This meeting will be recorded and the sound recording subsequently made available via the Council's website: charnwood.gov.uk/pages/committees

Please also note that under the Openness of Local Government Bodies Regulations 2014 that 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: All Members of the Borough Council

You are requested to attend the meeting of the Charnwood Borough Council to be held in The Preston Room, Woodgate Chambers, Woodgate, Loughborough on Monday, 24th February 2020 at 6.30 pm for the following business.

Chief Executive

Southfields
Loughborough

14th February 2020

AGENDA

1. APOLOGIES

2. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

   Section 106 of the Local Government Finance Act 1992 requires that a Councillor who owes arrears of Council Tax which have been outstanding for more than two months must declare this at any Council meeting which considers the setting of a budget and the Council Tax, and that they should not vote on those matters. Failing to comply with those requirements if they apply is an offence. If this applies to any Councillors at this meeting, they are therefore advised to make the required declaration and to leave the meeting during consideration of item 6.1.

   It is a requirement of the Council's Code of Conduct for Members that the existence and nature of all personal interests must be disclosed. Therefore, in the case of item 6.1 on the agenda, 2019/20 Special Expenses and General Fund and

HRA Revenue Budgets, it is suggested that members of precepting authorities declare such interests. (For example, this would relate to members of Leicestershire County Council, the Combined Fire Authority and Parish and Town Councils).

To confirm the minutes of the Council meeting held on 20th January 2020.

4. ANNOUNCEMENTS

4.1. MAYOR'S ANNOUNCEMENTS
To receive announcements from the Mayor (if any).

4.2. LEADER'S ANNOUNCEMENTS
To consider significant, recent matters affecting the Council or the Borough (if any).

4.3. CHIEF EXECUTIVE'S ANNOUNCEMENTS
To receive announcements from the Chief Executive (if any).

5. PETITIONS

To allow councillors to formally submit petitions for consideration under the Council's petition scheme, as set out in Full Council Procedure 9.8.

6. BUSINESS RESERVED TO COUNCIL

To consider the following matters reserved to Council in accordance with Section 5 of the Constitution:

A report of the Cabinet, setting out the proposed General Fund and HRA Revenue Budgets for 2020/21 along with the proposed Council Tax Levy, and the 2020/21 proposals to increase rent and service charges within the ring-fenced Housing Revenue Account, is attached.

The full Council Tax Recommendations, which the Council must consider in order to set a Council Tax Levy and General Fund and HRA Revenue Budgets for 2020/21, will be circulated once the major preceptors have confirmed their precepts.

A report of the Cabinet, setting out the Capital Strategy, the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy for 2020/21, together with the changes to the

Council's financial regulations, and other elements of the Constitution necessary to enable delivery of the Investment Strategy, is attached,

6.3. NEW CAPITAL PLAN 2020-21 TO 2022-23 — 103 - 113
A report of the Cabinet setting out a new Capital Plan 2020/21 to 2022/23 and sources of funding for consideration and approval, is attached.

6.4. CORPORATE PLAN 2020-2024 — 114 - 132
A report of the Cabinet setting out the final version of the Corporate Plan for 2020-2024, is attached.

6.5. REPORT OF THE INDEPENDENT REMUNERATION PANEL (IRP) IN RESPECT OF ALLOWANCES PAID TO MEMBERS OF CHARNWOOD BOROUGH COUNCIL FOR 2020/21 — 133 - 146
A report of the Chief Executive, enabling the Council to consider the findings and the recommendations of the IRP in respect of allowances paid to Members of the Council and the scheme of Members' Allowances for 2020/21, is attached.

6.6. APPOINTMENT OF A CO-OPTED PARISH MEMBER OF THE MEMBER CONDUCT COMMITTEE — 147 - 149
A report of the Monitoring Officer, enabling the Council to make an appointment of a Co-opted Parish Member of the Member Conduct Committee to fill a vacancy, is attached.

7. CALL-IN REFERENCES

There are no references to Council following the call-in of a Cabinet decision under Scrutiny Committee Procedure 11.7.

8. POSITION STATEMENTS

To consider the following position statements requested by the Conservative Group and the Labour Group under Full Council Procedure 9.10:

8.1. THE COMMUNITY SAFETY PARTNERSHIP AND CRIME
To update the Council on the Community Safety Partnership and Crime within Charnwood, added to the agenda by a Cabinet Member.

8.2. COMBINED AUTHORITIES
To update the Council on the letter sent by the Leader of the Council dated 28th January 2020 regarding devolution and the opportunity to work with the government on its forthcoming Devolution Framework, added to the agenda by the Labour Group.

9. MOTIONS ON NOTICE

No motions on notice have been received.

10. QUESTIONS ON NOTICE

To deal with the following questions on notice, submitted under Full Council Procedure 9.9(a):

10.1. LITTER AND DOG BINS POLICY

Question submitted by Councillor Radford.

10.2. TREE POLICY

Question submitted by Councillor Radford.

10.3. EMPTY HOMES REMIT

Question submitted by Councillor Parton.

10.4. TOWN DEAL BOARD WORK PLAN

Question submitted by Councillor Parton.

10.5. CHARNWOOD COMMUNITY GRANTS

Question submitted by Councillor Parton.

10.6. INVESTMENT IN FOSSIL FUELS

Question submitted by Councillor Needham.

10.7. HASTINGS WARD PEOPLE ZONE

Question submitted by Councillor Draycott.

10.8. LAND AT MOOR LANE, LOUGHBOROUGH

Question submitted by Councillor Draycott.

10.9. CHARNWOOD NEWS DISTRIBUTION

Question submitted by Councillor K Harris.

11. MINUTE REFERENCES

There are no minute references.

12. URGENT EXECUTIVE DECISIONS EXEMPTED FROM CALL-IN

12.1. ACQUISITION OF PROPERTIES 150 - 155

A report of the Chief Executive to note decisions taken by the Head of Strategic and Private Sector Housing to acquire properties which were exempted from call-in in accordance with Scrutiny Committee Procedure 11.9.

13. DELEGATION OF AN EXECUTIVE FUNCTION - PARTICIPATING IN THE UK RESETTLEMENT SCHEME 156 - 159

A report of the Chief Executive informing Council of a delegation of an Executive function confirming the Council's participation in the UK Resettlement Scheme, is attached.

14. NOMINATION OF DEPUTY MAYOR ELECT FOR 2020/21

To receive nominations for Deputy Mayor Elect for 2020/21 (subject to nomination and appointment at Annual Council, scheduled for 18th May 2020).

15. NOMINATION OF MAYOR ELECT FOR 2020/21

To receive nominations for Mayor Elect for 2020/21 (subject to nomination and appointment at Annual Council, scheduled for 18th May 2020).

16. APPOINTMENTS TO COMMITTEES

To consider any changes to Committee membership for the current Council year (2019/20) (if any).

FORTHCOMING SCHEDULED MEETINGS OF COUNCIL

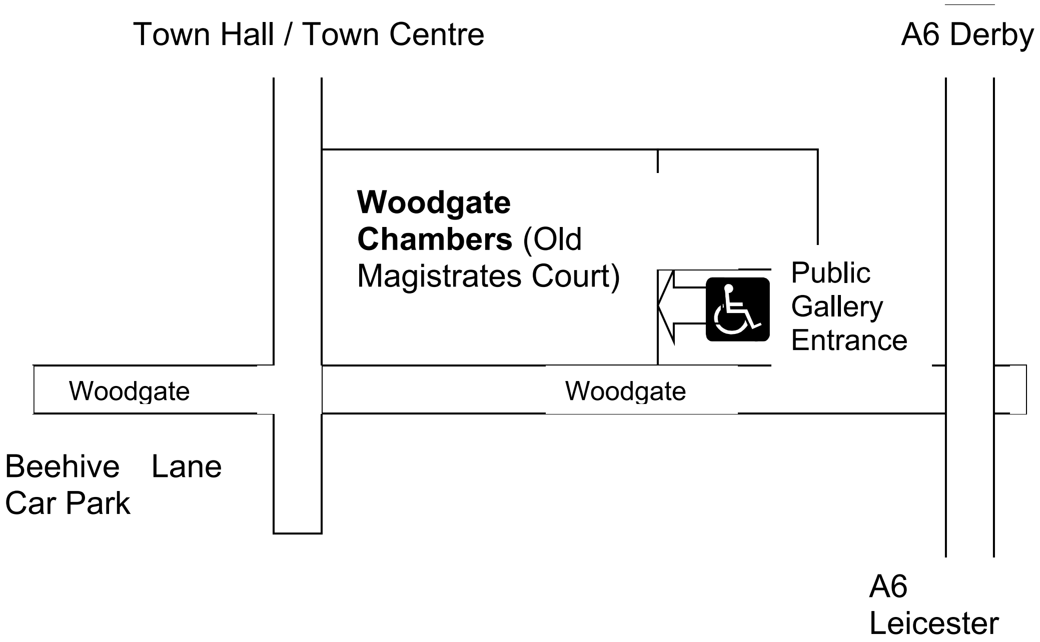
Council Meeting Date	**Deadline Date and Time for Councillors to submit Questions on Notice (under Full Council Procedure 9.9(a)), Requests for Position Statements (under Full Council Procedure 9.10) and Motions on Notice (under Full Council Procedure 9.11(a))**
Monday, 27th April 2020	Friday, 17th April 2020 at noon
Monday, 18th May 2020	Annual Council – No Questions on Notice, Position Statements and Motions on Notice

Councillors, please send your question, request for position statement or motion on notice to:

Karen Widdowson, Democratic Services Manager
Council Offices, Southfield Road, Loughborough, LE11 2TX
Email: democracy@charnwood.gov.uk

WHERE TO FIND WOODGATE CHAMBERS AND PUBLIC ACCESS

Woodgate Chambers
70 Woodgate
Loughborough
Leics
LE11 2TZ



INFORMATION FOR ATTENDING THE MEETING

Please turn your mobile phone on to silent during the meeting.

Toilet facilities are available for members of the public at the back of the Public Gallery. Toilet facilities are available for members attending the meeting on the opposite side of the Foyer.

Please note that smoking is not permitted by law within the building and is also not permitted outside the building anywhere on the site. Please observe notices which request no smoking around the entrances.

CHARNWOOD BOROUGH COUNCIL

MEETING OF THE CHARNWOOD BOROUGH COUNCIL HELD IN THE PRESTON ROOM, WOODGATE CHAMBERS, WOODGATE, LOUGHBOROUGH ON 20TH JANUARY 2020

PRESENT
The Mayor (Councillor Seaton)
The Deputy Mayor (Councillor Snartt)

Councillor Bailey
Councillor Baines
Councillor Barkley
Councillor Bentley
Councillor Boldrin
Councillor Bolton
Councillor S. Bradshaw
Councillor Brennan
Councillor Brookes
Councillor Campsall
Councillor Capleton
Councillor Charles
Councillor Draycott
Councillor Forrest
Councillor Fryer
Councillor Gerrard
Councillor Goddard
Councillor Grimley
Councillor Hadji-Nikolaou
Councillor Hamilton
Councillor Harper-Davies
Councillor C. Harris
Councillor K. Harris
Councillor Howe
Councillor Lowe
Councillor Mercer
Councillor Miah
Councillor Morgan
Councillor Murphy
Councillor Needham
Councillor Pacey
Councillor Paling
Councillor Parsons
Councillor Parton
Councillor Poland
Councillor Popley
Councillor Radford
Councillor Ranson
Councillor Rattray
Councillor Rollings
Councillor Savage
Councillor Shepherd
Councillor Smidowicz
Councillor Tassell
Councillor Taylor
Councillor Tillotson
Councillor Ward

Honorary Aldermen R Shields, J Tormey and P Day

75. APOLOGIES

Apologies for absence had been received from Councillors Bokor, Hunt and J Bradshaw, and from Honorary Alderman Bush and Stott.

76. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

The following disclosures of pecuniary and personal interests were made:

i. Councillor Grimley disclosed a personal interest in item 6.1, Capital Plan Amendment Report, as a Queniborough Scouts Board Member.

ii. Councillor Miah disclosed a personal interest in item 6.2 Medium Term Financial Strategy 2020-2023, as a Member of Leicestershire County Council.

iii. Councillor Fryer disclosed a personal interest in item 6.2 Medium Term Financial Strategy 2020-2023, as a Member of Leicestershire County Council.

iv. Councillor Radford disclosed a personal interest in item 6.2 Medium Term Financial Strategy 2020-2023, as a Member of Leicestershire County Council.

77. MINUTES OF THE PREVIOUS MEETING

The minutes of the Extraordinary Council meeting and the Ordinary Council meeting, held on 4th November 2019 were confirmed and signed.

78. ANNOUNCEMENTS

79. MAYOR'S ANNOUNCEMENTS

The Mayor made the following announcements.

“I would first like welcome Honorary Alderman Paul Day to his first meeting of the Council since his conferment at the last meeting of the Council. Honorary Alderman Day, it is with great pleasure that Charnwood Borough Council present to you your official scroll and your Honorary Alderman medallion”

“I would also like to invite Members to a Race Night that has been organised in aid of the Mayor’s charity, Dementia UK. The event is on Friday 21st February at the Elizabeth Park Mansion House in Thurmaston. Please contact the Mayor’s Office if you would like to attend. I hope to see you there.”

80. LEADER'S ANNOUNCEMENTS

The Leader made the following announcements.

“Madam Mayor, I would first like to congratulate Edward Argar and Jane Hunt on their success at the recent General Election. Of course, Edward has been an MP representing Charnwood since 2015. Jane Hunt, on the other hand, was elected for the first time as Loughborough MP and will in fact, be making her maiden speech in Parliament this evening, hence her apologies at this meeting. For both, this is a great achievement. I would like to wish them the best of luck and I look forward to working with them.”

“While I am on the subject, I would also like to thank all of our staff for their hard work during the election period. I don’t doubt that when an election is called, it does have an impact across all departments at the Council, but all that hard work ensures the election is run smoothly, whilst maintaining a high standard of service to all our residents.”

"Finally, I would like to bring to your attention that a project which supports the armed forces community in Charnwood, Rushcliffe and Melton and it has in fact, been selected as a finalist in the national 'Soldering On Awards.' The event will take place on 24th April 2020.

The project, which celebrates the achievements of the military community, by honouring individuals, Veterans, their families and organisations that support the armed forces community, has been selected as a finalist in the Working Together category.
Thank you Councillor Fryer for all your ongoing work as the Armed Forces Champion."

81. CHIEF EXECUTIVE'S ANNOUNCEMENTS

The Chief Executive made no announcements.

82. HONORARY ALDERMAN CONFERMENT

Honorary Alderman Day gave a brief speech to those present to acknowledge his conferment as Honorary Alderman.

83. PETITIONS

No petitions were submitted.

84. BUSINESS RESERVED TO COUNCIL

84.1 CAPITAL PLAN AMENDMENT REPORT

A report of the Cabinet, seeking approval for changes to the 2019/20 to 2021/22 Capital Plan and its financing, was submitted (item 6.1 on the agenda filed with these minutes).

It was proposed by Councillor Barkley, seconded by Councillor Taylor and

RESOLVED that the new scheme Investment in Commercial Property for £10m to be funded as appropriate following a finance option appraisal split £5m in 2019/20 and £5m in 2020/21, be added.

Reason

To enable the scheme budget to be available in 2019/20 and 2020/21 to allow the Investment in Commercial Property to be funded in a financially advantageous manner.

84.2 MEDIUM TERM FINANCIAL STRATEGY 2020-2023

A report of the Cabinet to consider a Medium Term Financial Strategy for 2020-2023, was submitted (item 6.2 on the agenda filed with these minutes).

It was proposed by Councillor Barkley, and seconded by Councillor Fryer, and

RESOLVED that the Medium Term Financial Strategy 2020-2023, 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.

84.3 TREASURY MANAGEMENT UPDATE - MID-YEAR REVIEW FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

A report of the Cabinet to consider the mid-year review of the Treasury Management Strategy and Annual Investment Strategy, plus the various Prudential Borrowing and Treasury Indicators for the first six months of 2019/20, was submitted (item 6.3 on the agenda filed with these minutes).

It was proposed by Councillor Barkley, seconded by Councillor Rollings, and

RESOLVED

1. 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 the 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 of the report to the Cabinet, attached as an Annex, be noted.

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 Council's financial position, and that borrowing and investment is only carried out with proper regard to the Prudential Code for Capital Finance in Local Authorities.

84.4 ANNUAL PAY POLICY STATEMENT

A report of the Personnel Committee to consider the approval and adoption of the Pay Policy Statement for 2020/21, was submitted (item 6.4 on the agenda filed with these minutes).

It was proposed by Councillor Boldrin, seconded by Councillor Morgan, and

RESOLVED that the Pay Policy Statement for 2020/21, as set out in the Appendix to the report considered by the Personnel Committee, be approved and adopted.

Reason

To ensure that the Council meets its obligations under Section 38 of the Localism Act 2011.

85. CALL-IN REFERENCES

There were no call-in references from Scrutiny.

86. POSITION STATEMENTS

No position statements had been requested.

87. MOTIONS ON NOTICE

No motions on notice had been submitted.

88. QUESTIONS ON NOTICE

The questions on notice and the responses of the Leader or his nominee were submitted (item 10 on the agenda filed with these minutes).

89. GUIDANCE ON RECYCLING

Councillor Gerrard did not have a supplementary statement or question.

90. BIN PROVISIONS AT HOUSES IN MULTIPLE OCCUPATION

Councillor Parton stated that there had been 360 bins scattered across public highways in Southfields and a neighbouring ward for four days. He acknowledged the efforts of the Council to overcome such issues and stated that there was a multi-agency approach required to improve this. He invited the Council and the Lead Member for Performance of Major Contracts to engage with Loughborough University, the Student's Union and local landlords in order to identify solutions.

Councillor Harper-Davies thanked Councillor Parton and offered to participate in a ward walk to understand the issue better in Southfields ward. She also agreed to liaise with Council Officers regarding the proposals made by Councillor Parton.

91. STUDENT BLOCKS AND COUNCIL TAX EXEMPTION

Councillor Parton stated that there was a surplus of purpose-built student housing in Loughborough, which the Council had exempted from a Council Tax obligation. This resulted in a reduction in funding for the Council itself of approximately £4.5M, but also for Leicestershire County Council, the Police and the Fire and Rescue Service. This policy was also affecting the housing market and those in temporary accommodation. Councillor Parton requested that the Cabinet reconsidered the policy in place with regards to the Council Tax exemption of purpose-built student accommodation.

Councillor Barkley responded by suggesting a Councillor development session could be beneficial in allowing Councillors to understand the Council Tax system in more detail.

92. ANTI-SOCIAL BEHAVIOUR

Councillor Bolton thanked the Lead Member and Officers for the comprehensive response provided. She enquired about the possibility of a Member development workshop on anti-social behaviour, covering aspects such as key contacts at the Council for case work on anti-social behaviour.

Councillor Taylor responded by suggesting a Councillor development session covering anti-social behaviour could be beneficial.

93. BULKY WASTE

Councillor Hamilton thanked the Lead Member and Officers for the response received. He believed that the Council should have increased the frequency of inspections, in anticipation that there would be an increase in bulky waste fly-tipping, following the introduction of a £20 charge for collection. He requested that the inspection schedule be reviewed in respect of this. In addition, Councillor Hamilton believed that the hardship scheme had not been widely communicated and requested that this be more effectively communicated to eligible residents.

Councillor Harper-Davies thanked Councillor Hamilton for his question. She stated that she had seen the fly-tipping that he had referred to but that inspections and collections were regular. She agreed to liaise with Officers to encourage promotion of the hardship scheme.

94. PLANNING CONSULTATIONS

Councillor Radford expressed disappointment in the communication of details with regards to the Draft Local Plan Consultation 2019-36. She stated that the exhibition in Shepshed was poorly advertised and difficult to access and that there was no literature for residents to take away. Residents in Shepshed were not aware of the exhibition until Councillor Radford had promoted this through social media.

Councillor Morgan was due to meet with Councillor Radford following the meeting and suggested that they discuss further then. He also stated that during the period of time that the Draft Local Plan Consultation 2019-36 was live, a General Election was called and this had an impact on time and resources.

95. MINUTE REFERENCES

There were no minute references.

96. URGENT EXECUTIVE DECISIONS EXEMPTED FROM CALL-IN

97. ACQUISITION OF PROPERTIES

A report of the Chief Executive, informing the Council of an urgent decision made by the Head of Strategic and Private Sector Housing which were exempted from call-in in accordance with Scrutiny Committee Procedure 11.9, was submitted (item 12 on the agenda filed with these minutes).

98. MEMBER GRANTS SCHEME

A report of the Chief Executive, informing the Council of an urgent decision made by the Lead Member for Communities, Safety and Wellbeing to award grants which were exempted from call-in in accordance with Scrutiny Committee Procedure 11.9, was submitted (item 12 on the agenda filed with these minutes).

99. APPOINTMENTS TO COMMITTEES

It was proposed by Councillor Poland, seconded by Councillor Grimley, and

RESOLVED that Councillor Gerrard be appointed to the Neighbourhoods and Community Wellbeing Scrutiny Committee to replace Councillor Parton.

Reason

To reflect the wishes of the Conservative Group in making appointments to committees and to comply with sections 11.2(d) and 12.4(a) of the Council's Constitution.

Note:

These minutes are subject to confirmation as a correct record at the next meeting of the Council which is scheduled for Monday 24th February 2020.

COUNCIL – 24TH FEBRUARY 2020

Report of the Cabinet

ITEM 6.1 2020/21 SPECIAL EXPENSES AND GENERAL FUND AND HRA REVENUE BUDGETS

Purpose of Report

To consider the recommendations of the Cabinet regarding the proposed General Fund and Housing Revenue Account (HRA) Revenue Budgets for 2020/21. These budgets represent the financial spending plans for all services of the Council and it is a legal requirement to set a balanced budget each financial year. The report also incorporates the proposed Council Tax levy which must be set by the Council and the 2020/21 original budget for the HRA together with proposals to increase rent and service charges.

Recommendations and Reasons

The full Council Tax Recommendations, which the Council must consider in order to set a Council Tax Levy and General Fund and HRA revenue budgets for 2020/21, will be circulated once confirmation has been received from major preceptors regarding their precepts.

Policy Justification and Previous Decisions

The budget is essential to all policies of the Council and the setting of a Council Tax levy is a legal requirement of the Council. The rents also need to be within specified parameters set by the Department for Housing, Communities and Local Government.

At its meeting held on 13th February 2020, the Cabinet considered a report of the Budget Scrutiny Panel setting out its recommendations with regard to the Council's 2020/21 budget. Also considered was a report of the Head of Finance and Property Services which set out the proposed General Fund and HRA Revenue Budgets for 2020/21.

The following extracts from the minutes of the Cabinet's 13th February 2020 meeting detail its consideration of those reports:

"78. BUDGET SCRUTINY PANEL

Considered, a report of the Head of Strategic Support to consider the recommendations of the Budget Scrutiny Panel following its scrutiny of the Council's draft budget for 2020/21 (item 6 on the agenda filed with these minutes).

Councillor Parsons, Chair of the Budget Scrutiny Panel, presented the recommendations of the Panel.

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

The Budget Scrutiny Panel was thanked for its work in respect of the matter.

RESOLVED

1. *that in respect of Panel Recommendation 1, Cabinet notes that officers will seek to facilitate a dialogue on the budget context and financial direction of travel as early as is practical in relation to the 2021/22 budget setting process;*

2. *that in respect of Panel Recommendation 2, Cabinet notes that Members can expect to see periodic reports reflecting progress with the Council's transformation and commercialisation plans, and that Members can engage with proposals and general progress with transformation and commercialisation plans through the Council's existing governance structures (Cabinet, Council and Scrutiny);*

3. *that in respect of Panel Recommendation 3, Cabinet notes that Members can expect to see periodic reports reflecting progress with the Council's transformation and commercialisation plans, and that Members can engage with proposals and general progress with transformation and commercialisation plans through the Council's existing governance structures (Cabinet, Council and Scrutiny);*

4. *that in respect of Panel Recommendation 4, that communication styles, methods and language used should be an ongoing agenda item for the Budget Scrutiny Panel, allowing Members and Officers to work together and develop an effective communication programme in respect of the Council's budgets and plans;*

5. *that in respect of Panel Recommendation 5, Cabinet notes that process controls will be considered as part of the planned series of service reviews that will be developed under the Council's Transformation Programme and that, in addition, approval limits set out within the Council's Financial Regulations and Financial Procedures will be reviewed to ensure limits appropriately reflect current circumstances;*

6. *that in respect of Panel Recommendation 6, Cabinet notes the evaluation and approval processes set out in the response of the Strategic Director of Corporate Services to the Panel's recommendation (agenda page 15);*

7. *that in respect of Panel Recommendation 7, Cabinet notes that a Cabinet report will be prepared (envisaged for March/April 2020) that will provide further detail on the Council's commercialisation plans and address the specific matters raised by the Panel;*

8. that in respect of Panel Recommendation 8, Cabinet notes the Panel's observations;

9. that in respect of Panel Recommendation 9, Cabinet notes the Panel's observations;

10. that in respect of Panel Recommendation 10, Cabinet notes that the processes covering reporting and monitoring of the Capital Plan will be reviewed in the forthcoming financial year.

Reason

1-10. To acknowledge the work undertaken by and the views of the Budget Scrutiny Panel and to ensure implementation of scrutiny recommendations where agreed by the Cabinet."

"79. GENERAL FUND AND HRA REVENUE BUDGETS 2020/21

Considered, a report of the Head of Finance and Property Services to consider the proposed General Fund and Housing Revenue Account (HRA) Revenue Budgets for 2020/21, incorporating the proposed Council Tax levy, and the 2020/21 proposals to increase rent and service charges within the ring fenced Housing Revenue Account, for recommendation to Council (item 7 on the agenda filed with these minutes).

The Head of Finance and Property Services assisted with consideration of the report.

***RESOLVED** that **Council be recommended**:*

1. to approve the Original General Fund Revenue Budget for 2020/21 at £17,771,035 as set out in Appendix 1 to the report of the Head of Finance and Property Services;

2. to set a base Council Tax at £126.52 at Band D, an increase of £4.43 on the 2019/20 rate, as set out in Appendix 2 to the report of the Head of Finance and Property Services;

3. to set the Loughborough Special Levy at £76.46, a 1.99% increase on 2019/20 rate, as set out in Appendix 3 to the report of the Head of Finance and Property Services;

4. to approve the following item to the Loughborough Special Levy:

ongoing annual funding of £5K for the Remembrance Day Parade for essential health and safety event management costs;

5. to approve the Original HRA Budget for 2020/21 as set out in Appendix 5 to the report of the Head of Finance and Property Services;

6. *to amend the HRA weekly rents in line with the Ministry of Housing, Communities and Local Government (MHCLG) guidance;*

7. *to amend the non-HRA dwelling properties in line with the Ministry of Housing, Communities and Local Government (MHCLG) guidance;*

8. *to approve the HRA service charges in accordance with the MHCLG Guidance;*

9. *to approve that the shop rents retain their current rents in accordance with an assessment by the Valuation Office;*

10 *to approve that garage rents retain their current rents in accordance with an assessment by the Valuation Office;*

11. *to approve that the Leasehold Management and Administration charge increases to £116.11 per annum;*

12. *that the Lifeline weekly charge is increased in line with MHCLG Guidance;*

13. *to determine that the basic amount of Council Tax for 2020/21 is not excessive according to the principles set out by the Secretary of State;*

14. *that delegation be given to the s151 Officer, in conjunction with the Lead Member for Finance and Property Services, to amend this report for Council in line with the final settlement and updated NNDR figures.*

Reasons

1. *So that the necessary finance is approved to carry out services in 2020/21.*

2. *So that the Council Tax can be set in accordance with legal and statutory requirements.*

3. *So that a Loughborough Special Levy can be set in accordance with legal and statutory requirements.*

4. *To enable items to be added to the Loughborough Special Rate: this being ongoing funding of £5K for the Remembrance Day Parade in order to comply with health and safety requirements in management of this event.*

5. *To ensure sufficient funding for the Housing Revenue Account in 2020/21.*

6. *To comply with social housing rents guidance.*

7. *To be consistent with the other council house stock.*

8. *To ensure the correct alignment of costs and service charges for tenants in accordance with best practice.*

9. *So that shop rents follow the assessment and guidance provided by the Valuation Office.*

10. *To increase the rent generated for garages in line with the guidance from the Valuation Office.*

11. *So that there is sufficient recovery of the costs associated with operating the leasehold flat and shop services.*

12. *So that there is sufficient recovery of the costs associated with operating the Lifeline service.*

13. *To comply with the requirements of the Local Government Finance Act 1992.*

14. *To update the budget report in line with final settlement figures once these are received."*

The report of the Head of Finance and Property Services setting out the proposed General Fund and HRA Revenue Budgets for 2020/21 is attached as an Annex.

On 20th December 2019, the Strategic Director of Corporate Services exercised delegated powers to set the Council Tax base for 2020/21. This is used as part of the budget and precept calculations.

Implementation Timetable including Future Decisions and Scrutiny

Council is requested to consider the Cabinet report and the recommendations of Cabinet on 13th February 2020 alongside the full Council Tax Recommendations, which will be circulated once confirmation has been received from major preceptors regarding their precepts, in order to set a Council Tax Levy and General Fund and HRA revenue budgets for 2020/21.

The actual budgets will come into effect on 1st April 2020.

Report Implications

As detailed within the attached Annex.

Key Decision: Yes

Background Papers:	Delegated decision DD190 2019/20 taken by Strategic Director of Corporate Services regarding Council Tax and NNDR Bases Cabinet 13th February 2020, Item 6 Budget Scrutiny Panel and Item 7 General Fund and HRA Revenue Budgets Report
Officers to Contact:	Lesley Tansey Head of Finance and Property Services 01509 634828 lesley.tansey@charnwood.gov.uk

ANNEX

CABINET – 13TH FEBRUARY 2020

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

Part A

ITEM GENERAL FUND AND HRA REVENUE BUDGETS 2020/21

Purpose of the Report

This report sets out the proposed General Fund and Housing Revenue Account (HRA) Revenue Budgets for 2020/21, which together, represent the financial spending plans for all services of the Council. It is a legal requirement to set a balanced budget each financial year. The report also incorporates the proposed Council Tax levy which must be set by Council at its meeting on 24th February 2020. The indicated Council Tax for Charnwood Borough Council as a whole is based on the budget to be recommended to Council and it is proposed that there is equivalent to an overall increase of £5.00 (3.63%) per band D property per annum in 2020/21 including Loughborough Special Levy. This is the allowable increase for the Council based upon Charnwood's current band D charge being in the lowest quartile across England.

The report also presents the 2020/21 proposals to increase rent and service charges within the ring fenced Housing Revenue Account.

Recommendations

That Council are recommended:

1. To approve the Original General Fund Revenue Budget for 2020/21 at £17,771,035 as set out in Appendix 1.

2. To set a base Council Tax at £126.52 at Band D, an increase of £4.43 on the 2019/20 rate as set out in Appendix 2.

3. To set the Loughborough Special Levy at £76.46, a 1.99% increase on 2019/20 rate, as set out in Appendix 3.

4. To approve the following item to the Loughborough Special Levy:

   Ongoing annual funding of £5K for the Remembrance Day Parade for essential health and safety event management costs.

5. To approve the Original HRA Budget for 2020/21 as set out in Appendix 5.

6. To amend the HRA weekly rents in line with the Ministry of Housing, Communities and Local Government (MHCLG) guidance.

7. To amend the non-HRA dwelling properties in line with the Ministry of Housing, Communities and Local Government (MHCLG) guidance.

8. To approve the HRA service charges in accordance with the MHCLG Guidance.

9. To approve that the shop rents retain their current rents in accordance with an assessment by the Valuation Office.

10. To approve that garage rents retain their current rents in accordance with an assessment by the Valuation Office.

11. To approve that the Leasehold Management and Administration charge increases to £116.11 per annum.

12. That the Lifeline weekly charge is increased in line with MHCLG Guidance.

13. To determine that the basic amount of Council Tax for 2020/21 is not excessive according to the principles set out by the Secretary of State.

14. That delegation be given to the s151 Officer, in conjunction with the Lead Member for Finance and Resources, to amend this report for Council in line with the final settlement and updated NNDR figures.

<u>Reasons</u>

1. That the necessary finance is approved to carry out services in 2020/21.

2. That the Council Tax can be set in accordance with legal and statutory requirements.

3. That a Loughborough Special Levy can be set in accordance with legal and statutory requirements.

4. To enable items to be added to the Loughborough Special Rate: this being ongoing funding of £5K for the Remembrance Day Parade in order to comply with health & safety requirements in management of this event.

5. To ensure sufficient funding for the Housing Revenue Account in 2020/21.

6. To comply with social housing rents guidance.

7. To be consistent with the other council house stock.

8. To ensure the correct alignment of costs and service charges for tenants in accordance with best practice.

9. That shop rents follow the assessment and guidance provided by the Valuation Office.

10. To increase the rent generated for garages in line with the guidance from the Valuation Office.

11. That there is sufficient recovery of the costs associated with operating the leasehold flat and shop services.

12. That there is sufficient recovery of the costs associated with operating the Lifeline service.

13. To comply with the requirements of the Local Government Finance Act 1992.

14. To update the budget report in line with final settlement figures once these are received.

<u>Policy Justification and Previous Decisions</u>

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

<u>Implementation Timetable including Future Decisions and Scrutiny</u>

This report will be available for consideration by the Scrutiny on 10th February 2020 and, if approved by Cabinet, will be tabled for agreement by Full Council on 24th February 2020. The actual budget will then come into effect on 1st April 2020.

The draft budget was also considered by the Budget Scrutiny Panel on 4th December 2019 and their comments are referred to later in this report.

<u>Report Implications</u>

Financial Implications

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

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. The s151 officer has also set out key risks facing the Council in relation to current and future budget provision in paragraph 26 of Part B of this report.

Risk Identified	**Likelihood**	**Impact**	**Overall Risk**	**Risk Management Actions Planned**
Failure to take account of the spending plans of the Council.	Unlikely (2)	Minor (1)	Very Low (2)	Robust budget planning and Budget Monitoring process in place.
Exceptional spending being required during the financial year.	Unlikely (2)	Minor (1)	Very Low (2)	Working Balance reserve is sufficient to manage normal and most one-off events.
Some of the Budget funding is still provisional as awaiting the final settlement and therefore may change.	Likely (3)	Minor (1)	Low (3)	The Council has sufficient reserves to cover expenditure in the short term. Recommendation 14 seeks delegated authority to amend the budget if there are any changes.

Key Decision: Yes

Background Papers: None

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Part B

General Fund Revenue Budget 2020/21

1. Appendix 1 shows the General Fund summary position and includes a variance column comparing the Original budget being recommended to Council with the draft one reported to Cabinet on 16th December 2019. The changes are set out below.

2. The precept requirement has reduced by £42K since the draft report this is primarily to do with the reduction in the estimated Collection Fund surplus of £43K and other minor changes to the precept figure set out below.

3. At the date of drafting this report the provisional NNDR (National Non-Domestic Rates, also known as business rates) income figure has not yet been finalised. Whilst this has the potential to alter the Council's projected funding position it is not anticipated that any changes would be material in the context of the General Fund budget. If material, an update will be provided to Cabinet at the date of the meeting and for the purposes of the Council meeting updated figures will be provided.

   The Council was part of a successful Leicestershire-wide bid to participate in the 75% business rate retention pilot scheme, however the government has now discontinued the Scheme. The Council is currently in a "levy position" meaning that the NDR income for the year is greater than the index linked spending baseline. The council is part of the Leicestershire business rate pool which means that they do not have to pay this balance over to Central Government and payments instead are directed to the Local Enterprise Partnership (LLEP) via the business rates pool.

4. Due to timing differences between years in finalising amounts due to other parties, e.g. the County, Police and Fire in respect of Council Tax and the County, Fire and central government in respect of NNDR, the authority operates a Collection Fund. This acts like a trust account where amounts are paid in/out during the year and surpluses/deficits are retained at the year end and then paid out/recovered in following years once final figures are known. The Collection Fund and the NNDR figure are linked and both of these figures will change for the final report to Council on 24th February 2020 as the figures for County, Fire and Police are still provisional.

5. The amount due to the Council from Council Tax receipts has reduced by £6k compared with the draft report. This is due to the council tax base being slightly lower than anticipated in the draft report.

6. The New Homes Bonus (NHB) Grant figure for 2020/21 shows a decrease of £7k since the draft report. This grant is the confirmed settlement figure based on housing growth in the borough for 2020/21. As part of the fairer funding review it is not yet known what the financial impact will be in future years this has been delayed until 2020.

7. The recommendation made in the draft budget was to increase the Loughborough Special rate by 1.99% and increase band D base Council Tax overall by £5.00 per annum. This recommended increase is within the guidelines issued by central government. As noted in the MTFS, Charnwood set the 24th lowest rate out of a total of 192 District Councils for 2020/21, placing us in the lowest 12.5% of charges across District Councils currently. This recommended increase will have the positive impact of increasing the base budget going forward which will help to protect the Council against future funding reductions.

8. There is a proposed reduction in overall revenue reserves of £1.1m which still allows for reserves to be maintained above the minimum recommended level in line with good practice. The Council has built up a prudent level of reserves in the past to cope with reductions in available funding as well as one-off emergencies. This planned use of reserves is in line with the anticipated use of reserves included within the MTFS.

Consultation on the Budget

9. A programme of consultation commenced following the consideration of the draft budget by Cabinet 16th December 2019. This has involved partner organisations, scrutiny committees, unions and businesses.

Budget Scrutiny Panel

10. A Budget Scrutiny Panel has undertaken scrutiny of the draft budget for 2020/21. The recommendations of the Panel are set out in a separate report to this Cabinet meeting (item 6 on the agenda).

Comments of the Industrial and Commercial Ratepayers Meeting TBC

11. A consultation meeting with representatives of Industrial and Commercial Ratepayers was held on 15th January 2020. The following issues were identified by consultees as agenda items for the meeting:

    There were anticipated step changes in terms of the Council's financial situation in coming years, but the Council was conscious of this and were in the process of identify ways to accommodate for this.

    The Council would not rely on the increase of the business element retention increase to gain significant revenue. The current regime was a 50% business rate and from this, approximately £46m was collected per annum. Of this sum, only £4m was retained. The Council is currently participating in a 75% business rate pilot, with an expectation that this would provide a short-term increase in rates of approximately £400k. The Council did not anticipate that there would be a substantial increase in business rates collection over the coming years and much of the Investment Strategy would focus on growth and supporting business in the Borough.

    The Council employed a number of methods to support businesses including arrangements which aimed to draw people into the town centre, changing models which encouraged more people to consider living in the town centre and therefore utilise the facilities in the area, the enterprise zones and employing a full time Economic Growth Officer. The Towns Deal and the subsequent developments associated with this, could also benefit local businesses considerably. The draft Local Plan 2019-36 would help to inform the Council on potential areas of population and business growth and employment opportunities on a long-term basis.

    The outlook on HRA funding was currently positive and an investment of £22m had been added into this.

The Local Government Association enabled Councils to communicate financial concerns to central Government. The Council utilised this opportunity but was also proactively identifying ways to maintain finances internally.

Comments of the Loughborough Area Committee

12. At the Committee the discussions on aspects of the budget relating to the special expense area, in particular the additional ongoing costs of £5K for the Remembrance Day Parade to support infrastructure and delivery costs such as traffic management, barriers, medical support and health and safety measures.

13. We would like to take this opportunity to thank all those who responded to the consultation. Further of the consultation discussions and responses referred to above are available as meeting minutes, published on the Council's website.

Loughborough Special Expenses (Appendix 3)

14. The proposed increase is 1.99% in Loughborough Special Expense Levy, the rate being £76.46 for 2020 compared to £74.97 2019/20 and includes an ongoing service pressure request of £5K for the Remembrance Day Parade for essential health & safety cover.

Council Tax Base

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

Precept Amount

16. The NNDR and Collection Fund figures are not yet available, and the draft settlement has been used in these calculations. Appendix 2 shows an equivalent overall increase of £4.43 on the Base Band D Council Tax plus the Loughborough Special Levy. The band D rate for 2020/21 is set at £126.52 for the base precept.

Parish and Town Councils and Other Precepts

17. All Parish and Town Council precepts have been received and are detailed in Appendix 4. Approved precept information is still to be received from the County Council, the Police and Fire Authorities and the figures therefore shown in Appendix 2 are provisional. These will be updated in time for the main Council meeting on 24th February 2020.

General Fund Revenue Balances and Reserve

18. The General Fund Balances are included in Appendix 1. The budget shows that £926k, is required (16% of the opening balance) from the Working Balance to balance this year's budget, in addition a transfer of £170K is required to increase the Reinvestment Reserve balance to its recommended £500K level. The Working Balance is estimated to be £4.8m as at March 2021, which is above the recommended minimum balance of £2m required to cover approximately 6 weeks of running costs. An additional recommended minimum

balance of £2m (taking the total to £4m) is included in order to cover future uncertainties around business rate retention, additional responsibilities and the outcome of the fairer funding review.

The Capital Plan Reserve is estimated to be £1.2m at the end of March 2021. This revenue reserve is used to finance General Fund capital expenditure and there are no restrictions on the types of capital schemes that this can be used for, this reserve can also be used for revenue expenditure. In addition, there is no minimum balance for this reserve.

Housing Revenue Account

19. The overall budget position for 2020/21 is a breakeven. The overall position of the balances is a reduction of £1,457k which is an additional revenue contribution to capital to fund the 2020/21 capital programme from balances.

20. There have only been some minor changes to the final budget compared with the draft budget that was presented to Cabinet on 16th December 2019. Rent income includes an amended projection on the additional properties being purchased/gifted to the council whilst service charge changes reflect some high-cost items that will be spread over a three-year period.

HRA Balances

21. The HRA Balances have been budgeted at £110 per property at approximately £607k. At 31 March 2020, the HRA Financing Fund balance is forecast as being £8,736k. This includes adding an estimated underspend of £544k from the 2019/20 budget, which is the forecast underspend of balances as at the revenue monitoring for December 2019 (Period 9).

HRA Services Pressures

22. The ongoing service pressures for the HRA are the same as those listed in the draft budget (see Cabinet report 16 December 2019) and total £107k per annum.

23. At its meeting of 6th November 2019, the Housing Management Advisory Board were consulted about the service pressure relating to the extension of a Universal Credit Officer for a further two years. The board felt strongly that there needed to be sufficient resources in place to support the tenants moving over to Universal Credit and did not feel that one officer was sufficient. The Board was advised that the situation would be closely monitored and that in addition to additional income and financial inclusion officers recruited in anticipation of changes to welfare benefits, there was an additional Tenancy Support Officer now being recruited to help the team going forward. The Board resolved to feedback to Cabinet on their concerns.

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

24. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 151 Officer) of a local authority to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. This report must be considered by Cabinet and full Council as part of the budget approval and council tax setting process.

25. The proposed budget is set against the context of continued reductions in core Government funding. There is inherent and significant volatility in respect of business rate appeals which can lead to material swings in available funding between financial years and the volatility in the New Homes Bonus which is part of the fairer funding review due in late 2020. The Council has an adopted Medium-Term Financial Strategy (MTFS) that takes all of the above into account and provides resilience over the medium term.

26. The Council's S151 Officer is required to report to Cabinet and full Council the key risks facing the Council in relation to current and future budget provision. An assessment of material risks has been carried out and the two biggest risks i.e. those that are most likely and with the biggest impact have been identified as being the certainty over both the level of business rates income and the future funding through the New Homes Bonus scheme. and associated mitigating actions are detailed below:

26.1. Business Rates

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

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, therefore the NNDR funding stream remains volatile.

26.2. New Homes Bonus

The scheme was introduced by the Government in 2011/12 to promote housing growth. Originally the scheme provided grant funding in the form of a 'bonus' per house to councils for each house built and completions within the authority's boundaries in a year for the following six years. This was reduced to the following 5 years for 2017/18 completions onwards, also in 2017/18 the Government introduced a "deadweight" factor so that no NHB payments will be made to a local authority for housing growth of less than 0.4%. The government introduced a further reduction to the number of years for legacy payments to 4 years in 2018-19, 2019/20, and have remained at 4 years for 2020.

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 states a strong indication on a reduction to the future New Homes Bonus funding starting from 2021/22 of around £1.1m and £1.7m in

2022/23, the outcome of the fairer funding model is not yet known and therefore future funding remains uncertain. It is anticipated that the new model will be linked to housing growth.

Robustness of Estimates

27. Alongside this the Local Government Finance Act 1992 also requires the authority to take due consideration before setting the budget as there is no recourse to setting a further levy during the year, and any unexpected financial event would have to be met from reserves, or by cutting expenditure on services.

28. This budget has been drawn up using the best estimates of the cost of service delivery by those officers delivering the services, under the overall management of the Chief Financial Officer and with professional advice and guidance from the Financial Services team. The basis of estimation has been to take account of all known costs in delivering a set level of service together with any new or amended services that have been approved by Members. The same basis has been applied in estimating the income level for those services that generate revenue for the Council.

29. However, during the eighteen months period, from the start of the budget process until the end of that financial year, there are likely to be budgets that have pressures on spending; equally there are budgets that will under spend. The key is to ensure that the position is under control at all times and that timely, effective action is taken where budget issues are identified in year. Additionally, financial procedures are in place to ensure that all decisions that affect spending are fully considered before committing the authority, and that effective monitoring is in place.

30. All spending plans are based on the service planning process and the proposed use of reserves and balances conforms to the specification as laid down and published in the Financial Strategy.

Adequacy of Reserves

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

Assurance Statement of the Council’s Section 151 Officer

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

Appendices

1 – General Fund Budget Summary 2020/21
2 – Council Tax Analysis 2020/21
3 – Loughborough Special Expenses 2020/21
4 – Council Tax Town and Parish Council Precepts 2020/21
5 – HRA Revenue Budget Summary 2020/21
6 – General Fund Service Pressures and Savings 2020/21

Appendix 1

Actual 2018/19 £000	General Fund Budget Summary	Original Budget 2019/20 £000	Draft Budget 2020/21 £000	Final Budget 2020/21 £000	Variance Draft Vs Final £000
17,844	General Fund Service Expenditure	18,496	18,389	18,382	(7)
0	One Off Directorates Savings Target	(300)	0	0	0
0	Net Ongoing Service (Savings) & Pressures	(341)	575	575	0
0	Net One Off Service Pressures	283	81	81	0
17,844	**Net Service Expenditure**	**18,138**	**19,045**	**19,038**	(7)
752	Revenue Contributions to Capital	0	0	0	0
29	Council Tax Support Grants to Parishes	0	0	0	0
356	Interest Paid	240	240	240	0
(447)	Less: Interest on Balances	(390)	(500)	(500)	0
18,534	**Total Borough Expenditure**	**17,988**	**18,785**	**18,778**	**(7)**
214	Contribution (from)/to Reinvestment Reserve	0	(36)	(36)	0
48	Contribution(from)/to Working Balance	(798)	(1,075)	(1,069)	6
(234)	Contribution (from)/to Collection Fund	(173)	100	143	43
(451)	Contribution(from)/ to Capital Plan Reserve	0	0	0	0
(51)	Contribution (from)/to Other Reserves	(63)	(45)	(45)	0
(13)	Contribution (from)/to Growth Support Fund	0	0	0	0
18,047	**Precept Requirement**	**16,954**	**17,729**	**17,771**	**42**
745	Revenue Support Grant	0	0	0	0
4,957	NNDR	5,290	4,947	4,947	0
6,502	Council Tax Receipts	6,893	7,294	7,288	(6)
1,194	Loughborough Special Levy	1,213	1,259	1,271	12
3,620	New Homes Bonus	3,731	4,129	4,122	(7)
1,263	General Government Grants	0	0	0	0
(234)	Collection Fund Surplus/(Deficit)	(173)	100	143	43
18,047	**Precept Income**	**16,954**	**17,729**	**17,771**	**42**

£p	**Council Tax for Band D**	**£p**	**£p**	**£p**
117.09	**Base Borough Council Tax**	**122.09**	**127.09**	**126.52**
74.97	**Loughborough Special Levy**	**74.97**	**76.46**	**76.46**

£000 Actual 2018/19	**REVENUE BALANCES**	**£000 Original 2019/20**	**£000 Draft 2020/21**	**£000 Final 2020/21**
7,057	**Working Balance at 1 April**	4,990	5,900	5,900
28	Transfer from/(to) General Fund	(971)	(975)	(926)
(214)	Transfer from/(to) Reinvestment Reserve	0	(122)	(170)
6,871	**Balance at 31 March**	**4,019**	**4,803**	**4,804**
595	**Reinvestment Reserve Balance at 1 April**	608	414	366
214	Transfers from/(to) Fund one off Item	0	(36)	(36)
0	Transfers from/(to) General Fund	0	122	170
809	**Balance at 31 March**	**608**	**500**	**500**
2,644	**Capital Plan Reserve Balance at 1 April**	1,711	1,288	1,288
(451)	Funding of Capital Expenditure	(618)	0	0
2,193	**Balance at 31 March**	**1,093**	**1,288**	**1,288**
114	**Growth Support Fund Balance at 1 April**	0	5	5
(13)	Funding of Capital Expenditure	0	0	0
101	**Balance at 31 March**	**0**	**5**	**5**
813	**Other Revenue Reserve Balances at 1 April**	805	700	700
(50)	Transfers from/(to) Fund one off Item	(63)	(45)	(45)
763	**Balance at 31 March**	**742**	**655**	**655**
10,737	**TOTAL BALANCES**	**6,462**	**7,251**	**7,252**

Appendix 2

COUNCIL TAX ANALYSIS 2020/21					
2019/20			**2020/21**		% Change Per Band D
56,462.4		**TAX BASE (at CBC collection rate)**	57,607.2		
16,183.5		**LOUGHBOROUGH TAX BASE**	16,621.0		2.03
£	£ p		£	£ p	%
16,954,156	300.27	TOTAL BUDGET REQUIREMENT	17,771,035	308.49	2.74
(1,213,277)	(21.49)	Less: Loughborough Special Levy	(1,270,842)	(22.06)	2.66
15,740,879	278.79		16,500,193	286.43	2.74
		Less:			
(3,730,729)	(66.07)	New Homes Bonus	(4,121,865)	(71.55)	8.29
(5,290,366)	(93.70)	NNDR	(4,947,000)	(85.87)	(8.35)
6,719,784	119.01		7,431,328	129.00	8.39
173,710	3.08	Collection Fund (Surplus)/Deficit	(142,865)	(2.48)	(180.61)
6,893,494	**122.09**	**BASIC BOROUGH PRECEPT**	**7,288,463**	**126.52**	**3.63**
		Other Precepts			
3,677,802	65.14	Parishes	3,821,293	66.33	1.83
72,959,643	1,292.18	Leicestershire County Council	72,959,643	1,266.50	(1.99)
3,762,654	66.64	Combined Fire Authority	3,762,654	65.32	(1.98)
12,604,113	223.23	Police & Crime Commissioner	12,604,113	218.79	(1.99)
93,004,212	1,647.19		93,147,703	1,616.94	(1.84)
1,213,277	74.97	SPECIAL LEVY (LOUGHBOROUGH)	1,270,842	76.46	1.99
101,110,983	1,790.77	**TOTAL REQUIREMENT**	101,707,008	1,765.53	(1.41)
99,897,706	1,769.28	**AVERAGE PARISH PRECEPT**	100,436,166	1,743.46	(1.46)
97,433,181	1,779.11	**LOUGHBOROUGH PRECEPT**	97,885,715	1,753.59	(1.43)

Final Figures still awaited

LOUGHBOROUGH SPECIAL EXPENSES		
2019/20		**2020/21**
Original Budget	**Service**	**Original Budget**
£		**£**
67,800	Loughborough CCTV	68,400
81,800	Community Grants - General / Fearon Hall / Gorse Covert	80,300
44,900	Marios Tinenti Centre / Altogether Place / Community Hubs	45,700
9,600	Charnwood Water Toilets	8,800
34,500	Voluntary & Community Sector Dev Officer post (75% LSX)	35,300
4,400	Biggin Street Toilet - Friday Opening	4,500
120,000	Contribution towards Loughborough Open Spaces Grounds Maintenance	121,000
(5,100)	November Fair	(8,300)
	Parks:	
404,700	Loughborough - including Loughborough in Bloom	350,400
68,200	Gorse Covert and Booth Wood	69,800
	Sports Grounds:	
112,700	Derby Road	115,300
43,700	Lodge Farm	43,200
72,900	Nanpantan	74,300
20,200	Park Road	19,000
21,400	Shelthorpe Golf Course	20,700
45,100	Loughborough Cemetery	37,300
52,000	Allotments - Loughborough	43,300
15,600	Carillon Tower	14,000
51,200	Festive Decorations and Illuminations	48,400
102,500	Town Centre Management	99,600
1,368,100		**1,291,000**
(148,931)	Adjustments from Year 2017/18	0
0	Adjustments from Year 2018/19	(20,158)
(5,892	Council Tax Support Grant	0
1,213,277	AMENDED TOTAL	**1,270,842**
Divided by 16,183.50	**Council Tax Base**	**Divided by 16,621.00**
74.97	**Special Council Tax**	**76.46**

Appendix 4

2020/21 Council Tax - Parish Precepts

Parish/Meeting/Town Council	Precept Requirement	Council Tax Base	Parish/ Special Requirement at Band D
	£		£
Anstey	292,176	2,530.9	115.44
Barkby / Barkby Thorpe	10,218	160.4	63.70
Barrow-upon-Soar	215,515	2,468.8	87.30
Beeby	0	42.7	0.00
Birstall	432,255	4,542.6	95.16
Burton-on-the-Wolds, Cotes, & Prestwold	30,000	555.1	54.04
Cossington	14,500	217.3	66.73
East Goscote	58,700	941.5	62.35
Hamilton Lea	0	254.9	0.00
Hathern	46,200	897.4	51.48
Hoton	11,550	148.0	78.04
Mountsorrel	508,904	2,956.9	172.11
Newtown Linford	51,500	542.8	94.88
Queniborough	58,690	1,199.0	48.95
Quorndon	276,337	2,474.2	111.69
Ratcliffe-on-the-Wreake	3,000	91.4	32.82
Rearsby	20,918	486.1	43.03
Rothley	138,000	2,195.6	62.85
Seagrave	18,984	275.5	68.91
Shepshed	310,000	4,718.8	65.69
Sileby	217,523	2,749.6	79.11
South Croxton	11,751	136.4	86.15
Stonebow Village	0	4.2	0.00
Swithland	4,500	161.7	27.83
Syston	514,820	4,361.4	118.04
Thrussington	12,000	255.5	46.97
Thurcaston & Cropston	39,332	944.8	41.63
Thurmaston	397,373	2,813.8	141.22
Ulverscroft	0	63.1	0.00
Walton-on-the-Wolds	4,500	130.8	34.40
Wanlip	3,000	86.3	34.76
Woodhouse	81,496	977.8	83.35
Wymeswold	37,515	600.9	62.43
	3,821,257	40,986.2	
Loughborough (Special Expenses)	1,270,842	16,621.0	76.46
Total	5,092,099	57,607.2	
Average			88.39

2018/19 Actual	Housing Revenue Budget Summary	2019/20 Final Budget	2020/21 Draft Budget	2020/21 Final Original budget	Variance from 15.19
£000		**£000**	**£000**	**£000**	**£000**
	Expenditure				
4,901	Supervision and Management	5,118	5,550	5,550	0
6,289	Repairs and Maintenance	6,461	6,769	6,769	0
130	Rents, Rates and other charges	139	139	139	0
335	Provision for Bad and Other Charges	383	383	383	0
3,025	Depreciation	3,057	3,189	3,189	0
(13,072)	Net Revaluation increase of non-current assets	0	0	0	0
19	Debt Management Expenses	10	10	10	0
1,627	**Expenditure Sub-total**	15,168	16,040	16,040	0
	Income				
(20,698)	Dwelling Rent Income	(20,548)	(20,883)	(20,937)	(54)
(365)	Shops, Land and Garages Rent	(373)	(373)	(360)	13
(55)	Warden Service Charges	(55)	(55)	(57)	(2)
(293)	Central Heating and Communal Charges	(322)	(400)	(350)	50
(226)	Leasehold Flat and Shop Service Charges	(156)	(158)	(158)	0
(26)	Hostel Service Charges	(24)	(24)	(31)	(7)
(11)	Council Tax recharged	(11)	(11)	(11)	0
(21,674)	**Income Sub-total**	(21,489)	(21,904)	(21,904)	0
(20,047)	**Net (income)/Cost of service**	(6,321)	(5,864)	(5,864)	0
(82)	Transfer from General Fund - Grounds Maintenance	(84)	(84)	(84)	0
2,743	Interest Payable	2,706	2,706	2,706	0
(93)	Investment Income and Mortgage Interest	(88)	(66)	(66)	0
(17,479)	**Net Operating Expenditure/(Income)**	(3,787)	(3,308)	(3,308)	0
3,716	Revenue Contribution to Capital	3,659	3,308	3,308	0
(389)	Pension Adjustment	0	0	0	0
5	Reversal of Gain on Revaluation	0	0	0	0
13,072	Adjusted to charges based on impairment of General Fund Asset	0	0	0	0
16,404	Appropriations	3,659	3,308	3,308	0
(1,075)	**(Surplus)/Deficit for the year**	**(128)**	**0**	**0**	**0**
(617)	**HRA Balance at beginning of year**	(613)	(610)	(610)	0
(1,075)	(Surplus)/Deficit for the year	(128)	0	0	0
1,079	Transfer to/from Reserves	131	3	3	0
(613)	**HRA Balance at end of year**	**(610)**	**(607)**	**(607)**	**0**
(6,982)	**HRA Financing Fund at beginning of year**	(8,061)	(8,736)	(8,736)	0
(1,079)	Transfer to/from Reserves	(131)	(3)	(3)	0
0	Adjustments to 2019/20 budget	(544)	0	0	0
0	Revenue to Capital	0	1,457	1,457	
(8,061)	**HRA Financing Fund at end of year**	**(8,736)**	**(7,282)**	**(7,282)**	**0**
(2,633)	**Major Repairs Reserve at end of year**	**(2,324)**	**(2,324)**	**(2,324)**	**0**
(11,307)	**Overall HRA balances at end of the year**	**(11,670)**	**(10,213)**	**(10,213)**	**0**

Appendix 6

General Fund Service Pressures & Savings Summary (Option for Change)			**£ 000's**	**£ 000's**
	Head of Service	**Ongoing One-Off**	**Savings**	**Pressures**
Decrease in grant from MHCLG to administer the Council Tax Support service	Karey Barnshaw	Ongoing		18
Decrease in grant from DWP to administer the housing benefit service	Karey Barnshaw	Ongoing		93
The implementation of the selected Cloud computing model	Karey Barnshaw	Ongoing		111
Reduced Housing Benefit Subsidy grants claims for supported living	Karey Barnshaw	Ongoing		465
Increase in rent/services charges of Industrial Units	Dave Wall	Ongoing	(14)	
Transformation – ICT enabled. Saving realised online booking system	Simon Jackson	Ongoing	(12)	
Net Income relating to New Commercial property investment	Simon Jackson	Ongoing	(150)	
Commercialisation Income – Review of fees and charges	Simon Jackson	Ongoing	(30)	
Member Grant scheme to support local community and voluntary sector and £26k added to Capital Plan each year.	Julie Robinson	Ongoing		26
Garden Waste Sticker increase in costs and increase provision	Matt Bradford	Ongoing		20
Increased Bulky Waste Income	Matt Bradford	Ongoing	(60)	
Shortfall in income generated from Garden Waste subscriptions	Matt Bradford	Ongoing		60
Reduced Income from Loughborough crematorium turnover commission	Matt Bradford	Ongoing		20
Increased Net Income - Trade Waste	Matt Bradford	Ongoing	(5)	
Loughborough Remembrance Parade funded from Loughborough Special Expenses	Sylvia Wright	Ongoing		5
Loughborough Market income target adjustment	Sylvia Wright	Ongoing		20
Tourism SLA - Leicestershire Promotions	Sylvia Wright	Ongoing		27
Price increase and increase in number of Private Sector Alarm Charges	Peter Oliver	Ongoing	(34)	
LCC street management reimbursement	Alan Twells	Ongoing	(15)	
Empty Homes legal Fees new reserve set up in 2019/20	Alison Simmons	Ongoing	(50)	
Building control shortfall of income currently under review	Richard Bennett	Ongoing		80
Ongoing Total Service (Savings) and Pressures			**(370)**	**945**
Net Ongoing Pressures				**575**
Charnwood Forest Regional Park - partnership funding for landscape partnership Funded from Reinvestment Reserve	Matt Bradford	One-off		36
Contribution towards Strategic Growth Plan Funded from Planning Reserve	Richard Bennett	One-off		45
One-Off Total Services Pressures				**81**
Grand Total Service Pressures				**656**

COUNCIL – 24TH FEBRUARY 2020

Report of the Cabinet

ITEM 6.2 CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY STATEMENT, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY 2020/21

Purpose of Report

To set out a Capital Strategy, the Treasury Management Strategy Statement, the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy for 2020/21, together with changes to the Council's Financial Regulations and other elements of the Constitution necessary to enable delivery of the Investment Strategy, for consideration and approval.

Recommendations

1. that the Capital Strategy, as set out at Appendix A to the report of the Head of Finance and Property Services, be approved;

2. that the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy, as shown at Appendix B to the report of the Head of Finance and Property Services, be approved;

3. that the Prudential and Treasury Indicators, also set out in Appendix B to the report of the Head of Finance and Property Services, be approved;

4. that the proposed changes to the Constitution, as set out in Appendix C to the report of the Head of Finance and Property Services, be approved, with effect from 1st March 2020.

Reasons

1. To enable the Council to comply with the statutory code of practice issued by CIPFA: 'The Prudential Code for Capital Finance in Local Authorities, 2017 Edition'.

2. To ensure that the Council's governance and management procedures for Treasury Management reflect best practice and comply with the CIPFA Treasury Management in the Public Services Code of Practice, Guidance Notes and Treasury Management Policy Statement.

3. To ensure that funding of capital expenditure is taken within the totality of the Council's financial position and that borrowing and investment is only carried out with proper regard to the Prudential Code for Capital Finance in Local Authorities.

4. To enable the efficient and timely execution of the Investment Strategy incorporated within the overall Capital Strategy.

Policy Justification and Previous Decisions

Policy justification detailed in the attached Annex.

At its meeting on 13th February 2020, the Cabinet considered a report of the Head of Finance and Property Services setting out a Capital Strategy, the Treasury Management Strategy Statement, the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy for 2020/21, together with changes to the Council's Financial Regulations and other elements of the Constitution necessary to enable delivery of the Investment Strategy, for recommendation to Council. A copy of that report is attached as an Annex.

The following minute extract details Cabinet's consideration of the matter:

"80. CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY STATEMENT, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY 2020/21

Considered, a report of the Head of Finance and Property Services to consider a Capital Strategy, the Treasury Management Strategy Statement, the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy for 2020/21, together with changes to the Council's Financial Regulations and other elements of the Constitution necessary to enable delivery of the Investment Strategy, for recommendation to Council (item 8 on the agenda filed with these minutes).

The Strategic Director of Corporate Services and the Head of Finance and Property Services assisted with consideration of the report. In response to questions and comments regarding proposed commercial property investment, a report would be submitted to the next meeting of the Cabinet detailing the proposed approach, including process and due diligence arrangements.

RESOLVED

1. *that the Capital Strategy, as set out at Appendix A to the report of the Head of Finance and Property Services, be approved and **recommended to Council**;*

2. *that the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy, as shown at Appendix B to the report of the Head of Finance and Property Services, be approved and **recommended to Council**;*

3. *that the Prudential and Treasury Indicators, also set out in Appendix B to the report of the Head of Finance and Property Services, be approved and **recommended to Council**;*

4. *that the proposed changes to the Constitution, as set out in Appendix C to the report of the Head of Finance and Property Services, be approved and **recommended to Council**, with effect from 1st March 2020;*

5. *that the Environmental services fleet (due for renewal in June 2020) is funded in the most financially advantageous way, having regard to the financial resources available to the Council at that time.*

Reasons

1. *To enable the Council to comply with the statutory code of practice issued by CIPFA: 'The Prudential Code for Capital Finance in Local Authorities, 2017 Edition'.*

2. *To ensure that the Council's governance and management procedures for Treasury Management reflect best practice and comply with the CIPFA Treasury Management in the Public Services Code of Practice, Guidance Notes and Treasury Management Policy Statement.*

3. *To ensure that funding of capital expenditure is taken within the totality of the Council's financial position and that borrowing and investment is only carried out with proper regard to the Prudential Code for Capital Finance in Local Authorities.*

4. *To enable the efficient and timely execution of the Investment Strategy incorporated within the overall Capital Strategy.*

5. *To supersede Cabinet resolution of 13th September 2018 relating to the financing of the Environmental Services fleet (Minute 29.4 refers) and allow more advantageous methods of financing the fleet to be adopted."*

Implementation Timetable including Future Decisions and Scrutiny

As detailed in the attached Annex.

The report of the Head of Finance and Property Services on this matter will also be considered by the Audit Committee at its meeting on 11th March 2020.

Report Implications

As detailed in the attached Annex.

Key Decision: Yes

Background Papers: No additional background papers.

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ANNEX

CABINET – 13TH FEBRUARY 2020

Report of the Head of Finance and Property Services

Lead Member: Councillor Tom Barkley

Part A

ITEM CAPITAL STRATEGY (INCLUDING THE TREASURY MANAGEMENT STRATEGY) FOR 2020/21

Purpose of Report

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

The report also sets out changes to the Council's Financial Regulations and other elements of the Constitution which are considered necessary to enable delivery of the Investment Strategy.

This Cabinet report recommends the approval of the above strategies and proposed amendments to the Constitution to Council.

Finally, in reviewing the overall Capital Strategy it has been identified that a more advantageous method of financing the environmental services fleet may be available, as compared to that set out in the Cabinet report of 13 September 2018 (see 'Environmental Services – Options for delivery from June 2020). This Cabinet report asks that the original decision on fleet financing be amended to allow more flexible approach in this area.

Recommendations

1. That the Capital Strategy, as set out at Appendix A of this report be approved and recommended to Council.

2. That the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy as shown at Appendix B of this report be approved and recommended to Council.

3. That the Prudential and Treasury Indicators, also set out in within Appendix B of this report be approved and recommended to Council.

4. That the proposed changes to the Constitution, as set out in Appendix C of this report, be approved and recommended to Council, with effect from 1st March 2020.

5. That the Environmental services fleet (due for renewal in June 2020) Cabinet is funded in the most financially advantageous way, having regard to the financial resources available to the Council at that time.

Reasons

1. To enable the Council to comply with the statutory code of practice issued by CIPFA: ‘The Prudential Code for Capital Finance in Local Authorities, 2017 Edition’.

2. To ensure that the Council’s governance and management procedures for Treasury Management reflect best practice and comply with the CIPFA Treasury Management in the Public Services Code of Practice, Guidance Notes and Treasury Management Policy Statement.

3. To ensure that funding of capital expenditure is taken within the totality of the Council’s financial position and that borrowing and investment is only carried out with proper regard to the Prudential Code for Capital Finance in Local Authorities.

4. To enable the efficient and timely execution of the Investment Strategy incorporated within the overall Capital Strategy.

5. To supersede Cabinet Recommendation of 13 September 2018 relating to the financing of the Environmental Services fleet (Minute 29 (4) refers) and allow more advantageous methods of financing the fleet to be adopted.

Policy Justification and Previous Decisions

The Capital Strategy must be approved by Council on an annual basis.

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

The latest version of the Medium Term Financial Strategy (covering financial years 2020 - 2023) outlines the prospective financial challenges facing the Council and the contribution expected of the Investment Strategy in mitigating these challenges.

Implementation Timetable including Future Decisions and Scrutiny

If approved by Council the Capital Strategy (including its component strategies) will come into effect from 1 April 2020.

If approved by Council the changes to the Constitution will come into to effect from the date of the Council meeting being 24 February 2020

This report is available for the consideration of the Scrutiny Commission on 10 February 2020.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no direct financial implications arising from this report.

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

Risk Management

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*
Poor treasury investment decisions due to inadequate treasury management strategies in place	Unlikely 2	Serious 3	Moderate 6	Strategy developed in accordance with CIPFA guidelines and best practice. Adherence to clearly defined treasury management policies and practices
Loss of council funds through failure of borrowers	Remote 1	Major 4	Low 4	Credit ratings and other information sources used to minimise risk Adherence to clearly defined treasury management policies and practices
Volatile market changes (such as interest rates or sector ratings) occur during year	Possible 3	Significant 2	Moderate 6	Approved strategy in place, regular monitoring of position and use of Treasury Consultants and other sources to provide the latest advice.
Significant losses arising from investments in non-financial instruments (such as loans to third parties or property investments)	Possible 3	Serious 3	Moderate 9	Professional advice will be sought in advance of non-standard or new investment activity. Adherence to strategy which set out limits to investment in individual asset classes.

Key Decision:	Yes
Background Papers:	Investment Strategy 2019 - 20, Cabinet Report 19 September 2019 Treasury Management mid-year update – Cabinet Report 14 Nov 2019 .
Officers to contact:	Lesley Tansey Head of Finance and Property Services (01509) 634828 lesley.tansey@charnwood.gov.uk Simon Jackson Strategic Director of Corporate Services (01509) 634699 simon.jackson@charnwood.gov.u

Part B

Background

1. The Capital Strategy is a requirement arising from the extant version of the 'Prudential Code'. This code is a statutory code of practice and was published by the Chartered Institute of Public Finance & Accountancy (CIPFA) taking effect from 1 April 2019. It was issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. Under that section local authorities are required to 'have regard' to 'such guidance as the Secretary of State may issue'.

2. The Council's treasury management activities also fall within the scope of the Prudential Code.

3. The Capital Strategy forms part of the Council's integrated revenue, capital and balance sheet planning. It sets out the long-term context in which capital expenditure and investment decisions are made, considers risks and rewards and the potential impacts on Council objectives

4. The Capital Strategy is an overarching strategy that encompasses the following aspects:

    - Capital expenditure and governance
    - Capital financing and the borrowing
    - Treasury management investments (essentially financial assets) set out within the Annual Investment Strategy
    - Commercial strategy – investment in non-financial assets (including commercial properties and prospective housing development)
    - Access to knowledge and skills (enabling the strategy to be delivered)
    - Treasury Management policy statement and practices (presented as a separate appendix)

5. The Treasury Management Strategy Statement, incorporating the Annual Investment Strategy, have been prepared in accordance with the revised code and accordingly include:

    - the treasury limits in force which will limit the treasury risk and activities of the council,
    - the Prudential and Treasury Indicators
    - the current treasury position
    - the borrowing requirement

- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- the use of external fund managers and treasury advisers
- Minimum Revenue Provision (MRP) Policy

Salient features of the proposed Capital Staregy for 2020/21

6. The most recent Medium Term Financial Strategy (due to be approved at the Council meeting of 20 January 2020) includes a transformation and efficiency plan that sets out a range of responses to the likely future financial challenges facing the Council. These include a more proactive approach to treasury management and prospective investments in commercial property. Delivering against this plan requires an update on the existing Capital Strategy as well as associated changes to the Council's Constitution.

7. The principal changes and matters of note proposed within the Strategies and other Appendices to this report are:

    - An amendment to the Annual Investment Strategy to increase counterparty limits on deposits with HSBC (the Council's bankers) to take advantage of an easily accessible term deposit at favourable interest rates (see Appendix B – B3)

    - An amendment to the Annual Investment Strategy to increase counterparty limits on deposits with Money Market Funds to easily deposit short term 1 day notice money (see Appendix B – B3)

    - An amendment to the Annual Investment Strategy to increase the maximum maturity period for local authority investments from 24 to 60 months (see Appendix B – B3)

    - An amendment to the Annual Investment Strategy to add Housing Associations (with adequate credit references) to the list of allowed non-specified investments, again to offer the potential of achieving greater investment returns (see Appendix B – B3)

- Other amendments to the Strategies to allow the development of a commercial property portfolio enabled by total borrowings of up to £25m including:
    - Uplift to the estimates of the Capital Financing Requirement (see Appendix B, section 2.2)
    - Increasing the allowed limits to borrowing and investment activity (see Appendix B, sections 3.2 and 4.4)
- Implementing a policy on MRP which specifically addresses prospective acquisitions of commercial property (see Appendix B, sections 2.4 and Appendix B (2))
- Amending the Financial Regulations and other elements of the Council's constitution to enable the Council to take advantage of commercial property opportunities on an efficient and timely basis (see Appendix C)

8. For the purposes of the Capital Strategy and other documents associated with this report it is assumed that the Council will target the development of a commercial property portfolio with the (approximate) acquisition value of £25m over the period to 31 March 2023. However, it should be noted that extant Capital Plans only have approval for commercial property acquisitions of a value up to £10m (notionally split as £5m in 2019/20 and £5m in 2020/21); increasing this amount will therefore require an amendment to the Capital Plan as and when this is considered appropriate.

9. In developing a commercial property portfolio it will be necessary to put detailed arrangements in place, including access to professional skills and resources, and defined processes setting out how individual opportunities will be evaluated and (if appropriate) purchased (or disposed). It may be noted that the intention is to present a further Cabinet report covering these specific matters in forthcoming months.

10. Advice has been obtained from the Council's treasury management advisers in developing the above proposals.

11. As stated in Part A, this report also requests that the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy together with the Prudential and Treasury Indicators, be approved and recommended to Council.

<u>Financing of the Environmental Services fleet</u>

12. As part of the process of developing the Capital Strategy and assessing future investment plans and borrowing need, the plan to finance the acquisition of the Council's Environmental Services fleet, as reflected in Minute 29 (4) of the Cabinet meeting of 13 September 2018, has been

reviewed. The decision of Cabinet was that the fleet be financed by a ‘50:50’ mix of external and internal borrowing. It remains possible that this precise mix of financing does prove optimal when the fleet has to be purchased (in June 2020) but Cabinet are asked (Part A, Recommendation 5.) to allow flexibility in the mix of financing used and therefore allow the fleet to be financed by the most advantageous method available to the Council.

Appendices

Appendix A:	Capital Finance Strategy
Appendix B:	Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy for 2019-20
	Sub appendices contained within this document:
	B (1) Economic background
	B (2) Minimum Revenue Provision
	B (3) Treasury Management Practice
	B (4) Approved countries for investment
	B (5) List of approved brokers for investment
	B (6) Current investments (snapshot at 6 January 2020)
	B (7) Treasury management scheme of delegation
	B (8) Treasury management role of the Section 151 Officer
Appendix C:	Proposed amendments to the Financial Regulations and other areas of the Constitution

Charnwood Borough Council

Capital Strategy

2020 – 2021

Foreword

The requirement for the Capital Strategy arises from the terms of the 'Prudential Code', a statutory code of practice. This second iteration of our Capital Strategy builds on our initial thinking and develops in more detail some of our plans and aspirations in the areas of capital planning, treasury management, new borrowing, and, in particular, our intention to develop a portfolio of commercial property to help us mitigate the financial challenges outlined in the latest version of our Medium Term Financial Strategy.

In that Medium Term Financial Strategy we outlined the likely financial challenges facing the Council and set out our responses to these within the transformation and efficiency plan that formed part of this document. Our plans include a more proactive approach to treasury management, prospective investments in commercial property and the development of commercial opportunities. We have aspirations to deliver housing through the mechanism of a Housing Development Company in order to meet the ongoing demand for new homes within our Borough and, more generally, to adopt a more proactive approach to commercialism and development. Enabling these initiatives require additional flexibility in the Council's treasury management and borrowing policies which are introduced within the Capital Strategy and associated Treasury Management Strategy.

This version of the Capital Strategy outlines important changes, in particular the anticipated use of prudential borrowing to support commercial investment and a more financially advantageous approach to refreshing the environmental services fleet. Security and liquidity will remain as key elements of the Council's treasury management approach, and we will always want to be prudent in the way that we manage our finances, but the anticipated challenges ahead point us towards a more proactive approach in the use of our financial assets.

Councillor Tom Barkley

Cabinet Lead Member for Finance & Property

February 2020

CAPITAL STRATEGY (INCLUDING TREASURY MANAGEMENT)

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

1. **Capital expenditure**; which includes an overview of the governance process for approval and monitoring of capital expenditure, including the Council's policies on capitalisation, and an overview of its capital expenditure and financing plans.

2. **Capital financing and borrowing**; provides a projection of the Council's capital financing requirement, how this will be funded and repaid. It therefore sets out the Council's borrowing strategy and explains how it will make prudent revenue provision for the repayment of debt should any borrowing be required.

3. **Treasury management investments**; explains the Council's approach to treasury management investment activities, including the criteria for determining how and where funds will be invested to ensure that the principal sums are safeguarded from loss and that sufficient liquidity is maintained to ensure that funds are available when needed.

4. **Commercial investments**; provides an overview of those of the Council's current and any potential commercial investment activities that count as capital expenditure, including processes, due diligence and defining the Council's risk appetite in respect of these, including proportionality in respect of overall resources.

5. **Knowledge and skills**; summarises the knowledge and skills available to the Council and provides confirmation that these are commensurate with the Council's risk appetite. Further details are provided in the following sections.

6. (Appendix B). **Treasury management policy statement and practices**; this is presented separately; it updates to the Council's Treasury Management Policy Statement and to its Treasury Management Practices. These set out the Council's policies, objectives and approach to risk management of its treasury management activities, and the manner in which it seeks to achieve its policies and objectives for treasury management.

1. Capital expenditure

Capitalisation policies

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

2. Expenditure is classified as capital expenditure when the resulting asset:
   - Will be held for use in the delivery of services, for rental to others, or for administrative purposes; and
   - Is of continuing benefit to the Council for a period extending beyond one financial year.

3. There may be instances where expenditure does not meet this definition, but would nevertheless be treated as capital expenditure. This is known as ‘Capitalisation’ and it is the means by which the Government, exceptionally, permits local authorities to treat revenue costs as capital costs. It allows exceptional revenue costs, that should be met from revenue resources to be treated as capital expenditure. Permission is given through capitalisation directions, which the Secretary of State can issue under section 16(2)(b) of the Local Government Act 2003.

4. The Council operates a de-minimis limit of £10,000 for capital expenditure. This means that items below this limit are charged to revenue rather than capital.

Governance

5. A three year Capital Plan is prepared by officers and approved by Council. Potential schemes are identified by Officers, in conjunction with Cabinet members, and supported by a Capital Application form. Following a process of review by senior officers a report is prepared for Cabinet with recommendations as to which schemes to include in the Plan, how the Plan would be funded and other elements such as risk and compliance with the Prudential Code.

6. Once adopted the three year Capital Plan is formally reviewed by Cabinet at the end of year two when Heads of Service are asked to submit proposals for the following three years. ‘Year three’ of the current plan would then become ‘year one’ of the new plan.

7. New schemes can only be added outside of this procedure where they are in substitution of existing schemes or have a separate source of funding so that the actual total level of the Plan would not increase.

8. All schemes of £50,000 in value or greater require Capital Appraisal and all procurement and contracting must adhere to the Contract Procedure Rules. The Section 151 Officer[1] makes recommendations to Cabinet as to whether funding should be released to allow new schemes to be included in the Capital Plan.

9. After the end of the financial year an outturn report detailing the total amount of capital expenditure incurred during the year is submitted to Cabinet by the Section 151 Officer.

10. Prior to the closure of the Council's accounts a report detailing the proposed method of funding the capital expenditure incurred is submitted to Cabinet by the Section 151 Officer as required by the Local Government & Housing Act 1989.

Current Capital Plan

11. The Council has a policy of preparing a three year Capital Plan, and then refreshing this every other year. Due to timings, there are at the time of drafting this strategy essentially two Capital Plans in existence. The first covering the financial years 2018/19 - 2020/21, was originally approved by Council on 26 February 2018 with the latest amendments approved by Cabinet at its meeting of 16 December 2019. There is also a 'new' capital plan covering financial years 2020/21 – 2022/23 which is due for approval by Council on 24 February 2020.

12. Assuming approval of the latter plan by Council, the Plans will be merged to create to single Plan from 1 April 2020.

13. In totality, in the period 1 April 2020 to 31 March 2023, capital expenditure is planned as follows:

General Fund	£33m
HRA	£29m

Amounts within the General Fund include £4.8m that is required to finance the purchase of the Environmental Services Fleet and £25m for the creation of a commercial property portfolio.

14. The Capital Plan is funded by a combination of the following sources:

Capital grants and contributions - amounts awarded to the Council in return for past or future compliance with certain stipulations.

Capital receipts – amounts generated from the sale of assets and from the repayment of capital loans, grants or other financial assistance.

Revenue contributions – amounts set aside from the revenue budget.

[1] The Council's statutory Finance Officer appointed under section 151 of the Local Government Act 1972; also known as the Chief Financial Officer

Prudential borrowing - In addition to the above the Council also has the option to borrow to fund capital expenditure. At this point in time the Council has not taken any borrowing to fund General Fund capital expenditure but some level of borrowing will now be required if the Council is to deliver its Capital Plan within the projected timescales.

15. The Council has taken out borrowing to fund the purchase of its housing stock (held within the Housing Revenue Account) from the Government under the 2012 Self-Financing Regime. This totals £79m.

16. Borrowing allows the Council to defer the funding of its capital expenditure so that it does not need to fund immediately from cash resources, but instead charges to the revenue budget over a number of years into the future.

17. The implications of financing capital expenditure from 'borrowing' are explained later on in Treasury Management Investments.

2. Capital Financing Requirement and borrowing

18. The Council is required by regulation to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (referred to as the 'Prudential Code') when assessing the affordability, prudence and sustainability of its capital investment plans. Fundamental to the prudential framework is a requirement to set a series of prudential indicators. These indicators are intended to collectively build a picture that demonstrates the impact over time of the Council's capital expenditure plans upon the revenue budget and upon borrowing and investment levels, and explain the overall controls that will ensure that the activity remains affordable, prudent and sustainable.

19. As referenced in the previous section, the Council's capital expenditure plans mean that it is highly likely that the Council will need to finance this expenditure using prudential borrowing. This is an important departure from historical practice and the implications of this approach are set out within Appendix B of this document set which details with prudential borrowing within the overall context of the Council's Capital Financing Requirement.

20. The full details of the Council's Capital Financing Requirement (CFR) position and the limits that have been set for borrowing and all the associated prudential indicators are provided In the Treasury Management Strategy Statement (Appendix B).

3. Treasury management investment

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

22. The Council's Treasury Management Strategy Statement (TMSS) covers 'specified investments' and loans to other local authorities. The policies are designed to comply with the Statutory Guidance on Local Government Investments ('the Guidance'), effective from 1 April 2018. The Council manages treasury operations in line with its TMSS, which in turn is in accordance with the guidance. The Council is required to review the TMSS on an annual basis.

23. The Guidance defines in detail what criteria an investment would meet to be categorised as 'specified' One of the criteria of specified investments is that the local authority has a contractual right to repayment within 12 months. Certain loans to other local authorities made by the Council have a term of up to two years (with an intention to increase the allowed maimum to five years), so do not fall strictly within the definition. However, the Council considers that management of this type of financial instrument should fall within the ambit of the TMSS.

CHANGES TO THE TREASURY MANAGEMENT STRATEGY FOR 2020/21

24. Interest rates are at historically low levels and are expected to remain so for several months ahead. In a continuation of the current direction, in which the Council has sought to increase returns from its treasury management activities.

25. Assuming an average fund under management of £50m, an increase in return by an average of 0.1%, this would generate additional income of £50,000 per annum.

26. Given the above the following amendments have been made to the TMSS:

- An amendment to increase counterparty limits on deposits with HSBC (the Council's bankers) to take advantage of an easily accessible term deposit at favourable interest rates (see Appendix B – B3)

- An amendment to the Annual Investment Strategy to increase counterparty limits on deposits with Money Market Funds to easily deposit short term one day notice money (see Appendix B – B3)

- An amendment to increase the maximum maturity period for local authority investments from 24 to 60 months (see Appendix B – B3)

- An amendment to add Housing Associations (with adequate credit references) to the list of allowed non-specified investments, again to offer the potential of achieving greater investment returns (see Appendix B – B3).

4. Commercial investments

27. The prolonged low interest rate environment has meant that treasury management investments have not generated significant returns. However, the introduction of the general power of competence has given local authorities far more flexibility in the types of activity they can engage in. These changes in the economic and regulatory landscape, combined with significant financial

challenges, have led many authorities to consider different and more innovative types of investment.

28. CIPFA has issued an update to its Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Treasury Management Code). One of the main changes introduced by the new Code is to require authorities to incorporate all of the financial and non-financial assets held for financial return in authorities' annual capital strategies.

29. Separately, the Ministry of Housing, Communities and Local Government has issued Statutory Guidance on Local Government Investments under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018.

30. As is the case for treasury activities, commercial investment should balance:

- Security – to protect the capital sums invested from loss
- Liquidity – ensuring the funds invested are available for expenditure when needed
- Returns – ensuring that the Council's investment ability is used effectively.

31. At present commercial investments of are primarily undertaken by the Council in order to generate income to support the delivery of a balanced budget. Such investments are only entered following a full assessment of the risks and having secured expert external advice (i.e. where it is relevant to do so).

32. Commercial investment may be defined quite widely and could include, for example:

- Commercial property investment held solely for the purposes of generating a financial return
- Investments in wholly owned companies and joint ventures (which maybe in the form of equity or loans)
- Wider scale and more ambitious regeneration projects
- Ad-hoc complex investments

33. The Statutory Guidance describes non-financial investment as being in non-financial assets held primarily or partially to generate a profit. Usually it will be expected that the underlying asset could be 'realised' to recoup the capital invested.

34. There are important aspects of financial reporting that Council's must be aware of. In terms of reporting it is necessary to state whether:

- The fair value of non-financial investments is sufficient to provide security against losses, and that the underlying assets provide adequate security for the originating capital investment

- Where the fair value is insufficient detail of mitigating actions should be provided to protect the capital invested

- Additionally, where the fair value assessment recognises a loss in the non-financial investment the subsequent Capital Strategy will need to reflect the impact of loss of security and the associated revenue consequences.

35. Fair value accounting in this context is covered by International Financial Reporting Standard 9, as modified by a five-year statutory override applicable to local authorities (covering financial years from 2018/19). The implication of the override is that if a local authority recognises a loss on investment then this will not impact on the general fund, or, therefore, on an authority's ability to set its budget. However, the override is (currently) time limited and a major downturn in the value of specific assets, or the property market generally, represents a clear risk in future financial periods.

36. The following paragraphs outline options open to the Council and sets out the strategic approach the Council intends to adopt in this area.

Commercial Investment properties

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

38. In considering its approach to investment properties the Council has to consider the application of parameters including:
    - Maximum and minimum cost of prospective acquisitions
    - The maximum proportion of the Council's investment assets that should be held in the form of investment properties
    - The balance of property assets held with different sectors of the market
    - Possible geographical limits on prospective acquisitions
    - Whether properties are acquired purely on commercial grounds or whether other policy objectives, such as regeneration, should also be taken into account
    - The required rental yield from properties held for investment

39. In the context of the Capital Strategy, the Council is planning to use capital to invest in property to produce a revenue return to sustain the delivery of key

services for the Borough's residents. This capital will, where available, be in the form of capital receipts and/or prudential borrowing.

40. Outlined below is the Commercial Property Investment Strategy which proposes a formal approach to invest in property that provides a positive surplus and financial return. This is achieved by buying property that has a tenant who pays rent to the owner of the property – the landlord. The tenant needs to be of good financial standing and the property and lease must meet certain standards such as being in a commercially popular location and have a number of years left on the lease providing a certain and contractually secure rental income into the future.

41. The Council may fund the purchase of the property by borrowing money – potentially from the Public Works Loans Board (funded by the Central Government). As the number of acquisitions increases purchases fianced by borrowing can be expected. The rental income paid by the tenant must exceed the cost of repaying the borrowed money each year. The annual surplus then supports the Council's budget position, and enables the Council to continue to provide services for local people.

42. Historically, property has proved to be one of, if not the best, investment in terms of capital growth over the last 50 years. If the Council owns the property for 20 years plus, and the property is managed and maintained appropriately, the Council should expect to see an increase in the value of the property as well as a net annual surplus of revenue.

43. Local authorities have very wide powers to acquire, sell, appropriate and develop land, such that it is rare to need to use the powers in the Localism Act 2011. Specific property related powers are very wide and include the following:
    a. Sections 120 to 123 of the Local Government Act 1972
    b. Section 227, Town and Country Planning Act 1990
    c. Section 233, Town and Country Planning Act 1990
    d. Local Authorities (Land) Act 1963 (development)
    e. Housing Act 1985
    f. Sections 24-26 Local Government Act 1988

44. There are various powers that would usually be sufficient for the Council to undertake any property acquisition, sale or related project in its area where at least part of the motivation is connected with the broad benefit or improvement of its area, as it is in the case of this strategy.

45. Section 120 of the Local Government Act 1972 to acquire land (inside or outside of their area) for the purposes of any of their functions, and then this gives us the power to borrow as contained in Section 1 of the Local Government Act 2003 - A local authority is empowered to borrow money for any purpose relevant to its functions under any enactment.

46. Each acquisition will be evaluated on its merits to consider the relevant purpose(s), legal powers, financial powers and any other implications. It is

planned that the details of the Council's evaluation process will be set out in Cabinet report prior to any property acquisitions being undertaken.

47. The strategy for 2020/21 is set out below:

STRATEGY FOR 2020/21 - INVESTMENT IN COMMERCIAL PROPERTY

An amount of £10m to expand the Council's commercial property portfolio has been added to the forthcoming capital plan. Looking at the financial challenges outlined within the latest version of the MTFS it is envisaged that the portfolio will grow to around £25m, with an additional £10m being added to the capital plan in 2021/22 and a further £5m in 2022/23.

This investment will be purely to generate investment returns to address the financial challenges outlined in the MTFS and to protect/support service delivery to residents.

No specific minimum or maximum will be applied to any single property investment, to avoid restricting the Council's actions should financially advantageous opportiunities present themselves. However, it is envisaged that acquistions, at least initially, will be in the range of £1m - £5m. It should also be noted that availability of funds set aside in the capital plan provide a natural limit on the cost of acquisitions.

The minimum gross yield acceptable will be based on extant commercial yields and informed by professional advice:

- Default minimum yield would be in line with benchmark commercial property yields (currently around 7%)
- After allowing for interest payments and MRP charge the target net return will normally be 3.5%
- In certain circumstances, a minimum net yield less than 3.5% may be acceptable and advantageous to the Council, particularly where risk balancing may be required. In the instance that a net yield less than 3.5% is achieved, the rationale for the departure will be clearly explained in the accompanying business case.

Generally, property acquisitions will be located outside of the Borough; this will allow the Council to act in the same way as a commercial landlord and not allow returns to be compromised by local non-commercial considerations.

Reserves will be created out of rental income to allow for the impact of:

- MRP requirements
- Allowance for void rental periods and landlord repair obligations

After creation of reserves, and taking account of actual or notional[2] borrowing costs, the target net yield expected on individual acquisitions , as noted above, will be 3.5% (based on current market conditions.

Appropriate independent professional advice will be sought for each property acquisition.

In order to act in a timely manner the Council's governance rules will be amended to allow more rapi decision making; details are set out at Appendix C of the Capital Strategy report.

At present it will be assumed that this funding is phased as an initial £10m to 31 March 2021, with a further £10m in 2021/22 and £5m in 2022/23.

Loans to local enterprises and third parties

48. Loans to local enterprises or partner public sector bodies could be considered, as part of a wider strategy for local economic growth, even though they may not

[2] In evaluating prospective acquisitions it will be assumed that borrowing costs will be incurred (whether or not borrowing is required); this is to allow like for like evaluation of acquisitions independent of financing.

all be seen as prudent if adopting a narrow definition of prioritising security and liquidity. Such loans could be considered as an option to generate a yield. There would need to be a set of criteria drawn up which would need to be met before any loan was given. These might include:

- Whether or not the loan has security
- The term of the loan
- The profile of capital repayments
- The credit rating of the counterparty
- That total financial exposure to this type of loan is proportionate
- An allowed 'expected credit loss' model for assessing credit risk is adopted[3]
- Appropriate credit control arrangements to cover overdue payments are in place
- The local authority has formally agreed the total level of loans by type that it is willing to make, and the total loan book is within that self-assessed limit.

49. The Council will not proactively seek to market loans to third parties but will consider offering loans to local enterprises, local charities, on a case by case basis, as and when approached.

50. The Council will also consider offering a loan, on a case by case basis, to any subsidiaries that may exist at a point time; in particular, this would apply should the Council have a subsidiary Housing Development Company.

51. The strategy in this area is set out below:

STRATEGY FOR 2020/21 – LOANS TO THIRD PARTIES AND SUBSIDIARIES

No money will be set aside within the Capital Plan unless and until a specific proposal is available for consideration.

Should an opportunity to offer a loan to a third party arise reports will be taken to Cabinet, and Council if required, to seek specific approval for that transaction.

All prospective debtor organisations will be either be located, or will have substantial operations, within the Borough.

Any asset created through the loan will be located within the Borough.

The purpose of the loan will support local economic growth as defined within the extant Corporate Plan.

The maximum total loan book the Council would manage will be £10m.

The maximum single loan to an individual organisation will be:

- Secured loan £5m

[3] As defined within International Financial Reporting Standard 9 – in broad terms the likelihood of a creditor defaulting in future must be considered in accounting for impairment (compared to previous Standards in which accounting was based on actually incurred losses)

- Unsecured loan £2m

The maximum total value of unsecured loans will be £4m.

Loans will be offered on a commercial basis with rates offered dependent on risk; unsecured loans will attract higher interest rates. Rates offered will be in accordance with independent professional advice

Due diligence will be carried out on prospective debtor organisations.

Generally, independent professional advice will be taken to ensure that the structure of loan finance offered, and the risk and return associated with that structure is appropriate.

Support for Subsidiaries

52. The Council does not currently have any wholly owned local trading or housing companies. Should the Council decide to form a subsidiary then Council could decide to provide the funding required to support these organisations. As with providing loans to local enterprises and third parties there would need to be a set of criteria drawn up which would need to be met before any loan was given. This would mitigate the risk of loss to the Council.

53. However, the Council is actively considering the creation of a Housing Development Company. It may be appropriate to invest directly in the equity of a Housing Development Company, rather than in the form of a loan, as described above. The basis of investment will be equivalent, as described below.

STRATEGY FOR 2020/21 - INVESTMENT IN A HOUSING DEVELOPMENT COMPANY

An amount of £10m to fund the HDC may be allocated within the capital plan – but no funding is allocated at present.

This funding *may* be in the form of an equity investment in the HDC, upon which dividends or and / or management fees will be due to the Council.

Pro tem it will be assumed that this funding is phased £5m in 2021/22 and £5m in 2022/23.

It is assumed that this funding be financed through Council borrowing, as and when investment is required.

At minimum, dividends and management fees will cover all of the Council's borrowing costs, in cases where the subsidiary company is wholly owned by the Council.

At minimum dividends and management fees will cover all of the Council's borrowing costs, plus a margin of in cases where a subsidiary company or joint venture is only partially owned by the Council.

Professional advice will be taken to ensure:

- Anyt loans are structured in the most advantageous way, having regard to risk, prospective returns, and tax implications
- MRP can be avoided or mitigated through the loan structure

Appropriate due diligence will be carried out on prospective partner organisations.

In total, the maximum investment in a HDC, whether by loan or equity investment, will be an amount of £10m.

Other commercial investments

54. Investment in other types of asset, or in larger and more complex arrangements, is not considered within this iteration of the Commercial Investment strategy. In practice, should opportunities arise, the Commercial Investment and Capital Strategies could be amended, subject to the approval of full Council, to allow emerging opportunities to be exploited. It can also be assumed that any significant investment would be subject to the specific approval by Cabinet.

5. Knowledge and Skills

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

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

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

6. Treasury management Policy Statement and Treasury Management Practices

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

APPENDIX B

Charnwood Borough Council

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2020/21

Including Commercial activities/non treasury activities

INDEX

1. INTRODUCTION

1.1 Background

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

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

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure),and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes (and subsequent releases) requires all local authorities to prepare a capital strategy report, which provides the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-financial investment, there should also be an explanation of why borrowing was required and why the borrowing is justified in the light of MHCLG Investment Guidance and the CIPFA Prudential Code.

If any non-financial investment sustains a loss during in a financial year, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

1.2.2Treasury Management reporting

The Council is required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a) **Prudential and treasury indicators and treasury strategy** (this report) - The first and most important report covers:
   - the capital plans (including prudential indicators);
   - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
   - an investment strategy (the parameters on how investments are to be managed).

b) **A mid-year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c) **An annual treasury report** – This provides details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee and the reports are also available for consideration by the Scrutiny Commission.

1.3 Treasury Management Strategy for 2020/21

The strategy for 2020/21 covers two main areas:

Capital issues

- Capital plans and prudential indicators;
- Minimum revenue provision (MRP) policy.

Treasury management issues

- current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Suitable training is provided for members on a periodic basis as part of the wider Member training programme. Officers are also available to train and advise members on an ad hoc basis outside of this programme if required. The training needs of treasury management officers are reviewed annually as part of the Personal Review process

1.5 Treasury management consultants

The Council uses Link Asset Services Treasury Solutions as its external treasury management advisors. The council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the service of our external service providers. All decisions will be undertaken with regards to all available information, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to access specialist skills and resources. Officers will ensure that the terms of appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The scope of investments within the Council's operations may include both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties in the future. The commercial type investments require specialist advisers, and the Council would appoint suitably qualified specialist advisers in relation to this activity when required.

2. THE CAPITAL PRUDENTIAL INDICATORS 2021/22-2022/23

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

The Council's capital expenditure plans are the key driver of Treasury Management activity. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure	2018/19 Actual £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'0003
General Fund	2,985	5,739	7,507	3,677	2,727
HRA	6,086	9,094	7,646	7,381	7,724
Commercial Investments	0	5,000	5,000	10,000	5,000
Total	9,071	19,833	20,153	21,058	15,451

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital Expenditure	2018/19 Actual £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Total Capital Expenditure as per above table	**9,071**	**19,833**	**20,153**	**21,058**	**15,451**
Financed by:					
Capital receipts	1,359	2,770	2,633	2,936	2,006
Capital grants	1,264	2,909	390	1,191	1,171
Capital reserves	1,732	5,495	3,189	3,189	3,189
Revenue Contributions	4,716	3,659	4,141	3,742	4,085
Net financing need internal/external borrowing	0	5,000	9,800	10,000	5,000
Total Funding	**9,071**	**19,833**	**20,153**	**21,058**	**15,451**

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). This is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR will not increase indefinitely if expenditure is funded by borrowing, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

It should be noted at that the Council has only taken borrowing to fund the HRA Self-financing to date, however a Cabinet report of 13 September 2018 approved the purchase of fleet of vehicles in 2020 of £4.8m that may be wholly or partially funded by borrowing. The funding options will be reviewed further prior to purchase. Also, an Investment Strategy report taken to Cabinet on 19 September 2019 projected borrowing of £10m for commercial property investment in 2019/20 and 2020/21, which means that the CFR will then increase (Net of MRP Charge). In anticipation of an amendment to the Capital Plan a further £10m has been assumed for commercial property investment for 2021/22 with a further £5m assumed for 2022/23. The resultant CFR projections are set out in the table below.

	2018/19 Actual £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Capital Financing Requirement					
CFR – General Fund - Fleet	0	0	4,800	4,200	3,600
CFR – HRA	81,820	81,820	81,820	81,820	81,820
CFR – Commercial Activites		5,000	9,934	19,799	24,528
Total CFR	**81,820**	**86,820**	**96,554**	**105,819**	**109,948**
Movement in CFR	**0**	**5,000**	**9,734**	**9,265**	**4,129**
Movement in CFR represented by					
Net financing need as per 2.1 for the year (above)	0	5,000	9,800	10,000	5,000
Less MRP and other financing movements	**0**	0	(66)	(735)	(871)
Movement in CFR	**0**	**5,000**	**9,734**	**9,265**	**4,129**

2.3 Core Funds and Expected investment balances

The application of resources (capital receipts, Capital Reserves, Revenue Contributions to Capital, Capital Grants) to finance Capital expenditure will have an ongoing impact on investments unless resources are supplemented each year by new resources (assets sales, grants etc). Detailed below are estimates of the year end balances held for each resource.

The current three year Capital plan runs through to 2020/21 and a new three year Capital plan starts in 2020/21 running to 2022/23[1]. Funding for this capital expenditure plus the additional £15m funding it is anticipated will be allocated for commercial property investment is funded as per table above in 2.1. Any additional proposals for capital expenditure will require a capital appraisal and business plan to be considered by Senior Leadership Team and Cabinet approval. The funding position is regularly reviewed and if there is a need to borrow, this will require a further appraisal and a revision to the Capital programme and the Treasury Management Strategy in year it will be brought back to full Council for approval.

2.4 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP).

[1] The plans will be merged once the new Capital Plan has been approved by Council

MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), VRP or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2020 the total VRP and overpayments were £0m.

The Council has for the General Fund a CFR requirement and therefore will need to make a MRP provision. As the Council is likely to fund capital expenditure from borrowing in the near future and as there is a statutory requirement to have an approved MRP Statement in place in advance for each year, an MRP policy has been included in this Treasury Management Strategy as Appendix B(2). Council is asked to adopt and approve the MRP policy statement.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the capital expenditure of the Council over the next 3 years. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet this service activity. This will involve both the management of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

One of the key indicators is that the Council's gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the following two financial years. This is to ensure that the Council conducts its activities within well-defined limits. Also the indicator allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes or speculative purpose.

The table below shows the forward projections for external debt against the underlying need to finance capital expenditure through borrowing or other long term liabilities, i.e. the CFR, highlighting any over or under borrowing.

	2018/19 Actual £'000	**2019/20 Estimate £'000**	**2020/21 Estimate £'000**	**2021/22 Estimate £'000**	**2022/23 Estimate £'000**
External Debt at 1 April	81,190	81,190	86,190	95,990	105,990
Expected change in Debt	0	5,000	9,800	10,000	5,000
Actual debt at 31 March	81,190	86,190	95,990	105,990	110,990
Capital Financing Requirement	81,820	86,820	96,620	106,620	111,620
Under/(over) borrowing	630	630	630	630	630

The table shows that the Council has complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments and existing plans. Within the above figures there is £25m debt that relates to new commercial activities and non-financial investment.

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary.

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Debt	81,190	81,190	81,190	81,190
Commercial Activities/Non-financial investments	15,000	15,000	25,000	30,000
Other long term liabilities	0	0	0	0
Total	**96,190**	**96,190**	**106,190**	**111,190**

The authorised limit for external debt.

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised

It should be noted that the authorised limit (as shown in the table below) has been set based on the current capital expenditure and funding plans. The Council has decided to take forward commercial investment plans as part of the investment Strategy report to Cabinet on 19th September and following this the authorisaton limits have increased by £15m, these were recommended to Council as part of the 14th November Treasury Management Mid year cabinet report, and it is also recommended that the limits increase further to cover projected additional borrowing in 2021/22 of £10m and £5m in 2022/23.

The authorised limit will be amended as follows (assuming the Capital Strategy is approved by Council) :

Authorised limit	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Debt	96,000	96,000	96,000	96,000
Commercial Activities/Non-financial investments	15,000	15,000	25,000	30,000
Other long term liabilities	0	0	0	0
Total	111,000	111,000	121,000	126,000

In October 2018 the Government published the “Limit of Indebtedness (Revocation) Determination 2018”. This removed the HRA debt cap which was £88,770k. This means that the HRA is able to determine its own level of borrowing in alignment with prudential guidelines. This means that it can borrow providing it can demonstrate that the interest and loan repayments are affordable, within the overall HRA.

3.3 Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

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	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	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	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

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 and the outcome of the general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then the MPC were likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a “gradual pace and to a limited extent”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate.

Bond yields / PWLB rates. There has been much speculation during 2019 that the bond market has gone into a bubble, as evidenced by high bond prices and remarkably low yields. However, given the context that there have been heightened expectations that the US was heading for a recession in 2020, 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.

During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. *(See paragraph 3.7 for comments on the increase in the PWLB rates margin over gilt yields of 100bps introduced on 9.10.19.)* 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 also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. 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. Changes in UK Bank Rate will also impact on gilt yields.

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 to other western economies.

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 that now makes it harder for central banks 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 overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

In addition, PWLB rates are subject to ad hoc decisions by **H.M. Treasury** to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9.10.19.

Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

3.4 Investment and borrowing rates

- In Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.
- Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management. Now that the gap between longer term borrowing rates and investment rates has materially widened, and in the long term Bank Rate is not expected to rise above 2.5%.
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.5 Borrowing strategy

As a result The Council is currently maintaining an under-borrowed position overall. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt. Instead cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Council will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances both internally and externally.

When the Council invests in commercial property it is likely that this will be funded by external borrowing in the long term. Although in the short to medium term the Council is able to temporarily utilise its cash balances as a short to medium term alternative to external borrowing i.e. internally borrow. This is considered to be an effective strategy at present as:

- It enables the Council to avoid significant external borrowing costs in the short to medium term (i.e. making it possible to avoid net interest payments); and
- It mitigates the risks associated with investing cash.

3.6 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.7 Debt rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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

However, rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

The Council currently has one long term market debt which matures in 2024 and it carries a current interest rate of 11.625%. The cost of replacing this debt is prohibitive and this position is unlikely to change in the next three years.

The £79.19m of HRA debt is at fixed interest rates and the twenty four loans are repayable from 2024 to 2061. Their maturity dates are set to match income and expenditure levels in the HRA Business Plan and they will be reviewed in line with that plan. However, the primary objective of the plan over the next few years is to invest in the Council's housing stock and this position is not expected to change in the near future. Therefore these debts are unlikely to be rescheduled over the next three years. All rescheduling will be reported to the Cabinet at either the half year or full year report stage.

3.8 Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

4. ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018
- The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

The above guidance from the MHCLG and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing

such as **“credit default swaps”** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 12B (3) under the categories of ‘specified’ and ‘non-specified’ investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments are revised from £25m to a total of £30m, (see paragraph 4.3).

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. **Transaction limits** are set for each type of investment in 4.2.

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

10. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

12. As a result of the change in accounting standards for 2018/19 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

    However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.
The above criteria has changed from last year due to a new investment Strategy.

Investment instruments identified for use in the financial year are listed in appendix 12B (3) under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices.

4.2 Creditworthiness policy

This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands*:*

Dark pink	Up to 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
Light pink	Up to 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
Purple	Up to 2 years
Blue	Up to 1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	Up to 1 year
Red	Up to 6 months
Green	Up to 100 days
No colour	not to be used

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch, other than the UK where the Council has set no limit. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 12B (4). This list will be added to, or deducted from by officers should ratings change in accordance with this policy.

4.4 Investment strategy

In-house funds - Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow (amend as appropriate), where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.

On the assumption that the UK and EU agree a Brexit deal by the end of 2019 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.25% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%
- Q1 2022 1.00%
- Q1 2023 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

2019/20	0.75%
2020/21	1.00%
2021/22	1.00%
2022/23	1.50%
2023/24	1.50%
2024/25	1.75%
Later years	2.25%

- 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.

- In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

Additionally the Council currently has loans to other Local Authorities and has invested in two property funds in 2018/19 following a selection process assisted by our Treasury Advisors Link. Both of these investment types are for periods of greater than 365 days and it is anticipated that returns on investments will be above the rates shown for the proportion of funding invested for these longer periods. Potential sums to be invested in this way are given below and the current snapshot of investments held for over 365 days is shown in Appendix 12B (6).

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 365 days			
£m	**2019/20**	**2020/21**	**2021/22**
Principal sums invested > 365 days	£25m	£30m	£30m

4.5. Investment risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio. For cash investments this will be the 3 month London Interbank Bid Rate (LIBID) which matches the weighted average time period of our current cash investments. Should the Council invest in Property Funds an appropriate additional benchmark will be added to measure the performance of these investments. This will be reported in the next available treasury report to Members.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

APPENDICES FOR APPENDIX 12B

B (1). Economic Background

B (2). Minimum Revenue Provision Policy

B (3). Treasury management practice 1 – credit and counterparty risk management

B (4). Approved Countries for Investment

B (5). Approved Brokers for investments

B (6). Current Investments as at 6th January 2020

B (7). Treasury management scheme of delegation

B (8). The treasury management role of the section 151 officer

APPENDIX B(1)

ECONOMIC BACKGROUND

UK. Brexit. 2019 has been a year 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 31 October, with or without a deal. However, in September, the Supreme Court overturned his proroguing of Parliament 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 could happen before the end of 2019. Despite Johnson agreeing a deal with the EU in mid October, 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 (25.10.19), the whole Brexit situation is highly fluid and could change radically by the day. Given these circumstances and the possibility that there could be an imminent general election, any interest rate forecasts are subject to material change as the situation evolves. If Parliament fully approves the withdrawal bill, 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 at some point in the coming year when there is little slack left in the labour market that could cause wage inflation to accelerate; this 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: the MPC would then be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, the MPC has relatively little room to make a big impact and it 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 the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction.

The first half of 2019 saw UK **economic growth** falling to -0.2% in quarter 2 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 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 since Boris Johnson became Prime Minister, the government has made significant statements 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 and September. 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 because 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. However, in the three months to August, employment swung into negative with a fall of 56,000, the first fall for two years. Unemployment duly rose from a 44 year low of 3.8% on the Independent Labour Organisation measure in July to 3.9%. Wage inflation also edged down slightly from a high point of 3.9% to 3.8% in August, (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 quarter 2 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 growth to a robust 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 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 intended 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. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn , whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt).

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 fell by -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 then 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 quantitative easing 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 was 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; 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;** (at its October meeting it said this would start in November at €20bn per month - a relatively small amount compared to the previous buying programme). 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 ‘growth friendly’ fiscal policy.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest 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 shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

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. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support (i.e. subsidies) to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.

The trade war between the US and China is a major concern to **financial markets** due to 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 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). There are also 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 predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has diminished.

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.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

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 as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed 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 either 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 coalition based on an 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. The SPD has done particularly badly in state elections since then which has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.

- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **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.

APPENDIX B(2)

MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

Under Regulation 27 of the 2003 Regulations, local authorities are required to charge MRP to their revenue account in each financial year. It should cover the gap between the Capital Financing Requirement (CFR) and grant income and capital receipts.

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (MRP). It is also allowed to undertake additional voluntary payments if desired (voluntary revenue provision - VRP). Any planned overpayments must be recorded clearly in the MRP statement.

MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year; hence, the inclusion of this policy within the Capital Strategy.

The Council is required to calculate in each financial year a prudent provision to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits (asset life). MRP cannot be negative, and can only be zero if the CFR is nil or negative, or if the charge is fully reduced by reversing previous overpayments. A maximum asset life of 40 years can be used, except freehold land which can be 50 years.

In calculating MRP the Council must base its calculation on methods set out within 'guidance' issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Under that section local authorities are required to 'have regard' to this guidance. The extant guidance distinguishes between borrowing incurred prior to 2008 and that incurred in subsequent years. The Council did not incur borrowing to finance assets prior to 2008 and hence its options on which its MRP calculation is based are restricted to Options 3. and 4. as set out in guidance, as below:

Option 3: Asset Life Method

Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the useful life of the asset.

There are two main methods by which this can be achieved, as described below.

(a) Equal instalment method

MRP is the amount given by the following formula:

A - B

C

Where:

A is the amount of capital expenditure in respect of the asset financed by borrowing or credit arrangements.

B is the total provision made before the current financial year in respect of that expenditure.

C is the inclusive number of financial years from the current year to that in which the estimated useful life of the asset expires.

(b) Annuity method

MRP is the principal element for the year of the annuity required to repay over the asset's useful life the amount of capital expenditure financed by borrowing or credit arrangements. The authority should use an appropriate interest rate to calculate the amount. Adjustments to the calculation to take account of repayment by other methods during repayment period (e.g. by the application of capital receipts) should be made as necessary.

Option 4: Depreciation method

MRP is deemed to be equal to the provision required in accordance with deprecation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements. This should include any amount for impairment charged to the income and expenditure accounts.

Selected Charnwood calculation methods

- For assets with a life of 10 years or less, the straight line asset life method (Option 3 (a)) will be used
- For assets with a life in excess of 10 years, the annuity asset life method (Option 3 (b)) will be used.

The asset life method calculation requires estimated useful lives of assets to be input in to the calculations. These life periods will be determined by the Council's Chief Financial Officer (this is the Council's designated s151 Officer, a role currently held by the Strategic Director of Corporate Services), with regard to the statutory guidance and advice from professional valuers if required.

The Chief Financial Officer may also determine that if, in their opinion, the straight line method is more prudent for an asset with a life in excess of 10 years then this option may be used.

Generally, the straight line asset life method is considered appropriately prudent for assets with a relatively short term life (such as most types of plant and equipment). Assets purchased with a longer life will usually be land and buildings and hence an annuity asset life method will be used reflecting that such assets will in practice have a value at the end of the designated asset life. One aspect of the annuity asset life method is that it generates MRP payments that are relatively low in early years which then increase over the asset life. This structure of MRP is well-suited to commercial properties as the increase in MRP could be expected (broadly) to mirror increasing rental income created by periodic rent reviews.

The designated asset life of land and buildings, including commercial property for investment purposes, will usually be set at 40 years, in accordance with the guidance and in common with other local authorities.

In line with the extant guidance MRP will be not be charged until the later of the year after capital expenditure is incurred or the year after the asset becomes operational

The calculation of MRP is also subject to the following details:

- An average asset life for each project will normally be used. There will not be separate MRP schedules for the components of a building (e.g. plant, roof etc.). Asset life will be determined by the Chief Finance Officer. A standard schedule of asset lives will generally be used (as stated in the Statement of Accounts accounting policies).
- MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets when expenditure is being financed from borrowing the MRP will be deferred until the year after the asset becomes operational.
- Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case, at the discretion of the Chief Finance Officer.

APPENDIX B(3)

TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year** with the exception of other Local Authorities which have a maximum of 2 years and investments in Property Funds which are longer-term investments. All investments will meet the minimum 'high' quality criteria where applicable.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories. The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria /	**** Max % of total investments/ £ limit per institution**	**Max. maturity period**
DMADF – UK Government	N/A	Unlimited	6 months
UK Government gilts	UK sovereign rating	Unlimited	12 months
UK Government Treasury bills	UK sovereign rating	Unlimited	12 months
Bonds issued by multilateral development banks	AAA	Unlimited	6 months
Money Market Funds (CNAV, LVAV & VNAV)	AAA	£10m any one institution and £30m in total	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	£7m any one institution and £18m in total	Liquid
Local authorities	N/A	£5m any one institution and £20m in total	5 Years
Property Funds	N/A	£5m in total	20 Years
Term deposits with banks and building societies	Purple	£8m any one institution and £12m in total	Up to 12 months
	Blue	£7m any one institution and £12m in total	Up to 12 months
	Orange	£8m & (£12m for HSBC only) any one institution and £25m in total	Up to 12 months
Term deposits with banks and building societies	Red	£8m any one institution and £40m in total	Up to 6 Months
	Green	£6m any one institution and £20m in total	Up to 100 days
	No Colour	Nil	Not for use

Non Specified Investments: In light of the current and forecast low interest rates on specified investments the Council included the opportunity to invest in established Property Funds run by Fund Managers in a previous Treasury Management Strategy. These funds are longer term investments (typically 2-5 years) and give potentially higher returns than more liquid investment categories. Investments totaling £5m have been made in Property Funds since 2018. These investments will form part of the £30m limit for investments of over 365 days duration.

The Council will also add investments with Housing Associations of up to £5m, for up to a two year period. Prior to this the Council will undertake a separate due diligence exercise to ensure they have the minimum credit rating requirement and generally satisfy the Council's lending policuies.

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, a review of the accounting implications of new transactions will be carried prior to any investment decision.

APPENDIX B(4)

APPROVED COUNTRIES FOR INVESTMENTS @14/11/2019

This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

AAA

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

AA+

- Finland
- U.S.A.

AA

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

AA-

- Belgium
- Qatar

List of Approved Brokers for Investments

The list below represents approved brokers that the Council will use to facilitate its investment strategy when necessary;

King and Shaxson

Tradition (UK) Ltd

RP Martin

Link Asset Services Agency Treasury Services

Current Investments as at 6th January 2020 (for information only).

For illustrative purposes only the Council's investments as at 6th January 2020 are set out below. Please note that these investments alter on a daily basis.

Institution	Colour	Amount invested £m	Transaction Limit	Maturity Date	Time Limit
National Westminster Bank PLC	Blue	4,000	7,000	05/02/2020	12 Months
Lancashire County Council	N/A	2,000	5,000	30/01/2020	5 Years
Wyre Forest District Council	N/A	2,000	5,000	09/10/2020	5 Years
Liverpool City Council	N/A	2,000	5,000	14/10/2020	5 Years
Santander	Red	8,000	8,000	180 Day Notice	6 Months
Sumitomo Mitsui Banking Corporation Europe	Red	3,000	8,000	13/01/2020	6 Months
Close Brothers	Red	5,000	8,000	24/04/2020	6 Months
Goldman Sachs international Bank	Red	2,500	2,500	35 Day Notice	6 Months
Goldman Sachs international Bank	Red	2,500	2,500	95 Day Notice	6 Months
Standard Chartered Bank	Red	3,000	8,000	183 Days	6 Months
Bank of Scotland	Orange	8,000	8,000	95 Days	12 Months
HSBC Bank	Orange	5,000	12,000	3 Months	12 Months
Money Market Funds	AAA Rated	13,840	18,000 in total	1 Day	12 Months
Property Funds	N/A	5,000	5,000 in total		240 Months
TOTAL		**65,840**			

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Cabinet

- approval of/amendments to the organisation's adopted clauses, treasury management policy
- statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing monitoring reports and acting on recommendations;

(iii) Audit Committee/Overview Scrutiny Board

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non- financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

APPENDIX C

Proposed amendments to the Financial Regulations and other areas of the Constitution

Proposed amendments to the Financial Regulations

Amendments are proposed to Section 16.5, 'Specific Financial Responsibilities' as set out below.

1. The heading, **'(b) Capital Expenditure'**, is modified to read, **'(b) Capital Expenditure, excluding Capital Expenditure in respect of commercial property acquired for investment purposes'**

2. A new heading (c) is inserted into the Financial Regulations entitled, **'(c) Capital Expenditure in respect of commercial property acquired for investment purposes.**

3. Text will be inserted under new heading (c) as follows:

> Periodically the Council will invest in commercial property for the purposes of making a financial return. Such investments (or divestments) may require actions in a time frame that is not naturally enabled by usual Council decision making processes. The standard processes in respect of Capital Expenditure are therefore modified in respect of commercial properties that are acquired for investment purposes.
>
> The Council approves the three-year Capital Plan. Funding for commercial property for investment purposes will be explicitly identifiable within the Capital Plan. Cabinet is able to make changes to the Capital Plan in respect of Capital Expenditure in respect of commercial property investment under the same conditions that apply to other capital expenditure.
>
> Executive decisions relating to the investment and release of funding for the purchase of individual commercial properties, providing available funding exists within the extant Capital Plan, will be delegated to the Leader, or another Cabinet Member to whom the Leader may delegate authority.
>
> Opportunity may allow the financially advantageous disposal of commercial properties. Approval of commercial property disposals will be delegated to the Leader or Cabinet Lead Member covering the finance portfolio, or other Cabinet Members to whom the Leader may delegate authority.

4. Subsequent headings under 16.5 will be re-referenced to reflect the insertion of new heading (c); hence, **'(c) Virement'** will become **'(d) Virement'**, etc. References within the body of the text will also be amended to reflect the insertion of the new heading.

5. **‘(f) Disposal of Assets’** will be re-referenced in line with the above and amended to read **‘(g) Disposal of Assets excluding commercial property assets that were acquired for investment purposes**.

The above changes require formal approval by Council as referenced in Recommendation 4. of this report

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Governance processes – for information

Financial Regulations

To enable the above changes to the Financial Regulations it will be necessary to update the Financial Procedure rules (a matter delegated to the Section 151 officer). It is intended that a summary of the updates will be presented to Cabinet at a forthcoming Cabinet report which will provide more detail covering the evaluation of opportunities and (potential) acquisition and disposal of commercial properties.

Delegation of Executive Functions

The nature of commercial property acquisitions is such that delegated authority will be required to complete transactions in a timely manner. Therefore arrangements for delegated executive authority will need to be put in place to enable the Strategic Director of Corporate Services to complete acquisition and disposal transactions in respect of commercial properties for investment purposes where approved funding exists within the Capital Plan (for acquisitions), and subject to pre-agreed procedures being undertaken.

Section 9E of the Local Government Act 2000 (as amended) gives authority to the Leader of the Council to arrange for Executive functions to be discharged by:

- himself/herself;
- the Cabinet;
- another Member of the Cabinet;
- a committee of the Cabinet, or
- an officer of the Council

The Leader of the Council can amend the scheme of delegation relating to Executive functions at any time. These decisions can take immediate effect, and the Constitution requires that they are reported to the next meeting of the Council.

Key Decisions and Exemption from Call-in

A key decision is an executive decision which is likely:

- To result in the council incurring expenditure which is, or the making of savings which are, significant having regard to our budget for the service or function to which the decision relates.

- To be significant in terms of its effects on communities living or working in an area comprising two or more wards in the borough

It is highly probable that any commercial property acquisition will exceed £150,000 in value, and therefore each purchase will be a key decision. However, due to the nature of the purchases being made (i.e. on the open market), it is unlikely that the required advance notice (28 days) for a key decision will be able to be given for each transaction, and therefore a General Exception notice will be published at least five days in advance of the proposed decision date.

In addition it would not be practical for the usual call-in arrangements for key decisions to be applied as any delay caused could result in a potential purchase falling through, and therefore it is proposed that the Chair of the Scrutiny Commission confer a blanket approval for decisions taken under this delegated authority to be exempted from Call-in under scrutiny procedure rule 11.9 within the Constitution. These arrangements will be put into place following approval of full Council and it is anticipated that the blanket approval from the Chair of the Scrutiny Commission be reviewed on an annual basis.

All cases of exemption from Call-in must be reported to the next relevant Council meeting, and this will ensure that Members are kept informed about each relevant acquisition that is made.

COUNCIL – 24TH FEBRUARY 2020

Report of the Cabinet

ITEM 6.3 NEW CAPITAL PLAN 2020/21 TO 2022/23

Purpose of Report

To seek approval of a new Capital Plan 2020/21 to 2022/23 and sources of funding.

Recommendation

That the new Capital Plan for 2020/21 to 2022/23 for the General Fund and HRA schemes, set out in Appendix 1 to the report of the Head of Finance and Property Services, is approved.

Reason

The new Capital Plan becomes the basis for capital spending by the Council for the next 3 years.

Policy Justification and Previous Decisions

Policy justification detailed in the attached Annex.

At its meeting on 13th February 2020, Cabinet considered a report of the Head of Finance and Property Services proposing a new Capital Plan 2020/21 to 2022/23 and sources of funding, for recommendation to Council. That report is attached as an Annex. The following minute extract details Cabinet's consideration:

"81. NEW CAPITAL PLAN 2020-21 TO 2022-23

Considered, a report of the Head of Finance and Property Services to consider a new Capital Plan 2020/21 to 2022/23 and sources of funding, for recommendation to Council (item 9 on the agenda filed with these minutes).

The Head of Finance and Property Services assisted with consideration of the report.

***RESOLVED** that the new Capital Plan for 2020/21 to 2022/23 for the General Fund and HRA schemes, set out in Appendix 1 to the report of the Head of Finance and Property Services, is approved and **recommended to Council**.*

Reason

The new Capital Plan becomes the basis for capital spending by the Council for the next 3 years."

Implementation Timetable including Future Decisions and Scrutiny

As detailed in the attached Annex.

Report Implications

As detailed in the attached Annex.

Key Decision:	Yes
Background Papers:	No additional background papers.
Officer to Contact:	Lesley Tansey Head of Finance and Property Services 01509 634828 lesley.tansey@charnwood.gov.uk

ANNEX

CABINET – 13TH FEBRUARY 2020

Report of the Head of Finance and Property Services

Lead Member: Councillor Tom Barkley

Part A

ITEM CAPITAL PLAN 2020/21 TO 2022/23

Purpose of Report

That the new Capital Plan 2020/21 to 2022/23 and sources of funding be approved and recommended to Council.

Recommendation

That the new Capital Plan for 2020/21 to 2022/23 for the General Fund and HRA schemes set out in Appendix 1 is approved and recommended to Council.

Reason

The new Capital Plan becomes the basis for capital spending by the Council for the next 3 years.

Policy Justification & Previous Decisions

The Council's Capital Plan is an integral element of all policies. The draft report was reported to Budget Scrutiny Panel on the 4th December 2019 and Cabinet on the 16th December 2019 and a consulatation peiord from 17th December 2019 to 15th January 2020. There are no changes from the draft report to this report.

Implementation Timetable including Future Decisions and Scrutiny

The new Capital Plan will be considered by Council on 24 February 2020. Provided it is approved, the new Capital Plan will come into effect on 1 April 2020.

Any changes to the Plan after 1 April 2020 will then be considered by Cabinet, and Council if necessary, as part of the Capital Plan Amendment process. These reports are also available for scrutiny by the Scrutiny Commision and the Corporate Services Scrutiny Committee.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no direct financial implications from approving this report for consultation. However, if the final report is approved then there will be financial implications for the Council and these are set out in Part B of this report. Overall, the Capital Plan will be fully funded through the use of revenue and capital resources.

Risk Management

There are no specific risks associated with the decision Cabinet is being asked to make. However, the risks associated with the eventual adoption of the new Capital Plan and the actions planned to mitigate those risks are set out in the table below:

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
Insufficient funding	Remote (1)	Major (4)	Low (4)	The funding of the Capital Plan is regularly monitored and any apparent shortfalls are brought to the attention of Cabinet with suggested solutions
General Risks associated with capital expenditure	Unlikely (2)	Serious (3)	Moderate (6)	The Capital Plan is controlled through Capital Monitoring & Senior Management Team and Cabinet.

Equality and Diversity

There are no specific Equalities & Diversity issues affecting the recommendation in this report, though any such issues affecting particular schemes will be considered as part of those schemes' formal appraisal.

Sustainability

As with other items above, there are no direct sustainability issues affecting the recommendation, but any affecting specific schemes will be considered as part of the appraisal of those schemes.

Key Decision: Yes

Background Documents: None

Officers to Contact: Lesley Tansey, 01509 634848
lesley.tansey@charnwood.gov.uk

Part B

Background

1. The Council operates the Capital Plan on a three year basis to reflect the longer term nature of capital expenditure and in accordance with best practice. Heads of Service held discussions with their Lead Members and Directors before submitting Capital Appraisals to the Senior LeadershipTeam (SLT) for initial appraisal. These appraisal forms cover areas such as ‘spend to save’ schemes, replacement of an existing asset, scheme affordability, scheme achievability etc. Schemes are categorised as either live, Committed or Third party schemes. Live schemes are project managed by Charnwood Borough Council, Committed schemes are scheme committed in principal but required further consideration in order to commence and third party schemes are fully funded by external resources.

2. These schemes were considered by SLT and from this appraisal process a New Capital Plan for 2020/21 to 2022/23 was produced for the General Fund and HRA included in Appendix 1 .

3. Cabinet should note that only limited information is available at present and the costings and income generation/savings for the new schemes are on ‘best estimate’ basis. Firm quotations or tender prices have not been obtained at this stage.

New Capital Plan 2020/21 to 2022/23

4. The tables below show a summary of the schemes, split between General Fund and Housing Revenue Account schemes, and the anticipated funding positions. The General Fund, Table 1 excludes schemes in the current approved Capital Plan and includes those schemes recommended for inclusion in the draft new 3 year capital plan. Table 2, shows all the Housing Revenue Account schemes and it should be noted that these schemes are fully funded.

Table 1

	2020/21	2021/22	2022/23	TOTAL
	£'000	£'000	£'000	£'000
General Fund				
Gross Cost of Schemes	2,707	3,677	2,727	9,111
Total Cost	**2,707**	**3,677**	**2,727**	**9,111**
Anticipated External Funding	390	1,191	1,171	2,752
CBC Capital Receipts	2,317	2,486	1,556	6,359
Total Funding	**2,707**	**3,677**	**2,727**	**9,111**

5. The New Plan Schemes are set out in more detail in Appendix 1.

6. Table 1 shows total proposed schemes of £9.1m requiring council capital receipts funding of £6.3m. As at 31 March 2023 there will be approximately £11.9m capital receipts estimated in balances therefore the new plan is fully affordable from within current resources. This assumes that there are no major capital receipts during the three years of the plan as there are currently no potential disposals firm enough to be included. It should be noted that the costs shown above are estimates made by the relevant services and do not reflect firm quotes or tender prices.

7. Anticipated External Funding is in respect of grants and capital contributions which are expected over the next three years. It should be noted that the grants are scheme specific and cannot be used to fund other schemes.

8. There is approximately £1.2m in the Capital Plan Reserve that can be used for either Capital or Revenue one off expenditure.

Table 2

	2020/21	2021/22	2022/23	TOTAL
	£'000	**£'000**	**£'000**	**£'000**
Housing Revenue Account				
Gross Cost HRA Schemes	7,646	7,381	7,724	22,751
Total Cost	**7,646**	**7,381**	**7,724**	**22,751**
Revenue Contribution to Capital	4,141	3,742	4,085	11,968
Capital Receipts	316	450	450	1,216
Major Repairs Reserve/HRA Finance Fund	3,189	3,189	3,189	9,567
Total Funding	**7,646**	**7,381**	**7,724**	**22,751**

9. Appendix 1 shows all of the HRA schemes for the capital plan period including new schemes, existing schemes and changes to existing schemes.

10. The Major Repairs Reserve, or equivalent, effectively represents the amount set aside for depreciation each year and this becomes a cash amount that will be spent on capital works. As at 1 April 2019 there is £3.9m uncommitted in the Major Repairs Reserve. The Housing Revenue Account report shows that in 2020/21 the depreciation budget is £3,189k and the RCCO budget is £4,141k. It can be reasonably assumed that these levels will continue for 2021/22 and 2022/23 so the plan is fully funded.

11. The level of capital expenditure will be set so as to ensure that the housing stock is kept in good repair and at a level that allows the Council to service the £79.19m borrowing that it undertook to pay the government in March 2012. As such the HRA Capital Plan will be adequately funded over the three years.

Prudential Code

12. In order to comply with the Prudential Code capital expenditure must be affordable in the long term, and therefore sustainable, which requires that the decision making process must be prudent. The revenue impact of the capital expenditure must be contained within the forward plans of the authority which provides a level of Council Tax that the Council considers acceptable. Implementation of the proposed General Fund Capital Plan would result in net revenue savings and therefore is in line with the proposed Revenue Budget and the Medium Term Financial Strategy.

13. Consideration has been given to undertaking prudential borrowing in order to fund General Fund capital expenditure. However, this would incur additional revenue costs for both interest and repayments which the council would have to be able to fund as well as the savings programme which is required to continue to fund services in the light of reduced central government funding. In view of this and as set out in the current Medium Term Financial Strategy, the Council does not intend to undertake any such material borrowing in the medium term.

14. Risk Management

    There are no specific risks associated with the decision Cabinet is being asked to make. However, the risks associated with the eventual adoption of the new Capital Plan and the actions planned to mitigate those risks are set out in Part A of this report.

<u>Appendices</u>

A list of schemes together with brief explanations is attached at Appendix 1.

New Capital Plan 2020/21 - 2022/23

Head of Service	Scheme Name	Expenditure 2020/21	Expenditure 2021/22	Expenditure 2022/23	Expenditure Total	External Funding 2020/21	External Funding 2021/22	External Funding 2022/23	External Funding Total	Net CBC Funding 2020/21	Net CBC Funding 2021/22	Net CBC Funding 2022/23	Net CBC Funding Total	3 Year Revenue Savings Total	3 Year Revenue Costs Total	Scheme overview
		£	£	£	£	£	£	£	£	£	£	£	£	£	£	
	General Fund															
	Directorate of Housing, Planning & Regeneration and Regulatory Services															
	Live Schemes															
A Simmons	Disabled Facilities Grants	-	1,058,000	1,058,000	2,116,000	-	1,058,000	1,058,000	2,116,000	-	-	-	-	-	-	Adaptations and alterations to allow residents to continue living at home.
A Simmons	Private Sector Housing Grants	-	75,000	75,000	150,000	-	-	-	-	-	75,000	75,000	150,000	-	-	Assist the most vulnerable people living in the Private Sector in conjunction with the Private Sector Housing Grants Policy.
	Committed Schemes															
R Bennett	Bedford Square Gateway	890,000	500,000	-	1,390,000	390,000	-	-	390,000	500,000	500,000	-	1,000,000	-	-	To improve the quality of the public realm in Bedford Square, Wards End and Devonshire Square with better pedestrian connectivity to the Cattle Market.
R Bennett	Carbon Neutral Action Fund - Block Sum	500,000	500,000	500,000	1,500,000	-	-	-	-	500,000	500,000	500,000	1,500,000	-	-	Part of a 10 year action plan to deliver the Council's aspiration to be carbon neutral by 2030.
Directorate of Housing, Planning & Regeneration and Regulatory Services - Total		**1,390,000**	**2,133,000**	**1,633,000**	**5,156,000**	**390,000**	**1,058,000**	**1,058,000**	**2,506,000**	**1,000,000**	**1,075,000**	**575,000**	**2,650,000**	**-**	**-**	
	Directorate of Community Wellbeing															
	Live Schemes															
J Robinson	CCTV	-	45,000	45,000	90,000	-	-	-	-	-	45,000	45,000	90,000	-	-	Replacement CCTV cameras.
S Wright	Loughborough Town Hall - Lower Level Elevation Repairs & Feasibilty Study	40,000	-	-	40,000	-	-	-	-	40,000	-	-	40,000	-	-	Condition survey identified several improvements required to the frontage of the building.
S Wright	Town Hall - Victorial Room - Air Handling	50,000	-	-	50,000	-	-	-	-	50,000	-	-	50,000	-	-	Installation of air handling units in the roof void.
S Wright	Town Hall - additional seating	75,000	150,000	-	225,000	-	-	-	-	75,000	150,000	-	225,000	70,000	-	Increase the number of seats at the Town Hall by 60 seats.
S Wright	Lighting strategy to support the Masterplan lane strategy - feasiblity study	10,000	-	-	10,000	-	-	-	-	10,000	-	-	10,000	-	-	Lighting strategy to support the Masterplan lane strategy - feasiblity study
M Bradford	Loughborough Playground Improvement Plan	-	50,000	50,000	100,000	-	-	-	-	-	50,000	50,000	100,000	-	-	Resurface play areas from rubber crumb to artificial grass. Recent studies, in America, show there may be a link with recycled crumb material and childhood cancers.
M Bradford	Queens Park - Improvements to Childrens Play Provision & Adult Recreation Provision	-	100,000	105,000	205,000	-	-	-	-	-	100,000	105,000	205,000	-	-	Improvements include basket swing refurbishment, new outdoor gym, infrastructure improvements to Maze, Aviary, resurfacing footpaths and flood mitigation.
M Bradford	Allotment Improvements	35,000	-	-	35,000	-	-	-	-	35,000	-	-	35,000	-	-	Works to include site security, signage and DDA compliance access to plots.
M Bradford	Loughborough in Bloom - Biodiversity Improvements	20,000	-	-	20,000	-	-	-	-	20,000	-	-	20,000	-	-	Environmental and landscape improvements to main road corridors into Loughborough to create attractive "Bee Highways".
M Bradford	Charnwood Water - Access Improvements	40,000	-	-	40,000	-	-	-	-	40,000	-	-	40,000	-	-	Surfacing and enhancement of circular walkway around the lake to provide multi-user access for residents.
M Bradford	Community Tree Planting & Establishment	25,000	25,000	-	50,000	-	-	-	-	25,000	25,000	-	50,000	-	-	Plant 100,000 trees over the next four years to make Charnwood one of the greenest Borough's.
M Bradford	Jubilee Walk, Shepshed - surfacing & enhancement	-	50,000	-	50,000	-	25,000	-	25,000	-	25,000	-	25,000	-	-	Surfacing and enhancement of circular walkway around the lake to provide multi-user access for residents between Charnwood Raod and Tickow Lane.
M Bradford	Moat Road - Multi Use Games Area & Play Improvements	-	40,000	-	40,000	-	-	-	-	-	40,000	-	40,000	-	-	Refurbishment of existing play area and resurfacing adjacent car park.
M Bradford	Morley Quarry - access works	-	50,000	-	50,000	-	25,000	-	25,000	-	25,000	-	25,000	-	-	Creation of circular surfaced waymarked trail.
M Bradford	Queens Park Aviary Improvements	20,000	-	-	20,000	-	-	-	-	20,000	-	-	20,000	-	-	Essential infrastructure improvements and enhancements to the building indenfitied by the annual condtion survey.
M Bradford	Playing Pitch Strategy Action Plan	60,000	100,000	140,000	300,000	-	-	-	-	60,000	100,000	140,000	300,000	-	-	Maintain sports grounds in Loughborough.
M Bradford	Closed Churchyard Wall	25,000	25,000	-	50,000	-	-	-	-	25,000	25,000	-	50,000	-	-	Maintenance of walls, fences and other structures within the churchyards.
M Bradford	Lodge Farm - Multi Use Games Area	-	80,000	-	80,000	-	-	-	-	-	80,000	-	80,000	-	-	Ball Court/Multi Use Games Area to maintain provision in the South West of Loughborough.
M Bradford	Parish Green Masterplan	5,000	70,000	-	75,000	-	-	-	-	5,000	70,000	-	75,000	-	-	Restoration and enhancement of Loughborough's Parish Green, comprising of All Saints church and churchyard, Rectory Wildlife Garden, Fearon Hall and Rectory Museum.
M Bradford	Park Road Access Resurfacing	60,000	-	-	60,000	-	-	-	-	60,000	-	-	60,000	-	-	Resurfacing car park and markings and resurface access to car park.
M Bradford	Delivery of Open Space Strategy	20,000	20,000	20,000	60,000	-	-	-	-	20,000	20,000	20,000	60,000	-	-	Feasibility Study

New Capital Plan 2020/21 - 2022/23

Head of Service	Scheme Name	Expenditure 2020/21	Expenditure 2021/22	Expenditure 2022/23	Expenditure Total	External Funding 2020/21	External Funding 2021/22	External Funding 2022/23	External Funding Total	Net CBC Funding 2020/21	Net CBC Funding 2021/22	Net CBC Funding 2022/23	Net CBC Funding Total	3 Year Revenue Savings Total	3 Year Revenue Costs Total	Scheme overview
		£	£	£	£	£	£	£	£	£	£	£	£	£	£	
J Robinson	Charnwood Community Facilities Grants	-	20,000	20,000	40,000	-	-	-	-	-	20,000	20,000	40,000	-	-	Grants to community organisations and Parish/Town Councils to support the renovation and improvement of community buildings which enhance access by the local communities they serve.
J Robinson	Member Grants - Members Choice	26,000	26,000	26,000	78,000	-	-	-	-	26,000	26,000	26,000	78,000	-	78,000	Councillors allocated £1k each to fund local community projects within their ward. There is also an equivalent revenue budget request of £26k per annum.
	Third Party Schemes															
M Bradford	Allendale Road - Public Open Space Improvements	-	82,800	-	82,800	-	82,800	-	82,800	-	-	-	-	-	-	Additional youth equiment/facilities and open space area improvements. Project fully funded by S106 contributions.
M Bradford	Farnham Road Public Open Space Improvements	-	-	113,000	113,000	-	-	113,000	113,000	-	-	-	-	-	-	Installation of Multi Use Games Area and improvements to existing public open space - fully funded from S106 contributions.
	Community Wellbeing - Total	**511,000**	**933,800**	**519,000**	**1,963,800**	**0**	**132,800**	**113,000**	**245,800**	**511,000**	**801,000**	**406,000**	**1,718,000**	**70,000**	**78,000**	
	Directorate of Corporate Services															
	Live Schemes															
L Tansey	Unit4 Agresso Upgrade	12,000	35,000	-	47,000	-	-	-	-	12,000	35,000	-	47,000	-	-	Reports upgrade and moving to next milestone during 2021-22.
L Tansey	Planned Building Improvements	500,000	500,000	500,000	1,500,000	-	-	-	-	500,000	500,000	500,000	1,500,000	-	-	Planned Improvements to Council owned Buildings
A Ward	Legal Case Management System	20,000	-	-	20,000	-	-	-	-	20,000	-	-	20,000	-	-	New system required to support modern working practices and integration with other council systems and software.
K Barnshaw	Server Redesign	70,000	-	-	70,000	-	-	-	-	70,000	-	-	70,000	16,000		Server Redesign
K Barnshaw	Hardware Replacement Programme	-	45,000	45,000	90,000	-	-	-	-	-	45,000	45,000	90,000	-	-	Replacement of ageing current devices and continue rollout of end-user devices to support Office365, Windows 10 and future upgrades, procurement of hardware infrastructure and delivery of mobile functionality/devices.
K Barnshaw	Infrastructure Development	-	30,000	30,000	60,000	-	-	-	-	-	30,000	30,000	60,000	-	-	CBC network, switches, servers and security enhancements. Support to an effective ICT infrastructure which is crutial to front line and back office services.
K Barnshaw	Cloud Implementation	194,000	-	-	194,000	-	-	-	-	194,000	-	-	194,000	-	213,000	Implementation of selected Cloud computing model to support entire IT environment, including CCTV infrastructure.
K Barnshaw	Meeting Rooms - presentation screens	10,000	-	-	10,000	-	-	-	-	10,000	-	-	10,000	-	-	Insatallation of screens in the remaining identified meeting rooms.
	Corporate Services - Total	**806,000**	**610,000**	**575,000**	**1,991,000**	**-**	**-**	**-**	**-**	**806,000**	**610,000**	**575,000**	**1,991,000**	**16,000**	**213,000**	
	Total General Fund Schemes	**2,707,000**	**3,676,800**	**2,727,000**	**9,110,800**	**390,000**	**1,190,800**	**1,171,000**	**2,751,800**	**2,317,000**	**2,486,000**	**1,556,000**	**6,359,000**	**86,000**	**291,000**	
	HRA															
	Directorate of Housing, Planning & Regeneration and Regulatory Services															
	Live Schemes															
A Simmons	Acquisition of Affordable Housing to meet housing need	1,053,900	1,500,000	1,500,000	4,053,900	-	-	-	-	1,053,900	1,500,000	1,500,000	4,053,900	-	-	Acquisition of properties to increase the supply of Affordable Homes for Rent.
Following HRA schemes replace what is already in the Capital Plan for 2020/21:-																
P Oliver	Major Adaptations	450,000	450,000	450,000	1,350,000	-	-	-	-	450,000	450,000	450,000	1,350,000	-	-	Installing major adaptations for disabled tenants such as ramps, rails, lighting and other general works. This includes remodelling bathrooms and installing level access showers, altering property layouts, extension, thorough the floor lifts and other major adaptations.
P Oliver	Stairlifts	60,000	80,000	80,000	220,000	-	-	-	-	60,000	80,000	80,000	220,000	-	-	Installation or upgrade of stairlifts to meet needs of occupants. Lift users will be safer, more independent and more likely to stay in their homes
P Oliver	Minor Adaptations	50,000	50,000	50,000	150,000	-	-	-	-	50,000	50,000	50,000	150,000	-	-	Minor adaptations for disabled tenants such as hand rails and other general works to support vulnerable people live independently in their homes
P Oliver	Major Voids	280,000	280,000	280,000	840,000	-	-	-	-	280,000	280,000	280,000	840,000	-	-	Carrying out major works to void properties including kitchens, bathrooms, damp and other works to meet the fit to let standard. Works support the delivery of the Decent Homes Standard and the Charnwood Standard

New Capital Plan 2020/21 - 2022/23

Head of Service	Scheme Name	Expenditure 2020/21	Expenditure 2021/22	Expenditure 2022/23	Expenditure Total	External Funding 2020/21	External Funding 2021/22	External Funding 2022/23	External Funding Total	Net CBC Funding 2020/21	Net CBC Funding 2021/22	Net CBC Funding 2022/23	Net CBC Funding Total	3 Year Revenue Savings Total	3 Year Revenue Costs Total	Scheme overview
		£	£	£	£	£	£	£	£	£	£	£	£	£	£	
	Decent Homes															
P Oliver	Kitchens	400,500	580,500	598,500	1,579,500	-	-	-	-	400,500	580,500	598,500	1,579,500	-	-	Replacement of kitchens to meet the Charnwood and Decent Homes Standards
P Oliver	Bathrooms	915,000	787,800	1,186,600	2,889,400	-	-	-	-	915,000	787,800	1,186,600	2,889,400	-	-	Replacement of bathrooms to meet the Charnwood and Decent Homes Standards
P Oliver	Electrical Upgrades	200,000	290,000	290,000	780,000	-	-	-	-	200,000	290,000	290,000	780,000	-	-	Electrical Upgrades to meet the Charnwood and Decent Homes Standards
P Oliver	Window Replacement	35,000	195,000	40,000	270,000	-	-	-	-	35,000	195,000	40,000	270,000	-	-	Replacement of windows to meet the Charnwood and Decent Homes Standards
P Oliver	Heating	439,300	331,200	411,700	1,182,200	-	-	-	-	439,300	331,200	411,700	1,182,200	-	-	Replacement of heating systems and boilers to meet the Charnwood and Decent Homes Standards
P Oliver	Sheltered housing improvements	200,000	200,000	200,000	600,000	-	-	-	-	200,000	200,000	200,000	600,000	-	-	Replacement of heating systems and boilers at sheltered accommodation to meet the Charnwood and Decent Homes Standards
P Oliver	Door Replacement	1,000,000	300,000	300,000	1,600,000	-	-	-	-	1,000,000	300,000	300,000	1,600,000	-	-	Replacement of doors to meet the Charnwood and Decent Homes Standards
P Oliver	Roofing Works & Insulation	650,000	650,000	650,000	1,950,000	-	-	-	-	650,000	650,000	650,000	1,950,000	-	-	Re-roof properties due to poor condition or emergency dilapidations.
P Oliver	Major Structural Works	250,000	250,000	250,000	750,000	-	-	-	-	250,000	250,000	250,000	750,000	-	-	Major structural improvement works at properties suffering from subsidence or other building defects.
	Compliance															
P Oliver	Asbestos Removal	150,000	150,000	150,000	450,000	-	-	-	-	150,000	150,000	150,000	450,000	-	-	Removal of asbestos from properties, or other action as appropriate to manage the risks associated with asbestos
P Oliver	Communal Area Improvements	200,000	200,000	200,000	600,000	-	-	-	-	200,000	200,000	200,000	600,000	-	-	Undertake improvements to communal areas including flooring, painting, renewal of bannisters and other fixtures. Communal areas in some locations are in poor condition.
P Oliver	Communal Area Electrical Upgrades	200,000	200,000	200,000	600,000	-	-	-	-	200,000	200,000	200,000	600,000	-	-	Electrical upgrades at communal areas to meet the Charnwood Standard. These works include (but are not limited to) installation of emergency lighting and LEDs
P Oliver	Smoke/CO & Heat Detection	30,000	30,000	30,000	90,000	-	-	-	-	30,000	30,000	30,000	90,000	-	-	Installation of carbon monoxide alarms and upgrades from battery to hard wired alarm systems
P Oliver	Fire Safety Works	300,000	100,000	100,000	500,000	-	-	-	-	300,000	100,000	100,000	500,000	-	-	Works to reduce the risk posed by fire, including new installations or replacement of fire doors and fire resistant windows
	General Capital Works															
P Oliver	Mobility Scooter Storage	15,000	15,000	15,000	45,000	-	-	-	-	15,000	15,000	15,000	45,000	-	-	Mobility scooters when driven through and stored in communal areas are a fire hazard. Alternative options including on site mobility storage maybe needed in order to advance the Council's policy around mobility scooters
P Oliver	Garages	50,000	25,000	25,000	100,000	-	-	-	-	50,000	25,000	25,000	100,000	-	-	Capital works on garages in order to maintain the rental income stream
P Oliver	Door Entry Systems	200,000	200,000	200,000	600,000	-	-	-	-	200,000	200,000	200,000	600,000	-	-	To provide doors and door entry mechanisms to communal areas where there are currently none and there is an identified need for their installation or where the existing door and door entry systems requires upgrading
P Oliver	Estate and External Works	205,000	205,000	205,000	615,000	-	-	-	-	205,000	205,000	205,000	615,000	-	-	Estate improvement works including those related to the provision and upgrade of footpaths, car parks and fencing
P Oliver	Housing Capital Technical Costs	312,000	312,000	312,000	936,000	-	-	-	-	312,000	312,000	312,000	936,000	-	-	Capitalisation of the relevant revenue elements of salaries for those working on implementing the capital plan.
	Total HRA	**7,645,700**	**7,381,500**	**7,723,800**	**22,751,000**	**0**	**0**	**0**	**0**	**7,645,700**	**7,381,500**	**7,723,800**	**22,751,000**	**0**	**0**	
	Total General Fund & HRA	**10,352,700**	**11,058,300**	**10,450,800**	**31,861,800**	**390,000**	**1,190,800**	**1,171,000**	**2,751,800**	**9,962,700**	**9,867,500**	**9,279,800**	**29,110,000**	**86,000**	**291,000**	

COUNCIL – 24TH FEBRUARY 2020

Report of the Cabinet

ITEM 6.4 CORPORATE PLAN 2020-2024

Purpose of Report

To consider a Corporate Plan for 2020-2024.

Recommendations

1. That the new Corporate Plan 2020-2024 attached to the report of the Chief Executive (attached as an Annex) be approved.

2. That delegated authority be given to the Chief Executive, in consultation with the Leader, to make minor amendments to the Plan.

3. That delegated authority be given to the Chief Executive, in consultation with the Leader, to design the final document for publication.

Reasons

1. To enable the draft Corporate Plan to set out the direction for the Council for the period 2020-2024.

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

3. To ensure that a designed version of the Corporate Plan can be developed for public circulation.

Policy Justification and Previous Decisions

In February 2016, the Cabinet agreed its Corporate Plan for 2016-2020, setting out the direction of the Council for that 4 year period. This plan has been tracked and reported on through the Council's performance management framework.

As the plan reaches its natural end in 2020, a new Corporate Plan has been developed for the period 2020-2024.

In developing the 2020-2024 Corporate Plan the vision for the Borough has been reviewed and a new vision statement developed.

To support the delivery of the Corporate Plan a 4 year Business Plan will be compiled which will set out both the activities that services will undertake to deliver the objectives and the key corporate indicators that will be used to monitor progress.

At its meeting on 16th January 2020, the Cabinet considered a report of the Chief Executive to consider the final version of Corporate Plan 2020-2024 for recommendation to Council, together with a report of the Scrutiny Commission following its pre-decision scrutiny of the matter The following minute extract details Cabinet's consideration of those reports:

"69. <u>CORPORATE PLAN 2020 - 2024</u>

Considered, a report of the Chief Executive to consider the final version of the Corporate Plan 2020 – 2024, for recommendation to Council (item 9 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 Improvement and Organisational Development Manager assisted with consideration of the report.

RESOLVED

1. *that **it be recommended to Council** that:*

    a) *the new Corporate Plan 2020-2024, attached to the report of the Chief Executive, be approved;*
    b) *delegated authority be given to the Chief Executive, in consultation with the Leader, to make minor amendments to the Plan;*
    c) *delegated authority be given to the Chief Executive, in consultation with the Leader, to design the final document for publication;*

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

<u>Reasons</u>

1. a) *To enable the draft Corporate Plan to set out the direction for the Council for the period 2020-2024.*
    b) *To allow minor corrections and amendments to be made in a timely manner prior to publication.*
    c) *To ensure that a designed version of the Corporate Plan can be developed for public circulation.*

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

The report of the Chief Executive considered by the Cabinet is attached as an Annex.

<u>Implementation Timetable including Future Decisions and Scrutiny</u>

As detailed in the report of the Chief Executive, attached as an Annex.

Report Implications

As detailed in the report of the Chief Executive, attached as an Annex.

Key Decision:	Yes
Background Papers:	As detailed in the report of the Chief Executive, attached as an Annex.
Officers to contact:	Rob Mitchell Chief Executive Tel 01509 634600 rob.mitchell@charnwood.gov.uk Helen Gretton Improvement and Organisational Development Manager 01509 634556 helen.gretton@charnwood.gov.uk

ANNEX

CABINET – 16TH JANUARY 2020

Report of the Chief Executive

Part A

ITEM CORPORATE PLAN 2020 - 2024

Purpose of Report

This report is to present the final version of the Corporate Plan for 2020 - 2024 for recommendation to Council.

Recommendations

1. That it be recommended to Council that:

   a) the new Corporate Plan 2020-2024 attached at the annex to this report be approved;
   b) delegated authority be given to the Chief Executive, in consultation with the Leader, to make minor amendments to the Plan;
   c) delegated authority be given to the Chief Executive, in consultation with the Leader, to design the final document for publication.

Reasons

1. (a) To enable the draft Corporate Plan to set out the direction for the Council for the period 2020-2024.
   (b) To allow minor corrections and amendments to be made in a timely manner prior to publication.
   (c) To ensure that a designed version of the Corporate Plan can be developed for public circulation.

Policy Justification and Previous Decisions

In February 2016 Cabinet agreed its Corporate Plan for 2016-2020, setting out the direction of the Council for that 4 year period. This plan has been tracked and reported on through the Council's performance management framework.

As the plan reaches its natural end in 2020 a new Corporate Plan has been developed for the period 2020-2024.

In developing the 2020-2024 Corporate Plan, the vision for the Borough has been reviewed and a new vision statement developed.

To support the delivery of the Corporate Plan a 4 year Business Plan will be compiled which will set out both the activities that services will undertake to deliver the objectives and the key corporate indicators that will be used to monitor progress.

Implementation Timetable including Future Decisions and Scrutiny

The draft Corporate Plan will be submitted to Scrutiny Commission 13th January 2020.

The Corporate Plan will be submitted to Council on 24th February 2020. If approved it will be published and made available to the public and staff from the commencement of the new financial year. A communications plan will be developed to ensure that all staff are aware of the new plan and their role in ensuring its successful delivery.

Following approval of the Corporate Plan an 4 year Business Plan will be compiled which will outline the activity services will concentrate on and will link directly into the Corporate Plan. It is anticipated that the Business Plan will be submitted to Cabinet for approval on 12th March 2020.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no direct financial implications arising from this report.

Any costs involved in meeting the Corporate Plan objectives will be met from within the overall approved Revenue Budget and financial strategy.

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
Failure to deliver activities within the Corporate Plan	Likely (3)	Serious (3)	Moderate (9)	The Corporate Plan will be part of the Corporate Performance Management Framework and subject to ongoing monitoring through the annual business planning and quarterly performance management processes
Actual funding levels from Central Government are lower than estimated in the financial	Likely (3)	Significant (2)	Moderate (6)	Regular monitoring of budgets and movement of resources to ensure

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
strategy over the life of the Corporate Plan				priority activities are fully funded.

Equality and Diversity

An Equality Impact Assessment has been undertaken to consider the overall impact on our communities. As the Corporate Plan is focussing on both those areas that residents have identified as priorities and those areas that the Council recognises as requiring additional support, the plan should be beneficial for many of those within the community who need assistance from the Council.

The Corporate Plan sets out at a high level what the Council intends to do over the next 4 years (2020 - 2024) and at this level the overall impact can be considered to be positive. However, it is important that as specific initiatives are undertaken to deliver the plan that where appropriate they are assessed individually to ensure that the Council complies with its statutory duty to give due regard to the need to;

- Eliminate discrimination, harassment and victimisation and other conduct prohibited by the Act
- Advance Equality of Opportunity between people who share a protected characteristic and those who do not
- Foster good relations between people who share a protected characteristic and those who do not
- Encourage participation by disabled people in public life and take account of disabled people's disabilities, even when that involves treating disabled people more favourably

In addition a version of the Corporate Plan will be available which is easier to read for those residents who may have visual impairments.

Crime and Disorder

The Corporate Plan specifically covers crime and disorder within 'Theme 2 - Healthy Communities'. This reflects residents' priorities and concerns regarding feeling safe.

Sustainability

The Corporate Plan has a strong commitment to sustainability, specifically within 'Theme 1 – Caring for the Environment.

Key Decision:	Yes
Background Papers:	Equality Impact Assessment Analysis of the Residents Survey 2019

Officers to contact:	Rob Mitchell Chief Executive Tel 01509 634600 rob.mitchell@charnwood.gov.uk
	Helen Gretton Improvement and Organisational Development Manager 01509 634556 helen.gretton@charnwood.gov.uk

Part B

Background

1. The current Corporate Plan for 2016-2020 was approved in April 2012 and has set out the Council's aims and priorities for the past 4 years.

2. As the plan reaches its natural end in 2020 a new Corporate Plan has been developed for the period 2020-2024.

Proposals

3. A new Corporate Plan has been developed over the past few months which outlines the direction for the Council for the period 2020-2024.

4. In compiling the document the Senior Management Team have ensured that the views of Cabinet, residents and staff have been considered.

Development of the Corporate Plan

5. A residents' survey was conducted between 31st August and 21st September 2019. The survey included questions on preferred methods of contacting the Council, how Council Tax was spent, how easy residents found it to influence decision making and whether they were interested in volunteering.

6. The survey also asked residents for their feedback on which services they valued, where they had concerns and their satisfaction with services.

7. The areas which residents outlined as valuing the most have been fed into the Corporate Plan and these links are outlined in more detail in the table below.

Residents Feedback	How this is addressed in the draft Corporate Plan
Top priority – feeling safe in my home and the local area	Theme 2 – Healthy Communities We will continue to work with partners to make our towns and villages safer places to live, work and visit
Second priority – the cleanliness and tidiness of my local area	Theme 1 – Caring for the Environment We will help protect our environment by using all powers available to tackle those who threaten it, such as fly-tippers and litterers.
Third priority – my rubbish collected on a regular and reliable basis	Theme 1 – Caring for the Environment We will improve and develop our outstanding waste and recycling service to make it more efficient, more resilient and better for the environment.

8. The priorities of Cabinet were identified through informal consultation with Cabinet members.

9. In addition a workshop was held with the Corporate Leadership Team. The output from this workshop was collated and fed into the plan, therefore developing a set of themes that reflected common areas.

10. The content of the Corporate Plan was further refined to produce the objectives and initiatives described for each theme. The suggested text for the document can be found at Appendix 1.

11. In line with the Budget and Scrutiny Framework, the draft text has been available on the Council website for comment and consultation. No comments have been received.

12. The draft text was presented to Scrutiny Commission at its meeting on 13th January 2020.

13. A 4 year Business Plan will also be developed which will support the delivery of the Corporate Plan.

14. The Business Plan will be submitted to Cabinet for approval on 12th March 2020. If there are any amendments to the draft Corporate Plan as a result of the approval process these will be reflected within the Business Plan.

15. The delivery of the Corporate Plan, specifically ‘Theme 4 – Your Council’ will be managed through a range of Delivery Boards. These are identified as; Transformation and Efficiency Board, People and Workforce Development Board, Procurement and Contracts Board, Commercialisation Board and Growth and Regeneration Board.

16. A further document to support the Corporate Plan is being developed which will outline the strategic direction for the Council for the forthcoming 4 years.

Appendices

1 Draft Corporate Plan 2020-2024 text

2 Equality Impact Assessment

Appendix 1; Draft Corporate Plan 2020-2024

Leader introduction
Welcome to Charnwood Borough Council's Corporate Plan 2020-24.

This strategy sets out what the Council will be doing over the next four years to make Charnwood a stronger and more vibrant place for people to live, work, visit and invest in.
The priorities and aims have been shaped by Members, employees and residents whose views in our latest residents' survey have helped identify what is important to them.

The plan is ambitious yet realistic as there are challenges ahead for local government finances. However, we are prepared.

We recognise that any future success will rely on closer collaboration with partners, other organisations and our communities.

The corporate plan outlines what the Council wants to achieve and is supported by a more detailed business plan which will be rigorously monitored to ensure we are on track.

I am confident that in four years' time Charnwood will be a stronger, more vibrant and a more prosperous place.

Cllr Jonathan Morgan, leader of Charnwood Borough Council

The vision
Charnwood is a borough for innovation and growth, delivering high-quality living in urban and rural settings, with a range of jobs and services to suit all skills and abilities and meet the needs of our diverse community.

With a highly-acclaimed university, a thriving market town and a network of vibrant villages, and within easy reach of national and international markets, Charnwood provides everything a business needs to succeed.

At the forefront of technology while protecting our beautiful environment for future generations, Charnwood is a borough of contrasts, and provides a world of opportunity.

Our values
Employees and members will work together as one council, living and breathing our core values:
Pride in Charnwood
We take pride in our work and our borough and are ambitious for improvement
Customer Focused
We listen to our customers and are focused on delivering excellent services
Working Together
We work together with pace and positivity as one council and in partnership with others

Theme 1 - Caring for the environment
We care deeply about the environment and we are committed to looking after it for future generations. We have already reduced our carbon footprint and we have pledged to become a carbon neutral organisation by 2030 to help tackle **climate change**. Our **parks and open spaces** are award-winning and treasured by our communities and we will continue to care for them so they can be enjoyed by everyone. We will also continue to develop and improve our open spaces, supported by our pledge to ensure 100,000 trees are planted. We will help **protect our environment** by using all powers available to tackle those who threaten it, such as the fly-tippers and litterers. We will improve and develop our outstanding **waste and recycling** service to make it more efficient, more resilient and better for the environment.

Theme 2 - Healthy communities
We will continue to work with partners to make our towns and villages safer places to live, work and visit. We will **support our communities** by investing in services to help those who are most vulnerable, while empowering people to make a positive difference in their local areas. Community cohesion will remain a priority. We want **healthy and happy residents** and therefore we are committed to providing high-quality leisure facilities and sports activities for people and offer services to improve wellbeing, either directly or with our partners. We are passionate about improving **housing** in the social and private sector and helping those in need of accommodation. We will continue to invest in our council homes and work with developers and the privately-rented sector to ensure high-quality homes are available to residents.

Theme 3 - A thriving economy
We will continue to support and foster strong **economic growth** in Charnwood. Our draft Charnwood Local Plan sets out a vision of future growth up until 2036 and this will drive the local economy while delivering millions of pounds of improvements for local infrastructure and services. The borough’s economic strength will be further supported by the **regeneration** and growth taking place across Charnwood. From the Enterprise Zone to our rapidly-changing town centres, we are committed to leading, supporting and collaborating with partners and the private sector to ensure future generations have access to high-quality jobs. We want to grow Charnwood’s reputation as a place where businesses thrive, particularly those in the innovation sector.

And while high streets are facing enormous challenges, we will help them become more diverse places, filled with homes, services and facilities as well as successful retail businesses. We will also respect the heritage of our town centres.

We will continue to use both business regulation and business support to help local companies.

The **tourism** sector will continue to play an important role in our local economy and we will help make Charnwood and its beautiful open countryside and thriving market towns a key destination for local, national and international visitors.

Theme 4 - Your Council

We will continue to improve **customer service** and **develop our staff** to help them deliver outstanding services.

Our services will be increasingly available at the fingertips of residents through our **digital channels**. However, the opportunity to talk to our staff in person will always be there for people who need it.

We will build our digital services using **technology** that will help us be more effective, efficient and flexible to meet customers' needs.

We will continue to carefully manage our budgets, particularly by using **effective procurement** and well-managed contracts.

We recognise there are **financial** challenges ahead for local government and we will use them as an opportunity to transform into a more efficient, effective and innovative organisation.

The Council will be more commercial in the future and **invest in commercial property** to generate income. This will support the delivery of frontline services and help offset reductions in funding from other sources.

We will **collaborate** with partners, in the public and private sector, in a variety of ways to bring improvements to our services and the borough of Charnwood.

Our employees and elected members will work together as one council to bring positive change to Charnwood.

And we commit strongly to **listening, talking and engaging** with residents as we work together to create a more vibrant and prosperous Charnwood.

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 identify and record gaps and actions.

- **Legislation- Equality Duty**

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

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

For the following protected characteristics:

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

What is prohibited?

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

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

Step 1 – Introductory information

Title of the policy	Corporate Plan 2020-2024
Name of lead officer and others undertaking this assessment	Helen Gretton Suzanne Kinder
Date EIA started	October 2019
Date EIA completed	December 2019

Step 2 – Overview of policy/function being assessed:

Outline: What is the purpose of this policy? (Specify aims and objectives)
The Corporate Plan 2020-2024 is a strategic plan which outlines what Charnwood Borough Council plans to deliver to the community over the next four years. It sets out the activity to be undertaken by the authority, and with partners, and identifies real and achievable targets, which in turn will create positive outcomes for individuals and communities in service design, delivery and employment.
What specific group/s is the policy designed to affect/impact and what is the intended change or outcome for them?
The whole population of Charnwood will be affected. The Corporate Plan 2020-2024 is an overarching document which is designed to create positive impacts for people who live, work and visit in the Borough. It should not have an adverse impact on any groups or individuals as its purpose is to make the Council's practices and services more effective, fair and accessible for all.
Which groups have been consulted as part of the creation or review of the policy?
A resident's survey was undertaken for 12 weeks, from July- September 2019. This was an opportunity to consult with a cross range of residents, across each of the protected characteristics throughout the Borough. The survey was conducted by M.E.L Research, on behalf of Charnwood Borough Council, who ensured a quota sampling approach was used to ensure that the sample represented the population of Charnwood Borough. Independent quotas were set by ward, gender, age and ethnicity (White and BME) based on the 2011 census data, with 550 responses was set in order to achieve a margin of error of ±4% at the 95% confidence level (based on a population of 166,100). A further 4-week consultation took place in December 2019 (in line with the Budget & Policy Framework) to consult with stakeholders on the final draft version of the Corporate Plan 2020-2024. Results from other appropriate service specific consultations were also used to influence the content of the Corporate Plan 2020-2024.

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
1. Demographic information (based on Census 2011) which provides information on a range of the protected characteristics, in particular age, disability, race, religion or belief and sex. 2. Residents Survey (2019) which surveyed a cross range of residents across the borough of Charnwood. 3. Various information based on service specific consultations and monitoring of services.
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/ consultation informs the council of the specific needs and priorities of residents and service users across the Borough. The development of the Corporate Plan 2020-2024, ensures that the actions and objectives embedded within the Plan provide positive outcomes for everyone living, working and visiting the Borough. The following information was highlighted as pertinent from analysis of the 551 responses to the Residents Survey (2019): ▪ 93% felt that their local area is a place where people from different backgrounds get on well together. However, this was statistically lower in the Rothley & Thurcaston ward. ▪ A difference was found between age groups, with respondents aged 18 to 24 significantly happier (99%) compared to those aged 35 to 44 (90%) and 55 to 64 (92%). ▪ *Being able to go to sports and leisure facilities:* Residents under 35 (57%) are less likely to be satisfied than those aged 35-44 (73%) or those aged 55-74 (74%). ▪ *Being able to go to sports and leisure facilities:* 65% of those without a disability report satisfaction compared to 81% of those with a disability (limited a lot). ▪ *Encouraging and investing in business and jobs:* Residents aged between 35-44 (67%) were more likely to be satisfied than residents in the 18-24 (46%) or 65-74 age group (51%). ▪ *Feeling safe in my home and the local area:* 83% of 35-44 year olds report satisfaction compared to 94% of 65-74 year olds. ▪ *Climate change and looking after the environment:* 70% of 45-54-year olds report satisfaction compared to 84%-85% of 18-44 year olds and 90% of those aged 65-74. ▪ *My rubbish collected on a regular and reliable basis:* 93% of 35-44 year olds report satisfaction compared to 100% of 18-24 year olds. ▪ *Availability of affordable housing to buy:* Residents aged 18-24 (52%) are less likely to be satisfied compared to older residents (64%-84%). ▪ *Availability of affordable housing to rent:* 35% of those with a disability (limited a little) report satisfaction compared to 63% of those without a disability and 68% of those with a disability (limited a lot). ▪ *Cleanliness and tidiness of my local area:* 91% of 18-34 year olds report satisfaction compared to 79% of 45-54 year olds. ▪ Significantly fewer white residents (71%) were satisfied with the variety of shops and markets available, compared to non-white residents (83%). ▪ *My rubbish collected on a regular and reliable basis*: 89% of those with a disability (limited a lot) report satisfaction compared to 96% of those without a disability. ▪ Only 29% of all respondents felt it was easy to influence decisions that might affect them and 36% were satisfied with how they can get involved in local decision making.

Where a potential adverse impact has been identified through consultation and engagement, this will either be addressed via mitigating action within the Corporate Plan (2020-2024) and/or the associated Business Plan, or where appropriate in specific Team Plans to address any inequality within specific service delivery. Additionally, a further potential barrier is access to, and availability of, relevant information on sexual orientation and gender reassignment from within the Council and from other organisations. As the Corporate Plan 2020-2024 is an overarching strategic document, this will not create any adverse impacts on any diverse groups within the community, but when implementing the individual projects and initiatives within the plan it is important to consider collecting information in these areas in order to inform service delivery and to mitigate any potential adverse impact.

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

In light of the answers you have given in Step 2, do you need to consult with specific groups to identify needs / issues? If not, please explain why.
Not in this circumstance. The Corporate Plan 2020-2024 is an overarching strategic plan which includes a range of initiatives and different projects which are designed to provide positive outcomes for the wider community. Further consultation, with individuals of protected characteristics, will take place as part of the ongoing development and implementation of these specific projects and initiatives which make up the Corporate Plan 2020-2024.

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	The actions and objectives set out in the Corporate Plan 2016-2020 are likely to have a positive impact on individuals and communities with regards to the protected characteristic of age. Specific initiatives have been included in the Corporate Plan to support vulnerable members of our community, including younger people and older people. This should create a greater positive impact on this protected characteristic. However, given the disparity of some issues/ elements of service delivery, across different age ranges, which were highlighted in the Residents Survey 2019 any potential adverse impact will either be addressed via mitigating action within the Corporate Plan (2020-2024) and/or the associated Business Plan, or where appropriate in specific Team Plans to address any inequality within specific service delivery.
Disability **(Physical, visual, hearing, learning disabilities, mental health)**	The actions and objectives set out in the Corporate Plan 2020-2024 are likely to have a positive impact on individuals and communities with regards to the protected characteristic of disability. Specific initiatives have been included in the Corporate Plan to support vulnerable members of our community, including

	people with disabilities. This should create a greater positive impact on this protected characteristic. However, given the disparity of some issues/ elements of service delivery, based on the protected characteristic of disability, which were highlighted in the Residents Survey 2019 any potential adverse impact will either be addressed via mitigating action within the Corporate Plan (2020-2024) and/or the associated Business Plan, or where appropriate in specific Team Plans to address any inequality within specific service delivery. The publication of the Corporate Plan 2020-2024 will be provided in an accessible format if required and requested by specific individuals/ community groups.
Gender Reassignment (Transgender)	The actions and objectives set in the Corporate Plan 2020-2024 are likely to have a positive impact on individuals and communities with regards to the protected characteristic of gender reassignment. A potential barrier may be access to and availability of relevant information as there is little national and local information on gender re-assignment both within the Council and other organisations. Therefore, additional monitoring of this protected characteristic may be required.
Race	The actions and objectives set out in the Corporate Plan 2020-2024 are likely to have a positive impact on individuals and communities with regards to the protected characteristic of race. The published Corporate Plan 2020-2024 will be available in alternative languages if required and requested by specific individuals/ community groups.
Religion or Belief (Includes no belief)	The actions and objectives set out in the Corporate Plan 2020-2024 are likely to have a positive impact on individuals and communities with regards to the protected characteristic of religion or belief.
Sex (Gender)	The actions and objectives set out in the Corporate Plan 2020-2024 are likely to have a positive impact on individuals and communities with regards to the protected characteristic of sex.
Sexual Orientation	The actions and objectives set out in the Corporate Plan 2020-2024 are likely to have a positive impact on individuals and communities with regards to the protected characteristic of sexual orientation. A potential barrier may be access to and availability of relevant information as there is little national and local information on sexual orientation both within the Council and other organisations. Therefore, additional monitoring of this protected characteristic may be required.
Other protected groups (Pregnancy & maternity, marriage & civil partnership)	The Corporate Plan 2020-2024 will provide positive impacts for all members of the community and this fully includes individuals within the protected characteristics of pregnancy & maternity and marriage & civil partnership.
Other socially excluded groups	The actions and objectives within the Corporate Plan 2020-2024 also cover a variety of other groups such as; rural

(carers, low literacy, priority neighbourhoods, health inequalities, rural isolation, asylum seeker and refugee communities etc.)	isolation, deprived or disadvantaged communities (priority neighbourhoods), health inequality, asylum seeker and refugee communities. The specific actions in the Corporate Plan 2020-2024 are likely to have a positive impact on all individuals and communities. The Corporate Plan 2020-2024 aims to create inclusive communities and foster good community relations. Key initiatives are focussed on involving communities, giving them a voice and supporting them to be involved in decision making within their own communities. Therefore, there is likely to be a further positive impact on individuals and communities with regards to community involvement and cohesion.

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.
Further consultation for individual protected characteristics will take place as part of the ongoing development and implementation of these specific projects and initiatives which make up the Corporate Plan 2020-2024 and associated Business Plan. Equality Impact Assessments will also be undertaken, where appropriate, on the individual elements of the projects and initiatives which make up the Corporate Plan 2020-2024 and associated Business Plan.
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).
The Corporate Plan 2020-2024 aims to provide positive impact for all individuals living, working and vising the Borough and therefore meets the Council's responsibilities in relation to equality and diversity.

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?
If any negative impacts occur/ potential barriers arise then this will be monitored and evaluated via our Corporate Customer Complaints Procedure. Where appropriate, individual Equality Impact Assessments will be conducted as part of the ongoing development and implementation of specific projects and initiatives which make up the Corporate Plan 2016-2020. This will seek to mitigate any barriers or adverse impact to any of the protected groups.
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.
All actions within the Corporate Plan are monitored through the Annual Business Plan via the Council's Performance Management System. This is monitored via the Council's Corporate Management Team, Senior Management Team and Performance Scrutiny Panel and any negative impacts will be picked up through this scrutiny process.

Step 7- Action Plan

Please include any identified concerns/actions/issues in this action plan: The issues identified should inform your Service Plan and, if appropriate, your Consultation Plan			
Reference Number	**Action**	**Responsible Officer**	**Target Date**
001	Further consider the protected characteristics of gender reassignment and sexual orientation when developing and implementing specific projects and initiatives within the Corporate Plan 2020-2024.	Heads of Service in all service areas across Charnwood Borough Council	Ongoing
002	Further consider consultation for individual protected characteristics as part of the ongoing development and implementation of specific projects and initiatives which make up the Corporate Plan 2020-2024.	Heads of Service in all service areas across Charnwood Borough Council	Ongoing

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

	Who needs to know (Please tick)	**How they will be informed** (we have a legal duty to publish EIA's)
Employees	✓	This EIA will be published on Charnwood Borough Council's webpage and intranet. Service users, partners and stakeholders can also request this EIA in alternative formats if required.
Service users	✓	
Partners and stakeholders	✓	
Others	N/A	N/A
To ensure ease of access, what other communication needs/concerns are there?	N/A	N/A

Step 9- Conclusion (to be completed and signed by the Service Head)

Please delete as appropriate
I agree with this assessment / action plan
If *disagree*, state action/s required, reasons and details of who is to carry them out with timescales:
Signed (Service Head): Adrian Ward
Date: 04/12/19

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

COUNCIL – 24TH FEBRUARY 2020

Report of the Chief Executive

ITEM 6.5 REPORT OF THE INDEPENDENT REMUNERATION PANEL IN RESPECT OF ALLOWANCES PAID TO MEMBERS OF CHARNWOOD BOROUGH COUNCIL FOR 2020/21

Purpose of Report

To consider the findings and the recommendations of the Independent Remuneration Panel in respect of allowances paid to members of Charnwood Borough Council (attached as Appendix A) and the Scheme of Members' Allowances for 2020/21 (attached as Appendix B), and to seek re-appointment of two members of the Panel.

Recommendations

1. That Council considers the recommendations of the Independent Remuneration Panel, submitted in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003 as set out in Appendix A, and agrees to adopt the proposed Scheme of Members' Allowances for the 2020/21 financial year, as set out at Appendix B.

2. The the re-appointments of the following Panel members be confirmed for further four year periods as follows:
    - Mr Paul Smith (up to and including 2023/24)
    - Mr Patrick Cleere (up to and including 2024/25).

Reasons

1. To ensure compliance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

2. To extend the appointments to the Panel for the two relevant Panel members for a further four years each, based on their original appointment dates.

Policy Justification and Previous Decisions

In setting the level of allowances to be paid for each year, the Council is obliged to have regard to recommendations made by the Independent Remuneration Panel.

Attached at Appendix A is the report of the Independent Remuneration Panel in respect of the allowances it recommends should be paid to members of Charnwood Borough Council for the financial year 2020/21

Council resolved as its meeting on 24th April 2017 to link amendments to basic and special responsibility allowances to an index based on officer pay awards (minute reference 91.3). Officer pay awards for 2020/21 have not yet been agreed, but the Head of Strategic Support has delegated authority to update the Scheme once they have been finalised.

Two of the three Panel members whose appointments are coming to an end have expressed their willingness to serve for a further four years on the Panel, based on their original appointment dates, and Council need to approve those re-appointments.

Implementation Timetable including Future Decisions and Scrutiny

The revised Scheme of Allowances, if approved, would come into effect at the start of the 2020/21 financial year (ie. 1st April 2020).

2020/21 will be the final year for which the link to officer pay awards will apply, and therefore next year Council will need to consider whether the link should continue.

Report Implications

The following implications have been identified for this report.

Financial Implications

The proposed allowances can be met from within existing budgets.

Risk Management

No specific risks have been identified in relation to this decision.

Background Papers:	None
Officer to Contact:	Adrian Ward Head of Strategic Support (01509) 634573 adrian.ward@charnwood.gov.uk

Appendices

Appendix A: Report of the Independent Remuneration Panel in Respect of Allowances Paid to Members of Charnwood Borough Council
Appendix B: Proposed Amended Members' Allowances Scheme

APPENDIX A

REPORT OF THE INDEPENDENT REMUNERATION PANEL IN RESPECT OF ALLOWANCES PAID TO MEMBERS OF CHARNWOOD BOROUGH COUNCIL 2020-21

THE PANEL

The Panel, which is appointed to make recommendations to the Council in respect of the allowances paid to Councillors, comprises the following members:

Patrick Cleere
Sumeet Dhul
Paul Smith

REMIT

The Local Authorities (Members' Allowances) (England) Regulations 2003 require, amongst other things, that the Council should have regard to the recommendations of an Independent Panel in agreeing allowances paid to Councillors.

Those Regulations require the Panel to produce a report making recommendations as to:

- The amount of basic allowance;
- Whether special responsibility allowances should be paid, and if so, the duties to which they should apply and the amounts of those allowances;
- Whether an allowance relating to the expense of arranging for the care of children or dependents should be available (carers' allowance) and, if so, the amount of that allowance;
- Whether travelling and subsistence allowances should be paid, and, if so, the duties for which they should be payable and the amounts of those allowances;
- Whether a basic allowance should be paid to co-opted members, and, if so, the amount of that allowance.

REPORT

This is the Independent Panel's report of its review of Members' Allowances for 2020/21. This report has been compiled and agreed by members of the Panel following meetings and consideration of the relevant issues between September 2019 and January 2020. The Head of Strategic Support attended the meetings to assist the Panel in consideration of these matters.

Link to Officer Pay Awards

As overall changes are now linked to officer pay awards, the Panel did not consider any general uplift.

Special Responsibility Allowances for the Scrutiny Committee Structure

All councillors were asked if there were any issues they wished the Panel to consider, and a suggestion was made that the special responsibility allowances for the Chairs and Vice-chairs of the three directorate scrutiny committees were too high, and should be reviewed in light of them only meeting four times a year and having relatively low workloads in comparison to the Scrutiny Commission, which meets on a monthly basis.

All Scrutiny Chairs and Vice-chairs were consulted about this suggestion, and whilst one supported a potential decrease in the relevant allowances, another disagreed and referred to the amount of work being done outside the formal committee meetings in terms of scrutiny panel work and research.

The Group Leaders were also consulted, and they both expressed opinions that the new scrutiny structure had only been in place since May 2019 and therefore was still 'bedding-in', and that the workload of the committees may increase as they increased their knowledge and began to request further reports for their agendas.

Having taken into account the comments received, and being aware that the allowances in question are responsibility allowances rather than attendance allowances, the Panel decided to recommend that there should be no change for 2020/21, although they would review the situation again next year.

Loughborough Area Committee

The Panel had previously decided that they would review the issue of special responsibility allowances for the Loughborough Area Committee once it had been in operation for a while, and so they now asked the Chair and Vice-chair for their views.

Having considered the submissions made by the Chair and Vice-chair, and also having consulted the Group Leaders, the Panel concluded that as the Committee was not a decision making body and had a purely consultative role, that no special responsibility allowances should be recommended.

They agreed that if circumstances changed in the future, then they would consider the matter again.

Mileage Claims for IT Support Visits and for Attending Meetings as an Observer

The Panel considered issues relating to councillors claiming mileage expenses for visiting the Council's offices for IT support issues and for attending committee meetings as observers, rather than as a member of the body or having been formally requested to attend to assist with agenda items.

The Panel were of the view that in both such instances, if councillors wished to claim mileage then they should do so under the 'duty day' provisions rather than as an 'approved duty', and they therefore recommend that Schedule 5 of the Scheme of Allowances should be amended accordingly.

THE COUNCIL'S SCHEME OF MEMBERS' ALLOWANCES FOR 2020/21

The Panel has reviewed the Council's Scheme of Members' Allowances and have incorporated the recommendations contained within this report.

A copy is attached to this report for approval.

APPENDIX B

CHARNWOOD BOROUGH COUNCIL

SCHEME OF MEMBERS' ALLOWANCES

In accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003, Charnwood Borough Council has agreed the following scheme for members' allowances. In the scheme the term year means the financial year commencing on 1st April 2020.

1. BASIC ALLOWANCE

Subject to paragraph 8, for each year a basic allowance as specified in schedule 1 to this scheme shall be payable to each councillor.

2. SPECIAL RESPONSIBILITY ALLOWANCE

(1) Subject to paragraph 8, for each year a special responsibility allowance shall be payable to those councillors and co-opted members who have the special responsibilities that are specified in schedule 2 to this scheme. For those councillors who have more than one special responsibility allowance, the highest will be paid at 100% and the second or subsequent allowances will be paid at 50%.

(2) Where a majority of councillors belong to the same political group (the controlling group), a special responsibility allowance shall be paid to at least one person who is not a member of the controlling group and has special responsibilities specified in schedule 2 to this scheme.

3. BASIC ALLOWANCE – CO-OPTED MEMBERS

Subject to paragraph 8, for each year, a basic allowance as specified in schedule 1 to this scheme shall be payable to co-opted members and Parish Members of the Member Conduct Committee.

4. CARERS' ALLOWANCE

Expenditure incurred by councillors in providing childcare or in providing care for an elderly, sick or disabled dependent relative to facilitate their attendance at duties specified in the Regulations and approved by the

Council shall be reimbursed in accordance with schedule 3 to this scheme.

5. TRAVEL AND SUBSISTENCE ALLOWANCES

Expenditure incurred by councillors in respect of travel and subsistence to facilitate their attendance at duties specified in the Regulations and approved by the Council shall be payable in accordance with schedule 4 to this scheme.

The travel and subsistence allowances set out in this scheme are available to the Co-opted and Parish Members of Council committees described in paragraph 3.

6. APPROVED DUTIES

Duties specified in the Regulations, together with specific duties approved by the Charnwood Borough Council in respect of which travel, subsistence and carers' allowances are payable are listed in schedule 5 to this scheme.

7. RENUNCIATION

A councillor may by notice in writing given to the Head of Financial & Property Services elect to forego any part of his or her entitlement to an allowance under this scheme.

8. PART-YEAR ENTITLEMENTS AND CEASING OF PAYMENTS

Councillors who are elected, or cease to be elected, part way through the Municipal Year shall receive their basic allowance pro-rata. The same provisions exist for those councillors who are appointed to a position attracting a Special Responsibility Allowance or who cease to hold a position attracting a Special Responsibility Allowance.

9. PENSIONS

Members of the Council are not entitled to be eligible for membership of the Local Government Pension Scheme.

10. CLAIMS AND PAYMENTS

(1) Payment of basic and special responsibility allowances shall be made in monthly instalments of one-twelfth of the amounts specified in this scheme.

(2) Claims for carers' allowance shall be in accordance with the conditions as specified in Schedule 3 to this scheme.

(3) Claims for travel and subsistence allowances shall be in accordance with the conditions as specified in Schedule 4 to this scheme.

11. IT FOR COUNCILLORS

In addition to the allowances specified in the Local Authorities (Members Allowances)(England) Regulations 2003, Charnwood Borough Council has authorised the IT support to councillors set out in Schedule 6.

SCHEDULES

All amounts in the following schedules are paid from 1st April 2020 to 31st March 2021.

SCHEDULE 1

BASIC ALLOWANCES

	Allowance
Councillor	£5,176
Parish Member of the Member Conduct Committee	£258

SCHEDULE 2

SPECIAL RESPONSIBILITY ALLOWANCES

	Allowance
Leader	£12,538
Deputy Leader	£8,776
Cabinet Lead Members *	£5,015
Cabinet Deputy Lead Members *	£2,150
Mayor	£7,021
Deputy Mayor	£1,755
Independent Chair of Audit Committee	£3,511
Chair of Plans Committee	£3,761
Leader of the Opposition	£4,203
Chair of the Member Conduct Committee	£1,506
Chair of Licensing Committee	£2,507
Vice-chair of Plans Committee	£1,506
Vice-chair of Licensing Committee (2)	£752
Chair of Scrutiny Commission	£3,761
Vice-chair of Scrutiny Commission	£1,506
Chair of Directorate-based Scrutiny Committees (3)	£3,511
Vice-chair of Directorate-based Scrutiny Committees (3)	£1,404

* There shall be no more than 10 members of the Cabinet in total, including the Leader and Deputy Leader.

SCHEDULE 3

CARERS' ALLOWANCE

A Carers' Allowance shall be payable for duties specified in the Local Authorities (Members' Allowances) (England) Regulations 2003 and approved by the Council subject to the following conditions:

(i) The maximum hourly rate reimbursed for independent care of a child under the age of 14 shall be equal to the minimum wage.

(ii) The maximum hourly rate reimbursed for the professional care of a dependent relative shall be equal to the Leicestershire County Council's hourly rate for a Home Care Assistant.

(iii) Councillors must certify that the costs have been actually and necessarily incurred and the allowance shall be paid as a reimbursement of incurred expenditure against receipts.

(iv) The allowance shall not be payable to a member of the claimant's own household.

(v) The Head of Strategic Support shall be able to exercise discretion in respect of the above conditions in exceptional and justified circumstances.

(vi) Claims shall be made within four months of the duty to which it relates.

SCHEDULE 4

TRAVEL AND SUBSISTENCE ALLOWANCES

Travel and Subsistence Allowance shall be payable in respect of duties specified in the Regulations and approved by the Council (see Schedule 5). Claims shall be made within four months of the approved duties to which they relate.

In respect of travel the following may be claimed:

(a) The actual cost of travel by public service must not exceed the ordinary or any available cheap fare. Standard class rail fare may be claimed. In the case of travel by ship, first class fare is applicable.

(b) Deposit or porterage of luggage and sleeping car accommodation subject to reduction by one-third of the subsistence allowance for that night.

(c) Taxi-cab fares in cases of urgency or where no public service is reasonably available. The amount claimed shall not exceed the actual fare and any reasonable gratuity.

(d) The cost of hiring a car which must not exceed the rate applicable to the members' own car.

(e) Where a councillor uses his or her own motor car or motor cycle, the mileage rate claimed shall be as the rates available to staff (casual users) and agreed by the National Joint Council for Local Government Services (JNC) on an annual basis.

Current rates per mile are:

	Up to 10,000 miles	Over 10,000 miles
Car	45p per mile	25p per mile
Motorcycle	24p per mile	24 per mile
Bicycle	20p per mile	20p per mile

For journeys out of the county, councillors are encouraged to use rail travel. However, if they use their car, the cost claimed shall be the mileage rate above or the cost of standard return rail fare, whichever is the lower.

(f) Where a councillor carries an official passenger, the additional mileage allowance of 5p per mile per passenger set by HMRC applies.

In respect of subsistence:

Subsistence allowance for councillors shall be the same as for staff and in accordance with guidance from the Inland Revenue such that the Council will refund actual amounts spent in respect of subsistence where supported by receipts and provided that the amounts are reasonable. The following rates are considered by the Inland Revenue to be acceptable as a guideline as to whether actual expenditure is reasonable and also for payment as "flat rates" where receipts are not available:

In the case of absence not involving overnight stay, but not at the normal place of residence:

(i) for more than four hours before 11am – Breakfast allowance - £4
(ii) for more than five hours after this time, ending before 8.30pm – Lunch/Tea allowance - £5
(iii) for more than five hours ending after 8.30pm – Dinner allowance - £8

Use will not be made of a "flat rate" in respect of overnight absence as all expenditure in that respect should be claimed based on actual expenditure only, supported by receipts. However, a flat rate (without the need for receipts) of up to £5 for incidental expenses resulting from overnight absence is claimable. Where possible, overnight accommodation should be booked by the Council so that the VAT element can be reclaimed.

Subsistence allowances may not be claimed where adequate refreshments are provided.

SCHEDULE 5

APPROVED DUTIES OF THE COUNCIL

The Council has agreed that an approved duty, for the purpose of the payment of travel, subsistence and carers' allowances, is attendance at meetings of the following, where the councillor attending is a member of the relevant body or is acting as a substitute for such, or has been requested to attend to assist with the business being considered by the body:

Council
Cabinet
Scrutiny Bodies
Plans Committee and its site inspections
Licensing Committee and its Sub-committees
Member Conduct Committee and its Panels
Audit Committee
Personnel Committee and its Panels
Appeals and Reviews Committee and its Panels
Joint Consultative Committee
Housing Management Advisory Board

Meetings of all outside bodies to which the Council makes appointments and upon which the councillor serves as a representative of the Council or substitute representative.

Conferences authorised by committees or in accordance with the scheme of delegation.

Interviews for the appointment of staff.

The opening of tenders in accordance with the requirements of the Council's Constitution.

Attendance by Cabinet Members at meetings within the Borough that relate directly to their lead member role.

Attendance by the Mayor and Deputy Mayor at meetings and events, both inside and outside the Borough, that relate directly to their roles.

Such other meetings at which individual members have been appointed to represent the Borough Council other than as members of outside bodies, either by virtue of a specific resolution or in the capacity of Leader or Deputy Leader or as Chair or Vice-chair of a Committee.

Training sessions, briefings and other meetings certified by the Head of Strategic Support.

Further to the above, the Council has agreed the following:

(i) That travel allowance and carers' allowance, but not subsistence allowance be payable to a borough councillor in respect of attendance by invitation at a Parish Council or Parish Meeting to participate in the discussion of a Borough Council function.

(ii) That travel and subsistence allowance and carers' allowance be payable to a borough councillor in respect of attendance at Borough Council premises or other establishments within the Borough on such occasions as they consider necessary in connection with the discharge of the Council's functions up to a limit of 15 occasions in each Council year. These are known as "duty days". This provision is an authorisation to carry out an approved duty of a councillor's own choice on 15 occasions of whatever duration and not 15 duty days which might be interpreted, for example, as 30 half days. Visits to the Council offices for IT support purposes, or for attending Cabinet and Committee meetings which a councillor is attending purely as an observer, should be classed as duty days if travel and subsistence or carers' allowances are to be claimed.

(iii) That travel and subsistence allowance and carers' allowance be payable to a borough councillor in respect of full meetings of political groups held at Borough Council premises and specifically related to the business of the Borough Council on not more than 15 occasions in the period commencing with the day of the Annual Meeting of the Council in any year and terminating on the day preceding the Annual Meeting in the following year."

SCHEDULE 6

IT FOR COUNCILLORS

On request, the Council provides all Councillors with a computer or a tablet device, a printer and appropriate software and support.

If a Councillor choses to use their own device no payment is made for this.

No payments are made towards home broadband or other connectivity costs.

COUNCIL – 24TH FEBRUARY 2020

Report of the Monitoring Officer

Part A

ITEM 6.6 APPOINTMENT OF A CO-OPTED PARISH MEMBER OF THE MEMBER CONDUCT COMMITTEE

Purpose of Report

To enable the Council to make an appointment of a co-opted parish member of the Member Conduct Committee to fill a vacancy.

Recommendation

That Councillor Eric Ellingworth, a member Barrow Upon Soar Parish Council, be appointed as a non-voting co-opted parish member of the Member Conduct Committee until 24th June 2023 or until he ceases to be a parish councillor, whichever is the sooner.

Reason

To fill a vacancy on the Committee which provides the opportunity for parish/town councillors to contribute to the work of the Committee.

Policy Justification and Previous Decisions

The Localism Act 2011 introduced a new system for dealing with the conduct of elected and co-opted members of local authorities. As a result, the Council adopted its own new arrangements on 25th June 2012 which came into force on 1st July 2012. In order to address the concerns of parish and town councils about the loss of representation under the system set out in the Localism Act, the Council resolved to co-opt three non-voting parish members to the new Member Conduct Committee which was established (minute 17.3 2012/13 refers). There is currently a vacancy for one parish member position on the Committee.

Implementation Timetable including Future Decisions and Scrutiny

Previous appointments of parish members to the Committee have been made for a period until just after the next parish and town council elections in 2023. This follows the pattern established for the previous Standards Committee of four-year terms running in parallel with the election cycle for parish and town councils. It is recommended that the new appointment is made to come to an end at the same time as the current parish members of the Member Conduct Committee.

Report Implications

Financial Implications

There is an allowance of £258 per annum payable to co-opted parish members. The cost will be met from the existing members' allowances budget.

Risk Management

No specific risks have been identified in connection with this report.

Background Papers: None

Officers to Contact:

Adrian Ward
Head of Strategic Support and Monitoring Officer
(01509) 634573
adrian.ward@charnwood.gov.uk

Karen Widdowson
Democratic Services Manager and Deputy Monitoring Officer
(01509) 634785
karen.widdowson@charnwood.gov.uk

Part B

Process for Making Recommendation for Appointment

1. Information about the role of a parish member of the Member Conduct Committee was circulated to all parish and town councils in the Borough. Two expressions of interest were received as a result of advertising the role in this way.

2. A panel comprising three members of the Member Conduct Committee, Councillor Tassell, (the Chair), Councillor Murphy and Councillor Vicky Ball (co-opted parish member), interviewed the two parish/town councillors who had expressed an interest in the role. The panel concluded that Councillor Eric Ellingworth should be recommended for appointment as a co-opted parish member of the Committee.

Information about Parish/Town Councillor Recommended for Appointment

3. The following parish councillor is recommended for appointment as a parish member of the Member Conduct Committee:

    Councillor Eric Ellingworth

    Councillor Eric Ellingworth was co-opted as a parish councillor for Barrow upon Soar Parish Council in March 2018. He sits on the Finance and Policy Committee and the Planning Committee and is also part of a working party on the Community resilience plan. Councillor Ellingworth was born into a military family with a long history associated with Beaumanor and Old Woodhouse, worked for 40 years in civil aviation with BMA and later in Europe with a large multi-national Freight company,

    Having first-hand experience of dealing with compliance and international industry standards, upon retirement ,returning to the Charnwood area settling down, and involving himself with volunteer work, this has included a spell at the Citizens Advice Bureau (CAB) and vice chair of the local neighbourhood watch as well as currently being a visitor engagement officer at the Imperial War Museum, Duxford, Cambridge and working with living history groups, locally in the community, Councillor Ellingworth helps with the local Open Gardens.

COUNCIL – 24TH FEBRUARY 2020

Report of the Chief Executive

ITEM 12.1 URGENT EXECUTIVE DECISIONS EXEMPTED FROM CALL-IN - ACQUISITION OF PROPERTIES

Purpose of Report

To note decisions taken by the Head of Strategic and Private Sector Housing to acquire properties which were exempted from call-in in accordance with Scrutiny Committee Procedure 11.9.

Action Requested

In accordance with Full Council Procedure 9.11(d) questions may be asked of the Leader in relation to the urgent decisions that were taken. The Leader may ask the relevant Lead Member to respond.

Policy Justification and Previous Decisions

The call-in procedure provides for a period of five clear working days during which councillors can ask for decisions taken by the Cabinet and key decisions taken by officers to be reviewed. With the agreement of the Chair of the Scrutiny Commission (or in his/her absence the Mayor or Deputy Mayor) a decision can be exempted from call-in if the decision to be taken is both urgent and reasonable and the delay caused by the call-in process would not be in the interests of the Council or the public. Scrutiny Committee Procedure 11.9 requires that decisions that are exempted from call-in are reported to Council.

On 19th October 2017 the Leader delegated authority to the Head of Strategic and Private Sector Housing to acquire additional Housing Revenue Account (HRA) properties for rental. It is likely that any properties acquired will exceed £150,000 in value, and therefore each purchase will be a key decision. It would not be practical for the usual call-in arrangements for key decisions to be applied as any delay caused could result in the purchase falling through, and therefore the then Mayor, in the absence of the Chair of the Scrutiny Management Board, gave her approval for decisions taken under this delegated authority to be exempted from call-in under Scrutiny Procedure Rule 11.9. The Chair of the Scrutiny Commission has subsequently confirmed that she is content with these arrangements. These arrangements were reported to Council on 6th November 2017 (minute 57 2017/18 refers), and the changes to the Scrutiny function and subsequent changes to the Constitution were confirmed by Council on 25th March 2019 (minute 91.2 2018/19 refers).

The purchase of properties being reported to this meeting of Council:

24 Mildenhall Road, Loughborough – 4 bedroom house
41 Holmfield Avenue, Loughborough – 2 bedroom house

The decisions of the Head of Strategic and Private Sector Housing to exchange contracts on the purchases can be found in the Annex to this report.

Implementation Timetable including Future Decisions

As detailed within the report of the Head of Strategic and Private Sector Housing, attached as an Annex.

Report Implications

As detailed within the reports of the Head of Strategic and Private Sector Housing, attached as an Annex.

Background Papers:	Council 6th November 2017, Item 14, Changes to Membership of the Cabinet and the Delegation of Executive Functions: Acquisition of Additional Housing Revenue Account Properties for Rental
Officer to Contact:	Karen Widdowson Democratic Services Manager (01509) 634785 karen.widdowson@charnwood.gov.uk

Annex

Reports of the decisions taken by the Head of Strategic and Private Sector Housing in respect of the acquisition of the properties.

DD013 2020

ANNEX A

Acquisition of Properties

24 Mildenhall Road Loughborough

Decision under Delegated Powers

Officer Requesting Decision

Beverly Wagstaffe - Housing Strategy and Support Manager

Officer Making the Decision

Alison Simmons - Head of Strategic and Private Sector Housing

Recommendation

To approve the purchase of 24 Mildenhall Road Loughborough and for the Council to formerly Exchange Contracts and Complete the purchase.

Reason

To utilise approved funding for the purchase of additional HRA rental properties.

Authority for Decision

Section 8.3, of the Constitution gives delegated authority to the Head of Strategic and Private Sector Housing to acquire additional properties for rent via the HRA where approved funding exists within the Capital Plan for the relevant financial year, and where any property acquired is subject to a Condition Survey, an Independent Valuation, Standard Legal checks, and meets identified housing needs (item 22 on page 8-30).

Decision and Date

Signed:

Date: 22nd January 2020

Head of Strategic and Private Sector Housing

Background

The following property has now been identified to purchase:

- 24 Mildenhall Road, Loughborough – 4 bedroom house

There is an identified need for this size of property.

The seller of the property has accepted an offer of £200,000.

A Condition Survey, Valuation and Legal checks have all been satisfactorily completed.

Comments from HR

Not applicable

Financial Implications

The cost of acquiring this property is £200,000 with associated fees estimated at £2,500 and stamp duty of £7,500 (total cost of £210,000).

In August 2018, Cabinet approved a budget of £2,797,000 for 2019-2020 to support delivery of the Housing Acquisition Policy in acquiring additional HRA properties for rent.

To date the Council has purchased 11 other properties during 2019-2020 for the sum of £1,912,437 including associated fees with a further £738,900 committed with 4 other purchases including this property.

The total spent to date and including the funds committed equal £2,651,337, leaving a balance of £145,663 available for 2019-2020.

There is sufficient budget to cover the cost of acquiring 24 Mildenhall Road, Loughborough.

Risk Management

No risks identified

Key Decision:	Yes, but exempted from call-in. See agenda item 14; Full Council meeting dated the 6th November 2017.
Background Papers:	Housing Acquisition Policy approved by Cabinet on the 10th May 2018; reviewed and updated June 2019, DD084

ANNEX A

Acquisition of Properties

41 Holmfield Avenue Loughborough

Decision under Delegated Powers

Officer Requesting Decision

Beverly Wagstaffe - Housing Strategy and Support Manager

Officer Making the Decision

Alison Simmons - Head of Strategic and Private Sector Housing

Recommendation

To approve the purchase of 41 Holmfield Avenue Loughborough and for the Council to formerly Exchange Contracts and Complete the purchase.

Reason

To utilise approved funding for the purchase of additional HRA rental properties.

Authority for Decision

Section 8.3, of the Constitution gives delegated authority to the Head of Strategic and Private Sector Housing to acquire additional properties for rent via the HRA where approved funding exists within the Capital Plan for the relevant financial year, and where any property acquired is subject to a Condition Survey, an Independent Valuation, Standard Legal checks, and meets identified housing needs (item 22 on page 8-30).

Decision and Date

Signed:

Date: 22nd January 2020

Head of Strategic and Private Sector Housing

Background

The following property has now been identified to purchase:

- 41 Holmfield Avenue, Loughborough – 2 bedroom house

There is an identified need for this size of property.

The seller of the property has accepted an offer of £155,000.

A Condition Survey, Valuation and Legal checks have all been satisfactorily completed.

Comments from HR

Not applicable

Financial Implications

The cost of acquiring this property is £155,000 with associated fees estimated at £2,500 and stamp duty of £5,250 (total cost of £162,750).

In August 2018, Cabinet approved a budget of £2,797,000 for 2019-2020 to support delivery of the Housing Acquisition Policy in acquiring additional HRA properties for rent.

To date the Council has purchased 11 other properties during 2019-2020 for the sum of £1,912,437 including associated fees with a further £738,900 committed with 4 other purchases including this property.

The total spent to date and including the funds committed equal £2,651,337, leaving a balance of £145,663 available for 2019-2020.

There is sufficient budget to cover the cost of acquiring 41 Holmfield Avenue, Loughborough.

Risk Management

No risks identified

Key Decision:	Yes, but exempted from call-in. See agenda item 14; Full Council meeting dated the 6th November 2017.
Background Papers:	Housing Acquisition Policy approved by Cabinet on the 10th May 2018; reviewed and updated June 2019, DD084

COUNCIL – 24TH FEBRUARY 2020

Report of the Chief Executive

Part A

ITEM 13 DELEGATION OF AN EXECUTIVE FUNCTION – PARTICIPATION IN THE UK RESETTLEMENT SCHEME

Purpose of Report

To inform Council of a delegation of an Executive function confirming the Council's participation in the UK Resettlement Scheme.

Action Requested

In accordance with Full Council Procedure 9.11(d) questions may be asked of the Leader in relation to the changes to the delegation of Executive functions.

Policy Justification and Previous Decisions

At the Council Meeting on 20th May 2019, Council resolved that Councillor Jonathan Morgan be appointed Leader of the Council for the Council term 2019/20 to 2022/23. (Council minute 8 2019/20 refers).

As required by the Constitution, the Chief Executive reports to Council whenever the Leader makes a change to the composition of the Cabinet, or to the allocation of Executive functions to the Cabinet, individual Cabinet members or officers.

On 29th January 2020, the Leader gave delegated executive authority to the Head of Strategic and Private Sector Housing to confirm the Council's participation in the UK Resettlement Scheme to pledge on behalf of the Council to the provision of one property (up to six people) in the private rented sector. Details are set out in the Annex to this report.

Implementation Timetable including Future Decisions and Scrutiny

The Leader may amend the size and composition of the Cabinet and the scheme of delegation relating to Executive functions at any time during the year. The Chief Executive will present a report to the next ordinary meeting of the Council setting out the changes made by the Leader.

Report Implications

Financial Implications

The financial implications associated with the change to the delegation of an Executive function is set out in the annex.

Risk Management

No specific risks have been identified in connection with this report.

Background Papers: None

Officer to Contact: Karen Widdowson
Democratic Services Manager
(01509) 634785
karen.widdowson@charnwood.gov.uk

ANNEX A

DECISION OF THE LEADER – 29 JANUARY 2020

PARTICIPATION IN THE UK RESETTLEMENT SCHEME

Purpose of Decision

To give delegated executive authority to the Head of Strategic and Private Sector Housing to confirm the Council's participation in the UK Resettlement Scheme.

To pledge on behalf of the Council to the provision of one property (up to six people) in the private rented sector.

Decision

That the following delegated executive authority to be given to the Head of Strategic and Private Sector Housing with immediate effect:

- To confirm participation in the UK Resettlement Scheme.
- To pledge on behalf of the Council to the provision of one property (up to six people) in the private rented sector.

Reason

To enable Council to confirm participation in the Scheme and the pledge by the 31st January 2020.

Background

On 17th June 2019 the Government confirmed its ongoing commitment to resettlement, announcing plans for a new UK Resettlement Scheme for 2020-2021 which will begin in 2020.

The UK Resettlement Scheme will consolidate the existing Vulnerable Persons Resettlement Scheme, the Vulnerable Persons Resettlement Scheme (VPRS), the Vulnerable Children's Resettlement Scheme (VCRS) and the Gateway Protection Programme.

The new Scheme will be open to refugees identified by UNHCR to be in need of resettlement to the UK because of their vulnerability. There is no geographic focus to the new Scheme.

Those resettled through Community Sponsorship and Mandate routes will be in addition to the commitment.

In the first year of operation of the new Scheme, the UK will aim to resettle 5000 refugees.

The new UK Resettlement Scheme will continue to be based on vulnerability, with refugees assessed for resettlement by UNHCR against their resettlement submission categories.
Participation in the Scheme will continue to be voluntary.

Financial Implications

The UK Resettlement Scheme is funded by the Home Office at no cost to the Council. The Local Authority will receive the following amount per person resettled over the five years of the Scheme.

Timeframe	**Funding per person**
Year 1	£8,520.00
Year 2	£5,000.00
Year 3	£3,700.00
Year 4	£2,300.00
Year 5	£1,000.00

The Scheme is expected to start in April 2020.

Risk Management

No specific risks have been identified in connection with this decision.

Signed:

Councillor Jonathan Morgan, Leader of the Council

Date: 29.01.20.

Officer to Contact: Alison Simmons
Head of Strategic and Private Sector Housing
01509 634780
Alison.simmons@charnwood.gov.uk

Key decision: No
Background papers: None