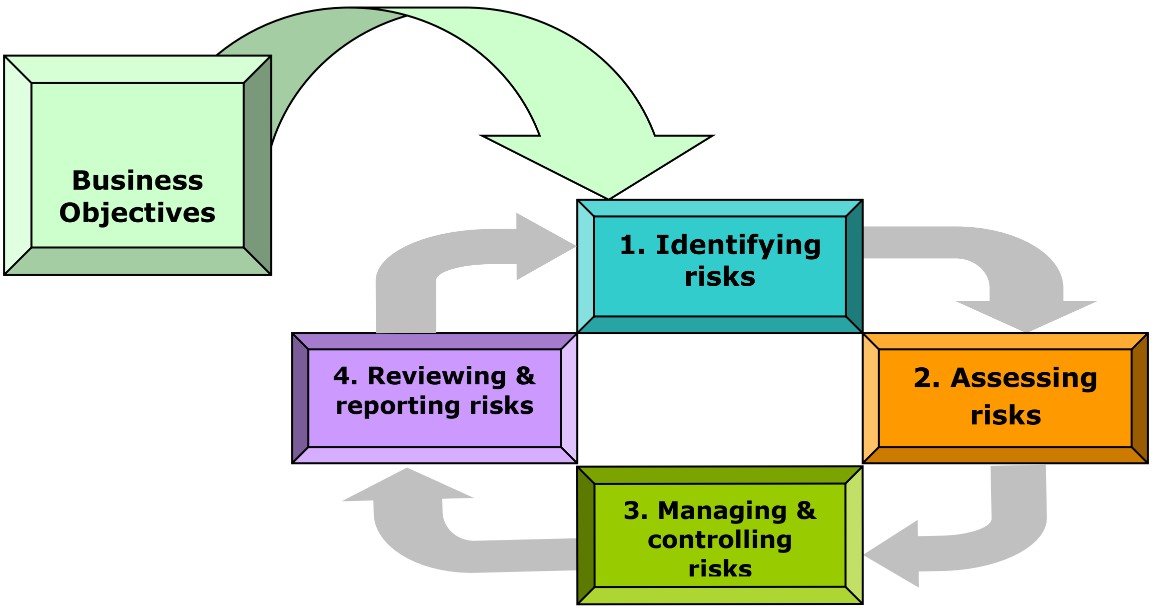


Figure 1: The four steps of the risk management cycle

Step 1: Identifying Risks

Our working definition of risk is:

***"*Risk is something that may have an impact on the achievement of our objectives. This could be an opportunity as well as a threat.**

Drivers of risk

The Council faces risks from both internal and external factors. Understanding this helps us to assess the level of influence we may have over the risk.

There are three parts to a risk – an **event** that has a **consequence** that leads to an **impact** on our objectives - and it can be measured by estimating the ***likelihood*** of the event happening and the ***impact*** it may have on our objectives if it does.

It also helps to think of risk being driven by two basic categories, **Strategic** and **Operational.** At strategic levels, the focus is on identifying the key risks to successful achievements of the Council's overall objectives. Operational risks are the risks (or opportunities) that are most likely to affect the performance and delivery of business services.

Strategic and operational risks are not mutually exclusive and a risk may escalate from one to another. They can all be driven by either external or internal factors, or a combination of both.

Identifying risk

- We need to be clear what the business objectives are;
- In the risk identification stage we are concerned with identifying events that can impact on the business objectives – **'what could happen?'** We need to look at both the positive and the negative effect and so should also ask ourselves **'what could happen if we don't?'** This will help us become more confident with risk taking and exploiting opportunities. Insignificant risks can be ignored, significant risks can be planned for and the costs of taking action can be compared with the price to be paid if the adverse event occurs;
- It will help to use prompts to identify the areas of risk. Common areas are:

  - **Strategic**: doing the wrong things as an organization, missing opportunities
  - **Finance**: losing monetary resources or incurring unacceptable liabilities
  - **Reputation**: the Council's image, loss of public confidence
  - **Political**: political embarrassment, not delivering local or national policies
  - **Partnerships**: the risks/opportunities the Council is exposed to as part of a partnership

- **Legal / Regulatory**: claims against the Council, non-compliance
- **Operational**: doing the right things in the wrong way (service delivery failure, targets missed). Missing business opportunities
- **Information**: loss or inaccuracy of data, systems or reported information
- **Customer/ citizens**: understanding their needs; delivery of services
- **Environmental**: things outside of our control; environmental impact
- **People**: risks associated with employees, management and Councillors.

- Using the categories above, consider the things that could prevent or hinder your team from achieving its business objectives. Try not to get too bogged down with the categories, or what risk fits under which category – they are just a general guide to aid your thinking.

- The thoughts and ideas gathered then need to be grouped into common themes and developed into the actual risk.

Risks and issues:

Very often issues will be raised and you will need to get to the root cause i.e. what is the risk that the issue poses? An issue is a concern that cannot be avoided or maybe ongoing, whereas a risk may not actually materialise.

***Risks can become issues, but issues cannot become risks*.**

Expressing the risks as a statement is often harder than it first seems. It may require re-thinking some basic assumptions about a situation and re-evaluating the elements that are most important. For example "lack of staff" is an issue and is not in itself a complete description. Try to externalise the issue and develop it into a risk that expresses how the issue will impact upon achievement of the Council's strategic objectives.

Try to include those three parts to your risk **Event – Consequence – Impact.**
This will ensure that focus, and therefore action is placed on the event.
Typical risk phrasing could be

loss of…
failure of…..
failure to...
lack of…
partnership with…
development of…

leads to …... resulting in……

For example, Environmental Services may identify the failure of the waste collection service, e.g. due to bad weather conditions, as a risk. They develop this around **event, consequence, impact** to:

"Failure of the waste collection service due to inclement weather (the event) could lead to unacceptable delays in collecting refuse (the consequence), resulting in public health issues and loss of reputation.

Step 2: Assessing Risks

You will now have a list of risks. The next step is to assess those risks in terms of the likelihood that they will occur and the impact if they do. This will give us an **inherent risk** score that will help us identify the most serious risks **before any controls have been applied**. Using that information we can make decisions about the significance of those risks and how or whether we should address them.

The Council has agreed criteria for the levels of likelihood and impact for risks and criteria for opportunities, shown in tables 1 and 2 below.

Consider each of the identified risks and using the criteria in the tables below, assess the risk in terms of the **likelihood** that it will occur and **impact** on the Council if it should occur.

- **Focus on the description** when assessing the level of likelihood and impact. Use the number rating to summarise the descriptive information.

- When you have assessed both the risk likelihood and impact, multiply the likelihood score by the impact score – this will give the **Inherent** risk score. This is the score we use to identify which risks are the most serious, allowing us to make decisions about the significance of those risks to the Council and how, or whether, we should address them.

Table 1: LIKELIHOOD - Description and definitions

Rating	Score	Indicative Guidelines	
		Threat	**Opportunity**
Very Likely	4	• Regular occurrence • Circumstances frequently encountered	Favourable outcome is likely to be achieved in short term (within 1 year)
Likely	3	• Likely to happen at some point in the next 3 years • Circumstances occasionally encountered.	Reasonable prospects of favourable outcome in short term (within 1 year)
Unlikely	2	• Only likely to happen once every 3 or more years • Circumstances rarely encountered	Some chance of favourable outcome in medium term (up to 3 years)
Remote	1	• Has never happened before • Circumstance never encountered.	Little chance of a favourable outcome in short or medium term (up to 3 years).

Table 2: IMPACT - Description and definitions

Rating	Score	Indicative Guidelines	
		Threat	**Opportunity**
Major	4	• Major loss of service for	• Major improvement in

Rating	Score	Indicative Guidelines	
		Threat	Opportunity
		more than 5 days. • Severe disruption to the Council and its customers affecting the whole council. • Major financial loss > £1,000,000 • Loss of life, intervention by HSE. • National news coverage • Likely successful judicial review or legal challenge of Council decision. • Major environmental damage.	service delivery. • Income generation/savings >£1,000,000 • Positive national press, national award or recognition. • Noticeable widespread environmental improvements.
Serious	3	• Loss of service for 3 to 5 days. • Serious disruption, ability to service customers affected across several service areas of the Council. • Serious financial loss £100,000 - £999,999 • Extensive/multiple injuries, intervention by HSE • Local adverse news item/professional press item • Likely judicial review or legal challenge of service specific decision. • Serious damage to local environmental.	• Noticeable improvement to customers in service delivery, quality and cost. • Income generation/savings > £100,000. • Sustained positive recognition and support from local press. • Noticeable improvement to local environment.
Significant	2	• Loss of service for 1 – 3 days • Noticeable disruption, some customers would be affected across a service area of the Council • High financial loss £10,000 - £100,000 • Severe injury to an individual/ several people • Local news/minor professional press item • Moderate damage to local environment	• Slight improvement in internal business processes. No noticeable change in service delivery or customer service. • Income generation/savings> £10,000 • Positive support from local press • Minor improvement to local environment
Minor	1	• Brief disruption to service less than 1 day – minor or no loss of customer service. • Low financial loss > £10,000 • Minor/no injuries. • Minimal news/press impact. • Affects single team only.	• No noticeable improvement to service delivery or internal business processes. • Income generation/savings up to £10,000

Rating	Score	Indicative Guidelines	
		Threat	Opportunity
		• Minor/no damage to local environment.	• No press coverage • Insignificant/no environmental improvements

- Now that the inherent risk score has been calculated, we need to plot the risks on a risk prioritisation matrix to show the level of the risks and so make decisions about the significance of those risks to the Council, and how they will be managed (see figure 2 below). This is our **risk profile.**

Likelihood	**Very Likely (4)**	**4**	**8**	**12**	**16**
	Likely (3)	**3**	**6**	**9**	**12**
	Unlikely (2)	**2**	**4**	**6**	**8**
	Remote (1)	**1**	**2**	**3**	**4**
		Minor (1)	**Significant (2)**	**Serious (3)**	**Major (4)**

OVERALL RISK RATING	
12 - 16	HIGH
6 - 9	MODERATE
3 – 4	LOW
1 - 2	VERY LOW

Figure 2: Risk Prioritisation Matrix & Risk Rating

- Risks need to be managed within the Council's risk appetite. Where the inherent risk score exceeds the Council's risk appetite for the type of risk, mitigating controls and actions need to be applied to manage the risk down to an acceptable level.

- Table 3 below sets out the level of risk deemed to be acceptable for the different risk types and the risk factors to consider for each risk type. Risks identified will often have risk factors that fall within more than one risk type, in these cases the risk type deemed to present the highest level of risk should be designated as the Primary Risk Type and this used to ascertain the risk appetite for the risk.

Table 3: Risk Appetite

Risk Type & Definition	Risk Factors	Risk Appetite
Strategic – Achievement of strategic priorities.	**External Factors** • Political • Economic • Social • Partners **Strategy** • Digital Strategy • Local Plan • Communications Strategy • Commercial Strategy **Governance** • Council Structure • Council Performance • Risk Appetite **Reputational Damage** • Media coverage	**Moderate** - to reflect the Council's approach in developing the local economy and creating attractive and safe environment. In meeting the objectives relating to these elements of the Corporate Plan it is important to consider innovative service delivery and hence some risk is acceptable.
Delivery – day to day operation of Council services	**Corporate Plan** • Delivery of objectives • Delivery of business plan objectives. **Service Delivery** • Delivery of service/ team objectives. **Project Management** • Delivery of project objectives **Staff** • Recruitment & Retention • Training • Key Personnel **IT** • Network Infrastructure • Business Applications • IT Security	**Moderate** - to reflect the Council's approach in developing the local economy and creating an attractive and safe environment. In meeting the objectives in the Corporate Plan it is important to consider innovative service delivery and hence some risk is acceptable.

<table>
<tr><th>Risk Type & Definition</th><th>Risk Factors</th><th>Risk Appetite</th></tr>
<tr><td></td><td>Resilience
• Business Continuity Planning
• Emergency Planning

External
3rd party performance

Reputational Damage
• Media coverage
• Complaints</td><td></td></tr>
<tr><td>Financial - financial impact or loss</td><td>Revenues
• Collection Rates
• Debt Recovery
• Commercial income generation

Treasury Management
• Debt Management
• Investment Strategy

Finance
• Statutory Accounts
• Budget Monitoring
• Income Generation
• Grants and Funding
• Capital Spending</td><td>Low –long term financial stability is an important factor to the Council in continuing to provide services and meeting Corporate Plan objectives.

Some judiciously managed risk will be accepted, but the long term future of the authority will not be jeopardised.</td></tr>
<tr><td>Compliance – breaches to law or regulation.</td><td>• Data Protection
• Health & Safety
• Public Health
• Government Regulations
• Constitution
• Regulatory Bodies
• Planning Inspectorate
• Procurement
• Housing</td><td>Very Low – as a Local Authority we lead by example and should demonstrate a high level of compliance.</td></tr>
</table>

Step 3: Managing & Controlling Risks

- Now that the risks and opportunities have been identified and assessed for likelihood and impact and the risk appetite determined, there needs to be agreement on **who** will own the risk (and/or manage it) and **how** the risk/opportunity will be managed, controlled or exploited.

  There are three questions that will help here:
  1. Can we reduce the likelihood of occurrence?
  2. Can we reduce the impact?
  3. Can we change the consequences of the risk?

  There are four common approaches to treating risk: '**the four T's'**

  - **TOLERATING** the risk. An organisation that recognises the value of risk management may accept that it might be appropriate to continue with an 'at risk' activity because it will open up greater opportunities for the future (but not before documenting the full reasoning behind that decision). Or perhaps nothing can be done to mitigate a risk at a reasonable cost in terms of potential benefit, or the ability to do anything about a risk may be very limited.

    Where the Council decides to set these levels of acceptance is known as its **risk appetite**, e.g. the Council may tolerate a risk where:

    - The inherent risk score is within the risk appetite for the risk type
    - The risk is effectively mitigated by internal controls, even if it is a high risk
    - The risk cannot be mitigated cost effectively
    - The risk opens up greater benefits

    These risks must be monitored and contingency plans should be put in place in case the risks occur.

  - **TREATING** the risk. This is the most widely used approach. The purpose of treating a risk is to continue with the activity which gives rise to the risk, but to bring the risk to an acceptable level by taking action to control it in some way through either

    - **containment** actions (these lessen the likelihood or consequences of a risk and are applied before the risk materialises) or
    - **contingency** actions (these are put into action after the risk has happened, thus reducing the impact. These **must** be pre-planned)

  - **TERMINATING** the risk – doing things differently and therefore removing the risk. This is particularly important in terms of project risk, but is often severely limited in terms of the strategic risks of an organisation.

  - **TRANSFERRING** some aspects of the risk to a third party, e.g. via insurance, or by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks, or risks to assets, e.g. transferring a risk may be considered to reduce the exposure of the Council, or because another organisation is more capable of effectively managing the risk. However it is a limited option – very few strategic risks are insurable and only around 15 -20% of operational risks can be insured against.

When risk management is embedded, we become more confident risk takers and a fifth option is open to us:

- **TAKING THE OPPORTUNITY:** This is not an alternative to any of the above, rather it is an option to be considered whenever tolerating, treating, or transferring a risk. There are two aspects to this:

    - The first is whether or not at the same time as mitigating a threat an opportunity arises where a positive impact can be exploited. For example, if a large sum of capital funding is to be put at risk in a major project, are the relevant controls judged to be good enough to justify increasing the sum of money at stake to gain even greater advantages?

    - The second is whether or not circumstances arise which, whilst not generating threats, offer positive opportunities, e.g. lowering the cost of providing goods or services may free up resources that can be re-deployed.

- Try to establish the cost of your planned actions. Remember, the cost of management and control of the risk should be proportionate to the risk that is being addressed. Some measures may be relatively easy to address, others might have to be implemented in phases. If you have identified risk treatment that falls outside your immediate area of influence, this should be referred to the Risk Management Group so that they can help to co-ordinate control measures between services.

- Identify existing controls / action plans. Develop new controls / action plans where none exist. Refer to the Risk Management Group where assistance is required with co-ordination of controls outside of your own immediate area. When drawing up control measures, it is good practice to consider whether you can identify any early warning signs or triggers that will tell you it is time to put contingency plans in place. (Looking at your performance measures might help).

- Identify and agree who will own the risk and who will manage it (this may be the same person). The risk owner should have delegated authority to implement and manage the controls.

- Using the guidelines in the risk prioritisation matrix, agree how the risk will be managed (i.e. which of the 4 T's?).

- When the existing controls and action plans have been identified, the risk can be re-assessed for likelihood and impact. The new score is the **residual risk**, i.e. that which exists after controls have been applied and so the **real** level of risk to the Council. The residual risk score must be within the Council's **risk appetite** for the primary risk type relative to the risk.

Step 4: Recording & Reviewing Risks

Recording Risks

Risks should be recorded on a risk register. The risk register template is appended at Appendix A to this framework.

The Council maintains two levels of risk register i.e. the Strategic Risk Register and Operational Risk Registers.

The Strategic risk Register is monitored by the Risk Management Group and quarterly updates provided to the Audit Committee.

Operational Risk Registers are maintained and monitored at service level.

Reviewing Risks

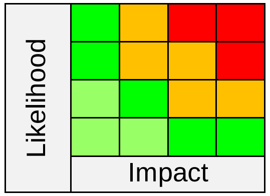
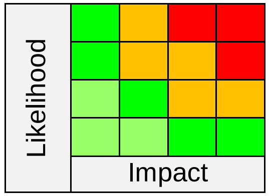
Circumstances and business priorities can, and do, change, and therefore risks, opportunities and their circumstances need to be regularly reviewed. Some risks will move down the priority rating, some may leave, and new risks will be identified.

As part of the Council's risk management framework, risk owners are required to review their risks at least quarterly. Any new very high risks, or the escalation of existing risks, should be reported to the Head of Service immediately.

Risk management should be included as an item on the agenda of all service management and team meetings.

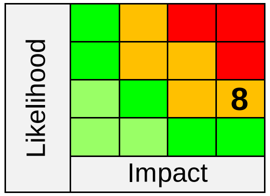
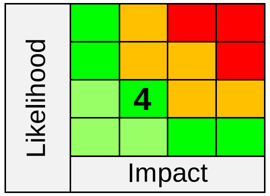
The risk management framework (the four steps of risk management) is a continuous cycle designed not only to identify, assess, manage and review risks, assess but also to support your business objectives. You should review the risk identification process when drawing up your annual team service plan so that the risks and opportunities link directly to your business objectives. That way, risks and opportunities are directly linked to the achievement of the business objectives, which can then be prioritised using that information.

Risk Management Framework - Risk Register Template

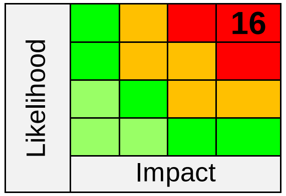
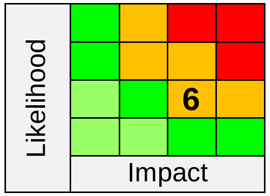
<table>
<tr><th>Risk Code and Title</th><th>Primary Risk Type</th><th>Potential Consequences</th><th>Inherent Risk Matrix</th><th>Residual (Current) Risk Matrix</th><th>Direction of Travel</th></tr>
<tr><td></td><td>Strategic/
Delivery/
Financial/
Compliance</td><td></td><td></td><td></td><td>MAINTAIN
AS
CURRENT</td></tr>
<tr><td>Current Treatments and Controls</td><td colspan="5"></td></tr>
<tr><td>Planned Future Actions and Responsible Officer(s).</td><td colspan="3"><u>Description</u>:</td><td><u>Responsible Officer</u>:</td><td><u>Target Date</u>:</td></tr>
</table>

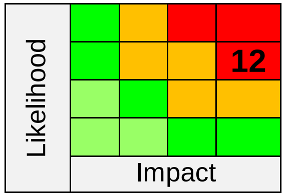
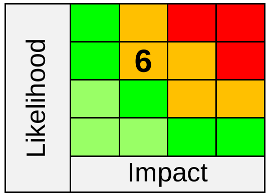
APPENDIX 3

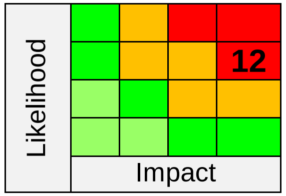
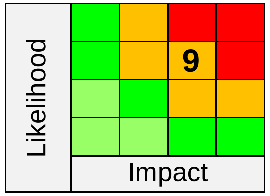
Draft Strategic Risk Register

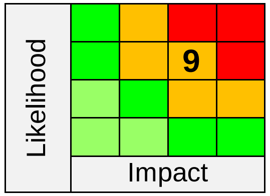
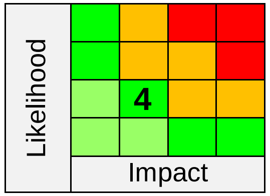
Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR1 Inadequate business continuity and recovery arrangements, resulting in major internal and/or external disruption to services in the event of an incident.	Strategic	• Inability to deliver key/critical services e.g.benefits, refuse collection, homelessness applications, emergency repairs. • Reduction in access channels available to residents / customers i.e. contact centre, customer services, telephony			MAINTAIN AS CURRENT
Current Treatments and Controls	• Business Continuity Planning • IT Disaster Recovery Plan • Website hosted externally • Off-site data back-up arrangements • Stand-by generator for ICS building • Cloud based telephony infrastructure • Contingency planning for failure of major contractor				
Risk Owner	Strategic Director of Corporate Services				
Planned Future Actions and Responsible Officer(s).	<u>Description</u>: Business Continuity Plans currently being reviewed and updated with assistance from		<u>Responsible Officer</u>: Head of Strategic Support	<u>Target Date</u>: 31/1/2019	

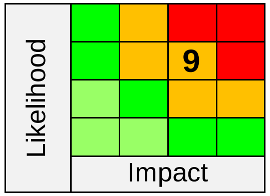
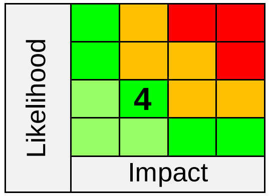
	the County Council's business continuity team		

Risk Code and Title	**Primary Risk Type**	**Potential Consequences**	**Inherent Risk Matrix**	**Residual (Current) Risk Matrix**	**Direction of Travel**
SR2 Inadequate data sharing and data security arrangements.	Strategic	• Ineffective processes for sharing data with other agencies / authorities leading to data breaches • Major reputational damage and loss of public confidence • Potentially significant fines			MAINTAIN AS CURRENT
Current Treatments and Controls	• Information sharing agreements in place with key agencies and authorities • Annual IT health checks including penetration testing • Data Protection Officer in post • Data protection training and awareness for staff and councillors • IT security policies in place • Protective marking of emails				
Risk Owner	Strategic Director of Corporate Services				
Planned Future Actions and Responsible Officer(s).	Description: Not Applicable		Responsible Officer: N/A	Target Date: N/A	

<table>
<tr><th>Risk Code and Title</th><th>Primary Risk Type</th><th>Potential Consequences</th><th colspan="2">Inherent Risk Matrix</th><th colspan="2">Residual (Current) Risk Matrix</th><th>Direction of Travel</th></tr>
<tr><td>SR3 Inadequate civil contingency arrangements resulting in failure to respond appropriately to a major incident (eg. flooding, terrorism etc).</td><td>Strategic</td><td>• Inability to respond to affected peoples' basic needs (food, shelter etc)
• Adverse effect on the local economy
• Major reputational damage and loss of public confidence
• Extending the recovery phase longer than necessary</td><td colspan="2">
</td><td colspan="2">
</td><td>MAINTAIN AS CURRENT</td></tr>
<tr><td>Current Treatments and Controls</td><td colspan="7">• Participation in the Local Resilience Partnership and Forum (LRP and LRF)
• Appropriate emergency and incident planning in place
• Regular Testing and exercising of emergency plans
• Training and awareness for relevant staff
• 24/7 call-out arrangements for senior managers (SMT / CMT)
• Participation in county-wide Events Safety Group (SAG)</td></tr>
<tr><td>Risk Owner</td><td colspan="7">Chief Executive</td></tr>
<tr><td>Planned Future Actions and Responsible Officer(s).</td><td colspan="3"><u>Description</u>:
Not Applicable</td><td colspan="2"><u>Responsible Officer</u>:
N/A</td><td colspan="2"><u>Target Date</u>:
N/A</td></tr>
</table>

<table>
<tr><th>Risk Code and Title</th><th>Primary Risk Type</th><th>Potential Consequences</th><th>Inherent Risk Matrix</th><th>Residual (Current) Risk Matrix</th><th>Direction of Travel</th></tr>
<tr><td>SR4 Significant reduction in external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives.</td><td>Strategic</td><td>• Inability to meet demand for services
• Inability to meet statutory duties
• Ceasing or reducing some services</td><td>
</td><td>
</td><td>MAINTAIN AS CURRENT</td></tr>
<tr><td>Current Treatments and Controls</td><td colspan="5">• Annual production and monitoring of Medium Term Financial Strategy (MTFS)
• Treasury Management Strategy
• Budget and revenue monitoring processes
• Business continuity planning
• Production and monitoring of efficiency plan
• Maintenance of reserves at specified required levels</td></tr>
<tr><td>Risk Owner</td><td colspan="5">Strategic Director of Corporate Services</td></tr>
<tr><td>Planned Future Actions and Responsible Officer(s).</td><td colspan="3"><u>Description</u>:
Not Applicable</td><td><u>Responsible Officer</u>:
N/A</td><td><u>Target Date</u>:
N/A</td></tr>
</table>

Risk Code and Title	**Primary Risk Type**	**Potential Consequences**	**Inherent Risk Matrix**	**Residual (Current) Risk Matrix**	**Direction of Travel**
SR5 Failure to maintain adequate risk management arrangements and processes, including monitoring risks at operational level and escalating these where required.	Strategic	• Adverse impact on service delivery • Reputational damage			MAINTAIN AS CURRENT
Current Treatments and Controls	• Approved risk management framework in place • Identification and regular monitoring of strategic and operational risks • Quarterly meetings of Risk Management Group to monitor risks, insurance claims, health & safety incidents, and data breaches • Monitoring of strategic risks by the Audit Committee • Escalation processes in place (strategic risks to Cabinet, operational risks to Risk Management Group)				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description</u>: Not Applicable		<u>Responsible Officer</u>: N/A	<u>Target Date</u>: N/A	

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR6 Ineffective strategic communication arrangements	Strategic	• Reputational damage • Adverse media coverage • Damage to relationships with partners • Damage to staff morale			MAINTAIN AS CURRENT
Current Treatments and Controls	• Adequately staffed and experienced corporate communications team • Corporate Communications Plan in place • Regular monitoring of all media sources • Continue to expand on social media use and reach • 'Horizon scanning' for potential communication issues at each Corporate Management Team meeting				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description</u>: Not Applicable		<u>Responsible Officer</u>: N/A	<u>Target Date</u>: N/A	