Charnwood

CABINET

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

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

To: Councillors Barkley (Deputy Leader), Bokor, Harper-Davies, Hunt, Mercer, Morgan (Leader), Poland, Rollings, Smidowicz and Taylor (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 November 2019 at 6.00 pm for the following business.

Chief Executive

Southfields
Loughborough

1st November 2019

AGENDA

1. APOLOGIES

2. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

3. LEADER'S ANNOUNCEMENTS

4. MINUTES OF PREVIOUS MEETING 4 - 8

   To approve the minutes of the previous meeting.

5. QUESTIONS UNDER CABINET PROCEDURE 10.7

The deadline for questions is noon on Wednesday, 6th November 2019.

6. TENANCY SUPPORT POLICY 2019-2024 9 - 29

A report of the Head of Landlord Services seeking approval of the Tenancy Support Policy 2019-2024.

Key Decision

7. MEDIUM TERM FINANCIAL STRATEGY 2020-2023 30 - 73

A report of the Head of Finance and Property Services seeking approval of the Medium Term Financial Strategy 2020-2023, for recommendation to Council.

Key Decision

8. TREASURY MANAGEMENT UPDATE - MID-YEAR REVIEW FOR THE 6 MONTHS ENDED 30TH SEPTEMBER 2019 74 - 93

A report of the Head of Finance and Property Services requesting review of the Treasury Management Strategy and the Annual Investment Strategy, plus the various Prudential Borrowing and Treasury Indicators for the first six months of 2019/20, for recommendation to Council.

9. VIREMENT - PLANNING AND REGENERATION SERVICE 94 - 96

A report of the Head of Planning and Regeneration seeking approval for the virement of budget in cost centres in the Planning and Regeneration Service in order to meet expenditure on agency workers in the current financial year.

10. EXEMPT INFORMATION

It is recommended that members of the public be excluded from the meeting during the consideration of the following item on the grounds that it will involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

11. DISPOSAL OF LANDHOLDING KNOWN AS PLOT 5, WELDON ROAD, LOUGHBOROUGH

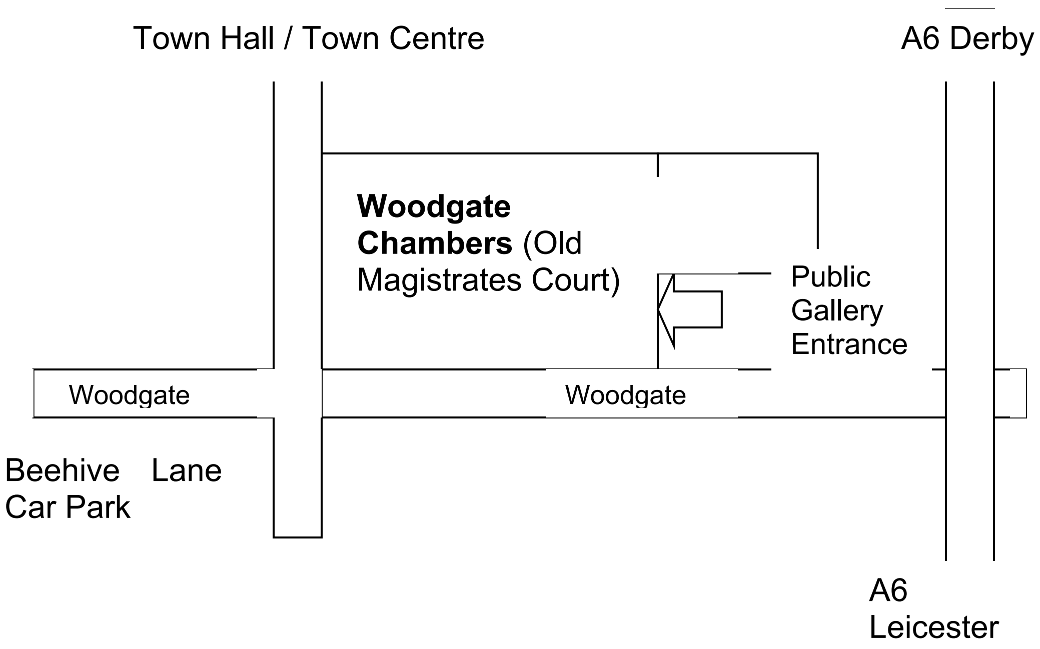
An exempt report of the Strategic Director of Corporate Services seeking approval for the disposal of the landholding known as Plot 5, Weldon Road, Loughborough, circulated to members.

Notification was given on 16th October 2019 that the public could potentially be excluded during this item since exempt or confidential information could be considered. No representations regarding considering this item in exempt session have been received.

Key Decision

WHERE TO FIND WOODGATE CHAMBERS AND PUBLIC ACCESS

Woodgate Chambers
70 Woodgate
Loughborough
Leics
LE11 2TZ



CABINET
17TH OCTOBER 2019

PRESENT: The Leader (Councillor Morgan)
The Deputy Leader (Councillor Barkley)
Councillors Bokor, Harper-Davies, Hunt, Mercer, Poland, Smidowicz and Taylor

Councillor Rattray

Strategic Director of Corporate Services
Strategic Director of Housing, Planning, Regeneration and Regulatory Services
Head of Strategic Support
Head of Planning and Regeneration
Plans, Policies and Place-Making Group Leader
Democratic Services Officer (LS)

APOLOGIES: Councillor Rollings

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.

34. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

No disclosures were made.

35. LEADER'S ANNOUNCEMENTS

No announcements were made.

36. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 19th September 2019 were confirmed as a correct record and signed.

37. QUESTIONS UNDER CABINET PROCEDURE 10.7

No questions had been submitted.

38. DRAFT CHARNWOOD LOCAL PLAN (2019-36)

Considered a report of the Head of Planning and Regeneration seeking approval for the publication of the Draft Charnwood Local Plan (2019-36) and its supporting documents for public consultation (item 6 on the agenda filed with these minutes).

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

The Cabinet Lead Member for Planning, Inward Investment and Tourism Strategy wished to thank both officers and the previous Cabinet Lead Member for their work on the Draft Plan.

The Head of Planning and Regeneration and the Plans, Policies and Place-Making Group Leader assisted with consideration of the report.

RESOLVED

1. that the Draft Charnwood Local Plan (2019-36) and Policies Map contained in Appendix A to the report of the Head of Planning and Regeneration be approved for consultation as the Cabinet's preferred planning strategy for Charnwood 2019-2036;

2. that delegated authority be given to the Head of Planning and Regeneration, in consultation with the Cabinet Lead Members for Planning, Inward Investment and Tourism Strategy and Transformation, to make minor amendments to the final document prior to publication;

3. that the Consultation Plan set out in Appendix B to the report of the Head of Planning and Regeneration be approved;

4. that delegated authority be given to the Head of Planning and Regeneration, in consultation with the Cabinet Lead Member for Planning, Inward Investment and Tourism Strategy, to revise the proposed dates for consultation set out in the consultation plan in Appendix B to the report of the Head of Planning and Regeneration;

5. that the report of the Scrutiny Commission be noted.

<u>Reasons</u>

1. To ensure that the preferred development strategy, draft policies and policies map are subject to public consultation under Regulation 18 of the Town and Country Planning (Local Planning) (England) Regulations 2012.

2. To allow minor corrections and amendments to be made in a timely manner prior to publication.

3. To demonstrate compliance with the Statement of Community Involvement.

4. To ensure that any changes required to the proposed dates for consultation are made when specific publicity restrictions on communications activity are in place.

5. To acknowledge the work undertaken by and the views of the Scrutiny Commission.

39. FUNDING BID - SHEPSHED PUBLIC REALM IMPROVEMENTS

Considered a report of the Head of Planning and Regeneration seeking approval for the preparation of a bid to secure funding which would enable public realm improvements in the centre of Shepshed (item 7 on the agenda filed with these minutes).

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

The Head of Planning and Regeneration assisted with consideration of the report.

RESOLVED

1. that the preparation and submission of a 'business case' bid to the LLEP (Leicester and Leicestershire Enterprise Partnership) for funding of £600,000 be approved;

2. that the report of the Scrutiny Commission be noted.

Reason

1. To comply with Section 8.3, Paragraph 7 of the Council's Constitution which limits delegated officer authority for preparation of funding bids to a maximum of £200,000.

2. To acknowledge the work undertaken by and the views of the Scrutiny Commission.

40. TRANSFORMATION PROGRAMME - RESOURCING FOR MOBILISATION

Considered a report of the Chief Executive requesting funding from the Reinvestment Reserve to facilitate the mobilisation of the Council's Transformation Programme (item 8 on the agenda filed with these minutes).

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

The Leader wished to thank the Scrutiny Commission for its invaluable scrutiny of matters considered at this meeting.

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

RESOLVED

1. that £220,000 be made available from the Reinvestment Reserve to fund the initial phase of the Council's Transformation Programme;

2. that the report of the Scrutiny Commission be noted.

Reasons

1. To ensure that 'invest to save' funding is available for the acquisition of the capacity, skills and technical support required for the development and implementation of the Council's Transformation Programme, and thereby enabling the Programme to contribute to the financial challenges outlined in the extant Medium Term Financial Strategy.

2. To acknowledge the work undertaken by and the views of the Scrutiny Commission.

41. LEGAL SERVICES RESTRUCTURE

Considered a report of the Head of Strategic Support proposing a restructure within the Legal Services team (item 9 on the agenda filed with these minutes).

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

RESOLVED

1. that the post of 'Legal Services Manager' (M205) be re-named as 'Legal Services Manager (Solicitor to the Council)';

2. that the following posts/weekly hours be deleted from the establishment:

   - Legal Secretary (post L128): 37 hours (vacant);
   - Administrative Assistant (post M326): 17 hours (vacant);
   - Legal Assistant (post L122): 35½ hours (vacant);

3. that the following amendments be made to the indicated posts:

   - Legal Assistant (post L122); 37 hours, currently grade SO1 – change of job title to 'Legal Support Officer' with revised job description and person specification and re-graded to grade E, to report to the Principal Solicitor (Planning, Property & Contracts);
   - Legal Secretary (post L128); 37 hours, currently grade C – change of job title to 'Legal Administrator' with revised job description and person specification and re-graded to grade B, to report to the Principal Solicitor (Housing & Litigation);
   - Principal Solicitor (post M028); 37 hours – change of job title to 'Principal Solicitor (Planning, Property & Contracts)' with revised job description and person specification, with no change to current grade of PO3;
   - Solicitor (post M182); 21 hours – increased to 31.5 hours and change of job title to 'Solicitor (Property, Contracts & Planning)' with revised job

description and person specification, with no change to current grade of PO2;

- Solicitor (post M343); 37 hours – change of job title to ‘Solicitor (Housing & Litigation)’ with revised job description and person specification, with no change to current grade of PO1;

4. that the following new post be established at the indicated salary grade:

   - Principal Solicitor (Housing & Litigation); 37 hours at grade PO3;

5. that delegated authority be given to the Head of Strategic Support to agree implementation dates for resolutions 1 to 4 above.

<u>Reasons</u>

1- 5. To implement the proposals of an organisational change review which are designed to ensure that staffing resources within the Legal Services team are aligned to service needs within the available budget.

<u>NOTES:</u>

1. The decisions in these minutes not in the form of recommendations to Council will come into effect at noon on 25th October 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 4th November 2019 unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on 25th October 2019.

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

CABINET – 14TH NOVEMBER 2019

Report of the Head of Landlord Services

Lead Member: Councillor Paul Mercer

Part A

ITEM 6 TENANCY SUPPORT POLICY 2019-2024

Purpose of Report

For Cabinet to consider and approve the Tenancy Support Policy 2019-2024.

Recommendation

1. That the Tenancy Support Policy 2019-2024 attached at Appendix 1 be approved.

2. That delegated authority be given to the Head of Landlord Services in consultation with the lead member for Housing, to make minor amendments to the Tenancy Support Policy 2019-2024.

Reasons

1. To set out a policy on the Council's approach to supporting vulnerable tenants occupying council accommodation.

2. To enable minor changes to be made to support the efficient delivery of landlord services.

Policy Justification and Previous Decisions

This new policy will support compliance with the:

- Homes and Communities Agency (2012) Tenancy Standard which states that:

Registered providers shall develop and provide services that will support tenants to maintain their tenancy and prevent unnecessary evictions.

- Civil procedure rules Pre-Action Protocol for Possession Claims by Social Landlords.

The policy will also support delivery of the following corporate plan outcomes and indicators:

- Corporate Plan Outcome 2016/20 - *Put Customers at the heart of everything we do and provide strong community leadership.*

- Corporate Plan Outcome 2016-2020 - *Keep our residents safe through implementing a new community safety plan, combatting ASB and investing in emergency planning, food safety and safeguarding;*

- Delivery of the Council's Corporate Plan Indicator KI6 - *% rent collected (including arrears brought forward)*,

Implementation Timetable including Future Decisions and Scrutiny

The policy will be implemented when the Cabinet decision comes in to force.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are 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	Overall Risk	Risk Management Actions Planned
The policy is not adequately communicated leading to incorrect application of the policy, harm to individuals and communities, financial loss to the Council, and reputational damage on individual cases.	3	2	Moderate (6)	Training will be provided to officers. The policy will be published on the Council's website. Service level operational performance data will be monitored.

Crime and Disorder Implications

This policy will positively contribute towards the effective management of ASB and hate incidents, and consequently compliance with the Council's responsibilities under Section 17 of the Crime and Disorder Act (1998) to undertake reasonable action to improve community safety in the borough.

Equality and Diversity

The policy will positively contribute towards the Council's equality and diversity responsibilities and commitments. Vulnerable residents and those with protected characteristics will be offered help and support when appropriate. The equality impact assessment can be found at Appendix 2.

Sustainability

The policy will positively contribute towards the following principles of sustainability:

- Reducing poverty and social exclusion
- Improving public health and wellbeing
- Ensuring that housing needs of all sections of the community are met
- Increasing access to services and facilities

Key decision:	Yes
Background papers:	None
Officer(s) to contact:	Peter Oliver Head of Landlord Services 01509 634 666 Peter.oliver@charnwood.gov.uk Andrew Staton Landlord Services Manager Tel: 01509 634 666 Email: andrew.staton@charnwood.gov.uk

Part B

1. Background

1.2 Vulnerable tenants may need support to set up a new tenancy, and on-going or occasional help to maintain their tenancy, due to (for example), mental health problems, alcohol and / or drug dependency, debt, or difficulties making benefit claims.

1.3 Increasingly, the work of the Tenancy Support and Financial Inclusion Teams is focussed on supporting tenants moving on to Universal Credit (UC). At the end of September 2019 800 tenants were identified as being in receipt of UC. This number is expected to increase over the next two years and rent arrears will likely increase as a result. The risk of increased rent arrears will be mitigated through the provision of advice and support to tenants on making and sustaining a claim for UC.

1.3 This new policy sets out how support needs are identified and met, and specifically highlights the support available to tenants moving on to Universal Credit.

2. Policy Development

2.1 On the 7th November 2018 (minute 14) the Housing Management Advisory Board resolved that the draft policy be approved.

2.2 On the 13th November 2018 (minute 25) Policy Scrutiny resolved that the report be noted [and];

- that it be noted that officers would look at making it clear that safeguarding procedures were already in place and did not need to be newly developed and including further examples of the organisations with which the Council worked when preparing the final version of the policy.

Appendices

Appendix 1 - Tenancy Support Policy 2019-2024
Appendix 2 - Equality Impact Assessment

APPENDIX 1

Tenancy Support Policy 2019 - 2024

November 2019
Review date January 2024

CONTENTS

1. Foreword

1.1 The Council is committed to helping its tenants to sustain their tenancies. It is recognised that vulnerable tenants may need additional support and advice to help them live independently and safely.

1.2 Some tenants need help to set up a new tenancy or to begin living independently for the first time. Vulnerable tenants may also need on-going or occasional help to maintain their tenancies. This could be because of, for example, mental health problems, alcohol and drug dependency, debt or difficulties making benefit claims.

1.3 This policy sets out how support needs are identified and met.

2. Executive Summary

2.1 Vulnerability and support needs are identified at various stages throughout a tenancy. The first assessment is carried out at the point an applicant is offered a tenancy. Support needs may be identified during subsequent routine contacts with tenants or when tenants begin to get into arrears with their rent, struggle with their behaviour or with maintaining acceptable home conditions.

2.2 Direct support is provided by housing staff in Landlord Services. Tenants may also benefit from support from external agencies such as Social Services, health providers, and the voluntary sector. Staff in Landlord Services aim to work with partners to maximise the support available to tenants.

3. Aims and Objectives

3.1 The objectives of the Tenancy Support Policy are to:

- support and empower tenants to sustain tenancies;
- help tenants deal with any problems or issues that arise during their tenancy such as rent arrears or problems with welfare benefits;
- provide direct support through Tenancy Support Officers and Financial Inclusion Officers;
- refer tenants to partner agencies for more specialist or long term advice and support when needed;
- liaise with other statutory agencies, and make representations on tenants' behalf;
- create safer and more stable communities;
- reduce the economic and social effect of failed tenancies;
- prevent and reduce rent arrears, and the associated costs of legal action;
- maximise tenants' incomes;
- help tenants to maintain their independence;

- prevent and reduce homelessness and the associated costs.

3.2 These objectives are delivered by:

- identifying tenants at risk of vulnerability or support at the beginning of and during their tenancies;
- providing support either in-house or by accessing support from partner agencies;
- encouraging and promoting partnerships with external agencies to maximise support for our tenants;
- following robust safeguarding procedures that will help to keep children and vulnerable adults safe from abuse;
- continually seeking to improve the information we hold about the needs and vulnerability of our tenants in order to best direct resources into meeting the needs of vulnerable households.

4. Defining Vulnerability

4.1 Examples of people who may be vulnerable or who may need support (this is not an exhaustive list) include:

- 16-17-year olds;
- Young people who have not held a tenancy before;
- Young people "moving on" from supported housing into an independent tenancy for the first time;
- Care leavers;
- People with drug / alcohol misuse issues;
- People with an offending history;
- People with poor mental health;
- People with behaviour problems or personality disorders;
- People with learning difficulties;
- People with physical disabilities;
- Frail older people;
- Families whose children have behavioural / emotional / mental health issues that affect parents' ability to comply with tenancy conditions;
- Families with 'children in need of services' or 'children in need of protection' where the children's problems affect their parents' / carers' ability to cope with maintaining their tenancy;
- Households with a history of tenancy failure;
- Households with significant debts / financial difficulties;
- People from abroad or who do not have English as a first language;
- Teenage parents;

- People who have suffered domestic abuse.

5. Identifying who needs help

5.1 Landlord Services assesses the vulnerability and support needs of all prospective tenants at the point an applicant is offered a tenancy.

5.2 A Tenancy and Estate Management Officer visits all new tenants within the first 4 weeks of their tenancies and uses this as an opportunity to check if all support needs have been identified and that any support needs are met. If a support need has been identified and is unmet, the officer will make a referral to the Tenancy Support Team.

5.3 When the Tenancy and Estate Management Officer visits, they ask the tenant to complete a form called 'Knowing You' which asks for information about gender, sexuality, disability, age and vulnerability. This form is also completed during routine tenancy visits. The information gained from completed 'Knowing You' forms is used to record levels of vulnerability. This helps us to ensure that support is directed to the most vulnerable tenants, and also shape our services to meet the needs of vulnerable people.

5.4 Officers check for vulnerability and support needs whenever a significant problem occurs with a tenancy i.e. tenancy breach, anti-social behaviour or rent arrears. A vulnerability risk assessment is carried out on all complainants of anti-social behaviour, with linked support where necessary.

5.5 Known vulnerabilities and disabilities are recorded on Landlord Services' integrated Housing Management System (QL).

5.6 Information held on QL about vulnerability is used to alert all staff to the needs of that tenant.

6. The Tenancy Support Service

6.1 Landlord Services currently employs a Tenancy Support Team Leader and three Tenancy Support Officers to deliver the in-house Tenancy Support Service.

6.2 The Tenancy Support Service provides advice and assistance to vulnerable tenants to help them sustain their tenancies. Help can be given in the following areas:

- Housing Benefit and Universal Credit;
- Other welfare benefits;
- Making referrals for debt and financial advice;
- Budgeting;
- Moving in and setting up utilities;
- Acquiring furniture;

- Making referrals for help with health issues, education / training, parenting;
- Household routines;
- Maintaining properties and gardens to an acceptable standard;
- Keeping safe;
- Managing behaviour;
- Applying for re-housing / transfer.

6.3 The Tenancy Support Service concentrates on helping new vulnerable tenants set-up and establish their tenancies as well as assisting existing vulnerable tenants who have encountered a crisis in their tenancy. For example, they may be threatened with legal action because of rent arrears or anti-social behaviour, they may have fallen into serious debt affecting their ability to pay essential bills, they may have allowed their home conditions to deteriorate to an extent that poses a risk to themselves or others, (including hoarding and self-neglect), or they may be suffering a health problem that is affecting their ability to cope with everyday life. Tenancy Support Officers will offer assistance in the initial stages of a tenancy or in the event of a crisis and will where necessary try to refer the tenant to an external tenancy support agency who will be able to offer longer term, more structured or specialist support or to another service such as Social Care or Health.

6.4 The Tenancy Support Service also offers ad-hoc tenancy support for vulnerable people who do not engage well with other agencies or whose needs are too substantial or long-term for other tenancy support agencies to meet.

7. Financial Inclusion

7.1 There are two Financial Inclusion Officers based in the Income team who provide support to tenants on:

- how to maximise income and apply for welfare and housing benefits and Universal Credit;
- how to minimise household expenditure;
- advice on budgeting;
- where to get more in-depth advice and debt management advice if necessary.

7.2 The Income Team currently has five Housing Income Officers who have a role to play in advising tenants in relation to rent arrears, helping them resolve housing benefit and universal credit issues, and helping them to pay their rent by negotiating agreements to pay by instalments. There is also a Former Tenant Arrears Officer attached to the Income Team.

8. Universal Credit

8.1 Universal Credit started to affect working age tenants in Charnwood from June 2018
By 2022, most working age people in need of benefits to help them with their income and housing costs will be claiming this new benefit. Universal Credit

represents a significant change in how benefits are claimed and paid, and many tenants need help and support in making and maintaining claims.

8.2 Landlord Services has appointed a Universal Credit Officer, part of whose role will be to assist tenants to apply for and maintain claims for Universal Credit and to ensure that their housing costs are paid. Tenancy Support Officers and Financial Inclusion Officers will also provide this support but will focus on the needs of the most vulnerable and financially disadvantaged.

9. Warden and Lifeline Services

9.1 Landlord Services has a Warden allocated to each sheltered scheme and this is also available to tenants in properties designated for older people.

9.2 In sheltered housing and other properties designated for the elderly, tenants receive help and support through an individual support plan tailored to their needs. Wardens visit tenants on a regular basis as part of implementing the support plan.

9.3 The Lifeline service is available for anyone who needs it who lives in Charnwood regardless of age and regardless of whether they live in a Council property. Service users can use their alarm 24 hours a day, 365 days a year to ask for assistance.

9.3 Warden and Lifeline services have an important role to play in delivering the Council's policy for the protection of adults in need of Safeguarding. Potential risk is identified, referred to other agencies where necessary, and monitored with a key focus on prevention and maintaining people safely in their own homes.

10. Partnership Working

10.1 Landlord Services recognises the importance of working in partnership to help tenants sustain their tenancies.

10.2 Landlord Services also works closely with other external agencies. The most common agencies are the Police, DWP, Social Care, GPs, mental health professionals, Turning Point, Probation, Youth Offending and Living Without Abuse in order to maximise support and successful outcomes for vulnerable tenants. Referrals are also made to Housing Matters (Leicestershire-based Floating Support Service) which provides more long term and structured support than can be provided by Landlord Services.

10.3 Tenancy Support Officers can advise and assist tenants with disabilities on aids and adaptations to their home by making referrals to Leicestershire County Council, who will advise on and recommend the scope and type of support needed.

10.4 Officers in Landlord Services make referrals to Leicestershire County Council's Early Help service to secure additional support for children and/or their carers who are encountering difficulties with issues such as behaviour, school attendance and effective parenting.

10.5 The Tenancy Support Team refers tenants who are exhibiting signs of self-neglect and/or hoarding behaviours to Adult Social Care and to health professionals for further assessment and support. Tenancy Support Officers work closely with these agencies to try and improve living conditions for tenants in these circumstances and also attend relevant Safeguarding and Vulnerable Adult Risk Meetings (VARMS).

11. Dealing with anti-social behaviour

11.1 When anti-social behaviour is reported, a risk assessment of the complainant is carried out. Vulnerabilities and support needs are identified at the earliest opportunity for both complainants and perpetrators. Support is generally provided, where necessary, to both parties in order to resolve the situation.

12. Additional support prior to legal action

12.1 Where it is identified that it is necessary to take legal action (for rent arrears or anti-social behaviour), a multi-agency meeting generally takes place to review the circumstances of the case, to identify what support is required, and to check that it has been provided. This ensures that as far as is reasonably practicable no support opportunities have been missed.

13. Safeguarding

13.1 Every effort is made to ensure that vulnerable adults and children are kept safe from harm and abuse. Landlord Services follows Charnwood Borough Council's Safeguarding Policies for Children and Adults. Theses have been jointly developed by all Leicestershire District Councils. The adults policy reflects the principles of 'No Secrets' and the Care Act 2014.

13.2 Within Landlord Services, there are five Designated Safeguarding Officers (DSOs) who are trained to deal with safeguarding incidents for both children and vulnerable adults. This includes the Tenancy Support Team Leader and the Principal Officer - Tenancy and Income Management.

13.3 All front-line staff working with vulnerable adults and/or children receive safeguarding training in relation to child protection matters and support for vulnerable adults. This equips officers with the skills to identify potential risk and support issues, as well as making sure that officers know how to refer to appropriate agencies. This training is ongoing and is updated every three years either by attending a training session or completing on- line training.

13.4 Officers work closely with other DSOs in the Council in relation to safeguarding. A summary of all safeguarding incidents and the action taken by DSOs is recorded on Charnwood Borough Council's central safeguarding database. This allows Landlord Services and Charnwood Borough Council to identify patterns or frequent incidents relating to a particular child or vulnerable adult as well as providing a secure record of action taken on each incident. DSO's also attend quarterly liaison meetings.

14. Links to Other Policies

14.1 Landlord Services seeks to consider the needs of vulnerable tenants in other relevant housing management policies such as those surrounding harassment, anti-social behaviour and domestic abuse.

14.2 The following Landlord Services and Charnwood Borough Council policies have relevance for the Tenancy Support Policy:

- Charnwood Borough Council Anti-Social Behaviour Policy and Procedures including domestic abuse, hate incidents, harassment;
- Charnwood Borough Council Housing Income and Financial Inclusion Policy 2019-2024;
- Charnwood Community Safety Partnership Plan 2017-20;
- Charnwood Borough Council Homelessness Strategy 2018-20;
- Charnwood Borough Council Equality and Diversity Strategy 2016-20;
- Charnwood Borough Council Customer Services Strategy 2016-20;
- Hoarding Procedure
- Care Act 2014 (Hoarding, self-neglect and safeguarding are included in this Act)
- Leicestershire District and Borough Councils' Children and Vulnerable Adults Safeguarding Policy and Procedures.

APPENDIX 2

Charnwood Borough council

Equality impact assessment
‘Knowing the needs of your customers and employees’

Background

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

Legislation- equality duty

As a local authority that provides services to the public Charlwood 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
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	Tenancy Support Policy

Name of lead officer and others undertaking this assessment	Claire Westrup and Gill Taylor
Date EIA started	2nd January 2019
Date EIA completed	8th October 2019

Step 2 – Overview of policy/function being assessed:

Outline: What is the purpose of this policy? (Specify aims and objectives)
The objectives of the Tenancy Support Policy are to: ▪ support and empower tenants to sustain tenancies; ▪ help tenants deal with any problems or issues that arise during their tenancy such as rent arrears or problems with welfare benefits; ▪ provide direct support through Tenancy Support Officers and Financial Inclusion Officers; ▪ refer tenants to partner agencies for more specialist or long-term advice and support when needed; ▪ liaise with other statutory agencies, and make representations on tenants' behalf; ▪ create safer and more stable communities; ▪ reduce the economic and social effect of failed tenancies; ▪ reduce rent arrears, and the associated costs of legal action; ▪ maximise tenants' incomes; ▪ help tenants to maintain their independence; ▪ prevent and reduce homelessness and the associated costs.
What specific group/s is the policy designed to affect and what is the intended change or outcome for them?
All current tenants of council-owned dwellings and any potential tenants to help them manage and sustain their tenancy
Which groups have been consulted as part of the creation or review of the policy?
Housing Management Advisory Board, Charnwood Housing Residents'Forum, Policy Scrutiny Group

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
A range of diversity information is available from our records and held in QL (our housing management system) for all those customers receiving housing management services. This includes information on age, gender, ethnicity, sexual orientation, race, religion and disability of tenants who receive help from the Tenancy Support Team.
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)
This information enables support to be directed to the most vulnerable tenants. The information allows us to identify which groups of tenants most need help and support to maintain their tenancies and to direct resources accordingly. We can also use the information to ensure that support is delivered fairly and that no group is being overlooked or disadvantaged.

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 specific groups to identify needs / issues? If not please explain why.
Staff in the Tenancy Support Team, Financial Inclusion Team, Children, Families and Partnerships Manager at Charnwood Borough Council, Principal Officer – Customer Engagement & Older Person's Services, Housing Income Team Leader and Head of Landlord Services have all been consulted.

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	Support will be offered to tenants of all ages where deemed appropriate and beneficial to the tenant.

	Older people may be less able to identify and access benefits to which they may be entitled. This increases their vulnerability and may lead to deterioration in their health and wellbeing. Support will address this by providing financial inclusion and welfare benefits advice. Older people can begin to struggle to live independently due to dementia or physical frailty. Tenancy Support Officers will, where required, offer older tenants help to access appropriate health and social care services to support them to continue to live in their own homes or to access more supported accommodation.
Disability (Physical, visual, hearing, learning disabilities, mental health)	Not all tenants with disabilities will need help to live independently or maintain a tenancy. However support is offered to those where it is identified they may need it. Many of our tenants have mobility, mental health and other disability needs. Health problems, including mental health problems and learning difficulties (which may also include problems with reading and writing) might, affect how a person can manage their tenancy. For example tenants in these groups may have difficulty in managing their benefits and in budgeting and therefore in paying their rent. They may need additional support in understanding what is acceptable behaviour, in keeping themselves safe and in maintaining clean and tidy homes and gardens. Tenancy Support Officers will offer specialist advice and support where that is deemed to be appropriate and beneficial. We will, if necessary refer the tenant to an external tenancy support agency that might be able to offer longer term more structured or specialist support or to another service such as Social Care or Health.
Gender reassignment (Transgender)	Support will be offered to all tenants regardless of their gender identity. Tenancy Support Officers will offer specialist advice and support where that is deemed to be appropriate and beneficial. We will, if necessary refer the tenant to an external tenancy support agency that might be able to offer longer term more structured or specialist support or to another service such as Social Care or Health.
Race	Support is available to all tenants regardless of their race where deemed appropriate and beneficial to the tenant.

	People from abroad or who do not have English as a first language may be susceptible to tenancy failure. Tenants who have been former asylum seekers may have mental health difficulties that make living independently more of a struggle. Tenancy Support officers will offer specialist advice and support where that is deemed to be appropriate and beneficial. We will, if necessary refer the tenant to an external tenancy support agency that might be able to offer longer term more structured or specialist support or to another service such as Social Care or Health or to another service that supports people from other countries offering language and cultural support. Gaining access to external support may also include paying for interpreting services such as Language Line.
Religion or belief (Includes no belief)	Support is available to all tenants regardless of their religion or belief. Tenancy Support officers will offer specialist advice and support where that is deemed to be appropriate and beneficial. We will, if necessary refer the tenant to an external tenancy support agency that might be able to offer longer term more structured or specialist support or to another service such as Social Care or Health or to another service that supports people of other religions or beliefs. We will make reasonable adjustments in the nature of support offered according to someone's religious or cultural needs.
Sex	Support is available to all tenants regardless of their sex. Tenancy Support Officers will offer specialist advice and support where that is deemed to be appropriate and beneficial. We will, if necessary refer the tenant to an external tenancy support agency that might be able to offer longer term more structured or specialist support or to another service such as Social Care or Health. We will make reasonable adjustments in the nature of support offered according to someone's sex.
Sexual orientation	Support is available to all tenants regardless of their sexual orientation. Tenancy Support Officers will offer specialist advice and support where that is deemed to be appropriate and beneficial. We will, if necessary refer the tenant to an external tenancy support agency that might be able to offer longer term more structured or specialist support or

	to another service such as Social Care or Health. If necessary we will make reasonable adjustments in the nature of support offered according to someone's sexual orientation. We will, if necessary try to refer the tenant to an external support agency that might be able to offer longer term more structured or specialist support or to another service that supports LGB tenants.
Other protected groups (pregnancy & maternity, marriage & civil partnership)	Support is available to all tenants, including these protected groups. Pregnant tenants and / or those on maternity are more likely to be vulnerable and in need of support. Tenancy Support Officers will offer specialist advice and support where that is deemed to be appropriate and beneficial. We will, if necessary refer the tenant to an external tenancy support agency that might be able to offer longer term more structured or specialist support or to another service such as Social Care or Health. We will make reasonable adjustments in the nature of support offered according to someone's pregnancy & maternity, marriage & civil partnership status. We will, if necessary try to refer the tenant to an external tenancy support agency that might be able to offer longer term more structured or specialist support or to another service such as Social Care or Health.
Other socially excluded groups (Carers, low literacy, priority neighbourhoods, health inequalities, rural isolation, asylum seeker and refugee communities etc.)	These groups are more likely to be vulnerable and in need of tenancy support. Tenancy Support Officers will offer specialist advice and support where that is deemed to be appropriate and beneficial. We will, if necessary refer the tenant to an external tenancy support agency that might be able to offer longer term more structured or specialist support or to another service such as Social Care or Health.

Where there are potential barriers, negative impacts identified and/ or barriers or impacts are unknown, please outline how you propose to minimise all negative impact or discrimination. Please note: a) If you have identified adverse impact or discrimination that is illegal, you are required to take action to remedy this immediately. b) Additionally, if you have identified adverse impact that is justifiable or legitimate, you will need to consider what actions can be taken to mitigate its effect on those groups of people.
There is no adverse impact or discrimination identified in this assessment.

Tenancy support will benefit vulnerable tenants by providing help and support when needed to sustain their tenancies.
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).
Delivery of the council's general equalities duties is supported by the provision of general professional advice and assistance from the Tenancy Support team.

Step 6- Monitoring, evaluation and review

Are there processes in place to review the findings of this assessment and make appropriate changes? In particular, how will you monitor potential barriers and any positive/ negative impact?
The needs of tenants are assessed and monitored at every contact with the Tenancy Support Team.
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.
No recommendations have been identified in this assessment.

Step 7- Action plan

Please include any identified concerns/actions/problems in this action plan: **The problems etc. identified should inform your service plan and, if appropriate, your consultation plan**			
Reference number	**Action**	**Responsible officer**	**Target date**
	No actions have been identified in this assessment		

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	✓	Team meetings
Tenants	✓	Publication on the council's website

Partners and stakeholders	✓	Publication on the council's website
Others	✓	Future and potential tenants through publication on the council's website.
To ensure ease of access, what other communication needs/concerns are there?		None identified.

Step 9- Conclusion (to be completed and signed by the service head)

Please delete as appropriate
I agree with this assessment.
Signed (service head): **Peter Oliver - Head of Landlord Services**
Date: 08/10/2019

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

CABINET – 14TH NOVEMBER 2019

Report of the Head of Financial & Property Services

Lead Member: Councillor Tom Barkley

Part A

ITEM 7 MEDIUM TERM FINANCIAL STRATEGY 2020 - 2023

Purpose of Report

To bring forward a Medium Term Financial Strategy (MTFS) for consideration by Cabinet and recommendation to Council.

Recommendation

That it be recommended to Council that the MTFS 2020 to 2023, attached as an Appendix, be approved.

Reason

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

Policy Justification and Previous Decisions

The MTFS is prepared annually and is the key document for medium term financial planning within the authority. It is one of the Council's core strategies and helps the Council identify its priorities and set targets for what we plan to achieve.

The Draft MTFS was approved for consultation by Cabinet at their meeting on 19th September 2019 (minute ref: 33), and was scrutinised by the Budget Scrutiny Panel on 25th September 2019. This final version of the MTFS will be available for scrutiny by the Scrutiny Commission on 11th November 2019.

Implementation Timetable including Future Decisions and Scrutiny

This MTFS is scheduled go to full Council for approval on 20th January 2020.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no direct financial implications arising from this report.

Risk Management

There are no direct risks associated with the decision Cabinet is asked to make in respect of this report.

Key Decision:	Yes
Background Papers:	None
Officers to contact	Lesley Tansey Head of Finance & Property Services 01509 634828 lesley.tansey@charnwood.gov.uk Simon Jackson Strategic Director of Corporate Services 01509 634699 simon.jackson@charnwood.gov.uk

Part B

Background

1. This final version of the Medium Term Financial Strategy was updated in October 2019, in the light of new information coming forward, most significantly in respect of the ‘Technical Consultation’ for the 2020/21 Finance Settlement, released by the Ministry of Housing, Communities & Local Government on 3 October 2019.

2. More detail is set out within the MTFS itself (attached as an Appendix to this report) but on the basis of new information provided within the Technical Consultation it is esimated that New Homes Bonus funding will reduce by around £1.1m in 2021/22 and some £1.7m in 2022/23 compared to the draft version of the MTFS prepared for consultation (see Cabinet of 19th September 2019).

3. This version of the MTFS also reflects additional information becoming available in respect of ongoing costs and incomes, changes to the council tax base, and refinements to the transformation and efficiency plan.

4. In summary the financial projections now show:

- 2020/21 will see £1.4m use of reserves assuming that £0.5m of transformation and efficiency savings can be delivered
- 2021/22 will see a further £2.2m use of reserves assuming that £0.8m of transformation and efficiency savings can be delivered
- 2022/23 will see a further £2.6m use of reserves assuming that £1.1m of transformation and efficiency savings can be delivered

5. Over the three year MTFS period this would imply a net use of reserves of £6.2m. Assuming no management action was taken to address the financial challenge evidenced within this number, all usable revenue reserves would be eliminated by 31 March 2023. Clearly this is not a sustainable position and the MTFS therefore outlines a budgetary approach, incorporating a judicious target use of reserves, that would address the financial challenges identified.

6. Whilst there is an inevitable health warning that must always be attached to the MTFS projections it seems reasonable to conclude that management action to address the identified financial challenges needs to start now. Initially, it is intended that this will be through the 2020/21 budget setting process, and by acceleration of the Council’s transformation and commercialism programmes.

7. It is worth reiterating that the MTFS is not the actual budget (which has to be approved by the full Council) and no assumption, analysis or projection should be construed as any decision which would constrain the Council’s budget setting process.

8. The MTFS is presented in full as an Appendix to this document.

Appendix

Charnwood Borough Council Medium Term Financial Strategy 2020 – 2023

APPENDIX

Charnwood Borough Council

Medium Term Financial Strategy

2020 – 2023

Table of Contents

1. Foreword

As is traditional here at Charnwood, autumn is the time when we take a hard look at the Council's current financial position and future funding prospects, and start to consider our approach to the forthcoming budget round. This exercise is summarised in the annual Medium Term Financial Strategy that seeks to identify the opportunities, uncertainties and challenges facing the Council in the next few years.

Robust financial planning is necessary in order that we can continue deliver services to residents consistently and sustainably for the longer term. Whilst I have in the past commented on the uncertainties facing the Council and the challenges this creates in constructing a financial plan, I have to say that this year is probably the most difficult I have experienced in this regard.

The backdrop to all political and economic forecasting at present is Brexit and the manner in which the UK will leave the European Union has still to be resolved at the time of writing. Whatever the outcome of Brexit, both immediately and in the longer term, the impact will be profound across a wide range of political, economic and social matters. Local government will inevitably be affected with implications for both funding and services.

Of fundamental importance to local government is the outcome of the Fair Funding review, which was due this autumn. We now know that the process will be delayed into 2020 which naturally limits the amount of information on which to base our planning assumptions. However, on 3 October 2019, the Ministry of Housing, Communities and Local Government released a 'Technical Consultation' on proposals for the 2020/21 Financial Settlement which offers a strong indication on the future of New Homes Bonus funding. The News Homes Bonus is an integral element of the Council's total funding and whilst funding for 2020/21 is likely to be as predicted in the draft version of this Medium Term Financial Strategy, it appears that the Council will face significant funding reductions in future years, creating a more pessimistic outlook than previously presented.

The Council remains in a sound financial position with good levels of financial reserves. We have a history of prudent financial management and our expenditure remains under control. So, whilst prospects for our finances combine a degree of pessism with (still) high levels of uncertainty, our past management record and current situation allow us to be optimistic about our ability to deal with the financial challenges ahead.

In some ways, the more pessimistic outlook shown in this version of the MTFS does not change our approach to addressing the forthcoming financial challenges; the outlook does however bring a sharper focus onto our transformation and commercialisation programmes, and the pace of implementation, as we consider the budgetary process for the 2020/21 financial year.

Councillor Tom Barkley

Cabinet Lead Member for Finance

October 2019

2. Executive summary

This Medium Term Financial Strategy (MTFS) considers the financial outlook for Charnwood Borough Council ('Charnwood', or the 'Council') for the three financial years 2020/21, 2021/22 and 2022/23. The document's focus is on the 'General Fund'; certain aspects of the Housing Revenue Account are also discussed but the outlook for this is dealt with separately within the 30 year Housing Revenue Account business plan.

At the core of this document are the financial projections for these three years which show the funding challenges during this period. The numbers set out the challenge in the following elements:

1. The core financial projections based on *known (or highly likely)* changes to funding streams and the cost base *and* assuming no management action is taken to otherwise mitigate funding shortfalls

2. Material budgetary risks identified which have a non-trivial probability of arising

3. Indicative projections of the impact of Council efficiency and transformation projects and initiatives that aim to bridge the actual or perceived funding gaps

4. Funding shortfalls for which other efficiency and transformation will be required, or where reserves will be required to balance the budget

In summary the financial projections show:

- 2020/21 will see £1.4m use of reserves assuming that £0.5m of transformation and efficiency savings can be delivered.

- 2021/22 will see a £2.2m use of reserves assuming that £0.8m of transformation and efficiency savings can be delivered.

- 2022/23 will see a further £2.6m use of reserves assuming that £1.1.m of transformation and efficiency savings can be delivered.

Over the three year MTFS period this would imply a use of reserves of £6.2m.

This financial position is not sustainable in the context of the Councils current reserve levels and it will be necessary to take action to address thefinancial challenges identified. (Tables 27 and 28 on page 38 provides information on the funding shortfall and reserve positions.)

These figures show a significant deterioration for the latter years of the projection compared to the draft version of this document. This reflects the content of the 'Technical Consultation' on the 2020/21 Finance Settlement released by the Ministry of Housing, Communities & Local Government (MHCLG) on 3 October 2019[1], and in

[1] https://www.gov.uk/government/consultations/local-government-finance-settlement-2020-to-2021-technical-consultation

particular the strong steer offered on the future of New Homes Bonus funding. More detail is set out in the body of this report but revised estimates in the light of this new information calculate that New Homes Bonus funding will reduce by around £1.1m in 2021/22 and some £1.7m in 2022/23 compared to the draft version of the MTFS.

This version of the document also incorporates revised estimates (where new information has become available) in respect of the council tax base, and the Council's transformation and efficiency, and commercialisation initiatives.

As noted previously, the use of reserves projected above is not sustainable and it is clear that the Council must take action towards rebalancing the budget on a sustainable basis over the life of this MTFS, with a committed focus on driving out efficiencies and increasing income generation. Notwithstanding the increasingly pessimistic view, these projections still carry some downside risks which include the Council's ability to deliver against mooted savings arising from transformation and efficiency initiatives, some of which remain non-specific or otherwise speculative. The largest risk element however, is around the outcome of the government's Fair Funding review which continues as the major uncertainty from the 2021/22 financial year.

Health warnings

As noted in the draft version of this MTFS, the numbers presented come with a significant health warning. Whilst prepared with all information available, the outcome of the government's Fair Funding review 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 (likely for implementation from 2021/22) and, in particular, the future of the New Homes Bonus Scheme which currently generates around £4m per annum for the Council. Further discussion and scenario modelling of different scenarios for New Homes Bonus are set out in the body of this document in the light of new information from the MHCLG Technical Consultation but suffice to say, ***the financial projections for the latter years of the MTFS (2021/22 and 2022/23) carry significant uncertainty and downside risk.***

Other risks

Beyond the fundamental funding uncertainty the projections above also contain other inherent risks, principally that the Council experiences unavoidable 'service pressures', or is unable to deliver the transformation and efficiency plan (or generate equivalent savings).

This is discussed in more detail in later sections of this Strategy.

Budgetary approach for 2020/21 and future budgets

The Council has adequate levels of revenue reserves and there is no requirement to make any immediate 'knee jerk' decision involving immediate cuts to services. Recent financial history has seen the Council build and then maintain reserve levels within the general fund[2], despite the background of austerity and the well-publicised financial problems experienced by some local authorities.

However, as evidenced by the content of the Technical Consultation, it is difficult to make the case that the relatively benign conditions currently experienced will continue, and based on the projections above it is clear that a proactive approach to rebalancing the Council's financing will be required. This being the case the target use of reserves for each of the next three years will be:

I. 2020 / 21 £1.0m (budget target for this financial year)

II. 2021 / 22 £0.5m (prospective budget target for this financial year)

III. 2021 / 22 £nil (prospective budget target for this financial year)

These targets are ambitious and would reflect additional financial challenges/savings in the MTFS projections of £0.4m in 2020/21, £1.7m in 2021/22 and £2.6m in 2022/23.

The Council has – in accordance with the approach set out within previous iterations of the MTFS - retained resources to adapt our service offering to reflect a more difficult financial landscape. It now appears that these resources will be required over forthcoming years. To budget within the constraints set out above - and to deliver higher levels of income, in line with the Council's commercialisation agenda, or create service efficiencies, via the Transformation Programme - 'spend to save' resources will be made available from the Council's Reinvestment Reserve to help address the budget challenges. This funding will need to be combined with proactive planning and effective implementation, all delivered at pace.

[2] This is actually a common scenario amongst District Councils

3. Introduction

The Medium Term Financial Strategy (MTFS) takes a forward look at the political, economic and regulatory environment facing the Council and uses these to create a high level financial model of future potential revenues and costs.

This model is used to identify potentially significant funding surpluses or shortfalls that may arise in the medium term, and to inform the Council's budget setting process. It takes into account existing expenditure patterns together with identified and material cost pressures. The model also incorporates projected savings and efficiencies from the implementation of existing strategies, policies and projects, and considers significant budgetary risk identifiable from current budgetary monitoring to attempt a holistic view of the Council's future financial position.

In order to balance the desire to take a long term view of the Council's financial future, and the limits on our ability to create meaningful forecasts over such a period, the MTFS has been developed to cover three years, from 1 April 2020 to 31 March 2023.

The purpose of this document can be summarised as follows:

- Outline the principal factors that will influence the availability of the Council's financial resources in the medium term
- Inform and define the medium term service delivery plans of the Council in financial terms
- Inform the budget setting process for the 2020/21 financial year
- Provide the financial basis for the Council to decide its corporate priorities for future years.

This is a high level strategic document which summarises plans over the medium term as they currently stand, based upon current information, projections and assumptions. As additional updated information becomes available these plans will be subject to change and a comparison of the previous MTFS to this document will reflect such changes. In this document a certain amount of detailed budgetary information is presented but this should be regarded as indicative and illustrative. Whilst this document will inform the 2020/21 budget setting process, some of the figures quoted here will be amended and refined as more information comes to light and the 2020/21 budgets are developed.

It is worth reiterating what this Strategy is not; it is ***not*** the actual budget (which has to be approved by the full Council) and no assumption, analysis or projection should be construed as any decision which would constrain the Council's budget setting process.

Scope of the MTFS

This strategy document concentrates on the General Fund, which deals with non-housing revenue items and derives its income from charges, government grants, council tax and business rates. The Housing Revenue Account (HRA) has its own business plan and both General Fund and HRA capital expenditure are subject to a three year programme which is reviewed separately from revenue items. However, the impact of capital investment and the HRA on the General Fund is considered as part of this strategy. In particular, the MTFS reflects the impact of the Council's Capital Strategy, which itself incorporates both the Treasury Management Strategy and the new Commercial Investment Strategy.

The Council's finances are actively managed on an ongoing basis and the adoption of this strategy will require executive decisions to carry out any significant actions identified.

4. Political, economic and regulatory outlook

In assessing prospects for the Council's finances it is necessary to consider how the wider political and macro-economic factors feed through into the availability of funding for the public sector, what proportion of this will be allocated to local government, and within this allocation – eventually informed by the Fair Funding review – what the funding settlement for each Council will be. Local economic factors will also impact both the demand for Council services, and the Council's ability to fund these.

As last year's MTFS noted, 'at the time of writing the political and economic outlook appears very uncertain', with United Kingdom politics and economics dominated by the exit from the European Union which was then scheduled for March 2019. The prospective exit date is still mooted as 31 October 2019 at time of writing, but this may be proven or otherwise by the time this Stategy is published, and there is still little certainty on the terms of this exit. In reality, the impact and ongoing uncertainty surrounding Brexit are likely to continue for some years to come.

The consensus opinion amongst professional economists is that 'Brexit' will have a negative impact on the economy in both the short and longer term[3]. Inevitably, there is no consensus on the overall degree of impact, although a 'no deal' scenario is generally regarded as more negative than a more 'managed' exit.

The United Kingdom has in effect a new government (new Prime Minister and Cabinet) which is in the process of suggesting new spending pledges covering a wide range of public sector expenditure. It is argued that these pledges represent the basis of General Election manifesto rather than a programme for government, but in any event, it is not clear where local government services sit in the range of priorities for the current or prospective future administrations.

The 'Fair Funding review' in which the government is to create a new framework for local government funding based on 100% business rate retention and set new funding baselines was planned for implementation from the 2020/21 financial year. This would have created a multi-year financial settlement from this year. On 8 August 2019 however the Chancellor announced that all government departments would only see a one-year financial settlement for 2020/21 and it is all but certain that the Fair Funding review itself will not be delivered in line with the envisaged timetable.

For the financial year 2020/21, this MTFS therefore assumes that the financial settlement will follow the same framework as previous years in that the settlement will contain elements of retained business rates and New Homes Bonus, although the actual quantum of the settlement remains somewhat speculative. In particular, the government has the ability to flex the rules around New Homes Bonus and the existing business rate 'top-ups' and tariffs to deliver an overall settlement within a given spending envelope.

[3] HM Treasury, the Office of Budgetary Responsibility and London School of Economics are generally negative on Brexit impact; the Economists for Free Trade are the principal counterweight to this view

In future financial years it is generally assumed that New Homes Bonus will be discontinued[4] with the impact (potentially) mitigated through the new business rate retention regime and / or some sort of transitional funding. Comments on New Homes Bonus within the recent MHCLG Technical Consultation seem to support this conclusion.

The outcome for Charnwood and district councils more generally from the Fair Funding review is very much speculative, but an opinion may be formed that relative to upper-tier authorities (where responsibility for adult social care and children's services lies), districts will fare relatively less well. This is because:

- District council services may be seen as less politically sensitive from a national perspective
- There are high-profile examples of upper-tier authorities in financial difficulties
- In contrast, over two-thirds of district councils actually increased their reserves in 2017/18 (these are the latest figures available)

Both the demand for the Council's services and its income streams are affected by the general economic health of the Borough, and the prevailing interest rate has a direct impact on interest receipts. Areas of deprivation do exist in the Borough but as a whole Charnwood is above averagely prosperous, with a ranking of 236 out of 317 English local authorities[5] (where '1' is the most deprived and '317' the least deprived local authority respectively). This relative prosperity is an important factor in the projected housing growth in the Borough, as evidenced in our draft Local (Development) Plan. If correct, the growth in housing will generate a significant part of the Council's total income over the next three years based on the current local government financing regime.

More detailed assumptions around the key individual components of the Council's revenue streams and expenditure are set out in subsequent paragraphs of this Strategy.

[4] HM Treasury are known to believe that NHB has not been successful in its stated objective of recovering house building
[5] English local authority Index of Multiple Deprivation 2019 (IMD average ranks – File 10; latest result available, updated October 2019)

5. Financial projections - overview

At the heart of this MTFS is the high level financial model. This is used to derive an estimate of the Council's future revenues and costs and the associated impact on the Council's reserves. Subsequent sections describe how the model has been developed and the key assumptions used, as follows:

- Local government financing regime: discusses the projected mix of council tax and government grant revenues over the period of the MTFS
- Treasury management and investment income: discusses the Council's current approach to fund investment and projected levels of interest receivable, together with comments on envisaged future activities
- Key operational assumptions: describes the derivation and key assumptions underpinning the projections of operational income and expenditure
- Transformation and Efficiency Plans: describe the activities and initiatives planned and underway that will address prospective budget challenges
- Budget risks: sets out material high-level risks identified through revenue outturn and revenue monitoring reports and assesses the extent that these should be reflected in the financial projections
- Existing financial resources and use of prudential borrowing: describes how revenue and capital expenditure of the Council may be financed over the period of the MTFS using reserves or prudential borrowing
- General Fund financial projections: presents the projected financial outlook for the Council over the period of the MTFS in tabular form

6. The local government financing regime

The Council's funding is derived from a mixture of council tax receipts, new homes bonus payments, a share of locally collected business rates and direct government grant funding. A key continuing theme from the government has been the drive towards financial independence for local authorities and the move towards localism. In practice this means a reduction in levels of direct (formula) grant funding, offset by retention of a share of local business rates and other grant funding relating to housing growth. It was envisaged that the new national business rate retention scheme would be in place from 2020/21 (with a headline 75% retention rate compared to the current 50% retention scheme currently in place). as the centrepiece of the new funding regime derived from the Fair Funding review. However, this will now be delayed until the 2021/22 financial year.

For the Council, a major uncertainty is around the future of the New Homes Bonus which forms a significant component of Council funding at present. The Government strongly suggests that this will be wound down beyond 2020/21 but no alternative approaches to the distribution of this funding pot have yet been proposed. Further detail on the Technical Consultation and MTFS assumptions based on this are set out subsequently.

The principal features of the financing regime and key assumptions and sensitivities in respect of Charnwood are discussed in more detail in the following paragraphs.

Council tax

It is generally assumed that there is resistance from local citizens to any significant increases in Council Tax. With this in mind, the Coalition government (2010 – 2015) introduced legislation requiring council tax increases above a certain level to be endorsed by the public through a local referendum. This restrictive approach has continued under successive Conservative administrations. However, in recognition of increasing evidence that local authorities are struggling financially the Government has somewhat relaxed the limits at which a local authority would trigger a referendum and in recent years has allowed all District and Borough Councils to increase council tax by up to a maximum of £5 or 2% per band D property as well as allowing authorities with Social Care responsibilities an additional 2% increase on top of the standard cap that would have triggered a referendum. The MHCLG Technical Consultation implies that these relaxations will continue into 2020/21 and for the purposes of the MTFS, these limits are assumed to apply to District and Borough Councils for each of the financial years considered.

In comparison to other districts, Charnwood's council tax charges are still amongst the lowest in the country as the data from the Department of Communities and Local Government below illustrates:

Table1: Comparison of District Band D Council Tax Charges 2019/20

NATIONAL PICTURE	Council Tax Band D	Rank (of 192)	LEICESTERSHIRE AUTHORITIES	Council Tax Band D	Rank (of 192)
Lowest					
Breckland	£90	1	Hinckley & Bosworth	£132	15
West Oxfordshire	£99	2	**Charnwood**	**£144**	**24**
Hambleton	£109	3	Blaby	£163	53
			Harborough	£168	69
Charnwood	**£144**	**24**	North West Leicestershire	£173	76
			Melton	£203	127
Median			Oadby & Wigston	£225	157
South Holland	£183	96			
North Devon	£183	97			
East Staffordshire	£184	98			
Highest			** Calculation includes Band D and Share of Loughborough Special Rate (or Equivalent) spread across whole tax base*		
Oxford	£308	190			
Preston	£315	191	*Source: MHCLG*		
Ipswich	£362	192			

Given Charnwood's low tax charge and future funding uncertainties it is assumed that Council Tax will increase by the maximum amount in all of the financial years covered by this MTFS; this maximum is calculated on the basis of £5 per Band D property but has to be adjusted for the impact of increases in special expenses areas.

The actual amount of Council Tax collected will also vary in line with the tax base, essentially the number of properties against which Council Tax is levied. The tax base for this purpose is expected to increase by 1.9% year on year over the period of this document.

As noted, the £5 increase must also take into account the Loughborough Special Expense area – so the Borough increase has to be below this overall limit. Based on current council tax base data it is estimated that the Borough rate would be £126.69 per Band D property, being consistent with the assumptions made around Loughborough Special Expenses.

Table 2: Projected Council Tax income tax increase

(Amounts £000)	*2019/20 budget*	*2020/21*	*2021/22*	*2022/23*
Assumed council tax income	6,893	7,294	7,732	8,160

Loughborough Special Rate

The town of Loughborough does not have the equivalent of a town council and the role that this organisation would fulfill is therefore undertaken by the Borough Council.

The Loughborough Special Rate is levied on the residents of Loughborough by the Borough Council and is used for activities specifically related to Loughborough town. This set of activities is comparable to those performed by towns and parishes and used by other Councils in equivalent situations. These activities have been validated by the Council and include maintenance of parks, cemeteries and memorials, management of allotments and costs associated with the Loughborough Fair and festive decorations. A full list of activities is set out in the Budget Book issued by the Council each year and available at:

https://www.charnwood.gov.uk/files/documents/2019_20_budget_book/2019-20%20Budget%20Book.pdf

After a period where the special rate has not been increased, costs of activities borne have increased such that an increase in the special rate is now appropriate. For the purposes of the MTFS the Special Rate is assumed to increase by 1.99% year on year and is included within the projections. The projected increase in the tax base for Loughborough is 1.75% per year.

To be clear, the above paragraph is a working assumption. It does not imply that any decision on the setting of the special rate has been taken; this decision will ultimately be made by a meeting of the full Council at its meeting in February.

It should also be noted that for the purposes of assessing whether Council Tax increases are excessive when the government calculates the year on year level of increase for Charnwood, it includes both the main Borough charge and the Loughborough Special Rate.

Table 3: Projected Loughborough Special Rate income

(Amounts £000)	*2019/20 budget*	*2020/21*	*2021/22*	*20222/23*
1.99% increase in rate, 1.75% expansion of tax base	1,213	1,259	1,307	1,356

Revenue Support Grant

Revenue Support Grant (or 'formula' grant) is (historically) allocated to each local authority by the government using an assessment of need based on the characteristics of population, geography and other sources of finance available to an individual local authority. The grant has been phased out since 2014/15 (£4.2m) and no longer exists from 2020/21.

Local share of national non-domestic rates ('business rates' or 'NNDR')

From 1 April 2013 the structure of local government finance changed, with local authorities retaining a share of business rates collected in their area. The calculations are based on target rates of collection set by government and are somewhat complex, but result in Charnwood retaining around 9% of the total collected, equating to around £5.5m (including s31 grant compensation)[6]. Local authorities can increase their business rate income by growing the business rate take in their area; conversely, if collections fall then local authorities bear an element of risk.

Recent experience in Charnwood suggests, generally, a small degree of business rates growth envisaged over the period of the MTFS (although macro-economic factors could significant influence this outlook). In the medium term initiatives such as the development of the Loughborough University Science Park and, particularly, Charnwood Campus and the inclusion of these in an Enterprise Zone are hoped to offer some additional upside.

In comparison with other authorities Charnwood is comparatively less reliant on locally retained business rates and has relatively few single significant sites in respect of business rate valuations. For example, Charnwood is not the site of a power station, airport, major retail park (such as Fosse Park) or regional distribution Centre (such as Magna Park). Some risk does exist however, principally around the long tail of outstanding rate appeals for which we would have to bear our share of lost revenue should those appeals prove successful. Additionally, business rate income is now our second largest source of external funding.

It is anticipated that the government will introduce a new regime of business rate retention, with a '75% retention' scheme replacing the existing '50% retention' scheme alongside the implementation of the recommendations arising from the Fair Funding review. This will now be delayed until 2021/22.

The additional revenue from the envisaged 75% business rate retention arrangements may replace reductions in RSG and New Homes Bonus but may also come with additional responsibilities that give rise to additional costs. At this point in time the details of this arrangement are still under development.

The Council participated in a bid to participate in a 75% business rate retention pilot for 2019/20, in conjunction with other local authorities in Leicestershire. The impact of the pilot was not reflected in the budget for 2019/20 but looks likely to provide a one-off boost in the 2019/20 financial year, of around £450,000. This will be applied (in line with the pilot bid) to a 'mix of spend to save' initiatives and capital expenditure on town centre schemes. Information to date is that the pilot will not be extended into future financial years.

The calculation and monitoring of business rate income (and associated section 31 grant payments) is detailed and complex. The projections below are based on forecasted business rate income for 2019/20, to which is then applied a growth factor of 3.0% per annum. This growth factor is based on an assumed CPI of 2%[7] plus an

[6] The government compensates local authorities for lost business rate income arising from small business reliefs and similar

[7] CPI = 2.1% (July 2019)

underlying growth factor of 1%. There is also an adjustment for Empty Property costs, estimated at £500,000 each year from 2020/21 for which reliefs cannot be claimed back.

Table 4: Projected local share of business rates

(Amounts £000)	*2019/20 budget*	*2020/21*	*2021/22*	*2022/23*
As modelled	5,290	4,947	5,192	5,363

New Homes Bonus

The New Homes Bonus (NHB) was designed to provide an incentive payment for local authorities to stimulate housing growth in their area. The calculation is based on council tax statistics submitted each October and, up to 2016/17, a 'bonus' was payable for the following six financial years based on each (net) additional property using a standardised council tax Band D amount (this varies with the national average but is historically £1,500+ per property). In two-tier local government areas this payment is split in the ratio 20% to county councils, 80% to district councils.

The NHB scheme started in 2011/12, so 2016/17 was the first year in which the Council received a full six years funding. Up until 2016/17 the amount of NHB received grew naturally due to the cumulative funding effect since the scheme was introduced in 2011/12. From 2017/18 the mechanism under which NHB funding levels are determined changed. The number of years over which the funding is received reduced to five in 2017/18 then a further reduction to four years applied from 2018/19 onwards. Additionally a 'deadweight' growth upon which no bonus is payable ('deadweight' growth) was been introduced, further reducing future payments. The deadweight growth was set at 0.4% in respect of 2018/19; in future years it is suggested that this may be subject to change dependent on national affordability criteria but no information on any prospective change is available.

The MHCLG sets out within the Technical Consultation at paragraph 6.4.5 that:

'It is the Government's intention to look again at the New Homes Bonus and explore the most effective way to incentivise housing growth. We will consult widely on proposals prior to implementation. As the roll forward is for one year, with any funding beyond 2020-21 subject to the 2020 Spending Review and potential new proposals, any new allocations in 2020-21 will not result in legacy payments being made in subsequent years on those allocations.'

Based on the above, the core assumptions for the calculation of the MTFS projections are that:

- The Council will receive a 'full' four years worth of NHB funding in 2020/21
- This will reduce to just two years worth of NHB funding in 2021/22
- There will be a further reduction to just one years worth of NHB funding in 2022/23

- There will be mitigation within other funding streams that will offset ***half*** the impact of ‘lost’ funding in 2021/22 and 2022/23 (ie. equivalent to one year and one and a half years worth of NHB funding respectively)

Calculation of New Homes Bonus

In common with previous years, for 2020/21, the New Homes Bonus is calculated by comparing the number of houses on the council tax register, as reflected in the annual CTB 1 return completed in October 2019, to the equivalent return from 2018.

The return includes the impact of both new houses and the net change in houses within existing stock that have become empty (or been reoccupied). This ‘raw’ number is then converted to Band D equivalent figure analogous to the calculation of the council tax base, and then adjusted by the ‘deadweight’ percentage described above. For the purposes of the projections in this MTFS the deadweight percentage of 0.4% (of the total council tax base) is used, being consistent with previous years; there is, however, no guarantee that this rate will remain unchanged.

Based on the recently completed CTB1 return the change in the council tax register calculated for NHB purposes was 749 properties (against an estimate of 765 properties in the draft version of this MTFS). This has been used as the basis for calculating NHB payments for 2021/22 and 2022/23.

The effect of these estimates is tabulated below.

Table 5: Change in council tax register year on year, as aligned to NHB award years

	2015/16	*2016/17*	*2017/18*	*2018/19*	*2019/20*	2020/21 ACTUAL
Additional properties (Band D equivalent)	727	569	642	890	686	749

Table 6: Charnwood New Homes Bonus 2015/16 – 2020/21

	2015/16	*2016/17*	*2017/18*	*2018/19*	*2019/20*	2020/21 ACTUAL
Additional properties (adjusted for NHB calculation purposes)	727	569	642	890	686	749
Associated NHB (year) £000	878	716	829	1,198	988	1,114
Cumulative NHB (grant) £000	3,775	4,491	4,004	3,621	3,731	4,129

Planning assumptions on housing growth

The Council publishes its five year housing supply calculations on the website

Table 7: Housing completions estimated: Five year land supply 2019 - 2024

	2019/20	*2020/21*	2021/22	*2022/23*	*2023/24*
Estimated completions	1,165	1,423	1,437	783	766

It should be noted that the above figures are prepared on a different basis and relate to financial years so therefore the impact is lagged in respect to NHB - the first six months of 2019/20 would therefore relate to the second half of the year on which the 2020/21 NHB calculations are based. These figures also do not include the 'deadweight' factor – which would reduce the numbers by around 300 – that is used to adjust the NHB figures.

Given that the NHB scheme is likely to be discontinued in its current form it is now unclear to what extent, if at all, that future housing delivery will be linked to direct Government funding.

NHB - summary

Given the above factors, the following approach and assumptions have been adopted for the MTFS period.

1. The New Homes Bonus scheme will operate in its current format for 2020/21 but will see reductions in funding as set out within the MHCLG Technical Consultation for subsequent years.

2. The deadweight percentage will continue to be applied at 0.4% for each year of the MTFS.

Mitigation of 'lost' New Homes Bonus funding

There is no information available as to what extent, if at all, the reduced NHB funding (reflecting two years 'lost' funding in 2021/22 and three years lost in 2022/23) will be offset by some other scheme that rewards housing growth, through adjustments to business rate retention within the Fair Funding review, or with some sort of transitional funding offset.

The core assumption for the purposes of calculating the MTFS projections is that half of the lost funding will be offset through some sort of mitigation.

Based on these assumptions the NHB projections (with offsetting mitigation) for this MTFS period are tabulated below:

Table 8: Assumed growth in Housing and associated NHB grant receivable

	2019/20	*2020/21*	*2021/22*	*2022/23*
Net additional properties (draft MTFS - June)	686	749	710	710
Deadweight percentage applied	0.4%	0.4%	N/A	N/A
Standardised council tax rate	£1,670	£1,750	N/A	N/A
Associated NHB (£000)	988	1,114	N/A	N/A
Cumulative NHB (£000)	3,731	4,129	2,186	988
Mitigation (estimate) (£000)	N/A	N/A	1,102	1662
Total NHB + Mitigation (£000)	3,731	4,129	3,288	2,650

Sensitivity of New Homes Bonus and Mitigation

The significant uncertainty around the future of NHB beyond 2019/20 (and 2020/21 especially) and prospective mitigation means that this income stream can be regarded as vulnerable. Possible sensitivities include:

- Optimistic: mitigation completely replaces ‘lost’ NHB funding
- Pessimistic: NHB reduces in line with the MHCLG Technical Consultation but there is mo offsetting mitigation through other funding streams

The variation in Council funding under these alternative scenarios is tabulated below:

Table 9: Variation in NHB income under alternative scenarios

(Monetary amounts £000)	*2020/21*	*2021/22*	2022/23
OPTIMISTIC			
Lost NHB funding is completley replaced (Based 710 Properties)	4,129	4,389	4,311
PESSIMISTIC			
There is No mitigation of lost NHB funding	4,129	2,186	988

As is apparent from the above, within the NHB funding stream alone, there is a wide range of potential funding outcomes in the latter years of the MTFS.

7. Treasury management and projected investment income

The majority of the Council's investments are short-term, mainly made up of cash deposited for short periods on money markets. The remainder is made up of loans to other local authorities for periods of up to two years and longer term holdings in property funds. In recent years these have had a value in the range of £39-£56m at any point in time. Broadly, these amounts represent a combination of Council Reserves (such as monies earmarked to fund the Capital Plan), business rates and council tax collected on behalf of the County Council, local police and fire authorities, and parishes. The investment income generated from these balances remains an important source of funding for the Council despite the ongoing low level of interest rates.

In selecting its investments, the Council must balance the rates of return available whilst ensuring the security and liquidity of its investments. As a body that must take its stewardship of public money seriously, the Council adopts a prudent treasury management strategy. This strategy is subject to Council approval each year and aims to allow the Council's finance team appropriate levels of latitude in the day to day management of treasury operations within closely defined operational parameters.

The investment strategy is weighted towards security and liquidity of capital and, in general, it is envisaged that this approach will continue. However, this strategy assumes a continuation of the trend of recent years to seek increased returns through loans to other public sector bodies and investments in a wider range of financial instruments, such as property funds. Therefore, whilst security and liquidity remain paramount, the Council is now adopting a more proactive approach and is accepting a slight degradation in risk and liquidity factors[8][9] in exchange for higher returns. This matter is discussed in more detail in the Council's Investment Strategy, which is scheduled for Cabinet and Council approval in the autumn.

For the purposes of projections, it is assumed that:

- Interest rates are likely to rise in the medium term
- Average cash balances available for investment will reduce (reflecting a more proactive investment strategy)
- The net effect of the above will deliver returns in line with the 2018/19 outturn

It is also envisaged that the Council will review its Treasury Management Strategy to allow greater scope for investment in a wider range of counterparties and for longer terms. Investment activities are therefore expected to yield additional returns over and above those shown below; these are analysed separately for presentational purposes in

[8] Context here is important; the Council's investments can / will still be regarded as low risk within the range of all available financial investment opportunities

[9] Changes such as described have, or would, require Full Council approval of the Treasury Management Strategy

Section 9 of this document, which covers the Council's transformation and efficiency plans.

Table 10: Investment income (interest receivable) projections

(Amounts £000)	*2019/20*	*2020/21*	2021/22	2022/23
Assumed returns	390	450	450	450

8. Key operational assumptions

The Council's 'Net Service Expenditure' is the total amount spent on services, offset by income associated with the provision of those services such as planning fees receivable, income generated by the Council's car parks, or service specific grant income. The basis of the Council's projected Net Service Expenditure for the purposes of the MTFS is the 2019/20 budget. Known 'one-offs' (income or expenditure arising in 2018/19 only) are removed and then the numbers are adjusted for a limited number of known contractual commitments.

The principal adjustments to the budgets are tabulated below:

Table 11: Principal adjustments included in 2019/20 budget made for MTFS purposes

(Monetary amounts £000 unless stated)	*2020/21*	*2021/22*	*2022/23*
Wages and salaries • 2% annual increases assumed in line with most recent pay settlement	+2% = 275	+2% = 559	+2% = 851
Payroll on-costs • 1% annual increases assumed reflecting requirement for increased pension contributions	+1% = 138	+1% = 280	+1% = 426
Specific contractual commitments:			
Member allowances • Linked to staff salary increases	7	7	8
Environmental services contract (refuse collection and street cleaning) • Increases reflect ending of extension period in 2020 and requirement to replace refuse freighter fleet • Includes inflationary element • Amounts do not include additional efficiencies separately identified in transformation and efficiency plan	506	839	1,082
Revenues & Benefits Contract Pensions Adjustment	(120)	(122)	(124)

Operating income

The Council generates income from various activities. For information the top five sources of income and the associated projections are tabulated below:

Table 12: Projected operating income

(Amounts £000)	*2019/20 budget*
Garden waste collections	1,466
Planning Fees & Charges	1,293
Off street car park income	915
Sales – general	706
Rents – general	704

Expenditure pressures

Additional expenditure may be unavoidable due to policy, legislative or commercial pressures. Other than set out above these service pressures are not included at this stage as these will form part of the more detailed annual budget setting process which requires a business case to be completed.

Table 13: Total amount – Net Service Expenditure

(Amounts £000)	*2019/20 budget*	*2020/21*	*2021/22*	*2022/23*
As modelled	18,138	19,269	20,059	20,743

9. Transformation and Efficiency plans

Charnwood has a record of generating efficiencies through continuous improvement and is also engaged in a number of initiatives designed to transform the customer experience, existing ways of working, to increase returns on financial and non-financial assets, review pricing policies for chargeable services and to generate efficiencies.

The Council's approach to transformation and the generation of efficiencies was discussed as part of the Peer Challenge process undertaken by the Council in March 2018. An agreed action was that the Council would be provide more information of these plans and in response a summary of these activities was set out for the first time in last year's version of the MTFS.

Moving forward, the financial challenges identified by this iteration of the MTFS offer a strong case for the enhancement and acceleration of the Council's transformation and commercialisation programmes. Detailed plans are under development at the time of writing but a measure of the Council's intent is the earmarked investment in the skills and capacity required to deliver these programmes, outlined in the Cabinet Report of 17 October 2019, 'Transformation Programme – Resourcing for Mobilisation'[10], which requested £220,000 to fund the initial phase of work.

The remainder of this section provides a commentary on the Transformation and Efficiency plan presented last year and an updated version for this year.

Commentary and update of plans presented in the previous (2019 – 2022) MTFS

Treasury management

The Council has always sought to balance security and liquidity of financial assets against available financial returns. Although interest rates *may* finally be on an upward curve they remain at historically low levels and whilst remaining prudent, the Council continues to consider increasing the range of treasury activities to increase returns generated. In the previous MTFS it was assumed that an additional £25,000 would be generated in each year, principally realised by allowing for the full effect of investment in property funds. This amount has now been included within the base budget calculations. In future years the MTFS assumption is that an additional annual £50,000 will be generated following a review of the Treasury Management Strategy (conducted by treasury management consultants) which will allow some relaxation in both investment counterparties and investment terms.

This approach is a continuation of that adopted in recent years where the Council has started offering loans to other local authorities and investing in property funds.

Table 14: Treasury Management initiatives

(Monetary amounts £000)	*2019/20*	*2020/21*	*2021/22*	2022/23
Proactive treasury management – Previous MTFS	25	25	25	

[10] Cabinet report: see https://charnwood.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=271&Ver=4

(Monetary amounts £000)	*2019/20*	*2020/21*	*2021/22*	2022/23
Amounts now included base budget assumptions				
Proactive treasury management – Current MTFS • **Review of Treasury Management Strategy to take** effect from 1 April 2020	**N/A**	**50**	**50**	**50**

Asset creation – Messenger Close

Last year's MTFS noted that the Council was in the process of developing storage compounds at the 'brown field' Messenger Close site. The site was completed in late 2018 and is – as was anticipated – now fully on-stream, generating an £44,000 per annum. This amount has now been included in the base budget calculations.

Table 15: Asset creation – Messenger Close

(Monetary amounts £000)	*2019/20*	*2020/21*	*2021/22*	2022/23
Asset creation – Previous MTFS Reflects full occupation of Messenger Close from 2019/20	15	44	44	
NOT APPLICABLE	**N/A**	**N/A**	**N/A**	

Investment in commercial assets

Other Councils have invested in commercial assets, such as warehouses, hotels and retail units, with a primary objective of making a financial return. This approach naturally carries an element of risk, particularly if financed by borrowing, and there are technical constraints that may make investment returns less attractive than immediately apparent. Amounts were included on a speculative basis in the previous MTFS arising from 2020/21. No detailed property acquisition plans are yet in place but the Investment Strategy recommended that a fund be set up for property acquisitions with a view to acquisitions commencing from financial year 2021/22, (and as noted previously, it is possible that plans for commercial investment will be expanded and accelerated). The comparison between MTFS projections is tabulated below:

Table 16: Investment in commercial (property) assets

(Monetary amounts £000)	*2019/20*	*2020/21*	*2021/22*	2022/23
Commercial investment – Previous MTFS Speculative – assumes £1m generating 5% return in 2020/21 and £2m generating 5% return in 2021/22	0	50	100	
Investment based on Capital Strategy (draft status at time of writing) – assumes creation of a £10m investment fund	**N/A**	**75**	**150**	**300**

Commercialisation – increased fees and charges

The Council reviews fees and charges on a regular basis. Whilst not all charges are set with a view to maximising revenue (as other policy considerations may mitigate against this) revenue generation is usually a major consideration. Over the period of the previous MTFS it was envisaged that additional revenue would be generated through increasing charges for the garden waste collection service. This revenue stream is being generated as envisaged and has therefore been included within the base budget calculations.

Since last year the Council has now embarked upon an exercise of reviewing fees and charges. Given the current focus on this area (eg. The review of rent and service charges within the Council's existing commercial property portfolio) it can be considered appropriate to reflect some positive impact on future budgets. This is tabulated below:

Table 17: Commercialisation – review of fees and charges

(Monetary amounts £000)	*2019/20*	*2020/21*	*2021/22*	2022/23
Commercialisation – increased fees and charges – Previous MTFS Major proportion tgenerated through increased garden waste scheme revenues - £230k p.a – now included within base budget calculations	250	260	270	
Commercialisation **Speculative – projection based on non-garden waste element of previous MTFS figures**	**N/A**	**30**	**40**	**50**

Commercialisation – new ventures (Trade Waste service)

The Council has implemented plans to develop additional revenues through the introduction of a trade waste service. Development of this new service continues. The projected impact on the MTFS, as updated is tabulated below:

Table 18: Commercialisation – new Trade Waste Service

(Monetary amounts £000)	*2019/20*	*2020/21*	*2021/22*	2022/23
Commercialisation – new ventures – Previous MTFS Trade waste	(10)	0	20	
Commercialisation – Trade Waste **Update for current MTFS**	**N/A**	**0**	**10**	**20**

Major contract efficiencies

Charnwood has a number of major contracts for the delivery of services including refuse collection, street cleaning, revenues and benefits, maintenance of open spaces, and leisure centres. Two of these – covering environmental services, and revenues and benefits, are due for renewal in 2020 and it was envisaged in the previous version of the MTFS that some reductions in the cost of the service over and above the core expenditure assumptions could be achieved.

Current calculations on major contracts are set out in Section 8 (ie. Included within the base budget calculations). For the purposes of the current MTFS it is assumed further savings can be achieved, principally from negotiating a change in the basis in which inflationary uplift on the revenues and benefits contract is calculated.

Table 19: Major contract efficiencies

(Monetary amounts £000)	*2019/20*	*2020/21*	*2021/22*	2022/23
Major contract efficiency calculations – Previous MTFS (Essentially included in base budget calculations)	20	60	90	
Major contract efficiencies Revised inflationary uplift method negotiated – revenues and benefits contract	**N/A**	**20**	**45**	**75**

Transformation – accommodation

The Council has yet to take full advantage of new technology that enables 'agile working' a loose concept that could include increased levels of home working and hot desking. Successful implementation should yield cashable savings by reducing the accommodation footprint. However, little progress has been made in this area in the last year and projections – updated as below – are speculative.

Table 20: Transformation - Accommodation

(Monetary amounts £000)	*2019/20*	*2020/21*	*2021/22*	2022/23
Speculative savings through transformation - accommodation – Previous MTFS	0	0	50	
Speculative savings through transformation - accommodation – Updated MTFS	**N/A**	**0**	**0**	**50**

Transformation – efficiencies enabled through ICT

The existing On-line Customer Experience project seeks to enable and improve the ability of customers to transact with the Council digitally. Having invested in technology it is logical that this initiative, alongside other digital initiatives such as the Document Management and Digital Democracy projects should deliver efficiencies in ways of working.

At the time of writing some small efficiencies have been realised in the Contact Centre (due to the introduction of the on-line booking system) and speculative savings projections have been updated, as tabulated below.

Table 21: Transformation – Enabled through ICT

(Monetary amounts £000)	*2019/20*	*2020/21*	*2021/22*	2022/23
Speculative savings through transformation – enabled by ICT – Previous MTFS (assumed 1 x FTE saving found in each year)	30	60	90	

(Monetary amounts £000)	2019/20	2020/21	2021/22	2022/23
Savings realized in contact centre		**12**	**12**	**12**
Speculative savings through transformation – enabled by ICT – Updated MTFS (assumes 1 x FTE saving found in each year)	**N/A**	**30**	**60**	**90**

Continuous improvement

In the previous MTFS it was assumed savings could be generated through continuous improvement given the Council's record in this area and of outturn underspends versus budgets.

Subsequently, to deliver a budget within an agreed use of reserves a non-specific (and one-off) savings target of £300,000 was included within the agreed current (2019/20) budget.

For consistency the same continuous improvement target is included within this iteration of the MTFS, although for 2020/21 and subsequent years the bulk of this savings (estimated at £200,000) will be specified through the budgetary process

Table 22: Continuous improvement

(Monetary amounts £000)	2019/20	2020/21	2021/22	2022/23
Non-specific – Previous MTFS	150	230	300	
Specific – Addressed through budget process	N/A	200	200	200
Non-specific – Current MTFS	N/A	100	100	100
Current MTFS – as 2019/20 budget		**300**	**300**	**300**

New initiatives identified

New initiatives identified for inclusion in this version of the MTFS are as follows.

Commercialisation – expansion of revenues within the Town Hall theatre

An initiative is being developed that will allow expansion of seating within the Town Hall theatre. This will be a spend to save initiative requiring initial investment from the reinvestment reserve that is projected to generate an additional £80,000 annual revenue (with assumed negligible marginal cost).

For the purposes of the MTFS revenues are assumed to commence half way through financial year 2021/22, as below.

Table 23: Commercialisation – additional Town Hall revenue

(Monetary amounts £000)	2019/20	2020/21	2021/22	2022/23
Additional Town Hall Seating		0	40	80
Total additional revenue		0	40	80

Transformation – creation of a shared building control service

A project is underway looking to create a shared building control service with North West Leicestershire District Council. At present the Council makes a net loss on building control trading activities, averaging over £200,000 annually over recent years.

At present no projections are available from ongoing work in developing the business case. Therefore the numbers below are speculative, and derived from the overall quantum of existing deficits.

Table 24: Transformation – Shared Building Control Service

(Monetary amounts £000)	*2019/20*	*2020/21*	*2021/22*	2022/23
Shared building control project with NWL DC		**25**	**50**	**75**

In summary, the projected budgetary impacts for the current MTFS are set out below;

Table 25: Net positive impact of transformation and efficiency plans – Financial years 2020 - 2023

(Monetary amounts £000)	*2020/21*	*2021/22*	2022/23
Proactive treasury management Review of Treasury Management Strategy to take effect from 1 April 2020	50	50	50
Commercial Property investment Investment based on Capital Strategy (draft status at time of writing) – assumes creation of a £10m investment fund	75	150	300
Commercialisation – review of fees and charges Speculative – projection based on non-garden waste element of previous MTFS figures	30	40	50
Commercialisation – Trade Waste Update for current MTFS	5	10	20
Major contract efficiencies Revised inflationary uplift method negotiated – revenues and benefits contract	20	45	75
Transformation – Accommodation Speculative savings through transformation - accommodation – Updated MTFS	0	0	50
Transformation – ICT enabled Savings realised – on-line booking system	12	12	12
Transformation – ICT enabled Speculative savings through transformation – enabled by ICT – Updated MTFS (assumes 1 x FTE saving found in each year)	30	60	90
Commercialisation – additional revenue Additional Town Hall Seating	0	40	80
Transformation – shared services Shared building control project with NWL DC	25	50	75
Continuous improvement Current MTFS – as 2019/20 budget	300	300	300
TOTAL	**547**	**757**	**1,102**

The figures quoted above should be regarded as indicative and illustrative only. Some refinement of the numbers has been carried for the final version of this MTFS, but in many cases will remain somewhat speculative. The key message here however is that even if these elements of the plan deliver savings (or income growth) in line with those projected above, then other income streams or savings will need to be generated from other areas of the Council's operations, through an acceleration of the Council's transformation and efficiency, and commercialisation initiatives.

10. Budget risks

In addition to the specific expenditure items identified within Section 8, key operational assumptions, other elements of income and expenditure have been identified as having potential to give rise to major service pressure requests in forthcoming budget rounds, or creating a risk of overspends. These elements have been identified through review of the latest revenue outturn report (relating to 2018/19) and current budget monitoring, and are summarised below.

Planning fee income

The 2018/19 revenue outturn report (see Cabinet papers of 4 July 2019) identified a shortfall in planning fee income of £363,000. Planning fee income has proven volatile, in that a single large application can yield significant fees, and difficult to forecast. The 2018/19 outturn was particularly disappointing given the 10% increase in fee rates and represented a significant downturn against the previous year. However, current year monitoring suggests that planning fee income is in-line with the budget and, given historical periods where fee income exceeded budgets, no adjustments to the financial forecasts have been made in this iteration of the MTFS.

Building control fee income

As noted previously in respect of the Transformation and Efficiency Plan, a project is underway looking to create a shared building control service with North West Leicestershire District Council. Inter alia, a key driver of this project is the ongoing decline in building control income, evidenced by the £100,000 shortfall against budgeted fees arising in 2018/19.

Presentationally, and for the purposes of the MTFS forecast it is assumed that this shortfall will continue, but will be offset by new income or cost savings arising from the shared service project (ie. the income loss should be netted off against the benefits arising from the shared service project in understanding projections relating to the building control service).

Housing rent allowance

The 2018/19 outturn report notes a £305,000 shortfall in the housing rent allowance budgets. This is a complex area but the principal reason for the overspend is related to supported living allowances, which increased from £71,000 in 2017/18 to £269,000 in 2018/19 and are predicted to reach approximately £500,000 in 2019/20. Supported living allowance (SLA) is itself a complex area but in essence:

- SLA costs are incurred where the Council is required to make a housing benefit payment which can be only partially reclaimed back from the Department of Work and Pensions

- SLA is demand led; the Council has little ability to mitigate these costs if providers – typically of a charitable nature – elect to open facilities within the local authority area

The Council does maintain provisions in respect of housing benefit payments which may be used to smooth the budget impact and the Council is exploring options that may mitigate the cost of this service provision (such as setting up its own supported living facility), but unless existing facilities close it can be expected that this will present an ongoing budgetary challenge.

Table 26: Summary: Costs (negative) impact of budget risks – Financial years 2020 - 2023

(Monetary amounts £000)	*2020/21*	*2021/22*	2022/23
Planning fee income risk	0	0	0
Building control income risk	(100)	(100)	(100)
Housing rent allowance	(547)	(582)	(618)
TOTAL	**(647)**	**(682)**	**(718)**

11. Existing financial resources and use of prudential borrowing

Currently, the Council retains a number of reserves on its balance sheet, representing amounts that the Council may use to deliver or enhance Council services. Broadly, these are of three types:

- The General Fund balance that can be used to fund any type of expenditure
- Balances that may be used to fund any type of expenditure but which have been earmarked for specific uses by the Council
- Balances that are restricted in use by Government regulation that can be used to fund only specific types of expenditure, usually of a capital nature

There are also other balances on the Council's balance sheet created as a result of Government regulation or accounting rules. These balances are not available to fund expenditure of any type.

In recent years Charnwood has continued to invest in service delivery and the MTFS assumes that:

- The General Fund balance will be maintained at a level of not less than £2m in line with good practice
- Other reserves will be utilised or created during the period of the MTFS as appropriate; additionally, transfers between reserves may be deemed appropriate

As will be seen from the financial projections (Tables 27 and 28) the Council reserves levels are low and may go into deficit. Further action is required to address the projected net funding deficit across the period of the MTFS, as existing reserves cannot be used to fund ongoing revenue costs as these are to be set aside for one off emergency items.

In addition, the Council could consider utilising reserves in the short term in order that services can be restructured in a cost effective and efficient manner giving a sustainable base for the future.

Growth Support Fund and Capital Plan Reserve

The Growth Support Fund has been established to support growth throughout the Borough. This fund is a revenue reserve and can be used for a variety of purposes, both revenue and capital. In addition, a Capital Plan Reserve has been created so that the Council can supplement its level of usable capital receipts. This reserve is designed to be used for General Fund capital items only but it is not constrained and could also be used to fund general fund revenue expenditure.

Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve represents the proceeds of asset sales available to meet future capital expenditure. The use of this reserve is restricted for application on items of a capital nature.

The Council has a well-established process exists for the management of the capital plan. For the purposes of the MTFS we are therefore able to assume that sufficient resources exist, or will be generated, to finance all uncompleted schemes within the current Capital Plan. Funding required beyond this point will rely on the Council's ability to generate new receipts from asset sales, or funding from revenue and/or reserves or Prudential Borrowing, which is discussed below.

Use of Prudential Borrowing – General Fund

Charnwood has been able to avoid the use of borrowing in recent years. However, given the level of uncertainty over future funding streams for local government and the desire to stimulate the growth of the local economy, the possibility of raising funds for investment purposes through the use of prudential borrowing is likely to be considered during the period of this strategy document, particularly to finance commercial investments, as envisaged within the transformation and efficiency plan (see Section 9). More detail of the Council's intentions in this area is set out in the Cabinet report of 19 September 2019 – 'Investment Strategy'[11]. The interest and principal payable on such loans will be an ongoing 'revenue' charge to the Council that would impact upon funds available for day to day service delivery therefore any such investment will be subject to strict criteria around economic regeneration and rates of return on investment.

It is also highly likely that the Council will undertake borrowing to finance the new refuse freighter fleet, required as it moves into a new refuse collection and street cleaning contract. Professional advice has been taken which shows that this arrangement will be financially beneficial to the Council, as set out in the Cabinet report[12] of December 2018.

Use of Prudential Borrowing for Housing

The Council will externally borrow, if necessary, to undertake works in line with its Housing Capital Investment Programme and 30-Year Housing Business Plan. Where feasible it will 'internally borrow' from the General Fund provided there are surplus amounts available for this purpose. These internally borrowed amounts will be at similar interest rates to those offered by the government's Public Works Loan board (PWLB). The Council retains all its Council dwellings rental income in order to service the HRA debt, pay for repairs and maintenance of the housing stock and for its housing operations generally. This borrowing, and any additional borrowing as

[11] Cabinet report: see https://charnwood.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=271&Ver=4

[12] Cabinet report: see https://charnwood.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=271&Ver=4

mentioned above, is segregated from General Fund borrowing and so does not directly impact on the MTFS. Further details regarding the HRA are set out in the section covering the Housing Revenue Account.

12. Financial Projections 2020 – 2023

Table 27 MTFS financial projections

General Fund Expenditure	2020/21 £000	2021/22 £000	2022/23 £000
Net Service Expenditure	**19,269**	**20,059**	**20,743**
Interest Payable	240	240	240
Interest Receivable	(450)	(450)	(450)
	19,059	19,849	20,533
Transformation and efficiency plan (table 25)	(547)	(757)	(1,102)
Budget Risks crystallising (table 26)	647	682	718
Total Net Expenditure	19,159	19,774	20,149
Financing Funding			
Business Rates Funding	(4,947)	(5,192)	(5,363)
Council Tax Receipts	(7,294)	(7,732)	(8,160)
Loughborough Special Rate	(1,259)	(1,307)	(1,356)
New Homes Bonus	(4,129)	(3,288)	(2,650)
Surplus on Council Tax	(100)	(50)	(50)
Total Precept income	**(17,729)**	**(17,569)**	**(17,579)**
Total Net Expenditure from above	19,159	19,774	20,149
Funding Shortfall	**430**	**2,205**	**2,570**
Target use of Reserves in year	1,000	500	0
Additional Financial Challenge in year	**430**	**1,705**	**2,570**

The implication of the above projections is that to bring the Council's finances back into a sustainable position (ie. where expenditure is restricted to match funding) is that by 2022/23 the Council will need to remove around £3.7m from its projected cost base (represented by £1.1m projected in respect of the current Transformation and Efficiency plan and £2.6m identified as the Additional Financial Challenge.

The impact of these projections on the Council's revenue reserves are set out below:

Table 28: Impact on Revenue Reserves

	Actual 2018/19	Budget Position 1/4/2019 2019/20	MTFS 2020/21	MTFS 2021/22	MTFS 2022/23
Working Balances Brought Forward (see note below)	7,057	6,871	5,900	4,470	2,265
Target Use of Reserves	(186)	(971)	(1,000)	(500)	0
Working Balances	6,871	5,900	4,900	3,970	2,265
Additional FinancialChallenge	0	0	(430)	(1,705)	(2,570)
Working Balance Surplus/(Deficit)	*6,871*	*5,900*	*4,470*	*2,265*	*(305)*
Analysis of earmarked Revenue Reserves					
Reinvestment Reserve	809	608	809	809	809
Capital Plan Reserve	2,193	1,093	1,575	1,575	1,575
Other Revenue Reserves	864	742	801	864	864
Total Earmarked Revenue Reserves	*3,866*	*2,443*	*3,185*	*3,248*	*3,248*
Overall Total Revenue Reserve Balances	*10,737*	*8,343*	*7,655*	*5,513*	*2,943*

NOTE: Balances brought forward are calculated by taking the actual outturn reserves for 2018/19 and adjusting these for the use of reserve budget figures for 2019/20

Additional notes on the financial projections

Council Tax support for Parishes: an explicit amount was included in the Revenue Support Grant at the inception of the local scheme of council tax support to passport on to town and parish councils as compensation for the reduction in council tax base that arose at that time. In subsequent years there has been no explicit notification of this grant within the RSG but Charnwood established the practice of passporting an amount to towns and parishes in the same proportion as originally created. However, given the elimination of RSG, no further funds will be transferred.

Collection Fund: In any year the amounts of council tax or business rates actually collected will differ from that budgeted due to additions or removals of properties from the register, or non-collection of amounts billed. These surpluses or deficits are managed through the collection fund and (effectively) reflected in adjustments to precepts in subsequent years.

At the 2018/19 year end a significant adverse (debit) balance had arisen on the business rate element of the collection fund, offset by Section 31 grant compensation, from which a compensating business rate reserve has been created. The figures presented above represent the net position, including the compensating business rate reserve.

13. Risk and sensitivities

There are major uncertainties for Charnwood arising from future developments in local government funding from the 2021/22 financial year. These - which are essentially linked – concern the outcome of the Fair Funding review and the future of the New Homes Bonus scheme which will impact the Council from this year. The potential range of funding outcomes is very wide such that other sensitivities within the MTFS projections are less significant in this context.

Table 9 considered potential shortfalls in grant funding arising from potential changes to the New Homes Bonus scheme. These scenarios are expanded below to illustrate the impact on the use of revenue reserves (no other changes assumed):

Table 29: Impact on reserve usage following reduction in NHB income under alternative scenarios

(Monetary amounts £000)	*2020/21*	*2021/22*	2022/23
Projected use of reserves/Funding shortfall – main Scenario	**1,430**	**2,205**	**2,570**
#1: Optimistic – **mitigation replaces all** NHB funding lost as a result of curtailment of NHB scheme as outlined in MHCLG Technical Consultation	0	(1,102)	(1,662)
Revised use of reserves under Scenario #1	**1,430**	**1,103**	**908**
#2: Pessimistic – **no mitigation** to replace NHB funding lost as a result of curtailment of NHB scheme as outlined in MHCLG Technical Consultation	0	1,102	1,662
Revised use of reserves under Scenario #2	**1,430**	**3,307**	**4,232**

Sensitivities can, of course, produce favourable as well as adverse effects. Whilst New Homes Bonus and the Fair Funding review provide a very uncertain backdrop to this version of the MTFS it is fair to also acknowledge potentially positive scenarios a favourable outcome for Charnwood arising from the Fair Funding review. Overall, however, the downside risks remain significant. 877iu

14. Note on the Housing Revenue Account

The Housing Revenue Account (or HRA) is a ring-fenced set of transactions that sit within the wider financial records of the Council. It had gross income of £22.1m in 2018/19 of which £20.7m was dwelling rents. Expenditure on management and repairs amounted to £11.1m whilst depreciation was £3.0m. A further £2.7m was required for interest payments on its debt and £3.7m was used to fund additional capital expenditure.

There is a surplus or deficit on the HRA each year which is added to the brought forward HRA balance. This balance should always be in surplus and at 31 March 2019 it was £613k against a target balance of £613k. There is an additional £8.0m in a new Housing Financing Fund, the purpose being to help militate against the financial pressures that national policy will place on the HRA in the medium-term. There is £3.9m in the Major Repairs Reserve which has restrictions on its use to capital expenditure and the repayment of loans.

Rental levels are largely controlled by central government and there are certain other restraints on how the Council may manage its housing stock. The most recent 30 Year Housing Business Plan, which effectively represents the MTFS for the HRA, was approved by Council in November 2014. It is intended that this will be updated following the announcement of the ending of the HRA debt cap.

15. Reserve Strategy

As outlined above, from 2021/2022 onwards grant funding from central government is highly uncertain. The Council's strategy is to have a minimum of £3.5m in the working balance going into the 2021/22 financial year, giving at least £1.0m flexibility above the stated 'usual' minimum of £2m in order to give headroom to allow a controlled adaptation of services to match ongoing financial resources. Based on current projections, the working balance at 31 March 2021 will be £4.1m which is acceptable at this time. In addition there is the availability drawing down other small revenue reserves balances, which could help in a time of transition.

16. Monitoring, Delivery and Review

There are well established processes for the monitoring of budgets which include regular outturn reports to the Performance Scrutiny Panel and Cabinet. For example, Revenue and Capital Plan outturn reports are usually presented to Cabinet in the July following completion of the financial year. No additional monitoring is therefore deemed necessary. As discussed previously however, it is envisaged that there will be increased focus on identifying budget areas that show persistent underspending year on year.

CABINET – 14TH NOVEMBER 2019

Report of the Head of Finance and Property Services

Lead Member: Councillor Tom Barkley

Part A

ITEM 8 TREASURY MANAGEMENT UPDATE – MID-YEAR REVIEW FOR THE 6 MONTHS ENDED 30TH SEPTEMBER 2019

Purpose of Report

This report reviews the Treasury Management Strategy and the Annual Investment Strategy, plus the various Prudential Borrowing and Treasury Indicators for the first six months of 2019/20.

Recommendations

1. That it be recommended to Council that the Prudential Borrowing limits (the Operational Boundary and Authorised limits) are both increased by £15m to cover the financial implications of the Investment Strategy Cabinet Report (minute ref 32, 19th September 2019) and the Purchase of Fleet Cabinet Report (minute ref 29, 13th September 2018).
2. That it be recommended to Council to note this mid-year review of the Treasury Management Strategy Statement, Prudential Borrowing and Treasury Indicators plus the Annual Investment Strategy, as set out in Part B.

Reasons

1. To ensure that the Treasury Management Strategy and Prudential borrowing limits are updated to cover the proposed £10m Investment in Commercial Property recommended in the Investment Strategy Cabinet Report 19th September 2019 and £5m to cover the purchase of fleet for Environmental Services Contract; this will expand the borrowing headroom limits to meet the relevant financial implications.

2. To ensure that the Council's governance and management procedures for Treasury Management reflect best practice and comply with the Revised CIPFA Treasury Management in the Public Services Code of Practice, Guidance Notes and Treasury Management Policy Statement, that funding of capital expenditure is taken within the totally of the Councils 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 including the Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy, Prudential & Treasury Indicators must be approved by Council each year and reviewed half yearly. This review is set out in the attached report as Part B. The Strategy for the year was approved by Council on 25th February 2019.

Recommendation 1 in this report seeks to ensure that the Prudential Borrowing limits are increased to reflect the financial implications of two previous Cabinet decisions, as noted within the recommendation.

Implementation Timetable including Future Decisions and Scrutiny

This report will be available for the Audit Committee on 19th November 2019. If approved by Cabinet the recommendations to Council will be considered at the full Council meeting on 20th January 2020.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no direct financial implications arising from this report.

Risk Management

There are no direct risks arising from the recommendation in this report. Risks associated with the Treasury Policy etc. in general are included in Part B.

Key Decision:	No
Background Papers:	None
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Part B

1. Background

1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities have been required to prepare a Capital Strategy which is to provide the following: -

- a high-level 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.

1.2 Proposed Changes Borrowing Limits - The Operational Boundary and The Authorised Limit

In reviewing the mid-year position, proposals set out in recent Cabinet reports may require the need to borrow externally, therefore it is necessary to increase the Operational boundary limit by £15m and the Authorised Limit by £15m. The Operational Limits is the limit which external debt is not normally expected to exceed. In most cases this would be 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 recourses. The Authorised limit is the borrowing limit which external debt is prohibited, and this limit needs to be set by full Council. This limit reflects the level external debt which, while not desired, could be afforded in the short term.

1.3 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising 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 the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined 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."

Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Audit Committee:

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2019/20 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2019/20;
- A review of the Council's borrowing strategy for 2019/20;
- A review of any debt rescheduling undertaken during 2019/20;
- A review of compliance with Treasury and Prudential Limits for 2019/20.

2. Economics and Interest Rates

2.1 Economics Update

UK. This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or 31 October, with or without a deal. However, in September, his proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October, though one is likely before the end of 2019. So far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. At the time of writing, (first week in October), the whole Brexit situation is highly fluid and could change radically by the day. Given these circumstances and the likelihood of an imminent general election, any interest rate forecasts are subject to material change as the situation evolves. If the UK does soon achieve a deal on Brexit agreed with the EU, including some additional clarification wording on the Irish border backstop, then it is possible that growth could recover relatively quickly. The MPC could then need to address the issue of whether to raise Bank Rate when there is very little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the MPC would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in government departments and services annual expenditure budgets and expenditure on infrastructure projects, to boost the economy.

The first half of 2019/20 has seen UK **economic growth** fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. The MPC meeting of 19 September reemphasised their concern about the downturn in world growth and also expressed concern that the prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019 but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

With regard to the **labour market,** despite the contraction in quarterly GDP growth of -0.2%q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not over stretched and so will be able to support growth going forward. This would then mean that the MPC will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

In the **political arena**, if there is a general election soon, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates again in September to 1.75% - 2.00% and is thought likely to cut another 25 bps in December. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1 and then fell to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy. On the political front, Austria, Spain and Italy are in the throes of forming coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

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. Progress also still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. The trade war with the US does not appear currently to have had a significant effect on GDP growth as some of the impact of tariffs has been offset by falls in the exchange rate and by transshipping exports through other countries, rather than directly to the US.

JAPAN - has been struggling to stimulate consistent significant GDP growth and 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.

WORLD GROWTH. The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

2.2 Interest Rate Forecasts

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View										
	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	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

The above forecasts have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That's shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a "gradual pace and to a limited extent" is now also conditional on "some recovery in global growth". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September MPC meeting sounded even more concern about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth.

Bond yields / PWLB rates. There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

What we have seen during the last half year is a near halving of longer term PWLB rates to completely unprecedented historic low levels. There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but due to a correlation between US treasuries and UK gilts, which at various times has been strong but at other times weaker, in the UK. However, forecasting the timing of this and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious. Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt fuelled boom which now makes it harder for economies to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The Balance of Risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash. There has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for eleven years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could, therefore, over or under-do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor, though more recently concerns have arisen over her health.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within

the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

3. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS), for 2019/20 was approved by this Council on 25th February 2019.

- The TMSS previously approved requires revision in the light of economic and operational movements during the year. The proposed changes and supporting detail for the changes are set out below and detailed in Section 1.2:

Prudential Indicator 2019/20	Proposed Change	Budget £ '000	Actual £'000
Authorised Limit	£111,000	£96,000	£81,190
Operational Boundary	£96,190	£81,190	81,190
Capital Financing Requirement	£81,190	£81,190	£81,190

4. The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

4.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	2019/20 Original Estimate £m	Actual Spend 30/9/2019 £m
General Fund	5,959	1,099
HRA	9,094	808
Total capital expenditure	**15,053**	**1,907**

The Actual Capital spend is slow for the first half of the year and excludes commitments. The is being closely monitored and will be addressed in the Capital Monitoring Amendment report to Cabinet in December 2019.

4.2 Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	**2019/20 Current Budget £m**
Total Capital Budget	**15.1**
Financed by:	
Capital receipts	**2.7**
Capital grants	**3.1**
Capital reserves (MRR)	**8.3**
Revenue	**1.00**
Total financing	**15.1**
Borrowing requirement	**0**

4.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement
We are on target to achieve the original forecast Capital Financing Requirement.

Prudential Indicator – the Operational Boundary for external debt

	2019/20 Current Budget £m	**Current Position £m**
CFR – Non Housing	0	0
CFR – Housing	81,190	81,190
Total CFR	**81,190**	**81,190**
Net movement in CFR	**0**	**0**
Borrowing	81,190	81,190
Total Debt (yearend position)	**81,190**	**81,190**

4.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2019/20 Original Estimate £m	Actual Position 30/9/2019 £m
Borrowing (Gross External Debt)	81,190	81,190
Less Investments	(35,956)	(58,810)
Net Borrowing (External Debt)	**45,234**	**22,380**

The Head of Finance & Property Services reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2019/20 Original Indicator	Current Position
Borrowing	96,000	81,190
Total	**96,000**	**81,190**

5. Investment Portfolio 2019/20

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As shown by forecasts in section 3.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short-term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

The average level of funds available for investment purpose during the first half year was £50.05m. Internal investments as at 30th September 2019 and the investment portfolio yield for the first 6 months of the year is 0.97% against a benchmark of 3 months London interbank Bid Rate (LIBID) of 0.66 %. Although the rate of return is low, our performance can still be considered to be good as we have exceeded the target rate.

The interest rate earned by the Council's £5m External Property Funds' investments as at 30th June 2019 is 0.90% £91K. This is a reasonable rate in comparison to the benchmark average rate for the two Property investments funds of 0.60% supplied.

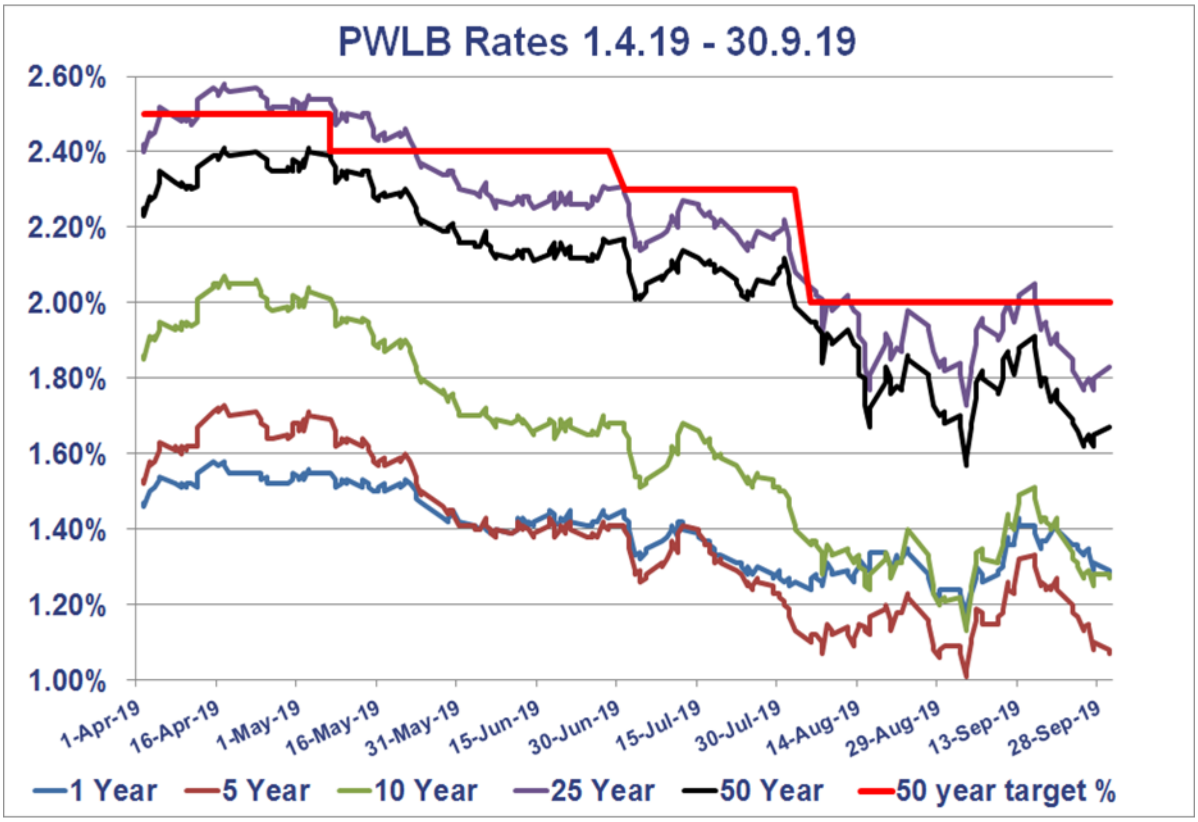
The Head of Finance & Property Services confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2019/20.

The Council's budgeted annual investment return for 2019/20 is £390k, and performance for the year to date is £307k including Property Funds. The Council performed above target in both percentage and actual returns to date and should perform above the budget set 2019/20.

6. Borrowing

The Council's capital financing requirement (CFR) for 2019/20 is £81,190m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 5.4 shows the Council has borrowings of £81,190m.

The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date. PWLB rates have been on a falling trend during this period and longer rate have almost halved to reach historic lows. The 50-year PWLB target (certainty) rate for new long-term borrowing fell from 2.50% to 2.00% during this period.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.17%	1.01%	1.13%	1.73%	1.57%
Date	03/09/2019	03/09/2019	03/09/2019	03/09/2019	03/09/2019
High	1.58%	1.73%	2.07%	2.58%	2.41%
Date	15/04/2019	17/04/2019	17/04/2019	17/04/2019	17/04/2019
Average	1.40%	1.37%	1.62%	2.20%	2.07%

Increase in the cost of borrowing from the PWLB

On 9 October 2019 the Treasury and PWLB announced an increase in the margin over gilt yields of 100bps on top of the current margin of *60 bps which* this authority has paid prior to this date for new borrowing from the PWLB. There was no prior warning that this would happen, and it now means that every local authority has to fundamentally reassess how to finance their external borrowing needs and the financial viability of capital projects in their capital programme due to this unexpected increase in the cost of borrowing. Representations are going to be made to HM Treasury to suggest that areas of capital expenditure that the Government are keen to see move forward e.g. housing, should not be subject to such a large increase in borrowing.

Whereas this authority has previously relied on the PWLB as its *main* source of funding, it now has to fundamentally reconsider alternative cheaper sources of borrowing. At the current time, this is a developmental area as this event has also taken the financial services industry by surprise. We are expecting that various financial institutions will enter the market or make products available to local authorities. Members will be updated as this area evolves.

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. This Authority may make use of this new source of borrowing as and when appropriate.

7. Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

No new borrowing was undertaken during the half year, the council however has plans to borrow in light of the Investment Strategy Report of 19th September 2019 and the Purchase of Fleet Cabinet Report 13th September 2018. The 100bps increase in PWLB rates from 9.10.19 only applied to new borrowing rates, not to premature repayment rates.

Appendices

Appendix 1: Portfolio of investments as at 30th September 2019

Appendix 2: Approved countries for investments as at 30.9.2019

Appendix 3: Glossary of Terms

APPENDIX 1: Investment Portfolio

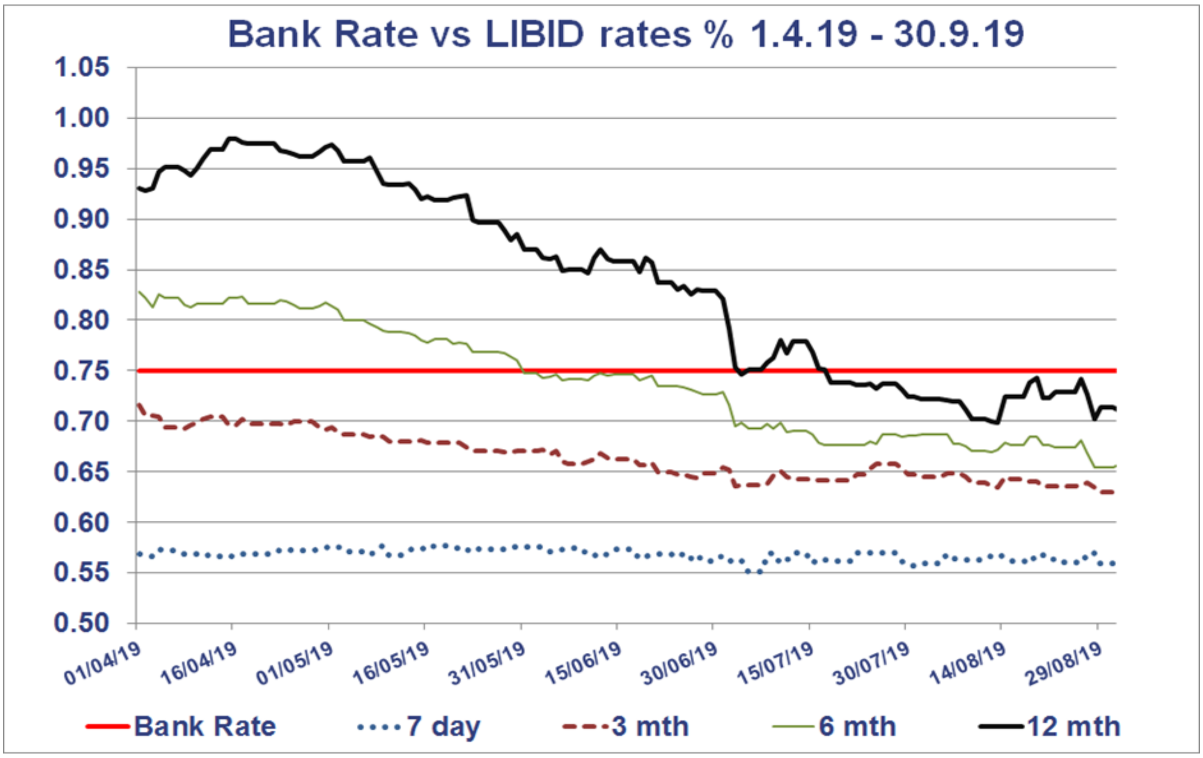
Investments held as at 30 September 2019

Institution	Maturity Date	Interest Rate %	Principal £'000
Lancashire County Council	30/01/2020	1.05	2,000
Wyre Forest District Council	09/10/2020	1.40	2,000
Close Brother	25/10/2019	1.10	2,000
Sumitomo Mitsui Banking Corporation Europe	13/01/2020	0.80	3,000
National Westminster Bank	05/02/2020	0.81	4,000
HSBC	3 Month Notice	0.91	5,000
Santander	180 Day Notice	1.00	8,000
Bank of Scotland	95 Day Notice	1.10	8,000
Goldman Sachs International Bank	95 Day Notice	0.94	2,500
Goldman Sachs International Bank	35 Day Notice	0.80	2,500
Federated Money Market Fund	1 Day Notice	0.74	7,000
Aberdeen Money Market Fund	1 Day Notice	0.74	7,000
Insight Money Market Fund	1 Day Notice	0.69	810
Lothbury Property Fund			2,500
Hermes Property Fund			2,500
Total			**58,810**

Internal Investment performance year to date as at 30 September 2019 (Excludes Property Funds)

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
6 month	0.73%	0.97%	£216k

	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.75	0.58	0.61	0.72	0.83	0.98
High Date	01/04/2019	09/05/2019	15/04/2019	01/04/2019	01/04/2019	15/04/2019
Low	0.75	0.55	0.58	0.63	0.65	0.69
Low Date	01/04/2019	05/07/2019	08/08/2019	29/08/2019	04/09/2019	04/09/2019
Average	0.75	0.57	0.60	0.66	0.73	0.83
Spread	0.00	0.03	0.03	0.09	0.18	0.29


Bank Rate vs LIBID rates % 1.4.19 - 30.9.19
1.05
1.00
0.95
0.90
0.85
0.80
0.75
0.70
0.65
0.60
0.55
0.50
01/04/19
16/04/19
01/05/19
16/05/19
31/05/19
15/06/19
30/06/19
15/07/19
30/07/19
14/08/19
29/08/19
Bank Rate
7 day
3 mth
6 mth
12 mth

APPENDIX 2: Approved countries for investments as at 30.9.19

This list is based on those countries which have a sovereign rating of AA- or Higher

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- Hong Kong
- France
- U.K.

AA-

- Belgium
- Qatar

APPENDIX 3: Glossary of Terms

Capital Financing Requirement
CFR is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

The CFR 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 expenditure above, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

Operational Boundary
The operational boundary 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.

Authorised Limit for External Debt
A further key prudential indicator represents a control on the maximum level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Gross External Debt
This is the total amount borrowed by the Council at a point in time.

Investments
The budgeted figure is the estimated average funds available for investment during the year. The actual figure is the total amount invested as at 30th September for Internal Investments and 30th June Property Funds.

Net Borrowing
Net borrowing is gross external debt less investments.

Loans
In this mid-year (and previously) interest receivable has exceeded interest payable for the General Fund producing a negative number for net interest payable and a somewhat odd-looking negative ratio; this can be construed as indicating that the Council has no issues servicing General Fund loans at this time.

CABINET - 14TH NOVEMBER 2019

Report of the Head of Planning & Regeneration
Lead Member: Councillor Hunt

Part A

ITEM 9 VIREMENT – PLANNING AND REGENERATION SERVICE

Purpose of Report

To seek approval for the virement of budget in cost centres in the Planning and Regeneration Service in order to meet forecast expenditure on agency workers this financial year.

Recommendation

That a transfer of budget (virement) of up to £147,400 from cost centre P499 and P330 A0101 Salaries is made to P499 A0153 Agency to 31 March 2020.

Reason

To meet the current and forecast expenditure in cost centres P499 A0153 to year end and to comply with the financial procedure rules 1.3, 1.7 and 1.8.

Policy Justification and Previous Decisions

The provision of a fully staffed Planning Service is important if it is to maximise its contribution to the Corporate Plan aim 'to create a strong and lasting economy' and to ensure that growth in homes and infrastructure benefits residents through improved community facilities, affordable housing and superfast broadband.

Rules 1.3, 1.7 and 1.8 in Appendix 3 of the Council's Financial Procedure Rules set the rationale for virement and the limits on the delegation to officers in terms of the level of cumulative budget that can be vired by officers, between cost centres and between Service areas within the same Directorate. Under the Council's Financial Procedure Rules, S151 Officer and Cabinet approval is required for virements made in a single cost centre that are cumulatively above £100k in a given financial year and where these virements are between the controllable budgets of cost centres within the same directorate, but in different Head of Service areas.

Implementation Timetable including Future Decisions and Scrutiny

The report seeks approval for the virement of budget from cost centres within the Service to meet the expenditure on agency workers and their forecast costs to year end.

Report Implications

The following implications have been identified for this report.

Financial Implications

The virement requested is able to be met from a forecast budget underspend in salaries from cost centre P499 and P330. The virement will therefore meet current and forecast expenditure on agency staff in cost centres to the end of the year.

	Actual spend to September 2019	**Estimated spend - October 2019 to March 2020**	**Estimated Outturn 2019/20**	**Current Budget 2019/20**	**Projected under/(-) overspend**
	£	**£**	**£**	**£**	**£**
P499 - Development Management					
Salaries	390,665	430,400	821,065	951,600	-130,535
Agency Costs	125,383	115,600	240,983	93,600	147,383
P330 - Local Plans					
Salaries	155,560	153,600	309,160	359,000	-49,840
Projected overspends to be met by budget virements	671,608	699,600	1,371,208	1,404,200	-32,992

Risk Management

No specific risks are identified with this decision.

Key Decision: No

Background Papers: None

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Head of planning and Regeneration

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Part B

Background

1. Agency workers are used in the Planning and Regeneration Service to cover long term vacant posts and service pressures and ensure business continuity can be maintained. Generally speaking, the need for agency workers cannot be planned for at the start of a financial year with any certainty and therefore any predictions as part of the budget process will always be subject to uncontrollable variables.

2. Two posts in the Development Management Group have been staffed using agency workers this financial year and funded by virement from salary budget underspends in year. Those virements have now reached a cumulative level which requires the approval of the S151 Officer and a Cabinet decision to enable the virement to be made.

3. The following posts in the Development Management Group are affected (cost centre P499):

    - P110 Team Leader Strategic Development; and
    - P111 Principal Planning Officer (Strategic Development)
    - P122 Principal Planning Officer

Expenditure up to Period 5

4. Virements already approved on agency workers in cost centre P499 to Period 5 2019/20 is £94k. This was £6k below the threshold of £100k set by the financial procedure rules.

Forecast expenditure to year end

5. A forecast of agency cost expenditure has been undertaken to find the estimated agency costs to maintain service continuity to year end. It shows a further requirement for virements of £116k in cost centre P499. Authority is sought from Cabinet to make the virement up to this limit through the remainder of the year.

Proposals

6. It is proposed to meet the forecast expenditure by virement from salary underspend in the cost centres P499 and P330 A0101 to P499 A0153 and as detailed in Part A of the report.

7. Accordingly, under the Financial Procedure Rules, there is a requirement to seek S151 Officer support and cabinet approval for these virements, as cumulatively they exceed the £100k threshold for delegated authority to officers set by the constitution. The S151 Officer has given his approval to the proposal.