



CABINET

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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, 14th February 2019 at 6.00 pm for the following business.

Chief Executive

Southfields
Loughborough

1st February 2019

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, 6th February 2019.

6. BUDGET SCRUTINY PANEL

10 - 45

A report of the Head of Strategic Support to consider the findings and recommendation of the Budget Scrutiny Panel, alongside officer advice and a recommendation in response.

7. LIGHTBULB SERVICE IMPLEMENTATION UPDATE

46 - 117

A report of the Head of Strategic and Private Sector Housing to consider both an update on the Lightbulb Service model and the continuation of the Lightbulb Service in Charnwood.

Key Decision

8. COUNCIL TAX - AMENDMENT TO THE EMPTY HOMES PREMIUM AND EXEMPTIONS

118 - 136

A report of the Head of Customer Experience to consider amendments to the Empty Homes Premium and to relief offered on properties which are unoccupied, unfurnished and uninhabitable, also the introduction of a Care Leavers Policy to offer Council Tax relief, for recommendation to Council.

Key Decision

9. GENERAL FUND AND HRA REVENUE BUDGETS 2019/20

137 - 153

A report of the Head of Finance and Property Services to consider the proposed General Fund and Housing Revenue Account (HRA) Revenue Budgets for 2019/20, incorporating the proposed Council Tax levy, and the 2019/20 proposals to increase rent and service charges within the ring fenced Housing Revenue Account, for recommendation to Council.

Key Decision

10. CAPITAL STRATEGY (INCLUDING TREASURY MANAGEMENT STRATEGY) 2019/20

154 - 202

A report of the Head of Finance and Property Services to consider a Capital Strategy, newly required under the Prudential Code, also the Treasury Management Strategy Statement together with the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy for 2019/20, for recommendation to Council.

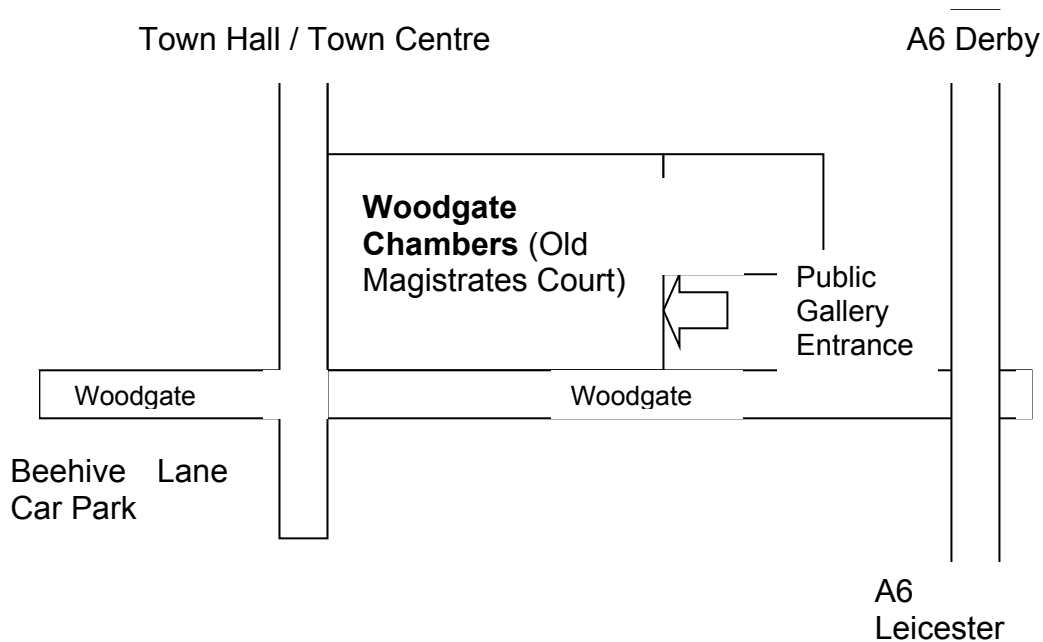
Key Decision

11. REGULATION OF INVESTIGATORY POWERS ACT - POLICY AND REVIEW OF USE DURING 2018 203 - 222

A report of the Head of Strategic Support to consider approving a Regulation of Investigatory Powers Act (also known as RIPA, or the 2000 Act) Policy, and consider a summary of the use of RIPA during 2018.

WHERE TO FIND WOODGATE CHAMBERS AND PUBLIC ACCESS

Woodgate Chambers
70 Woodgate
Loughborough
Leics
LE11 2TZ



**CABINET
17TH JANUARY 2019**

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

Councillor Capleton
Mr B. Angell

Chief Executive
Strategic Director of Corporate Services
Head of Strategic Support
Strategic Director of Neighbourhoods and
Community Wellbeing
Head of Cleansing and Open Spaces
Head of Leisure and Culture
Head of Strategic and Private Sector Housing
Procurement Manager

APOLOGIES: Councillors Harper-Davies and Vardy

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.

69. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

No disclosures were made.

70. LEADER'S ANNOUNCEMENTS

No announcements were made.

71. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 13th December 2018 were confirmed as a correct record and signed.

72. QUESTIONS UNDER CABINET PROCEDURE 10.7

No questions had been submitted.

73. CAPITAL PROGRAMME UNDERSPEND - RECOMMENDATION OF THE AUDIT COMMITTEE

Considered a report of the Head of Strategic Support to consider a recommendation of the Audit Committee at its meeting on 27th November 2018 in respect of underspend on the Capital Programme, alongside an officer recommendation and advice in that respect (item 6 on the agenda filed with these minutes).

Mr Angell, Independent Chair of the Audit Committee, presented the recommendation of the Audit Committee. The Strategic Director of Corporate Services presented the officer recommendation and advice in response.

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

Officers were thanked for the detailed explanation of the current position set out in the report, which had provided reassurance in respect of the matter. Mr Angell and the Audit Committee were also thanked for their valuable work in respect of the matter and throughout the year.

RESOLVED that in light of capital expenditure to date, the Capital Plan continues to be amended to reflect revised expenditure on a quarterly basis, in accordance with the recommendation of the Head of Finance and Property Services.

Reason

To reflect the likely outcome for the Capital Plan and to take account of the concerns of the Audit Committee.

74. OPEN SPACES, PLAYING PITCH AND INDOOR BUILT FACILITIES STRATEGIES

Considered a report of the Head of Cleansing and Open Spaces to consider the Open Spaces, Playing Pitch and Indoor Built Facilities Strategies, including associated recommendations and action plans (item 7 on the agenda filed with these minutes).

Councillor Capleton, Chair of the Overview Scrutiny Group, presented a report detailing the Group's pre-decision scrutiny of the matter and recommendation (copy filed with these minutes).

The Head of Cleansing and Open Spaces assisted with consideration of the report.

Officers were thanked for the commendable strategies set out in the report.

RESOLVED

1. that the Charnwood Open Spaces Strategy for 2018-2036, as set out in Appendix A to D of the report of the Head of Cleansing and Open Spaces, be approved;
2. that the Charnwood Playing Pitch Strategy for 2018-2036, as set out in Appendix E of the report of the Head of Cleansing and Open Spaces, be approved;

3. that the Charnwood Indoor Built Facilities Strategy for 2018-2036, as set out in Appendix F of the report of the Head of Cleansing and Open Spaces, be approved.
4. that the report of the Overview Scrutiny Group be noted.

Reasons

1. To enable the Strategy to be adopted in order to protect and improve open spaces in Charnwood.
2. To enable the Strategy to be adopted in order to protect and improve playing pitches in Charnwood.
3. To enable the Strategy to be adopted in order to protect and improve indoor built facilities in Charnwood.
4. To acknowledge the work undertaken by and the views of the Overview Scrutiny Group.

75. DISCRETIONARY HOUSES IN MULTIPLE OCCUPATION LICENSING SCHEME

Considered a report of the Head of Strategic and Private Sector Housing providing an update on decisions made by Cabinet in November 2015 to consider the introduction of a Discretionary Houses in Multiple Occupation (HMO) Licensing Scheme and the progress to implement a Loughborough Accreditation Standard in partnership with the Students Union (item 8 on the agenda filed with these minutes).

Councillor Capleton, Chair of the Overview Scrutiny Group, presented a report detailing the Group's pre-decision scrutiny of the matter and recommendation (copy filed with these minutes).

The Head of Strategic and Private Sector Housing assisted with consideration of the report. In particular and further to the report, she confirmed that the bid for funding referred to in paragraph 61 of Part B of the report had been successful.

RESOLVED

1. that the evidence gathered to date and the impact of the implementation of the Government's expansion of the Mandatory Licensing of HMOs in the Borough be noted;
2. that further investigations being undertaken to gather evidence (as referred to in paragraph 61 of Part B of the report of the Head of Strategic and Private Sector Housing) to establish the case for the introduction of an Additional or Selective Licensing Scheme be approved;
3. that it be noted that a Borough wide Accreditation Scheme with the Students Union will not be taken forward;

4. that the report of the Overview Scrutiny Group be noted.

Reasons

1. To enable the Cabinet to consider the evidence gained.
2. Further information and evidence is required for Cabinet's consideration and the consultation process required to introduce an Additional or Selective Licensing Scheme.
3. Resources were no longer available from the Students Union to take a Scheme forward.
4. To acknowledge the work undertaken by and the views of the Overview Scrutiny Group.

76. TENANCY STRATEGY 2019-2024

Considered a report of the Head of Strategic and Private Sector Housing to consider a proposed Tenancy Strategy 2019-2024 setting out the issues which Registered Providers with housing stock in Charnwood must have regard to in developing their Tenancy Policies (item 9 on the agenda filed with these minutes).

Councillor Capleton, Chair of the Overview Scrutiny Group, presented a report detailing the Group's pre-decision scrutiny of the matter and recommendation (copy filed with these minutes).

The Head of Strategic and Private Sector Housing assisted with consideration of the report. She referred to typographical errors in the Strategy that would be corrected before its publication, confirming also that the Strategy was for the period 2019-2024.

The Overview Scrutiny Group was thanked for its valuable work in undertaking pre-decision scrutiny. The Head of Strategic and Private Sector Housing was thanked for the clear and accessible Strategy set out in the report.

RESOLVED

1. that the overarching Tenancy Strategy in relation to the Borough, attached as Appendix 1 to the report of the Head of Strategic and Private Sector Housing, be approved;
2. that the Head of Strategic and Private Sector Housing in consultation with the Cabinet Lead Member for Housing be given delegated authority to make amendments to the Strategy in response to future legislative changes, changes at Local or Regional level, or Government Guidance, and the Constitution be amended accordingly;
3. that the report of the Overview Scrutiny Group be noted.

Reasons

1. To comply with the statutory requirements of the Localism Act 2011.
2. To ensure the Strategy remains fit for purpose.
3. To acknowledge the work undertaken by and the views of the Overview Scrutiny Group.

77. PROCUREMENT STRATEGY 2018/19 TO 2024/25

Considered a report of the Head of Finance and Property Services to consider a Procurement Strategy for the period 2018/19 to 2024/25 (item 10 on the agenda filed with these minutes).

The Procurement Manager assisted with consideration of the report.

RESOLVED that the Procurement Strategy 2018/19 to 2024/25, attached as Appendix A to the report of the Head of Finance and Property Services, be approved.

Reason

To provide a basis for procurement practices within the Council which supports the aims of the Corporate Plan.

78. COLLECTIVE ENERGY SWITCHING SCHEME

Considered a report of the Head of Strategic and Private Sector Housing to consider the development of a Collective Switching Scheme in Charnwood to assist residents in the Borough to switch energy suppliers to achieve lower fuel tariffs (item 11 on the agenda filed with these minutes).

The Head of Strategic and Private Sector Housing assisted with consideration of the report.

RESOLVED that participation in a Collective Switching Scheme be approved and that the Council go to the market to procure a suitable provider.

Reason

To assist residents in the Borough to switch energy suppliers to achieve lower fuel tariffs through the Collective Switching Scheme.

NOTES:

1. The decisions in these minutes not in the form of recommendations to Council will come into effect at noon on 25th January 2019 unless called in under Scrutiny Committee Procedure Rule 11.7.

2. No reference may be made to these minutes at the Council meeting on 25th February 2019 unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on 25th January 2019.
3. These minutes are subject to confirmation as a correct record at the next meeting of the Cabinet.

CABINET – 14TH FEBRUARY 2019

Report of the Head of Strategic Report

Part A

ITEM 6 BUDGET SCRUTINY PANEL

Purpose of Report

To consider the findings and recommendations of the Budget Scrutiny Panel, alongside officer advice and recommendations in response, with a view to the Cabinet deciding which recommendations it wishes to agree, if any.

Recommendations and Reasons

Set out below is the Panel's recommendation to the Cabinet and reason, followed by officer advice and recommendation.

Panel Recommendation

That the Cabinet be asked to consider the Panel's view that it was important that there was a statement in the next Medium Term Financial Strategy regarding the Council's future approach to the need for further savings or income generation and the use of reserves.

Reason

To enable a context to be provided for future decision making and inform scrutiny of the Council's budgets and other financial matters.

Officer Recommendation

That the Panel's view that there should be a statement in the next Medium Term Financial Strategy regarding the Council's future approach to the need for further savings or income generation and the use of reserves be agreed.

Response of the Strategic Director of Corporate Service to the Panel's Recommendation

The Panel's comments are agreed. The outcome for the Council's finances is very uncertain up and until the outcome of the fair funding review is known. The next Medium Term Financial Strategy will therefore need to address explicitly the need for further savings and approaches to income generation and the use of reserves.

Panel Conclusions Not Requiring Further Action

That the Panel's conclusions not requiring further action and the responses of Strategic Director of Corporate Services (if any) set out in Annex 2 to this report be noted.

Reason

To acknowledge the work done and comments made by the Budget Scrutiny Panel.

Policy Justification and Previous Decisions

Scrutiny Committee Procedure 11.12(a) sets out the procedures by which a report of a Scrutiny Committee should be considered by the Cabinet.

The Scrutiny Management Board, on 23rd January 2019, agreed that the report of the Budget Scrutiny Panel be submitted for consideration by the Cabinet.

In accordance with Scrutiny Committee Procedure 11.12(d), background information and officer advice have been provided to enable the Cabinet to make any decisions without undue delay.

Implementation Timetable including Future Decisions and Scrutiny

An item setting out the proposed General Fund and Housing Revenue Account budgets for 2019/20 appears elsewhere on this agenda. The budgets will be submitted to the Council meeting on 25th February 2019 for approval.

The Cabinet's response to the Panel's recommendations will be fed back to the Scrutiny Management Board, indicating what (if any) action it proposes to take. Where necessary, the Scrutiny Management Board will review the implementation of any Cabinet decisions at an appropriate time, usually after 6 months.

Report Implications

Implications are as set out in both the Panel report and in officer responses.

Key Decision: No

Background Papers: Detailed in the Panel's Report as agreed by the Scrutiny Management Board (Annex 1).

Officer to contact: Michael Hopkins
Democratic Services Officer
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michael.hopkins@charnwood.gov.uk

Part B

Background

1. At its meeting held on 28th March 2018, the Scrutiny Management Board agreed the process for scrutinising the Council's budgets for 2019/20. The Panel met four times between 26th June 2018 and 8th January 2019.
2. The Scrutiny Management Board considered the Panel's report at its meeting on 23rd January 2019 and resolved that the findings and recommendations of the Panel be submitted for consideration by the Cabinet. The report agreed by the Scrutiny Management Board for submission to Cabinet is set out at Annex 1.
3. In addition to the recommendation the Panel made to the Cabinet, the Panel made a further recommendation to the Scrutiny Management Board (relating to matters for the Scrutiny Work Programme) and a number of conclusions not requiring further action. For information, these are set out at Annex 2, together with any officer response.

Annexes

- Annex 1 Report of the Budget Scrutiny Panel
- Annex 2 Summary of conclusions made by the Panel which do not require action by the Cabinet, together with any officer response (for information).

REPORT OF THE BUDGET SCRUTINY PANEL – 2019/20 DRAFT BUDGET

1. Background

Following a decision of the Scrutiny Management Board at its meeting on 28th March 2018, the Budget Scrutiny Panel has undertaken scrutiny of the Council's budget for 2019/20.

2. Panel Membership

Chair: Councillor Miah
Councillors Draycott, Gerrard, Parsons and Seaton

3. Meetings and Terms of Reference

The Scrutiny Management Board agreed a budget scrutiny process for the Panel setting out the timing of its meetings and discussion topics. The process was different to that followed in previous years because of the decision taken by the Council to establish a Loughborough Area Committee. The Committee's roles include considering the draft budget proposals regarding the Loughborough Special Expenses for the forthcoming financial year.

In addition, the Panel refined the process that had been agreed by the Scrutiny Management Board to bring forward its consideration of the draft revenue budgets and, therefore, give itself more time to consider the content of its draft report.

The Panel's work was carried out as set out below.

Panel Meeting 1 – 26th June 2018

Focus: Scrutiny of outturn information for the 2017/18 financial year in respect of the Council's revenue (General Fund and Housing Revenue Account (HRA)) and capital budgets.

Information received: Reports of the Head of Finance and Property Services setting out the revenue outturn position of the General Fund and HRA for 2017/18, and the Capital Plan outturn for 2017/18 which had been considered by the Cabinet on 14th June 2018, and a summary of the revenue outturn position for 2016/17.

Panel Meeting 2 – 2nd October 2018

Focus: Scrutiny of the draft Medium Term Financial Strategy (MTFS) including a review of the underlying assumptions and the implications of the calculations for efficiency plans and future budgets.

Information received: Report of the Strategic Director of Corporate Services setting out the draft MTFS 2019 to 2022 which had been agreed by the Cabinet on 13th September 2018.

Panel Meeting 3 – 12th December 2018

Focus: Scrutiny of the draft General Fund and HRA budgets including inviting relevant Cabinet Lead Members and officers as witnesses.

Information received: Report of the Head of Finance and Property Services setting out the draft General Fund and HRA Budgets 2019/20 considered by the Cabinet on 13th December 2018.

Panel Meeting 4 – 8th January 2019

Focus: Consideration of the Panel’s draft report and finalisation of its conclusions and recommendations.

The information received is available at:

https://www.charnwood.gov.uk/committees/budget_scrutiny_panel (meeting held on 26th June 2018)

and

<https://charnwood.moderngov.co.uk/ieListMeetings.aspx?CId=136&Year=0> (all other meetings).

4. Evidence and Witnesses

In addition to the reports referred to above, the Panel heard evidence from the Cabinet Lead Member for Finance and Property Services in respect of general issues relating to the Council’s finances and budgets and the following Cabinet Lead Members and officers in respect of particular issues identified by the Panel:

Issue	Relevant Cabinet Lead Member and Officers
Use of reserves	Councillor Barkley Strategic Director of Corporate Services
Impact of reductions in County Council services on Borough Council’s budget	Councillor Barkley Strategic Director of Corporate Services
HRA budget including conclusion of the decent homes contract	Councillor Harper-Davies Councillor Mercer Strategic Director of Housing, Planning & Regeneration and Regulatory Services Head of Landlord Services Head of Strategic and Private Sector Housing

Garden waste bin charges	Councillor Harper-Davies Head of Cleansing and Open Spaces
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The Panel was supported by Simon Jackson – Strategic Director of Corporate Services.

5. Issues Considered at Panel Meetings

The following section identifies and summarises the main issues considered by the Panel. Further information regarding of the matters considered and issues discussed at the meetings of the Panel is set out in the minutes of those meetings which are attached as Appendices A, B and D to this report.

Net Underspends

The Panel received evidence that there had been net underspends in the General Fund budget of several hundred thousand pounds in 2016/17 and 2017/18 and that it was predicted that there would be a net underspend of £500,000 in 2018/19. It was recognised that net underspends included situations where income budgets were exceeded but they were identified as a concern for the following reasons:

- It could result in necessary services not being delivered
- It made financial planning for the following year more difficult as the opening balances would not be as set out in the budget. The variances could be much greater than the sensitivity analysis undertaken as part of developing the Medium Term Financial Strategy.

The Panel received evidence that there was not a policy to encourage underspends but that it was recognised that there was a history of underspends at the end of the financial year. The issue had been looked at by officers and for the 2019/20 budget each directorate would be expected to find £100,000 of savings arising from underspends as they became apparent during the year. That would require a different approach to financial management to that used by the Council in previous years but meant that no reductions in posts were being proposed as part of the 2019/20 budget.

Use of Reserves

The Panel considered what an appropriate level of reserves for the Council should be.

The Panel was informed that the Council used guidance from CIPFA to determine a minimum level for the working balance reserve. That was calculated on the basis of six weeks of General Fund expenditure and came to £2million. The Council's Medium Term Financial Strategy proposed that the Council would reach 2020, by which time there should be more certainty regarding local authority funding, with a working balance reserve of £2million plus a cushion of £1million. The Council had built up its reserves in the past but was now using them in accordance with that strategy.

The Panel was provided with an outline of the planned use of reserves along with other measures to reach a balanced budget over the period covered by the Medium Term Financial Strategy. The Council was seeking to save £350,000 in each of the next three years. It was also seeking to increase the amount of income that it generated in order to become more self-reliant. That included income from investments, which had been assisted by the recent increase in interest rates, and making best use of the Council's assets. The Panel was also informed that the Administration wished to protect frontline services and reserves were being used in order to do so.

Draft Medium Term Financial Strategy

In addition to considering the issue of reserves as set out above, the Panel scrutinised the draft Medium Term Financial Strategy.

The Panel was informed that net service expenditure was projected to increase over the three years covered by the Strategy. A significant part of that increase was due to the ending of the first extension period of the environmental services contract and the requirement to replace the refuse fleet alongside the second extension period. It had been known when preparing previous Strategies that a new contract or contract extension would be required and that would result in an increase in costs. However the size of the increase had not been expected and that had resulted in a higher projected net service expenditure than in previous Strategies. The Strategy also now included an assumption that there would be annual pay rises of 2% rather than 1%, which had been assumed in previous Strategies. These were examples of the Strategy being developed each year as more information became available.

The Borough Council had dealt with the impacts of decisions taken by Leicestershire County Council in respect of recycling credits and the Lifeline and warden services. Those decisions had devolved costs of £1million on to the Borough Council. The Panel was informed that should similar issues arise again the Council would have to consider what was the most appropriate course of action and that it was acknowledged that the possibility of that happening was not specifically identified in the reports considered by the Panel.

Budget-setting Process

The Panel was keen to explore the framework for setting the budget, including how decisions were made, the options that were considered and whether different approaches were applied to statutory and other services. The Panel was advised that one-off savings and pressures were removed from the current year's budget to produce a base budget. Savings and pressures for the following year were identified and for any pressures of more than £10,000 a business case was prepared. The results of that work were considered by relevant Cabinet Lead Members, the Council's Senior Management Team and the Lead Member for Finance and Property Services. The Panel also received the following response from the Lead Member for Finance and Property Services:

“Generally, and specifically for the forthcoming financial year, in setting the budget the priority of this administration is to protect existing front line services as far as possible within what we believe to be a sensible affordability envelope. Having said this, we do however recognise that certain elements of our services need to be reduced whilst other areas would benefit from expansion. This administration adopts a Lead Member-led approach where each portfolio holder has responsibility for assessing their own services and in the event that service changes are considered appropriate, sponsor individual business cases (prepared by the relevant Head of Service) setting out the case for change. These are then assessed by both the Senior Management Team and Cabinet and a view is taken as to whether proposed changes are to be included in the draft budget report which is scheduled for Cabinet in December.”

In relation to the issue of underspends described above, the Panel considered the extent to which net underspends were considered in the budget-setting process. The Panel was informed that because work on preparing budgets for the following year began halfway through the current year it was not possible to take into account net underspends when preparing the base budget for the following year. Material variations that were known about were highlighted in the Medium Term Financial Strategy and more granular changes were considered alongside other savings and pressures in preparing the draft budgets.

The Panel noted that the report accompanying the draft budgets was well written and that it was helpful that information was provided in the report to support the proposed savings and pressures.

Income, Assets and Commercialisation

At various stages the Panel considered the opportunities for the Council to become more self-sufficient through raising income, making best use of its assets and commercialisation.

In the case of the garden waste collection service, the Panel noted that the recent decision to raise the charge for the service had generated negative comments from customers. The Panel was informed that there had not been the expected reduction in subscriptions for the service and additional income was being projected in the draft budget for 2019/20 based on the number of subscriptions continuing to rise. Further options for marketing the service were being considered and the Panel considered that there were opportunities to extend the service and make it more commercial, for example by offering gardening services or delivering compost.

The Panel was informed that projections contained within the MTFS relating to the interest the Council would receive were based on a number of factors. Previous projections had assumed a quicker increase in interest rates and the new projections had been updated accordingly. Assumptions regarding the Council's property fund investments had been based on the past performance of those funds and what returns were considered to be achievable in the future. In addition the

Transformation and Efficiency Plan within the MTFS identified that further proactive treasury management could result in greater income generation.

The Panel considered that the volatility of the projections for the Council's treasury management activities was greater than would be expected. In response the Lead Member for Finance and Property Services stated:

“We have now started to see the benefits of a more proactive treasury management approach, particularly the initiatives introduced by Clare Hodgson [the Council's previous Head of Finance and Property Services], where we now invest in different financial instruments – loans to other local authorities and more latterly in property funds – which has seen us generate greater returns against a stagnant interest rate environment. In the MTFS we assume that we can maintain this new normal but overall project a pretty flat picture for interest receivable based on the existing mix of treasury activities – this reflects our expectations that interest rates will rise a little over the period of the MTFS (in small incremental steps) but that our average balances available for investment will also reduce slightly (as we expect some use of our reserves), offsetting the rate effect. A line to this effect has been added to the final version of the MTFS.”

It was noted that work had been done to increase the income received from the Messenger Close site and the Council was continuing to look at options for the Limehurst Depot site. In relation to the latter the Lead Member for Finance and Property Services stated:

“Limehurst has complex planning constraints (principally relating to the current Environment Agency view on flood risk). We are undertaking some follow up work looking to see if and how those constraints can be overcome and, being optimistic, I hope that we can bring forward a proposal for the future use of this site in the next few months.”

The Panel also noted that Council intended to provide a trade waste collection service. The projections in the MTFS were based on the need to fund set-up costs in 2019/20, the service beginning and breaking even in 2020/21 and generating a small profit in 2021/22. It was expected that the service would produce greater returns in subsequent years.

Draft Housing Revenue Account Budget

The Panel expressed concern regarding the increase in the provisions for bad debts as a result of the introduction of Universal Credit. The Panel noted that the Council had put in place plans to address the impact and that those plans included lessons that had been learnt from other councils where Universal Credit had been introduced earlier. The Panel also noted that the matter was considered regularly by the Housing Management Advisory Board.

The Panel received assurance that any backlog in disabled adaptations could be made up using funding from existing Housing Revenue Account (HRA) budgets.

Work would be undertaken where required as the Council had a statutory duty to make those adaptations.

The Panel also scrutinised matters relating to the conclusion of the decent homes contract and received assurance that this would not affect the HRA budget for 2019/20.

Capital Plan

Although the Council was not preparing a new Capital Plan for 2019/20, the Panel also considered matters relating to the Council's capital budgets.

The Panel identified that there had been a 30% underspend in the 2017/18 General Fund capital schemes budget. The Panel received assurance that slippage on General Fund capital projects which were delivered directly by the Council was generally low. There could be significant slippage on projects that were outside the Council's direct control, for example those funded by Section 106 funds. It had been recognised that there could be improvements in the budgeting and project management of schemes in the Capital Plan, especially regarding the timeframe for delivering projects.

However, concerns regarding underspends in both the General Fund and HRA capital budgets for 2018/19 were identified by the Audit Committee at its meeting on 27th November 2018. The Panel noted that the Cabinet will respond to the issues raised by the Audit Committee at its meeting on 17th January 2019.

Risks

The Panel has identified a number of risks facing the Council in relation to its financial planning and budgeting.

There was considerable volatility in the Collection Fund, particularly relating to changes in Government policy on non-domestic rates relief and rating appeals, and those fluctuations were significant with respect to the size of the Council's budget. The Panel was informed that there was a backlog in appeals being determined by the Valuation Office and more recent revaluations would generate further appeals. The Panel was informed that the MTFS included a reasonable estimate of the financial impact of appeals and that it was assumed that the volatility would decrease from 2020/21 onwards following the move to the localisation of non-domestic rates and the potential rebasing of rates.

There was considerable uncertainty regarding Government funding from 2020/21 as a result of the Fair Funding Review, potential changes to New Homes Bonus and changes to the retention of business rates. The impact of the United Kingdom's exit from the European Union could also affect the amount of funding that the Government was able to provide to local authorities. The draft MTFS considered by the Panel describes the situation in the following terms:

“The numbers presented above come with a very significant health warning. Whilst prepared with all information available, the outcome of the government’s Fair Funding review, due for completion in the latter part of 2019, could result in a fundamental reset of the Council’s funding base. This review will inform the future share of business rates that the Council is able to retain under the prospective new business rates retention scheme (due for implementation from 2020/21) and, in particular, the future of the New Homes Bonus Scheme which currently generates around £4m per annum for the Council but which in a worse-case scenario could be discontinued. The financial projections for the latter years of the MTFs (2020/21 and 2021/22) therefore carry a significant downside risk.”

Scrutiny

The Panel notes that the Council is in a much better financial position than many other councils but scrutiny needs to be rigorous. It was therefore disappointing that the Lead Member for Finance and Property Services did not attend either of the Panel’s first two meetings. The Lead Member did however respond in writing to the Panel regarding the matters that were discussed at those meetings and that response can be found in Appendix C to this report.

The Panel also identified that it was a concern that there had been a reduction in the Internal Audit Control Environment Assessment compared to previous years. The Lead Member responded to that concern by stating:

“As was recorded in the notes, the Council is in a sound financial position, but the value of rigorous scrutiny is appreciated. The Internal Control Environment Assessment for last year was somewhat disappointing but from my perspective it is important to know that we continue to carry out internal audit reviews of our controls, and that, as members, we have visibility of their outcomes.”

As set out in section 3 above the budget scrutiny process was conducted differently this year compared to previous years.

6. Conclusions

Following its scrutiny work, the Panel agreed the following conclusions in respect of the draft 2019/20 General Fund and HRA Budgets:

- (i) That it be noted that the Panel commends the work of officers in the finance team and the Cabinet Lead Member in preparing the Council’s budgets and presenting the financial information in an open and transparent manner.
- (ii) That it be noted that the Council would be using reserves in each of the three years covered by the Medium Term Financial Strategy.
- (iii) That it be noted that the continued financial pressures facing the Council arising from reductions in the funding the Council received from the Government meant that the Council could not undertake all of the proactive activities that it might otherwise wish to undertake.

- (iv) That it be noted that the Panel welcomes the fact that there were no proposals to reduce the number of posts in the budgets for 2019/20.
- (v) That it be noted that there would be a significant difference in the way that underspends would be managed in 2019/20 compared to previous years and that the impact of seeking to save £300,000 per year in this way would need to be monitored.
- (vi) That it be noted that certain recent increases in income, for example from planning fees, may not be sustained due to changing economic conditions and that there may be resistance to increasing the Council's fees and charges.
- (vii) That it be noted that there was considerable uncertainty regarding the amount of funding that the Council would receive from the Government after 2020 and that this was a potential financial risk.
- (viii) That the Council should continue to look at alternative sources of income and revenues.
- (ix) That the Cabinet be asked to consider the Panel's view that it was important that there was a statement in the next Medium Term Financial Strategy regarding the Council's future approach to the need for further savings or income generation and the use of reserves to enable a context to be provided for future decision making and inform scrutiny of the Council's budgets and other financial matters.
- (x) That the Scrutiny Management Board be asked to consider the Panel's view of the importance of pre-decision scrutiny of out-turn reports, virements and in-year service pressures, particularly when they related to additional costs arising from decisions by other agencies to reduce services, in ensuring the sound financial management of the Council.

7. Background Papers

No further papers to those already identified in/appended to this report.

8. Appendices

Appendix A – Minutes of the Budget Scrutiny Panel meeting held on 26th June 2018.

Appendix B – Minutes of the Budget Scrutiny Panel meeting held on 2nd October 2018.

Appendix C – Written response provide by Cabinet Lead Member for Finance and Property Services in response to issues raised by the Panel at its meeting on 2nd October 2018

Appendix D – Minutes of the Budget Scrutiny Panel meeting held on the 12th December 2019.

**BUDGET SCRUTINY PANEL
26TH JUNE 2018**

PRESENT: The Chair (Councillor Miah)
Councillors Draycott and Parsons

Strategic Director of Corporate Services
Democratic Services Officer (MH)

APOLOGIES: Councillors Gerrard and Seaton
Councillor Barkley – Lead Member for Finance and
Property Services

The Chair stated that the meeting was being recorded and that the recording would be made available on the Council's website. He also advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from the meeting, and the use of any such images or sound recordings was not under the Council's control.

1. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 3rd January 2018 were confirmed as a correct record and signed.

2. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

The following disclosure was made:

- (i) by Councillor Miah – a personal interest in item 7 (Final Outturn for the Previous Financial Year) as he had been appointed by the Council to the Fearon Hall Community Association which was a recipient of funding through one of the schemes identified in the Capital Outturn report.

3. DECLARATIONS – THE PARTY WHIP

No declarations were made.

4. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

5. BUDGET SCRUTINY PROCESS 2018/19

The budget scrutiny process for 2018/19, agreed by the Scrutiny Management Board at its meeting on 28th March 2018, was submitted (item 6 on the agenda filed with these minutes).

The Strategic Director of Corporate Services assisted with consideration of the item and provided the following responses to issues raised:

- (i) Each department was allocated a budget to spend and there was no policy to encourage underspends.
- (ii) In previous years heads of service had been asked to identify savings within the financial year. However, that had not been the case in 2017/18 or 2016/17.
- (iii) Budget management within the year was undertaken at the service level, directorate level and corporately. There could be unexpected pressures within the year but there could also be unexpected reductions in costs. The authorisations required to vire money between budgets to address those issues were set out in the Council's financial regulations and procedure rules.
- (iv) The Council operated a managed salary savings budget to take account of the fact that when vacancies arose there would often be a period while the recruitment process was completed during which the post would not be filled. This was a corporate budget and did not have to be managed by individual services.

Members of the Panel made the following comments:

- (i) It was expected that Cabinet members invited to the Panel's October meeting would be able to explain in detail the framework for setting the budget, including what decisions had been made, the reasons for those decisions and what options had been considered. Such explanations should address the different approaches applied to statutory services, added value services and their priority and self-sufficiency.
- (ii) There continued to be significant underspends in the revenue and capital budgets. Those variances were much greater than the sensitivity analysis undertaken as part of developing the Medium Term Financial Strategy.
- (iii) Underspends could be seen as cuts as the funding identified as necessary to deliver services was not being used. Underspends were apparent as soon as monitoring began each financial year and appeared to be part of the culture of the organisation.
- (iv) The Council was in a much better financial position than many other councils but scrutiny needed to be rigorous. It was a concern that there had been a reduction in the Internal Audit Control Environment Assessment compared to previous years.
- (v) The descriptions used for savings and pressures identified in the budget papers submitted to Council could be clearer to avoid significant changes being missed. Some significant reductions in services were not identified in the budget papers.

RESOLVED

1. that the budget scrutiny process agreed by the Scrutiny Management Board for 2018/19 be noted;
2. that the process agreed by the Scrutiny Management Board be amended so that the Panel's third meeting becomes a formal one at which scrutiny of the draft General Fund and Housing Revenue Account (HRA) budgets would take place;
3. that officers be asked to look at options for rescheduling the Panel's third meeting to a date later in December.

Reasons

1. To confirm the scope and details of the work of the Panel as set out by the Scrutiny Management Board.
 2. To enable the Panel to have more time to prepare its report and consider its conclusions and recommendations at its fourth meeting.
 3. To facilitate undertaking scrutiny of the draft General Fund and HRA budgets at that meeting.
6. FINAL OUTTURN FOR THE PREVIOUS FINANCIAL YEAR

Outturn information, in the form of the reports submitted to the Cabinet on 14th June 2018 regarding the General Fund, Housing Revenue Account (HRA) and Capital outturns for 2017/18 with additional information provided regarding the revenue outturn in 2016/17 to enable comparisons to be made, was submitted (item 7 on the agenda filed with these minutes).

The Strategic Director of Corporate Services assisted with consideration of the item and provided the following responses to issues raised:

General Fund

- (i) The level of the Council's reserves relative to its size was not unusual. For some councils it was lower and for some significantly higher. The Council used guidance from CIPFA to determine a minimum level of the working balance reserve. That was calculated on the basis of six weeks of General Fund expenditure and came to £2million.
- (ii) When setting the budget each year the outturn position of the Council's reserves at the end of the current financial year was not known and had to be estimated. In 2017/18 the starting point for the reserves was higher than had been budgeted and less reserves had been used during the year.

- (iii) The Council's Medium Term Financial Strategy proposed that the Council would reach 2020, by which time there should be more certainty regarding local authority funding, with a working balance reserve of £2million plus a cushion of £1million. The Council had built up its reserves in the past but was now using them in accordance with that strategy.
- (iv) The recent increase in the level of Council Tax enabled the Council to maintain services at the current level. Council Tax now contributed a greater proportion of the Council's revenue than previously as the overall level of Government grants had decreased. The slight increase in the level of income generated by services enabled the Council to keep pace with inflation.
- (v) There had been an opportunity to carry out a feasibility study regarding the Council's accommodation options as a result of an underspend on other consultancy fees. The matter had been covered in a report to the Cabinet that was primarily concerned with the Limehurst Depot site. Prior to any options identified by the feasibility study being progressed they would be the subject of a further Cabinet report.
- (vi) The Council's scheme of delegation and financial procedure rules set out the authority that officers had to make the decisions that were required to implement the financial plans set out in the budget. If officers did not have delegated authority then the decision would be taken by the Cabinet or Full Council as appropriate.
- (vii) The virement rules could be used to manage under- and overspends on a service, directorate or corporate basis. Most of the Council's services were not subject to significant demand variation.

Housing Revenue Account

- (viii) The rollout of Universal Credit had been slow and the impact to date on the provision for bad debt was small. The Council had plans in place to address the impact in Charnwood. Those plans included lessons that had been learnt from other councils where Universal Credit had been introduced earlier.

Capital Plan

- (ix) The Ministry of Housing, Communities and Local Government had provided further confirmation that Disabled Facilities Grants funding should be forwarded to district councils.
- (x) The slippage on General Fund capital projects which were delivered directly by the Council was generally low. There could be significant slippage on projects that were outside the Council's direct control, for example those funded by Section 106 funds. It had been recognised that there could be improvements in the budgeting and project management of schemes in the Capital Plan, especially regarding the timeframe for delivering projects.

Members of the Panel made the following comments:

General Fund

- (i) Views were expressed both that the Council's current level of reserves was very high for an authority of its size and that the current level of reserves was useful because it enabled the Council to have more options in the future.
- (ii) It was understandable if the public was concerned that the Council was increasing Council Tax and using reserves but not increasing services.
- (iii) It was important that councillors were kept informed regarding significant initiatives that were started during the course of the year. Issues like a review of the Council's accommodation needs should not come as a surprise to councillors.
- (iv) The outturn figures for 2016/17 also showed underspends which suggested that initiatives like the Charnwood Lottery and the removal of bring sites were not required. It was appropriate to consider whether services and assets continued to serve a purpose and provided value for money. It was important that there was joined-up thinking regarding what was needed and the impacts of proposed changes.
- (v) It was important that when significant virements had to take place that they were identified early so that scrutiny could take place in a timely manner.

Housing Revenue Account

- (vi) The increase in the provisions for bad debts was a concern. It would result in the Council having less income for its landlord function, including paying off the housing debt. The Housing Management Board was examining the issue. It was expected that the rollout of Universal Credit would result in the provision having to increase but that it would then reach a plateau.

Capital Plan

- (vii) There had been a 30% underspend on the General Fund capital schemes budget. In previous years there had been greater slippage on the HRA capital schemes budget and less on the General Fund capital schemes budget. Those issues warranted an explanation and it was a concern that the outturn reports had not been scrutinised prior to them being considered by the Cabinet. It was recognised that there were difficulties in delivering projects which required fund-raising or other action from external organisations in order to complete them. However, the situation raised questions regarding how to deal with such variations in financial planning and scrutiny. That should form part of the questioning at the Panel's next meeting.

RESOLVED

1. that the information be noted;
2. that information be provided to members of the Panel regarding how the figure of £882,000 for the outturn contribution from the Capital Plan Reserve in 2017/18 is reconciled with other figures set out in the reports submitted to the Panel;
3. that details of the Fuel Poverty Scheme included in the Capital Plan be provided to Councillor Draycott.

Reasons

1. To acknowledge the information received.
2. To clarify how the figure was calculated.
3. To provide Councillor Draycott with further information about the matter.

7. FURTHER PANEL MEETING DATES 2018/19

Further meetings of the Panel in 2018/19 (to accord with the process for scrutiny of the budget agreed by the Scrutiny Management Board) had been scheduled, details of which were submitted.

RESOLVED

1. that further meetings of the Panel take place on the following dates, in accordance with decisions taken earlier in the meeting:
 - Tuesday, 2nd October 2018
 - A date in December 2018 to be determined and changed to a formal meeting
 - Tuesday, 8th January 2019;
2. that the Lead Member for Finance and Property Services be invited to the Panel's meeting scheduled for 2nd October 2018.

Reasons

- 1.&2. To confirm the arrangements for future meetings of the Panel.

Note

These minutes are subject to confirmation as a correct record at the next meeting of the Panel, which is scheduled for Tuesday, 2nd October 2018.

**BUDGET SCRUTINY PANEL
2ND OCTOBER 2018**

PRESENT: The Chair (Councillor Miah)
Councillors Draycott, Gerrard, Parsons and
Seaton

Strategic Director of Corporate Services
Democratic Services Officer (MH)

APOLOGIES: Councillor Barkley (Lead Member for Finance and
Property Services)

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. He also advised that, under the Openness of Local Government Bodies Regulations 2014, 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.

8. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 26th July 2018 were confirmed and signed.

9. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

The following disclosures of interests were made:

- (i) by Councillors Miah and Seaton – personal interests as members of Leicestershire County Council.

10. DECLARATIONS - THE PARTY WHIP

No declarations of the existence of the Party Whip were made.

11. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

12. DRAFT MEDIUM TERM FINANCIAL STRATEGY 2019-2022

A report of the Head of Finance and Property Services setting out the draft Medium Term Financial Strategy 2019 to 2022, which had been agreed by the Cabinet on 13th September 2018, was submitted (item 6 on the agenda filed with these minutes).

Members of the Panel expressed their extreme disappointment that the Cabinet Lead Member for Finance and Property Services had given his apologies for the meeting. At its previous meeting the Panel had identified specific issues that it wished to question the Lead Member on. The recent scrutiny review had highlighted the importance of Lead Members being present at meetings to answer scrutiny questions and it was noted that the Lead Member had also not attended the Panel's first

meeting. The Panel did not know the reason for the Lead Member's absence and there might be good reasons for it; however the minutes should reflect the Panel's views regarding the matter.

Having discussed the options for proceeding with its scrutiny of the draft Medium Term Financial Strategy the Panel decided to proceed with the meeting but to identify issues during the course of its scrutiny of the Strategy that it wished the Lead Member to respond to.

The Strategic Director of Corporate Services assisted with consideration of the item and provided the following responses to issues raised:

- (i) Net service expenditure was projected to increase over the three years covered by the Strategy. A significant part of that increase was due to the ending of the first extension period of the environmental services contract and the requirement to replace the refuse fleet alongside the second extension period. It would be more cost effective for the Council to purchase the new fleet than for the contractor to do so because the Council could borrow money more cheaply than the contractor.
- (ii) It had been known when preparing previous Strategies that a new contract or contract extension would be required and that would result in an increase in costs. However the size of the increase had not been expected and that had resulted in a higher projected net service expenditure than in previous Strategies.
- (iii) The Strategy also now included an assumption that there would be annual pay rises of 2% rather than 1%, which had been assumed in previous Strategies. These were examples of the Strategy being developed each year as more information became available.
- (iv) The Council was looking at the possibility of offering some services on a more commercial basis. In particular the Council was looking to provide a trade waste collection service. The projections in the Strategy were based on the need to fund set-up costs in 2019/20, the service beginning and breaking even in 2020/21 and generating a small profit in 2021/22. It was expected that the service would produce greater returns in subsequent years.
- (v) The projections relating to the interest the Council would receive were based on a number of factors. Previous projections had assumed a quicker increase in interest rates and the new projections had been updated accordingly. Assumptions regarding the Council's property fund investments had been based on the past performance of those funds and what returns were considered to be achievable in the future. In addition the Transformation and Efficiency Plan within the Strategy identified that further proactive treasury management could result in greater income generation.
- (vi) The increases in the fees for the garden waste collection service were presented in a similar way to that described above with the income generated as a result of the current fees and the additional income from higher fees shown separately. This approach was a presentational choice and was used to show the steps that the Council was taking to address the financial challenges it had to face.

- (vii) The Council did take steps to monitor the occupation of properties, in part so that Council Tax could start to be charged. If necessary Council Tax could be charged retrospectively from the date of occupation. Houses that had planning permission but were not built were a more significant issue for the Council's finances.
- (viii) The Strategy included an assumption that there would be no increase in the Loughborough Special Rate. The setting of the Loughborough Special Rate was a separate decision for full Council. The Strategy included the assumption that the Council would increase Council Tax at the maximum amount of £5 in each of the financial years it covered. The Council could decide to increase the Loughborough Special Rate and reduce the increase in Council Tax by a corresponding amount to keep within the limit set by the Government.
- (ix) There was considerable volatility in the Collection Fund, particularly relating to changes in Government policy on non-domestic rates relief and rating appeals. There was a backlog in appeals being determined by the Valuation Office and more recent revaluations would generate further appeals. The Strategy included a reasonable estimate of the financial impact of appeals. It was assumed that the volatility would decrease from 2020/21 onwards following the move to the localisation of non-domestic rates and the potential rebasing of rates.
- (x) The projections for New Homes Bonus and Council Tax receipts both included assumptions regarding the number of houses being built in the Borough. The two amounts were not perfectly correlated because of factors such as the localisation of Council Tax support and the time frame over which New Homes Bonus payments were made.
- (xi) The loans taken out by the Council as part of the restructuring of the financing of local authority housing had fixed interest rates.

The following comments were made by members of the Panel:

- (i) The volatility of the projections for the Council's treasury management activities was greater than would be expected.
- (ii) The fluctuations in the Collection Fund were significant with respect to the size of the Council's budget and that was a risk the Council needed to be aware of.
- (iii) The Strategy should be clearer in explaining that the assumptions regarding the Loughborough Special Rate did not preclude the consideration of increases to the Rate by full Council.
- (iv) When considering investing in commercial assets, the Council could place an emphasis on investing locally, for example in Loughborough town centre or in business units. It was recognised that any investments would need to make a return.
- (v) Increasing fees for the garden waste service could not genuinely be considered to be an efficiency saving. Increasing those fees had generated significant comment and was an issue that members of the Panel would have questioned the Lead Member about.
- (vi) The Council should seek ways in which it could be more self-sufficient in terms of its financing. That would require the Council to be more outward looking and was different to raising fees for existing Council services. For

example, an opportunity had been missed with regard to charging premises that wished to retain bring sites rather than removing them.

- (vii) During the debate at the budget-setting Council meeting in February 2018 reference was made to the Budget Scrutiny Panel not making comments on the draft budgets. The scrutiny process was different to the views that Labour councillors may have on the administration's budget proposals.
- (viii) If the Lead Member had been present information would have been sought regarding the current position in respect of the former Limehurst depot site.
- (ix) It would be helpful if information regarding the previous year's Strategy could be provided to members of the Panel.
- (x) Different views were expressed regarding whether the impact of the United Kingdom's withdrawal from the European Union should be referred to in the Strategy.

RESOLVED

1. that the Panel's extreme disappointment at the absence of the Lead Member for Finance and Property Services be noted;
2. that the Panel's comments regarding the draft Medium Term Financial Strategy be noted and forwarded to the Lead Member for Finance and Property Services to consider before the Strategy was finalised;
3. that the Cabinet Lead Member for Finance and Property Services be asked to respond to the issues raised by the Panel at this meeting and at its previous meeting prior to the Cabinet meeting on 15th November 2018 at which the final version of the Strategy would be considered;
4. that further information be provided to members of the Panel regarding the reasons for the differences between the projections for New Homes Bonus and Council Tax receipts for 2019/20 in the draft Medium Term Financial Strategy and the previous approved Strategy;
5. that further information be provided to members of the Panel regarding the breakdown of the £325,000 interest payable by the Council in 2017/18;
6. that further information be provided to members of the Panel regarding the timetable for reviewing the Housing Revenue Account Business Plan.

Reasons

1. To formally record the Panel's views on the matter.
2. To record the results of the Panel's scrutiny of the draft Strategy and to enable its comments to inform the preparation of the final version of the Strategy.
3. To enable the Panel to receive a response to its scrutiny of the Strategy and issues relating to it.
4. To provide the Panel with clarification regarding the matter.

5. To provide clarification of the amounts that had been paid in addition to the known amount relating to a long-term loan.
6. To provide the Panel with clarification regarding the matter.

13. FURTHER PANEL MEETING DATES 2018/19

At its previous meeting the Panel had agreed to bring forward its scrutiny of the draft General Fund and HRA budgets to its December meeting and make that a formal meeting.

RESOLVED that in preparation for the Panel's next meeting, scheduled for 12th December 2018, officers circulate details of the draft General Fund and HRA budgets to members of the Panel when the Cabinet report is published on 30th November 2018.

Reason

To enable members of the Panel to identify areas of focus and witnesses to invite for the Panel's next meeting.

NOTES:

These minutes are subject to confirmation as a correct record at the next meeting of the Budget Scrutiny Panel, which is scheduled for 12th December 2018.

From: **Cllr Tom Barkley**, Lead Member for Finance & Property Services

To members of the Budget Scrutiny Panel

Firstly, I would like to thank you for your diligence in reviewing the draft Medium Term Financial Strategy at your meeting of 2 October 2018. I apologise for not being able to attend the meeting in person but it appears a number of matters were addressed and I've no doubt that your input will prove to be very useful.

I have now had chance to look through the notes of the meeting in more detail and I would comment against the points raised as follows:

- (i) *The volatility of the projections for the Council's treasury management activities was greater than would be expected.*

We have now started to see the benefits of a more proactive treasury management approach, particularly the initiatives introduced by Clare Hodgson, where we now invest in different financial instruments – loans to other local authorities and more latterly in property funds – which has seen us generate greater returns against a stagnant interest rate environment. In the MTFS we assume that we can maintain this new normal but overall project a pretty flat picture for interest receivable based on the *existing* mix of treasury activities – this reflects our expectations that interest rates will rise a little over the period of the MTFS (in small incremental steps) but that our average balances available for investment will also reduce slightly (as we expect some use of our reserves), offsetting the rate effect. A line to this effect has been added to the final version of the MTFS.

- (ii) *The fluctuations in the Collection Fund were significant with respect to the size of the Council's budget and that was a risk the Council needed to be aware of.*

I agree with this comment and our experience tells us that the Collection Fund requires ongoing care and attention, particular in respect of the business rate element which is particularly volatile due to movements in business rate provisions.

- (iii) *The Strategy should be clearer in explaining that the assumptions regarding the Loughborough Special Rate did not preclude the consideration of increases to the Rate by full Council.*

The MTFS has always been a strategic overview. Whilst it is used to inform the budget it has never been a document that constrains any subsequent budget decisions that the Council may subsequently make. I

have added a paragraph in my introduction in the final version of the MTFS where I hope I now make this clear.

- (iv) *When considering investing in commercial assets, the Council could place an emphasis on investing locally, for example in Loughborough town centre or in business units. It was recognised that any investments would need to make a return.*

This is something that we are actively considering – I envisage that the Capital Financing Strategy, a new report we are required to produce from next year, will address this matter.

- (v) *Increasing fees for the garden waste service could not genuinely be considered to be an efficiency saving. Increasing those fees had generated significant comment and was an issue that members of the Panel would have questioned the Lead Member about.*

I consider the ongoing review of our fees and charges to be an important plank of our commercialisation agenda and believe its inclusion within our transformation and efficiency plan is valid.

In respect of garden waste charges in particular, it should be noted that the projected growth in revenues is driven by volume and not new price increases. In reality, the additional revenue included within the plan is a reflection of the GWB revenues we are seeing in this financial year.

- (vi) *During the debate at the budget-setting Council meeting in February 2018 reference was made to the Budget Scrutiny Panel not making comments on the draft budgets. The scrutiny process was different to the views that Labour councillors may have on the administration's budget proposals.*

This comment is noted.

- (vii) *The Council should seek ways in which it could be more self-sufficient in terms of its financing. That would require the Council to be more outward looking and was different to raising fees for existing Council services. For example, an opportunity had been missed with regard to charging premises that wished to retain bring sites rather than removing them.*

I agree with this comment in principle and we will always consider possible options that would make us more financially self-sufficient.

Bring sites are not a Council service that falls within my portfolio but I believe an appraisal was undertaken which did not conclude that retaining bring sites was worthwhile.

- (viii) *If the Lead Member had been present information would have been sought regarding the current position in respect of the former Limehurst depot site.*

Limehurst has complex planning constraints (principally relating to the current Environment Agency view on flood risk). We are undertaking some follow up work looking to see if and how those constraints can be overcome and, being optimistic, I hope that we can bring forward a proposal for the future use of this site in the next few months.

- (ix) *It would be helpful if information regarding the previous year's Strategy could be provided to members of the Panel.*

The Panel are entitled to this information of course and the officers will no doubt be happy to provide what is required. It will be helpful if this could be specified in advance of relevant meetings as the totality of available information is extensive.

- (x) *Different views were expressed regarding whether the impact of the United Kingdom's withdrawal from the European Union should be referred to in the Strategy.*

'Brexit' is mentioned in the MTFS as part of Section 4 – the political and economic overview. I think this is the limit of what we can actually say on the matter at this point in time.

In terms of the specific resolutions of the Panel I understand that you have been sent information on the reasons for the differences between the projections for New Homes Bonus and Council Tax receipts for 2019/20 in the draft Medium Term Financial Strategy and the previous approved Strategy, the breakdown of the £325,000 interest payable by the Council in 2017/18 and the timetable for reviewing the Housing Revenue Account Business Plan (resolutions 4-6). I also hope that in responding to you via this note that I have demonstrated that I have both seen your comments and considered them in advance of the final MTFS due at Cabinet on 15 November.

In writing this note I thought it might also be appropriate to pick up one or two of the comments raised at the Panel's June meeting.

The first matter which I gather the Panel were interested in was the framework we use in setting the budget, our priorities, and what alternative mix of services we might consider. Generally, and specifically for the forthcoming financial year, in setting the budget the priority of this administration is to protect existing front line services as far as possible within what we believe to be a sensible affordability

envelope. Having said this, we do however recognise that certain elements of our services need to be reduced whilst other areas would benefit from expansion. This administration adopts a Lead Member-led approach where each portfolio holder has responsibility for assessing their own services and in the event that service changes are considered appropriate, sponsor individual business cases (prepared by the relevant Head of Service) setting out the case for change. These are then assessed by both the Senior Management Team and Cabinet and a view is taken as to whether proposed changes are to be included in the draft budget report which is scheduled for Cabinet in December.

The issue of persistent underspending against budgets was obviously a matter of some interest at the June meeting. I think to some extent the issue may be cultural, but I do not regard this as a wholly negative matter as we obviously want Council officers to use their budgets carefully. I do not regard underspends as 'cuts', but accept that they may indicate a sub-optimal allocation of resources in some areas. Overall, this is an issue which we regard as important and intend to address through the budget process and in future budget monitoring processes.

As was recorded in the notes, the Council is in a sound financial position, but the value of rigorous scrutiny is appreciated. The Internal Control Environment Assessment for last year was somewhat disappointing but from my perspective it is important to know that we continue to carry out internal audit reviews of our controls, and that, as members, we have visibility of their outcomes. Also in terms of visibility, I am not aware of any significant service reduction or service change that has not been the subject of a Cabinet or Council report, and therefore available for the scrutiny of all members

Finally, I do reiterate my apology for my unavailability for the previous Panel meeting but I do plan to see you all in December. In the meantime, if any Panel members would like to arrange a one-to-one meeting I will be happy to expand on any of the above points.

Kind regards

Cllr Tom Barkley

26 October 2018

**BUDGET SCRUTINY PANEL
12TH DECEMBER 2018**

PRESENT: The Chair (Councillor Miah)
Councillors Draycott, Gerrard, Parsons and
Seaton

Councillors Barkley (Deputy Leader of the Council
and Cabinet Lead Member for Finance and
Property Services), Harper-Davies (Cabinet Lead
Member for Performance of Major Contracts) and
Mercer (Cabinet Lead Member for Housing)

Strategic Director of Corporate Services
Strategic Director of Housing, Planning &
Regeneration and Regulatory Services
Head of Cleansing and Open Spaces
Head of Landlord Services
Head of Strategic and Private Sector Housing
Democratic Services Officer (MH)

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. He also advised that, under the Openness of Local Government Bodies Regulations 2014, 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.

14. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting of the Panel held on 2nd October 2018 were confirmed as a correct record and signed.

15. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

The following disclosures of interests were made:

- (i) by Councillors Miah and Seaton – personal interests in any matters relating to Leicestershire County Council as members of the authority.

16. DECLARATIONS - THE PARTY WHIP

There were no declarations of the Party Whip.

17. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

18. DRAFT GENERAL FUND AND HRA BUDGETS 2019/20

The Draft General Fund and Housing Revenue Account (HRA) Budgets 2019/20 report that was due to be considered by the Cabinet on 13th December 2018 was submitted (item 6 on the agenda filed with these minutes).

The Cabinet Lead Member for Finance and Property Services and the Strategic Director of Corporate Services assisted with consideration of the item.

In preparing for the meeting, members of the Panel had identified topics that should be considered at the meeting and the relevant Cabinet Lead Members and officers had been invited to the meeting. The Cabinet Lead Member for Performance of Major Contracts, the Cabinet Lead Member for Housing, the Strategic Director of Housing, Planning & Regeneration and Regulatory Services, the Head of Cleansing and Open Spaces, the Head of Landlord Services and the Head of Strategic and Private Sector Housing also assisted with the consideration of the item.

Use of Reserves

In response to issues raised the Cabinet Lead Member for Finance and Property Services and the Strategic Director of Corporate Services provided the following responses relating to the topic identified by the Panel:

- (i) An outline of the planned use of reserves along with other measures to reach a balanced budget over the period covered by the Medium Term Financial Strategy was provided. The Council was seeking to save £350,000 in each of the next three years. It was also seeking to increase the amount of income that it generated in order to become more self-reliant. That included income from investments, which had been assisted by the recent increase in interest rates, and making best use of the Council's assets. Work had been done to increase the income received from the Messenger Close site and the Council was continuing to look at options for the Limehurst Depot site.
- (ii) At the end of the period covered by the Medium Term Financial Strategy the Council's working balance would still be almost twice the level identified as the minimum balance requirement.
- (iii) The Administration wished to protect frontline services and reserves were being used in order to do so.
- (iv) The settlement figures from the Government had been expected on 6th December but had been delayed. However the settlement was expected to be similar to that which was used as a prediction in the draft General Fund budget.
- (v) There was considerable uncertainty regarding Government funding from 2020/21 as a result of the Fair Funding Review, potential changes to New Homes Bonus and changes to the retention of business rates. The Council had applied to be part of a pilot for the retention of 75% of business rates rather than the current 50%. The impact of the United Kingdom's exit from the European Union could also affect the amount of funding that the Government was able to provide to local authorities.

- (vi) In the past the Council had received a significant amount through the Revenue Support Grant. The Council would receive £165,000 in 2019/20 and that would be the final year in which that form of funding was provided. These changes were known and the funding had, to a large extent, been replaced by that which was received through the New Homes Bonus.
- (vii) As a result of national rules, certain types of educational establishments received an 80% relief on their business rates but local authority schools did not. There was therefore a reduction in the amount of business rates collected when a school converted to an academy.
- (viii) It was projected that there would be a £500,000 net underspend on the 2018/19 General Fund budget. Net underspends had occurred across all directorates and included situations where income budgets had been exceeded. As part of the draft 2019/20 budget each directorate would be expected to find £100,000 of savings arising from underspends as they became apparent during the year. That would mean that there was less opportunity for money from underspends to be vired to other areas of expenditure. There were sometimes good reasons for money not being spent but there was a history of budgets being underspent at the end of the financial year.
- (ix) The process for developing the draft budgets for 2019/20 was outlined. One-off savings and pressures from the 2018/19 budgets were removed to produce a base budget. Savings and pressures for 2019/20 were identified and for any pressures of more than £10,000 a business case was prepared. The results of that work were considered by relevant Cabinet Lead Members, the Council's Senior Management Team and the Lead Member for Finance and Property Services.
- (x) Work on preparing budgets for the following year began halfway through the current year and it was therefore not possible to take into account net underspends when preparing the base budget for the following year. Material variations that were known about were highlighted in the Medium Term Financial Strategy and more granular changes were considered alongside other savings and pressures in preparing the draft budgets. The actual amount of net underspends at the year end would not affect the budgets for the following year but would affect the balances at the start of that year.

The following comments were made by members of the Panel in respect of this topic:

- (i) The report accompanying the draft budgets was well written and it was helpful that information was provided to support the proposed savings and pressures.
- (ii) The Audit Committee had identified underspends in the Council's capital programme. That might have a consequential effect on the Council's revenue spending.

Impact of Reductions in County Council Services on the Borough Council's Budget

In response to issues raised the Cabinet Lead Member for Finance and Property Services and the Strategic Director of Corporate Services provided the following responses relating to the topic identified by the Panel:

- (i) The Borough Council had dealt with the impacts of decisions taken by Leicestershire County Council in respect of recycling credits and the Lifeline and warden services. Those decisions had devolved costs of £1million on to the Borough Council. The Council had decided to fund the Lifeline and wardens service in order to provide good services to residents. Should similar issues arise again the Council would have to consider what was the most appropriate course of action.
- (ii) It was acknowledged that the possibility of that happening was not identified in the report.

The following comments were made by members of the Panel in respect of this topic:

- (i) It appeared that reductions in Government funding for local authorities were having the biggest impact on county councils. One of the responses by Leicestershire County Council to those pressures on its budget was to consider options for reorganising local government in Leicestershire into unitary authorities.

HRA Budget including Conclusion of the Decent Homes Contract

For part of the scrutiny of this topic relating to the conclusion of the Decent Homes Contract the Panel

RESOLVED that members of the public be excluded from the meeting during the consideration of issues relating to the conclusion of the Decent Homes Contract on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 3 and 5 of Part 1 of Schedule 12A to the Local Government Act 1972.

Details of the Panel's consideration of the issue are contained in Exempt Minute 18E.

The Panel then resumed in public session.

In response to issues raised the Cabinet Lead Member for Performance of Major Contracts, the Cabinet Lead Member for Housing, the Strategic Director of Housing, Planning & Regeneration and Regulatory Services, the Head of Landlord Services and the Head of Strategic and Private Sector Housing provided the following responses relating to the topic identified by the Panel:

- (i) Any backlog in disabled adaptations could be made up using funding from existing Housing Revenue Account (HRA) budgets. Work would be undertaken where required as the Council had a statutory duty to make those adaptations.
- (ii) Clarification was provided regarding the responsibilities of the post of Empty Homes Officer, that dealt with property owners in the private sector and was funded from the General Fund, the acquisition of new properties to be added to the HRA, which was in part funded by Right to Buy receipts, and the Voids Working Group, that was looking at voids within the Council's housing stock. Those voids were predominantly within sheltered housing schemes and a

report would be submitted to the Cabinet in March or April 2019 setting out priorities for work to those schemes.

Garden Waste Bin Charges

In response to issues raised the Cabinet Lead Member for Performance of Major Contracts and the Head of Cleansing and Open Spaces provided the following responses relating to the topic identified by the Panel:

- (i) The projected increase in income from the garden waste collection service was a result of the number of subscribers for the service being higher than expected. It had been expected that when the charge for the service was increased there would be a fall in the number of subscribers; this had not occurred and there had been a continued increase in the number of subscribers which was expected to continue. New subscriptions would also arise from new homes being constructed in the Borough. The use of stickers to identify properties that had subscribed to the service ensured that all the people benefitting from the service were paying for it. There were currently approximately 35,000 subscriptions and 76,000 properties in the Borough. It was recognised that not all properties in the Borough would require a garden waste bin but there was still potential for the service to grow.
- (ii) The service was marketed through information on refuse lorries and advertising it in Charnwood News, especially in the Spring. The Borough Council was in discussion with Leicestershire County Council regarding advertising the service at waste sites.
- (iii) The Council did not charge for the replacement of stolen or damaged bins. It was recognised that doing so could cause problems.
- (iv) The Council had considered whether the service should be seasonal but had concluded that it should operate year-round as people still collected leaves and undertook work to trees and shrubs during the Winter. It would be difficult to offer more frequent collections during the Summer as that would require additional resources. However people could subscribe for a second bin to be collected if they wished to.

The following comments were made by members of the Panel in respect of this topic:

- (i) Members of the Panel had heard a significant number of complaints following the earlier decision to increase the cost of the garden waste collection service.
- (ii) There were opportunities to extend the garden waste collection service and make it more commercial, for example by offering gardening services or delivering compost.

RESOLVED that the report and the evidence provided to the Panel be noted.

Reason

To acknowledge the information received.

19. FURTHER MEETINGS OF THE PANEL 2018/19

RESOLVED

1. that it be noted that the final meeting of the Panel in 2018/19 would be on 8th January 2019 to consider the Panel's draft report;
2. that at the meeting on 8th January 2019 the Panel consider what conclusions and recommendations it wished to make following its scrutiny of the Council's proposed budgets for 2019/20 and related matters.

Reasons

- 1.&2. To confirm the arrangements for the completion of the Panel's work.

NOTES:

1. These minutes are subject to confirmation as a correct record at the next meeting of the Budget Scrutiny Panel.

Panel Conclusions Not Requiring Further Action	Officer Responses (if any)
<p>Conclusion 1.</p> <p>That it be noted that the Panel commends the work of officers in the finance team and the Cabinet Lead Member in preparing the Council's budgets and presenting the financial information in an open and transparent manner.</p>	<p>Noted – thank you.</p>
<p>Conclusion 2.</p> <p>That it be noted that the Council would be using reserves in each of the three years covered by the Medium Term Financial Strategy.</p>	
<p>Conclusion 3.</p> <p>That it be noted that the continued financial pressures facing the Council arising from reductions in the funding the Council received from the Government meant that the Council could not undertake all of the proactive activities that it might otherwise wish to undertake.</p>	<p>Prospective financial constraints mean that this is the case,</p>

Panel Conclusions Not Requiring Further Action	Officer Responses (if any)
<p>Conclusion 4.</p> <p>That it be noted that the Panel welcomes the fact that there were no proposals to reduce the number of posts in the budgets for 2019/20.</p>	
<p>Conclusion 5.</p> <p>That it be noted that there would be a significant difference in the way that underspends would be managed in 2019/20 compared to previous years and that the impact of seeking to save £300,000 per year in this way would need to be monitored.</p>	<p>Agreed. Closer monitoring will be required.</p>
<p>Conclusion 6.</p> <p>That it be noted that certain recent increases in income, for example from planning fees, may not be sustained due to changing economic conditions and that there may be resistance to increasing the Council's fees and charges.</p>	<p>Agreed – these are inherent risks in respect of fees and charges income.</p>
<p>Conclusion 7.</p> <p>That it be noted that there was considerable uncertainty regarding the amount of funding that the Council would receive from the Government after 2020 and that this was a potential financial risk.</p>	<p>Agreed.</p>

Panel Conclusions Not Requiring Further Action	Officer Responses (if any)
<p>Conclusion 8.</p> <p>That the Council should continue to look at alternative sources of income and revenues.</p>	<p>Agreed.</p>

Panel Recommendation to the Scrutiny Management Board and Reason	Officer Responses (if any)
<p>That the Scrutiny Management Board be asked to consider the Panel's view of the importance of pre-decision scrutiny of out-turn reports, virements and in-year service pressures, particularly when they related to additional costs arising from decisions by other agencies to reduce services,</p> <p><i>REASON: To ensure the sound financial management of the Council.</i></p>	

CABINET – 14TH FEBRUARY 2019

Report of the Head of Strategic and Private Sector Housing Lead Member: Councillor Mercer

Part A

ITEM 7 LIGHTBULB SERVICE MODEL UPDATE

Purpose of Report

To present an update of the Lightbulb Service model and to seek approval for the continuation of the Lightbulb Service in Charnwood, and to agree the additional expenditure outlined in the report.

Recommendations

1. Cabinet note the implementation, review and performance of the Lightbulb Service model in Charnwood.
2. Cabinet agree to participate in the Lightbulb Service Model, for a period of 3 years with a possible 2 year extension (ie financial years 2019-2020 to 2023-2024).
3. Cabinet agree to approve Option 1 at a cost of £123,158 for 2019-2020, this is capital expenditure financed through the Disabled Facilities Grant.
4. If there are any significant changes to costs or Government funding during the agreement period, Charnwood's participation in the Scheme will be reviewed and a report brought back to Cabinet.

Reasons

1. To enable Cabinet to understand the performance and the benefits of the model to residents of the Borough.
- 2.&3. To enable Cabinet to agree the continuation of the Lightbulb Service Model, following presentation of the Lightbulb Business Case, internal review and the method of funding.
4. To allow reconsideration if Government funding is withdrawn or reduced or the costs of the Scheme to Charnwood alter significantly.

Policy Justification and Previous Decisions

In April 2015, District and County Council partners were awarded £1m Transformation Challenge Award funding from the Department for Communities and Local Government to transform practical housing support services in Leicestershire through the Lightbulb Programme.

A Programme Team was appointed to take this work forward with partners and develop a new, integrated model for housing support that would:

- Deliver savings to the health and care economy by maximising the part housing support can play in keeping people independent in their homes; preventing or reducing care home placements or demand on other social care services, avoiding unnecessary hospital admissions/readmissions or GP visits and facilitating hospital discharge.
- Improve the customer journey; making services easier to access and navigate and ensuring the right solution is available at the right time with the right outcome.
- Provide efficient, cost effective service delivery, particularly in relation to the delivery of Disabled Facilities Grants.

In May 2017, minute number 113 Cabinet approved the following:

- Charnwood's participation in the Lightbulb Service Model be approved;
- Participation be on the basis of the Locality Team Option set out in Section 3.1 of Part B of the report of the Head of Strategic and Private Sector Housing;
- Charnwood's participation in the project be reassessed should funding provision for the Service change in the future;
- The report of the Overview Scrutiny Group be noted.

Implementation Timetable including Future Decisions and Scrutiny

The Cabinet is asked to approve the continuation of the Lightbulb Service Model set out in the Business Case (Appendix 1) and continue to deliver services.

Report Implications

The following implications have been identified for this report.

Financial Implications

If Cabinet agree to the continuation of the Lightbulb Service Model in Charnwood, it be noted that there will be no additional costs to Charnwood, as the Service will be fully funded through the Disabled Facility Grant.

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 tables below:

Lightbulb Service Model

Risk Identified Current Risk	Likelihood	Impact	Risk Management Actions Planned to reduce the risks
Organisational culture is change resistant and not able to implement Lightbulb effectively or to timescales.	Possible	Major	Develop and implement a continual programme of engagement. Lightbulb partners to undertake a 'readiness audit' and develop a transition plan following sign off of the Business Case.
Lack of buy in from Elected Members (across all partner authorities) means the Business Case does not get signed off, preventing implementation of the Lightbulb service.	Unlikely	Moderate	Regular engagement with Members to raise awareness and promote the benefits of Lightbulb both for partner authorities and customers.
Budget holders cannot agree a demand based funding allocation to support the Hub and Spoke Lightbulb service Model.	Unlikely	Moderate	Develop Business Case setting out the benefits to all partners of the Lightbulb model and use this to engage with officers and Members. Engage with finance offices from partner organisations to develop the financial model.

Charnwood Borough Council

In addition to the risks outlined above for the Lightbulb Programme the Cabinet need to consider the following:

Risk Identified	Likelihood	Impact	Risk Management Actions Planned to reduce the risks
Partner budget contributions reduced or withdrawn from the Scheme.	Possible	Major	Engage with finance officers from partner organisations to identify alternative sources of funding to continue with the service model.
Charnwood deliver the Locality Team model we would have 3 Housing Support Coordinators that we would need to either fund or make redundant if the County removed their contribution for the Lightbulb Service	Possible	Major	Recruit 3 Housing Support Coordinators on Fixed Term contracts.

Model.			
Ministry of Housing and Communities and Local Government Disabled Facilities funding reduced or withdrawn.	Unlikely	Major	There are no actions to reduce this risk. Should this occur the service would need to be reviewed and a recommendation has been made to that effect.

Equality and Diversity

An equality and impact assessment has been completed by Blaby District Council as the Project Managers (see Appendix 3).

Key Decision: Yes

Background Papers: Cabinet Report, 11th May 2017
https://www.charnwood.gov.uk/committees/cabinet?paper_g=&paper_classification=&paper_startDate=2017-05-11&go=Search

Overview and Scrutiny Report, 8th May 2017
https://www.charnwood.gov.uk/files/papers/osg_08_may_2017_minutes1/OSG%2008%20May%202017%20Minutes.pdf

Performance Scrutiny Report, 20th November 2018
<https://charnwood.moderngov.co.uk/ieListDocuments.aspx?CId=135&MId=139&Ver=4>

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Part B

Background

1. In May 2017, minute number 113 Cabinet approved the following:
 - that Charnwood's participation in the Lightbulb Service Model be approved;
 - that participation be on the basis of the Locality Team Option set out in Section 3.1 of Part B of the report of the Head of Strategic and Private Sector Housing;
 - that Charnwood's participation in the project be reassessed should funding provision for the Service change in the future;
 - that the report of the Overview Scrutiny Group be noted.
2. The Lightbulb offer includes setting out how local housing services can support and promote the health and wellbeing of Leicestershire citizens; offering to concentrate the collective efforts of the 7 Borough and District Councils on developing services to help health and social care partner ships achieve the Better Care Fund objectives.
3. Lightbulb aims to provide a less complex and fragmented service, with reduced handoffs and waiting times for customers.
4. The current 15th month agreement is coming to an end on the 31st March 2019. There is currently no budget included in 2019-2020 for the continuation of the Scheme. All costs are fully funded by Disabled Facility Grant. It is proposed that participation in the Scheme be continued.

Lightbulb Business Case (Appendix 1) – Highlights

5. Lightbulb went live in October 2017; there was a delay in Charnwood signing the agreement as we are providing a Locality based Team. Charnwood went live in January 2018.
6. Since the full roll out of the service, Housing Support Coordinators (HSCs) have completed approximately 4,300 cases for the benefit of customers across Leicestershire. This is an increase of around 50% to the projected workload.
7. The additional productivity has had an impact on Occupational Therapists (OTs) allowing them to concentrate on delivering more complex caseloads. The OTs that operate to support the Lightbulb model have completed an additional 37% of cases than projected to be delivered prior to full roll out of the service.
8. This means that across these roles, the service has been significantly more productive and efficient than initially projected with an improvement on delivery by approximately a week compared to the previous contracts in place.
9. Delivery of the Disabled Facility Grants (DFG) have seen a reduction in hand offs and the number of cases being referred for a DFG has reduced by 43%.

10. This is partially due to the predicted shift from major adaptations to minor adaptations delivered by HSC's and is in line with the objectives of the original Business Case and the prevention ambitions of Local and Central Government.
11. Two Districts so far have reached the target delivery time of 20 weeks with all showing improved delivery times (Except for Melton Borough Council who had a large volume of cases handed over).
12. Analysis of DFG performance shows that historical cases have had an impact on projected delivery timescales. As with Melton it is anticipated that this will improve as more existing cases follow the new pathways for delivery.

Customer Impact

13. The Customer Insight work conducted prior to the development of the original Business Case showed that 95% customers wished to have a single point of contact.
14. This principle has been developed within the service for all cases that do not involve a DFG. Where a DFG is required there is a single hand off to a Technical Officer. As part of the roll out of the future Trusted Assessor model, HSCs will become the single point of contact for some DFG categories, helping to fulfil the ideology developed in the Customer Insight work.
15. In addition, Lightbulb has been able to undertake targeted prevention work with vulnerable individuals with the aim of reducing or delaying their need to access more costly services and have signposted them to wider prevention through Leicestershire's First Contact Plus.
16. Further Customer Insight work is programmed into the future developments phase over the next 5 years.

Charnwood's Review (Appendix 2) - Highlights

17. Following completion of the revised Lightbulb Business Case for Transforming and Integrating Practical Housing Support in Leicestershire, in December 2018, an internal review of the progress and impact of Lightbulb within Charnwood has been undertaken.
18. The full Review Report is attached as Appendix 2.
19. With the Locality Team model, Charnwood directly employ a locality based Lightbulb team and deliver the service directly across the Borough (linking with the central Hub to ensure consistency of operating procedures and resilience in the overall system).
20. The Lightbulb Team within Charnwood consists of 3 Housing Support Coordinators (HSCs), 1 Technical Officer, 0.5 FTE Administrative Officers, in addition to 1 FTE co located Occupational Therapist (OT). Information about the demand for services and learning from the Lightbulb Pilots was used to quantify

the staffing resources required across different Council areas in the original Lightbulb Business Case. The breakdown of total Lightbulb demand by Council area for Charnwood was estimated at 26%, this has now been reduced to 24% following implementation.

Housing Support Coordinators

21. Charnwood's Housing Support Coordinators (HSCs) are trained and skilled to deliver:
 - Assessment and ordering of minor adaptations and equipment
 - Assessment of non-complex DFGs
 - Assessment and resolution of wider practical housing support needs
 - Housing related health and wellbeing support (warm homes, falls prevention etc.)
 - Planning for the future (housing choices and options)
 - Advice, sign posting, self help
22. At go live within Charnwood in January 2018, 172 cases were awaiting assessment. This large number was due in part to the delay in the signing of the Legal Agreements between Leicestershire County Council, Blaby District Council and Charnwood Borough Council.
23. The inherited backlog of cases awaiting assessment, which accrued as a result of the delay, is still impacting on the overall waiting times of those residents waiting for an assessment within the Borough.
24. The waiting list is not static with an average of around 17 new referrals a week coming into Charnwood from the Customer Contact Centre at Leicestershire County Council.
25. At the time of writing this report, almost a year since go live, the number of people on the waiting list is 125. The aim is to reduce this number to 100 by the end of March 2019.

Disabled Facilities Grants

26. Where a HSC or OT identifies that a major adaptation is required, a referral is made to the Central Hub (this was previously made to the Adaptations Team at County Council, but this function is gradually moving to the Central Hub). In the case of a HSC, within Charnwood, they will complete a Provisional Test of Resources with the client to indicate the likelihood of eligibility, based on the means test, of a DFG prior to making the referral.
27. The Technical Officer will then assess the referral and progress the application as necessary. In some cases this will involve working with an Architect Technician, or an OT, in other cases a scheme of work will be developed directly by the Technical Officer.

28. In respect of DFG referrals received in 2017, the average delivery time for a DFG within Charnwood was 26 weeks. Post Lightbulb go live in 2018, has fallen to 18 weeks.

Benefits of the Lightbulb Service Model for Residents

29. The Lightbulb assessment ensures that 'Every Contact Counts', working effectively so people are referred earlier, rather than at crisis point.
30. Robust research is beginning to show that adaptations improve physical and mental wellbeing and reduce the fear of falling, enabling people to live independently in their own homes for longer.
31. Lightbulb Customer Feedback has been extremely positive, with frequent calls to express appreciation from those assessed and their family members.
32. Case Studies for Charnwood Residents are included in the Review Report attached as Appendix 2.

Business Case (Appendix 1) Proposals

33. It is proposed that the Lightbulb Service model which is set out in the Lightbulb refreshed Business Case (Appendix 1), is continued to be supported as the mechanism for delivering the Housing Support offer across Leicestershire.
34. The original Lightbulb structure is built on a 'Hub and Spoke' model, with Blaby District Council acting as the 'Hub', which provides the centralised functions of management, performance reporting, resilience planning and quality assurances on behalf of all partners.
35. Blaby District Council will continue to deliver the locality 'Spoke' service on behalf of the other Boroughs and Districts (with the exception of Charnwood who employ their own Lightbulb staff).
36. Since the original Lightbulb Business Case in December 2016, the central administration has been co-located (except for Charnwood) which although was not built into the original model, has proved to be beneficial in terms of offering resource resilience for the participating Boroughs and Districts.
37. The Business Case (Appendix 1) outlines 4 options for Charnwood to consider:
 - Option 1 - Existing staffing structure, application of an 11% increase in service running costs.

This uplift is comprised of national salary increases and national changes to Local Authority grading structures and the reallocation of costs to reflect forecasted demand by Borough and District for 2019-2020, including for the Central Hub and Operational Officers.

- Option 2 - Option 1 plus an Office Manager position to manage the administration officers and deliver requirements around performance, support back office systems and processes and proposed service improvements listed below.

It has been agreed that Option 3 and 4 be looked at outside the scope of the Business Case as they are temporary measures.

Review and Recommendations of the Options

38. The table below provides comments against each of the Options:

Options		Comments
1	Existing staffing structure with an indicative 11% increase in service running costs, covering salary increases etc. This includes the reallocation of costs to reflect demand in each area including central hub and operational officers	<p>Cabinet are asked to approve this Option.</p> <p>The demand for Charnwood 2019-2020 is forecasted at 24%.</p> <p>The total budget required for 2019-2020 would be £123,158, which includes staffing costs of £107,635 and Central Hub costs of £25,112.</p> <p>This is an increase of £1,565 on the 2018-2019 budget.</p> <p>All costs are fully funded by Disabled Facility Grant.</p>
2	Option 1 plus an Office Manager position to manage the administration officers and deliver requirements around performance, support back office systems and processes and proposed service improvements	Charnwood does not support this Option as the Administration function is managed by internal resources at Charnwood.
3	Option 1 plus increases in Housing Support Co-ordinators and Technical Officers to address demand	This Option was discussed at the Board and it was agreed that Option 3 be looked at outside the scope of the Business Case as they are temporary measures.
4	To financially support all options 1-3 above	This Option was discussed at the Board and it was agreed that Option 4 be looked at outside the scope of the Business Case as they are temporary measures.

Lightbulb Agreement Arrangements

39. The Board have recommended that all the Partners sign up to a 5 year agreement.
40. It is proposed that the Charnwood agree to a period of 3 years with a possible 2 year extension.

41. Any approval for annual variations will be picked up in the annual budget setting process.
42. If there are any significant changes to costs and or Government funding during the agreement period, Charnwood's participation in the Scheme will be reviewed and a report brought back to Cabinet.

Funding required for the Lightbulb Service Model 2019-2020

43. The total budget required to continue with the Lightbulb Service model for the next financial year is detailed in the table below:

Costs	Amount
CBC - Management and Admin	£29,400
CBC - Technical Officer	£43,000
CBC - Overheads	£9,300
Lightbulb – Staffing Mileage	£107,635 £4,200
Additional CBC overhead	£1,965
Lightbulb – Central Hub	£25,122
Sub-Total	£220,622
Minus LCC contribution	£97,464 *
Total Costs	£123,158

* Charnwood's participation is subject to Leicestershire County Council's confirming their funding contribution towards the Scheme.

Appendices

- | | |
|------------|--|
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| Appendix 2 | Lightbulb Review (Charnwood) |
| Appendix 3 | Equalities and Impact Assessment (Blaby) |



Lightbulb Business Case

for Transforming and Integrating Practical
Housing Support in Leicestershire

November 2018 (0.7)



Amendment History:

Version	Date	Author	Changes
0.1	11.10.18	Lisa Carter / Richard Smeeton	Deleted unnecessary text from original doc
0.2	29.11.18	Lisa Carter / Richard Smeeton	Incorporated comments from J Toman, Q Quinney, Tara Bhaur, C Davenport and N Brown
0.3	2.12.18	John Richardson	Executive Summary and Recommendations
0.4	3.12.18	Lisa Carter	Revisions to tables, incorporated text from Quin Quinney
0.5	4.12.18	John Richardson	Final amends following conference call with Lisa Carter
0.6	13.12.18	Lisa Carter / Richard Smeeton	Further amendments to financial tables
0.7	03.01.18	Lisa Carter / Richard Smeeton	Further amendments
0.8	24.01.18	Lisa Carter	Amends from CBC and LCC

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1. Foreword

This document represents a scheduled refresh of the original business case for the Lightbulb service that transformed housing support in Leicestershire and which began in October 2017. In the context of our County wide Integration Programme, housing, health and social care partners recognised a major opportunity to radically redesign housing support, moving away from a historically fragmented set of services and constructing a new integrated housing offer focused on health and wellbeing outcomes, such as maximising independence in the home and preventing falls.

The Lightbulb service originally benefited from a £1m transformation grant from the Department for Communities and Local Government, with a view to local learning being shared for the benefit of other parts of the country as an exemplar.

The original business case was constructed from the following core components of work.

- Demand analysis across a wide range of services and client groups
- Customer insight analysis and lean methodology applied to end to end processes to challenge existing practices
- Comparing housing support processes across different localities (for example examining the variation in the delivery of adaptations funded by Disabled Facilities Grants and how this could be streamlined)
- Testing components of the integrated offer and measuring their impact in different settings - e.g. integrated housing support for hospital discharge pathways, referrals from GP practice risk stratification lists, social prescribing for vulnerable people
- Developing performance metrics and dashboards to assess the impact of delivery - both operationally in terms of housing services performance, and strategically in terms of tracking the impact of housing support across the health and care system as a whole
- Developing the workforce and skill mix assumptions associated with the new model of service - crucially setting out how a more holistic “housing MOT” could be delivered, and how integrated housing support could be coordinated via case management in the future
- Developing a hub and spoke model of service with locality based teams, supported by a central hub
- Developing a costed model of the service, based on commissioning the new service offer from within existing funding sources
- Seeking agreement by stakeholders/commissioners to the new model of care and locality based costing model, with a view to implementation from 2019 onwards

The first year of the service has presented an opportunity to evaluate demand against the original costed projections, adjust the development of process delivery, measure performance and benefits to customers and lastly to investigate future opportunities for the service.

Cheryl Davenport
Director of Health and Care Integration
Lightbulb Programme Sponsor

Jane Toman
Chief Executive, Blaby DC
Lightbulb Programme Sponsor

Key facts – Overview

- The transformation of housing support services is supported by a number of national and local strategic drivers
- Evidence and analysis show Lightbulb offers significant savings to the local health and care economy by helping to reduce falls, emergency admissions and length of hospital stay. Pilot projects have already demonstrated the potential to save around £1.9m annually
- Remodelling and integrating services through Lightbulb delivers process efficiencies for partners with potential to reduce the delivery cost of Disabled Facilities Grants
- Lightbulb improves the customer journey, reducing handoffs and waiting times and putting the customer at the heart of the process. Customers have access to a wider and consistent offer of housing support across Leicestershire
- A targeted, proactive approach ensures Lightbulb is supporting the shift towards prevention
- The locality based delivery model enables Lightbulb to align with and support the development of locality integrated health and social care teams

2. Executive Summary

Lightbulb is part of Leicestershire's Unified Prevention Offer and Adult Social Care Strategy which brings together resources within Local Councils and NHS partners to ensure people can get the right level and type of support at the right time to help prevent, delay or reduce the need for on-going support and maximise their independence.

Disabled Facilities Grants are funded through the Better Care Fund and managed within Lightbulb to encourage areas to think strategically about the use of home adaptations and technologies to support people in their own homes and to take a joined up approach to improve outcomes across health, social care and housing.

As part of the original evaluation of Lightbulb it showed potential savings of £250,000. In addition the transfer of caseload management from Occupational Therapists to Housing Support Co-ordinators has realised an additional saving of £110,000 within the first year of service.

Further savings are projected to arise from reduced falls, emergency admissions and ambulance call outs and by integrating service delivery. Reducing length of stay in hospitals can also realise significant savings and synergies have been identified with the hospitals Housing Enablement Team.

Lightbulb has been operating as a single team since April 2018 and has faced significant challenges including:

- Bringing together a new team from a variety of agencies through TUPE which has resulted in a considerable turnover of staff
- Establishing a central administrative hub, contrary to the agreed business case
- Inheriting a sizeable backlog of cases
- The replacement of the service manager (following promotion)
- Difficulties with access to IT systems and the replacement of the performance management system

Despite the above challenges, Lightbulb has successfully managed to deliver the expected improvements during the first year of delivery, including:

- Reduced handoffs from 8 to 3 for assessment and installation of stairlifts and reduced costs by 11%
- Reduced stages from 27 to 13 for level access showers and reduced costs by 4%
- Managing a significant increase in demand across the board
- Transferred lower threshold work from high cost Occupational Therapists (OT's) to Housing Support Co-ordinators allowing OT's to focus on complex cases resulting in increased capacity for that team, enabling them to deal with an additional 37% case work increase
- Improved DFG delivery times in all but one District, achieving the stretch target of 20 weeks in two Districts
- Trained Housing Support Co-ordinators to become Trusted Assessors - this will further speed up delivery times as we move forwards

- Outcome star showing significant improvement in all areas from pre to post Housing MOT
- 96% customers answering yes to 'has the service achieved everything you wanted'
- Inclusion of Home Support Grant through increased flexibility by adopting Regulatory Reform Order

The initial funding for Lightbulb draws to an end on 31st March 2019 and, as such, it is timely to review the resources allocated for 2019/20. In order to do this, financial options have been prepared for consideration:

- Option 1 - existing staffing structure with an indicative 11% increase in service running costs, covering salary increases etc. This also includes the reallocation of costs to reflect demand in each area including central hub and operational officers
- Option 2 - Option 1 plus an Office Manager position to manage the administration officers and deliver requirements around performance, support back office systems and processes and proposed service improvements listed below
- Option 3 - Option 1 plus increases in Housing Support Co-ordinators and Technical Officers to address demand
- Option 4 – To financially support all options 1-3 above

It is recommended that partners sign up to a new 5 year Legal Agreement to provide service and staffing stability based on option 1, 2, 3 or 4.

In signing up to the continuation of Lightbulb for Leicestershire the Management Board will continue to strive for further public sector cost savings and customer service improvements through the following;

- Future Integration of Adaptations and Assistive Technology
- Enabling GP's and community health teams to access Lightbulb through First Contact Plus
- Investigating how Lightbulb can be used to target 'high risk' patients using practice based data and case management information
- Collective and smarter procurement practices
- Development of more flexible DFG solutions
- Engagement with social housing providers to discuss potential delivery of home adaptations in their stock
- Continued customer insight and sharing of best practice
- Development of a self serve offer for practical housing support

Next Steps

- Management Board to agree which option to progress through a collective governance process
- Partners to take a standardised report through individual governance processes to enable Legal and Information Sharing Agreements to be finalised prior to year 2 start date of 1 April 2019

3. Introduction

Background

Leicestershire has a strong track record of collaborative work around housing issues. In 2013 Leicestershire's Housing Services Partnership developed the Housing Offer to Health in conjunction with the Chartered Institute of Housing, which was adopted by the Leicestershire Health & Wellbeing Board.

The Housing Offer to Health set out how housing services can support and promote the health and wellbeing of residents across the County. The concept of Lightbulb was one of a number of practical opportunities to emerge from the Housing Offer to Health; now part of the BCF Unified Prevention Offer.

In September 2014, the County and District Councils made a partnership bid to the Department for Communities and Local Government and were successfully awarded a £1m Transformation Challenge Award grant to develop the Lightbulb concept. A Programme team was appointed in 2015 to work with partners and take this concept forward.

The previous model of service delivery in Leicestershire was fragmented and complex to navigate. Support was funded and managed across two tiers of eight local authorities meaning it was difficult for customers to know where to start. There were frequent handoffs and different housing support needs were often assessed and dealt with in isolation by different agencies, involving a range of different practitioners.

Waiting times within the various parts of the system were lengthy and uncoordinated delaying the social, health and economic benefits to be gained from supporting individuals to continue to live independently in their homes, and missed opportunities for more holistic solutions.

In October 2017, the Lightbulb service began, integrating practical housing support into a single service across Leicestershire. Lightbulb created an integrated, customer focused pathway across Leicestershire using a new Housing Support Co-ordinator role and the locally developed Housing MOT Checklist to identify a range of non-complex housing support needs and to deliver and co-ordinate the solutions. As well as reducing the complexity and handoffs associated with the current system, Housing Support Co-ordinators work with customers and carers to identify their own needs and preferred solutions; supporting the shift towards a lower cost, lower intervention and preventative approach, and one which is ultimately more person-centred.

The service delivers:

- A single access point into a range of practical housing support solutions
- A common, holistic housing needs assessment process
- A broader, targeted offer of practical housing advice, information and support, including self-help and self-service options

- An improvement in the Disabled Facilities Grant (DFG) process and delivery times

The shared ambition and key objectives detailed in the original business case have been rolled out to teams supporting each Leicestershire district locality. The key drivers of this integrated approach are to:

- Support health and social care integration and deliver savings by maximising the part that housing support can play in keeping people independent in their homes
- Helping to prevent, delay or reduce care home placements or demand for other social care services
- Avoid unnecessary hospital admissions/readmissions or GP visits and facilitating timely hospital discharge
- Improve the customer journey; making services easier to access and navigate and ensuring the right solution is available at the right time with the right outcome
- Provide efficient, cost effective service delivery (particularly in relation to the delivery of Disabled Facilities Grants) through service redesign; capitalising on opportunities to realise economies of scale, more effective working practices, and improved processes to create greater capacity

This refresh of the Lightbulb business case is aimed primarily at local authority partners - County and District councils in Leicestershire – who will need to review the changes proposed since the original business case to realise and sustain the aims and ambitions of the Lightbulb Programme for the next 5 years of service delivery. It also presents important evidence to health colleagues and commissioners of the benefits of an integrated, targeted approach to housing support to the wider health and social care economy and evidences transformation of service delivery.

Key facts – Overview

- The concept of Lightbulb was one of a number of practical opportunities to emerge from the Housing Offer to Health; now part of the BCF Unified Prevention Offer.
- In October 2017, the Lightbulb service began, integrating practical housing support into a single service across Leicestershire
- This refresh business case presents important evidence to health colleagues and commissioners of the benefits of an integrated, targeted approach to housing support to the wider health and social care economy and evidences transformation of service delivery.

4. Strategic Context

Lightbulb as part of the Unified Prevention Offer

Lightbulb sits alongside a range of other initiatives as part of Leicestershire’s Unified Prevention Offer, ensuring a co-ordinated approach to preventative services both across the county and different stakeholder organisations.

This represents a comprehensive preventative offer, bringing together resources available to Local Councils and NHS partners. Through this offer, every opportunity is taken to improve health and wellbeing, support vulnerable people, maintain people’s independence, manage demand, and address the wider determinants of health and wellbeing.

The strategic direction provided by the multi-agency Unified Prevention Board ensures that the integrated housing pathway is developed through the Lightbulb Programme and is fully aligned with other initiatives as part of this comprehensive preventative offer.

Diagram 2 –Unified prevention offer for Leicestershire



Lightbulb supporting the Adult Social Care Strategy

Leicestershire’s Adult Social Care Strategy builds on the vision to ‘*make the best use of available resources to keep people in Leicestershire independent*’. Lightbulb’s integrated approach to housing support directly aligns with this vision and supports the model for future service delivery; helping to ensure people can get the right level and type of support at the right time to help prevent, delay or reduce the need for ongoing support and maximise their independence. The below shows how the Lightbulb model meets the various strategic needs of the Adult Social Care Strategy.

5. *Preventing need:*

- Housing expertise supports the advice and information offer; enabling individuals to make informed choices about their accommodation options and plan effectively for their future
- Lightbulb is a vehicle for the development of a countywide approach to preventative housing solutions such as equity release, independent financial advice and planning
- The development of self-help options is informed by a real understanding of the home environment and its impact on health and wellbeing, helping to maximise the preventative benefits of this approach and minimise hazards within the home environment.

6. *Reducing need:*

- Proactive targeting of 'at risk' individuals who would benefit from housing support interventions to improve their health and wellbeing, better manage existing conditions or prevent deterioration (for example through work with GP practices, environmental health teams, risk stratification etc)
- Effective triage that utilises housing expertise at point of enquiry
- A holistic approach to housing support that is able to identify the right option at the right time and make best use of available solutions, including a focus on innovative, customer led solutions and integration with other offers such as Assistive Technology.
- Integrated, countywide processes that reduce waiting times for DFGs and are more customer focussed

7. *Delaying need:*

- Supporting timely hospital discharge and preventing re-admissions through the Housing Enablement service within the overall Lightbulb model
- Aiding recovery through the development and mobilisation of innovative, customer focussed housing support

8. *Meeting need:*

- Help ensure the best use of resources (including equipment); delivering efficiencies through, for example, integrated procurement, use of the trusted assessor role, making the most effective use of specialist skills and roles

Disabled Facilities Grant and the Better Care Fund

Statutory funding for major adaptations in the home is allocated in the form of the Disabled Facilities Grant (DFG). Since 2015/16 these allocations have been made to District Councils through the Better Care Fund (BCF) plans and their pooled budgets operating between NHS and LA partners in each upper tier authority area. The rationale for the DFG allocations to be included within the BCF plans/pooled budgets is to encourage areas to think strategically about the use of home adaptations and technologies to support people in their own homes and to take a joined up approach to improve outcomes across health, social care and housing.

The Government's Spending Review (November 2015), outlined a commitment to increase the amount given to local authorities for DFG from £200m in 2015/16 to £500m nationally in 2019/20. The BCF, coupled with the Regulatory Reform Order, provides the opportunity to look more flexibly at how DFG funding is spent, including strengthening links to health and social care priorities.

In addition to increased DFG allocations, the revised BCF Policy Framework and planning guidance for 2016/17 introduced a new national condition requiring local areas to develop a clear, focused action plan for managing delayed transfers of care from hospital (DTC). Local BCF plans are required to consider how the voluntary and community sector can contribute to reductions in DTC and to consider whether other local stakeholders, such as housing providers have a role to play in efforts to reduce delays.

Coupled with the continued emphasis on avoided hospital admissions and readmissions, these developments both support the Lightbulb vision and act as a further driver for change.

Key facts; strategic context and the case for change

- Service transformation is supported by a number of national and local strategic drivers, including the BCF and national targets to improve hospital discharge.
- A growing body of evidence is demonstrating that savings can be achieved from a targeted, preventative and holistic housing support offer
- Leicestershire's ageing population will increase the pressure on health and social care services, driving the need to find more integrated, targeted and efficient service solutions such as Lightbulb
- An integrated approach to housing support improves the customer journey and support the challenges faced by the local health and social care economy
- The opportunity of additional funding is leading to increased innovation and transformation.

5. The Lightbulb Service

Benefits to the health and care economy

The original business case showed that the Lightbulb service would provide savings to the local health and care economy through the new service offer. Pilot projects undertaken prior to Go Live demonstrated the potential to save around £2m annually for health and social care.

As part of the original evaluation of the potential savings, measured within the Lightbulb pilots, 18 Housing Support Co-ordinator cases were analysed looking at pre and post Lightbulb intervention. This showed the potential costs savings to Adult Social care of £250,000 per year. In addition, the redistribution of caseload management from Occupational Therapy to Housing Support Coordinators has realised an actual saving to Adult Social Care of £110k, in the first year of service.

Further savings are projected to arise from reduced falls, emergency admissions and ambulance call-outs, integrated service delivery and reduced length of hospital stay.

The Lightbulb service will therefore be one of a number of contributory factors to achieving improved performance on these metrics.

Medium and longer term benefits, potential financial return and opportunities for savings through Lightbulb are outlined below:

	Benefits to	Savings
Reduction in Falls	Health and Social Care	£614,000
Falls call-out and conveyances	EMAS	£55,000
Housing Support Co-ordinator role	Adult Social Care	£250,000
UHL Hospital Housing Enabler*	Health	£550,000
Bradgate Unit Housing Enabler*	Health	£475,000
DFG process reduction	District Council's	£92,000
DFG delivery cost reduction	District Council's	£65,000
	Total	£2,101,000

* These services operate across both Leicester and Leicestershire and benefits are therefore across the wider, local health economy

Sitting alongside the hub and spoke Lightbulb model, is the Hospital Housing Enabler service (HET) which is seeking mainstream funding as part of its own business case. This service operates across Leicester and Leicestershire. Savings projected as part of this service to the health economy are included in the table above.

Delivering process improvement and efficiencies – year one

Lightbulb service redesign is based on existing functions that were directly aligned to the functions to be carried out through the Lightbulb hub and spoke service model. Key revenue funding streams were identified and comprise the existing funding 'pot':

- Funding that currently supports the delivery/administration of Disabled Facilities Grants (i.e. excluding capital grant expenditure; district council funding stream)
- For those District Councils that utilise DFG grant monies to fund the administration of DFGs, advice has been sought that suggests this practice may continue, however, Councils will be required to ensure their own external auditors are in agreement with this practice during the transformation.
- Funding that currently supports the delivery and processing of assessments for minor adaptations and equipment
(Leicestershire County Council funding stream)
- Funding that currently supports the housing based advice, information and signposting offer (Leicestershire County Council funding stream)
- A proportion of existing Occupational Therapy funding, freed up as a result of a move towards a trusted assessor model through the HSC role (Leicestershire County Council funding stream)

It is also important to acknowledge that in addition to the above, the Occupational Therapy (OT's) services of Leicestershire County Council (LCC) have also been realigned to support the Lightbulb model. This includes 7 OT's that deliver the statutory function regarding complex adaptations at a cost to the County Council of around £288k. This does not form part of the overall Lightbulb budget as staff are retained by LCC. This includes a manager position that supports the OT's across the County Council. These posts also provide training and mentoring to the HSC's to support them in the delivery of adaptations. This is included in the role of the OT's.

The model was based on demand totals for workload that was to be included in the service and staffing resources employed according to the needs evidenced in this demand. However, at go live, there were several hundred cases as an inherited backlog hadn't been accounted for that the Lightbulb service had to complete. This caused initial underperformance in terms of predicted timescales for delivery so it is worth noting that the good performance detailed below has been with a backdrop of excessive additional upfront workload.

It was agreed that demand would be evaluated and adjusted based on current service demands for the first full year in operation and this business case would include any increase in staffing costs and overheads and any additional changes to the percentage contribution each district makes which could arise from any changes to the original demand model.

Original demand was mapped as per the below table. This table includes the revised demand based on the first year of service and any increases:

District Based Localities	Previous % Demand	Revised % demand	Variance
Blaby	13	14	+1
Charnwood	26	24	-2
Harborough	10	14	+4
Hinckley & Bosworth	18	17	-1
Melton	9	8	-1

NW Leicestershire	15	14	-1
Oadby & Wigston	9	9	0

The Lightbulb service has greatly reduced processes, saving time for customers and provides efficiencies for all organisations involved in respect of staff time and costs.

New, integrated processes have delivered reduced steps in the processes for delivery of certain types of DFG's (shown in the table below. Consequently this has reduced the number of handoffs for customers representing a better service.

	Number of steps prior	Number of steps post	Number of handoffs prior	Number of handoffs post
Stair lifts	24	10	8	3
Level access showers	27	13	9	5

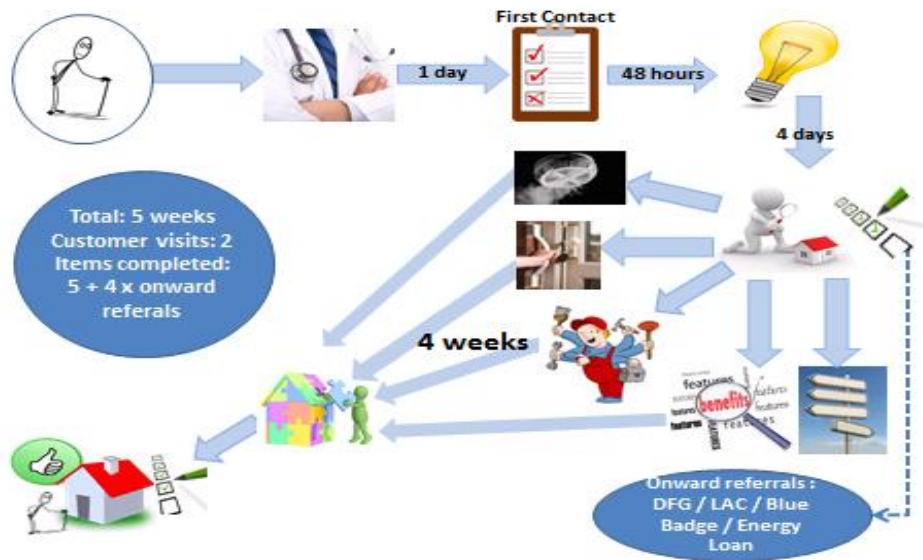
It is important to note the following:

- Where there are handoffs in these processes, they are co-ordinated by the Housing Support Co-ordinator role to ensure a more customer focused service with one point of contact.
- The business case for the Lightbulb service calculated that improvements to the process for assessment and installation of a stair lift would **reduce the current unit cost of this activity by 11%** (from £2429 to £2164 (approx.) and for level access showers **by 4%** from £5408 to £5210 (approx.). It was predicted that this would save £92000 in year one. The actual saving is £96000 based on 158 stair lifts and 275 level access showers being fitted in Leicestershire between October 2017 and September 2018.

Role of the Housing Support Co-ordinators

The offer delivered by the Housing Support Co-ordinators is detailed below and shows the differing referral route that is more prevention targeted and the wider range of services that can be organised and delivered in a quicker and more efficient way. It is important to note that a DFG may also be required but this becomes only one option from a range of interventions.

The Lightbulb Customer Journey



Since the full roll out of Lightbulb in October 2017, the service has completed approximately 4300 housing support coordinator cases for the benefit of customers across Leicestershire. This represents an increase of around 50% to the projected workload. The previous demand was based on the throughput and productivity of cases through the previous CAT contract held by Adult Social Care and the projected number of OT cases that could have been completed within the HSC role.

The additional productivity shown by the Housing Support Coordinators, over and above that was projected, will have also had an impact on Occupational Therapists allowing them to concentrate on delivering more complex caseloads, representing a better return on investment for Adult Social Care. The OTs that operate to support the Lightbulb model have completed an additional 37% of cases than projected to be delivered prior to full roll out of the service.

This means that across these roles, the service has been significantly more productive and efficient than initially projected. Analysis of HSC cases during the first year of delivery is shown in the table below:

District	HSC case delivery times (days)
Blaby	29
Charnwood	93
Harborough	23
Hinckley & Bosworth	26
Melton	23
NW Leicestershire	27
Oadby & Wigston	33
Average	36

Timescales show the average overall delivery of a case is 36 days. This is measured from date of referral from source (e.g. CSC, First Contact) to the date that the case is closed. The average for Charnwood is significantly larger than for the other districts.

This is due to the increased backlog that occurred at the start of go live. This delay in Charnwood Borough Council starting the Lightbulb Programme was due to legal agreements not being in place.

Delivery of this workload is largely comparable to the CAT contract that was in place prior to the start of the Lightbulb service. Average delivery timescales for these cases were around 42 days, meaning the new delivery of the service is around 1 week quicker.

"If it hadn't been for (the Housing Support Co-ordinator) I probably would have not been able to stay in my home in the long term, they have helped me so much. I now feel quite confident compared to what I use to."

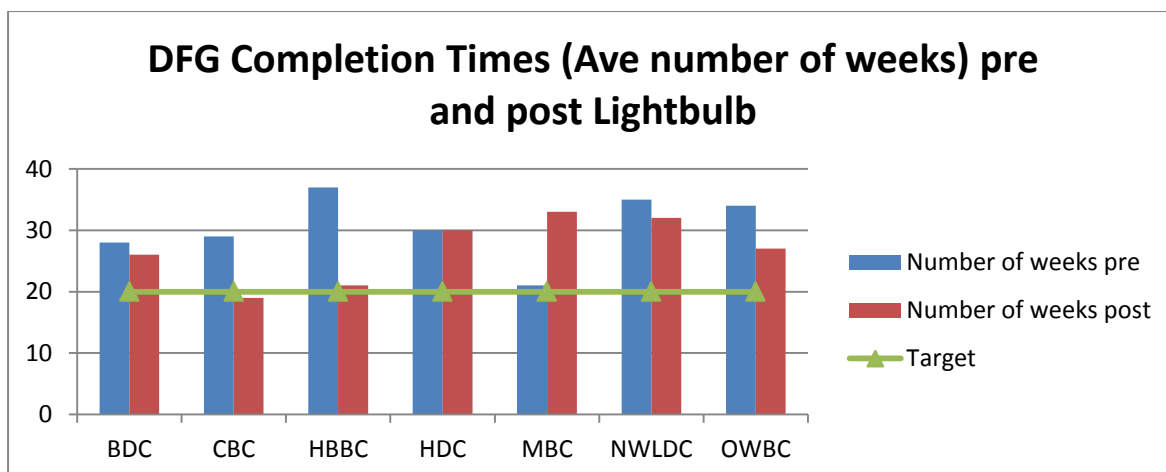
Disabled Facilities Grants delivery

Prior to go live, existing service pathways for the assessment and completion of Disabled Facilities Grant were complex and lengthy, for example: Initial analysis for the original business case showed that

- The previous process for assessing and installing a stair lift incorporated 24 different stages with approximately 8 handoffs
- The previous process for assessing and installing a level access shower incorporated 27 different steps and 9 handoffs

Throughout the year the number of cases being referred for a DFG has reduced by 43%. This is partially due to the predicted shift from major adaptations to minor adaptations delivered by HSC's and is in line with the objectives of the original business case and the prevention ambitions of local and central government.

During the pilot phase, DFG delivery times were monitored regularly as part of the performance framework. The chart below compares average DFG completion times in weeks since go live, to completion times for 2016-17, the last full financial year of data available. An overall target for Leicestershire of 20 weeks for DFG end to end times was set at Go Live:



The chart shows that, so far, two districts, have reached the DFG delivery target with one district slightly above target. All districts but one have achieved improved delivery times with Melton being the outlier. Delivery times for Melton are an outlier due to historical caseload backlog that came into the Lightbulb service at go live. When the data for completion times is broken down since go live, it can be seen clearly, that performance has significantly improved and is now in line with the target of 20 weeks. Quarter 3 2017/18, shows an average completion time of 36 weeks. Quarter 4 saw this reduce to 26 weeks and by Quarter 1 of 2018/19, this has reduced further to 20 weeks. This is in line with the target and the service is confident this will be maintained.

Analysis of DFG performance shows that historical cases have had an impact on projected delivery timescales. As with Melton it is anticipated that this will improve as more existing cases follow the new pathways for delivery.

Throughout the 2018/19 financial year it is forecast that DFG delivery times will improve with the advent of Housing Support Coordinators becoming Trusted Assessors for category A DFG's (stair lifts). Alongside this, the service is working towards creating a framework for contractors which will speed up the process around quotes for services, particularly relevant for level access showers.

The below table charts DFG spend against allocation for the 2018/19 financial year as at October 2018. It details the allocation for DFG spend from the Better Care Fund 18/19, the actual spend to date, what the predicted spend will be once all DFG's that are currently in the system have been completed and the agreed contributions to the Regulatory Reform Order. The last column shows what allocation is likely to remain for each district taking into account projected spend and the cost of the RRO:

District	Allocated funding 18/19	Actual spend on DFG's to date	Predicted spend on jobs in workflow	RRO allocation	*Estimated costs of jobs not started by area	Predicted DFG Allocation at end of 18/19
BDC	£542,165.00	£161,225.75	£273,108.00	£30,000.00	£221,138.00	-£143,306.75
NWLDC	£621,202.00	£200,389.34	£133,669.00	£30,000.00	£23,225.00	£228,918.66
MBC	£281,543.00	£92,519.88	£73,150.00	£30,000.00	£77,683.00	£18,190.12

HDC	£418,476.00	£86,506.05	£227,058.00	£30,000.00	£226,111.00	-£151,199.05
HBBC	£472,848.00	£191,227.00	£316,084.00	£30,000.00		-£64,463.00
CBC	£920,160.00	£115,941.03	£128,350.00	£30,000.00		£645,868.97
OWDC	£375,897.00	£70,406.42	£144,317.22	£30,000.00	£202,946.00	-£61,772.64

DFG capital funding has increased within the Better Care Fund, however, revenue remains the same, meaning that unless the number of requests for DFG's increases, capital expenditure cannot be fully utilised. However, under the Regulatory Reform Order (Housing Assistance) (England and Wales) Order 2002, local authorities can use DFG funding in a preventative way to promote independence for service users in their own homes.

It is proposed that this additional assistance to customers includes:

- Relocation Grant – where a property cannot be adapted and relocation is the most cost effective option
- Supporting individuals with diagnosed Mental Health or learning disability to remain in their own home
- Home support Grant – for essential repairs to help people remain safe in their homes
- Ceiling track hoists / Equipment for long term diagnosed conditions
- Extended warranty cover on equipment
- Module Ramping / suitcase / folding ramps to support hospital discharge
- Cover funding gaps
- Drop kerbs

This work will help the service shift to a preventative model offering further scope to deliver additional needs to customers in their home. This is aligned to the expansion options in the below section of the document.

Customer impact

The customer insight work conducted prior to the development of the original business case showed that 95% customers wished to have a single point of contact. This principle has been developed within the service for all cases that do not involve a DFG. Where a DFG is required there is a single hand off to a Technical Officer. As part of the roll out of the future trusted assessor model, Housing Support Coordinators will become the single point of contact for some DFG categories, helping to fulfil the ideology developed in the customer insight work.

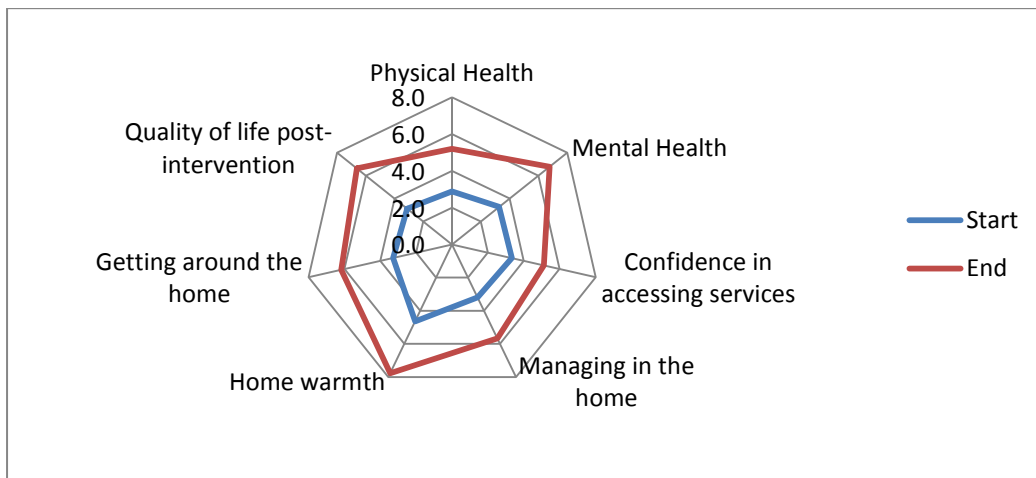
Some Lightbulb customers have been known to services, however a significant proportion have not been known, apart from visiting their GP, Lightbulb has been able to undertake targeted prevention work with these individuals with the aim of reducing or delaying their need to access more costly services and can signpost customers very effectively to Leicestershire's wider prevention offer via First Contact.

Further customer insight work is programmed into the future developments phase over the next five years.

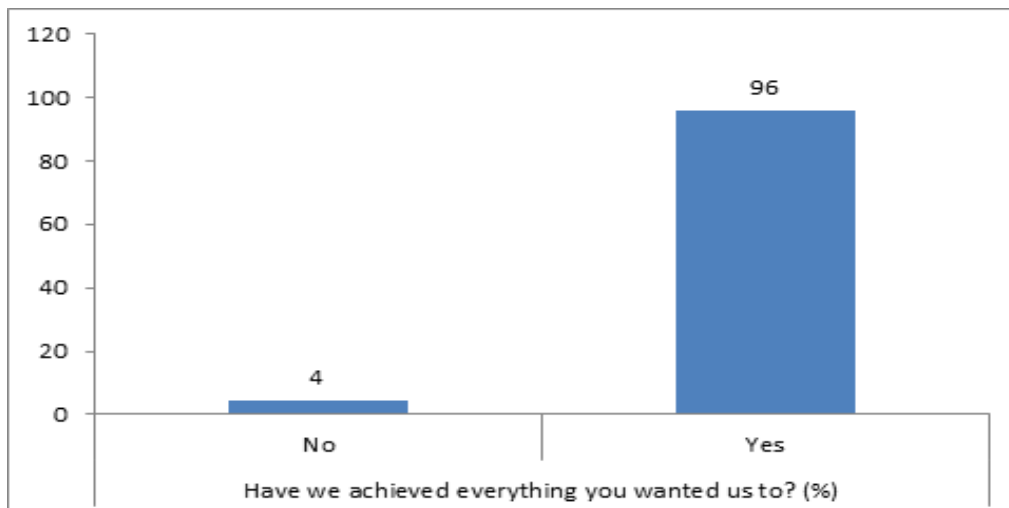
Service Model – A customer perspective

The Lightbulb service involves the measuring how outcomes have improved for customers post intervention. Housing Support Coordinators work with residents to evaluate the impact of interventions; scoring themselves against a set of outcomes to track improvements. The outcomes star below shows how customers score themselves on a scale of 1-10 for each element. The scores are averaged from 100 Lightbulb customers, before and after intervention. The start line shows the average scores against each outcome at the beginning of the Housing MOT with the end line showing how customers ranked themselves at the end of the process.

The biggest impact was against the quality of life post-intervention and mental health outcomes, followed by home warmth and managing in the home.



Housing Support Coordinators ask customers if the service has achieved everything they wanted us to do. Overwhelming, 96% customers answered ‘yes’ to this question.



“The level of independence is immeasurable and makes us feel much better. We are grateful for all the help we received and impressed how quickly things got done. Our lives are much improved.”

Key facts: The Lightbulb Service

- A targeted, proactive approach ensures Lightbulb is supporting the shift towards prevention. Lightbulb is delivering services in an efficient and productive way.
- Service solutions and interventions are customer focused and include support to self-help.
- The service is delivering excellently against customer expectations.
- The Housing MOT checklists provide a tool for identifying and responding to a range of housing needs in a holistic way
- A hub and spoke Lightbulb model ensures effective links with other locality services and functions and enable housing support to be fully integrated with health and social care teams in each area

6. The financial model

It is important to note that within the financial options costs are indicative at this stage. Accurate salary and establishment costs are being drafted along with forecasted increases on additional expenditure for example, car allowances, small supplies and service provision. The approximate 11% uplift is an estimate as to what this will equate to and has been used to enable initial costings to be calculated. This business case will be updated with finalised costings for 19/20 as soon as they become available.

The Lightbulb service and associated financial contribution model was predicated on partners paying a percentage of the costs according to the demand in workload and over 65 population statistics for each locality prior to October 2017. Each locality's proportion of the overall share of the demand across Leicestershire was then used to calculate both their overall contribution and the proportion from that, would be used to fund services within the central hub.

For this refresh, the demand totals have been evaluated and adjusted based on current service workload for the first full year in operation along with predicted population for over 65's by 2020.

Population numbers have been included in this refresh as it was included in the demand calculations for the original business case. Therefore, to make a true comparison it should also be used in any refresh. Secondly, it gives a good indication as to which localities may show future increases in workload for adaptations, particularly minor ones delivered by HSC's. As these types of adaptations are not means tested, demand is more likely to increase based on the population and not necessarily those eligible for Adult Social Care services in general.

It is important to note that the percentage figures are only approximate and will be adjusted annually based on the same formula and that these are used for financial contributions and not to determine levels of required staffing.

Table 1:

	BDC	CWD	HDC	HBBC	MBC	NWLDC	OWBC	<u>Totals</u>
HSC cases	636	1204	410	705	397	610	374	4336
OT cases	178	264	146	266	132	194	98	1278
Non-complex DFG's	121	168	75	78	41	86	42	611
Complex DFG's	26	30	18	5	6	7	14	106
First Contact	38	157	27	123	23	103	23	494
Population over 65	20900	34800	21000	25500	12200	21100	12600	148100
<u>Total</u>	21752	36425	21583	26594	12752	22007	13095	154208
% demand	14	24	14	17	8	14	8	100

The revised percentages can be seen in the table below:

Table 2: Lightbulb Service Demand for 18/19 and 19/20

District Based Localities	Previous % Demand (18/19)	Revised % demand (19/20)	Variance
Blaby	13	14	+1
Charnwood	26	24	-2
Harborough	10	14	+4
Hinckley & Bosworth	18	17	-1
Melton	9	8	-1
NW Leicestershire	15	14	-1
Oadby & Wigston	9	9	0

Option 1 – Current level of service

Option 1 of the business case shows the indicative additional contributions required from partners to meet the proposed increase of 11% for 2019/20. This percentage covers rises to reflect basic salary increases and overheads of around 11% on average, which takes into account any increments and the already agreed pay award alongside additional costs to service delivery.

This option does not include any increases in establishment staffing to meet any increase in workload demand (this is detailed in options below).

Current costs for the Lightbulb service are £791,063 for 2018/2019. In July 2018, the Management Board for Lightbulb agreed to an indicative uplift to costings to the threshold of 11% which equates to an additional £91,767 for Option 1, making a total of £882,830.

The below table shows the revised total contributions for each partner. This contribution includes contributions to the central hub, based on the suggested 11% increase in service running costs and has been reapportioned to the revised demand percentages for each area as detailed in the table 1 above:

Table 3: Contribution for Frontline Staffing for 18/19 and 19/20

District	Current contribution	Future Contribution inc service costs adjusted by demand (11%)	Variance
Blaby	£74,251	£77,640	£3,389
Charnwood *	£103,833	£107,635	£3,802
Harborough	£48,216	£56,503	£8,287
Hinckley & Bosworth	£67,679	£86,246	£18,567
Melton	£38,601	£42,207	£3,606
NW Leicestershire	£54,182	£65,057	£10,875
Oadby & Wigston	£38,601	£41,442	£2,841
LCC	£365,700	£406,100	£40,400
Total	£791,063	£882,830	£91,767

*Charnwood's contribution equals £25,122 to the central hub only.

Table 4: Partner Contribution to the Central Hub 18/19 against 19/20

District	Current contribution to central hub based on prev demand %	Future Contribution to central hub based on revised demand %	Variance
Blaby	£13,529	£14,341	£812
Charnwood *	£23,166	£23,838	£672
Harborough	£9,707	£10,600	£893
Hinckley & Bosworth	£15,576	£16,191	£615
Melton	£8,292	£8,620	£328
NW Leicestershire	£12,723	£13,226	£503
Oadby & Wigston	£8,292	£8,707	£415
LCC	£79,413	£83,384	£3,971
Total	£170,698	£178,907	£8,209

Option 2 –inclusion of the role of Office Manager

In addition to Option 1, this option includes introducing the role of Office Manager. This addition to the Central Hub establishment is required to line manage additional admin staff (allocated to each locality) that partners requested be included in the establishment. The alternative to this would be to manage admin at a local level by individual organisations. The benefit of having all admin staff together enables efficiencies of scale and resilience especially relevant when locality admin posts are not full time.

The post would also support delivery of the Major Adaptions service which is currently provided by LCC and will be transferred to Lightbulb in February 2019 along with additional administrative resource provided by LCC to meet current service demand; and will oversee the administration derived from the newly implemented Home Support Grant.

Management Board are aware of the difficulties that the Central Hub have had in providing performance data and it will be this Officer's duty to undertake all performance data requirements and supervision of all Administrators.

Expansion and future developments to the service and will release capacity from the Service Manager to deliver more strategic elements as part of the 5 year forward view. Additional information on the developments for the next 5 years is detailed in a section below.

The cost of this post to each locality and to the County Council is shown in table 5 below:

Table 5:

District	Option 1 contribution	Option 2 Contribution inc Office Manager	Variance to option 1
Blaby	£77,640	£80,187	£2,547
Charnwood *	£107,635	£112,002	£4,367
Harborough	£56,503	£59,050	£2,547
Hinckley & Bosworth	£86,246	£89,339	£3,093
Melton	£42,207	£43,663	£1,456
NW Leicestershire	£65,057	£67,604	£2,547
Oadby & Wigston	£41,442	£43,079	£1,637
LCC	£406,100	£421,600	£15,500
Total	£882, 830	£916,524	£33,694

*Charnwood's contribution equals £29,489 to the central hub only.

The Officer Manager post is essential to create the resilience for the service and support the Administrators who book all appointments for the HSC's (of which this is approximately 50% of their work) as well as collect and disseminate data on HSC performance from IAS and an internal database. This post is also instrumental in making sure referrals are processed and appointments made and customers update by ensuring the coordination of resource across the County.

Option 3 –increase of Technical Officers and Housing Support Co-ordinators

As mentioned previously, Lightbulb staffing resources are mapped to meet the current demand in workload. As part of the refresh for the business case, the resources required from April 2019 onwards have been calculated in the same way as the original business case, by using existing information about the demand for services to quantify the staffing resources required to deliver the Lightbulb service overall.

This has been refreshed based on the first year caseload of referrals both completed and awaiting completion. This level of analysis is used to determine what staffing resources will be needed to meet the demand.

Demand mapping has included all key elements of the holistic Lightbulb offer currently being undertaken:

- Housing Support Coordinator workload
- Occupational Therapist caseload
- Non-complex disabled facilities grant
- Complex disabled facilities grants
- First Contact referrals

This will include the 11% additional staffing costs. This level of funding will ensure the increased and existing demand is met without detriment to service standards and it is anticipated that service standards will improve further with the proposed increase in resources.

By mapping this demand against the HSC, Occupational Therapist and Technical Officer roles, the following staffing resources are anticipated across each local

Lightbulb team and within the central hub. This work presents an overall picture of Lightbulb demand across the county, broken down by District Council area as follows:

Table 6:

District Based Localities	Current HSC FTE	Future HSC FTE	Current Technical Officers FTE	Future Technical Officer FTE	Current Admin FTE	Future Admin FTE
Blaby	1.7	1.9	0.7	1.1	0.5	0.5
Charnwood	3.0	3.7	1.0	1.2	0.5	0.5
Harborough	1.2	1.2	0.7	0.7	0.4	0.5
Hinckley & Bosworth	2.3	2.1	0.6	0.5	0.5	0.5
Melton	1.0	1.4	0.3	0.2	0.4	0.3
NW Leicestershire	1.8	1.7	0.4	0.6	0.4	0.5
Oadby & Wigston	1.0	1.2	0.3	0.4	0.4	0.3
Leicestershire (locality based)	12	13.2	4*	4.7	3.1	3.1
OT resource are also part of the Lightbulb team in each locality						

*an additional 0.4 fte is employed to work across the localities to support delivery

There is additional HSC requirement, firstly due to increased demand but also when the increased demand for stair lifts (to be undertaken by HSC's in a trusted assessor role) is included in the HSC workload, staffing at this level increases by 1.2 FTE. The Technical Officer resource across Leicestershire currently equates to 4 FTE. As per the table above, this will increase to 4.7 to meet the current demand of DFG cases in the system.

This increase in resource is in large part required due to the backlog of cases that were inherited and carried over from the CAT contract, from Papworth and from some Districts as part of the DFG integration into Lightbulb. Also, HSC's have only just achieved trusted assessor qualification and the spreadsheet is calculated on the basis of work completed and pieces of work in the system. The increase in resource would also help achieve the 20 week aspiration for all Districts quicker and allow increased capacity for RRO opportunities as they evolve. The spreadsheet and formulas are the same as used in the initial Lightbulb business case and can be further explained at Delivery Group/Management Board.

The costs for the service with apportioned additional staffing to deliver the increase in demand for 2019/20 is shown in table 6 below. As workload demand could be calculated annually and staffing levels adjusted to meet this, the proposed additional staffing could be for a fixed term only and readjusted once any backlog is cleared or delivery targets are being consistently met.

Table 7:

District	Option 1 contribution	Option 3 Contribution inc TO and HSC	Variance to option 1
Blaby	£77,640	£86,466	£8,826
Charnwood *	£107,635	£122,755	£15,120
Harborough	£56,503	£65,323	£8,820
Hinckley & Bosworth	£86,246	£96,956	£10,710
Melton	£42,207	£47,247	£5,040
NW Leicestershire	£65,057	£73,877	£8,820
Oadby & Wigston	£41,442	£47,112	£5,670
LCC	£406,100	£422,100	£16,000
Total	£882, 830	£961,830	£79,000

*Charnwood's contribution equals £26,227 to the central hub only.

Option 4 – 11% salary uplift, addition of an Office Manager and increase in Technical Officers and Housing Support Co-ordinators

This is the combination of options 1, 2, and 3 detailed above. This option gives the service greater opportunity to reduce the backlogs that currently exist and to provide greatest resilience, ability to focus management and leadership on the strategic elements and expansion of the service creating a truly preventative approach to all housing related services across Leicestershire.

The financial contributions for this option are shown below in table 8.

Table 8:

District	Option 1 contribution	Option 4 Contribution inc TO and HSC and OM	Variance to option 1
Blaby	£77,640	£89,007	£11,367
Charnwood *	£107,635	£127,122	£19,487
Harborough	£56,503	£67,870	£11,367
Hinckley & Bosworth	£86,246	£100,049	£13,803
Melton	£42,207	£48,703	£6,496
NW Leicestershire	£65,057	£76,424	£11,367
Oadby & Wigston	£41,442	£48,749	£7,307
LCC	£406,100	£437,600	£31,500
Total	£882, 830	£995,524	£112,694

*Charnwood's contribution equals £30,642 to the central hub only.

7. Future direction and service development

Service development

The development of Lightbulb as an integrated service delivery vehicle presents a number of opportunities for authorities to work collaboratively to achieve efficiencies and further improve the customer experience. A number of opportunities were highlighted during the development phase of Lightbulb and the model includes scope within the central hub to explore and address these further in a co-ordinated and integrated way, including:

- Collective, smarter procurement practices such as bulk purchasing and common supplier lists
- Development of more flexible DFG solutions
- Sharing good practice and process improvement
- Opportunities to engage in a consistent, single dialogue with social housing providers regarding the delivery of home adaptations in their stock to ensure this offer is better aligned with that for home owners
- Continued customer insight work to identify services gaps and deliver countywide improvement
- Developing and improving the self-serve offer for practical housing support
- Embedding a new assistive technology offer as part of the Housing MOT.
- Creating efficiencies across District partners and Social Care

Leicestershire's population growth patterns have implications for the provision of services for older people in particular. An increasing number of older people with complex care needs means more pressure on health and social care services. Supporting people to maintain their independence and manage their own health and care needs are key to managing demand on these resources.

The Government's commitment to increase funding for Disabled Facilities Grants through the Better Care Fund does, in itself, present challenges in terms of resources required to deliver additional activity and the continuation of the Lightbulb service sees Leicestershire well placed to respond.

The Lightbulb service is developing a 5 year future development plan in order to help create a preventative approach to care across Leicestershire that aims to support people in their own homes and further meet their needs.

The service is investigating incorporating the following into future service delivery:

- Merge and manage the work of the adaptations team and creating further efficiencies across all partners
- Lead Assistive Technology initiatives
- Manage additional DFG Funding
- Co-ordinate further engagement with Public Health
- Lightbulb RRO – to procure modular ramping, hoists etc
- Dementia Friendly Homes
- Extension of Hospital Housing Enablement Team
- Extension of Programme across all Tenures

- Incorporating the work on major adaptations currently undertaken by the County Council and creating further efficiencies in association with this
- Targeted work for identified cohorts i.e. Integrated Locality Teams patient cohorts including those who are frail and with 5 or more long-term conditions

The Lightbulb model is also working to embed the learning and good practice from the Hinckley and Bosworth integrated locality teams pilot and provides a vehicle to roll out this proactive, targeted approach across Leicestershire by:

- Enabling GPs and community healthcare teams to access the Lightbulb housing offer through the existing First Contact Plus service for presenting patients as part of a social prescribing approach
- Providing an opportunity to target the Lightbulb housing offer to 'high risk' patients including using practice based data and case management information to identify target cohorts of people for this service (those that are frail or multi-morbid, for example)

Lightbulb provides a sound infrastructure and performance framework to further build the body of evidence around the contribution of this integrated and proactive approach towards housing support to the health and social care economy; placing partners in a strong position to engage with health colleagues around support for growth through the Better Care Fund.

Key facts: Future Direction and Service Development

- The Lightbulb service is required to support ongoing pressures and demand for housing services.
- Opportunities exist for even greater efficiencies around procurement, more flexible DFG solutions, process improvement, fit for purpose home adaptations, customer self-service and new technology in the home

8. Programme governance

Since go live, the programme has been supported by a dedicated Management Board comprising senior level representation from the seven District Councils, the County Council's Adult Social Care and Public Health services and the Director of Health and Social Care Integration. A Delivery Group supports the Management Board operationally and has responsibility for the development and delivery of the operational service design, programme plan and programme risks.

The programme governance structure also ensures a formal link into the countywide Unified Prevention Board which, in turn reports through the Integration Executive to the Leicestershire Health and Wellbeing Board.

The lightbulb programme has clear governance links to the decision making and governance in each district council, the County Councils Adult Social Care department and Cabinet and the Members Advisory Group for Health and Housing.

Equality Impact and Needs Assessment

Alongside our continued engagement with customers and user groups, an initial equality impact and needs assessment (EINA) has been completed, to support the development and implementation of the Lightbulb service. This enables us to identify any negative or adverse impact on particular groups and put actions in place to minimise or remove such impact as part of the programme plan.

The Lightbulb Programme Board will consider how best to take this forward as a joint impact assessment across partners organisations as part of the sign off of this business case. The programme continues to be informed by ongoing customer engagement to ensure the EINA remains fit for purpose.

9. Recommendations

The initial funding for Lightbulb draws to an end on 31st March 2019 and, as such, it is timely to review the resources allocated for 2019/20. In order to do this, financial options have been prepared for consideration:

- Option 1 - existing staffing structure with an indicative 11% increase in service running costs, covering salary increases etc. This also includes the reallocation of costs to reflect demand in each area including central hub and operational officers
- Option 2 - Option 1 plus an Office Manager position to manage the administration officers and deliver requirements around performance, support back office systems and processes and proposed service improvements listed below
- Option 3 - Option 1 plus increases in Housing Support Co-ordinators and Technical Officers to meet increased demand
- Option 4 – To financially support all options 1-3 above

It is recommended that partners sign up to a new 5 year Legal Agreement to provide service and staffing stability based on Option 2.

It is recommended that Option 3 be dealt with outside of the main contributions as this is a temporary measure. The total of another Technical Officer is £44,306 for which the costs can be capitalised. The total cost for the additional HSC resource would be £34,694 which if split 7 ways would equate to £4,956 each. (Over a 12 month period).

In signing up to the continuation of Lightbulb for Leicestershire the Management Board will continue to strive for further public sector cost savings and customer service improvements through the following;

- Future Integration of Adaptations and Assistive Technology
- Enabling GP's and community health teams to access Lightbulb through First Contact Plus
- Investigating how Lightbulb can be used to target 'high risk' patients using practice based data and case management information
- Collective and smarter procurement practices
- Development of more flexible DFG solutions
- Engagement with social housing providers to discuss potential delivery of home adaptations in their stock
- Continued customer insight and sharing of best practice
- Development of a self-serve offer for practical housing support

10. Next Steps

- 1, Management Board to agree which option to progress through a collective governance process.
2. Partners to take a standardised report through individual governance processes to enable Legal and Information Sharing Agreements to be finalised prior to year 2 start date of 1 April 2019.

lightbulb review

Following completion of the revised Lightbulb Business Case for Transforming and Integrating Practical Housing Support in Leicestershire, in December 2018, an internal review of the progress and impact of Lightbulb within Charnwood was undertaken.

Project Overview

The concept of Lightbulb was one of a number of practical opportunities to emerge from Leicestershire's Housing Services Partnership through the development of the Housing Offer to Health in 2013. This set out how local housing services could support and promote the health and wellbeing of Leicestershire citizens; offering to concentrate collective efforts on developing services to help health and social care partners achieve Better Care Fund objectives.

Lightbulb aimed to bring together a range of practical housing support into a single, integrated pathway. A holistic housing needs assessment (to become known as the Housing MOT) would ensure that housing support needs are proactively identified and that the right solutions are found. The overall ambition was to maximise the contribution that housing support can play in keeping vulnerable people independent in their homes; helping to avoid unnecessary hospital admissions or GP visits and facilitating timely hospital discharge.

The County Council, Districts and Boroughs of Leicestershire made a successful partnership bid for a £1m Transformation Grant from the Department for Communities and Local Government to take the concept of Lightbulb forward.

The service delivery model for Lightbulb is a Hub and Spoke model. The 'Spokes' comprise a Lightbulb team in each Council area (7 local teams) to deliver the integrated service (the functions that were previously carried out at District Council level and the functions previously carried out by County Council), supported by a Central Hub operated by Blaby District Council.



At May 2017 Cabinet, the decision was made to adopt the Lightbulb 'Locality Team' delivery model within Charnwood, the remaining Districts and Boroughs chose the Lightbulb 'Full Service Model' facilitated by Blaby District Council.

With the Full Service model, the central Hub carries out the full service for the Council by delegating the locality element (including secondment or TUPE of existing staff where appropriate).

With the Locality Team model, Charnwood directly employ a locality based Lightbulb Team and deliver the service directly across the Borough (linking with the Central Hub to ensure consistency of operating procedures and resilience in the overall system).

The Lightbulb Team within Charnwood consists of 3 Housing Support Coordinators (HSCs), 1 Technical Officer and 0.5 FTE Administrative Officers, in addition to 1 FTE co-located Occupational Therapist (OT). Demand information for services and learning from the Lightbulb Pilots was used to quantify the staffing resources required across different Council areas in the original Lightbulb Business Case. The breakdown of total Lightbulb demand by Council area for Charnwood was estimated at 26%.

The Project went live across the County in October 2017 in all areas other than Charnwood. This delay to go live was due to the delegation of functions from Leicestershire County Council to Blaby District Council and then to Charnwood Borough Council, required to establish the Locality Team. The Lightbulb go live date for Charnwood was January 2018.

Housing Support Coordinators (HSCs)

Our Housing Support Coordinators (HSCs) are trained and skilled to deliver:

- Assessment and ordering of minor adaptations and equipment
- Assessment of non complex DFGs
- Assessment and resolution of wider practical housing support needs
- Housing related health and wellbeing support (eg warm homes, falls prevention)
- Planning for the future (housing choices and options)
- Advice, sign posting, self help



Each HSC has either completed or is undergoing assessment under the Trusted Assessor competency framework to ensure that they have the skills, knowledge and experience needed to carry out full assessments.

From the moment Lightbulb went live within Charnwood, our HSCs have undertaken the full range of duties and assessments intended as part of the initial Housing MOT, including, where required, stairlift assessments and the completion of provisional tests of resources for potential Disabled Facilities Grants. Each Housing MOT assessment is a tailor made review of the resident's housing situation which can include;

- Mobility around the home - getting out and about, negotiating steps and stairs
- Use of the toilet
- Bathing facilities
- Getting in and out of bed

This assessment may result in the ordering of equipment for the resident (for example a bath board or a perching stool), a minor adaptation (for example grab rails to assist people with their mobility around the home) and in some cases, a major adaptation such as a stairlift or level access shower may be necessary.

The HSC will go on to complete;

- A personal safety check with the client - reviewing matters including any history of falls, any obvious trip hazards, the presence of adequate lighting and smoke/carbon monoxide detectors
- A home environment check - considering any potential disrepair, hoarding and general suitability of the property including the manageability of the garden
- A home security check - discussing with the client any potential ASB or crime experienced, whether they feel secure in the home and have keychains, window locks etc.

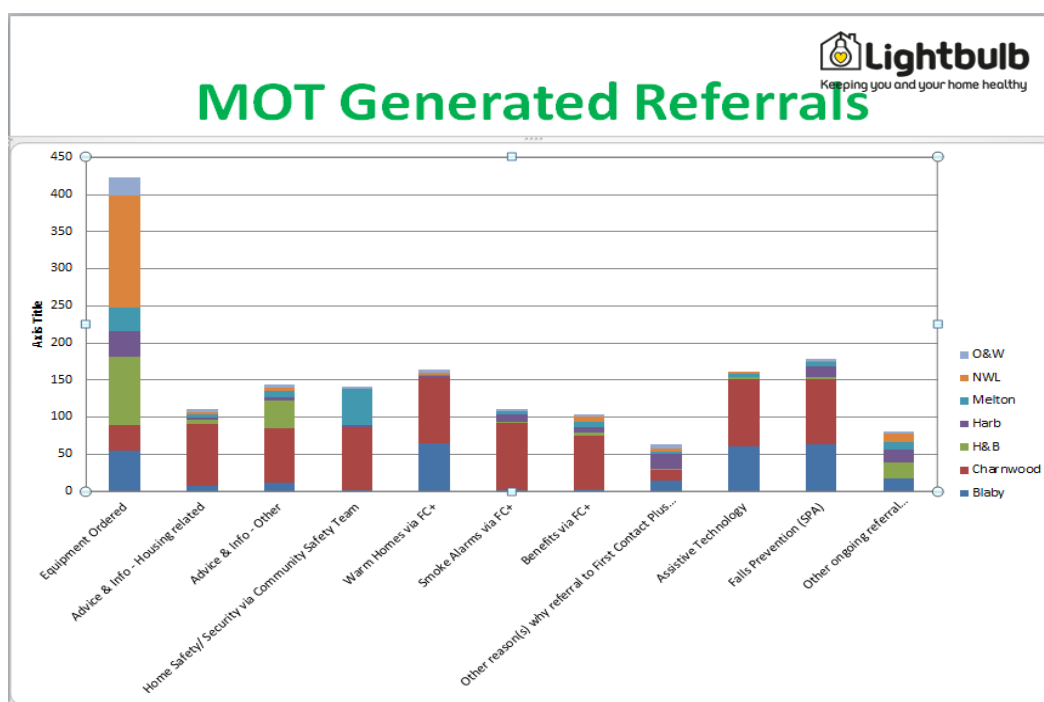
This may result in referrals for Home Repair Grants or Home Security Grants where appropriate, or for support where hoarding tendencies are evident and the client would like support with this. Further referrals to the Fire Service are made for the installation of smoke detectors and to the Community Safety Team, through First Contact Plus.

The ability of the client to keep their home warm, the adequacy of the heating system, their fuel tariff and their income (including whether they may require benefit advice) are considered by the HSC and referrals to Warm Homes can be initiated, where the client will be assessed for grant funding for heating measures and improvements.

Lastly, but by no means least, socialising, involvement in the community, interests and hobbies and getting out and about are all discussed with the client to ensure that they are achieving the things that they would like to. Sign posting to transport opportunities and community groups and clubs of interest can all be arranged by the HSC in conjunction with the Local Area Coordinators.

Capturing these wide ranging housing support needs in one Housing MOT assessment ensures that no issues are missed. Maximising the impact of the contact and working in a more preventative way that is based on the long term health and wellbeing of the client. *See Appendix 1 for a selection of case studies about residents who have used the Lightbulb Service and what the Service has meant to them.*

The graph below shows the number of referrals for a wide range of services generated by HSC Housing MOT Assessments across the County. Charnwood residents have benefited from a significant number of referrals for services that may otherwise have been missed.



At go live within Charnwood in January 2018, 172 cases were awaiting assessment. This large number was due in part to the delay in the signing of the Legal Agreements between LCC, Blaby DC and Charnwood BC.

The waiting list is continually changing as assessments are completed and every week, on average, a further 17 new referrals for assessment are added.

The Quarterly Performance Tables for 2018-2019 so far can be seen at Appendix 2. The tables detail the number of:

- Cases on the waiting list as a snapshot each month
- New visits, follow up visits and duty cases completed by the HSCs
- Complex cases identified and referred to an Occupational Therapist
- Cases closed

At the time of writing this report, almost a year since go live, the number of people on the waiting list is 125. Our target is to reduce this number to 100 by the end of March 2019.

Requests have been made to the Central Hub, via the Project Management Board and Delivery Group, for consideration to be given to focusing all HSC resources holistically, which would tackle the historic peak in assessment waiting times within Charnwood, thereby offering a consistent service across the County for all Leicestershire residents. This would involve the refocusing, temporarily, of some HSCs working in other Districts and Boroughs to reduce the average waiting times within Charnwood until they reflect those in other areas, creating an equal service, irrespective of where residents live within Leicestershire.

It is appreciated that drawing HSC resource away from other Districts and Boroughs to support the reduction of waiting times in Charnwood will impact negatively on waiting lists and times within those areas for a short period of time. However, in order to offer a consistent service across the County in line with the original objectives of the Lightbulb project, it is felt that this would be worthwhile.

All HSCs across the County meet quarterly to update their knowledge, discuss their work and share ideas. Each HSC meets with a Senior HSC to ensure performance and workload are monitored and fortnightly internal meetings are held with the Occupational Therapists (OTs) and Technical Officer to identify issues and implement improvements.



Disabled Facilities Grants (DFGs)

Disabled Facilities Grants (DFGs) are funded through the Better Care Fund (BCF), a pooled budget seeking to integrate health, social care and (through DFGs) housing services. Currently, the DFG element of the BCF must be transferred to the Districts and Boroughs from LCC each year.

In 2018, 94 Disabled Facilities Grants were completed within Charnwood. 82% of these were for owner occupiers (compared to a national average of 60%*), 14% for tenants of Registered Providers (formally known as Housing Associations) (compared to 32% nationally*) and 4% for private tenants (8% of DFGs nationally are carried out for private tenants*).

The average cost of a DFG in Charnwood in 2018 was £7,488.70 (nationally the average cost is £9,000*).

The total BCF allocation for 2018-2019 was £905,000. The overall DFG budget for 2018-2019, including additional Ministry for Housing Communities and Local Government funding awarded in January 2019 is £1,138,600.

Where a HSC or OT identifies that a major adaptation is required, from 4th February 2019, a referral will be made to the Central Hub (this was previously made to the Adaptations Team at LCC, but this function is gradually moving to the Central Hub to further streamline the process). In the case of a HSC, within Charnwood, they will complete a Provisional Test of Resources with the client to indicate the likelihood of eligibility (based on the means test) for a DFG, prior to making the referral.

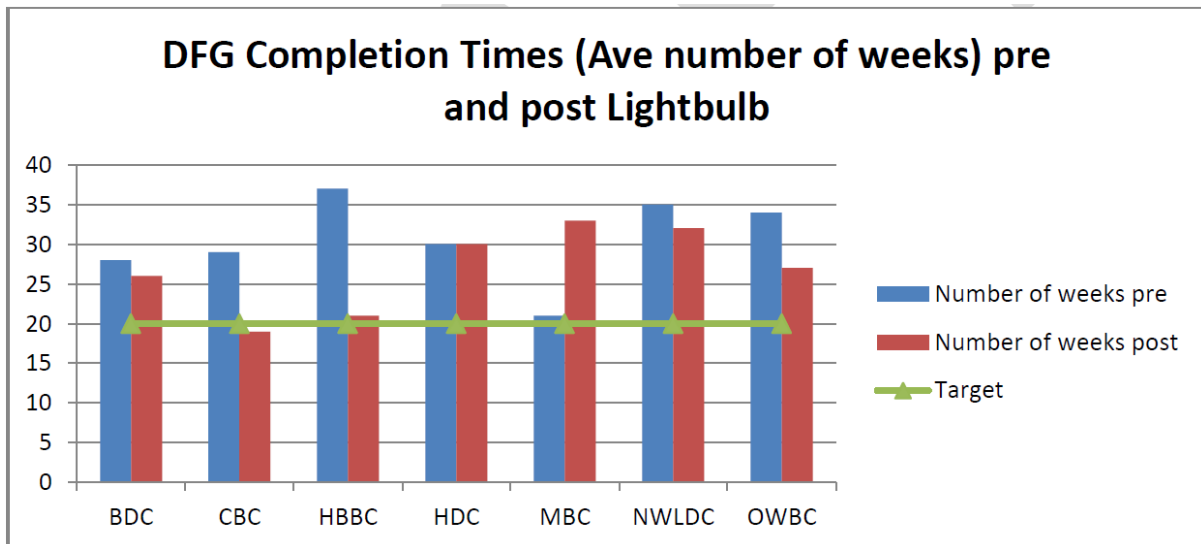
The Lightbulb Technical Officer will then assess the referral and progress the application as necessary. In some cases this will involve working with an Architect or an OT, in other cases a scheme of work will be developed directly by the Technical Officer.

In respect of DFG referrals received in 2017, the average delivery time for a DFG within Charnwood was 26 weeks. Post Lightbulb go live in 2018, this fell to 18 weeks.

*Independent external review of the Disabled Facilities Grant in England, conducted by the University of the West of England for MHCLG (Dec 2018)



The Comparison graph below, contained within the review of the Lightbulb Business Case (page 17), concludes that Charnwood Borough Council were the first (and only Council to date) within Leicestershire to meet the overall Lightbulb delivery target time of 20 weeks since go live in October 2017 (January 2018 for Charnwood).



The Council’s Private Sector Housing Grants Policy, written in accordance with the Regulatory Reform (Housing Assistance)(England and Wales) Order 2002, aims to increase the number of vulnerable people who are able to live independently at home. In line with the Order, the Policy has been developed to provide a more flexible use of the DFG within Charnwood, for example, offering:

- Relocation Grant – to assist people with the cost of moving into suitable accommodation, where there is no possibility of appropriate modification to the existing home
- Discretionary Minor Works – to fund non eligible works that are deemed necessary for the benefit of a disabled person eg an extended warranty on stairlifts, step lifts, specialist toilets or to fund work outside the boundary of the property to provide safe access and egress to the home eg a dropped kerb
- In exceptional circumstances, where the cost of the works for a Mandatory DFG is in excess of £30,000 and the applicant and or disabled occupant is in financial hardship an additional discretionary DFG up to a maximum of £10,000 will be considered on a case by case basis



The Benefits of Lightbulb for Charnwood Residents

A recent independent review of DFGs in England, conducted by the University of the West of England highlighted several current challenges with DFGs and a number of suggestions as to how things could be improved nationally.

One of the challenges identified was the need to 'join up the process', shifting thinking from 'welfare' to 'investment', so that decisions are taken, not at crisis point, but in a more preventative way that is based on the long-term health and wellbeing of disabled people and their families. The Lightbulb model embraces this approach with joint commitment at a senior and strategic level between Housing and Social Care, Districts, Boroughs and County continuing to streamline the process. This, along with the Private Sector Housing Grant Policy, which is allowing flexible use of discretionary grant funding, allows an enhanced focus on prevention and a reduction on restrictive upper limits for those in financial hardship.

The Lightbulb assessment ensures that 'Every Contact Counts', working effectively so people are referred earlier, rather than at crisis point.

Robust research is beginning to show that adaptations improve physical and mental wellbeing and reduce the fear of falling, enabling people to live independently in their own homes for longer.

Lightbulb Customer Feedback has been extremely positive, with frequent calls to express appreciation from those assessed and their family members. An example of feedback for the Lightbulb Team is given below:

Housing Support Co-ordinator

You recently sent one of your excellent staff to assess me. I found Helena Lynch very polite, calm, helpful and sympathetic.

Her attitude and work organisational skills are great. Helena has improved my difficult, miserable life by about 50%, by providing and organising the aids I required. Furthermore she contacted different departments for further support and advise on my behalf, which I didn't have knowledge about.

I would like to thank her very much for her kind support. I think she should train all future new recruits because she is a great example and asset to Lightbulb Team. Please don't ever lose her. Thank you very much.



Future Direction

A number of opportunities were highlighted during the development phase of Lightbulb and the model includes scope within the Central Hub to explore and address these further in a coordinated and integrated way. The opportunities include;

- Collective, smarter procurement practices such as bulk purchasing and common supplier lists
- Development of more flexible DFG solutions
- Sharing good practice and process improvement
- Opportunities to engage in a consistent, single dialogue with social housing providers regarding the delivery of home adaptations in their stock to ensure this offer is better aligned with that of home owners
- Continued customer insight work to identify service gaps and deliver countywide improvement
- Developing and improving the self serve offer for practical housing support
- Embedding a new assistive technology offer as part of the Housing MOT

The Lightbulb service has developed a 5 year future development plan in order to meet the need and to help create a preventative approach to care across Leicestershire that aims to support people in their own homes. Further information can be found in the Business Case, which includes the merging and managing of the work of the Adaptations Team (currently based at LCC) which is being migrated to the Lightbulb Central Hub to further streamline the process on 4th February 2019.

Recommendation

One year on from Lightbulb go live within Charnwood, the benefits and improved service to residents are clear.

With, on average, 59 Charnwood residents receiving the support of a Housing Support Coordinator each month, 49 receiving a customer focussed assessment and associated solutions through the Housing MOT, including integrated work with other stakeholders such as Community Fire and Rescue. Lightbulb is supporting Charnwood residents to live more independent lives.

The award winning Lightbulb Partnership won 3 major accolades in the first year;



- Local Government Chronicle award for best Public/Public Partnership
- Association for Public Service Excellence award for Best Collaborative Working Initiative
- Highly commended at the Home Improvement Agency Awards

Future developments to improve the Service will include improving links with GPs and Community Healthcare Teams, encouraging the presenting of patients to Lightbulb as part of a social prescribing approach. In addition, plans also include the targeting of the Lightbulb housing offer to 'high risk' patients including using practice based data and case management information to identify target cohorts of people for this service (eg those that are frail).

Proposed developments will further enhance the service, capturing more vulnerable Charnwood residents to ensure that they receive an early assessment and triage of any housing issues.

The recommendation of this report is that the Council continue to participate in Lightbulb.



Case Study One

The Service User was referred to Adult Social Care by her Son, for a general assessment within her home. He was worried about how she was managing in her home, and the referral was sent through to the Lightbulb Service.

The Service User is an 83 year old lady that lives with her husband, who is 80, in their own occupied 3 bedroomed house in Loughborough.

The Service User presented as a very jolly and independent lady, the Husband was present on my visit as well as her Son. The Husband is the Service User's main support and carer at home, the Service User advised 'we look after each other'. The Husband continues to drive and they go out most days, for lunch, shopping or just a drive out. The Son offers support to both his Mum and Dad; he reports that his Dad does a grand job.

The Housing MOT is a holistic assessment of how a person is managing to remain independently living in their own home.

The Service User has a diagnosis of Arthritis in both hands, diverticulitis, right foot fused (she cannot bend her foot from the ankle) and she has daily pain in her foot. The Service User has early onset dementia though she reports her memory is fine.

The assessment highlighted some concerns about how the Service User was managing transfers:

- Both the front and back doors, while getting in and out, the Service User was holding onto the door frame. Her hands did not have a secure grip on this.

Grab Rails were provided at both doors.

- Getting on and off the toilet the Service User was holding onto the window cill to pull herself up and could easily slip off this with her hands.

Grab rail by the side of toilet was provided, fitted to a solid brick wall.

- The Service User could not safely access her garden and was crawling up the pathway with her hands and grabbing freestanding garden pots.

Half steps and kee klamp railings were provided to enable a safe and independent way of accessing the garden.



- The Service User could not independently get off her sofa in the lounge, this was too low, and her Husband was pulling her up, putting strain on both of them.

Sofa Raise ordered through the Community Equipment Provider raised the sofa 3” giving the Service User a better height to transfer from a seated to a standing position without the need for assistance.

- The Service User has an over bath shower, she does not use the shower, both her and her Husband like to have a soak in the bath. The Husband was taking the weight of the Service User, assisting her with transferring in and out of the bath. The Service User wanted to bathe independently and the Husband could no longer manage to take her weight, carer strain.

Recommended a bath lift – this is a piece of equipment whereby the Service User does not have to step into the bath, she transfers onto it by shuffling her bottom onto it, once her bottom is in place on the bath lift seat, she then brings her legs over the bath. The bath lift is operated by battery and takes you down to the bottom of the bath and brings you up to safely transfer off and out. I demonstrated how to use the bath lift to the Service User and her Husband, the Service User was observed to getting on the bath lift with ease, she could not wait to try it!

- The major concern with the Service User was transferring up and down the stairs. She went up the stairs, taking a break half way up and then continuing, however on the way down she walked backwards. This is really unsafe; the Service User reports she had been transferring like this for a while and said it was because of the pain in her foot.

Recommended a stair lift, as the Service User is a home owner, a Means Test was carried out to see if they were eligible for a Disabled Facilities Grant administered by Private Sector Housing at the Council, on this occasion they did not qualify for a grant.

The Service User provided permission to obtain a stair lift quote from the procured contractor from Leicestershire County Council for them to decide if they wanted to go ahead and purchase directly.

During the visit benefits were discussed and it was established that the Service User was not in receipt of any benefits and that potentially she would be eligible for Attendance Allowance.

A referral was made to First Contact Plus for a Benefit Check and asked that a professional goes to the Service User’s home to discuss Attendance Allowance and help fill out any necessary forms.

After the closure of this task, the Housing Support Coordinator was given a Thank you card, it read:

'You made my Mum and Dad feel so valued, it's much appreciated – Thank you, Son'.

Case Study Two

The Service User was referred to the Lightbulb service by Adult Social Care who had received a request from the Service User's Son for an assessment of his Mum's needs.

The Service User is a 90 year old lady, who lives alone in a 2 bedroomed bungalow which is owned by her other Son.

The Service User has various medical conditions, Heart Failure, Arthritis in neck, spine and hands, balance conditions and is hard of hearing. The Service User has had knee replacements in both knees and her general mobility is poor. The Service User's Son reports that her memory is failing.

The Service User presented as frail, she was wrapped up well, heating on and it was a warm day on my visit and she said that she does feel the cold.

The Service User's Son was her main carer, he was assisting his Mum with all the chores, some personal care, visits to the doctors, and the Son was very tired and worn out. The Service User walks with a stick in the home; she does not leave her home without the help of someone else, mainly her Son.

The assessment highlighted interventions that were needed, along with some Adaptation works to the bungalow and some equipment:

- The Service User goes out of the patio door to access her garden, large step down to the slabbed area, she holds onto the side of the patio door or her Son.

Half step to reduce the height of the drop down onto the patio area and Kee Klamp rails to each side of the half step so that the Service User has something to hold onto.

- The Service User's main entrance door is to the side of the house, smaller step, no rails and she was observed to hold into the door frame to steady herself.

Grab rails to be placed each side of the side door.

- At night the Service User is alone and if she requires the toilet in the night, she has to walk across the bungalow to get to the bathroom; she doesn't always get to the toilet in time.

Prescribed a commode in her bedroom for use at night.

- The Service User does not shower alone, her Niece helps her once a week when the shower cubicle is used, it has a step in that is high and grab rails are in place.

Prescribed a shower step to reduce the height of the step in, for the niece to place down and remove each time she assists the Service User with having a shower.

The assessment identified the need to make referrals to First Contact Plus to arrange further interventions:

- Smoke alarm referral.
- Tariff check – the Service User's utility provider had not been changed in a while; generally we advise this should be looked at annually.
- Assistive Technology – the Service User is hard of hearing, a vibrating pad under the pillow on her bed was advised, and this would alert her to smoke alarms going off when she is sleeping.
- Benefit check – the Service User's Son has been trying to get help to see if his Mum is entitled to any support, referral made to assist the Son.
- Carer's assessment information to be sent to the Son about help and support for his Mum.

Further referrals were made to Charnwood's Lifeline Service and to the Single Point of Access (Health Professionals) as it was evident that the Service User had a sore to the bottom of her back that needed urgent attention.

Following the closure of this task, a Package of Care has been offered to the Service User and this has started to help with her personal care. Assistive Technology have visited and provided equipment, smoke alarms have been fitted and all the other referrals and Adaptations are imminent.

Case Study Three

The Service User was referred to Adult Social Care by her Daughter in June 2018.

Daughter was concerned that Mum was struggling since being discharged from hospital following breaking her elbow and shoulder.

Service User is a bright 97 year old lady of sound mind who lives alone in an annex attached to her Daughter's owner occupied house.

Service User was up and dressed and was sitting in her chair awaiting my visit.

The Service User's Daughter was present for the assessment. The Service User has a carer call every morning 7 days a week to assist with getting up, washed and dressed, making tea and toast, making the bed and checking meds and lifeline.

The Service User used to come through to the main house for her evening meal but since coming out of hospital she hasn't felt up to it. Since being discharged from Hospital the Service User has had to resort to strip washing which she wasn't happy about as she was able to use the shower before.

The Housing MOT document is our assessment tool; it is a holistic assessment of how a person is managing to remain independently living in their own home.

The Service User has Hypertension, Osteoarthritis, Gastro Oesophageal reflux disease, Macular Degeneration and Diverticulitis. She reports that since she broke her right elbow and shoulder she has experienced a general weakness in that arm. The Service User wears hearing aids in both ears.

The assessment highlighted the following;

- The Service User walks about the property using 2 walking sticks unless she is transporting items such as a cup of tea from the kitchen. Then she would use a kitchen trolley to get the tea from the kitchen to the sitting room. There was a threshold joining the carpet of the sitting room to the lino flooring of the kitchen that the Service User was having difficulty getting the trolley wheels to go over.

Recommended a replacement (wider and flatter) threshold strip.

Potential trip hazard eliminated and Service User can now go from room to room with ease.

- The Service User reported that she no longer felt safe using her shower as she struggles to step up the high 20cm step into the cubicle to get in. There

is one grab rail in situ inside the cubicle but she could no longer make use of it due to it being on her weak side and because of her low blood pressure she would ideally feel safer if she could sit down in the shower.

The Service User was clear that she wanted to be able to use the shower again to wash herself with assistance.

Ordered the Service User a corner shower seat from NRS so she was able to sit down in the shower and a bath step to decrease the height of the step up to the cubicle.

Recommended 2 offset grab rails on the bathroom walls to assist her when using the bath step to step into the cubicle and another non slip grab rail in the shower cubicle to aid the Service User with getting on and off the shower stool, being mindful that she is now experiencing left side weakness.

The Service User is now able to use the shower again safely with assistance which she is very happy about. The Service User's Daughter is happy that her Mum's wishes have been met.

- When asked about her hearing, the Service User commented that she has to have the television turned right up and sometimes doesn't hear the door or phone.

A referral was made to First Contact Plus for Assistive Technology who can offer a wide range of equipment, technology and gadgets such as alarms, sensors, adapted telephones, television loops to assist the Service User.

Assistive Technology provided adapted smoke alarm, personal listener and flashing doorbell and a radio link loop system.

After the closure of this task, the Service User thanked the Housing Support Coordinator for their help in enabling her to use the shower again and was grateful for the radio link which she says is the best she has been able to hear the TV in years!

lightbulb performance

Quarter 1, 2018/2019

Month	Waiting List Snapshot	New visits	Follow up visits	Number Appointments Made	Completed Duty Cases	OT Cases Referred by HSC	Cases Closed	Cases returned to SHSC
April	213	38	6	42	Not recorded	2	29	0
May	121	53	9	76	10	3	57	1
June	132	55	10	Not recorded	6	2	53	0
Q1 Totals	--	146	25	118	16	7	139	1



lightbulb performance

Quarter 2, 2018/2019

Month	Waiting List Snapshot	New visits	Follow up visits	Number Appointments Made	Completed Duty Cases	OT Cases Referred by HSC	Cases Closed	Cases returned to SHSC
July	169	50	12	Not recorded	16	6	43	2
Aug	204	34	7	Not recorded	9	2	23	3
Sept	191	48	13	Not recorded	17	2	34	0
Q2 Totals	--	132	32		42	10	100	5



lightbulb performance

Quarter 3, 2018/2019

Month	Waiting List Snapshot	New visits	Follow up visits	Number Appointments Made	Completed Duty Cases	OT Cases Referred by HSC	Cases Closed	Cases returned to SHSC
Oct	178	61	10	Not recorded	10	2	56	2
Nov	175	59	9	Not recorded	14	1	52	1
Dec	170	42	13	Not recorded	8	1	56	0
Q3 Totals	--	162	32		32	4	164	3



Equality Impact & Needs Assessment (INA) Form.

Name of the policy, function or project: Lightbulb

Service: Community Services



Complete this form for any existing/proposed policy/function/project regardless of whether it is aimed at external customers or internal staff. Please also be aware that equality policy applies to staffing/human resources issues as much as to external service delivery issues. Please note that existing policies/functions will be assessed as per an agreed annual programme. However if you are reviewing or devising a policy etc that is not currently in the 3 year plan it still needs an INA

Answer every question – even if it is negative.

If you conclude that there is a negative impact you will need to review the policy/function/project to improve the equalities performance and minimise or remove the impact. This should be done using the 'Improvement Actions Planned' table. Where appropriate such actions should be included in your Service Plan for the following year.

If the Corporate Equalities & Access Group (CEAG) feels this impact assessment needs further consideration, **you will be asked to review your conclusions.**

As a result of this exercise, you will have checked that your policy/function/project does not have negative/adverse impacts in terms of Gender, Gender re-assignment/ transgender, Ethnicity/Race, Disability, Age, Sexual Orientation, Religion or Belief, Marriage/Civil Partnerships, Pregnancy/Maternity (equality target groups). If it does you will have identified relevant actions needed to minimise or remove such impact and their likely resource implications.

This is not simply a paper exercise – it is designed to make sure that your policy/function/project and service (development) is delivered fairly and effectively to all sections of our local community, and our employees!

Please note that the Council is required to publish the results of these assessments, and update; therefore **your completed form may be a public document.**

Once completed and/or when your corresponding report is submitted to Management Board –Cabinet, please pass this form, together with documentation describing both the policy/function/project it concerns and any evidence relating to assessed impacts, to Alison Moran, Performance Manager. ***If this is a new policy/service/procedure/function/project this form will also need to be attached to your draft report for approval by your Director prior to its first submission to Management Board. Reports cannot be considered by Management Board unless both they & this INA have had prior approval by the relevant Director.***

For further details please see separate Guidance Note on process for completion of INA's

To complete the form using 'check marks' in the boxes, position the cursor over the box you require, left double click, then select 'checked' in the 'check box form field options' box that appears on screen.

a. Preparation

The work on this section should be done in advance and be used as part of your INA. Please attach examples of available evidence, including monitoring information, research and consultation reports.

1a. Do you have relevant data available on the number of people within the scope of your policy/function/project? E.g. whole population of the district/ward or employee data.
In relation to:

- | | Yes | No |
|---|-------------------------------------|-------------------------------------|
| • Women and men | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| • Gender reassignment | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| • Black and minority ethnic communities | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| • People with disabilities | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| • Age groups | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| • Sexual orientation | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| • Religion or belief | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| • Marital status/civil partnership | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| • Pregnancy/Maternity | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

1b. Do you have relevant data available on the number of people subject to or impacted by your policy/function/project? E.g. numbers of disabled people using the service.
In relation to:

- | | Yes | No |
|-----------------|-------------------------------------|--------------------------|
| • Women and men | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- Black and minority ethnic communities
- Gender reassignment
- People with disabilities
- Age groups
- Sexual orientation
- Religion or belief
- Marital status/civil partnership
- Pregnancy/Maternity

<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>

2. If you have answered 'yes' to the above questions your monitoring data should be compared to the current available census data to see whether a proportionate number of people are taking up your service. Please make any comments regarding service take up if relevant:

Disabled Facility Grant applications are specifically for people with a disability or long term health condition so this will be recorded on their application along with their age. We are not aware if this is a fair representation of this equality group across the county as there will be people who will go through the self help route and/or self fund adaptations and not apply for a grant.
 We are able to collect equalities data for hospital patients being supported by the Housing Enabler Team through the "Patient Centre".
 The Lightbulb model requires all staff to be mobile in terms of visiting customers across the local area and on different wards at the hospital. Staff will also be expected to be peripatetic to cover other local areas and this will be reflected in revised job descriptions.

If you have answered 'no' please explain reasons for lack of relevant data:

Equalities monitoring forms are not completed by Occupational Therapists or Technical Officers for people applying for Disabled Facilities Grants. Limited equalities information as part of the pilots has been collected by the Housing Support Coordinators (HSC's). There is data on equalities within the shared Adult Social Care system which can be reported on via Tableau system which is being implemented.

3. Are you aware of any relevant equality or diversity related consultation, research, or good practice guidance in relation to this area? If so then please list and attach here:

Yes	No
<input checked="" type="checkbox"/>	<input type="checkbox"/>

A demographic profiling exercise was completed as part of the customer insight work to inform the development of Lightbulb. This considered factors such as:
 Population, age, caring responsibilities, ethnicity, Income deprivation and poverty, including fuel poverty, Household characteristics including analysis of tenure and property characteristics, urban/rural classification, health conditions and disability, including excess winter deaths, hoarding, usage of social care services.
 Also Alzheimer's society – making your home dementia friendly / Housing charter, Foundations – preparing a policy under the regulatory reform order. Age UK, Disability Rights UK, Scope, Leonard Cheshire Publications

4. Do you need to carry out further research/ consultation to identify impacts, needs etc? Please specify what and who with?

Yes

No

However we will continuously consult with service users to ensure their needs are being met.

b. Your policy, service, function or project

1. What is the title and main aim or purpose of the policy/function/service/project?

Lightbulb's vision is to integrate practical housing support into a single service that is available to all, easier to access, easier to use and will provide support shaped around an individual's needs not an organisation's processes.

2. List the areas of activity of the policy/function/project, e.g. the recruitment strategy might have advertising, interviewing, short listing etc. as activity areas.

Lightbulb will see health, social care and housing partners working together to deliver:-

A single access point into a range of practical housing solutions

A common, holistic housing needs assessment process

A broader, targeted offer of practical housing support

This will be via application and assessment of grant funding to provide service and equipment to meet an individuals needs

3. Who are the main intended beneficiaries of the policy/function/service/project?

Leicestershire Residents – particularly those who have a disability or are vulnerable and meet the key eligibility criteria. People at risk of being admitted to hospital or visiting a GP because of their health condition and people who are in hospital ensuring they are able to return home as soon as they are medically able to do so. The needs of these individuals will be identified using a Housing MOT Checklist.

4. Which people / groups may be affected by the policy/function/project – whole population or particular groups?

The service will be available to residents across Leicestershire however it will be based on a person centred needs assessment. It is likely to be vulnerable people who use the service, particularly those people with a health condition, long term illness or disability and carers.

5. Are you expecting to make any changes during the next year?

- Policy
- Function
- Project
- Procedure

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

6. Who else will be involved in undertaking the INA (names and roles)?

Partner organisations will be required to take the Lightbulb Business Plan through their governance procedure and will need to take the EINA as part of this. As we make changes to policies, functions, project and procedures we will review the equalities needs assessment and will consider Human Rights

c. Impact Assessment

1. Complete the following tables for each equality target group, by inserting a check mark or tick in one of the 3 options columns - Positive impact, Negative impact, Neutral.

- ★ Consider the information gathered in Section (a) of this form, compare monitoring information with census data, and considering any other evidence, research or consultations, identify any instances where you believe people in different equality groups could be impacted differentially.
- ★ This is particularly important where you think that the policy/function/project could have a **negative impact** on any of the equality target groups, i.e. it could disadvantage them, but also
- Where you think that the policy/function/project could have a **positive impact** on any of the equality target groups or contribute to promoting equality, equal opportunities or improving relations within equality target groups
- Otherwise, if you think that neither negative nor positive apply, then choose **neutral impact**

- Note that only **one** type of impact can be applicable for any particular equality group category e.g. male or female.
- **In all cases, please state briefly the reason/rationale for your assessment.**

a) How will the policy/function/project/procedure impact on men, women and those who are transgendered or have gone through gender re-assignment? e.g. flexible working arrangements might have a positive impact on women with caring responsibilities

Gender	Positive impact	Negative impact	Neutral	Reason/Rationale for Assessment
Male	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The service applied across all genders as it is based
Female	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	On need
Transgender/GR	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

b) How will the policy/function/project/procedure impact on people from different or minority ethnic communities? This may involve using Council services differently, e.g. will Muslim women use the Council's swimming pool more often if separate sex swimming arrangements are in place?

Ethnicity	Positive impact	Negative impact	Neutral	Reason/Rationale for Assessment
White British	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The service is applied across all ethnicities, based
White European	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	On an applicants need and support required
Mixed Ethnicity	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	To help them remain independent at home
Asian	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
African or Caribbean	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Gypsy/Roma	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Other ethnic group	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

c) How will the policy/function/project/procedure impact on people with disabilities, e.g. if information about Council Tax benefits are not made available in large print or alternative formats, access to such benefits might be denied to people with a visual impairment or learning disability.

Disability/Health	Positive impact	Negative impact	Neutral	Reason/Rationale for Assessment
Visually impaired	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	One of the key objectives for Lightbulb will be maximising the part that housing support can play in keeping people independent in their homes. The Housing Support Coordinators will have access to a wealth of options that could help someone who is visually impaired get around and stay safe in their own home.
Hearing impairment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	One of the key objectives for Lightbulb will be maximising the part that housing support can play in keeping people independent in their homes. The Housing Support Coordinators will have access to a wealth of options that

				could help someone who is visually impaired get around and stay safe in their own home
Physically disabled	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	One of the key objectives for Lightbulb will be maximising the part that housing support can play in keeping people independent in their homes. Disabled Facilities Grants will be part of the Lightbulb offer
Learning difficulty	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	There will be elements of the Lightbulb Model that can provide specific support to people with learning difficulties. When discussing housing options with this group we will take into account their specific need.
Mental health problem	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Housing Enabler Team within the hospitals will support people with low mental health to be discharged from the hospital to a property which is suitable to their needs.
Other longstanding health problem which limits day to day activities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Key objective for Lightbulb is to help prevent, delay or reduce care home placements or demand for other social services, avoiding unnecessary hospital admissions/readmissions or GP visits and facilitating timely hospital discharge. Lightbulb will also minimise the number of different professionals a customer needs to tell their story to.

d) Does the policy/function/project/procedure impact on people differently based on their age, e.g. a job advertisement that requires at least ten years post qualification experience would clearly prevent people in their twenties from applying

Age Group	Positive impact	Negative impact	Neutral	Reason/Rationale for Assessment
Children (under 16)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Disabled Facilities Grants are available to families who have a disabled child in order that the property can be adapted to meet the child's needs.
(16 to 29)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Lightbulb will be available to all residents who are vulnerable due to a health condition, long term illness or disability. This could be a patient at risk of falls, frailty or mobility issues, wider health and wellbeing needs.
(30 – 44)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	As Above
(45 – 59)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	As Above

(60 – 74)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	One of the key objectives for Lightbulb will be maximising the part that housing support can play in keeping people independent in their homes. We know from the JSNA that the population aged 65-84 is predicted to grow by 56%, from 106,000 to 164,900. Therefore we have assessed that in the future this group will be a priority for Lightbulb.
Older (over 75)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	We know from the JSNA that population growth in aged 85 years and over is predicted to grow by 190% from 15,900 to 45,600. Therefore we have assessed that in the future this group will be a priority for Lightbulb

e) Does the policy/function/project/procedure impact on people differently based on their sexual orientation, e.g. if housing policy is only to offer temporary accommodation to couples of different sex a gay or lesbian couple would be unable to be housed

Sexual Orientation	Positive impact	Negative impact	Neutral	Reason/Rationale for Assessment
Heterosexual	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The service will be available to all residents regardless of their sexual orientation.
Gay or Lesbian	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	As Above
Bisexual	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	As Above

f) Does the policy/function/project/procedure impact on people differently based on their religion or belief e.g. would a person of the Hindu religion be able to give a binding affirmation if a procedure requires the swearing of an oath on the Bible?

Religion or Belief	Positive impact	Negative impact	Neutral	Reason/Rationale for Assessment
Christian	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Lightbulb service will be promoted across the whole community. The staff will be able to arrange appointments with customers to meet their specific needs thus avoiding any religious days/events/activities
Hindu	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	As Above
Muslim	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	As Above
Sikh	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	As Above
Jewish	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	As Above
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	As Above
Non believer	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	As Above

g) Does the policy/function/project/procedure impact on people differently based on any of the other protected characteristics where these are affected by aspects of the Equality Act (e.g. marital status and civil partnership; pregnancy or maternity)

The policy does not impact on people differently based on any other protected characteristics.
The financial assessment for a Disabled Facilities Grant takes into account the income where two people are in a relationship regardless of whether they are married or in a civil partnership

If you conclude that there is a **negative impact** in one or more of the target groups you will need to **amend the policy/function/project and/or take further action, to minimise or remove the impact** This should be done using the 'Improvement Actions Plan' table overleaf. If you think that other actions could be taken **to increase any positive impacts**, please include these too. Where appropriate, such actions should be included in your current/proposed Service Plan.

Impact & Needs Assessment: Improvement Actions Plan

Please list below any recommendations for action to improve the equalities performance of the policy/function/project that you plan to take as a result of this impact assessment. This could be to change the policy itself or involve other initiatives. Where appropriate, these actions should also be included in your current/proposed Service Plan.

Issue/Link to INA question number	Action Required	Lead Officer	Time-scale	Resource implications	Comments
	For partner organisations to take the Business Plan and the EINA through their governance procedures.	Lightbulb Service Manager	From January 2019	Within current resources	
	As part of the communication strategy linked to the roll out of Lightbulb we will make available easy read versions of any publicity developed, we will ensure we are able to have things produced in different languages if needed. Use a range of different communication routes including social media	Lightbulb Service Manager	June 2019	Within current resources	
	To produce quarterly equalities monitoring data to identify groups that are not using the service and proactively marketing this group.	Lightbulb Service Manager	April 2019		Will need to see if possible from the current system

Please ensure that the section below is completed and signed by one or both NAMED officers as applicable:

NAME: Quin Quinney

Signed: _____
 (Corporate/Group/Service Manager)

Date: 28.1.19

NAME: Tara Bhaur

Signed: _____
 (Completing Officer)

Date: 28.1.19

Please keep a copy on record to which the public could have full access. Also send or e-mail a copy of this completed form along with documentation describing the policy/function/project it concerns to:

Alison Moran, Performance & Systems Manager

CABINET - 14TH FEBRUARY 2019

**Report of the Head of Customer Experience
Lead Member: Councillor Tom Barkley**

Part A

**ITEM 8 COUNCIL TAX – AMENDMENT TO THE EMPTY HOMES
PREMIUM AND EXEMPTIONS**

Purpose of Report

This report asks Cabinet to recommend to Council the following proposed changes to the Council’s local arrangements for council tax billing and relief:

- An amendment to the current Empty Home Premium taking advantage of new Government Legislation, together with an amendment to the relief offered on properties which are unoccupied, unfurnished and uninhabitable.
- Introduction of a ‘Care Leavers Policy’ which will offer council tax relief for this vulnerable group.

Recommendations

1. That Cabinet recommend to Council the proposed amendments to the Council Tax Empty Homes Premium and the relief offered on properties which are unoccupied, unfurnished and uninhabitable, and the dates of introduction of amendments, as set out below:

Empty homes Premium

Length of time property empty	Additional Premium
2 - 5 years (introduce from 2019)	100%
5 - 10 years (introduce from 2020)	200%
10 years+ (introduce from 2021)	300%

Unoccupied, unfurnished and uninhabitable properties

Amend current discount for properties which are unoccupied, unfurnished and uninhabitable from 50% for 12 months to 100% for 6 months – effective from 1 April 2019.

2. That Cabinet recommend to Council the introduction of the Charnwood Care Leavers Policy as set out in Appendix A of this report.

Reasons

1. To increase the incentives for bringing empty properties back into use from 1st April 2019.
2. To facilitate the introduction of the Charnwood Care Leavers Policy from 1st April 2019 to support those leaving the care system and moving to independent living in line with all other Local Authorities in Leicestershire.

Policy Justification and Previous Decisions

In November 2016 Cabinet approved the recommendation to introduce an Empty Homes Premium of 150% (Cabinet 17 November 2016, minute 63 refers). The principle aims of introducing the Empty Homes Premium was to bring empty properties back in to use. Empty homes are not just a problem in Charnwood but nationally and are a wasted resource. Given the acute need for housing it is vital that every effort is made to bring such properties back into use at the earliest opportunity.

The Government have made some changes to the extant Council Tax regulations (derived from the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018) that allows for additional premiums to be charged for empty homes, particularly those that have been standing empty for long periods of time. The Council has considered the additional powers granted and how these can be further utilised to support the Councils aim of bringing homes back into use.

In addition, it has considered changes to existing exemptions and whether any changes to the current rules could further encourage empty properties to be brought back into use more quickly.

The Council has been working with all Leicestershire authorities to consider how best to support care leavers once they leave the system at age 18. A county wide agreement has been agreed which will offer an exemption scheme for those leaving care, offering 100% discount for all care leavers until they reach the age of 25.

Implementation Timetable including Future Decisions and Scrutiny

If approved, it is anticipated that all changes will be implemented with effect from 1st April 2019.

Report Implications

The following implications have been identified for this report.

Financial Implications

Introduction of the increased rates for the Empty Homes premiums of 100% (2 years+ empty), 200% (5+ years empty), 300% (10+ years empty) would generate annual gross billings in the order of £334,000, being £23,000 for this Council and £311,000 for the major preceptors (Leicestershire County Council, Police and the Fire Authority).

However, it should be noted that there could be some small additional administration costs (which are borne by this Council) and bad debt charges are likely to be incurred on the introduction of the higher Empty Home Premium.

In relation to the introduction of the Care Leavers Policy. Based on current estimates of Care Leavers within Charnwood Borough provided by Leicestershire County Council it is anticipated that the approximate cost (based on the annual charge for a band B property £1,321.14) would be £40,000 per annum with this Council's share being £2,800 and the other major preceptors covering the remaining £37,200.

Overall, it is anticipated that these changes will have a small positive impact on the Council's financial position.

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
Administration costs and bad debt charges offset the financial benefits of increasing the empty homes premium	Possible	Minor	Based on the current charges it is anticipated that management actions will mitigate any increased costs

Equality and Diversity

Introduction of the amended Empty Homes Premium and new Care Leavers Policy would generally have a neutral impact of equality and diversity in Charnwood. An Equalities Impact Assessment has been prepared and is attached as Appendix B to this report.

Key Decision: Yes

Background Papers: Council Tax Consultation

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karey.barnshaw@charnwood.gov.uk

Simon Jackson
Strategic Director for Corporate Services
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Part B

Background

Empty Homes Premium

1. In November 2016 Cabinet approved a recommendation to Council introduce an Empty Homes Premium of 150%. The current Council Tax legislation enables local authorities to charge a premium of 50% to the Council Tax on dwellings that are unoccupied and substantially unfurnished for 2 years or more. It has been estimated that there are approximately 500 empty homes within Charnwood of which 153 have been empty for more than 2 years.
2. The principle aim of introducing the Empty Homes Premium was to bring empty properties back in to use. Empty homes are not just a problem in Charnwood but nationally and are a wasted resource. Long term empty properties have a detrimental impact on the communities in which they are located and often cause problems for neighbours. Bringing them back into use can improve the quality of life in those communities, while also increasing the availability of affordable homes. Given the acute need for housing it is vital that every effort is made to bring such properties back into use at the earliest opportunity.
3. Since the introduction of the Empty Homes Premium in 2017 the Government has approved some amendments to the existing legislation that allows for additional premiums to be charged for empty homes, particularly those that have been standing empty for long periods of time. The amendments mean the following scale of charges could be introduced:
 - 100% extra (for properties empty for 2-5 years)
 - 200% extra (for properties empty for 5-10 years) [commencing in 2020]
 - 300% extra (for properties empty for 10+ years) [commencing in 2021]

In other words, council tax-payers may be required to pay 200% of the standard bill after two years; 300% of the standard bill after five; and 400% after ten.

4. The purpose of implementing these additional premiums would be to reduce the number of empty homes by providing an incentive bringing these long standing empty homes back in to use more quickly.
5. In addition, from a financial perspective there would be a small increase in revenue to the Council as set out below:

Annual gross billing - Approx. £334,000, split as follows:
Charnwood Borough Council - £23,000 for this Council

Leicestershire CC, Police and the Fire Authority - £311,000

It is however expected that some of this debt maybe more difficult to collect particularly on properties that have been empty for a very long period and where the charges will increase to 400% which may require more administrative work to recover this debt.

6. To understand our residents view on the proposed changes a public consultation was conducted. The consultation ran for a period of 6 weeks until the 6th January 2019 and had 134 respondents. All residents who own an empty home were written to directly asking for their views. A copy of the consultation can be found in the background papers along with the overall results and all comments. In summary the results were:

- Over 59% of respondents were supportive of the Council increasing the Empty Homes Premium to 100% after 2 years with nearly 57% believing if this was introduced after a property was empty for 1 year it would encourage empty properties to be brought back into use more quickly
- Nearly 49% of respondents were supportive of the introduction of the 200% premium for properties empty for 5 years or more.
- Over 47% of respondents were supportive of the introduction of the 300% premium for properties empty for 10 years or more.
- 75% of respondents said yes or maybe to the suggestion that by amending the current discount of 50% for 12 months for properties which are unoccupied, unfurnished or uninhabitable to 100% for 6 months this would encourage homes to be brought back into use more quickly.

7. In addition to the main questions there were also some common themes in the comments from customers, these were in the main regarding the following topics:

- the speed of the planning process affecting the ability to bring a house back to use more quickly,
- the fairness of the premium where the property is empty to a death in the family and the associated probate that may ensue which can take very long period of time
- the consideration of people buying empty homes to bring back into use which the premium may become a deterrent as it is based on how long the property has been empty regardless of the length of time the owners have owned it for.

Summary

8. Residents reaction to the increase in premium is positive with many comments fully supporting the need to bring empty homes back into use. It is also expected that an additional benefit to the Council will be a small increase in revenue. Given these factors, it would seem reasonable to introduce both the increase premiums and the changes to the discount

and period for unoccupied, unfurnished or uninhabitable homes to satisfy the Councils objectives of bringing empty homes back into use as set out below:

Length of time property empty for	Additional Premium
2 - 5 years (introduce from 2019)	100%
5 - 10 years (introduce from 2020)	200%
10 years+ (introduce from 2021)	300%

Amend current discount for properties which are unoccupied, unfurnished and uninhabitable from 50% for 12 months to 100% for 6 months.

Care Leavers Policy

9. Collectively, Leicestershire Councils (including Leicestershire County Council and the seven Leicestershire District Councils) understand that the transition out of care for young people can be very problematic. Without the support of a family and being inexperienced in managing their own finances, which means care leavers can be more susceptible to fall into debt.
10. In early 2018 this issue was discussed at the District Chief Executive meetings to establish if there was opportunity for all authorities in Leicestershire to agree to support young people in their transition out of care by giving additional relief, on top of any other reliefs that may be available, by reducing their liability for Council Tax to zero until age 25. The outcome of the meeting was that all authorities would like to implement the exemption subject to member approval.
11. In terms of financial implications based on current estimates of care leavers within Charnwood Borough provided by Leicestershire County Council, it is anticipated that the total cost within the Borough (based on the annual charge for a band B property of £1,321.14) would be £40,000, with Charnwood's share being £2,800 and the other major preceptors covering the remaining £37,200. It should be noted for the purposes of the prospective application of this policy that *all* care leavers would qualify for relief, not just those from within Leicestershire.
12. The Care Leavers Policy and application process has been reviewed by the Revenues Team and based on the number involved it is not anticipated that the implementation of this policy this would generate any significant increase in work for the Revenues Team.

Summary

13. Given the stated benefits this exemption will bring and the minimal financial impact to the Council it would seem reasonable to implement the Care Leavers Policy in line with our partners across Leicestershire.

Appendices

Appendix A – Draft Care Leavers Policy

Appendix B – Equality Impact Assessment

Charnwood Borough Council

Care Leavers Council Tax Relief Policy

[Proposed]

POLICY FOR DETERMINING APPLICATIONS IN RESPECT OF CARE LEAVERS RELIEF.

BACKGROUND

- 1.1 The Council understands that the transition out of care for young peoples can be very problematic. Without the support of a family and being inexperienced in managing their own finances, which means care leavers can be more susceptible to fall into debt. Therefore, Charnwood Borough Council can give financial support to these young people by giving additional relief, on top of any other reliefs that may be available, to those leaving care by reducing their net liability for council tax zero until age 25.
- 1.2 Under Section 13A(1-3) of the Local Government Finance Act 1992 (as amended), the Council has the power to reduce liability for Council Tax in relation to individual cases or class(es) of cases that it may determine. It says:
- Where a person is liable to pay council tax in respect of any chargeable dwelling and day, the billing authority for the area in which the dwelling is situated may reduce the amount which he is liable to pay as respects the dwelling and the day to such extent as it thinks fit. This allows for a further reduction where a reduction under council tax support has been applied
 - The power under subsection 1) above includes the power to reduce an amount to nil
 - The power under subsection 1) may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by the determination.
- 1.3 There are financial implications to awarding any discounts other than those currently available under the statutory legislation and the financial burden of Section 13A discounts has to be met through an increase in the general level of Council Tax for other payers or from the general fund.
- 1.4 In addition to this:
- The granting of Section 13A discounts would reduce income from Council Tax;
 - The Council Tax Support scheme exists to ensure that those on low incomes receive financial assistance with their Council Tax.
- 1.5 In order to provide further support for care leavers, the Council has created a new class of council tax charge payer known as 'Care Leavers' and has decided to reduce the council tax bill for Care Leavers to zero, after any other national reliefs have been applied.
- 1.6 This policy will apply up to and including the date of the day before the care leavers 25th birthday.
- 1.7 Reducing Council Tax in these circumstances will hereafter be known as an award of Care Leavers Relief.

CARER LEAVERS RELIEF APPLICATION PROCESS

2.1 Care Leavers Relief can be accessed through either:

- direct request from the care leaver, with evidence they have left care
- the identification and nomination of a care leaver by the Leicestershire County Council's Children's Services to the Council's Council Tax Service (or other Council's Children's Services if previously resident outside the Leicestershire area).
- the identification and nomination by any other public body or professional organisation that confirms that the care leaver was in care (being 'looked after' as a result of a statutory obligation).

2.2 The award can be made for any period from 1st April 2019 where the care leaver is liable for council tax.

2.3 Any award given to an individual case will end on the day before their 25th birthday.

ELIGIBILITY CRITERIA

The following will be assessed when making a decision:

3.1 Care leavers who are liable to pay Council Tax will have their bill reduced to nil, this will apply where the care leaver is in a multi-person household. The only exception to this is for a situation when the Care Leaver is in a House in Multiple Occupation (HMO) where the landlord is responsible for paying the Council Tax liability. For HMO's where the landlord is responsible for paying the Council Tax no relief will be given.

3.2 The Care Leaver Relief will be given after all other eligible reliefs have been taken into account.

3.3 The date of the day before the care leaver's 25th birthday determines the last day of the period of the award

3.4 Leicestershire County Council (or other Council's) Children's or Social Services or other public body or professional organisation have confirmed that the care leaver was in their care (being 'looked after').

3.5 That Charnwood Borough Council (CBC) is the council tax billing authority the care leaver is liable to make council tax payments.

3.6 The Care leaver is resident in the CBC area, if permanent residency in the CBC area is discontinued relief will be stopped and require re-application upon return to the area.

3.7 The individual must have been in care on their 16th birthday and for at least 13 weeks from the age of 14.

REVIEW PROCESS

- 4.1 Under the Local Government Finance Act 1992, there is no right of appeal against the Council's use of discretionary powers. The Council will however accept a written request for a review of its decision. The request should include the reasons for requesting a review and any supporting information.
- 4.2 Reviews will be considered by an officer independent of the original decision maker.
- 4.3 If an application is refused the Council will provide the reason for refusal and instructions on how to request a review and the address where any request may be sent.
- 4.4 The applicant will be notified of the outcome of the review in writing.

EQUALITIES IMPLICATIONS

- 5.1 Granting a discount to care leavers would result in preferential treatment but would aim to counter some of the acknowledged disadvantage that this group experiences compared to their peers.
- 5.2 An equalities impact assessment has been completed. No adverse impacts were identified.

Application for discount for care leavers

Full name:	Date of birth:		
Current address:	NI number:		
	Council tax account reference (if known):		
	Care leaver reference (if known):		
Any other address you may owe council tax for:			
Email address(es):			
Telephone number(s):			
If you would like us to be able to talk directly with a friend, relative, case worker or adviser about your council tax, please give their details below:			
Name	Relationship to you	Email address	Phone number
Please answer the following questions			
Were you in care on your 16 th birthday	Yes	No	
Were you in care for at least 13 weeks from the age of 14	Yes	No	
Where you were in care (Full Address needed)			
If you were in care with a council other than Leicestershire County Council, please provide contact.			
Declaration: I confirm that the information contained in this application is true and correct to the best of my knowledge and belief.			
Signed:		Date:	
Post your completed application to: The Revenues Section Charnwood Borough Council Council Offices Southfields Loughborough Leicestershire LE11 2TT			

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

Note: Complete the action plan as you go through the questions

■ **Step 1 – Introductory information**

Title of the policy	Empty Homes Premium
Name of lead officer and others undertaking this assessment	Karey Barnshaw
Date EIA started	10/1/19
Date EIA completed	14/1/19

■ **Step 2 – Overview of policy/function being assessed:**

Outline: What is the purpose of this policy? (Specify aims and objectives)
<p><u>Empty Homes Premium</u> Council Tax legislation enables local authorities to currently charge a premium of up to 50% in addition to the Council Tax on dwellings that are unoccupied and substantially unfurnished for two years or more. Government has now amended this legislation to increase the premiums that can be charged as follows:</p> <ul style="list-style-type: none"> • 100% extra (for properties empty for 2-5 years) • 200% extra (for properties empty for 5-10 years) [commencing in 2020] • 300% extra (for properties empty for 10+ years) [commencing in 2021] <p>It has been estimated that there are 150 properties that have been empty for at least two years in the Borough.</p> <p>The main purpose of the premium would be to reduce the number of empty homes, and provide an incentive to get empty homes back into use, rather than to generate income.</p> <p><u>Care Leavers Policy</u> The Council understands that the transition out of care for young people can be very problematic. Without the support of a family and being inexperienced in managing their own finances, which means care leavers can be more susceptible to fall into debt. To support you people transitioning out of care the introduction of the Care Leavers Police removes the liability of a care leave up to the age of 25 for Council Tax</p>
What specific group/s is the policy designed to affect/impact and what is the intended change or outcome for them?
<p>The Empty Homes Premium changes will directly affect property owners of the empty homes, regardless of protected characteristic.</p> <p>The Care Leavers Policy is aimed at young people between the age of 18-25 leave the care system. The policy's aim is to help smooth their transition into independent living by offering financial support for their Council Tax</p>
Which groups have been consulted as part of the creation or review of the policy?
<p><u>Empty Homes Premium</u> The consultation ran for a period of 6 weeks until the 6th January 2019 and had 134 respondents. All residents who own an empty home were written to direct asking for their participation in the consultation. In summary the results were:</p>

- Over 59% of respondents were supportive of the Council increasing the Empty Homes Premium to 100% after 2 years with nearly 57% believing if this was introduced after a property being empty for 1 year it would encourage empty properties to be brought back into use more quickly
- Nearly 49% of respondents were supportive of the introduction of the 200% premium for properties empty for 5 years or more.
- Over 47% of respondents were supportive of the introduction of the 300% premium for properties empty for 10 years or more.
- 75% of respondents said yes or maybe to the suggestion that by amending the current discount of 50% for 12 months for properties which are unoccupied, unfurnished or uninhabitable to 100% for 6 months this would encourage homes to be brought back into use more quickly.

In relation to the Care Leaver Policy, joint meetings between all Leicestershire local authorities have taken place to joint agree the introduction of this policy.

■ 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

Empty Homes Consultation Dec/Jan 2018/19

No. of Care Leavers per annum – Leicestershire County Council

What does this information / data tell you about diverse group? 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)

Property owners and Care Leavers are likely to be from a range of protected characteristics and not any specific diverse group.

■ 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.

Not applicable. A resident consultation has already taken place.

■ 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	<p>Neutral impact. All property owners will be assessed by the same criteria standard for empty homes with no predicted adverse impact upon the protected characteristic of age.</p> <p>The Care Leaver Policy will have a positive impact on young people between the ages of 18-25 leaving care.</p>
Disability (Physical, visual, hearing, learning disabilities, mental health)	<p>Neutral impact. All property owners will be assessed by the same criteria standard for empty homes with no predicted adverse impact upon the protected characteristic of disability.</p> <p>Neutral impact The Care Leavers policy criteria is based solely on age and leaving the care system with no predicted adverse impact upon the protected characteristic of disability</p>
Gender Reassignment (Transgender)	<p>Neutral impact. All property owners will be assessed by the same criteria standard for empty homes with no predicted adverse impact upon the protected characteristic of gender reassignment.</p> <p>Neutral impact The Care Leavers policy criteria is based solely on age and leaving the care system with no predicted adverse impact upon the protected characteristic of gender reassignment</p>
Race	<p>Neutral impact. All property owners will be assessed by the same criteria standard for empty homes with no predicted adverse impact upon the protected characteristic of race.</p> <p>Neutral impact The Care Leavers policy criteria is based solely on age and leaving the care system with no predicted adverse impact upon the protected characteristic of race</p>
Religion or Belief (Includes no belief)	<p>Neutral impact. All property owners will be assessed by the same criteria standard for empty homes with no predicted adverse impact upon the protected characteristic of religion or belief.</p> <p>Neutral impact The Care Leavers policy criteria is based solely on age and leaving the care system with no predicted adverse impact upon the protected characteristic of religion or belief</p>
Sex (Gender)	<p>Neutral impact. All property owners will be assessed by the same criteria standard for empty homes with no predicted adverse impact upon the protected characteristic of sex.</p> <p>Neutral impact The Care Leavers policy criteria is based solely on age and leaving the care system with no predicted adverse impact upon the protected characteristic of sex</p>
Sexual Orientation	<p>Neutral impact. All property owners will be assessed by the same criteria standard for empty homes with no predicted adverse impact upon the protected characteristic of sexual orientation.</p>

	<p>Neutral impact</p> <p>The Care Leavers policy criteria is based solely on age and leaving the care system with no predicted adverse impact upon the protected characteristic of sexual orientation</p>
<p>Other protected groups (Pregnancy & maternity, marriage & civil partnership)</p>	<p>Neutral impact. All property owners will be assessed by the same criteria standard for empty homes with no predicted adverse impact upon any other protected group</p> <p>Neutral impact</p> <p>The Care Leavers policy criteria is based solely on age and leaving the care system with no predicted adverse impact upon the protected groups</p>
<p>Other socially excluded groups (carers, low literacy, priority neighbourhoods, health inequalities, rural isolation, asylum seeker and refugee communities etc.)</p>	<p>Neutral impact. All property owners will be assessed by the same criteria standard for empty homes with no predicted adverse impact upon any other socially excluded group.</p> <p>Neutral impact</p> <p>The Care Leavers policy criteria is based solely on age and leaving the care system with no predicted adverse impact upon other socially excluded groups</p>

<p>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.</p> <p>Please note:</p> <p>a) If you have identified adverse impact or discrimination that is illegal, you are required to take action to remedy this immediately.</p> <p>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.</p>
<p>N/A</p>
<p>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).</p>
<p>There is seen to be a neutral impact for the Empty Homes Premium and a positive impact for the Care Leavers Policy, therefore meeting Charnwood Borough Council's responsibilities in relation to equality and diversity.</p>

Step 6- Monitoring, evaluation and review

<p>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?</p>
<p>The take up number for the Care Leavers Policy will be monitored on a quarterly basis against expected volumes to ensure those that require financial support receive it.</p>
<p>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.</p>
<p>The assessment will be included as part of the back ground papers that will go to Cabinet on 14th February 2019</p>

■ **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	Monitoring take up of discount for Care leavers on quarterly basis	K Barnshaw	Ongoing

■ **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	Y	This assessment will be attached alongside the Cabinet paper of 14 th February 2019 and published on the Charnwood Borough Council Website.
Service users	Y	This assessment will be attached alongside the Cabinet paper of 14 th February 2019 and published on the Charnwood Borough Council Website.
Partners and stakeholders	Y	This assessment will be attached alongside the Cabinet paper of 14 th February 2019 and published on the Charnwood Borough Council Website.
Others		
To ensure ease of access, what other communication needs/concerns are there?		

■ **Step 9- Conclusion (to be completed and signed by the [Service Head](#))**

Please delete as appropriate
I agree
If <i>disagree</i> , state action/s required, reasons and details of who is to carry them out with timescales:
Signed (Service Head): Simon Jackson
Date: 14/1/19

[Please send completed & signed assessment to Suzanne Kinder for publishing.](#)

CABINET – 14TH FEBRUARY 2019

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

Part A

ITEM 9 GENERAL FUND AND HRA REVENUE BUDGETS 2019/20

Purpose of the Report

This report sets out the proposed General Fund and Housing Revenue Account (HRA) Revenue Budgets for 2019/20, which together, represent the financial spending plans for all services of the Council. It is a legal requirement to set a balanced budget each financial year. The report also incorporates the proposed Council Tax levy which must be set by Council at its meeting on 25th February 2019. The indicated Council Tax for Charnwood Borough Council as a whole is based on the budget to be recommended to Council and it is proposed that there is an increase of £5.00 (4.27%) per band D property per annum in 2019/20. This is the allowable increase for the Council based upon Charnwood's current band D charge being in the lowest quartile across England.

The report also presents the 2019/20 proposals to increase rent and service charges within the ring fenced Housing Revenue Account.

Recommendations

That Council are recommended:

1. To approve the Original General Fund Revenue Budget for 2019/20 at £16,954,156 as set out in Appendix 1.
2. To set a base Council Tax at £122.09 at Band D, an increase of £5 on the 2018/19 rate.
3. To set the Loughborough Special Levy at £74.97, no increase on 2018/19 rate, as set out in Appendix 3.
4. To approve the following items to the Loughborough Special Levy:
 - 4.1. Funding for the costs of opening Biggin Street, Loughborough, toilets on a Friday ongoing £4.4k
 - 4.2. Funding for Voluntary and Community Grants within Loughborough on an ongoing basis; £20k
 - 4.3. Contribution towards Open Spaces grounds maintenance work in Loughborough, to be reviewed each year £120k.
5. To approve the Original HRA Budget for 2019/20 as set out in Appendix 5.
6. To amend the HRA weekly rents in line with the Ministry of Housing, Communities and Local Government (MHCLG) guidance.

7. To approve that the non-HRA dwelling properties retain their current rents as charged in 2018/19.
8. To approve the HRA service charges in accordance with the MHCLG Guidance.
9. To approve that the shop rents retain their current rents in accordance with an assessment by the Valuation Office.
10. To approve that garage rents are increased by 2.49% in accordance with the assessment by the Valuation Office.
11. To approve that the Leasehold Management and Administration charge increases to £113.06 per annum.
12. That the Lifeline weekly charge is increased in line with MHCLG Guidance.
13. To determine that the basic amount of Council Tax for 2019/20 is not excessive according to the principles set out by the Secretary of State.
14. That delegation be given to the s151 Officer, in conjunction with the Lead Member for Finance and Resources, to amend this report for Council in line with the final settlement and updated NNDR figures.

Reasons

1. That the necessary finance is approved to carry out services in 2019/20.
2. That the Council Tax can be set in accordance with legal and statutory requirements.
3. That a Loughborough Special Levy can be set in accordance with legal and statutory requirements.
4. To enable items to be added to the Loughborough Special Rate in:
 - 4.1. Opening Biggin Street toilets (Loughborough) on a Friday on an ongoing basis;
 - 4.2. Funding for Voluntary and Community Grants within Loughborough on an ongoing basis;
 - 4.3. Contribution towards costs for Open Spaces grounds maintenance work in Loughborough to be reviewed on an annual basis.
5. To ensure sufficient funding for the Housing Revenue Account in 2019/20.
6. To comply with social housing rents guidance which, for 2019/20, is a 1% reduction in rents payable by tenants.
7. To reflect the greater flexibility for rental options for non-HRA dwellings.
8. To ensure the correct alignment of costs and service charges for tenants in accordance with best practice.

9. That shop rents follow the assessment and guidance provided by the Valuation Office.
10. To increase the rent generated for garages in line with the guidance from the Valuation Office.
11. That there is sufficient recovery of the costs associated with operating the leasehold flat and shop services.
12. That there is sufficient recovery of the costs associated with operating the Lifeline service.
13. To comply with the requirements of the Local Government Finance Act 1992.
14. To update the budget report in line with final settlement figures once these are received.

Policy Justification and Previous Decisions

The budget is essential to all policies of the Council and the setting of a Council Tax levy is a legal requirement of the Council. The rents are set in accordance with MHCLG Guidelines.

Implementation Timetable including Future Decisions and Scrutiny

This report will be available for consideration by the Overview Scrutiny Group on 11th February 2019 and, if approved by Cabinet, will be tabled for agreement by Full Council on 25th February 2019. The actual budget will then come into effect on 1st April 2019.

The draft budget was also considered by the Budget Scrutiny Panel on 8th January 2019 and their comments are referred to later in this report.

Report Implications

Financial Implications

The effects of the adoption of these budgets are explained in Part B of the report.

Risk Management

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	Minor	Expenditure will either be scaled back or alternative funding sought.
Failure to take account of the spending plans of the Council.	Unlikely	Minor	Robust budget planning and control processes
Exceptional spending being required during the financial year.	Unlikely	Major	The Working Balance is sufficient to manage normal and most one off events.
Some of the amounts in this budget report are still provisional as final government settlement	Possible	Major	The Council has sufficient reserves to ensure that the expenditure in this

Key Decision: Yes

Background Papers: None

Officer to Contact: Tina Stankley
 Head of Finance and Property Services
 01509 63481
tina.stankley@charnwood.gov.uk

Part B

General Fund Revenue Budget 2018/19

1. Appendix 1 shows the General Fund summary position and includes a variance column comparing the Original budget being recommended to Council with the draft one reported to Cabinet on 13th December 2018. The primary changes are set out below. The Precept Requirement has reduced slightly by a net £25k since the draft report. The reasons for this, and other matters of salience, are explained in paragraphs 3 to 8 below.
2. There is a reduction in Net Service Expenditure of £29k which relates to an adjustment to the recharge made from HRA to General Fund for administering the Lifeline service.
3. As is typical, at the date of drafting this report the provisional NNDR (National Non-Domestic Rates, also known as business rates) income figure has not yet been finalised. Whilst this has the potential to alter the Council's projected funding position it is not anticipated that any changes would be material in the context of the General Fund budget. If material, an update will be provided to Cabinet at the date of the meeting and for the purposes of the Council meeting updated figures will be provided.
4. As explained in more detail at paragraph 24, the Council was part of a successful Leicestershire-wide bid to participate in the 75% business rate retention pilot scheme. This should prove beneficial to the Council but the extent of this benefit cannot be calculated at this time. However, it has been agreed amongst the Leicestershire local authorities that as a first step, all authorities would be put in a position whereby the funding derived from the pilot would be equal to the funding each would otherwise have received from business rate retention and the Revenue Support Grant. The budget has therefore been set on this basis.
5. The Council is in a 'levy position' meaning that the income for the year is greater than the index linked spending baseline which would, if the Council was not part of the business rate retention pilot, result in a payment to Central Government. Historically, to allow levy payments to instead be directed to the Local Enterprise Partnership (LEP), the Council has been a member of the Leicester and Leicestershire Business Rates Pool. For 2019/20 it has been agreed amongst the Leicestershire local authorities that the Pool would be put in a position whereby the funding derived from the pilot would be equal to the levy payments that each local authority would otherwise have made to the Pool.
6. Due to timing differences between years in finalising amounts due to other parties, e.g. the County, Police and Fire in respect of Council Tax and the County, Fire and central government in respect of NNDR, the authority operates a Collection Fund. This acts like a trust account where amounts are paid in/out during the year and surpluses/deficits are retained at the year end and then paid out/recovered in following years once final figures are known. The Collection Fund and the NNDR figure are linked and both of these figures will change for the final report to Council on 25th February 2019 as the figures for County, Fire and Police are still provisional.
7. The amount due to the Council from Council Tax receipts has reduced by a net £24k compared with the draft report. This is due to the council tax base being slightly lower than anticipated in the draft report.
8. The New Homes Bonus Grant figure for 2019/20 shows an increase of £30k since the draft report, 0.6% of the budget. This grant is calculated based on housing growth in the borough.

9. The recommendation made in the draft budget to freeze the Loughborough Special rate and increase band D base Council Tax by £5.00 per annum has not changed as a result of the above changes. The recommended increase is within the guidelines issued by central government. As noted in the MTFs, Charnwood set the 23rd lowest rate out of a total of 201 District Councils for 2018/19, placing us in the lowest 11% of charges across District Councils currently. This recommended increase will have the positive impact of increasing the base budget going forward which will help to protect the Council against future funding reductions.
10. There is a proposed reduction in overall revenue reserves of £1.6m which still allows for reserves to be maintained above the minimum recommended level in line with good practice. The Council has built up a prudent level of reserves in the past to cope with reductions in available funding as well as one-off emergencies. This planned use of reserves is in line with the anticipated use of reserves included within the MTFs.
11. The current approved local Council Tax Support scheme, which gives eligible pensioners a reduction in their council tax bills of up to 100% (some paying no council tax at all) and eligible working age applicants a discount so that they pay at least 15% of the full charge, has been presumed to continue as it is both for 2019/20 and in the future.

Consultation on the Budget

12. A programme of consultation commenced following the consideration of the draft budget by Cabinet in December 2018. This has involved partner organisations, scrutiny committees, unions and businesses.

Budget Scrutiny Panel process

13. At its meeting held on 28th March 2018, the Scrutiny Management Board agreed the process for scrutinising the Council's budgets for 2019/20. The Budget Scrutiny Panel met four times between 26th June 2018 and 8th January 2019. to consider the MTFs and the draft revenue and capital budgets. Their comments and recommendations are included in a separate paper at item 06 of this meeting.

Comments of the Industrial and Commercial Ratepayers Meeting

14. A consultation meeting with representatives of Industrial and Commercial Ratepayers was held on 16th January 2019. The following issues were identified by consultees as agenda items for the meeting:
 - The proportion of the Business Rates collected by the Council that was retained in Charnwood and how that money was used by the Council
 - The process for updating information on Business Rates Rating Lists
 - The functions of the Council's Business/Economic Development Team
 - The Government's new Future High Streets Fund and the Council's role in addressing the economic difficulties facing the High Street
 - The Generator project (a scheme to reuse a building in Loughborough Town Centre as a creative hub)
 - The Wards End/Bedford Square improvement scheme in Loughborough.
15. Information was provided to consultees regarding these matters, including the Council's participation in the 75% business rate retention pilot scheme and its intention to make a

bid for funding from the Government's Future High Streets Fund. There was also a discussion of the Council's longer term financial strategy. There are no proposed changes to the 2019/20 budgets as a result of the consultation meeting.

Comments of the Loughborough Area Committee

16. At the Committee there were extensive discussions on aspects of the budget relating to the special expense area. Areas of discussion included the cemetery, Voluntary and Community Sector Development, Fearon Hall and the Carillon Tower, and recharges to the open spaces service.
17. The timing of the meeting was also discussed along with suggestions as to additional information that the Committee would appreciate in future years.
18. Items that the Committee specifically asked be considered for inclusion in the budget in future were:
 - 18.1. It was suggested that a water bottle re-filling station or the possibility of using the original water fountain in the Town Centre be explored as part of the budget setting process.
 - 18.2. Officer response – Officers will investigate the possibility of creating a bottle re-filling station within the footprint of the public toilet facilities.
 - 18.3. It was suggested that consideration be given to providing free toilet facilities in the Town Centre as part of the budget setting process.
 - 18.4. Officer response – Officers agreed that the cost of increasing toilet provision in this way would be calculated.
19. We would like to take this opportunity to thank all those who responded to the consultation. Further of the consultation discussions and responses referred to above are available as meeting minutes, published on the Council's website.

Loughborough Special Expenses (Appendix 3)

20. There is no increase in Loughborough Special Expense Levy, the rate remains the same at 74.97p and includes a council tax support grant of £6k. The year 2019/20 will be the final year for the allocation of this grant as the funding source of this grant (i.e. Revenue Support Grant) finishes for the Council in 2019/20.

Council Tax Base

21. The tax base, as approved by a decision delegated to the s151 Officer, has been used in the relevant calculations.

Precept Amount

22. The NNDR and Collection Fund figures are not yet available and the draft settlement has been used in these calculations. Appendix 2 shows an increase of £5 on the Base Band D Council Tax. The amount for 2019/20 is therefore at £122.09 for the base precept.

Parish and Town Councils and Other Precepts

23. All Parish and Town Council precepts have been received and are detailed in Appendix 4. Approved precept information is still to be received from the County Council, the Police and Fire Authorities and the figures therefore shown in Appendix 2 are provisional. These will be updated in time for the main Council meeting on 25th February 2019.

Leicestershire's Successful Bid to pilot the 75% Business Rates Retention Scheme.

24. The Council along with all other Leicestershire Councils jointly submitted a business rate pilot bid to test out 75% Business Rate Retention. This bid was successful with the expected benefit to Leicestershire and the City being in the region of £14 million for 2019/20. It is not yet known how much of this Charnwood would receive as the bid allocation details are still being determined by the Leicestershire Councils. In line with the bid proposal the additional funding would be used assist with financial sustainability (for example, homelessness demand) and investment in town centres. As the amount is not yet known the budget figures for business rates have been included on the basis of the council not having been part of the successful bid i.e. the status quo of being in the 50% Business Rate Retention scheme. It should be noted that because the Council has been successful in becoming a pilot authority it will not receive a separate RSG payment (the council will receive its final RSG payment for 2019/20 of £165k), but this will be included as part of the NNDR funding. This has been shown as a reduction of £165k on the RSG line and an increase of £165k on the NNDR line in Appendix 1

General Fund Revenue Balances and Reserve

25. The General Fund Balances are included in Appendix 1 and the budget shows that £971k, being 19% of the opening balance, will be transferred from the Working Balance. The Working Balance is predicted to be £4m at March 2020, which is above the recommended minimum balance of £2m required to cover approximately 6 weeks of running costs. An additional recommended minimum balance of £2m (taking the total to £4m) is included in order to cover future uncertainties around business rate retention, additional responsibilities and the outcome of the fairer funding review.

26. The Capital Plan Reserve is predicted to be £1.1m at the end of March 2020 which includes £618k Capital Plan call on this fund.

Housing Revenue Account

27. The overall budget position for 2019/20 shows a surplus of £128k compared with the draft budget position of a surplus of £440k. This is a net difference of £312k. Changes include an adjustment of £29k to the recharge made from HRA to General Fund for administering the Lifeline service which is offset by an increase in estimated rental income of £14k. The largest change relates to £280k of rent and service charges. Following legal and accountancy advice on the calculation of the 53 week rent year, an accruals basis has been adopted. This means that income relating to the portion of the 2019/20 rent period that does not fit into the financial period has been deferred into the 2020/21 budget. This income has not been lost and will simply be recognised in a later accounting period. There is an adjustment of £2k in Supervision and Management relating to the same accounting principle for lifeline income.

HRA Balances

28. The HRA Balances have been budgeted at £110 per property at approximately £608k. At 31 March 2019, the HRA Financing Fund balance is forecast as being £7,858k. This includes adding an estimated underspend of £441k from the 2018/19 budget, which is the forecast underspend of balances as at the revenue monitoring for December 2018 (Period 9).

HRA Services Pressures

29. The ongoing service pressures for the HRA are the same as those listed in the draft budget (see Cabinet report 13 December 2018) and total £245k per annum.

Report of the Chief Finance (Section 151) Officer under Section 25 of the Local Government Finance Act, 2003

30. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 151 Officer) of a local authority to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. This report has to be considered by Cabinet and full Council as part of the budget approval and council tax setting process.
31. The proposed budget is set against the context of continued reductions in core Government funding, especially Revenue Support Grant. However, through submitting its Efficiency Plan the Council has secured a multi-year settlement until 2019/20 thereby providing certainty of this element of funding. There is inherent and significant volatility in respect of business rate appeals which can lead to material swings in available funding between financial years. The Council has an adopted Medium Term Financial Strategy (MTFS) that takes all of the above into account and provides resilience over the medium term.
32. The Council's S151 Officer is required to report to Cabinet and full Council the key risks facing the Council in relation to current and future budget provision. An assessment of material risks has been carried out and the two biggest risks i.e. those that are most likely and with the biggest impact have been identified as being the certainty over both the level of business rates income and the future funding through the New Homes Bonus scheme. and associated mitigating actions are detailed below:

32.1. Business Rates

Business rates, represents the biggest financial risk to the Council, because it is such a complex area manage and budget for. Detailed work has been undertaken as part of the budget process to model income trends including growth and the impact potential business rates appeals to arrive at an expected level of business rates income for the year. Furthermore, monitoring of the actual business rates position is performed throughout the year to identify any variances from the expected levels so that the impact of variances can be assessed and monitored.

32.2. *New Homes Bonus*

The scheme was introduced by the Government in 2011/12 to promote housing growth. Originally the scheme provided grant funding in the form of a 'bonus' per house to councils for each house built and completions within the authority's boundaries in a year for the following six years. This was reduced to the following 5 years for 2017/18 completions onwards. Also for 2017/18 the Government introduced a "deadweight" factor so that no NHB payments will be made to a local authority for housing growth of less than 0.4%.

The Government has continued to make changes to the scheme with the Government implementing a reduction the number of years for legacy payments again to 4 years in 2018-19. Councils expected further changes to the scheme to be announced when the provisional finance settlement was announced in December 2018 which would further reduce funding to the council. However it was announced that the scheme would remain unchanged for 2019/20. There are still concerns that the scheme will be modified again in subsequent years resulting in a reduction in funding to councils.

Robustness of Estimates

33. Alongside this the Local Government Finance Act 1992 also requires the authority to take due consideration before setting the budget as there is no recourse to setting a further levy during the year, and any unexpected financial event would have to be met from reserves, or by cutting expenditure on services.
34. This budget has been drawn up using the best estimates of the cost of service delivery by those officers delivering the services, under the overall management of the Chief Financial Officer and with professional advice and guidance from the Financial Services team. The basis of estimation has been to take account of all known costs in delivering a set level of service together with any new or amended services that have been approved by Members. The same basis has been applied in estimating the income level for those services that generate revenue for the Council.
35. However, during the eighteen months period, from the start of the budget process until the end of that financial year, there are likely to be budgets that have pressures on spending; equally there are budgets that will under spend. The key is to ensure that the position is under control at all times and that timely, effective action is taken where budget issues are identified in year. Additionally, financial procedures are in place to ensure that all decisions that affect spending are fully considered before committing the authority, and that effective monitoring is in place.
36. All spending plans are based on the service planning process and the proposed use of reserves and balances conforms to the specification as laid down and published in the Financial Strategy.

Adequacy of Reserves

37. The Chief Financial Officer can confirm that the levels of reserves for both the General Fund and HRA are considered to be adequate to fund the planned expenditure identified by the Council as presented in this report. However, they will need to be monitored and reviewed in the future to ensure that they can be maintained at an adequate level.

Assurance Statement of the Council's Section 151 Officer

38. Therefore the Chief Financial Officer confirms that this budget, as set out above and in the attached appendices, is robust and meets the requirements of the Council for its current spending plans and conforms with the procedures agreed for the use of balances.

Appendices

- 1 – General Fund Budget Summary 2019/20
- 2 – Council Tax Analysis 2019/20
- 3 – Loughborough Special Expenses 2019/20
- 4 – Council Tax Town and Parish Council Precepts 2019/20
- 5 – HRA Revenue Budget Summary 2019/20
- 6 – General Fund Service Pressures and Savings 2019/20

General Fund Budget Summary 2019-20					
Actual 2017/18 £000		Original Budget 2018/19 £000	Draft Budget 2019/20 £000	Final Budget 2019/20 £000	Variance Draft vs Final £000
16,942	General Fund Service Expenditure	18,029	18,525	18,496	(29)
0	One Off Directorates Savings Target	0	(300)	(300)	0
0	Net Ongoing Service (Savings) & Pressures	(178)	(341)	(341)	0
0	Net One Off Service (Savings) & Pressures	370	283	283	0
16,942	Net Service Expenditure	18,221	18,167	18,138	(29)
1,007	Revenue Contributions to Capital	0	0	0	0
47	Council Tax Support Grants to Parishes/Towns	29	0	0	0
325	Interest Paid	240	240	240	0
(285)	Less: Interest on Balances	(300)	(390)	(390)	0
18,036	Total Borough Expenditure	18,190	18,017	17,988	(29)
(182)	Contribution (from) Reinvestment Reserve	0	0	0	0
(167)	Contribution(from)/to Working Balance	(1,164)	(825)	(798)	27
(431)	Contribution (from)/to Collection Fund	(234)	(200)	(173)	27
(882)	Contribution(from)/ to Capital Plan Reserve	0	0	0	0
307	Contribution (from)/to Other Reserves	(8)	(63)	(63)	0
(16)	Contribution (from)/to Growth Support Fund	0	0	0	0
16,665	Precept Requirement	16,784	16,929	16,954	25
1,265	Revenue Support Grant	745	165	0	(165)
4,507	NNDR	4,957	5,125	5,290	165
6,118	Council Tax Receipts	6,502	6,917	6,893	(24)
1,184	Loughborough Special Levy	1,194	1,215	1,213	(2)
4,004	New Homes Bonus	3,620	3,707	3,731	24
18	General Government Grants	0	0	0	0
(431)	Collection Fund Surplus/(Deficit)	(234)	(200)	(173)	27
16,665	Precept Income	16,784	16,929	16,954	25

£p	Council Tax for Band D	£p	£p	£p
112.09	Base Borough Council Tax	117.09	122.09	122.09
74.97	Loughborough Special Levy	74.97	74.97	74.97

£000 Actual 2017/18	REVENUE BALANCES	£000 Original 2018/19	£000 Draft 2019/20	£000 Final 2019/20
7,655	Working Balance at 1 April	7,474	4,990	4,990
(598)	Transfer from/(to) General Fund	(1,398)	(1,025)	(971)
0	Transfer from/(to) Reinvestment Reserve	(43)	0	0
7,057	Balance at 31 March	6,033	3,965	4,019
776	Reinvestment Reserve Balance at 1 April	457	608	608
(181)	Transfers from/(to) General Fund	43	0	0
595	Balance at 31 March	500	608	608
3,526	Capital Plan Reserve Balance at 1 April	1,790	1,629	1,711
43	Transfer from/(to) General Fund	0	0	0
(925)	Funding of Capital Expenditure	(563)	(557)	(618)
2,644	Balance at 31 March	1,227	1,072	1,093
130	Growth Support Fund Balance at 1 April	96	0	0
(16)	Transferred from General Fund	0	0	0
0	Funding of Capital Expenditure	(96)	0	0
114	Balance at 31 March	0	0	0
506	Other Revenue Reserve Balances at 1 April	791	805	805
307	Transferred from/(to) General Fund	(8)	(63)	(63)
813	Balance at 31 March	783	742	742
11,223	TOTAL BALANCES	8,543	6,387	6,462

COUNCIL TAX ANALYSIS 2019/20					
2018/19			2019/20		%
55,525.8		TAX BASE (at CBC collection rate)	56,462.4		Change Per Band D
15,927.5		LOUGHBOROUGH TAX BASE	16,183.5		1.69
£	£ p		£	£ p	%
16,784,775 (1,194,085)	302.29 (21.51)	TOTAL BUDGET REQUIREMENT Less: Loughborough Special Levy	16,954,156 (1,213,277)	300.27 -21.49	-0.67 -0.07
15,590,690	280.78	Less:	15,740,879	278.78	-0.71
(745,156)	(13.42)	Revenue Support Grant	0	0	-100.00
(3,620,837)	(65.21)	New Homes Bonus	(3,730,729)	-66.07	1.32
(4,956,954)	(89.27)	NNDR	(5,290,366)	-93.70	4.96
6,267,743	112.88		6,719,784	119.01	5.43
233,773	4.21	Collection Fund	173,710	3.08	0.00
6,501,516	117.09	BASIC BOROUGH PRECEPT	6,893,494	122.09	4.27
3,547,050	63.88	Other Precepts			
	1,242.6	Parishes	3,677,802	65.14	1.97
68,996,441	0	Leicestershire County Council	68,996,441	1,221.99	-1.66
3,593,075	64.71	Combined Fire Authority	3,593,075	63.64	-1.65
11,062,416	199.23	Police & Crime Commissioner for Leics	11,062,416	195.93	-1.66
87,198,982	1,570.4		87,329,734	1,546.70	-1.51
	2				
1,194,085	74.97	SPECIAL LEVY (LOUGHBOROUGH)	1,213,277	74.97	0.00
94,894,583	1,709.0	TOTAL REQUIREMENT	95,436,505	1,718.78	0.57
	2				
93,700,498	1,687.5	AVERAGE PARISH PRECEPT	94,223,228	1,668.79	-1.11
	1				
91,347,533	1,698.6	LOUGHBOROUGH PRECEPT	91,758,703	1,678.62	-1.18
	0				

Still awaiting final figures

LOUGHBOROUGH SPECIAL EXPENSES		
2018/19		2019/20
Original Budget	Service	Original Budget
£		£
68,600	Loughborough CCTV	67,800
79,600	Community Grants - General / Fearon Hall / Gorse Covert	81,800
45,100	Marios Tinenti Centre / Altogether Place / Community Hubs	44,900
9,100	Charnwood Water Toilets	9,600
33,500	Voluntary & Community Sector Dev Officer post (75% LSX)	34,500
5,700	Biggin Street Toilet - Friday Opening	4,400
119,000	Contribution towards Loughborough Open Spaces Grounds Maintenance	120,000
(5,900)	November Fair	(5,100)
	<u>Parks:</u>	
428,200	Loughborough - including Loughborough in Bloom	404,700
69,000	Gorse Covert and Booth Wood	68,200
	<u>Sports Grounds:</u>	
114,100	Derby Road	112,700
46,700	Lodge Farm	43,700
63,100	Nanpantan	72,900
21,200	Park Road	20,200
23,500	Shelthorpe Golf Course	21,400
19,000	Loughborough Cemetery	45,100
56,800	Allotments - Loughborough	52,000
12,700	Carillon Tower	15,600
49,300	Festive Decorations and Illuminations	51,200
92,400	Town Centre Management	102,500
1,350,700		1,368,100
(130,014)	Adjustments from Year 2016/17	0
0	Adjustments from Year 2017/18	(148,931)
(26,601)	Council Tax Support Grant	(5,892)
1,194,085	AMENDED TOTAL	1,213,277
Divided by 15,927.50	Council Tax Base	Divided by 16,183.50
<u>74.97</u>	Special Council Tax	<u>74.97</u>

2019/20 Council Tax - Parish Precepts

Parish/Meeting/Town Council	Precept Requirement	Council Tax Base	Parish/ Special Requirement at Band D
	£		£
Anstey	279,360	2,468.3	113.18
Barkby / Barkby Thorpe	7,859	157.9	49.77
Barrow-upon-Soar	217,915	2,404.0	90.65
Beeby	0	38.2	0.00
Birstall	420,182	4,504.0	93.29
Burton-on-the-Wolds, Cotes, & Prestwold	28,000	553.0	50.63
Cossington	13,500	215.0	62.79
East Goscote	58,000	939.3	61.75
Hamilton Lea	0	234.7	0.00
Hathern	44,000	885.7	49.68
Hoton	10,600	149.0	71.14
Mountsorrel	543,865	2,889.8	188.20
Newtown Linford	51,000	533.9	95.52
Queniborough	54,512	1,135.7	48.00
Quorndon	251,215	2,410.7	104.21
Ratcliffe-on-the-Wreake	2,500	89.9	27.81
Rearsby	20,918	486.3	43.01
Rothley	132,000	2,105.9	62.68
Seagrave	18,984	274.9	69.06
Shepshed	290,709	4,586.8	63.38
Sileby	210,119	2,716.3	77.35
South Croxton	11,751	131.8	89.16
Stonebow Village	0	16.5	0.00
Swithland	4,000	162.2	24.66
Syston	465,200	4,334.7	107.32
Thrussington	11,500	255.4	45.03
Thurcaston & Cropston	37,879	943.9	40.13
Thurmaston	374,620	2,825.6	132.58
Ulverscroft	0	60.1	0.00
Walton-on-the-Wolds	4,500	128.3	35.07
Wanlip	3,000	85.6	35.05
Woodhouse	79,899	965.5	82.75
Wymeswold	30,215	590.0	51.21
	3,677,802	40,278.9	
Loughborough (Special Expenses)	1,213,277	16,183.5	74.97
Total	4,891,079	56,462.4	
Average			86.63

2017/18 Actual	Housing Revenue Budget Summary	2018/19 Original Budget	2019/20 Draft Budget	2019/20 Final Original budget	Variance from 12.18
£000		£000	£000	£000	£000
	Expenditure				
4,602	Supervision and Management	4,914	5,087	5,118	31
6,204	Repairs and Maintenance	6,557	6,461	6,461	0
116	Rents, Rates and other charges	138	139	139	0
0	Rent Rebates	1	0	0	0
330	Provision for Bad and Other Charges	383	383	383	0
(6,628)	Depreciation	2,955	3,057	3,057	0
0	Net Revaluation increase of non-current assets	0	0	0	0
16	Debt Management Expenses	12	10	10	0
4,640	Expenditure Sub-total	14,960	15,137	15,168	31
	Income				
(21,038)	Dwelling Rent Income	(20,673)	(20,812)	(20,548)	264
(372)	Shops, Land and Garages Rent	(384)	(381)	(373)	8
(56)	Warden Service Charges	(57)	(56)	(55)	1
(315)	Central Heating and Communal Charges	(309)	(327)	(322)	5
(158)	Leasehold Flat and Shop Service Charges	(117)	(158)	(156)	2
(30)	Hostel Service Charges	(27)	(24)	(24)	0
(10)	Council Tax recharged	(11)	(11)	(11)	0
(21,979)	Income Sub-total	(21,578)	(21,769)	(21,489)	280
(17,339)	Net (income)/Cost of service	(6,618)	(6,632)	(6,321)	311
(80)	Transfer from General Fund - Grounds Maintenance	(83)	(84)	(84)	0
2,777	Interest Payable	2,742	2,706	2,706	0
(51)	Investment Income and Mortgage Interest	(56)	(89)	(88)	1
(14,693)	Net Operating Expenditure/(Income)	(4,015)	(4,099)	(3,787)	312
2,581	Revenue Contribution to Capital	3,716	3,659	3,659	0
(496)	Pension Adjustment	0	0	0	0
9,597	Reversal of Gain on Revaluation	0	0	0	0
63	Adjusted to charges based on impairment of General Fund Asset	0	0	0	0
11,745	Appropriations	3,716	3,659	3,659	0
(2,948)	(Surplus)/Deficit for the year	(299)	(440)	(128)	312
(621)	HRA Balance at beginning of year	(616)	(612)	(612)	0
(2,948)	(Surplus)/Deficit for the year	(299)	(440)	(128)	312
2,953	Transfer to/from Reserves	303	444	132	(312)
(616)	HRA Balance at end of year	(612)	(608)	(608)	0
(4,030)	HRA Financing Fund at beginning of year	(6,982)	(7,726)	(7,726)	0
(2,953)	Transfer to/from Reserves	(303)	(444)	(132)	312
0	Adjustments to 2018/19 budget	(441)	0	0	0
(6,983)	HRA Financing Fund at end of year	(7,726)	(8,170)	(7,858)	312
(2,633)	Major Repairs Reserve at end of year	(2,324)	(2,324)	(2,324)	(2,324)
(10,232)	Overall HRA balances at end of the year	(10,662)	(11,102)	(10,790)	312

2019/20 Service Pressures & Savings Summary			Appendix 6	
	One Off		Ongoing	
	£'000 Pressures	£'000 Savings	£'000 Pressures	£'000 Savings
One Off Directorate Savings Targets in year	(300)			
Housing, Planning, Regeneration & Regulatory Directorate				
Housing Renewal Regrade (downwards) of Administrator	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	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 reduction in training, travel, printing costs	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)	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
Garden Waste Bin additional income based on 2018/19 take-up & fee levels	0	0	0	(242)
Bulky Waste implementation of charges from October 2019				(30)
Subtotal for Head of Waste, Engineering & Open Spaces	0	0	0	(272)
Tourism Support contribution to promote borough through annual Service Level Agreement with Leicestershire Promotions	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	0	0	20	0
Members Grant Scheme to support Local Community and Voluntary Sector, a further £26k is also included within the Capital Programme	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	0	0	0	(10)
Accountancy Valuation Fees - 5 yearly valuation cost	20	0	0	0
Messenger Close - additional rental income for new compounds	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	0	0	38	0
Subtotal for Head of Customer Experience	0	0	38	0
Contribution to Combined Authority no longer required	0	0	0	(17)
May 2019 Borough Elections: net overall estimated cost	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	Page 153		one-off	283
			Ongoing	(341)

CABINET – 14TH FEBRUARY 2019

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

Part A

ITEM 10 CAPITAL STRATEGY (INCLUDING THE TREASURY MANAGEMENT STRATEGY) FOR 2019-20

Purpose of Report

This report introduces the Capital Strategy, which is newly required under the terms of the 'Prudential Code', a statutory code of practice. The report also sets out the Treasury Management Strategy Statement together with the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy. These latter strategies and the MRP policy are integral to the overarching Capital Finance Strategy and are therefore presented within a single report for context.

This Cabinet report recommends the approval of the above strategies to Council.

Recommendations

1. That the Capital Strategy, as set out at Appendix A of this report be approved and recommended to Council.
2. That the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy as shown at Appendix B of this report be approved and recommended to Council.
3. That the Prudential and Treasury Indicators, also set out in within Appendix B of this report be approved and recommended to Council.

Reasons

1. To enable the Council to comply with the statutory code of practice issued by CIPFA: 'The Prudential Code for Capital Finance in Local Authorities, 2017 Edition'.
2. To ensure that the Council's governance and management procedures for Treasury Management reflect best practice and comply with the CIPFA Treasury Management in the Public Services Code of Practice, Guidance Notes and Treasury Management Policy Statement.
3. To ensure 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.

Policy Justification and Previous Decisions

The Capital Strategy must be approved by Council on an annual basis. The presentation of a Capital Strategy was optional for the 2018/19 financial year but is a requirement for the 2019/20 and subsequent financial years.

The Treasury Management Strategy Statement, Prudential and Treasury Indicators and Annual Investment Strategy must be approved by Council each year and reviewed half yearly.

Implementation Timetable including Future Decisions and Scrutiny

This report is available for the consideration of the Overview Scrutiny Group on 11 February 2019.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no direct financial implications arising from this report.

Financial issues arising from the implementation of the strategies are covered within the report.

Risk Management

<i>Risk Identified</i>	<i>Likelihood</i>	<i>Impact</i>	<i>Risk Management actions planned</i>
Poor treasury investment decisions due to inadequate treasury management strategies in place	Unlikely	Moderate	Strategy developed in accordance with CIPFA guidelines and best practice. Adherence to clearly defined treasury management policies and practices
Loss of council funds through failure of borrowers	Remote	Severe	Credit ratings and other information sources used to minimise risk Adherence to clearly defined treasury management policies and practices
Volatile market changes (such as interest rates or sector ratings) occur during year	Possible	Moderate	Approved strategy in place, regular monitoring of position and use of Treasury Consultants and other sources to provide the latest advice.

<i>Risk Identified</i>	<i>Likelihood</i>	<i>Impact</i>	<i>Risk Management actions planned</i>
Significant losses arising from investments in non-financial instruments (such as loans to third parties or property investments)	Possible	Major	Professional advice will be sought in advance of non-standard or new investment activity. Adherence to strategy which set out limits to investment in individual asset classes.

Key Decision: Yes

Background Papers: Cabinet Report 13th September 2018 – Updated Treasury Management Practices

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Part B

Background

1. The Capital Strategy is a new requirement arising from the extant version of the 'Prudential Code'. This code is a statutory code of practice and was published by the Chartered Institute of Public Financial Accountants (CIPFA) in November 2017. It was issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. Under that section local authorities are required to 'have regard' to 'such guidance as the Secretary of State may issue'.
2. The Council's treasury management activities also fall within the scope of the Prudential Code.
3. The Capital Strategy forms part of the Council's integrated revenue, capital and balance sheet planning. It sets out the long-term context in which capital expenditure and investment decisions are made, considers risks and rewards and the potential impacts on Council objectives
4. The Capital Strategy is an overarching strategy that encompasses the following aspects:
 - Capital expenditure and governance
 - Capital financing and the borrowing
 - Treasury management investments (essentially financial assets)
 - Commercial strategy – non-financial assets (including commercial properties and prospective housing development)
 - Access to knowledge and skills (enabling the strategy to be delivered)
 - Treasury management policy statement and practices (presented as a separate appendix)
5. The most recent Medium Term Financial Strategy (approved at the Council meeting of 21st January 2019) includes a transformation and efficiency plan that sets out a range of responses to the likely future financial challenges facing the Council. These included a more proactive approach to treasury management, prospective investments in commercial property and development of commercial opportunities. Additionally, a report to Cabinet of 14th January 2019 outlined the Council's aspirations to deliver affordable housing through the mechanism of a Housing Development Company. In order to enable these initiatives new flexibilities in the Council's treasury management and borrowing policies are required.

6. The principal expanded flexibilities are that the Council would be able to make commercial investments, e.g. to provide loans to the Housing Development Company, which would generate investment income for the General Fund. The other main change is that an Minimum Revenue Provision Policy has been included in the Treasury Management Strategy and will require full Council approval
7. Advice has been obtained from the Council's treasury management advisers in developing the above proposals.
8. In addition to those noted above, the Capital Strategy also outlines other flexibilities (and associated governance arrangements) that are likely to be required in future, principally around the prospective acquisition of commercial properties and making commercial investments. These are presented within the Strategy for illustrative purposes. It is envisaged that a further report will be presented to Cabinet in due course setting out final proposals for these flexibilities requesting that these be recommended for approval by Council.
9. As noted above and in Part A, this report also requests that the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy together with the Prudential and Treasury Indicators, be approved and recommended to Council
10. The Treasury Management and Annual Investment Strategy have been prepared in accordance with the revised code and accordingly include:
 - the treasury limits in force which will limit the treasury risk and activities of the council,
 - the Prudential and Treasury Indicators
 - the current treasury position
 - the borrowing requirement
 - prospects for interest rates
 - the borrowing strategy
 - policy on borrowing in advance of need
 - debt rescheduling
 - the investment strategy
 - creditworthiness policy
 - the use of external fund managers and treasury advisers

- Minimum Revenue Provision (MRP) Policy

Appendices

Appendix A: Capital Finance Strategy

Appendix B: Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy for 2019-20



Charnwood Borough Council
Capital Strategy
2019 – 2020

Foreword

Robust financial planning is a critical component of the Council's overall system of financial management. Although the Capital Strategy is a new requirement that arises from the updated terms of the 'Prudential Code', a statutory code of practice, much of its content reflects the pre-existing management parameters and controls already in place within the Council including, in particular, those which govern our treasury management activities.



However, in many ways the requirement to publish a Capital Strategy is very timely. In the most recent Medium Term Financial Strategy we outlined some of the potential financial challenges facing the Council and set out our responses to these within the transformation and efficiency plan that formed part of this document. Our plans include a more proactive approach to treasury management, prospective investments in commercial property and the development of commercial opportunities. Additionally, we have aspirations to deliver affordable housing through the mechanism of a Housing Development Company in order to meet the ongoing demand for new homes within our Borough. Enabling these initiatives require new flexibilities in the Council's treasury management and borrowing policies which are introduced within the Capital Strategy and associated Treasury Management Strategy.

Security and liquidity will remain as key elements of the Council's approach to financial management but the anticipated challenges ahead point us towards a more proactive approach in respect of treasury management, prudent borrowing and commercial opportunities. We have already made changes (for example, our recent investments in property funds) but this inaugural Capital Finance Strategy starts to consider how we could rebalance risk and reward as we continue on this journey.

Councillor Tom Barkley

Cabinet Lead Member for Finance & Property

February 2019

CAPITAL STRATEGY (INCLUDING TREASURY MANAGEMENT)

The purpose of the Capital Strategy is to demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. The Capital Strategy comprises a number of distinct, but inter-related, elements as follows:

- **Capital expenditure**; which includes an overview of the governance process for approval and monitoring of capital expenditure, including the Council's policies on capitalisation, and an overview of its capital expenditure and financing plans.
- **Capital financing and borrowing**; provides a projection of the Council's capital financing requirement, how this will be funded and repaid. It therefore sets out the Council's borrowing strategy and explains how it will make prudent revenue provision for the repayment of debt should any borrowing be required.
- **Treasury management investments**; explains the Council's approach to treasury management investment activities, including the criteria for determining how and where funds will be invested to ensure that the principal sums are safeguarded from loss and that sufficient liquidity is maintained to ensure that funds are available when needed.
- **Commercial investments**; provides an overview of those of the Council's current and any potential commercial investment activities that count as capital expenditure, including processes, due diligence and defining the Council's risk appetite in respect of these, including proportionality in respect of overall resources.
- **Knowledge and skills**; summarises the knowledge and skills available to the Council and provides confirmation that these are commensurate with the Council's risk appetite. Further details are provided in the following sections.
- **Treasury management policy statement and practices**; this is presented as a separate report, for approval, updates to the Council's Treasury Management Policy Statement and to its Treasury Management Practices. These set out the Council's policies, objectives and approach to risk management of its treasury management activities, and the manner in which it seeks to achieve its policies and objectives for treasury management.

1. Capital expenditure

1.1. Capitalisation policies

1.1.1. Capital expenditure involves acquiring or enhancing non-current assets with a long-term value to the Council, such as land, buildings, and major items of plant and equipment or vehicles, as well as the contribution or payments of grants to others to be used to fund capital expenditure. Capital assets shape the way services are delivered for the long term and may create financial commitments for the future in the form of financing costs and revenue running costs. Subsequent expenditure on existing assets is also classified as capital expenditure if these two criteria below are met.

1.1.2. Expenditure is classified as capital expenditure when the resulting asset:

- Will be held for use in the delivery of services, for rental to others, or for administrative purposes; and
 - Is of continuing benefit to the Council for a period extending beyond one financial year.
- 1.1.3. There may be instances where expenditure does not meet this definition, but would nevertheless be treated as capital expenditure. This is known as 'Capitalisation' and it is the means by which the Government, exceptionally, permits local authorities to treat revenue costs as capital costs. It allows exceptional revenue costs, that should be met from revenue resources to be treated as capital expenditure. Permission is given through capitalisation directions, which the Secretary of State can issue under section 16(2)(b) of the Local Government Act 2003.
- 1.1.4. The Council operates a de-minimis limit of £10,000 for capital expenditure. This means that items below this limit are charged to revenue rather than capital.

1.2. Governance

- 1.2.1. A three year Capital Plan is prepared by officers and approved by Council. The process to formulate the Capital Plan is that, potential schemes are submitted to the SMT, each one of which is supported by a Capital Application form and scored by the relevant Head of Service. The SMT peer review the applications and then, via the Head of Finance & Property, submit a report to Cabinet covering its recommendations on which schemes to include in the Plan, how the Plan could be funded and other elements such as risk and compliance with the Prudential Code.
- 1.2.2. Once adopted the three year Capital Plan is formally reviewed by Cabinet at the end of year two when Heads of Service are asked to submit proposals for the following three years. 'Year three' of the current plan would then become 'year one' of the new plan.
- 1.2.3. New schemes can only be added outside of this procedure where they are in substitution of existing schemes or have a separate source of funding so that the actual total level of the Plan would not increase.
- 1.2.4. All schemes of £50,000 in value or greater require a Capital Appraisal agreed by the Capital Programme Team plus all contracts must adhere to the Contract Procedure Rules. The s151 Officer makes recommendations to Cabinet as to whether funding should be released to a scheme included in the Capital Plan.
- 1.2.5. After the end of the financial year a report detailing the total amount of capital expenditure incurred during the year is submitted to Cabinet by the Section 151 Officer.
- 1.2.6. Prior to the closure of the Council's accounts a report detailing the proposed method of funding the capital expenditure incurred is submitted to Cabinet by the Section 151 Officer as required by the Local Government & Housing Act 1989.

Current Three Year Capital Plan

- 1.2.7. The Capital Plan for 2018/19 - 2020/21, is currently £31,450,800 (originally adopted by Council on 26th February 2018 with the latest amendments approved by Cabinet at its meeting on 13th December 2018). The Capital Plan is fully funded by a combination of the following sources:
 - 1.2.8. Capital grants and contributions - amounts awarded to the Council in return for past or future compliance with certain stipulations.
 - 1.2.9. Capital receipts – amounts generated from the sale of assets and from the repayment of capital loans, grants or other financial assistance.
 - 1.2.10. Revenue contributions – amounts set aside from the revenue budget.
 - 1.2.11. In addition to this the Council also has the option to borrow to fund capital expenditure. At this point in time the Council has taken any borrowing to fund General Fund capital expenditure. The Council has taken out borrowing to fund the purchase of its housing stock from the Government under the 2012 Self-Financing Regime. This totals £79m.
 - 1.2.12. Borrowing allows the Council to defer the funding of its capital expenditure so that it does not need to fund immediately from cash resources, but instead charges to the revenue budget over a number of years into the future.
 - 1.2.13. The implications of financing capital expenditure from ‘borrowing’ are explained later on in Treasury Management Investments.

2. Capital Financing Requirement and Borrowing Context

- 2.1. The Council is required by regulation to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (referred to as the ‘Prudential Code’) when assessing the affordability, prudence and sustainability of its capital investment plans. Fundamental to the prudential framework is a requirement to set a series of prudential indicators. These indicators are intended to collectively build a picture that demonstrates the impact over time of the Council’s capital expenditure plans upon the revenue budget and upon borrowing and investment levels, and explain the overall controls that will ensure that the activity remains affordable, prudent and sustainable.
- 2.2. The full details of the Council’s CFR position and the limits that have been set for borrowing and all the associated prudential indicators are provided In the Treasury Management Strategy Statement (Appendix B).

3. Treasury Management Investments

- 3.1. The Treasury Management Code and statutory regulations require the Council to prepare an annual strategy that explains how the Council will invest its funds, giving priority to security and liquidity, and then to yield. This Annual Investment Strategy can be found in the Treasury Management Strategy Statement (Appendix B).

4. Commercial investments

- 4.1. The prolonged low interest rate environment has meant that treasury management investments have not generated significant returns. However, the

introduction of the general power of competence has given local authorities far more flexibility in the types of activity they can engage in. These changes in the economic and regulatory landscape, combined with significant financial challenges, have led many authorities to consider different and more innovative types of investment.

- 4.2. CIPFA recently issued an update to its Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Treasury Management Code). One of the main changes introduced by the new Code is to require authorities to incorporate all of the financial and non-financial assets held for financial return in authorities' annual capital strategies.
- 4.3. Separately, the Ministry of Housing, Communities and Local Government has issued Statutory Guidance on Local Government Investments under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018
- 4.4. The primary objectives of commercial investment activities for a council should be:
 - Security – to protect the capital sums invested from loss; and
 - Liquidity – ensuring the funds invested are available for expenditure when needed.
- 4.5. The generation of a yield is distinct from the two objectives above. However, once proper levels of security and liquidity are determined, it would then be reasonable to consider what yield can be obtained consistent with these priorities.
- 4.6. At present the non-core activities and investments are primarily undertaken by the Council in order to generate income to support the delivery of a balanced budget. Such investments are only entered following a full assessment of the risks and having secured expert external advice (i.e. where it is relevant to do so). It is intended that separate reports to present a policy on commercial investment will be brought to Cabinet and full Council for consideration and approval. This will discuss the options open to the Council along with the risks and benefits for each. It will also include proposals on limits, diversification and governance. Each policy, as approved will then be incorporated as part of this Capital Strategy and will in future years be reviewed annually as part of this strategy.
- 4.7. Below are details of some options open to the Council that would generate a yield for the Council. The details below are indicative of options that will be considered and are provided for information only. They are not for approval at this stage.

Investment properties

- 4.7.1. The Council already owns land and buildings that have been acquired for capital appreciation and/or solely to earn rentals, rather than for the supply of goods or services or for administrative purposes. Such assets are classified as investment properties (unless they are acquired as the outcome of a regeneration priority).

4.7.2. In considering its approach to investment properties the Council will need to consider the application of parameters including:

- Maximum and minimum cost of prospective acquisitions
- The maximum proportion of the Council's investment assets that should be held in the form of investment properties
- The balance of property assets held with different sectors of the market; for example, an approach might be agreed that excludes retail property acquisitions
- The geographical limits on prospective acquisitions; for example, acquisitions could be limited to sites within the Borough, within the area of the Local Economic Partnership, or unrestricted
- Whether properties are acquired purely on commercial grounds or whether other policy objectives, such as regeneration, should also be taken into account
- The required rental yield from properties held for investment, and whether different yield hurdle rates be applied to prospective acquisitions fulfilling non-financial policy objectives

4.7.3. As noted above in paragraph 4.6, it is envisaged that a further report would be brought to Cabinet and then Council prior to commencing commercial property investment. In addition to addressing the above parameters this would address the requirements for specific knowledge and skills, and the governance structure that would support this activity given the need to make investment decisions that do not lend themselves to the standard committee cycles.

Loans to local enterprises and third parties

4.7.4. Loans to local enterprises or partner public sector bodies could be considered, as part of a wider strategy for local economic growth, even though they may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity. Such loans could be considered as an option to generate a yield. There would need to be a set of criteria drawn up which would need to be met before any loan was given. These might include:

- Whether or not the loan has security
- The term of the loan
- The profile of capital repayments
- The credit rating of the counterparty

Support to Subsidiaries

4.7.5. The Council does not currently have any wholly owned local trading or housing companies. Should the Council decide to form a subsidiary then

Council could decide to provide the funding required to support these organisations. As with providing loans to local enterprises and third parties there would need to be a set of criteria drawn up which would need to be met before any loan was given. This would mitigate the risk of loss to the Council.

Other commercial investments

4.7.6. There may be other commercial investment opportunities that present themselves. If this happens then a report would be presented to Cabinet for approval and the Capital Strategy will be updated to cover their inclusion.

5. Knowledge and Skills

5.1. The Council recognises the importance of ensuring that all officers involved in the treasury management function (including commercial investment activities) are fully equipped to undertake the duties and responsibilities allocated to them. The Strategic Director for Corporate Services is responsible for recommending and implementing the necessary arrangements and does this by:

- Appointing individuals who are capable and experienced.
- Providing training and technical guidance to all individuals involved in the delivery of the treasury management function to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills to undertake the duties and responsibilities allocated to them.
- Appointing a treasury management advisor and other professional advisors when required. This ensures that the individuals involved in delivery of the Council's treasury management activities have access to specialist skills and resources. In addition, professional advisors are employed as required to ensure that the Council has access to the specialist skills and resources necessary to undertake commercial investment activities.

5.2. Treasury management advisors - The Council employs Link Asset Services (Treasury Solutions) to provide it with treasury management advice. The services provided by Link Asset Services (Treasury Solutions) include advice on treasury matters and capital finance issues, economic and interest rate analysis and creditworthiness information. Notwithstanding this, the final decision on all treasury matters remains vested with the Council. The services received from Link Asset Services (Treasury Solutions) are subject to regular review, including through periodic re-tendering.

6. Treasury management Policy Statement and Treasury Management Practices

6.1. The Council's Treasury Management Policy Statement and its Treasury Management Practices have been updated to reflect the requirements of the updated Treasury Management Code. They are presented for approval in the Treasury Management Strategy (Appendix B)

Charnwood Borough Council

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement
and Annual Investment Strategy

2019/20

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1. INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that the cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, ensuring the provision of adequate liquidity (cash balances) initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This longer term cash management may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

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

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately.

1.2 Reporting requirements

Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-financial investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-financial investment sustains a loss during in a financial year, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

Treasury Management reporting

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee and the reports are also available for consideration by the Overview Scrutiny Group.

1.3 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

Capital issues

- Capital plans and prudential indicators;
- Minimum revenue provision (MRP) policy.

Treasury management issues

- current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Suitable training is provided for members on a periodic basis as part of the wider Member training programme. Officers are also available to train and advise members on

an ad hoc basis outside of this programme if required. The training needs of treasury management officers are reviewed annually as part of the PDR process

1.5 Treasury management consultants

The Council uses Link Asset Services Treasury Solutions as its external treasury management advisors in order to acquire access to specialist skills and resources, including a benchmarking club. However, it is recognised that responsibility for treasury management decisions remains with the Council at all times and undue reliance is therefore not placed upon our external service providers.

The Council also recognises that there is value in employing external providers of treasury management services in order to access specialist skills and resources. Officers will ensure that the terms of appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The scope of investments within the Council's operations may include both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties in the future. The commercial type investments require specialist advisers, and the Council would appoint suitably qualified specialist advisers in relation to this activity when required.

2. THE CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2021/22

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

The Council's capital expenditure plans are the key driver of Treasury Management activity. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Non-HRA	3,275	4,894	3,587	2,088
HRA	6,465	7,566	7,554	5,766
Total	9,740	12,460	11,141	7,854

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital Expenditure	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000

Total as per above table	9,740	12,460	11,141	7,854
Financed by:				
Capital receipts	141	1,902	2,179	1,173
Capital grants	2,275	2,130	1,590	1,058
Capital reserves	0	1,015	557	0
Revenue/MRR	6,964	7,413	6,815	5,623
Net financing need for the year	0	0	0	0

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). This is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR will not increase indefinitely if expenditure is funded by borrowing, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life, and so changes the economic consumption of capital assets as they are used.

It should be noted that the Council has only taken borrowing to fund the HRA Self-financing. This means that the CFR is not forecast to increase, nor is there any reduction as there is no requirement to make a revenue provision to repay debt. This can be seen in the table below and the Council is asked to note the CFR projections in the table below.

	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Capital Financing Requirement					
CFR – non housing	(248)	(248)	(248)	(248)	(248)
CFR – housing	81,820	81,820	81,820	81,820	81,820
Total CFR	81,572	81,572	81,572	81,572	81,572
Movement in CFR	0	0	0	0	0
Movement in CFR represented by					
Net financing need for the year (above)	0	0	0	0	0
Less MRP/VRP and other financing movements	0	0	0	0	0
Movement in CFR	0	0	0	0	0

2.3 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2019 the total VRP overpayments were £0m.

The Council currently has no capital financing requirement for the General Fund and therefore does not need to make a MRP provision. As the Council is likely to fund capital expenditure from borrowing in the near future and as there is a statutory requirement to have an approved MRP Statement in place in advance of each year, an MRP policy has been included in this Treasury Management Strategy as Appendix 12B(2). Council is asked to adopt and approve the MRP policy statement.

2.4 Core funds and expected investment balances

The use of resources (capital receipts, reserves etc.) to finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

The proposed Capital Plan, which runs through to March 2021 and is fully funded from capital receipts, reserves and revenue funding. Any new proposals for additional capital or investment expenditure will require a business plan and will be considered on their merits and the availability of funding. The funding position is regularly reviewed and any need to borrow externally will be considered. If this requires a revision of this Treasury Management Strategy in year it will be brought back to full Council for approval.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet this service activity. This will involve both the management of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

One of the key indicators is that the Council's gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This is to ensure that the Council conducts its activities within well-defined limits. Also the indicator allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The table below shows the forward projections for external debt against the underlying need to finance capital expenditure through borrowing or other long term liabilities, i.e. the CFR, highlighting any over or under borrowing.

	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
External Debt at 1 April	81,190	81,190	81,190	81,190
Expected change in Debt	0	0	0	0
Actual debt at 31 March	81,190	81,190	81,190	81,190
Capital Financing Requirement	81,572	81,572	81,572	81,572
Under/(over) borrowing	382	382	382	382

The table shows that the Council has complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the 2019/20 budget report. Within the above figures there is no debt that relates to commercial activities/non-financial investment.

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary.

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Debt	81,190	81,190	81,190	81,190
Commercial Activities/Non-financial investments	0	0	0	0
Other long term liabilities	0	0	0	0
Total	81,190	81,190	81,190	81,190

The authorised limit for external debt.

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised

It should be noted that the authorised limit (as shown in the table below) has been set based on the current capital expenditure and funding plans. If the Council decides to take forward any commercial investment plans then the authorised limit will need to be reviewed to ensure that the maximum level of borrowing that the Council can take is not exceeded. Any change to the authorised limit will need approving by full Council.

The Council is asked to approve the following authorised limit:

Authorised limit	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Debt	96,000	96,000	96,000	96,000
Commercial Activities/Non-financial investments	0	0	0	0
Other long term liabilities	0	0	0	0
Total	96,000	96,000	96,000	96,000

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. The maximum HRA CFR cannot be greater than the HRA debt cap. The difference between the two is known as the HRA headroom and it equates to borrowing that the HRA can still take. This limit is currently:

HRA Debt Limit	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
HRA debt cap *	88,770	88,770	88,770	88,770
HRA CFR	81,820	81,820	81,820	81,820
HRA headroom	6,950	6,950	6,950	6,950

* Abolition of HRA debt cap - In October 2018, the Prime Minister announced a policy change of abolition of the HRA debt cap. The Chancellor announced in the Budget in November that the applicable date was 29 October 2018. At this stage the detail behind the announcement is not yet known, but the Council welcomes this change in policy and would probably take advantage of the new freedom in the future.

3.3 Prospects for interest rates

The Council has appointed Link Asset Services (formerly Capita Asset Services) as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table and commentary gives Links view on interest rate prospects.

Link Asset Services Interest Rate View													
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

The generally positive economic statistics for the first half of 2018 meant that the MPC decided to increase the Bank Rate from 0.5% to 0.75% on 2 August 2018, (the first increase in above 0.5% since the financial crash). Due to growth slowing significantly during the last quarter at their November quarterly Inflation Report meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. On a major assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, then the next increase in Bank Rate is forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US

Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.25 – 2.50% in December 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We therefore saw US 10 year bond Treasury yields rise above 3.2% during October 2018 and also investors causing a sharp fall in equity prices as they sold out of holding riskier assets. However, by early January 2019, US 10 year bond yields had fallen back considerably on fears that the Fed was being too aggressive in raising interest rates and was going to cause a recession. Equity prices have been very volatile on alternating good and bad news during this period.

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

3.4 Investment and borrowing rates

Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

Borrowing interest rates have been volatile so far in 2018-19 and while they were on a rising trend during the first half of the year, they have backtracked since then until early January. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.5 Borrowing strategy

As a result The Council is currently maintaining an under-borrowed position overall. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt. Instead cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is

prudent as investment returns are at an historic low and counterparty risk is still an issue that needs to be considered. Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Council will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances both internally and externally.

If the Council wishes to invest in commercial property it is likely that this will be funded by external borrowing in the long term. Although in the short to medium term the Council is able to temporarily utilise its cash balances as a short to medium term alternative to external borrowing i.e. internally borrow. This is considered to be an effective strategy at present as:

- It enables the Council to avoid significant external borrowing costs in the short to medium term (i.e. making it possible to avoid net interest payments); and
- It mitigates the risks associated with investing cash.

3.6 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.7 Debt rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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

The Council currently has one long term variable rate debt which matures in 2024 and it carries a current interest rate of 11.625%. The cost of replacing this debt is prohibitive and this position is unlikely to change in the next three years.

The £79.19m of HRA debt is at fixed interest rates and the twenty four loans are repayable from 2024 to 2061. Their maturity dates are set to match income and

expenditure levels in the HRA Business Plan and they will be reviewed in line with that plan. However, the primary objective of the plan over the next few years is to invest in the Council's housing stock and this position is not expected to change in the near future. Therefore these debts are unlikely to be rescheduled over the next three years. All rescheduling will be reported to the Cabinet at either the half year or full year report stage.

3.8 Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

4. ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018
- The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

The above guidance from the MHCLG and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 12B (3) under the categories of 'specified' and 'non-specified' investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments to a total of £25m, (see paragraph 4.3).
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
7. **Transaction limits** are set for each type of investment in 4.2.
8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
10. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2018/19 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.

The above criteria are unchanged from last year.

Investment instruments identified for use in the financial year are listed in appendix 12B (3) under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices.

4.2 Creditworthiness policy

This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

Dark pink	Up to 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
Light pink	Up to 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
Purple	Up to 2 years
Blue	Up to 1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	Up to 1 year
Red	Up to 6 months
Green	Up to 100 days
No colour	not to be used

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalent) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch, other than the UK where the Council has set no limit. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 12B (4). This list will be added to, or deducted from by officers should ratings change in accordance with this policy.

4.4 Investment strategy

In-house funds - Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow (amend as appropriate), where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.

On the assumption that the UK and EU agree a Brexit deal in spring 2019, then Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	Now
2018/19	0.75%
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.50%

The overall balance of risks to economic growth in the UK is probably neutral.

The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively

Additionally the Council has loans to other Local Authorities and has invested in two property funds in 2018/19 following a selection process assisted by our Treasury Advisors Link. Both of these investment types are for periods of greater than 365 days and it is anticipated that returns on investments will be above the rates shown for the proportion of funding invested for these longer periods. Potential sums to be invested in this way are given below and the current snapshot of investments held for over 365 days is shown in Appendix 12B (6).

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 365 days			
£m	2019/20	2020/21	2021/22
Principal sums invested >	£25m	£25m	£25m

4.5. Investment risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio. For cash investments this will be the 3 month London Interbank Bid Rate (LIBID) which matches the weighted average time period of our current cash investments. Should the Council invest in Property Funds an appropriate additional benchmark will be added to measure the performance of these investments. This will be reported in the next available treasury report to Members.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

APPENDICES FOR APPENDIX 12B

- 12B (1). Economic Background
- 12B (2). Minimum Revenue Provision Policy
- 12B (3). Treasury management practice 1 – credit and counterparty risk management
- 12B (4). Approved Countries for Investment
- 12B (5). Approved Brokers for investments
- 12B (6). Current Investments as at 18 January 2018
- 12B (7). Treasury management scheme of delegation
- 12B (8). The treasury management role of the section 151 officer

ECONOMIC BACKGROUND

GLOBAL OUTLOOK. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution**.

KEY RISKS - central bank monetary policy measures

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their

holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income**, which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected. However, other economists would argue for a **shift UP in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus. In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further. Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as

consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The

MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

EZ. Economic growth in the eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and

quarter 3 coming in at 3.2%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its \$4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non- performing loans in the banking and credit systems.

JAPAN. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

Brexit timetable and process

Brexit timetable and process

- March 2017: UK government notified the European Council of its intention to leave under the Treaty on European Union Article 50 on 29 March 2019.
- 25.11.18 EU27 leaders endorsed the withdrawal agreement
- Dec 2018 vote in the UK Parliament on the agreement was postponed
- 21.12.18 – 8.1.19 UK parliamentary recess
- 15.1.19 Brexit deal defeated in the Commons vote by a large margin
- By 29.3.19 second vote (?) in UK parliament
- By 29.3.19 if the UK Parliament approves a deal, then ratification by the EU Parliament requires a simple majority
- By 29.3.19 if the UK and EU parliaments agree the deal, the EU Council needs to approve the deal; 20 countries representing 65% of the EU population must agree
- 29.3.19 Either the UK leaves the EU, or asks the EU for agreement to an extension of the Article 50 period if the UK Parliament has been unable to agree on a Brexit deal.
- 29.3.19: if an agreement is reached with the EU on the terms of Brexit, then this will be followed by a proposed **transitional period ending around December 2020.**
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy may leave the single market and tariff free trade at different times during the transitional period.

- The UK and EU would attempt to negotiate, among other agreements, a bilateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.

Minimum Revenue Provision (MRP) Policy

1. The council is required to pay off an element of the accumulated General Fund borrowing each year through a revenue charge (the MRP), and is also allowed to undertake additional voluntary payments (VRP).
2. MHCLG Regulations have been issued which require full council to approve an MRP Statement in advance of each year. A variety of options are provided so long as there is a prudent provision.
3. Council is recommended to approve the following MRP Statement:

For capital expenditure incurred:

(A) Before 1st April 2008 or which in the future will be Supported Capital Expenditure including the Adjustment A, the MRP policy will be to charge MRP on an annuity basis so that there is provision for the full repayment of debt over 50 years;

(B) From 1st April 2008 for all unsupported borrowing (excluding finance leases) the MRP policy will be to charge MRP on an annuity basis so that there is provision for the full repayment of debt over the life of the asset; Asset life is deemed to begin once the asset becomes operational. MRP will commence from the financial year following the one in which the asset becomes operational.

(C) MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the statutory guidance.

(D) Expenditure in respect of loans made to the council's wholly owned subsidiaries will not be subject to a minimum revenue provision as the council will have undertaken sufficient due diligence to expect these loans will be repaid in full to the council by a capital receipt either during the loan agreement term or at the end of the agreement. Therefore the council considers that it can take a prudent view that the debt will be repaid in full at the end of the loan agreement (or during if it is an instalment loan), so MRP in addition to the loan debt repayments is not necessary.

(E) Loans awarded to third parties for capital purposes - where the Council gives a loan to a third party towards expenditure which would, if incurred by the Council, be capital expenditure, the amounts paid out count as capital expenditure for capital financing purposes. The expenditure is therefore included in the calculation of the Council's Capital Financing Requirement. When the Council receives the repayment of an amount loaned, the income will be classified as a capital receipt. Where the capital receipts will be applied to reduce the Capital Financing Requirement, there will be no revenue provision made for the repayment of the debt liability (i.e. unless the eventual receipt is expected to fall short of the amount expended).

(F) Investment properties - where expenditure is incurred to acquire properties meeting the accounting definition of investment properties, the Capital Financing Requirement will increase by the amount expended. Where the Council will subsequently recoup the amount expended (e.g. via the sale of an asset), the income will be classified as a capital receipt. Where the capital receipts will be applied to reduce the Capital Financing Requirement, there will be no revenue provision made for the repayment of the debt liability (i.e. unless the fair value of the properties falls below the amount expended).

This is subject to the following details:

- An average asset life for each project will normally be used. There will not be separate MRP schedules for the components of a building (e.g. plant, roof etc.). Asset life will be determined by the Chief Finance Officer. A standard schedule of asset lives will generally be used (as stated in the Statement of Accounts accounting policies).
- MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets when expenditure is being financed from borrowing the MRP will be deferred until the year after the asset becomes operational.
- Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case, at the discretion of the Chief Finance Officer.
- There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made. Transitional arrangements with respect to depreciation, revaluation and impairments; put in place at 1 April 2012 were due to expire on 31 March 2017. However the Item 8 determination released on 24 January 2017 has extended indefinitely the ability to charge depreciation, revaluations and impairments to the HRA but reverse in the Movement in Reserves Statement.
- Repayments included in annual finance leases are excluded from MRP as they are deemed to be a proxy for MRP.

MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2019 the total VRP overpayments were £0m.

APPENDIX 12B(3)

TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year** with the exception of other Local Authorities which have a maximum of 2 years and investments in Property Funds which are longer-term investments. All investments will meet the minimum ‘high’ quality criteria where applicable.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories. The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	** Max % of total investments/ £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	Unlimited	6 months
UK Government gilts	UK sovereign rating	Unlimited	12 months
UK Government Treasury bills	UK sovereign rating	Unlimited	12 months
Bonds issued by multilateral development banks	AAA	Unlimited	6 months
Money Market Funds (CNAV, LVAV & VNAV)	AAA	£7m any one institution and £18m in total	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	£7m any one institution and £18m in total	Liquid
Local authorities	N/A	£5m any one institution and £20m in total	24 months
Property Funds	N/A	£5m in total	20 Years
Term deposits with banks and building societies	Purple	£8m any one institution and £12m in total	Up to 12 months
	Blue	£7m any one institution and £12m in total	Up to 12 months
	Orange	£8m any one institution and £20m in total	Up to 12 months
Term deposits with banks and building societies	Red	£8m any one institution and £40m in total	Up to 6 Months
	Green	£6m any one institution and £20m in total	Up to 100 days
	No Colour	Nil	Not for use

Non Specified Investments: In light of the current and forecast low interest rates on specified investments the Council included the opportunity to invest in established Property Funds run by Fund Managers in a previous Treasury Management Strategy. These funds are longer term investments (typically 2-5 years) and give potentially higher returns than more liquid investment categories. Investments totaling £5m have been made in Property Funds in 2018. These investments will still form part of the £25m limit for investments of over 365 days duration, which is felt to be affordable within the Councils available reserves and balances.

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Capita Asset Services credit worthiness service.

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

List of Approved Brokers for Investments

The list below represents approved brokers that the Council will use to facilitate its investment strategy when necessary;

King and Shaxson

Tradition (UK) Ltd

RP Martin

Link Asset Services Agency Treasury Services

APPENDIX 12B (6)

Current Investments as at 17th January 2019 (for information only).

For illustrative purposes only the Council's investments as at 17th January 2019 are set out below. Please note that these investments alter on a daily basis.

Institution	Colour	Amount £m	Maturity Date
Liverpool City Council	N/A	2,000	25/01/2019
Bournemouth Borough Council	N/A	2,000	27/09/2019
Wyre Forest District Council	N/A	2,000	09/10/2020
Sumitomo Mitsui Banking Corporation Europe	Red	2,000	12/02/2019
Sumitomo Mitsui Banking Corporation Europe	Red	2,000	18/03/2019
Close Brothers	Red	2,000	26/04/2019
Nationwide Building Society	Red	5,000	08/07/2019
Standard Chartered Bank	Red	8,000	35 Days
Bank of Scotland	Orange	8,000	95 Days
HSBC Bank	Orange	5,000	3 Months
Santander	Orange	3,000	180 Days
Money Market Funds	AAA Rated	17,090	1 Day
Property Funds	N/A	5,000	
TOTAL		63,090	

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Cabinet

- approval of/amendments to the organisation's adopted clauses, treasury management policy
- statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing monitoring reports and acting on recommendations;

(iii) Audit Committee/Overview Scrutiny Board

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non- financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

CABINET – 14TH FEBRUARY 2019

Report of the Head of Strategic Support Lead Member: Councillor James Poland

Part A

ITEM 11 REGULATION OF INVESTIGATORY POWERS ACT: POLICY AND REVIEW OF USE DURING 2018

Purpose of Report

To approve a Regulation of Investigatory Powers Act (also known as RIPA, or the 2000 Act) Policy, and consider a summary of the use of RIPA during 2018.

Recommendations

1. That it be noted that there has been no use of RIPA by the Council during the calendar year 2018.
2. That the Audit Committee be requested to continue its responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose.
3. That the updated RIPA Policy Statement, attached as an appendix to this report, be approved.

Reasons

1. To ensure compliance with the requirements of the Home Office's current 'Code of Practice – Covert Surveillance and Property Interference' relating to the involvement of elected Members in approving the RIPA policy and reviewing the Council's use of RIPA on at least an annual basis.
2. To ensure compliance with the requirements of the Home Office's latest 'Code of Practice – Covert Surveillance and Property Interference' relating to elected Members considering reports on the use of RIPA on at least a quarterly basis to ensure that it is being used consistently with the policy and the policy remains fit for purpose.
3. To ensure that the Council's RIPA Policy Statement remains up to date and consistent with the relevant legislation and codes of practice.

Policy Justification and Previous Decisions

The use of RIPA to conduct covert surveillance in appropriate instances may support many of the Council's enforcement and anti-fraud policies. The Home Office Code of Practice, which relevant bodies are obliged to follow when using RIPA, requires that elected Members should set a RIPA policy on an annual basis.

Implementation Timetable including Future Decisions and Scrutiny

The Audit Committee will continue to receive regular quarterly monitoring reports on any use of RIPA by the Council.

Report Implications

The following implications have been identified for this report.

Financial Implications

None.

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
Failure to follow RIPA requirements could lead to inadmissible evidence in enforcement or other criminal cases, leading to reputational damage for the Council.	Unlikely	Moderate	Annual approval of an appropriate RIPA policy and ongoing monitoring by elected Members. Training for relevant officers. Ongoing oversight of RIPA arrangements by the 'RIPA Monitoring Officer'.

Key Decision:

No

Background Papers:

IPCO Inspection Letter

Officer to contact:

Adrian Ward
(01509) 634573
adrian.ward@charnwood.gov.uk

Part B

Background

1. RIPA provides for the authorisation of covert surveillance by the Council where that surveillance is likely to result in the obtaining of private information about a person.
2. Surveillance includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. Surveillance is covert if it is carried out in a manner calculated to ensure that any persons who are subject to the surveillance are unaware that it is or may be taking place.
3. The Council only has the power to authorise covert surveillance under RIPA for the purpose of preventing or detecting crime, or of preventing disorder.
4. RIPA applications are required to be approved by a Justice of the Peace (JP) at the Magistrates' Court in addition to an internal authorisation process. The Protection of Freedoms Act 2012 requires that local authority authorisations and notices under RIPA for the use of particular covert investigation techniques can only be given effect once an order approving the authorisation or notice has been granted by a Justice of the Peace (JP). This would require the Council to make a formal application to a Magistrates' Court, followed by a hearing at Court in private at which the application for a surveillance order may be granted or declined by the Magistrates.
5. A local authority can only obtain an authorisation under RIPA for the use of directed surveillance where the local authority is investigating particular types of criminal offences. These are:
 - Criminal offences which attract a custodial sentence of six months or more; or
 - Certain criminal offences under sections 146, 147 or 147A of the Licensing Act 2003 involving the sale of alcohol to children; or
 - Certain criminal offences under section 7 of the Children and Young Persons Act 1933 relating to the sale of tobacco to minors.
6. Examples of offences which would not meet the above conditions are:
 - Any fine-only offences, such as littering, dog fouling or a householder failing the duty of care to check that household waste taken for disposal was taken by a person authorised to transfer waste (section 34 of the Environmental Protection Act 1990).
 - Any offences attracting a penalty of less than 6 months imprisonment, for instance false representations for obtaining benefit (s. 112 of the Social Security Administration Act 1992), which has a maximum penalty of 3 months imprisonment.
7. Examples of offences which would meet the above conditions are any offence attracting a penalty of 6 months or more imprisonment, such as:

- Fly tipping (section 33 of the Environmental Protection Act 1990), which has a penalty of up to 5 years imprisonment.
 - Offences given special status under RIPA as amended, such as the selling of alcohol or tobacco to children.
8. The requirements around the RIPA authorisation process are complex, and the Home Office has responsibility for issuing a Code of Practice under the Act to specify the processes and procedures which must be followed. The Code of Practice includes a best practice requirement that:
- ‘Elected members of a local authority should review the authority’s use of the 2000 Act and set the policy at least once a year. They should also consider internal reports on use of the 2000 Act on a regular basis to ensure that it is being used consistently with the local authority’s policy and that the policy remains fit for purpose’, (s3.35).
9. The Cabinet is therefore responsible for receiving an annual overall report on the use of RIPA and for approving the RIPA policy each year, and the Audit Committee are responsible for receiving quarterly reports on the use of RIPA and for reporting back to Cabinet any concerns relating to potential inconsistency with the policy, or if the policy does not appear fit for purpose.
10. The Council has been subject to a desktop based inspection by an Inspector appointed by the Investigatory Powers Commissioner’s Office (IPCO), which recommended that:
- The RIPA Policy needs to incorporate recent amendments imposed by the new Investigatory Powers Act, and in particular the new oversight regime and any reference to the new Codes of Practice,, and with regard to the use of covert human intelligence sources (CHIS) the duty of care towards, and the safeguarding of, the CHIS should be detailed as a clear responsibility.
 - The training of relevant staff with regard to the use and management of covert surveillance should remain in view and should incorporate new staff.
11. In respect of the first IPCO recommendation, the proposed RIPA Policy Statement for the next 12 months is attached as an appendix and has been amended to reflect the required changes.
12. In respect of the second IPCO recommendation, individual RIPA training has been arranged for the Head of Customer Experience, who is a RIPA authorisor but who has not previously received relevant training.

Appendices

Appendix: RIPA Policy Statement (February 2019)

CHARNWOOD BOROUGH COUNCIL
COVERT SURVEILLANCE
REGULATION OF INVESTIGATORY POWERS ACT 2000
POLICY STATEMENT

(February 2019)

Policy Statement Regulation of Investigatory Powers Act 2000

Introduction

The Regulation of Investigatory Powers Act 2000 (RIPA) provides a legal framework for covert surveillance activities by public authorities (including local authorities). The Office of Surveillance Commissioners (OSC) operates as an independent inspector to monitor these activities.

The use of surveillance (both overt and covert) to provide information is a valuable resource for the protection of the public and the maintenance of law and order. To discharge their responsibilities local authorities and law enforcement agencies use unaided surveillance and surveillance devices. RIPA and codes of practice under it provide a legal framework and procedure to authorise the use of covert surveillance. Surveillance is covert if it is carried out in a manner that is calculated to ensure that people who are subject to it are unaware that it is or may be taking place.

In some circumstances, it may be necessary for Council employees, in the course of their duties, to make observations of people in a covert manner. Actions of this sort may constitute an interference with a person's right to privacy. This may give rise to legal challenge as a potential breach of "the right to respect for private and family life" under Article 8 of the European Convention on Human Rights and the Human Rights Act 1998. RIPA provides a procedure to defend the Council against such challenges.

Purpose

This policy statement is designed to ensure that Charnwood Borough Council meets the legal requirements in relation to the use of covert surveillance. It also promotes a professional approach in undertaking surveillance so that those affected may have confidence that the Council will act effectively and in a fair and lawful manner. It should be read in conjunction with the Regulation of Investigatory Powers Act 2000 and the current versions of the Code of Practice on the use of Covert Human Intelligence sources and the Code of Practice on Covert Surveillance.

STATEMENT OF INTENT

This policy statement applies only to the use of covert surveillance, although it is expected that usually any surveillance activity undertaken by or on behalf of the Council will be overt.

The Council will fulfil its lawful obligations and use directed surveillance within the terms of the Regulation of Investigatory Powers Act 2000 and the directions of the Office of Surveillance Commissioners.

The Council will keep its policy and procedures under review and update them as necessary and in accordance with any changes in the law.

The Council will take necessary steps to ensure that all employees and councillors are aware of all relevant policy standards, procedures, legislation

and best practice. Employees have a duty to follow this policy and its procedures and any employee acting outside this policy will be subject to the Council's disciplinary procedures.

Evidence gathered by surveillance will be treated as confidential and will only be disclosed to persons (internal and external) whose authority has been explicitly established. Such evidence may only be removed by employees from a Council office with the authority of their Head of Service or another senior officer formally designated by the Head of Service. Employees will be responsible for any misuse, security breach or unauthorised disclosure while such evidence is in their control.

Evidence gathered by covert surveillance will be held for as long as the law requires (a minimum of 5 years) after which it may be destroyed in a secure manner.

The Council will keep in place appropriate security measures as required.

Appropriate physical security will be provided for visitors being received and supervised at all times within the Council offices where evidence gathered by surveillance is stored.

Each service will be responsible for the security of evidence collected by it. Security arrangements will be reviewed regularly. All reported breaches or potential weaknesses will be investigated by the Head of Service concerned and where necessary further or alternative measures introduced.

A reporting structure will be established headed by the RIPA Monitoring Officer with a liaison officer in each service so that authorisation, review, renewal and cancellation forms and procedures are:

- co-ordinated and consistent, and
- available for inspection by the OSC;

and so that any problems can be identified and investigated.

The intention is that subjects of covert surveillance carried out by or on behalf of the Council can be assured that evidence collected (including personal data) will be processed with care and in accordance with the law.

Council employees will not carry out intrusive surveillance within the meaning of the Regulation of Investigatory Powers Act 2000. This is covert surveillance carried out in relation to anything taking place on any residential premises or in any private vehicle; and involves the presence of an individual or a device on the premises or in the vehicle, or by means of a surveillance device capable of providing information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle.

Although the law does not impose a requirement on the Council to seek or obtain authorisations, it will seek to adhere to the authorisation, review, renewal and cancellation procedure provided for by RIPA and the codes of practice before conducting any covert surveillance. The Council will not gather evidence by covert surveillance of individuals where it is disproportionate or unnecessary in relation to the purposes of the investigation.

Surveillance carried out by a third party on behalf of the Council shall be subject to a contract which stipulates compliance with the law and this policy.

PRINCIPLES OF SURVEILLANCE

In planning and carrying out covert surveillance Council employees shall comply with the following principles:

Lawful Purposes

Directed surveillance shall only be carried out where necessary to achieve one or more of the permitted purposes (see section 28(3) of RIPA) available to local authorities, namely;

- a) for the purposes of preventing or detecting crime or the prevention of disorder.

Employees carrying out surveillance shall not interfere with any property or harass any person.

Confidential Material

Applications where a significant risk of acquiring confidential material has been identified shall always require the authorisation of the Chief Executive (or in his absence a Director) after consulting with the RIPA Monitoring Officer.

Confidential material consists of;

- matters subject to legal privilege (eg. between a professional advisor and client)
- confidential personal information (eg. relating to a person's spiritual, physical or mental health), or
- confidential journalistic material.

DEFINITIONS

Unless the context otherwise requires, in this document the expressions in the first column shall have the meaning in the second column and any reference to a statute or statutory instrument or code of practice within the document shall include amendments to it.

Authorising Officer	means a person entitled to give an authorisation for directed surveillance or for the use of a covert human intelligence source in accordance with section 30 of RIPA and the Regulation of Investigatory Powers (Prescription of Offices, Ranks and Positions) Order SI. No. 2417, as adapted to the organisational structure of the Council and who is included in the list of officers designated as such by the Council
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	within the Delegations to Officers section of the Council's Constitution.
Council	means Charnwood Borough Council
Covert Human Intelligence Source (CHIS)	means a person who establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within sections 26(8)(b) or (c) of RIPA, namely: <ul style="list-style-type: none"> (b) to covertly use such a relationship to obtain information or to provide access to any information to another person; or (c) to covertly disclose information obtained by the use of such a relationship, or as a consequence of the existence of such a relationship
Covert Surveillance	means surveillance carried out in a manner that is calculated to ensure that persons who are subject to this surveillance are unaware that it is or may be taking place
Directed Surveillance	means covert surveillance which is not intrusive and is undertaken; <ul style="list-style-type: none"> (a) for the purpose of a specific investigation or a specific operation, (b) in such a manner as is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation), and (c) otherwise than by way of an immediate response to events or circumstances, the nature of which is such that it would not be reasonably practicable for an authorisation under Part II of RIPA to be sought for carrying out the surveillance
Private Information	means information about a person relating to his or her private or family life

Private Vehicle	means any vehicle that is used primarily for the private purposes of the person who owns it or of a person otherwise having the right to use it
Residential Premises	means so much of any premises as is for the time being occupied or used by any person, however temporarily, as living accommodation (including hotels or prison accommodation that is being so occupied or used)
Social Media	means websites and applications that enable users to create and share content or to participate in social networking (eg. Twitter and Facebook)
Surveillance Device	means any apparatus designed or adapted for use in surveillance
Surveillance *	<p>is defined in section 48 of RIPA, and includes:</p> <ul style="list-style-type: none"> (a) monitoring, observing or listening to persons, their movements, their conversations or their activities or communications, (b) recording anything monitored, observed or listened to in the course of the surveillance, and (c) surveillance by or with the assistance of s surveillance device <p>* surveillance does not include references to:</p> <ul style="list-style-type: none"> (a) any conduct of a covert human intelligence source for obtaining or recording (whether or not using a surveillance device) any information which is disclosed in the presence of the source, (b) the use of a covert human intelligence sources for so obtaining or recording information, or (c) any such entry on or interference with property or with wireless telegraphy as would be unlawful unless authorised under section 5 of

	the Intelligence Services Act 1994 (warrants for the intelligence services, or Part III of the Police Act 1997 (powers of the police and of customs officers)
Necessity	means that the use of covert surveillance is considered to be necessary, and that there are no other suitable means or processes which can be applied to obtain the information required
Proportionality	means that the following considerations must have been applied: <ul style="list-style-type: none"> (a) balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence (b) explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others (c) considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result (d) evidencing, as far as reasonably practicable, what other methods have been considered and why they were not implemented.

SCOPE OF PROCEDURE

The procedure does not apply to:

- Observations that are not carried out covertly, or
- Ad-hoc covert observations that do not involve the systematic surveillance of a specific person(s)
- Unplanned observations made as an immediate response to events.

In cases of doubt, the authorisation procedure described below should be followed.

AUTHORISATION PROCEDURE

General

All directed surveillance and the use of covert human intelligence sources must be for a purpose that is necessary and proportionate to enable the Council to perform its duties and services and is subject to the inspection of the OSC.

Authorisation will be obtained using the forms based on the current Home Office Model and approved by the Council's RIPA Monitoring Officer.

Forms, codes of practice and supplementary material will be available on the Council's intranet and will be maintained by the RIPA Monitoring Officer.

Applications for directed surveillance will only be made to an Authorising Officer. Officers responsible for management of an investigation will normally be no lower than a Team Leader and will not be graded below Senior Officer grade.

Authorising Officers will be at least Head of Service level, and will be trained to properly understand the requirements of RIPA. Authorising Officers should avoid authorising their own activities wherever possible and only do so in exceptional circumstances. An alternative Authorising Officer will otherwise be the Authorising Officer for such activities.

Authorising Officers shall ensure they are fully aware of their responsibilities and comply with the requirements of the law including the requirement to obtain magistrate's approval, the relevant codes of practice and the Council's policies and procedures in respect of the authorisation, review, renewal and cancellation of authorisations for covert surveillance.

Where an application for authorisation is refused, the Authorising Officer shall record the refusal on the application and the reasons for it on the case file and supply a copy of it to the RIPA Monitoring Officer as with other authorisations as quickly as possible and in any event within 7 days. The Authorising Officer shall also ensure that any supplementary information and supporting documents submitted with any application for authorisation, review, renewal or cancellation are recorded and retained on the case file as required by the codes of practice or other legal requirement.

Consideration needs to be given at the start of the investigation as to whether or not the criminal offence that is being investigated meets the threshold criteria for RIPA authorisations:

- Criminal offences which attract a custodial sentence of six months or more; or
- Certain criminal offences under sections 146, 147 or 147A of the Licensing Act 2003 involving the sale of alcohol to children; or
- Certain criminal offences under section 7 of the Children and Young Persons Act 1933 relating to the sale of tobacco to minors.

If the Authorising Officer is satisfied that these criteria have been met then a further form requesting authorisation by the Magistrates' Court must be

completed and sent to the Court together with a completed copy of the internal RIPA authorisation and any other appropriate evidence to support the application. Prior to this a hearing date must be listed with the Leicester Magistrates' Court for hearing the application by a Justice of the Peace.

Guidance on the process for obtaining Magistrate's authorisation can be obtained from the RIPA Monitoring Officer, and is available on the relevant section of the Council's intranet.

The effective authorisation period only commences once magisterial concurrence is given.

Directed Surveillance

All applications for directed surveillance authorisation will be made on **Form 1** (reference *RIPA 1 DS authorising* form). The applicant in all cases should complete this, and approval must be obtained from an Authorising Officer and from a magistrate. In urgent cases there are arrangements in place for out of hours approval to be obtained from a magistrate.

All applications for review of directed surveillance authorisation will be made on **Form 2** (reference *RIPA 2 DS review* form). The applicant in all cases should complete this where the investigation/operation is to be continued or cancelled.

All applications for directed surveillance renewals will be made on **Form 3** (reference *RIPA 3 DS renewal* form). The applicant in all cases should complete this where surveillance requires to continue beyond the previously authorised period (including previous renewal). As well as approval from an Authorising Officer, Magistrates approval is required for all renewals.

Where authorisation ceases to be either necessary or appropriate the Authorising Officer will cancel an authorisation using **Form 4** (reference *RIPA 4 DS cancellation* form).

Any person giving an authorisation for the use of directed surveillance must record on the appropriate form the matters they took into account in reaching their decision and they must be satisfied that:

- no overt means are suitable for the purpose
- the authorisation is for a prescribed lawful purpose
- account has been taken of the likely degree of intrusion into the privacy of persons other than those directly implicated/targeted in the operation or investigation (collateral intrusion)
- measures are being taken, wherever practicable, to avoid unnecessary intrusion into the lives of those affected by collateral intrusion
- the authorisation is necessary
- the proposed surveillance is proportionate and any equipment to be used is specified.

Necessity

Surveillance operations shall only be undertaken where there is no reasonable and effective alternative way of achieving the desired objective(s).

Effectiveness

Surveillance operations shall be undertaken only by suitably trained employees (or under their direct supervision). The Authorising Officer will determine which employees are to be involved in an operation and ensure that they are suitably trained.

Proportionality

The use of surveillance shall not be excessive but shall be in proportion to the significance/harm of the matter being investigated. Consideration of proportionality will be based on the factors set out in the Definitions section of this policy.

Authorisation

All directed surveillance shall be authorised in accordance with this procedure. Care must be taken by Authorising Officers to ensure that each authorisation is completed in its entirety by them, and in handwriting.

Use of a Covert Human Intelligence Source (CHIS)

Proper records must be kept of the authorisation and use of a source as required by Regulation 3 of Regulation of Investigatory Powers (Source Records) Regulations 2000, namely:

- (a) the identity of the source
- (b) the identity, where known, used by the source
- (c) any relevant investigating authority other than the authority maintaining the records
- (d) the means by which the source is referred to within each relevant investigating authority
- (e) any other significant information connected with the security and welfare of the source
- (f) any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that the information in (e) above has been considered and that any identified risks to the security and welfare of the source have, where appropriate, been properly explained to and understood by the source
- (g) the date when, and the circumstances in which, the source was recruited
- (h) the identities of the persons who, in relation to the source, are discharging or have discharged the functions mentioned in section 29(5)(a) to (c) of RIPA or in any order made by the Secretary of State under section 29(2)(c)
- (i) the periods during which those persons have discharged those responsibilities
- (j) the tasks given to the source and the demands made of him or her in relation to the activities as a source
- (k) all contacts or communications between the source and a person acting on behalf of any relevant investigating authority
- (l) the information obtained by each relevant investigating authority by the conduct or use of the source
- (m) any dissemination by that authority of information obtained in that way, and
- (n) in the case of a source who is not an undercover operative, every payment, benefit or reward and every offer of a payment, benefit or reward that is made or provided by or on behalf of any relevant

investigating authority in respect of the source's activities for the benefit of that or any other relevant investigating authority.

In addition, the Code of Practice requires records to be kept of:

- a copy of the authorisation together with the supporting documentation and notification of the approval given by the Authorising Officer
- a copy of any renewal of an authorisation, together with the supporting documentation submitted when the renewal was requested
- the reason why the person renewing the authorisation considered it necessary to do so
- any risk assessment made in relation to the source
- the circumstances in which tasks were given to the source
- the value of the source to the investigating authority
- a record of the results of any reviews of the authorisation
- the reasons why, if any, for not renewing an authorisation
- the reasons for cancelling an authorisation
- the date and time when any permission was given by the Authorising Officer to cease using a source.

Authorising Officers must not grant an authorisation for a CHIS unless they believe that there are arrangements in place to ensure at all times there is a person responsible for maintaining a record of the use of that source, and that the person responsible is fully aware of their duty of care towards, and the safeguarding of, the CHIS.

Only the Chief Executive, or in his absence a Strategic Director, may authorise the use of a juvenile or vulnerable CHIS.

All applications for authorisation for the use or conduct of a CHIS will be made on **Form 5** (reference *RIPA 5 CHIS authorising form*). The applicant in all cases should complete this. All applications need to be approved by a Magistrate as well as by an Authorising Officer.

All applications for review of authorisation for the use or conduct of a CHIS will be made on **Form 6** (reference *RIPA 6 CHIS review form*). The applicant in all cases should complete this where the investigation/ operation is to be continued or cancelled.

All applications for authorisation for the use or conduct of a CHIS renewals will be made on **Form 7** (reference *RIPA 7 CHIS renewal form*). The applicant in all cases should complete this where the surveillance requires to continue beyond the previously authorised period (including a previous renewal). As well as approval from an Authorising Officer, Magistrates approval is required for all renewals.

Where authorisation ceases to be either necessary or appropriate the Authorising Officer will cancel an authorisation using **Form 8** (reference *RIPA 8 CHIS cancellation form*).

Forms and other relevant material will be available on the Council's intranet and will be maintained by the RIPA Monitoring Officer.

Any person giving an authorisation for the use of CHIS must record on the appropriate form matters taken into account in reaching their decision and must be satisfied that:

- no overt means are suitable for the purpose
- the authorisation is for a prescribed lawful purpose
- account has been taken of the likely degree of intrusion into the privacy of persons other than those directly implicated/targeted in the operation or investigation (collateral intrusion)
- measures are being taken, wherever practicable, to avoid unnecessary intrusion into the lives of those affected by collateral intrusion
- the authorisation is necessary
- the proposed surveillance is proportionate and any equipment to be used is specified.

Necessity

Surveillance operations shall only be undertaken where there is no reasonable and effective alternative way of achieving the desired objective(s).

Effectiveness

Surveillance operations shall be undertaken only by suitably trained or experienced employees (or under their direct supervision). The Authorising Officer will determine which employees are to be involved in an operation and ensure that they are suitably trained.

Proportionality

The use of surveillance shall not be in excess but shall be in proportion to the significance/harm of the matter being investigated. Consideration of proportionality will be based on the factors set out in the Definitions section of this policy.

Authorisation

All directed surveillance shall be authorised in accordance with this procedure. Care must be taken by Authorising Officers to ensure that each authorisation is completed in its entirety by them, and in handwriting.

DURATION TIME OF AUTHORISATIONS

Authorisations

Written authorisations for directed surveillance expire after 3 months, starting on the day from which they took effect.

Written authorisations for the use of a CHIS expire after 12 months beginning on the day on which they took effect.

Renewals

If at any time before an authorisation expires, an Authorising Officer considers it necessary for the authorisation to continue for the purpose for which it was given, it may be renewed in writing for a further period of 3 months for directed surveillance of 12 months for a CHIS, in each case starting on the day on which the previous authorisation ceases to have effect. Applications should only be made approximately two weeks before the authorisation is due to expire, as this will allow time for a magistrate's approval to be sought. In the case of a CHIS, a review must be carried out immediately beforehand.

Authorising Officers may renew authorisations more than once, provided they continue to meet the criteria for authorisation.

Renewals must be approved by a magistrate.

Review

Authorising Officers shall review all authorisations at regular intervals or not more than one month. In the case of a CHIS the review shall be as frequently as considered necessary and practicable and include: the use made of the source during the period authorised, the tasks given to the source and the information obtained. Details of the review and the decision reached shall be noted on the original application.

Cancellation

Authorising Officers must cancel an authorisation if they are satisfied that the need for it no longer satisfies the criteria for authorisation or, additionally in the case of a CHIS, that satisfactory arrangements for the source's case no longer exist. Where necessary, the safety and welfare of the CHIS shall continue to be taken into account after the authorisation has been cancelled.

SOCIAL MEDIA

RIPA implications must be considered in relation to the use of social media sites (such as Twitter and Facebook) for gathering evidence to assist in enforcement activities, as set out below:

- officers must not create a false identity in order to 'befriend' individuals on social media networks without authorisation under RIPA
- officers viewing an individual's public profile on a social media network should do so only to the minimum degree necessary and proportionate in order to obtain evidence to support or refute the suspicions or allegations under investigation
- repeated viewing of open profiles on social media networks to gather evidence or to monitor an individual's status, must only take place once RIPA authorisation has been obtained
- officers should be aware that it may not be possible to verify the accuracy of information on social media networks and, if such information is to be used as evidence, take reasonable steps to ensure its validity.

RECORD KEEPING, TRAINING AND MONITORING

Security and Retention of Records

Each service or discrete location within a service which makes use of RIPA must maintain a record of all applications for authorisations (including refusals), renewals, reviews and cancellations on the appropriate forms. Each individual form will be given a unique central reference number by the RIPA Monitoring Officer, although services may also allocate their own investigation or operation numbers as well. The unique central reference number should follow on in sequential order from the used for previous forms. The lead officer in each service responsible for the investigation or operation will maintain progress record sheets for directed surveillance and CHISs.

Documents created under this procedure are confidential and shall be treated as such. Services shall make appropriate arrangements for their retention, security and destruction in accordance with RIPA and the codes of practice. In the case of a CHIS, special care will be taken to preserve the confidentiality of any source and information provided by them.

The Authorising Officer shall retain, together, the original authorisation, review and renewal forms until cancelled. On cancellation, the original forms and any associated documents shall be retained in a secure place for at least 5 years after cancellation.

All completed RIPA forms must be submitted to the RIPA Monitoring Officer as soon as possible, and in any event, within 7 days of their completion. This will include forms which have resulted in an authorisation being refused.

Training

The RIPA Monitoring Officer will be responsible for ensuring that RIPA training for the Senior Responsible Officer and Authorising Officer takes place and must retain a record of all training undertaken. Refresher training will be provided at intervals of no more than 2 years.

Central Register

The RIPA Monitoring Officer will maintain the central register of authorisations. Authorising Officers shall notify the RIPA Monitoring Officer as soon as reasonably practicable of the grant, renewal and cancellation of any authorisation and the name of the applicant officer to ensure the accuracy of the central register. They shall send on a regular monthly basis a signed and dated photocopy of any authorisation (including refusals), renewals, reviews and cancellation forms for directed surveillance and similarly for those for the use of a CHIS.

The RIPA Monitoring Officer

The Council has designated an officer to act as the RIPA Monitoring Officer (currently the Head of Strategic Support). The RIPA Monitoring Officer will have responsibility for keeping an oversight of the Council's RIPA administration arrangements, and in particular:

- for organising RIPA training within the Council,
- raising awareness of RIPA and its regulatory framework amongst officers and Members, for example by maintaining appropriate

guidance on the Intranet and by publishing articles about RIPA in internal publications,

- maintaining the Central Record of Authorisations, and
- Examining submitted RIPA documents to ensure they are of the required standard.

The Senior Responsible Officer

The Council has designated the Strategic Director of Corporate Services to act as the Senior Responsible Officer, who is responsible for:

- the integrity of the process in place within the Council for the management of CHIS and Directed Surveillance;
- compliance with Part 2 of the Act and with the Codes;
- engagement with the IPCO inspectors when they conduct their inspections, where applicable; and
- where necessary, oversight of the implementation of post-inspection action plans approved by the relevant oversight Commissioner.

The Authorising Officers

The Council's designated authorising officers are:

- Chief Executive
- Strategic Director of Corporate Services
- Head of Customer Experience, and
- Head of Neighbourhoods and Communities.

Elected Members

Elected Members:

- should review the Authority's use of the RIPA and set the policy at least once a year,
- should also consider reports on the use of RIPA Act on at least a quarterly basis to ensure that it is being used consistently with the policy and the policy remains fit for purpose,
- they should not however be involved in making decisions on specific authorisations.

The Investigatory Powers Commissioner's Office (IPCO)

The IPCO provides an independent overview of RIPA powers. This scrutiny includes inspection visits to local authorities by inspectors appointed by the IPCO.

RIPA established an independent tribunal. This tribunal has full powers to investigate and decide any cases within its jurisdiction.

The Council will ensure that copies of the Tribunal's information sheet, their complaint form and their Human Rights Act claim form will be made available at the Council's main offices. These and the relevant codes of practice produced by the Home Office will be made available on the Council's intranet.

ADVICE

Further advice about covert surveillance will be provided by the RIPA Monitoring Officer. In particular, advice should be sought before considering the use of a CHIS where the considerations of risk assessment, duty of care and safeguarding responsibilities, insurance, managing the source and ensuring confidentiality require specific consideration.

FURTHER INFORMATION AND ENQUIRIES

The RIPA Monitoring Officer is the first point of contact on any of the matters raised in this policy statement. Enquiries should be addressed to:

The RIPA Monitoring Officer
Head of Strategic Support
Charnwood Borough Council
Southfields Road
Loughborough
LE11 2TX

Tel: (01509) 634573

The RIPA Monitoring Officer will be responsible for dealing with all internal and external enquiries.

HOME OFFICE CODES OF PRACTICE

The Home Office have produced Codes of Practice which give guidance on the use of covert surveillance and covert human intelligence sources by public authorities under part 2 of RIPA 2000. They are available via the following link:

<https://www.gov.uk/government/publications/covert-surveillance-and-covert-human-intelligence-sources-codes-of-practice>

COMPLAINTS

Any complaints relating to the Council's use of RIPA or the application of this policy statement should be in writing, dated and include details of the complaint and also an account of the nature of the problem, and should be sent to:

The Chief Executive
Charnwood Borough Council
Southfields Road
Loughborough
LE11 2TX

The Council will attempt to complete internal investigations within 20 working days. An acknowledgement of the complaint will be sent as soon as possible after its receipt.