



This meeting will be recorded and the sound recording subsequently made available via the Council's website: [charnwood.gov.uk/pages/committees](http://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 via virtual meeting – Zoom on Monday, 9th November 2020 at 6.30 pm for the following business.

Chief Executive

Southfields  
Loughborough

30th October 2020

## **AGENDA**

1. APOLOGIES
2. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS
3. MINUTES OF THE PREVIOUS MEETING 5 - 14

To confirm the minutes of the Council meeting held on 7th September 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:

6.1. UPDATED CAPITAL STRATEGY 2020/21 15 - 78

A report of the Cabinet to seek approval of an updated Capital Strategy 2020/21, together with the Treasury Management Strategy Statement, the Annual Investment Strategy and Minimum Revenue Provision Policy.

6.2. REVISED GENERAL FUND BUDGET 2020/21 AND MEDIUM TERM FINANCIAL STRATEGY 2020-2023 79 - 98

A report of the Cabinet to seek approval of a revised General Fund Budget 2020/21 and updated Medium Term Financial Strategy (MTFS) 2020-2023 given the material impact of the Covid-19 outbreak on the Council's financial position.

6.3. REVISED CAPITAL PLAN 2020-23 99 - 114

A report of the Cabinet to seek approval of a revised Capital Plan 2020-2023 and its financing following a detailed review in the light of the Covid-19 outbreak.

6.4. MEMBER DEVELOPMENT STRATEGY 115 - 139

A report of the Cabinet to seek approval of a Member Development Strategy 2020-2024.

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

No requests for position statements were received.

9. MOTIONS ON NOTICE

To consider the following motion on notice submitted under Full Council Procedure 9.12:

9.1. SKY LANTERNS AND HELIUM BALLOONS 140

Motion submitted by the Conservative Group.

10. QUESTIONS ON NOTICE

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

10.1. A46 EXPRESSWAY

Question submitted by Councillor Grimley.

10.2. JOBS MARKET

Question submitted by Councillor Gerrard.

10.3. SECTION 106 AGREEMENTS

Question submitted by Councillor Taylor.

10.4. COMMUNICATIONS STRATEGY

Question submitted by Councillor Draycott.

10.5. CHARNWOOD COMMUNITY ACTION

Question submitted by Councillor Draycott.

10.6. HOMELESSNESS AND EVICTIONS

Question submitted by Councillor Forrest.

10.7. TRAVEL BETWEEN COUNTIES

Question submitted by Councillor Forrest.

11. MINUTE REFERENCES

There are no minute references.

12. CHANGES TO THE DELEGATION OF EXECUTIVE FUNCTIONS 141 - 145

A report of the Chief Executive to inform Council of changes to the delegation of Executive functions.

13. URGENT EXECUTIVE DECISIONS EXEMPTED FROM CALL-IN 146 - 170

To note decisions which were exempted from call-in in accordance with Scrutiny Committee Procedure 11.9.

This report contains an exempt appendix (Appendix C) circulated to Councillors.

14. APPOINTMENTS TO COMMITTEES

To consider any changes to Committee membership for the current Council year (2020/21) (if any).

**FORTHCOMING SCHEDULED MEETINGS OF COUNCIL**

<b>Council Meeting Date</b>	<b>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))</b>
Monday, 18th January 2021	Friday, 8th January 2021 at noon
Monday, 22nd February 2021	Friday, 12th February 2021 at noon
Monday, 26th April 2021	Friday, 16th April 2021 at noon
Monday, 21st June 2021	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](mailto:democracy@charnwood.gov.uk)

**CHARNWOOD BOROUGH COUNCIL**

**MEETING OF THE CHARNWOOD BOROUGH COUNCIL  
HELD IN  
VIRTUAL MEETING - ZOOM  
ON 7TH SEPTEMBER 2020**

**PRESENT**

The Mayor (Councillor Snartt)  
The Deputy Mayor (Councillor Baines)

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

Honorary Alderman Day

**OPENING THOUGHTS AND REFLECTIONS**

In the absence of the Mayor's Chaplain, the Mayor recited a prose poem.

13. **APOLOGIES**

Apologies for absence had been received from Councillors Goddard, Hadji-Nikolau, Howe and Paling, and Honorary Aldermen Bush, Shields, Stott and Tormey.

In the absence of the Mayor's Chaplain, the Mayor recited a prose poem.

14. **DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS**

The following disclosures of pecuniary and personal interests were made:

Councillor Miah - Item 8.1 – Position Statement - Local Government White Paper – Devolution and Local Recovery, as a Member of Leicestershire County Council. It was highlighted that as a decision was not to be made at the meeting, Councillor Miah and any other dual-hatted Members were permitted to take part in the discussion of the item.

Councillor Hunt – Item 9.1 – Motion on Notice – Local Electricity Private Member’s Bill 2020, as the Member of Parliament for Loughborough.

15. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting of Council held on 29th June 2020 were confirmed and signed.

16. ANNOUNCEMENTS

17. MAYOR'S ANNOUNCEMENTS

The Mayor made the following announcements.

Former Councillor Marion Smith

‘First all I would like to express my sadness at the passing of former Councillor Marion Smith, in June this year.

Marion represented the Loughborough Southfields Ward for four years from May 2011 – May 2015 as a Labour councillor.

During her time as a councillor, Marion held positions on the Licensing Committee, Plans Committee and Policy Scrutiny Group between 2012 and 2014.

As a passionate gardener she was regularly involved in Loughborough in Bloom and became Chair of the Loughborough in Bloom board in 2017, helping many community groups to blossom. She was a school governor at Mountfields Lodge for more than 30 years. Marion was an excellent fund-raiser. She raised money for John Storer House and its allotment project, Loughborough Town of Sanctuary and Loughborough Labour Party, often by baking cakes or through the sale of honey or plants from her garden in Herrick Road, Loughborough.

Councillors, I invite you to take part in a one-minute silence now and stay behind after the public meeting concludes to pay your respects.’

A one-minute silence was then held as a mark of respect.

Charnwood Community Action

'Recently I was delighted to be invited to the community hub in Loughborough to see the incredible work of the Charnwood Community Action team first-hand and to also mark the delivery of the 10,000th food parcel.

These past few months have been difficult for our communities and I know everyone involved with Charnwood Community Action has worked incredibly hard to help those who need a bit of additional support during this time. They should be proud of what they've achieved.

It's been wonderful to see volunteers, local community groups and businesses pulling together to offer support to their neighbourhoods and the hub.

I would like to say thank you to everyone who has played their part in helping our communities.'

18. LEADER'S ANNOUNCEMENTS

The Leader made no announcements.

19. CHIEF EXECUTIVE'S ANNOUNCEMENTS

The Chief Executive made a point of clarification regarding item 13 on the agenda filed with these minutes. He stated that the item was for Council to note decisions made during the Covid-19 pandemic. One of the decisions made was to extend committee positions until the Council could hold an Annual meeting. This was achieved on 29th June 2020 and the positions referred to in the annex to the report were relevant to the period prior to that Annual Council meeting and had now been superseded.

20. PETITIONS

No petitions were submitted.

21. BUSINESS RESERVED TO COUNCIL

22. LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN REVIEW LETTER 2019/20

A report of the Monitoring Officer to make Members aware of the Local Government & Social Care Ombudsman's (LGSCO) review letter for 2019/20 and two cases of complaints which were upheld by the LGSCO during the year, in accordance with the LGSCO's guidance which is that the Monitoring Officer should make a periodic report to Councillors summarising any upheld complaints.

Councillor Miah emphasised that the findings of the Ombudsman should be taken seriously. He expressed his concern regarding the complaints outlined in the report but stated that he was satisfied that the recommendations of the Ombudsman had been actioned. He noted that the Council should continue to consider the points made by the Ombudsman and there was a need to ensure complaints were handled earlier in future.

Councillor Rollings acknowledged that considering the size of the Borough, the two complaints received was relatively low but stated that ideally the Council should receive no complaints. He stated that there was always opportunities for the Council to improve and that compliance with recommendations had been 100%.

It was proposed by Councillor Rollings and seconded by Councillor Taylor and

**RESOLVED** that the Local Government & Social Care Ombudsman's appended review letter for 2019/20, and the summary of the upheld complaints as set out in Part B of this report, be noted.

Reason

To comply with the guidance from the Local Government & Social Care Ombudsman that the Monitoring Officer should make Members aware of upheld complaints on a periodic basis.

*Councillor Brookes joined the meeting at 6:50pm.*

23. ANNUAL REVIEW OF THE COUNCIL'S CONSTITUTION

A report of the Cabinet to consider proposed amendments to the Constitution following the annual review.

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

**RESOLVED** that the changes to the Constitution set out in appendix 1 to the report of the Monitoring Officer (attached as an Annex) be made, to be effective from 8th September 2020.

Reason

To ensure the Constitution is kept up to date and fulfils its intended purposes.

24. CALL-IN REFERENCES

There were no call-in references from Scrutiny.

25. POSITION STATEMENTS

No position statements had been requested.

26. LOCAL GOVERNMENT WHITE PAPER - DEVOLUTION AND LOCAL RECOVERY WHITE PAPER

The Leader had given notice of a position statement on the Local Government White Paper – Devolution and Local Recovery (item 8.1 on the supplementary agenda filed with these minutes).



The position statement was introduced by the Leader and the following points were raised by Councillors:

- i. The position statement was welcomed and it was acknowledged that the White Paper had not yet been published by Central Government due to other priorities associated with the pandemic
- ii. It was important that continuous dialogue between the District Councils across the County was maintained as this was in the best interests of Charnwood residents.

The Leader acknowledged the points made by Councillors and stated that the publishing of the white paper was anticipated between the 5th and 7th October 2020, which would allow for submission to the meeting of the Council on 9th November 2020. He stated that he would request an extraordinary meeting of the Council to discuss the white paper if required. The meeting with the Local Government Minister would involve the Leaders of District Councils, the City Council, the County Council and Rutland County Council. The Leader agreed that the outcome of the white paper would need to ensure the best for Charnwood residents and businesses.

It was proposed by the Leader, seconded by Councillor Fryer, and

## **RESOLVED**

1. That the Position Statement be referred to Cabinet, so that following publication of the Devolution and Local Recovery white paper, a detailed response be prepared and submitted to Cabinet following consideration by the Scrutiny Commission, and then brought back to Council.
2. That if required, an extraordinary meeting of the Council be arranged in order to consider the white paper.

### Reasons

1&2. To ensure the Local Government white paper on Devolution and Local Recovery is properly scrutinised and considered by the Cabinet and Council.

## 27. IMPACT OF COVID-19 ON THE COUNCIL

The Labour Group had requested that a position statement regarding the impact of Covid-19 on the Council be present at the meeting. The Leader had given notice of a position statement (item 8.2 on the agenda filed with these minutes).

The position statement was introduced by the Leader and the following points were raised by Councillors:

- i. Councillors expressed their pride in Charnwood Borough Council and recognised the remarkable way in which the pandemic was responded to. It was stated that the response of the Council had demonstrated the quality of its Councillors and officers, including the Leader and the Chief Executive, as

- services had continued to operate to ensure the needs of residents and businesses were met.
- ii. The work of Community Action Charnwood during the pandemic had demonstrated how communities could work together and it was hoped that this would continue into the coming months.
  - iii. It was acknowledged that the situation remained uncertain and that there were issues to overcome including financial implications.
  - iv. There was confidence that the well-organised nature of the Council's response was an indication that the Council was able to effectively respond to potential future challenges.

The Leader thanked Councillors for their comments. He stated that he was aware of the considerable work still required for the Council to recover but acknowledged that Councillors and officers had already undertaken a substantial amount of work in order to support residents and the community. He paid tribute to the officer teams, the organisations that had worked with them, and also to his fellow Councillors, all of whom had worked to ensure residents and communities were supported.

## 28. MOTIONS ON NOTICE

No motions on notice had been submitted.

## 29. LOCAL ELECTRICITY PRIVATE MEMBER'S BILL 2020

In accordance with Full Council Procedure 9.12, Councillor Ward had given notice of a motion on the Local Electricity Private Member's Bill 2020 (item 9.1 on the agenda filed with these minutes).

Councillor Ward thanked members for their comments and stated that the motion would help to establish small renewable energy providers and enable residents to purchase energy directly from these sources. This would ensure profits were kept within the Borough, improving resilience.

The motion was moved by Councillor Ward and seconded by Councillor Rollings, and it was

### **RESOLVED**

1. That the Council acknowledged the efforts that this council has made to reduce greenhouse gas emissions and promote renewable energy;
2. That the Council further recognises that very large financial setup and running costs involved in selling locally generated renewable electricity to local customers result in it being impossible for local renewable electricity generators to do so, that making these financial costs proportionate to the scale of a renewable electricity supplier's operation would enable and empower new local businesses, or councils, to be providers of locally

generated renewable electricity directly to local customers, and that revenues received by new local renewable electricity providers could be used to help improve the local economy, local services and facilities and to reduce local greenhouse gas emissions.

3. That the Council accordingly, and because of the potential environmental and financial benefits that could arise for the Borough, resolves to support the Local Electricity Bill, supported by 198 MPs which, if made law, would establish a Right to Local Supply which would promote local renewable electricity supply companies and co-operatives by making the setup and running costs of selling renewable electricity to local customers proportionate to the size of the supply operation.
4. That the Council inform the local media of this decision, write to local MPs, asking them to support the Bill, and write to the organisers of the campaign for the Bill, Power for People, (at 8 Delancey Passage, Camden, London NW1 7NN or [info@powerforpeople.org.uk](mailto:info@powerforpeople.org.uk)) expressing its support.

### Reasons

1-4 To ensure the motion on notice supported by Council be implemented.

### 30. 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).

### 31. TWINNING TOWN - ZAMOSC

Councillor Tillotson thanked the Lead Member and officers for the response provided and acknowledged that the issue was serious and compromised human rights. She stated that she did not doubt the Council's dedication to equality and that there had been a number of towns and cities that had terminated twinning relationships based upon this issue. The issue had also prohibited some Polish towns from participating in the twinning initiative. Councillor Tillotson enquired about the way in which the response from Zamosc would be reported, the actions which would be taken by the Council following the response and asked the Lead Member to liaise with Schwäbisch Hall, Charnwood's German twin town which was also twinned with Zamosc.

Councillor Harper-Davies thanked Councillor Tillotson for her question and confirmed that the Council was investigating the situation in Zamosc. Councillor Harper-Davies ensured Councillor Tillotson that with more information, the Council would take action as appropriate.

### 32. FLOODING

Councillor Gerrard thanked the Cabinet Lead Member for the response provided and asked whether the Council could encourage developers to use a base of 50% concrete to allow for ground ventilation and drainage of excess precipitation. She also highlighted that the production of concrete had a negative impact on the environment.

Councillor Bailey thanked Councillor Gerrard for her question and stated that he recognised the importance of sustainable urban drainage systems on greenfield sites. He informed Councillor Gerrard that developers had a responsibility to ensure drainage on a site was either improved to not adversely affected by works. There were many mitigating actions taken to alleviate any negative impacts on the environment.

33. MORATORIUM ON HOUSING EVICTIONS DUE TO THE PANDEMIC

Councillor Draycott thanked the Cabinet Lead Member and the officers for the response provided and commended the Council on managing the challenging situation during the pandemic, resulting in accommodating 85 individuals. She stated that the work to alleviate the impact of Covid-19 was ongoing but would end in the near future and that this would create further issues. It was anticipated that approximately 221 tenants could become subject to legal action and evictions in the coming months. Councillor Draycott asked the Cabinet Lead Member how the Council would ensure there was not a return to rough sleeping in the Borough, despite the potential increase in evictions.

Councillor Mercer thanked Councillor Draycott for her question and acknowledged the challenges ahead as a result of the impact of Covid-19. He stated that there was usually a relatively small number of rough sleepers in Charnwood and that the 85 individuals referred to were assessed as at imminent risk of becoming homeless as a result of Covid-19. Councillor Mercer stated that officers had worked hard to manage this situation and that the issue was being discussed regularly.

34. FINANCIAL RECOVERY

Councillor Bolton thanked the Lead Member and officers for the response provided and stated that the Council had lost a substantial amount of income during the pandemic. She acknowledged that there was a shortfall in what was anticipated financially in order to counteract the impact of Covid-19, and that the expected income outlined in the response was not certain. Councillor Bolton asked the Cabinet Lead Member to confirm the amount of funding the Council would receive from Government and how the Council intended on alleviating the shortfall without depleting reserves.

Councillor Barkley thanked Councillor Bolton for her question and acknowledged her concerns. He stated that the Government had provided the Council with £2.1 million in emergency grants, of which a large proportion remained unspent. He stated that the Council would conduct reviews into the provision of services and that an increase in income was anticipated through the Investment Strategy. He assured Councillor Bolton that the Council was working to improve the financial situation and that there would be sufficient consideration of this through the Council and Scrutiny function. Councillor Barkley stated that there remained some uncertainty regarding funds recovered from the Government and that for the foreseeable future the Council was financially sound.

35. CANCELLED EVENTS

Councillor Draycott did not wish to ask a supplementary question or make a statement based upon the response provided.

36. CONFIDENTIAL DOCUMENTS

Councillor Julie Bradshaw thanked the Lead Member and officers for the response provided and referred to the need for more stringent checks and processes to ensure the confidentiality of documentation was maintained with the new working practices introduced. Councillor Julie Bradshaw asked the Cabinet Lead Member to highlight this to the Chief Executive and ensure that a policy is produced to reflect current working practices, outlining the responsibility of the management of confidential information.

Councillor Smidowicz thanked Councillor Julie Bradshaw for her question and stated that agile working had impacted on Councillors and officers alike. She highlighted that it was necessary to remain conscious of the level of sensitivity of documentation at all times and to consider the implications of failing to manage documentation properly. She agreed to refer this to the Chief Executive and confirmed that documentation was being managed properly in the meantime.

37. MINUTE REFERENCES

There were no minute references.

38. URGENT EXECUTIVE DECISIONS EXEMPTED FROM CALL-IN

A report of the Chief Executive, informing the Council of an urgent decisions made by the Cabinet that were exempted from call-in in accordance with Scrutiny Committee Procedure 11.9, was submitted (item 12 on the agenda filed with these minutes).

39. URGENT COUNCIL FUNCTION DECISIONS TAKEN DURING COVID-19 PANDEMIC

A report of the Chief Executive to note the action taken by the Chief Executive, and/or Strategic Directors and Heads of Service, in respect of Council function decisions which were made under urgency provisions due to the COVID-19 pandemic (item 13 on the agenda filed with these minutes).

40. CHANGES TO THE DELEGATION OF EXECUTIVE FUNCTIONS

A report of the Chief Executive to inform Council of changes to the delegation of Executive functions (item 14 on the agenda filed with these minutes).

41. APPOINTMENTS TO COMMITTEES

There were no changes to consider.

Note:

These minutes are subject to confirmation as a correct record at the next meeting of the Council which is scheduled for Monday 9th November 2020

## COUNCIL – 9TH NOVEMBER 2020

### Report of the Cabinet

#### ITEM 6.1 UPDATED CAPITAL STRATEGY 2020/21

##### Purpose of Report

To seek approval of an updated Capital Strategy 2020/21, together with the Treasury Management Strategy Statement, the Annual Investment Strategy and Minimum Revenue Provision Policy.

##### Recommendations

1. That the Capital Strategy, as set out in Appendix A of the report of the Head of Financial Services (attached as an Annex), be approved.
2. That the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy, as set out in Appendix B of the report of the Head of Financial Services (attached as an Annex), be approved.
3. That the Prudential and Treasury Indicators, also as set out in Appendix B of the report of the Head of Financial Services (attached as an Annex), be approved.

##### Reasons

1. To enable the Council to comply with the statutory code of practice issued by CIPFA: 'The Prudential Code for Capital Finance in Local Authorities, 2017 Edition'.
2. To ensure that the Council's governance and management procedures for Treasury Management reflect best practice and comply with the CIPFA Treasury Management in the Public Services Code of Practice, Guidance Notes and Treasury Management Policy Statement.
3. To ensure that funding of capital expenditure is taken within the totality of the Council's financial position and that borrowing and investment is only carried out with proper regard to the Prudential Code for Capital Finance in Local Authorities.

##### Policy Justification and Previous Decisions

Policy justification detailed in the attached Annex.

At its meeting on 15th October 2020, Cabinet considered a report of the Head of Financial Services proposing an updated Capital Strategy 2020/21, together with the Treasury Management Strategy Statement, the Annual Investment Strategy and Minimum Revenue Provision Policy, for recommendation to Council. That report is attached as an Annex. The following minute extract sets out Cabinet's decision:

"42. UPDATED CAPITAL STRATEGY 2020/21

*Considered, a report of the Head of Financial Services setting out an updated Capital Strategy 2020/21, together with the Treasury Management Strategy Statement, the Annual Investment Strategy and Minimum Revenue Provision Policy, for recommendation to Council (item 7 on the agenda filed with these minutes).*

*The Strategic Director; Environmental and Corporate Services and the Head of Financial Services assisted with consideration of the report.*

## **RESOLVED**

1. *that the Capital Strategy, as set out in Appendix A of the report of the Head of Financial Services, be approved and **recommended to Council**;*
2. *that the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy, as set out in Appendix B of the report of the Head of Financial Services, be approved and **recommended to Council**;*
3. *that the Prudential and Treasury Indicators, also as set out in Appendix B of the report of the Head of Financial Services, be approved and **recommended to Council**.*

## Reasons

2. *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.*
4. *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."*

## 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.



Officers to Contact:

Lesley Tansey  
Head of Financial Services  
01509 634828  
[lesley.tansey@charnwood.gov.uk](mailto:lesley.tansey@charnwood.gov.uk)

Simon Jackson  
Strategic Director; Environmental and  
Corporate Services  
01509 634699  
[simon.jackson@charnwood.gov.uk](mailto:simon.jackson@charnwood.gov.uk)

**CABINET – 15TH OCTOBER 2020****Report of the Head of Financial 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.

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

**Recommendations**

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

**Reasons**

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

only carried out with proper regard to the Prudential Code for Capital Finance in Local Authorities.

### Policy Justification and Previous Decisions

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

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

The original version of the Medium Term Financial Strategy (covering financial years 2020 - 2023) outlined the prospective financial challenges facing the Council and the contribution expected of the Investment Strategy in mitigating these challenges. Whilst the COVID-19 has exacerbated these challenges as reflected in the updated Medium Term Financial Strategy for 2020 – 2023, the Investment Strategy remains a key part of the Council's response.

### Implementation Timetable including Future Decisions and Scrutiny

The implementation of this Strategy was previously scheduled for April 2020 but has been delayed due to cancellation of Council meetings due to the COVID-19 outbreak. If approved by Council the Capital Strategy (including its component strategies) will come into effect from 9 November 2020.

In line with the Financial Regulations the Audit Committee had the opportunity to review the draft Financial Strategy at its meeting of 22 September 2020. The Committee resolved not to refer any comments to Cabinet or Council.

This report is also available for the consideration of the Scrutiny Commission on 12 October 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

<i>Risk Identified</i>	<i>Likelihood</i>	<i>Impact</i>	<i>Overall Risk</i>	<i>Risk Management Actions Planned</i>
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	Likely 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)	Unlikely 2	Major 4	Moderate 8	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  
Revised Capital Plan 2020 – 2023 – Cabinet Report 15 October 2020

Officers to contact: Lesley Tansey  
Head of Financial Services  
(01509) 634828  
[lesley.tansey@charnwood.gov.uk](mailto:lesley.tansey@charnwood.gov.uk)

Simon Jackson  
Strategic Director of Corporate Services  
(01509) 634699  
[simon.jackson@charnwood.gov.uk](mailto:simon.jackson@charnwood.gov.uk)

## Part B

### Background

1. The implementation of this version of the Capital Strategy has been delayed. Initially scheduled for approval at the Council meeting of 24 February 2020, it was necessary to reschedule the Strategy for approval at the Council meeting of 27 April 2020. This meeting was subsequently cancelled due to the COVID-19 outbreak and hence the Strategy as originally drafted in respect of 2020/21 was not approved by Council.
2. Due to the impact of COVID-19 it has been considered appropriate to modify the original draft Strategy for 2020/21 and hence a second Cabinet report is necessary to recommend the modified version to Council.
3. 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 Financial Accountants (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'.
4. The Council's treasury management activities also fall within the scope of the Prudential Code.
5. 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
6. 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)

7. 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 Strategy for 2020/21

8. 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 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
  - Creation of a fund to take opportunities arising from the Town Deal, or other regeneration opportunities enabled by total borrowings of up to £15m
  - Creation of a fund to allow 'forward funding' of buildings or infrastructure within the Enterprise Zone enabled by total borrowings of up to £15m
- It should be stressed that inclusion of the above within the Capital Plan does not imply that all (or any) of the above amounts would be expended. Further discussion of the above is set out later in this document.
  - It should also be noted that projects under the three separate themes will be required to follow the necessary due diligence and governance processes. A key part of the required business case seeking expenditure will be an assessment of cost benefit and return on investment.
  - Implementing the above requires:
    - 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))
9. For the purposes of the Capital Strategy and other documents associated with this report it is assumed that the Council will also approve the Revised Capital Plan 2020 – 2023 which is scheduled for the same Cabinet and council date as this report.
10. 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.

## 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 (illustrative snapshot)

B (7) Treasury management scheme of delegation

B (8) Treasury management role of the Section 151 Officer





**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. The implementation of the second iteration of our Capital Strategy has been somewhat delayed due to COVID-19 but this does at least allow us to consider the financial impact of the outbreak (to the extent we understand it at present) and also to reflect emerging opportunities such as those arising from the Town Deal and the Enterprise Zone.



Generally, this version of the 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, and new borrowing to assist the economic development of our communities as they recover from the COVID-19 outbreak. At this point in time we still have the intention of developing a portfolio of commercial property to help us mitigate the financial challenges outlined in the latest version of our Medium Term Financial Strategy. This is something that is more important than ever given the additional financial pressures arising from COVID-19 but we are aware that the rules around borrowing to finance commercial property are likely to change, and clearly any investment decisions made will need to be in compliance with extant regulation.

Alongside this Capital Strategy, we are also bringing forward mid-year revisions of the Medium Term Financial Strategy 2020 - 23, Budget 2020/21, and Capital Plan 2020 – 23, which aim to provide a 'reset' in the light of the COVID-19 outbreak, and be helpfully read in conjunction with each other.

Our plans include a more proactive approach to treasury management, investment in regeneration and economic development, prospective investments in commercial property and the wider development of commercial opportunities. We also still 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. 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 which outlines important changes in this regard, in particular the anticipated use of prudential borrowing to support 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 approach to financial management 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 Services

September 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**

### **1.1. Capitalisation policies**

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

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

- Will be held for use in the delivery of services, for rental to others, or for administrative purposes; and
- Is of continuing benefit to the Council for a period extending beyond one financial year.

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

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

### **1.2. Governance**

1.2.1. A three year Capital Plan is prepared by officers and approved by Council. 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.

1.2.2. Once adopted the three year Capital Plan is formally reviewed by Cabinet at the end of year two when Heads of Service are asked to

submit proposals for the following three years. 'Year three' of the current plan would then become 'year one' of the new plan.

- 1.2.3. New schemes can only be added outside of this procedure where they are in substitution of existing schemes or have a separate source of funding so that the actual total level of the Plan would not increase.
- 1.2.4. All schemes of £50,000 in value or greater require Capital Appraisal and all procurement and contracting must adhere to the Contract Procedure Rules. The s151 Officer makes recommendations to Cabinet as to whether funding should be released to allow new schemes to be included in the Capital Plan.
- 1.2.5. 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.
- 1.2.6. Prior to the closure of the Council's accounts a report detailing the proposed method of funding the capital expenditure incurred is submitted to Cabinet by the Section 151 Officer as required by the Local Government & Housing Act 1989.

### **1.3. Current Capital Plan**

- 1.3.1. 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. The second is the 'new' capital plan covering financial years 2020/21 – 2022/23 which was approved by Council on 24 February 2020.
- 1.3.2. It was always envisaged that the Capital Plans would be merged to create to single Plan from 1 April 2020. Additionally, following the COVID-19 outbreak this merged Capital Plan will be subject to a mid-year revision to reflect additional financial pressures and emerging new priorities. This amended, merged, Capital Plan is scheduled for consideration at the Council meeting of 9 November 2020, alongside this Capital Strategy.
- 1.3.3. In totality, to 31 March 2023, capital expenditure (including externally funding) is planned as follows:

General Fund	£78m
HRA	£24m

The capital expenditure for the General Fund shows a very significant increase over previous years. This includes £4.8m required for the purchase of the Environmental Services Fleet and other amounts which are designed to allow the Council to invest in the event that opportunities present themselves. The key elements here are:

- £15m - Regeneration funding to support Town Deal and other initiatives
- £15m – Forward funding of schemes enabling the development of the Enterprise Zone financed by future business rate receipts
- £25m – Creation of a commercial property portfolio

1.3.4. It should be stressed that inclusion of the above within the Capital Plan does not imply that all (or any) of the above amounts would be expended. Further discussion of the above is set out later in this document.

1.3.5. 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.

1.3.6. 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.

1.3.7. 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.

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

1.3.9. The implications of financing capital expenditure from ‘borrowing’ are explained later on in Treasury Management Investments.

## **2. Capital Financing Requirement and borrowing**

- 2.1. The Council is required by regulation to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (referred to as the 'Prudential Code') when assessing the affordability, prudence and sustainability of its capital investment plans. Fundamental to the prudential framework is a requirement to set a series of prudential indicators. These indicators are intended to collectively build a picture that demonstrates the impact over time of the Council's capital expenditure plans upon the revenue budget and upon borrowing and investment levels, and explain the overall controls that will ensure that the activity remains affordable, prudent and sustainable.
- 2.2. At the time of drafting the Government, in conjunction with CIPFA, is consulting on a revised set of rules and associated Prudential Code, which will significantly restrict the ability of local authorities to borrow for the acquisition of commercial properties. The final detail of any changes, and effective date of implementation of the new Code will obviously be addressed as part of any investment decisions.
- 2.3. 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 (potential) prudential borrowing within the overall context of the Council's Capital Financing Requirement.
- 2.4. 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**

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

3.2. 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.

3.3. 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 maximum 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**

3.4. 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.

3.5. 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.

3.6. 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 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

- 4.1. The prolonged low interest rate environment has meant that treasury management investments have not generated significant returns. However, the introduction of the general power of competence has given local authorities far more flexibility in the types of activity they can engage in. These changes in the economic and regulatory landscape, combined with significant financial challenges, have led many authorities to consider different and more innovative types of investment.
- 4.2. CIPFA 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.
- 4.3. Separately, the Ministry of Housing, Communities and Local Government has issued Statutory Guidance on Local Government Investments under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018.
- 4.4. 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
- 4.5. Commercial investments are primarily undertaken by the Council in order to generate income to support the delivery of a balanced budget. Such investments are only entered following a full assessment of the risks and having secured expert external advice (i.e. where it is relevant to do so).
- 4.6. 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
- 4.7. 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.

4.8. 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
- 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.

4.9. 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

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

4.11. In considering its approach to investment properties the Council has to consider the application of parameters including:

- Prospective cost of potential 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 or target rental yield from properties held for investment

4.12. The strategy for 2020/21 is set out below.

#### **STRATEGY FOR 2020/21 - INVESTMENT IN COMMERCIAL PROPERTY**

An total of £25m to expand the Council's commercial property portfolio has been created within the updated 2020 - 23 Capital Plan. This amount represents the total value of the commercial property portfolio considered appropriate for the Council at this time.

This investment will be purely to generate investment returns to address the financial challenges outlined in the extant MTFS.

No specific minimum or maximum will be applied to any single property investment, to avoid restricting the Council's actions should financially advantageous opportunities present themselves. However, it is envisaged that acquisitions, at least initially, will normally be in the range of £1m - £10m. 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 target minimum acceptable net yield, after allowing for interest payments and MRP charge will be 3.5%. This minimum net yield may be varied, e.g. it may be appropriate to accept a lower yield to balance risk within the overall property portfolio. In cases where the 3.5% minimum net yield will not be met, this will be understood and recorded in any delegated decision to purchase, providing a clear rationale and justification.

Property acquisitions may often be located outside of the Borough - this assists the Council to act in the same way as a commercial landlord and not allow returns to be compromised by local considerations – but this will not preclude good investment opportunities within the Borough being taken up.

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

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

Timing of any transaction may not allow for presentation of the item at a full meeting of the Scrutiny Commission. Therefore, prior to finalising any transaction, reports will be presented to the Chair of Scrutiny Commission at a minimum, outlining the business case and rationale as well as any case for urgency in decision making.

Pro tem it will be assumed that all funding will be allocated to the 2020/21 financial year.

#### Loans to local enterprises and third parties

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

- Whether or not the loan has security
- The term of the loan
- The profile of capital repayments
- The credit rating of the counterparty
- That total financial exposure to this type of loan is proportionate
- An allowed 'expected credit loss' model for assessing credit risk is adopted<sup>1</sup>
- 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

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.

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.

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
- 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

---

<sup>1</sup> 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)

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

The Council does not currently have any wholly owned local trading or property (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.

However, the Council is actively considering the creation of a Property Development Company (probably with a housing focus). It may be appropriate to invest directly in the equity of a Property 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 PROPERTY DEVELOPMENT COMPANY**

No money has been allocated within the capital plan at present.

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

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:

- Any 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 PDC, whether by loan or equity investment, will be an amount of £10m.

### Economic development and regeneration

COVID-19 has, as might be expected, had a significantly negative impact on businesses, which is reflected in both the physical environment and employment rates. In general, the Council would want to consider investment projects that benefit its communities, but it also has the opportunity to invest using the following specific arrangements:

- **Town Deal:** The Government has provided funding of up to £25m to support improvements to Loughborough town centre; release of some of this funding may be facilitated by providing ‘match’ funding from the Council<sup>2</sup>
- **Enterprise Zone:** The Council can support the development of infrastructure on its Enterprise Zone sites by taking out a loan to fund projects, repayable from future business rates generated

The strategy as related to the these opportunities is set out below:

#### **STRATEGY FOR 2020/21 - INVESTMENT IN THE TOWN DEAL AND REGENERATION PROJECTS**

An amount of £15m to fund material investment in the Town Deal and regeneration projects will be included in the revised Capital Plan 2020-23 (subject to approval by Council).

Pro tem it will be assumed that this funding is phased £5m in 2021/22 and £10m in 2022/23.

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

For Town Deal investment:

- Investment for projects will be allocated based on approvals through the Town Deal governance processes and subject to overarching central government approval (based on the Town Investment Plan).

Investment in other regeneration projects (ie. where funding is to come from this £15m allocation) will be approved by Cabinet on a case by case basis. In general, it is anticipated that such projects will provide a positive financial return to the Council, but that a lower return than may be achievable with pure commercial investment will be acceptable.

#### **STRATEGY FOR 2020/21 - INVESTMENT IN THE ENTERPRISE ZONE**

An amount of £15m to forward fund investment in the Enterprise Zone (EZ) will be included in the revised Capital Plan 2020-23 (subject to approval by Council).

This total amount will be profiled for the 2020/21 financial year to ensure there is no impediment to investment opportunities (although in practice much of this allocation may be carried forward into future years).

The mechanism by which the investment will work is as follows:

1. The Council will take out a loan for the amount required to fund the project
2. Funds will be passed to the LLEP, who will then make a grant to the site sponsor<sup>3</sup> who will undertake the project delivery
3. The Council will cover the loan costs by retaining business rates generated by the project that would otherwise have been due to the LLEP (the LLEPP share of business rates generated is 85% as set out in the EZ agreement)

MRP treatment – generally, MRP will be calculated using the annuity method reflecting the life of underlying assets being long term and assumed at 40 years. However, where the loan is taken out on a repayment basis (as may be the case) then no MRP charge will be deemed necessary.

<sup>2</sup> Although it should be noted that the Town Deal also strongly encourages participation and investment from the private sector

<sup>3</sup> The site sponsors would be either Charnwood Campus (Jayplas) or Loughborough University

Forward funding agreements will be:

- Based on business cases supported by the Council and subject to approval by the LLEP Board (where the Council has representation at present)
- Subject to Cabinet approval on a case by case basis

A condition of any forward funding agreement is that the loan will have to be underwritten by the site sponsor.

It is assumed that this forward funding be financed through Council borrowing, as and when investment is required. It is also expected that repayment of the loan via future business rates will create a small 'margin' versus the terms of the loan that will provide a positive contribution to the Council's finances.

### Other commercial investments

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**

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

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

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

## **6. Treasury management Policy Statement and Treasury Management Practices**

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



# **Charnwood Borough Council**

## **Treasury Management Strategy Statement**

Minimum Revenue Provision Policy Statement  
and Annual Investment Strategy

---

**2020/21**

Including Commercial activities/non treasury activities

## INDEX

Section	Page no.
<b>1 INTRODUCTION</b>	<b>2</b>
1.1 Background	2
1.2 Reporting requirements	3
1.3 Treasury Management Strategy for 20120/21	4
1.4 Training	4
1.5 Treasury management consultants	5
<b>2 THE CAPITAL PRUDENTIAL INDICATORS 2020/21 – 2022/23</b>	<b>5</b>
2.1 Capital expenditure	5
2.2 The Council's borrowing need (the Capital Financing Requirement)	6
2.3 Core Funds and Expected investment balances	7
2.4 Minimum revenue position (MRP) policy statement	8
<b>3 BORROWING</b>	<b>9</b>
3.1 Current portfolio position	9
3.2 Treasury Indicators: limits to borrowing activity	11
3.3 Prospects for interest rates	12
3.4 Investment and borrowing rates	14
3.5 Borrowing strategy	15
3.6 Policy on borrowing in advance of need	15
3.7 Debt rescheduling	15
3.8 Municipal Bond Agency	16
<b>4 ANNUAL INVESTMENT STRATEGY</b>	<b>16</b>
4.1 Investment policy	16
4.2 Creditworthiness policy	18
4.3 Country limits	21
4.4 Investment strategy	21
4.5 Investment risk benchmarking	22
4.6 End of year investment report	22
<b>APPENDICES</b>	
B (1) Economic Background	
B (2) Minimum Revenue Provision Policy	
B (3) Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management	
B (4) Approved countries for investments	
B (5) List of approved brokers for investments	
B (6) Current investments as at 10 <sup>th</sup> September 2020	
B (7) Treasury management scheme of delegation	
B (8) The treasury management role of the section 151 officer	

## 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 economic 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 requires as from 2020/21 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.

### **1.2.2 Treasury 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 (which largely falls under the ambit of the Audit Committee). 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, including, but not solely, that from 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 2020/21-2022/23

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:

<b>Capital expenditure</b>	<b>2019/20 Actual £'000</b>	<b>2020/21 Revised Estimate £'000</b>	<b>2021/22 Revised Estimate £'000</b>	<b>2022/23 Revised Estimate £'000</b>
General Fund - general	2,236	11,789	3,208	2,444
Commercial Investments	0	25,000	0	0
Enterprise Zone	0	15,000	0	0
Regeneration	0	5,000	10,000	0
HRA	8,208	8,941	7,381	7,724
<b>Total</b>	<b>10,444</b>	<b>65,730</b>	<b>20,589</b>	<b>10,168</b>

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.

<i><b>Financing of capital expenditure</b></i>	<i><b>2019/20 Actual £'000</b></i>	<i><b>2020/21 Revised Estimate £'000</b></i>	<i><b>2021/22 Revised Estimate £'000</b></i>	<i><b>2022/23 Revised Estimate £'000</b></i>
<b>Total Capital Expenditure as per above table</b>	<b>10,444</b>	<b>65,730</b>	<b>20,589</b>	<b>10,168</b>
<i>Financed by:</i>				
Capital receipts	1,120	6,817	2,384	1,751
Capital grants	857	2,676	1,274	1,143
Capital reserves	4,595	630	0	0
Revenue Contributions	3,872	8,207	6,931	7,274
Internal borrowing	0	2,400	0	0
External borrowing	0	45,000	10,000	0
<b>Total Funding</b>	<b>10,444</b>	<b>65,730</b>	<b>20,589</b>	<b>10,168</b>

## **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.

The resultant CFR projections are set out in the table below. These reflect the Revised Capital Plan (which is subject to approval by Council 9 November 2020) and the main body of the Capital Strategy report, and comprise:

- Part funding of the Environmental Services fleet in 2020/21 through Internal borrowing (£2.4m)
- Creation of a fund to purchase Commercial Property (£25m), all profiled for 2020/21
- Creation of a Regeneration fund to take advantage of opportunities arising from the Town Deal, and others that may arise; £15m split £5m in 2020/21 and £10m in 2021/22

- Creation of a £15m fund – all profiled in 2020/21 – to enable forward funding within the Enterprise Zone (to be repaid through business rates generated)

<b>Capital Financing Requirement</b>	<b>2019/20 Actual £'000</b>	<b>2020/21 Revised Estimate £'000</b>	<b>2021/22 Revised Estimate £'000</b>	<b>2022/23 Revised Estimate £'000</b>
CFR - Fleet	0	2,400	2,400	2,400
CFR – Commercial Activities Activities	0	25,000	25,000	25,000
CFR – Regeneration	0	5,000	15,000	15,000
CFR – Enterprise Zone	0	15,000	15,000	15,000
CFR – HRA	81,820	81,820	81,820	81,820
<b>Total CFR</b>	<b>81,820</b>	<b>129,220</b>	<b>139,220</b>	<b>139,220</b>
Movement in CFR represented by:				
Net financing need as per 2.1 for the year (above)	0	47,400	10,000	0
Less MRP/VRP and other financing movements	0	0	(968)	(1,133)
<b>Movement in CFR</b>	<b>0</b>	<b>47,400</b>	<b>9,032</b>	<b>(1,133)</b>

### 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 Revised Capital Plan (subject to approval of Council on 9 November 2020) runs through to 31 March 2023. Funding for this capital expenditure is 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 and will therefore require additional Council 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).

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.

	<b>2019/20 Actual £'000</b>	<b>2020/21 Estimate £'000</b>	<b>2021/22 Estimate £'000</b>	<b>2022/23 Estimate £'000</b>
External Debt at 1 April	81,190	81,190	128,590	138,590
Expected change in Debt	0	47,400	10,000	0
<b>Actual debt at 31 March</b>	<b>81,190</b>	<b>128,590</b>	<b>138,590</b>	<b>138,590</b>
Capital Financing Requirement	81,820	129,220	139,220	139,220
<b>Under/(over) borrowing</b>	<b>630</b>	<b>630</b>	<b>630</b>	<b>630</b>

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 some £57m debt that relates to the finance of the Environmental Services fleet, new commercial activities and non-financial investment.

It is worth reiterating that whilst the above projections are consistent with the Revised Capital Plan, as the covering Cabinet report notes, if investment opportunities of sufficient quality do not arise in line with the above projections then the required borrowing associated with these investments would not take place.

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.

<i>Operational boundary</i>	<i>2019/20 Actual £'000</i>	<i>2020/21 Estimate £'000</i>	<i>2021/22 Estimate £'000</i>	<i>2022/23 Estimate £'000</i>
Debt	81,190	81,190	81,190	81,190
Commercial Activities/Non-financial investments	0	47,400	57,400	57,400
Other long term liabilities	0	0	0	0
<b>Total</b>	<b>81,190</b>	<b>128,590</b>	<b>138,590</b>	<b>138,590</b>

#### 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 authorisation limits have increased by £15m, these were recommended to Council as part of the 14<sup>th</sup> 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) :

<i>Authorised limit</i>	<i>2019/20 Actual £'000</i>	<i>2020/21 Estimate £'000</i>	<i>2021/22 Estimate £'000</i>	<i>2022/23 Estimate £'000</i>
Debt	96,000	96,000	96,000	96,000
Commercial Activities/Non-financial investments	0	47,400	57,400	57,400

<b>Authorised limit</b>	<b>2019/20 Actual £'000</b>	<b>2020/21 Estimate £'000</b>	<b>2021/22 Estimate £'000</b>	<b>2022/23 Estimate £'000</b>
Other long term liabilities	0	0	0	0
<b>Total</b>	<b>96,000</b>	<b>143,400</b>	<b>153,400</b>	<b>153,400</b>

In October 2018 the Government published the “Limit of Indebtedness (Revocation) Determination 2018”. This removed the HRA debt cap which was £88,770k and therefore 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

There are limited changes to Treasury Advisor Bank Rate forecasts over recent months.

Similarly, there is very little change to forecasts for PWLB rates and only by a few changes of 10 bps.

We have updated our previous forecasts for LIBID rates as financial markets have moved lower since our previous newsflash. However, as LIBOR rates will cease from the end of

2021, there are no forecasts for 2022 and 2023. We will be continuing to look at market developments in this area and will monitor these with a view to communicating with you when agreement is reached on how to replace LIBOR.

There is a slight change to interest rate forecasts table below traditionally, Treasury Advisors have used 3m LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that 3m LIBOR is currently running below 10bps, that would give a figure of around 0% to somewhere modestly into negative territory. However, the liquidity premium that is still in evidence at the short end of the curve means that 3m rates actually being achieved by investors is still modestly in positive territory. While there are differences between counterparty offer rates, our analysis would suggest that an average rate of around 10bps should be achievable.

PWLB rate forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012. The table below is for PWLB Certainty Rates for non- HRA borrowing (currently gilts plus 180 basis points). The Treasury consultation on reviewing PWLB margins and lending ended on 31st July. We expect that the Non-HRA Certainty Rate will be subject to revision downwards post the PWLB Consultation Paper conclusion but we don't know the precise timing of that i.e. would expect it to be somewhere between this August and March next year.

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 the central view.

Link Group Interest Rate View 11.8.20											
	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	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month average earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
6 Month LIBID	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
12 Month LIBID	0.20	0.20	0.20	0.20	0.20	0.20	0.20	-	-	-	-
5yr PWLB Rate	1.90	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

The coronavirus outbreak has done huge economic damage to the UK and around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its last meeting on 6<sup>th</sup> August, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31<sup>st</sup> March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

**GILT YIELDS / PWLB RATES.** There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 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. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 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.

Gilt yields had therefore already been on a falling trend during the year up until the coronavirus crisis hit western economies. Since then, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies and moved cash into safe haven assets i.e. government bonds. However, major western central banks started massive quantitative easing purchases of government bonds and this has acted to maintain downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance, in “normal” times would have caused bond yields to rise sharply. At the close of the day on 28<sup>th</sup> August, all gilt yields from 1 to 4 years were in negative territory, while even 25-year yields were at only 0.97% and 50 year at 0.82%. Meanwhile, equity markets have enjoyed a rebound since the lows of March as confidence has started to return among investors that the worst is over and recovery is now on the way.

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates** in 2019-20 without any prior warning. The first took place on 9<sup>th</sup> October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11<sup>th</sup> March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4<sup>th</sup> June, but that date was subsequently put back to 31<sup>st</sup> July. It is clear that the Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year

### **3.4 Investment and borrowing rates**

- Investment returns have been low in during 2020/21 with little prospect of increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.
- It is likely 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**

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. In the short to medium term however, the Council is able to temporarily utilise its cash balances as an 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**

At a point in time, short term borrowing rates may be considerably cheaper than longer term fixed interest rates. In this event 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 April 2018)

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 B (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.

The suggested budgeted investment earnings rates for investments up to about three months duration in each financial year for the next five years are as follows: -

Average earnings in each year	Now	Previously
2020/21	0.10%	1.0%
2021/22	0.10%	1.0%
2022/23	0.10%	1.50%
2023/24	0.25%	1.50%
2024/25	0.75%	1.75%
Long term later years	2.00%	2.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. The general expectation for an eventual trend of gently rising gilt yields is unchanged. Negative, (or positive), developments could significantly impact safe haven flows of investor money into UK, US and German bonds and produce shorter term movements away from our central forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps.

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%

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: -

<b>Maximum principal sums invested &gt; 365 days</b>			
<b>£m</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
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 10<sup>th</sup> September 2020
- B (7). Treasury management scheme of delegation
- B (8). The treasury management role of the section 151 officer



## ECONOMIC BACKGROUND

As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6<sup>th</sup> August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

- The fall in **GDP** in the first half of 2020 of 28% was revised upwards to 23%. This is still one of the largest falls in output of any developed nation but is only to be expected as the UK economy is heavily skewed towards consumer facing services – an area which was particularly vulnerable to being damaged by lockdown.
- The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.
- It forecast that there would be excess demand in the economy by Q3 2022 causing **CPI inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). But even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including QE and forward guidance.

The MPC still expects the £300bn of **quantitative easing** purchases announced between the March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.

In conclusion, this would indicate that the Bank can now just sit on its hands as the economy is recovering better than expected. However, the MPC acknowledged that the “medium-term projections were a less informative guide than usual” and the minutes had multiple references to **downside risks**, which were judged to persist both in the short and medium term. One has only to look at the potential for a second wave of the virus to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this will limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down in the furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. If the Bank felt it did need to provide further support to recovery, then it is likely that the weapon of choice would be more QE. Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. There will also be some painful longer term adjustments as e.g. office space and travel by planes, trains and buses may not recover their previous level of use for several years or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

One new key addition to **forward guidance** was a new phrase in the policy statement, namely that “it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably”. That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistent if it takes no action to raise Bank Rate. In this connection, there has been much discussion by forecasters of the main central banks moving to an average inflation rate target i.e. periods above the target are acceptable.

The **Financial Policy Committee** (FPC) report on 6<sup>th</sup> August revised down their expected credit losses for the banking sector to “somewhat less than £80bn”. They state that in their assessment “banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection”. The FPC stated that for real stress in the sector, the

economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%

**EU.** The economy was recovering well towards the end of Q2 after a sharp drop in GDP. However, there are growing fears of a second wave of the virus that could cause a renewed collapse in activity.

**US.** The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery should continue over the coming months and employment growth should pick up again too. The increase in tension between the US and China is likely to lead to a lack of momentum in developing on the initial positive moves to agree a phase one trade deal.

**China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2. However, this was boosted by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to poor economic returns and so lead to a further misallocation of resources which will weigh on growth in future years.

**Japan.** It looks as if a second wave of the virus is gaining momentum and could damage economic growth further.

**World growth.** Latin America and India are currently hotspots for virus infections. World growth will be in recession this year.

### **The balance of risks to the UK**

The overall balance of risks to economic growth in the UK is probably relatively even but is subject to major uncertainty due to the virus.

There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PwLB rates while the Bank of England has ruled out the use of negative interest rates and increases in Bank Rate are likely to be some years away. However, it is always possible that safe haven flows, due to unexpected developments in other major economies, could impact gilt yields, (and so PwLB rates), in the UK.

### **Downside risks to current forecasts for UK gilt yields and PwLB rates currently include:**

**UK / EU trade negotiations** – 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**. The ECB has taken monetary policy action to support the bonds of weaker EU states, especially Italy. In addition, the EU recently agreed a €750bn support package for weaker states. These actions will shield Italy for the next year or so. However, the cost of the virus crisis has added to Italy's already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable.

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 CDU has done badly in recent state elections but the SPD has done particularly badly and this 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 the general election in 2021.

**Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland 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.

**Geopolitical risks**, for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

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

**Post-Brexit** – if agreement was reached all round that removed all threats of economic 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.

### TreasuryAdvisor's ForecasForecast

We do not think that the MPC will increase Bank Rate during the current and next two financial years as we expect the economy to take a prolonged period to recover momentum after the Covid crisis.

Forecasts for average investment earnings beyond the three year time horizon will be heavily dependent on economic and political developments.

### Gilt yields and PWLB rates

The general situation is for volatility in bond yields to endure as investor fears and confidence ebb and flow between favouring relatively more “risky” assets i.e. equities, or the “safe haven” of government bonds. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently, although there are likely to also be periods of sharp volatility from time to time.

Our forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU, (apart from the departure of the UK), within our forecasting time period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

Our target borrowing rates and the current PWLB (certainty) borrowing rates are set out below.

PWLB debt	Current borrowing rate as at 10.8.20	Target borrowing rate now (end of Q3 2020)	Target borrowing rate previous (end of Q3 2020)
5 year	1.74%	1.90%	1.90%
10 year	1.96%	2.10%	2.10%
25 year	2.50%	2.50%	2.50%
50 year	2.30%	2.30%	2.30%

**Borrowing advice:** since November 2018, PWLB rates have fallen significantly up until 100 bps were added to all PWLB rates in October 2019. As our long-term forecast for Bank Rate is 2.00%,

and PWLB certainty rates are close to or above 2.00%, there is little near-term value in borrowing from the PWLB at present, particularly until it is clear what the new non-HRA borrowing rate will look like after HM Treasury concludes its review of the PWLB Consultation Paper responses. Accordingly, clients will need to reassess their risk appetite in terms of either seeking cheaper alternative sources of long-term borrowing or switching to short term borrowing in the money markets until such time as the Government might possibly reconsider the margins charged over gilt yields. Please speak to your CRM to discuss alternative borrowing sources available.

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. The general expectation for an eventual trend of gently rising gilt yields is unchanged. Negative, (or positive), developments could significantly impact safe haven flows of investor money into UK, US and German bonds and produce shorter term movements away from our central forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps.

## **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:

$$\frac{A - B}{C}$$

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 depreciation 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; this may include certain circumstances relating to investment (forward funding) within the Enterprise Zone and where the underlying loan is taken out on a repayment basis. In this case no MRP charge will be deemed necessary assuming the loan term does not exceed the asset life

## 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 policies.

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.

**APPROVED COUNTRIES FOR INVESTMENTS @14/09/2020**

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- U.K.

**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 Service

## APPENDIX B (6)

### Current Investments as at 10th September 2020 (for information only).

For illustrative purposes only the Council's investments as at 10th September 2020 are set out below. Please note that these investments alter on a daily basis.

<b>Institution</b>	<b>Colour</b>	<b>Amount invested £m</b>	<b>Transaction Limit</b>	<b>Maturity Date</b>	<b>MaxTime Limit</b>
Slough Council	N/A	2,000	5,000	01/04/2021	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
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	5,000	8,000	183 Days	6 Months
HSBC Bank	Orange	5,000	12,000	3 Months	12 Months
HSBC Bank	Orange	7,000	12,000	31 day Notice	12 Months
Money Market Funds	AAA Rated	27,840	30,000 in total	1 Day	12 Months
Property Funds	N/A	5,000	5,000 in total	N/A	20 Years
<b>TOTAL</b>		<b>68,830</b>			

**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

## COUNCIL – 9TH NOVEMBER 2020

### Report of the Cabinet

#### ITEM 6.2 REVISED GENERAL FUND BUDGET 2020/21 AND MEDIUM TERM FINANCIAL STRATEGY 2020-2023

##### Purpose of Report

To seek approval of a revised General Fund Budget 2020/21 and updated Medium Term Financial Strategy (MTFS) 2020-2023 given the material impact of the Covid-19 outbreak on the Council's financial position.

##### Recommendations

1. That the revised Budget, as set out in Appendix A to the report of the Head of Financial Services (attached as an Annex), be approved.
2. That the updated MTFS 2020-2023, as set out in Appendix B to the report of the Head of Financial Services (attached as an Annex), be approved.

##### Reasons

1. To ensure that the Budget for 2020/21 reflects the impact of the Covid-19 outbreak and can be approved by Council.
2. To reconsider and update the financial issues affecting the Council and the Borough identified in the original version of the MTFS, and to inform the Council's budget setting process for future years.

##### Policy Justification and Previous Decisions

Policy justification detailed in the attached Annex.

At its meeting on 15th October 2020, Cabinet considered a report of the Head of Financial Services proposing a revised General Fund Budget 2020/21 and updated Medium Term Financial Strategy (MTFS) 2020-2023 given the material impact of the Covid-19 outbreak on the Council's financial position, for recommendation to Council. That report is attached as an Annex. The following minute extract sets out Cabinet's decision:

"41. INTERIM GENERAL FUND BUDGET 2020/21

*Considered, a report of the Head of Financial Services setting out a revised General Fund Budget 2020/21 and updated Medium Term Financial Strategy (MTFS) 2020-2023 given the material impact of the Covid-19 outbreak on the Council's financial position, for recommendation to Council (item 6 on the agenda filed with these minutes).*

*The Strategic Director; Environmental and Corporate Services and the Head of Financial Services assisted with consideration of the report.*

**RESOLVED**

1. *that the revised Budget, as set out in Appendix A to the report of the Head of Financial Services, **be recommended to Council** for approval;*
2. *that the updated MTFs 2020-2023, as set out in Appendix B to the report of the Head of Financial Services, **be recommended to Council** for approval.*

#### Reasons

1. *To ensure that the Budget for 2020/21 reflects the impact of the Covid-19 outbreak and can be approved by Council.*
2. *To reconsider and update the financial issues affecting the Council and the Borough identified in the original version of the MTFs, and to inform the Council's budget setting process for future 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.

Officers to Contact: Lesley Tansey  
Head of Financial Services  
01509 634828  
[lesley.tansey@charnwood.gov.uk](mailto:lesley.tansey@charnwood.gov.uk)

Simon Jackson  
Strategic Director; Environmental and  
Corporate Services  
01509 634699  
[simon.jackson@charnwood.gov.uk](mailto:simon.jackson@charnwood.gov.uk)



**CABINET – 15TH OCTOBER 2020****Report of the Head of Financial Services****Lead Member: Councillor Tom Barkley****Part A**

ITEM REVISED BUDGET 2020/21 AND UPDATED MEDIUM TERM FINANCIAL STRATEGY 2020 - 2023

Purpose of Report

The COVID-19 outbreak has had a material impact on the Council's current financial situation and future financial prospects. Reflecting this impact, this report brings forward a Revised General Fund Budget 2020/21 and Updated Medium Term Financial Strategy (MTFS) 2020 – 2023 for consideration by Cabinet and recommendation to Council.

Recommendations

1. That the Revised Budget, as set out at Appendix A, be recommended to Council for approval.
2. That the Updated MTFS 2020 to 2023, as set out at Appendix B, be recommended to Council for approval.

Reasons

1. To ensure that the Budget for 2020/21 reflects the impact of the COVID-19 outbreak and can be approved by Council.
2. To reconsider and update the financial issues affecting the Council and the Borough identified in the original version of the MTFS, and to inform the Council's budget setting process for future years.

Policy Justification and Previous Decisions

The original Budget for 2020/21 was approved at the Council meeting of 24 February 2020, whilst the MTFS for the period 2020 – 2023 was approved at the Council meeting of 20 January 2020. The reports, and the financial analyses and projections therein, were prepared before the impact of the COVID-19 outbreak became apparent and no longer represent a reasonable representation of either likely income and expenditure patterns for the 2020/21 financial year and future financial prospects for the Council in the medium term. The Medium Term Financial Strategy will continue to be updated as relevant matters become clear and a further edition of the MTFS will be presented to Cabinet and Council alongside the Original 2021/2022 budget in due course.

## Implementation Timetable including Future Decisions and Scrutiny

This report is scheduled to go to the Council meeting of 9 November 2020 for approval.

In addition to the standard pre-Cabinet Scrutiny process it is also intended that the draft content of this report will be discussed at the Budget Scrutiny Panel meeting scheduled for 29 September 2020.

### Report Implications

The following implications have been identified for this report.

#### *Financial Implications*

The effects of the adoption of the Revised Budget is explained in Appendix A of this report.

There are no direct financial implications arising from the approval of the Updated MTFS.

#### *Risk Management*

Risks identified in respect of the Revised General Fund Budget are tabulated below:

<i>Risk Identified</i>	<i>Likelihood</i>	<i>Impact</i>	<i>Overall Risk</i>	<i>Risk Management actions planned</i>
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 are in place.
Further exceptional spending being required during the financial year.	Likely (3)	Major (3)	Moderate (9)	It is considered that the Working Balance reserve (and other revenue reserves) remain sufficient to manage normal and one-off events for the remainder of the 2020/21 financial year.

There are no direct risks associated with the decision Cabinet is asked to make in respect of Updated MTFS 2020 - 2023

Key Decision: Yes

Background Papers: Council report 20 January 2020 – Medium Term Financial Strategy 2020 – 2023

Council report 24 February 2020 - General Fund and HRA  
Revenue Budgets and Council Tax 2020-21

Officers to contact

Lesley Tansey  
Head of Finance & Property Services  
01509 634828  
[lesley.tansey@charnwood.gov.uk](mailto:lesley.tansey@charnwood.gov.uk)

Simon Jackson  
Strategic Director of Corporate Services  
01509 634699  
[simon.jackson@charnwood.gov.uk](mailto:simon.jackson@charnwood.gov.uk)

## Part B

### Background

1. The COVID-19 outbreak has had a major global impact on health, wellbeing and economic prosperity since the virus was originally identified in China in the latter months of 2019. Within the United Kingdom, significant restrictions were placed on day to day life in March 2020 which resulted in a major contraction in economic activity alongside the increasing health and social care impacts of the virus.
2. From a Council perspective COVID-19 created new cost pressures in areas such as community support, increasing demand for homelessness services and distribution of business grants, coupled with significant losses across virtually all of the Council's principal income streams.
3. At the point of drafting this report (September 2020) the full impact of COVID-19 - globally, within the United Kingdom, locally within Charnwood, and on the Council itself - remains very uncertain. Known unknowns at this time include the extent of any 'second wave' of the pandemic and the effectiveness and availability of vaccines to counter the disease. In practice therefore, the full extent of the COVID-19 impact is unlikely to be fully knowable for several months. What is apparent at this time however is that the financial impact on the Council is material and that pre-existing patterns of income and expenditure have been significantly disrupted. Further, the future financial outlook for the Council, already clouded with uncertainty arising from the (delayed) 'Fair Funding' review and the end of the Brexit transitional period, appears even more challenging than previously articulated.
4. Given the impact of COVID-19 on the Council's financial position it was therefore considered appropriate to revise the General Fund Budget for 2020/21 and Update the Medium Term Financial Strategy 2020 – 23 to ensure Council are aware of the current disruption to the budgeted income and expenditure amounts, and the increased risks and financial challenges that are likely to flow from this.
5. It should also be noted that whilst the budget has been revised ***there is no change to the council tax precepts originally set.***
6. Similarly, in respect of the Revised Housing Revenue Account (HRA) budget for 2020/21, ***there is no change to the rent levels originally set.***
7. In previous years a new version of the MTFs has been constructed each autumn (usually presented to Cabinet as a draft for consultation in September and in final version in November for recommendation to Council in January). Due to COVID-19 and other major uncertainties around Brexit and the future shape of the government financial settlement it is planned that a new version of the MTFs will be constructed and presented alongside the Budget for 2021/22, when more information is available.

## Executive Summary

### *Revised General Fund Budget 2020/21*

8. The principal differences between the original and Revised General Fund Budget can be summarized as follows:

- Reduction in budgeted sales, fees and charges, including:
  - Town Hall income streams £1.2m
  - Planning fees £0.6m
  - Markets £0.3m
  - Leisure contract income £0.2m
  - Other – garden waste, etc £1.0m
  - Total budgeted reductions in sales, fees and charges **£3.3m**
- Reduction in budgeted interest and commercial income: **£0.3m**
- In-year cost savings include:
  - Offset reduction Town Hall costs (£0.5m)
  - Salary savings - managed vacancies (£0.7m)
  - Minimum Revenue Provision saving (£0.5m)
  - Total mitigating savings identified **(£1.7m)**
- Additional costs directly attributable to COVID-19 now in budget:
  - Subsidy for leisure centres £0.5m
  - Homelessness £0.2m
  - Community support and similar £0.6m
  - Total projected COVID-19 costs **£1.3m**
- Other cost pressures totaling £0.6m including:
  - Supported living (housing benefit) £0.4m
  - Additional insurance costs £0.1m
  - Other £0.1m
  - Total other cost pressures **£0.6m**
- **Total net additional expenditure budgeted £3.8m**

9. The net additional expenditure of £3.8m is mitigated by additional government funding of around £3.4m reflecting £2.2m already received and an estimated £1.2m due to cover certain categories of income loss, essentially those described under the heading of sales, fees and charges.

10. Whilst some in-year cost saving initiatives have been identified, these principally relate to more aggressive managed vacancy savings and costs avoided in relation to artists fees for Town Hall shows. There are no changes to the underlying Council service configuration reflected in the original 2021/21 Budget arising from the Revised Budget.
11. After allowing for technical changes (principally relating to the treatment of the Minimum Revenue Provision and replenishment of the Reinvestment Reserve) the Revised General Fund Budget shows an additional use of the Working Balance of £0.7m compared to the original budget, giving a revised total use of this reserve of £1.8m (versus £1.1m in the original budget)

*Housing Revenue Account (HRA) budget 2020/21*

12. The Revised HRA Budget shows a use of reserves of some £0.8m, compared to an essentially break-even position originally budgeted.
13. The principal variances versus the revised budget are largely attributed to COVID-19 as follows:
  - During lockdown, empty properties could not be re-let leading to loss of rent and service charges calculated at £0.4m
  - Further, the increased incidence of voids has created an additional council tax liability of £0.1m
  - Temporary restrictions on evictions due to rent arrears have impacted on the level of rent arrears during the year; additional bad debt charges have been estimated at £0.2m
14. The Revised Budget 2020/21 for both the General Fund and HRA is tabulated in more detail at Appendix A.

*Updated MTFS 2020 - 2023*

15. In summary the financial projections now show that:
  - 2020/21 will see a £1.8m use of the Working Balance based on the Revised Budget for this year
  - 2021/22 will see a further £2.1m use of the Working Balance
  - 2022/23 will see a further £1.7m use of the Working Balance; at the end of this financial year the numbers show that the Working Balance would be in deficit by some £0.6m – in effect showing that the Council would be insolvent

16. These projections reflect the impact of COVID-19 exacerbating the pre-existing structural issues within the budget. Financially, the direct negative impact of COVID-19 is estimated at:
- FY 2020/21 Adverse £0.8m (additional use of working balance)
  - FY 2021/22 Adverse £1.0m (COVID-19 service pressure total)
  - FY 2022/23 Adverse £0.4m (COVID-19 service pressure total)
17. The principal assumption around Government funding is that it will be similar in total for 2021/22 and 2022/23 as for 2020/21 – this assumption is made due to the absence of other information rather than any specific detail on this matter. There is a risk in particular around New Homes Bonus (which has been scheduled for cessation) where a plausible risk of a £2m shortfall versus the MTFS projections exists, but all projections in this area are somewhat speculative. A new version of the MTFS is planned for the new year when it is hoped a more robust projection of government funding will be possible.
18. It must be stressed that these projections effectively assume that no additional management actions or interventions would occur - which is clearly unrealistic. A financial sustainability work programme (for internal use) has been developed which identifies a number of work streams through which the financial challenges may be addressed. Work on service reviews with associated ‘options for change’ is already underway.
19. The Council’s financial position is serious as a result of the COVID-19 outbreak, but barring further financial shocks (such as a precipitous fall in Government Funding) the remaining reserves are such that if robust management action is taken then the Council can achieve financial sustainability.
20. The MTFS is presented at Appendix B of this document.

## Appendices

Appendix A: Tabulation of Revised General Fund and HRA Budget

Appendix B: Updated Medium Term Financial Strategy 2020 – 2023

**Appendix A: Tabulation of Revised General Fund and HRA Budget**  
*Summary of Revised General Fund Budget 2020/21*

Actual 2019/20 £000	General Fund Budget Summary	Original Budget 2020/21 £000	Revised Budget 2020/21 £000	Variance Original Vs Revised 2020/21 £000
<b>19,176</b>	<b>Net Service Expenditure</b>	<b>19,038</b>	<b>22,643</b>	<b>(3,605)</b>
213	Revenue Contributions to Capital	0	0	0
227	Interest Paid	240	240	0
(562)	Less: Interest on Balances	(500)	(300)	(200)
<b>19,054</b>	<b>Total Borough Expenditure</b>	<b>18,778</b>	<b>22,583</b>	<b>(3,805)</b>
74	Contribution (from)/to Reinvestment Reserve	(36)	(195)	159
(2,200)	Contribution(from)/to Working Balance	(1,069)	(1,822)	753
(173)	Contribution (from)/to Collection Fund	143	143	(0)
(213)	Contribution(from)/ to Capital Plan Reserve	0	500	(500)
395	Contribution (from)/to Other Reserves	(45)	(63)	18
<b>16,937</b>	<b>Precept Requirement</b>	<b>17,771</b>	<b>21,146</b>	<b>(3,375)</b>
5,290	NNDR	4,947	4,947	0
6,893	Council Tax Receipts	7,288	7,288	0
1,213	Loughborough Special Levy	1,271	1,271	0
3,731	New Homes Bonus	4,122	4,122	0
0	DCLG Covid Income Loss Claim	0	1,191	(1,191)
0	DCLG Covid Emergency Grant	0	2,184	(2,184)
(17)	General Government Grants	0	0	0
(173)	Collection Fund Surplus/(Deficit)	143	143	0
<b>16,937</b>	<b>Precept Income</b>	<b>17,771</b>	<b>21,146</b>	<b>(3,375)</b>
<b>£000</b>	<b>REVENUE BALANCES</b>	<b>£000</b>	<b>£000</b>	
<b>Actual</b>		<b>Original</b>	<b>Revised</b>	
<b>2019/20</b>		<b>2020/21</b>	<b>2020/21</b>	
6,871	<b>Working Balance at 1 April</b>	5,900	4,498	
(2,373)	Transfer from/(to) General Fund	(926)	(1,822)	
0	Transfer from Growth Support Fund	0	101	
0	Transfer from/(to) Reinvestment Reserve	(170)	0	
0	Contribution to the LLEP Enterprise Zone	0	(1,100)	
<b>4,498</b>	<b>Balance at 31 March</b>	<b>4,804</b>	<b>1,677</b>	
809	<b>Reinvestment Reserve Balance at 1 April</b>	366	883	
0	Transfers from/(to) Fund one off Item	(36)	(195)	
0	Committed Reinvestment Reserve	0	(270)	
74	Transfers from/(to) General Fund	170	0	
<b>883</b>	<b>Balance at 31 March</b>	<b>500</b>	<b>418</b>	
2,193	<b>Capital Plan Reserve Balance at 1 April</b>	1,288	1,980	
0	Transfer from/(to) General Fund	0	500	
(213)	Funding of Capital Expenditure	0	(630)	
<b>1,980</b>	<b>Balance at 31 March</b>	<b>1,288</b>	<b>1,850</b>	
101	<b>Growth Support Fund Balance at 1 April</b>	5	101	
0	Transfer from/(to) General Fund	0	(101)	
<b>101</b>	<b>Balance at 31 March</b>	<b>5</b>	<b>0</b>	
763	<b>Other Revenue Reserve Balances at 1 April</b>	700	1,158	
395	Transfers from/(to) Fund one off Item	(45)	(45)	
<b>1,158</b>	<b>Balance at 31 March</b>	<b>655</b>	<b>1,113</b>	
<b>8,620</b>	<b>TOTAL BALANCES</b>	<b>7,252</b>	<b>5,058</b>	



Analysis of variance – Total Borough expenditure

<b>Analysis of variance - Total Borough expenditure</b>		
	<b>£000</b>	<b>£000</b>
<b>Sales, fees and charges losses 2020/21</b>		
Fusion Management Contract Income	236	
Town Hall ticket sales	785	
Snacks & Drinks – Breakout	33	
Garden Bins	193	
Sales - Town Hall Bar	168	
Fees & Charges Public Toilets	29	
Fees & Charges Town Hall Room Hire	41	
Fees - Pest Control	10	
Other Misc Fees & charges	10	
Car Parking Charges	486	
Land Charges - search Fee	60	
Hire Charges-Rooms	88	
Building Control Charges	101	
Planning Charges	610	
Booking Fee Income	67	
Markets Rent-Stalls/Sites	322	
Other Small Income losses	61	
<b>Total sales, fees and charges losses</b>		<b>3,300</b>
<b>Interest and commercialisation income losses</b>		
Interest Reduction Pressure cost	200	
Commercialisation Income	130	
		<b>330</b>
<b>In-year savings identified</b>		
Salary savings - net of additional pay award	(666)	
Towh Hall Artist Costs to offset Town Hall Show Income	(400)	
Town Hall Stock not required 2020-21	(59)	
MRP Charge budgeted in 2020/21 not required	(500)	
Other Smaller Savings	(123)	
		<b>(1,747)</b>
<b>COVID-19 related cost pressures</b>		
Fusion Additional Contract Costs relating to Covid	531	
Homelessness £200k	200	
Community support and similar	626	
	<u>1,357</u>	
<b>Other pressures</b>		
Supported Living - increased costs	435	
Insurance increase – revaluation impact	90	
NDR – additional costs due to voids	40	
<b>Total cost pressures</b>		<b>1,922</b>
<b>TOTAL IMPACT</b>		<b>3,805</b>

## I. Summary of Revised HRA Budget 2020/21

2019/20 Actual	Housing Revenue Account	2020/21 Original Budget	2020/21 Revised Budget	Variance
£000		£000	£000	£000
	<b>Expenditure</b>			
5,220	Supervision and Management	5,550	5,540	10
6,718	Repairs and Maintenance	6,769	6,824	(55)
191	Rents, Rates and other charges	139	224	(85)
270	Provision for Bad and Other Charges	383	593	(210)
3,249	Depreciation	3,189	3,189	0
(17,892)	Net Revaluation increase of non-current assets	0	0	0
18	Debt Management Expenses	10	10	0
(2,226)	<b>Expenditure Sub-total</b>	16,040	16,380	(340)
	<b>Income</b>			
(20,483)	Dwelling Rent Income	(20,937)	(20,579)	(358)
(366)	Shops, Land and Garages Rent	(360)	(350)	(10)
(55)	Warden Service Charges	(57)	(49)	(8)
(355)	Central Heating and Communal Charges	(350)	(323)	(27)
(143)	Leasehold Flat and Shop Service Charges	(158)	(143)	(15)
(26)	Hostel Service Charges	(31)	(30)	(1)
(11)	Council Tax recharged	(11)	(10)	(1)
(21,439)	<b>Income Sub-total</b>	(21,904)	(21,485)	(420)
(23,665)	<b>Net (income)/Cost of service</b>	(5,864)	(5,105)	(760)
(85)	Transfer from General Fund - Grounds Maintenance	(84)	(84)	0
2,709	Interest Payable	2,706	2,709	(3)
(124)	Investment Income	(66)	(35)	(31)
(21,165)	<b>Net Operating Expenditure/(Income)</b>	(3,308)	(2,515)	(788)
3,659	Revenue Contribution to Capital	3,308	3,308	0
(556)	Pension Adjustment	0	0	0
(1)	Accumulated Absence Adjustment	0	0	0
17,892	Reversal of Gain on Revaluation	0	0	0
20,994	Appropriations	3,308	3,308	0
(171)	<b>(Surplus)/Deficit for the year</b>	0	793	(788)

## Appendix B: Updated Medium Term Financial Strategy 2020 - 2023

The updated financial projections for the Medium Term Financial Strategy 2020 – 2023 are set out below.

<b>MTFS Projections 2020 - 2023</b>	<i>2020-21</i> <i>£000</i>	<i>2021-22</i> <i>£000</i>	<i>2022-23</i> <i>£000</i>	<i>Notes</i>
Net Service Expenditure	22,643	18,916	18,916	I
Interest Payable	240	240	240	
Interest Receivable	(300)	(300)	(300)	
	22,583	18,856	18,856	
Service pressures identified	0	2,090	2,038	II
Mitigating savings	0	(1,255)	(1,355)	III
<b>Total Net Expenditure</b>	<b>22,583</b>	<b>19,691</b>	<b>19,539</b>	
<b>Core financing</b>				
COVID-19 funding	3,375	0	0	IV
Business Rates Funding	4,947	4,379	4,466	V
Council Tax Receipts	7,288	7,582	7,886	VI
Loughborough Special Rate	1,271	1,321	1,372	VII
New Homes Bonus	4,122	4,289	4,118	VIII
Favourable movement Collection Fund	143	50	50	
<i>Net movement of other reserves</i>				
Funding from Reinvestment Reserve	195			IX
Contribution from collection fund	(143)	(50)	(50)	
Contribution to Capital Plan Reserve	(500)			X
Other	63			
	20,761	17,570	17,843	
<b>Projected use of working balance in year</b>	<b>(1,822)</b>	<b>(2,121)</b>	<b>(1,696)</b>	

Based on these projections the implications for the Working Balance, the Council's core reserve held to cushion financial shocks, is tabulated below.

<b>Movement on Working Balance</b>	<i>2020-21</i> <i>£000</i>	<i>2021-22</i> <i>£000</i>	<i>2022-23</i> <i>£000</i>	<i>Notes</i>
Working balance brought forward	4,498	1,677	1,118	
Use of balances (as above)	(1,822)	(2,121)	(1,696)	
Other transfer of reserves	101	0	0	
<i>One-off collection fund adjustments:</i>				
Transfer of EZ business rates to LLEP	(1,100)		0	XI
Adjustment for business rate appeals		1,561		XII
<b>Working balance carried forward</b>	<b>1,677</b>	<b>1,118</b>	<b>(578)</b>	XIII

### Notes and comments on the updated financial projections

#### *I. Net Service Expenditure*

The Net Service Expenditure projection for 2020/21 has been aligned with the Revised budget for that year (as have all other elements of the financial projections).

In subsequent years the basis of projections is the revised budget, adjusted for items which are considered 'one-offs' in that year. The projections also reflect a detailed review of the salary budget which for both 2021/22 and 2022/23 is included at 2021/22 rates. Additional salary costs for 2022/23 are estimated at 3% and tabulated as a service pressure within that year (as set out below)

#### *II. Service pressures identified*

In broad terms, the service pressures identified can be categorised under three headings:

##### *Contractual*

Certain pressures are the usual index-linked cost increases associated with major contracts. This would comprise the major part of pressures associated with the delivery of Revenues & Benefits, Environmental Services and Open Spaces.

##### *COVID-19*

There are areas of activity that appear to have a clear link with the COVID-19 outbreak, either due to anticipated loss of income or additional costs. Principal assumptions in these areas are:

- Leisure Centres – management fees receivable will be half pre-COVID-19 levels
- Market income – income is assumed to reduce income by 50% in 2021/22 due to the impact of COVID-19, but fully recover in subsequent years

- Town Hall – net revenues are assumed to reduce by 50% in 2021/22 due to the impact of COVID-19, but fully recover in subsequent years
- Car parking – future income is assumed at 85% of pre-COVID-19 levels for 2021/22 and 2022/23
- Homelessness – additional costs are assumed in line with the current increase in homelessness demand, such as for bed & breakfast provision

#### *Other pressures*

- Housing Benefit losses relating to supported living centres – at present such accommodation appears at full capacity resulting in costs some £0.4m above budgeted levels; for the purposes of the projections it is assumed that some relaxation in demand or change in provider status may allow some element of current pressure to be mitigated
- Planning and building control fees – whilst some element of reduced fees may be COVID-19 related, pre-existing fee generation suggests that cyclical downturn in demand may also be contributing

Service pressures for the financial years 2021/22 and 2022/23 are tabulated below.

<b>Service pressures identified</b>	<i>2021-22</i> <i>£000</i>	<i>2022-23</i> <i>£000</i>	<i>Pressure type</i>
Revenues & Benefits - Capita	47	47	Contractual
Environmental Services - Serco	419	580	Contractual
Open spaces - Idverde	20	44	Contractual
General salary cost increase	0	428	Contractual
Leisure Centres	123	106	COVID-19
Markets income	147	0	COVID-19
Town Hall	391	0	COVID-19
Car parking	142	142	COVID-19
Homelessness provision	211	151	COVID-19
Supported living - Housing Benefit loss	200	200	Other
Planning	332	332	Other
Building control	50	0	Other
Community Grants	11	10	Other
	<b>2,090</b>	<b>2,038</b>	

### III. Mitigating savings

Mitigating savings are tabulated below.

Mitigating savings	2021-22 £000	2022-23 £000	Comment
Commercial Property investment	400	400	Original MTFS T&E plan ++
Commercialisation – review of fees and charges	40	50	Original MTFS T&E plan
Commercialisation – Trade Waste	10	20	Original MTFS T&E plan
Major contract efficiencies	25	55	Original MTFS T&E plan
Transformation – Accommodation	0	50	Original MTFS T&E plan
Transformation – ICT enabled	30	30	Original MTFS T&E plan
MRP saving - Environmental Services Fleet	350	350	Additional initiative
Other identified corporate savings	200	200	Additional initiative
Review vacant posts; vacancy management	200	200	Additional initiative
	<b>1,255</b>	<b>1,355</b>	

Of note in respect of the above:

- The Capital Strategy 2020/21 and Revised Capital Plan 2020 – 2023 created available funds for investment in commercial property of £25m, profiled such to allow spending in the current (2020/21) financial year
- The saving in Minimum Revenue Provision (MRP) has been achieved by removing or deferring schemes from the original version of the Capital Plan 2020 – 2023, and therefore enabling half of the £4.8m total cost to be funded from earmarked capital reserves; the saving above comprises £0.3m saving in MRP with the balance attributable to using ‘internal’ (rather than external) borrowing

The Transformation & Efficiency Plan within the original version of the MTFS 2020 – 2023 contained a number of initiatives not listed above. These were as follows:

- Review of Treasury Management – completed – but no additional revenue now projected due to outlook for interest rates
- Savings arising from implementation of on-line booking line system – now included within base budgets
- Additional Town Hall seating – removed from savings list due to impact of COVID-19
- Shared building control service – no identifiable savings at this stage
- Continuous improvement – now included within base budgets

#### *IV. COVID-19 Funding*

There are two principal elements of the COVID-19 funding:

- £2.1m – unringfenced grant amounts to cover additional COVID-19 related expenses; this amount has been received by the Council
- £1.2m – estimated grant receivable to cover COVID-19 related income losses

Current understanding is that these additional grants will only be offered in respect of the 2020/21 financial year.

#### *V. Business rates funding*

In general terms it is assumed that future government funding will be in line with that received for 2020/21. It should be noted that this assumption is not an expectation, but more a reflection of the absence of any information in this area. Significant changes appear very possible and may arise out of the delayed Fair Funding review and prospective fundamental review of the business rates system, but it is highly unlikely that these changes would be reflected in the 2021/22 financial settlement (which would usually be expected in December of any given year).

In respect of business rates specifically, the MTFs assumes a 'safety net' position (92.5% of the government settlement for 2020/21) adjusted for inflation, reflecting the current negative outlook for business rates.

#### *VI. Council tax receipts*

A 1.99% year on year increase (in line with historical 'capping' limits) is assumed for the main Borough precept.

#### *VII. Loughborough Special Rate*

A 2% year on year increase is assumed for the Loughborough Special Expense area.

#### *VIII. New Homes Bonus*

The New Homes Bonus (NHB) scheme had been due to be discontinued, but due to the delay in the outcome of the Fair Funding review, has been extended into 2020/21. The future of the scheme remains very uncertain but MTFs projections assume that NHB receipts will continue at recent levels, at around £4m per annum.

It should be noted that based on the 2020/21 financial settlement that NHB awarded in respect of that year was that year only, rather than for each of a four-year period as had previously been the case with the scheme. Should the Government choose not to extend the NHB scheme (and not to compensate the Council via other funding streams) then NHB receipts would reduce to around £2.2m creating an additional funding shortfall in the order of £2m.

#### *IX. Finding from the Reinvestment Reserve*

One-off items of revenue expenditure, not originally budgeted for, were funded from the Reinvestment Reserve.

*X. Contribution to Capital Plan Reserve*

This £0.5m transfer represents an in-year MRP saving in respect of the purchase of the Environmental Services fleet, and arises due to refinement of the Council's MRP policy which now states (in line with common practice) that MRP charges will commence in the financial year after acquisition.

Given that reserves earmarked for capital expenditure have been allocated against the Environmental Services fleet to reduce MRP charges in future years, this transfer was deemed appropriate to ensure the Council retains some ability to make capital expenditure without incurring MRP in future years.

*XI. Transfer of EZ business rates to the LLEP*

The Charnwood Enterprise Zone (EZ) was designated with effect from 1 April 2017. Following discussion an agreement to share business rates generated within the EZ site with the Leicester & Leicestershire Enterprise Partnership (LLEP) was approved by Cabinet at the meeting of 9 July 2020. This results in a transfer of business rates generated since the inception of the EZ site being due to the LLEP in this financial year, assuming the final legal agreement is ratified by all parties.

*XII. Adjustment for business rate appeals*

Following a review of the provision held for business rate appeals in conjunction with other local authorities in the Leicestershire business rates pool it was concluded that the provision held was excessive which will result in a release of funds into the Working Balance in 2021/22.

*XIII. Working balance*

The financial projections show the Working Balance falling below the minimum target level of £2m set by the s151 Officer.

At 31 March 2021 the projected balance of £1.7m may be viewed as acceptable given that the fall below £2m is essentially created by the timing differences around the collection fund (see points XI and XII above). It is also worth stressing that the Council has other reserves (principally the Capital Plan Reserve and Reinvestment Reserve which have projected balances of £0.4m and £1.8m respectively at 31 March 2021) which can also be used to support services, albeit at the expense of investment in the capital programme and the Council's internal capability.

However, there is no doubt that the projected Balance at 31 March 2022 is dangerously low whilst the numbers indicate that – **if action is not taken** – the Council effectively may become insolvent in the following financial year.

The approach that the Council is taking to mitigate the above is described in subsequent paragraphs.



## Risk and sensitivity analysis

The COVID-19 outbreak, overlaying pre-existing uncertainties around the outcome of the delayed Fair Funding review and the impact of Brexit has created a volatile financial landscape such that meaningful sensitivity analysis is extremely difficult.

For the health of the Council's finances in the near future much will depend on the progression of COVID-19, its impact on communities and the economy, how that plays out in respect of demand for Council services and the income that the Council generates, and to what extent Government decides to provide additional financial assistance.

Notwithstanding the above, the following are perhaps the key financial risks:

- **Income streams** – the above projections project income stream losses arising from COVID-19 in the order of £0.8m in 2021/22 but with a £0.6m recovery in the following year; an extended period of social restrictions, and/or changes in customer demand could put that recovery at risk
- **Government funding** – this remains very much opaque at the time of drafting this report but the New Homes Bonus funding could be a particular risk area with a potential shortfall versus the MTFS projections of £2m

## Financial sustainability work programme

The Council has developed a financial sustainability work programme to address the financial challenges evident from the above analysis.

This document sets out initiatives that will be undertaken for the remainder of the 2020/21 financial year to support the Council's move towards financial sustainability with the output of the initiatives supporting cost savings and/or income generation within the 2021/22 budget and informing future iterations of the MTFS. The focus of these initiatives will be (generally) the Council's General Fund.

Workstreams identified are as follows:

- A. Service reviews - all service areas will be subject to review
- B. Assets and fixed costs – including critically the future of the Southfields office accommodation
- C. Commercialisation and income generation – including commercial property
- D. Procurement – including reviews of major contracts as they come up for renewal
- E. Regeneration and economic growth
- F. Other - Technical and tactical approaches – examples here would include a review of the vacancy levels

It is envisaged that outputs from these initiatives will be assist in the construction of the 2021/22 budget, draft papers for which will be presented later in calendar 2020.

### Housing Revenue Account

This update to the MTFS (like the original version) very much focusses on the General Fund. The HRA has also been impacted by COVID-19 but can be regarded as in more robust health than the General Fund.

The most recent 30 Year Housing Business Plan, which effectively represents the MTFS for the HRA, was approved by Council in November 2014. It is intended that this will be updated in due course following the announcement of the ending of the HRA debt cap.

### Concluding remarks

There is no doubt that COVID-19 has had a material, adverse effect on the Council's financial outlook. Whilst the prospects for 2020/21 are worse than budgeted, with the estimated use of the Working Balance Reserve increasing from £1.1m (as originally budgeted) to £1.8m in the Revised 2020/21 budget, this would not be in itself exceptionally serious. However, the continuing impact of COVID-19, projected at over £1m in 2021/22, on top of pre-existing structural budget issues creates a very challenging environment in the short and medium term.

Given the COVID-19 outbreak, it was considered useful to prepare an updated version of the previously approved MTFS in order to take stock of the financial outlook in this much changed environment. Much however, remains very uncertain, both in terms of how the pandemic will play out, and in the Government's ability and desire to fund local authorities in future. Moving forward, it is hoped that the 2021/22 budget (a draft of which will be available in December 2020) and the next full iteration of the MTFS (planned for February 2021) will benefit from some increased information in these areas.

Even if the precise quantum of the financial challenges faced by the Council is not known, it is certain that work to address these is now a matter of urgency and the financial sustainability work programme must be a top priority for both officers and members.

## COUNCIL – 9TH NOVEMBER 2020

### Report of the Cabinet

#### ITEM 6.3 REVISED CAPITAL PLAN 2020-2023

##### Purpose of Report

To seek approval of a revised Capital Plan 2020-2023 and its financing following a detailed review in the light of the Covid-19 outbreak.

##### Recommendation

That the Revised Capital Plan for 2020-2023 for the General Fund and HRA schemes, set out in Appendix 2 to the report of the Head of Financial Services (attached as an Annex), is approved.

##### Reason

To enable approval of the revised Capital Plan which will become the basis for capital spending by the Council for the period ending 31st March 2023.

##### Policy Justification and Previous Decisions

Policy justification detailed in the attached Annex.

At its meeting on 15th October 2020, Cabinet considered a report of the Head of Financial Services proposing a revised Capital Plan 2020-2023 and its financing following a detailed review in the light of the Covid-19 outbreak, for recommendation to Council. That report is attached as an Annex. The following minute extract sets out Cabinet's decision:

*"43. REVISED CAPITAL PLAN 2020-23*

*Considered, a report of the Head of Financial Services setting out a revised Capital Plan 2020-2023 and its financing following a detailed review in the light of the Covid-19 outbreak, for recommendation to Council (item 8 on the agenda filed with these minutes).*

*The Strategic Director; Environmental and Corporate Services and the Head of Financial Services assisted with consideration of the report.*

#### **RESOLVED**

- 1. that the Revised Capital Plan for 2020-2023 for the General Fund and HRA schemes, set out in Appendix 2 to the report of the Head of Financial Services, is approved and **recommended to Council**;*
- 2. that Cabinet notes the revisions made to the original Capital Plan for 2020-2023 and the amended Capital Plan for 2018-2021 in constructing the revised Capital Plan for 2020-2023.*

##### Reasons

1. *To enable approval of the revised Capital Plan which will become the basis for capital spending by the Council for the period ending 31st March 2023.*
2. *To ensure that the revisions incorporated within the revised Capital Plan are recognised.”*

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.

Officers to Contact: Lesley Tansey  
Head of Financial Services  
01509 634828  
[lesley.tansey@charnwood.gov.uk](mailto:lesley.tansey@charnwood.gov.uk)

Simon Jackson  
Strategic Director; Environmental and  
Corporate Services  
01509 634699  
[simon.jackson@charnwood.gov.uk](mailto:simon.jackson@charnwood.gov.uk)

**CABINET – 15TH OCTOBER 2020****Report of the Head of Financial Services****Lead Member: Cllr Tom Barkley****Part A**ITEM            REVISED CAPITAL PLAN 2020-2023Purpose of the Report

Following a detailed review in the light of the COVID-19 outbreak, this report requests Cabinet to consider and approve the revised Capital Plan for the period 2020 -2023 and its financing.

Recommendations

1. That the Revised Capital Plan for 2020 to 2023 for the General Fund and HRA schemes set out in Appendix 2 is approved and recommended to Council.
2. That Cabinet note the revisions made to the original Capital Plan for 2020 to 2023 and the amended Capital Plan for 2018 to 2021 in constructing the Revised Capital Plan for 2020 to 2023

Reasons

1. To enable approval of the Revised Capital Plan which will become the basis for capital spending by the Council for the period ending 31 March 2023.
2. To ensure that the revisions incorporated within the Revised Capital Plan are recognized.

Policy Justification and Previous Decisions

The Capital Plan is an integral element of all policies. The Capital Plan for 2020 - 2023 was originally adopted by Council on 13 February 2020. The Capital Outturn report including slippage (in respect of the Capital Plan 2018 – 2021) was approved by Cabinet 9 July 2020. This report shows the result of the merger of the two extant Capital Plans, subsequent revisions in the light of the COVID-19 outbreak, and requests that the Revised Plan is recommended for approval by Council.

Implementation Timetable including Future Decisions and Scrutiny

This report will be available for scrutiny by the Scrutiny Commission on 12 October 2020. If approved by Cabinet for recommendation to Council (amended as may be applicable), this report will require approval at Council on 9 November 2020.

## Report Implications

The following implications have been identified for this report.

### *Financial Implications*

The financial implications are covered in the body of this report. The principal changes of note are:

- Removal or deferral of pre-existing capital schemes enables £2.4m of the £4.8m total purchase price of the Environmental Services Fleet to be funded from reserves earmarked for capital expenditure rather than through borrowing; this result in a saving to the General Fund revenue budget of over £0.3m per annum over the life of the fleet after costs in interest and Minimum Revenue Provision charges
- Expanding the funding to be made available for commercial property acquisitions from £10m to £25m; this would be financed through prudential borrowing
- Creating a fund of £15m to take advantage of opportunities that may arise from the Town Deal, or other regeneration opportunities that may present themselves; this would also be financed through prudential borrowing
- Creating a fund of £15m to enable finance 'forward funding' of investment in the Enterprise Zone – again, to be financed through prudential borrowing

Further details on the above are set out in Part B of this 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.

<i>Risk Identified</i>	<i>Likelihood</i>	<i>Impact</i>	<i>Overall Risk</i>	<i>Risk Management Actions Planned</i>
Insufficient funding	Remote (1)	Major (4)	Low (4)	The funding of the Capital Plan is regularly monitored and serious funding shortfalls would be brought to the attention of Cabinet with suggested solutions
Expenditure associated with commercial property, Town Deal projects, regeneration or forward funding of the Enterprise Zone	Unlikely (2)	Serious (3)	Moderate (6)	All such expenditure will require fulfillment of additional governance processes prior to approval

<i>Risk Identified</i>	<i>Likelihood</i>	<i>Impact</i>	<i>Overall Risk</i>	<i>Risk Management Actions Planned</i>
General risks associated with capital expenditure	Unlikely (2)	Serious (3)	Moderate (6)	The Capital Plan is controlled through regular monitoring via the Senior Leadership Team with periodic reports presented to Cabinet.

Key Decision:

Yes

Background Papers:

Cabinet 15 October 2020 - Capital Strategy 2020/21

Officers to Contact:

Lesley Tansey

Head of Financial Services

01509 634848

[lesley.tansey@charnwood.gov.uk](mailto:lesley.tansey@charnwood.gov.uk)

Simon Jackson

Strategic Director of Corporate Services

01509 634699

[simon.jackson@charnwood.gov.uk](mailto:simon.jackson@charnwood.gov.uk)

## Part B

### Background

#### *Pre-existing Capital Plans and background to revisions proposed*

1. The Council's standard approach to capital planning is to prepare a three-year Capital Plan in alternate years. At 1 April 2020, there were therefore two extant Capital Plans; one (old) Plan covering the financial years 2018/19 – 2020/21 and the other (new) Plan, which was approved by Council on 24 February 2020 covering the years 2020/21 – 2022/23.
2. In line with previous practice, these plans were merged following the completion of annual Capital Outturn report (Cabinet 9 July 2020) for the old Plan in respect of 2019/20 financial year, and approval of the 'slippage' of capital schemes not completed within the scheduled period and carried forward into future financial years.
3. Amendments to the Capital Plan arise in the normal course of business due to slippage, variations in projected costs and changes in operational requirements which are reported to Cabinet (and Council if necessary) via the regular Capital Plan amendment reports. Such usual amendments are reflected within this report. Additionally however, in the light of the COVID-19 outbreak and its negative effect on both the wider economy and the Council's finances, a detailed review was undertaken to:
  - Identify schemes that could be removed (at least temporarily) or deferred in order to free up earmarked capital reserves to part-fund the Environmental Services fleet (currently in the process of replacement)
  - Ensure sufficient provision was made within the Capital Plan to enable investment in commercial property, regeneration schemes and the Enterprise Zone
4. Due to the fundamental nature of the above it is therefore considered appropriate for this Revised Capital Plan to be approved in its entirety, rather than as a set of amendments in the normal course of business.

#### *Funding of the Environmental Services fleet*

5. In extending the outsourced Environmental Services contract the Council had the opportunity to consider financing the cost (some £4.8m) of the replacement fleet, and thereby reduce the ongoing revenue costs of the contract. Following an appraisal exercise the decision was taken to exercise this option (see Cabinet 13 September 2018: 'Environmental Services Contract - Options for the delivery from June 2020'). This initial report included a specific financing method for the fleet acquisition which was subsequently considered too restrictive and superseded by a further Cabinet report of 13 February 2020 allowing flexibility in the financing method (see



Minute 80 referring to the 'Capital Strategy, Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy 2020/21').

6. The original options appraisal concluded that it was financially advantageous for the Council to finance the new Environmental Services fleet notwithstanding the ongoing interest and Minimum Revenue Provision<sup>1</sup> (MRP) charges that would be associated with its acquisition; these charges were calculated on the assumption that the whole of the fleet would be financed via ('prudential') borrowing, which in total were around £0.7m, made up of £0.1m for interest and £0.6m for MRP.
7. Further savings are available if the fleet can (at least partially) be funded through use of reserves earmarked for capital expenditure. By reviewing pre-existing schemes a number have been identified for deferral or withdrawal (with the possibility of being added back should finances permit); this enables half of the fleet cost to be funded through reserves. It is also planned to use 'internal' borrowing<sup>2</sup> rather than acquiring an external loan for the balance of the financing and in total this will create (subject to approval of this revised Capital Plan) General Fund revenue savings of around £0.4m from the 2021/22 financial year and subsequent years over the eight year life span of the fleet.

#### *Commercial property investment*

8. The Capital Plan 2018 – 21 included a sum of £10m that was to enable the Council to develop a portfolio of commercial properties for investment, financed through prudential borrowing. This report proposes that this sum is increased to £25m, all notionally profiled within the current (2020/21) financial year.
9. It was envisaged (as set out in the proposed Capital Strategy 2020/21 presented at the Cabinet meeting of 13 February 2020 and in the superseding version due at Cabinet on 15 October 2020) that the Council would develop a commercial property portfolio in the order of £25m.
10. As an initial target for the scale of the property portfolio, £25m was considered appropriate, offering a scale of investment that enables a portfolio of different assets to be acquired, whilst balancing the need to be 'proportionate'. In this case proportionality should be considered both in terms of the value of the portfolio (and underlying loan) in the context of a large District Council with total revenues in the order of £60m, and in terms of likely returns (which may be in the order of £0.8m per annum) as a proportion of general fund net expenditure (around £18m).

---

<sup>1</sup> This is an amount that must be set aside within the revenue budget to reflect the requirement to repay the amount funded through borrowing; in the case of the fleet this is calculated on a straight line basis over the projected 8-year life of the fleet.

<sup>2</sup> Using cash resources held but not expended on other liabilities.

11. Despite the COVID-19 outbreak, this strand of the strategy to mitigate the financial challenges facing the Council is still considered valid. Additionally, the government regulations on borrowing (in conjunction with the CIPFA Prudential Code) is likely to prevent borrowing for commercial purposes in future financial periods so it is considered appropriate to make funds available in the current financial year to take advantage of attractive opportunities that may arise.

*Investment in regeneration (including the Town Deal)*

12. Loughborough was one of the towns able to participate in the government's Town Deal scheme, through which up to £25m (or more in exceptional circumstances) may be available to invest in approved schemes. Some schemes may require local authority investment to match against government money so in order to make sure that matched funding is available this report proposes that a £15m fund is earmarked within the revised Capital Plan.
13. The sum of £15m has been determined as appropriate having regard to the potential development of opportunities associated with the Town Deal and in particular with 'Developer Accelerator' funding for regeneration.
14. This £15m fund will also be available should other regeneration investment opportunities arise. Whilst not evaluated on a wholly commercial basis, it is envisaged that opportunities brought forward for consideration (via specific Cabinet report) will offer a positive revenue impact for the Council.

*Forward funding investment for the Enterprise Zone*

15. The Council has now agreed the future distribution of business rates generated within the Charnwood Enterprise Zone (EZ) sites (set out in an exempt Cabinet report of 9 July 2020). Following this agreement between the Council and the Leicester and Leicestershire Enterprise Partnership (LLEP), forward funding of infrastructure and buildings, financed by future business rate income streams is now possible.
16. Any specific forward funding arrangements would be the subject of an individual Cabinet report, In principle however, the LLEP would make a grant for EZ site development to the site owners which the Council would fund through borrowing. The loan would be repaid by withholding business rates that would otherwise have been paid over to the LLEP. Depending on the level of risk within the forward funding scheme, the Council may make a small margin between interest payable on the underlying loan and repayment via business rate retentions.
17. The Council has representation on the EZ implementation groups and based on potential pipeline of investment proposals, an initial fund of £15m is proposed within this report for forward funding initiatives.

18. It may be noted that the above elements proposed within the Capital Plan are further outlined in the Capital Strategy 2020/21 which is also due for presentation at Cabinet on 15 October 2020 and subsequent approval at Council on 9 November 2020.

*Presentation within the Capital Plan*

19. Schemes within the revised Capital Plan are presented under three headings, as follows:

- ‘Live’ schemes – where a scheme has been identified and specified
- ‘Committed’ expenditure – areas where the Council intends to make an investment but where specific schemes have not been identified (often where investment relies on a level of opportunism)
- Third party schemes – typically schemes that rely on s106 funding from planning gain where funds are held by the Council but project managed by third parties such as Town or Parish Councils

20. It should be noted that funds for commercial property investment, regeneration and the Town Deal, and Forward funding for the Enterprise Zone are all classified as ‘Committed’. Crucially, this means that if appropriate investment opportunities do not arise then funds will not be expended, and the borrowing associated with the creation of this funding will not take place.

*Summary of Capital Plan schemes and anticipated funding*

21. The revised capital plan report provides a breakdown of the new/amended schemes for 2020/21 budgets, and detailed budgets are set out in Appendix 1 for 2020/21 to 2022/23 .

22. The net effects of these changes on the 2020/21 Capital Plan are as follows:

<b>2020/21 Capital Plan</b>	<b>£'000</b>
Approved 2020/21 Capital Plan	23,067,800
Add: Net revised/amended schemes	42,662,600
<b>Amended 2020/21 Capital Plan</b>	<b>65,730,400</b>

<b>Capital Plan 2020/21 Funded by:</b>	<b>£'000</b>
<b>General Fund:</b>	
Grants, S106 Contributions and Revenue	2,675,700
Contributions from Capital Plan Reserve	630,400
Contributions from Capital Receipts	3,682,900
Internal Loan – Fleet Purchase	2,400,000
Fleet use of Capital Receipts	2,400,000
External Borrowing	45,000,000
<b>Total General Fund</b>	<b>56,789,000</b>
<b>HRA:</b>	
MRA or equivalent	8,207,200
Contributions from Capital Receipts	734,200
<b>Total HRA</b>	<b>8,941,400</b>
<b>Total Funding for 2020/21</b>	<b>65,730,400</b>

23. A full list of the decisions and amendments are listed in Appendix 1. The table below provides a summary of other significant additions and deletions from the Capital Plan, in addition to the items discussed in paragraphs above.

<b>New/Amended Schemes</b>	<b>£</b>
<b>Northgate – New scheme Single Use System</b>	<b>£120,000</b>
A single back office applications system for Planning, Environmental Health, Strategic and Private Sector Housing and Land Charges to replace three existing systems.	
<b>Queniborough Parish Council – play equipment – King George V Playing Field</b>	<b>£19,300</b>
Contribution towards the cost of play equipment, fully funded by S106 monies already received by the authority.	
<b>Decrease in Disabled Facilities Grant Budget (DFG)</b>	<b>(£109,800)</b>
To decrease the DFG grant by £109.8k, in line with DFG grant received in 2020/21.	
<b>Increase in New Burial Provision</b>	<b>£300,000</b>
Total scheme cost increased to £900,000 to complete the project.	

<b>Decrease in Charnwood Community Facilities Grants</b>	<b>(£118,400)</b>
The remaining budget over the 3 year plan is revised to £190k .	
<b>Transfer of budget into 2021/22 Beehive Lane Car Park Improvements and refurbishment scheme</b>	<b>(£100,000)</b>
Work on windows to take place in 2021/22.	
<b>Decrease in Planned Building Improvements</b>	<b>(£400,000)</b>
The remaining budget over the 3 year plan is revised to £300k	
<b>Decrease in Leicestershire Superfast Broadband Phase 3</b>	<b>(£100,000)</b>
Scheme no longer required.	
<b>Decrease in Carbon Neutral Action Fund - Block Sum</b>	<b>(£400,000)</b>
The commitment to our Carbon Neutral Plan remains but funding has been revised in line with the review of the Strategic Estate.	
<b>Decrease in HRA Door Replacement</b>	<b>(£500,000)</b>
Full spend unlikely to be achieved in 2020/21 due to constrains in the year.	

## Appendices

Appendix 1 – Details of revisions from preceding Capital Plans

Appendix 2 – Revised Capital Plan 2020 - 2023

REVISED CAPITAL PLAN 2020-2023

Appendix 1

	2020/21	2021/22	2022/23
	£	£	£
Cabinet 13th February 2020 - Minute 81	23,067,800	11,058,300	10,450,800
Cabinet 9th July 2020 - Minute 15			
Carry forwards from 2019/20	9,292,600	(2,400)	
Delegated Decision (DD043 2020) - 16th March 2020			
Queniborough Parish Council - play equipment - King George V Playing Field	19,300		
Disabled Facilities Grants - Block Sum - reduced BCF funding received	(109,800)		
Delegated Decision (DD099 2020) - 8th July 2020			
Allendale Road - Public Open Space Improvements		(82,800)	
Farnham Road Public Open Space Improvements			(113,000)
Shelthorpe Public Open Space Enhancements	95,100	101,000	
Lodge Farm Public Open Space Enhancements			31,200
Holt Drive PA Enhancements		11,000	
Radmoor Road Public Open Space Enhancements			53,600
Shepsheid Public Open Space Enhancements		54,100	
Bell Foundry Pocket Park - Phase 1 & 2	43,400		
Senior Leadership Team - 23rd July 2020			
Shortcliffe Community Park - Scheme complete	(15,300)		
Provision of Neighbourhood Notice Boards - Scheme complete	(1,400)		
Dishley Pool Access Works - Scheme complete	(14,100)		
Loughborough Cemetery - increase in New Burial Provision	300,000		
Loughborough Old Cemetery Green Flag Site Development - Defer to next plan	(40,000)		
Mountsorrel Castle Park Green Flag Site Development - Defer to next plan	(40,000)		
The Outwoods Country Park - Septic tank system replacement - Scheme complete	(3,600)		
Shortcliffe Park Access Bridges - Scheme complete	(15,200)		
Allotment Improvements - Reduction in budget to complete urgent works only	(25,000)		
Loughborough in Bloom - Biodiversity Improvements - Defer to next plan	(20,000)		
Charnwood Water - Access Improvements - Defer to next plan	(40,000)		
Moat Road - Multi Use Games Area & Play Improvements - Defer to next plan		(40,000)	
Playing Pitch Strategy Action Plan - Reduction in budget to complete urgent works only at Hallam Fields	(40,000)	(60,000)	(100,000)
Parish Green Masterplan - Defer to next plan	(5,000)	(70,000)	
Legal Case Management System - Scheme no longer required	(20,000)		
CCTV - Reduction in budget	(32,500)	(10,000)	(10,000)
Charnwood Community Facilities Grants - Reduction in budget	(118,400)	30,000	30,000
Beehive Lane Car Park Improvements and refurbishment scheme - Scheme delayed	(100,000)	100,000	
Planned Building Improvements - Reduction in Budget	(400,000)	(400,000)	(400,000)
Town Hall - Victorial Room - Air Handling - Scheme delayed	(50,000)	50,000	
Town Hall - additional seating - Scheme delayed	(75,000)	(150,000)	225,000
Leicestershire Superfast Broadband Phase 3 - Scheme no longer required	(100,000)		
Carbon Neutral Action Fund - Block Sum - Reduction in Budget	(400,000)		
Private Sector Housing Grants - Block Sum - Reduction in Budget	(60,000)		
HRA Door Replacement - Reduction in Budget	(500,000)		
HRA Barkby Road, Queniborough - acquisition of remaining dwellings	17,500		
New Addition Northgate - Single Use System	120,000		
Capital Strategy - 2020/21 (proposed - Council 9 November 2020)			
Increase in commercial property investment portfolio (from £10m to £25m)	15,000,000		
Town Deal and Regeneration Fund	5,000,000	10,000,000	
Enterprise Zone - Forward funding	15,000,000		
<b>Update Report - Total</b>	<b>65,730,400</b>	<b>20,589,200</b>	<b>10,167,600</b>
<b>Total of 3 Year Revised Capital Plan (2020/21 to 2022/23)</b>			<b>96,487,200</b>

Scheme Details	2020/21				2021/22		2022/23		External Funding		
	Original Plan £	Revised Budget £	Actual Spend 14/9/20 £	Balance £	Original Plan £	Current Budget £	Original Plan £	Current Budget £	2020/21 £	2021/22 £	2022/23 £
<b>SUMMARY OF CAPITAL PLAN</b>											
<u>Live Schemes</u>											
Community Wellbeing	1,256,000	6,543,700	4,319,124	2,224,576	851,000	601,000	406,000	582,200	138,900	50,000	31,200
Corporate Services	416,000	461,100	67,629	393,471	110,000	107,600	75,000	75,000	0	0	0
Commercial Development	500,000	100,000	230	99,770	500,000	100,000	500,000	100,000	0	0	0
Housing, Planning & Regeneration & Regulatory Services - General Fund	1,233,000	1,906,000	25,766	1,880,234	1,133,000	1,233,000	1,133,000	1,133,000	1,523,500	1,058,000	1,058,000
Housing, Planning & Regeneration & Regulatory Services - HRA	7,645,700	8,941,400	8,357	8,933,043	7,381,500	7,381,500	7,723,800	7,723,800	0	0	0
<b>Sub-total Live Schemes</b>	<b>11,050,700</b>	<b>17,952,200</b>	<b>4,421,106</b>	<b>13,531,094</b>	<b>9,975,500</b>	<b>9,423,100</b>	<b>9,837,800</b>	<b>9,614,000</b>	<b>1,662,400</b>	<b>1,108,000</b>	<b>1,089,200</b>
<u>Committed Schemes</u>											
Community Wellbeing	0	0	0	0	0	0	0	0	0	0	0
Corporate Services	0	15,000,000	0	15,000,000	0	0	0	0	0	0	0
Commercial Development	0	30,000,000	0	30,000,000	0	10,000,000	0	0	0	0	0
Housing, Planning & Regeneration & Regulatory Services - General Fund	1,390,000	2,463,700	81,427	2,382,273	1,000,000	1,000,000	500,000	500,000	0	0	0
Housing, Planning & Regeneration & Regulatory Services - HRA	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-total Committed Schemes</b>	<b>1,390,000</b>	<b>47,463,700</b>	<b>81,427</b>	<b>47,382,273</b>	<b>1,000,000</b>	<b>11,000,000</b>	<b>500,000</b>	<b>500,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<u>Third Party Schemes</u>											
Community Wellbeing	0	314,500	29,567	284,933	82,800	166,100	113,000	53,600	314,500	166,100	53,600
Corporate Services	0	0	0	0	0	0	0	0	0	0	0
Commercial Development	0	0	0	0	0	0	0	0	0	0	0
Housing, Planning & Regeneration & Regulatory Services - General Fund	0	0	0	0	0	0	0	0	698,800	0	0
Housing, Planning & Regeneration & Regulatory Services - HRA	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-total Third Party Schemes</b>	<b>0</b>	<b>314,500</b>	<b>29,567</b>	<b>284,933</b>	<b>82,800</b>	<b>166,100</b>	<b>113,000</b>	<b>53,600</b>	<b>1,013,300</b>	<b>166,100</b>	<b>53,600</b>
<b>GF Total</b>	<b>3,405,000</b>	<b>56,789,000</b>	<b>4,523,743</b>	<b>52,265,257</b>	<b>3,676,800</b>	<b>13,207,700</b>	<b>2,727,000</b>	<b>2,443,800</b>	<b>2,675,700</b>	<b>1,274,100</b>	<b>1,142,800</b>
<b>HRA Total</b>	<b>7,645,700</b>	<b>8,941,400</b>	<b>8,357</b>	<b>8,933,043</b>	<b>7,381,500</b>	<b>7,381,500</b>	<b>7,723,800</b>	<b>7,723,800</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>12,440,700</b>	<b>65,730,400</b>	<b>4,532,100</b>	<b>61,198,300</b>	<b>11,058,300</b>	<b>20,589,200</b>	<b>10,450,800</b>	<b>10,167,600</b>	<b>2,675,700</b>	<b>1,274,100</b>	<b>1,142,800</b>
<u>Community Wellbeing</u>											
<u>Live Schemes</u>											
JT Z478 Shortcliffe Community Park	0	0	0	0	0	0	0	0	0	0	0
JR Z388 CCTV	35,000	94,600	4,635	89,965	45,000	35,000	45,000	35,000	0	0	0
JR Z348 Charnwood Community Facilities Grants	60,000	90,000	19,734	70,266	20,000	50,000	20,000	50,000	0	0	0
JR Z427 Members Grants - Members Choice	26,000	26,000	(3,980)	29,980	26,000	26,000	26,000	26,000	0	0	0
SW Z785 Old Rectory Museum Toilet	0	0	0	0	0	0	0	0	0	0	0
SW Z392 Public Realm and Art Improvements	0	0	0	0	0	0	0	0	0	0	0
SW Z421 Carillon Tower Restoration Project	0	0	0	0	0	0	0	0	0	0	0
SW Z426 Loughborough Market - Replacement Tug and Trailer	0	0	0	0	0	0	0	0	0	0	0
Lighting strategy to support the Masterplan lane strategy - feasibility study	10,000	10,000	0	10,000	0	0	0	0	0	0	0
KS Z746 Charnwood Museum Public Toilets Refurbishment	0	0	0	0	0	0	0	0	0	0	0
NB Z748 Loughborough Festive Lights and Street Dressing	0	14,800	0	14,800	0	0	0	0	10,000	0	0
NB Z749 Loughborough Market Improvements	0	0	0	0	0	0	0	0	0	0	0
SW Z757 Town Hall Roof Upgrade	0	19,400	0	19,400	0	0	0	0	0	0	0
SW Z797 Loughborough Town Hall - Lower Level Elevation Repairs & Feasibility Study	40,000	40,000	0	40,000	0	0	0	0	0	0	0
SW Z798 Town Hall - Victorial Room - Air Handling	50,000	0	0	0	0	50,000	0	0	0	0	0
SW Z799 Town Hall - additional seating	75,000	0	0	0	150,000	0	0	225,000	0	0	0
MB Z394 Provision of Neighbourhood Notice Boards	0	0	0	0	0	0	0	0	0	0	0
MB Z739 Green Spaces Programme	0	90,800	882	89,918	0	0	0	0	0	0	0
JT Z747 Dishley Pool Access Works	0	0	0	0	0	0	0	0	0	0	0
MB Z784 Loughborough Cemetery - New Burial Provision	650,000	899,700	10,800	888,900	0	0	0	0	0	0	0
SR Z750 Loughborough Old Cemetery Green Flag Site Development	0	0	0	0	0	0	0	0	0	0	0
SR Z752 Mountsorrel Castle Park Green Flag Site Development	0	0	0	0	0	0	0	0	0	0	0
MB Z753 The Outwoods Country Park - Septic tank system replacement	0	0	0	0	0	0	0	0	0	0	0
MB Z754 The Outwoods Country Park - Visitor Centre and Café	0	179,500	1,307	178,193	0	0	0	0	50,000	0	0
MB Z782 Outwoods Country Park	0	0	0	0	0	0	0	0	0	0	0
MB Z755 Shortcliffe Park Access Bridges	0	0	0	0	0	0	0	0	0	0	0
MB Z790 Environmental Services - Fleet Purchase	0	4,800,000	4,285,512	514,488	0	0	0	0	0	0	0

CAPITAL PLAN 2020/21

Appendix 2

Scheme Details	2020/21				2021/22		2022/23		External Funding		
	Original Plan £	Revised Budget £	Actual Spend 14/9/20 £	Balance £	Original Plan £	Current Budget £	Original Plan £	Current Budget £	2020/21 £	2021/22 £	2022/23 £
MB Loughborough Playground Improvement Plan	0	0	0	0	50,000	50,000	50,000	50,000	0	0	0
MB Queens Park - Improvements to Childrens Play Provision & Adult Recreation Provision	0	0	0	0	100,000	100,000	105,000	105,000	0	0	0
MB Z802 Allotment Improvements	35,000	10,000	0	10,000	0	0	0	0	0	0	0
MB Z803 Loughborough in Bloom - Biodiversity Improvements	20,000	0	0	0	0	0	0	0	0	0	0
MB Z804 Charnwood Water - Access Improvements	40,000	0	0	0	0	0	0	0	0	0	0
MB Jubilee Walk, Shepshed - surfacing & enhancement	0	0	0	0	50,000	50,000	0	0	0	25,000	0
MB Moat Road - Multi Use Games Area & Play Improvements	0	0	0	0	40,000	0	0	0	0	0	0
MB Morley Quarry - access works	0	0	0	0	50,000	50,000	0	0	0	25,000	0
MB Z805 Queens Park Aviary Improvements	20,000	20,000	0	20,000	0	0	0	0	0	0	0
MB Z806 Playing Pitch Strategy Action Plan	60,000	20,000	0	20,000	100,000	40,000	140,000	40,000	0	0	0
MB Z484 Closed Churchyard Wall	25,000	25,000	0	25,000	25,000	25,000	0	0	0	0	0
MB Lodge Farm - Multi Use Games Area	0	0	0	0	80,000	80,000	0	0	0	0	0
MB Lodge Farm Public Open Space Enhancements	0	0	0	0	0	0	0	31,200	0	0	31,200
MB Z807 Parish Green Masterplan	5,000	0	0	0	70,000	0	0	0	0	0	0
MB Z808 Park Road Access Resurfacing	60,000	60,000	0	60,000	0	0	0	0	0	0	0
MB Z809 Delivery of Open Space Strategy	20,000	20,000	0	20,000	20,000	20,000	20,000	20,000	0	0	0
AG Z503 Charnwood Sites Access and Security	0	0	0	0	0	0	0	0	0	0	0
MB Z791 Shelthorpe Golf Course - Fencing	0	78,900	234	78,666	0	0	0	0	78,900	0	0
AG Z792 Community Tree Planting Programme	25,000	45,000	0	45,000	25,000	25,000	0	0	0	0	0
<b>Sub-total Live Schemes</b>	<b>1,256,000</b>	<b>6,543,700</b>	<b>4,319,124</b>	<b>2,224,576</b>	<b>851,000</b>	<b>601,000</b>	<b>406,000</b>	<b>582,200</b>	<b>138,900</b>	<b>50,000</b>	<b>31,200</b>
<b>Third Party Schemes</b>											
JT Z697 Bell Foundry Pocket Park - Phase 1 & 2	0	51,800	1,701	50,099	0	0	0	0	51,800	0	0
JT Z494 Public Art Provision - Loughborough & Shepshed	0	9,600	8,560	1,040	0	0	0	0	9,600	0	0
MB Allendale Road - Public Open Space Improvements	0	0	0	0	82,800	0	0	0	0	0	0
MB Farnham Road Public Open Space Improvements	0	0	0	0	0	0	113,000	0	0	0	0
MB Z699 Shelthorpe Public Open Space Enhancements	0	95,100	0	95,100	0	101,000	0	0	95,100	101,000	0
MB Holt Drive PA Enhancements	0	0	0	0	0	11,000	0	0	0	11,000	0
MB Radmoor Road Public Open Space Enhancements	0	0	0	0	0	0	0	53,600	0	0	53,600
MB Shepshed Public Open Space Enhancements	0	0	0	0	0	54,100	0	0	0	54,100	0
JR Z488 Thorpe Acre Residents Association - contribution towards Community Hub building	0	25,900	0	25,900	0	0	0	0	25,900	0	0
JR Z499 Syston Town Council - contribution towards Cemetery in Syston	0	0	0	0	0	0	0	0	0	0	0
JR Z292 Hallam Fields Community Hall	0	0	0	0	0	0	0	0	0	0	0
JR Z500 Birstall Cedars Academy all weather pitch	0	50,000	0	50,000	0	0	0	0	50,000	0	0
JR Z783 Thurmaston Parish Council - Silverdale and Elizabeth Park	0	0	0	0	0	0	0	0	0	0	0
JR Z789 Rothley Parish Council - additional recreation & play area facilities at Mountsorrel Lane	0	0	0	0	0	0	0	0	0	0	0
JR Z794 Queniborough Parish Council - new community/scout hall	0	0	0	0	0	0	0	0	0	0	0
JR Z795 Syston Town Council - redevelopment of sports pavilion at Memorial Park	0	40,500	0	40,500	0	0	0	0	40,500	0	0
JR Z846 Queniborough Parish Council - play equipment - King George V	0	19,300	19,306	(6)	0	0	0	0	19,300	0	0
MB Z778 Playing Field	0	22,300	0	22,300	0	0	0	0	22,300	0	0
MB Z778 Syston Community Garden	0	22,300	0	22,300	0	0	0	0	22,300	0	0
<b>Sub-total Third Party Schemes</b>	<b>0</b>	<b>314,500</b>	<b>29,567</b>	<b>284,933</b>	<b>82,800</b>	<b>166,100</b>	<b>113,000</b>	<b>53,600</b>	<b>314,500</b>	<b>166,100</b>	<b>53,600</b>
<b>Community Wellbeing - Total</b>	<b>1,256,000</b>	<b>6,858,200</b>	<b>4,348,691</b>	<b>2,509,509</b>	<b>933,800</b>	<b>767,100</b>	<b>519,000</b>	<b>635,800</b>	<b>453,400</b>	<b>216,100</b>	<b>84,800</b>
<b>Corporate Services</b>											
<b>Live Schemes</b>											
AK Z085 Replacement Hardware Programme - Block Sum	80,000	0	64,032	(64,032)	45,000	42,600	45,000	45,000	0	0	0
AK Z354 Infrastructure Development - Block Sum	30,000	30,000	2,535	27,465	30,000	30,000	30,000	30,000	0	0	0
AK Z780 Wireless connectivity including presentation facilities	0	0	0	0	0	0	0	0	0	0	0
KB Z423 Call Secure System - PCI Compliance	0	15,300	0	15,300	0	0	0	0	0	0	0
KB Z425 Corporate Booking System	0	0	0	0	0	0	0	0	0	0	0
KB Z812 Server Redesign	70,000	70,000	0	70,000	0	0	0	0	0	0	0



CAPITAL PLAN 2020/21

Appendix 2

Scheme Details	2020/21				2021/22		2022/23		External Funding		
	Original Plan £	Revised Budget £	Actual Spend 14/9/20 £	Balance £	Original Plan £	Current Budget £	Original Plan £	Current Budget £	2020/21 £	2021/22 £	2022/23 £
KB Z813 Cloud Implementation	194,000	194,000	0	194,000	0	0	0	0	0	0	0
KB Z814 Meeting Rooms - presentation screens	10,000	10,000	0	10,000	0	0	0	0	0	0	0
KB Northgate - Single Use System	0	120,000	0	120,000	0	0	0	0	0	0	0
AW Z811 Legal Case Management System	20,000	0	0	0	0	0	0	0	0	0	0
LT Z810 Unit4 Agresso Upgrade	12,000	12,000	0	12,000	35,000	35,000	0	0	0	0	0
AK Z793 ITrent Upgrade & New Flexi Time System	0	9,800	1,062	8,738	0	0	0	0	0	0	0
<b>Sub-total Live Schemes</b>	<b>416,000</b>	<b>461,100</b>	<b>67,629</b>	<b>393,471</b>	<b>110,000</b>	<b>107,600</b>	<b>75,000</b>	<b>75,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Committed Schemes</b>											
SJ Enterprise Zone	0	15,000,000	0	15,000,000	0	0	0	0	0	0	0
<b>Sub-total Committed Schemes</b>	<b>0</b>	<b>15,000,000</b>	<b>0</b>	<b>15,000,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Corporate Services - Total</b>	<b>416,000</b>	<b>15,461,100</b>	<b>67,629</b>	<b>15,393,471</b>	<b>110,000</b>	<b>107,600</b>	<b>75,000</b>	<b>75,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Commercial Development</b>											
<b>Live Schemes</b>											
IB Z310 Planned Building Improvements	500,000	100,000	0	100,000	500,000	100,000	500,000	100,000	0	0	0
DC Z415 Southfields Offices - Roofing	0	0	0	0	0	0	0	0	0	0	0
DC Z493 Fearon Hall	0	0	0	0	0	0	0	0	0	0	0
DW & Z759 Woodgate Chambers - high level roof and windows improvements	0	0	180	(180)	0	0	0	0	0	0	0
DC Z777 Messenger Close, Lough - Options for future use	0	0	50	(50)	0	0	0	0	0	0	0
<b>Sub-total Live Schemes</b>	<b>500,000</b>	<b>100,000</b>	<b>230</b>	<b>99,770</b>	<b>500,000</b>	<b>100,000</b>	<b>500,000</b>	<b>100,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Committed Schemes</b>											
JH Z676 Commercial Property Investment Portfolio	0	25,000,000	0	25,000,000	0	0	0	0	0	0	0
JH Town Deal and Regeneration	0	5,000,000	0	5,000,000	0	10,000,000	0	0	0	0	0
<b>Sub-total Committed Schemes</b>	<b>0</b>	<b>30,000,000</b>	<b>0</b>	<b>30,000,000</b>	<b>0</b>	<b>10,000,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Commercial Development - Total</b>	<b>500,000</b>	<b>30,100,000</b>	<b>230</b>	<b>30,099,770</b>	<b>500,000</b>	<b>10,100,000</b>	<b>500,000</b>	<b>100,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Housing, Planning &amp; Regeneration &amp; Regulatory Services - General Fund</b>											
<b>Live Schemes</b>											
AT Z744 Beehive Lane Car Park Improvements and refurbishment scheme	100,000	69,800	20,410	49,390	0	100,000	0	0	0	0	0
AT Z781 Beehive Lane Car Park fire & safety evacuation systems	0	12,000	11,793	207	0	0	0	0	0	0	0
AT Z786 Car Parks Resurfacing and Improvements	0	169,900	0	169,900	0	0	0	0	0	0	0
DC Z738 Carbon Management Schemes	0	55,800	0	55,800	0	0	0	0	0	0	0
RB Z468 Planning and Regeneration Essential Technology Refresh	0	0	0	0	0	0	0	0	0	0	0
AS Z424 Choice Based Lettings Software	0	0	(16,063)	16,063	0	0	0	0	0	0	0
RS Z210 Disabled Facilities Grants - Block Sum	1,058,000	1,523,500	9,626	1,513,874	1,058,000	1,058,000	1,058,000	1,058,000	1,523,500	1,058,000	1,058,000
RS Z346 Private Sector Housing Grants - Block Sum	75,000	75,000	0	75,000	75,000	75,000	75,000	75,000	0	0	0
<b>Sub-total Live Schemes</b>	<b>1,233,000</b>	<b>1,906,000</b>	<b>25,766</b>	<b>1,880,234</b>	<b>1,133,000</b>	<b>1,233,000</b>	<b>1,133,000</b>	<b>1,133,000</b>	<b>1,523,500</b>	<b>1,058,000</b>	<b>1,058,000</b>
<b>Committed Schemes</b>											
DH Z366 Loughborough University Science & Enterprise Park	0	350,000	0	350,000	0	0	0	0	0	0	0
DH Z367 Bleach Yard	0	5,900	0	5,900	0	0	0	0	0	0	0
DH Z787 Bedford Square Gateway	890,000	1,337,700	46,822	1,290,878	500,000	500,000	0	0	520,000	0	0
DH Z796 Carbon Neutral Action Fund - Block Sum	500,000	100,000	0	100,000	500,000	500,000	500,000	500,000	0	0	0
DH Z835 Shepshed Bull Ring	0	600,000	32,773	567,227	0	0	0	0	170,000	0	0
DH Z745 Leicestershire Superfast Broadband Phase 3	0	0	0	0	0	0	0	0	0	0	0
DH Z126 Loughborough Eastern Gateway	0	0	0	0	0	0	0	0	0	0	0
RB Z396 Public Realm - Shepshed Town Centre	0	18,400	0	18,400	0	0	0	0	0	0	0
RS Z141 Regional Housing Pot Grant	0	42,900	0	42,900	0	0	0	0	0	0	0
RS Z363 Fuel Poverty Scheme	0	8,800	1,832	6,968	0	0	0	0	8,800	0	0
<b>Sub-total Committed Schemes</b>	<b>1,390,000</b>	<b>2,463,700</b>	<b>81,427</b>	<b>2,382,273</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>500,000</b>	<b>500,000</b>	<b>698,800</b>	<b>0</b>	<b>0</b>

CAPITAL PLAN 2020/21

Appendix 2

Scheme Details	2020/21				2021/22		2022/23		External Funding		
	Original Plan £	Revised Budget £	Actual Spend 14/9/20 £	Balance £	Original Plan £	Current Budget £	Original Plan £	Current Budget £	2020/21 £	2021/22 £	2022/23 £
<b>ousing, Planning &amp; Regeneration &amp; Regulatory Services - General Fund - Total</b>	<b>2,623,000</b>	<b>4,369,700</b>	<b>107,193</b>	<b>4,262,507</b>	<b>2,133,000</b>	<b>2,233,000</b>	<b>1,633,000</b>	<b>1,633,000</b>	<b>2,222,300</b>	<b>1,058,000</b>	<b>1,058,000</b>
<b>Housing, Planning &amp; Regeneration &amp; Regulatory Services - HRA</b>											
<u>Live Schemes</u>											
PO Z761 Major Adaptations	450,000	450,000	(4,505)	454,505	450,000	450,000	450,000	450,000	0	0	0
PO Z301 Minor Adaptations	50,000	50,000	1,924	48,076	50,000	50,000	50,000	50,000	0	0	0
PO Z302 Stairlifts	60,000	60,000	2,999	57,001	80,000	80,000	80,000	80,000	0	0	0
PO Z762 Major Voids	280,000	280,000	28,483	251,517	280,000	280,000	280,000	280,000	0	0	0
<u>Compliance</u>											
PO Z434 Asbestos Removal	150,000	150,000	51,425	98,575	150,000	150,000	150,000	150,000	0	0	0
PO Z771 Communal Area Improvements	200,000	200,000	938	199,062	200,000	200,000	200,000	200,000	0	0	0
PO Z742 Communal Area Electrical Upgrades	200,000	200,000	(73,055)	273,055	200,000	200,000	200,000	200,000	0	0	0
PO Z772 Smoke/CO & Heat Detection	30,000	30,000	5,072	24,928	30,000	30,000	30,000	30,000	0	0	0
PO Z773 Fire Safety Works	300,000	300,000	(347,997)	647,997	100,000	100,000	100,000	100,000	0	0	0
<u>Stock Maximisation</u>											
PO Z375 Garages	50,000	50,000	0	50,000	25,000	25,000	25,000	25,000	0	0	0
<u>Decent Homes</u>											
PO Z763 Kitchens	400,500	539,900	(33,382)	573,282	580,500	580,500	598,500	598,500	0	0	0
PO Z764 Bathrooms	915,000	915,000	(38,876)	953,876	787,800	787,800	1,186,600	1,186,600	0	0	0
PO Z765 Electrical Upgrades	200,000	200,000	785	199,215	290,000	290,000	290,000	290,000	0	0	0
PO Z766 Window Replacement	35,000	35,000	0	35,000	195,000	195,000	40,000	40,000	0	0	0
PO Z767 Heating	439,300	439,300	138,075	301,225	331,200	331,200	411,700	411,700	0	0	0
PO Z743 Sheltered Housing Improvements	200,000	200,000	0	200,000	200,000	200,000	200,000	200,000	0	0	0
PO Z768 Door Replacement	1,000,000	745,500	(51,716)	797,216	300,000	300,000	300,000	300,000	0	0	0
PO Z769 Roofing Works & Insulation	650,000	650,000	(68,540)	718,540	650,000	650,000	650,000	650,000	0	0	0
PO Z770 Major Structural Works	250,000	250,000	(6,977)	256,977	250,000	250,000	250,000	250,000	0	0	0
<u>General Capital Works</u>											
PO Z776 Estate and External Works	205,000	205,000	47,988	157,012	205,000	205,000	205,000	205,000	0	0	0
PO Z857 Housing Capital Technical Costs	312,000	312,000	0	312,000	312,000	312,000	312,000	312,000	0	0	0
PO Z378 Door Entry Systems	200,000	200,000	(9,065)	209,065	200,000	200,000	200,000	200,000	0	0	0
AS Z760 Acquisition of Affordable Housing to meet housing need	1,053,900	2,447,200	348,155	2,099,045	1,500,000	1,500,000	1,500,000	1,500,000	0	0	0
AS Z788 Barkby Road, Queniborough - acquisition of 27 dwellings	0	17,500	19,407	(1,907)	0	0	0	0	0	0	0
PO Z775 Mobility Scooter Storage	15,000	15,000	0	15,000	15,000	15,000	15,000	15,000	0	0	0
PO Z470 Job Management System	0	0	(2,781)	2,781	0	0	0	0	0	0	0
<b>Sub-total Live Schemes</b>	<b>7,645,700</b>	<b>8,941,400</b>	<b>8,357</b>	<b>8,933,043</b>	<b>7,381,500</b>	<b>7,381,500</b>	<b>7,723,800</b>	<b>7,723,800</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Housing, Planning &amp; Regeneration &amp; Regulatory Services - HRA - Total</b>	<b>7,645,700</b>	<b>8,941,400</b>	<b>8,357</b>	<b>8,933,043</b>	<b>7,381,500</b>	<b>7,381,500</b>	<b>7,723,800</b>	<b>7,723,800</b>	<b>0</b>	<b>0</b>	<b>0</b>

**COUNCIL – 9TH NOVEMBER 2020**

**Report of the Cabinet**

ITEM 6.4 MEMBER DEVELOPMENT STRATEGY

Purpose of Report

To seek approval of a Member Development Strategy 2020-2024.

Recommendation

That the Member Development Strategy 2020-2024, set out in Appendix A to the report of the Head of Strategic Support (attached as an Annex), be approved.

Reason

To enable the Strategy, which sets out to ensure that there is support for all members to enable them to acquire enough knowledge and a full range of skills to maximise their ability and capacity, to be adopted and inform the Council's member development activity.

Policy Justification and Previous Decisions

Policy justification detailed in the attached Annex.

At its meeting on 15th October 2020, Cabinet considered a report of the Head of Strategic Support proposing a Member Development Strategy 2020-2024, for recommendation to Council. That report is attached as an Annex. The following minute extract sets out Cabinet's decision:

*"47. MEMBER DEVELOPMENT STRATEGY*

*Considered, a report of the Head of Strategic Support setting out a Member Development Strategy 2020-2024, for recommendation to Council (item 12 on the agenda filed with these minutes).*

*The Head of Strategic Support and the Democratic Services Manager assisted with consideration of the report. In concluding discussion on the benefits of virtual training/meetings, it was confirmed that, legislation permitting, officers would work to ensure virtual/hybrid options moving forward.*

***RESOLVED*** that it ***be recommended to Council*** that the Member Development Strategy 2020-2024, set out in Appendix A to the report of the Head of Strategic Support, be approved.

Reason

*To enable the Strategy, which sets out to ensure that there is support for all members to enable them to acquire enough knowledge and a full range of skills to maximise their ability and capacity, to be adopted and inform the Council's member development activity."*

## Implementation Timetable including Future Decisions and Scrutiny

As detailed in the attached Annex.

## Report Implications

As detailed in the attached Annex.

Key Decision: No

Background Papers: No additional background papers.

Officers to Contact: Karen Widdowson  
Democratic Services Manager  
01509 634785  
[karen.widdowson@charnwood.gov.uk](mailto:karen.widdowson@charnwood.gov.uk)

Adrian Ward  
Head of Strategic Support  
01509 634573  
[adrian.ward@charnwood.gov.uk](mailto:adrian.ward@charnwood.gov.uk)

**CABINET – 15TH OCTOBER 2020****Report of the Head of Strategic Support  
Lead Member: Councillor Smidowicz****Part A**ITEM            MEMBER DEVELOPMENT STRATEGY 2020-2024Purpose of Report

To consider the final version of the Member Development Strategy for recommendation to Council.

Recommendation

That it be recommended to Council that the Member Development Strategy 2020-2024, set out in Appendix A to this report, be approved.

Reason

To enable the strategy, which sets out to ensure that there is support for all members to enable them to acquire enough knowledge and a full range of skills to maximise their ability and capacity, to be adopted and inform the Council's member development activity.

Policy Justification and Previous Decisions

On 7<sup>th</sup> November 2016 Council approved the current Member Development Strategy (Minute No. 46.3 2016/17 refers).

The Council's Corporate Strategy sets out what the Council will be doing to make Charnwood a stronger and more vibrant place for people to live, work, visit and invest in. The members of the Council have a key role in ensuring that this is achieved. It is the underlying premise of the strategy that member development will support the Council in achieving its objectives by enabling members to increase and realise their potential as decision-makers, community representatives and community leaders.

Implementation Timetable including Future Decisions and Scrutiny

The strategy forms part of the Council's policy framework and the process for revising it is set out in Budget and Policy Framework Procedure Rule 2. In accordance with that rule the final version of the strategy will be submitted to Council on 9th November 2020.

## Report Implications

The following implications have been identified for this report.

### *Financial Implications*

The activities identified in the strategy will be delivered within the existing budget for member training and existing staff resources.

### *Risk Management*

No specific risks have been identified with this decision.

Key Decision:	Yes
Background Papers:	Inspection Report following reaccreditation to East Midlands Member Development Charter
Officers to contact	Karen Widdowson Democratic Services Manager (01509) 634785 <a href="mailto:karen.widdowson@charnwood.gov.uk">karen.widdowson@charnwood.gov.uk</a>  Adrian Ward Head of Strategic Support (01509) 634573 <a href="mailto:adrian.ward@charnwood.gov.uk">adrian.ward@charnwood.gov.uk</a>

## Part B

### Background

1. The previous Member Development Strategy was agreed by Council in November 2016. The process of reviewing the strategy has been led by the Member Development Member Reference Group (MDMRG). The MDMRG is a cross-party group whose main role is to champion member development and ensure that the opportunities provided meet the needs of councillors. The MDMRG reviewed the previous strategy, agreed the key themes for the revised version and agreed the consultation draft and final versions of the strategy before their submission to the Cabinet.
2. The revised strategy draws comprehensively on the previous version, which covered the period from 2016-2020, as much of it remains very relevant. The MDMRG proposed revisions to the strategy such as greater clarity about the role of the MDMRG and the attached strategy incorporate those revisions.
3. In 2011, 2014 and 2017 the Council was awarded the East Midlands Member Development Charter. The MDMRG agreed that in addition to continuing to use the Charter requirements as a guide the Council should seek to retain its accreditation. The next reaccreditation will take place January/February 2021. The timescale has been pushed back a few months to reflect the impact the Covid-19 pandemic has had on the delivery of Council services. In developing the strategy, the MDMRG has sought to address the areas for improvement that were identified when the Council was last reaccredited to the Charter. These were to:
  - Provide clearer links to corporate objectives in communication, evaluation and 1:1's
  - Strengthen the evaluation approach to ensure an analysis of the cost and benefits of councillor development is clearly demonstrated. Case studies focusing on how learning and development has impacted on the individual and corporate performance.
  - Put in place a structured development plan that supports political leadership development and the top political and managerial teams in learning about each other and working together effectively.
4. The strategy, which can be found in Appendix A to this report, sets out the Council's aims in relation to member development and how these aims will be realised. In particular it sets out how the learning and development needs of councillors will be identified, how these identified needs will be incorporated into a balanced and accessible programme of member development events and other activities and how the success of these activities will be reviewed. The appended version of the strategy has been amended to reflect comments made through the consultation process and includes an updated foreword, executive summary and action plan.

## Consultation

5. Councillors were invited to comment on the draft strategy. 14 responses were received, and these are set out in appendix B.

## Appendices

- Appendix A Member Development Strategy 2020- 2024
- Appendix B Consultation Responses



# Appendix A

## MEMBER DEVELOPMENT STRATEGY 2020-2024

A strategy for the continuing development of  
members of Charnwood Borough Council

Version History:

Original Strategy	Version 1.0	Considered by Member Development MRG	8 <sup>th</sup> September 2020
Draft Consultation Strategy	Version 1.1	Amended foreword, dates, terms of reference and action plan	11 <sup>th</sup> September 2020
Final Strategy	Version 1.2	Submission to Cabinet on 15 <sup>th</sup> October 2020	29 <sup>th</sup> September 2020

# CONTENTS

- 1 – Foreword and Executive Summary
- 2 - Introduction and Aims of the Strategy  
*[What is the Strategy for and what is it trying to achieve]*
- 3 - Strategic Context  
*[How does it link to the Council's priorities]*
- 4 - Developing the Strategy  
*[How was the Strategy reviewed and developed]*
- 5 – Identifying Development Needs and Priorities  
*[How will the training that is to be provided be identified and how does this link to the sections above]*
- 6 - Access to Learning  
*[How to ensure that member development opportunities are available to all councillors]*
- 7 – Support for Prospective and New Councillors
- 8 - Monitoring and Evaluation  
*[How will the Strategy and member development opportunities be reviewed and how will that information be acted upon]*
- 9 - Other Member Development Support
- 10 - Delivering the Strategy  
*[What mechanisms will be put in place to ensure that the aims of the Strategy are achieved]*
- 11 - Action Plan  
*[What specific actions will be taken and when to deliver the Strategy]*

## **1 - Foreword and Executive Summary**

*“Chains of habit are too light to be felt until they are too heavy to be broken”*

- *Warren Buffet*

*“I never learn anything talking, I only learn things when I ask questions.”*

- *Lou Holtz*

The year 2020 will doubtless be remembered for many reasons. At Charnwood Borough Council the impact on employees, elected and co-opted members has been both significant and yet encouraging as the rapid response made to the needs of residents and business organizations has been clearly evident.

Many of the objectives set out in our Corporate Plan have been accelerated and our culture - ‘the way we do things’ - will need to be developed further to meet the ongoing challenge and opportunities ahead.

The Member Development Strategy sets out the expectations regarding the amount of training to be undertaken. It recognizes that it is ‘people that make things happen’ and councillors and co-opted members have a personal responsibility to develop their potential.

The Strategy is tailored to support members to obtain the knowledge and skills that they need to develop their potential in a way that is appropriate, accessible and adaptable to their individual needs.



**Cllr Margaret Smidowicz  
Cabinet Lead Member Strategic Support  
Chair of the Member Development  
Member Reference Group**

## ***Executive Summary***

The Member Development Strategy sets out how the Borough Council will approach the task of ensuring that its councillors and co-opted members have the skills and expertise they need to perform their roles and deliver the objectives set out in the Council's Corporate Plan.

The overarching aim of the strategy is, therefore, to ensure that there is support for all members to enable them to acquire sufficient knowledge and a full range of skills to maximise their ability and capacity. However, there is also a recognition that councillors and co-opted members need to take responsibility for their own learning and development.

The strategy is divided into a number of sections which set out how the strategy was developed, how training needs will be developed, how access to training and development opportunities will be maximised and how the success of member development activities will be measured and assessed.

The strategy covers the period to 2024 and includes activities to support councillors and prospective councillors in the run up to and after the Borough Council elections in 2023.

At the end of the strategy is an action plan which sets out specific pieces of work that are required to deliver the strategy. The implementation of these actions and other aspects of the Council's member development activity will be overseen by the Member Development Member Reference Group. This is a cross-party group of councillors whose main role is to champion member development and ensure that the opportunities provided meet the needs of members.

## **2 - Introduction and Aims of the Strategy**

Charnwood Borough Council has recognised that to succeed in delivering high quality, cost-effective services to the people of Charnwood, it needs well motivated, proactive councillors and co-opted members with the skills and expertise to drive forward the Council's agenda. Continuous member development is key to achieving this as all councillors and co-opted members have a responsibility to learn new skills in line with the ongoing changes in local government.

The overarching aim of the strategy is, therefore, to ensure that there is support for all members to enable them to acquire sufficient knowledge and a full range of skills to maximise their ability and capacity.

Arising from this overarching aim the Council has identified the following principles that will underpin how member development is delivered.

- Members will be offered opportunities to acquire the knowledge, skills and expertise they need to perform their roles effectively.
- Members will be encouraged to take responsibility for and actively seek opportunities for their own learning and development.
- Training and development applies to all members, even those that have been members for some time and feel that there is nothing new to learn.
- Members who take advantage of the opportunities available will be actively encouraged and supported.

This strategy sets out how the overarching aim will be achieved using these principles as the basis for doing so, for example in how access to learning will be ensured.

## **3 - Strategic Context**

The Council's Corporate Strategy 2020-2024 sets out the Council's vision over the next four years with the following aims:

- Caring for the environment
- Healthy communities
- A thriving economy.

It is the underlying premise of this strategy that member development will support the Council in achieving its objectives by enabling members to increase and realise their potential as decision-makers, community representatives and community leaders. In particular the Corporate Plan sets out that the Council is always seeking to improve the services that it delivers, by providing strong community leadership, being well governed, accountable,

open and transparent. The members of the Council have a key role in ensuring that this is achieved.

The Council is committed to achieving and maintaining the standards set out in the East Midlands Councils Member Development Charter and many of the initiatives featured in this Strategy are consistent with this. In 2011 and 2014 the Council was awarded the Charter and the Charter remains a benchmark to aim for and provide a focus for the Council's member development activity. In order to demonstrate this ongoing commitment, the Council will seek reaccreditation to the Charter during the period covered by this strategy.

#### **4 - Developing the Strategy**

The previous strategy was agreed by the Council in 2016 and covered the four-year period to 2020. The process of reviewing the strategy was led by the Member Development Member Reference Group (MDMRG). The MDMRG is a cross-party group of councillors whose main role is to champion member development and ensure that the opportunities provided meet the needs of members. The MDMRG reviewed the previous strategy, agreed the key themes for the revised version and agreed the consultation draft before submission to the Cabinet.

In developing the strategy, the MDMRG has also sought to address the areas for improvement that were identified when the Council was reaccredited to the East Midlands Member Development Charter. These were to:

- Document the processes for how development support is provided to the Cabinet and produce a forward programme of future development.
- Identify a clearer approach to how Personal Review Meetings would be used to identify learning and development needs and ensure that this is linked to the development of the annual programme of learning and development opportunities.
- Ensure that the learning and development programme includes events that enable more experienced councillors to continue to refresh existing and acquire new knowledge and skills.
- Develop the evaluation process so that it is clearer what it is seeking to achieve and includes a greater range of post-learning evaluation of the long-term effectiveness of development activity.

The Member Development Strategy forms part of the Council's policy framework. This means that there is an inclusive process for developing and agreeing the strategy.

This strategy was adopted by Council on 7<sup>th</sup> November 2020 and covers a four-year period to 2024. [\[This sentence to be added once necessary approvals obtained\]](#)

Annually there is a 'light touch' review of the strategy and its effectiveness. This is undertaken by the MDMRG.

A full review will be completed again in 2024.

## **5 – Identifying Development Needs and Priorities**

Ownership is vital to the success of this strategy and members should be responsible for, and have a direct input into their own training and development. The ways in which development themes and priorities are identified will, therefore, be informed by both the aims of the strategy and the needs of individual members.

It is therefore expected that every councillor will take part in a review of his or her learning and development needs and attend a number of training and development events each year.

While recognising that individual circumstances must be taken into account, councillors should aim to attend at least half of the monthly training events that are organised each year and at an absolute minimum should attend three types of events per year. For clarity events include:

- Monthly Member training programme sessions
- Quarterly Planning training sessions
- External training events
- Member briefing sessions
- Cabinet briefings that include a training element.

The MDMRG will provide further guidance to councillors on attendance at training events as necessary. Councillors are also encouraged to undertake background reading and other activities that facilitate their development for themselves.

### *Individual Review Meetings*

In order to ensure that development opportunities are tailored to members' needs there will be regular review meetings. In an election year the review meetings to take place a year later and thereafter two years later and will help members establish what development requirements they have, given their member role and priorities, and enable progress to be monitored.

In order to ensure that as many members as possible can take up the opportunity of a review meeting, they can be provided in the form which most suits the member's circumstances and requirements. This can be a meeting or telephone conversation with an officer, a group discussion or completion of a form. The important thing is not the mechanism but that the result is an understanding of the member's training and development needs and aspirations. In addition, members are encouraged to make suggestions for training and development events at any time, and a form will be available for councillors to do so.

The result should be a member development plan which will last until the next review meeting. This plan of training and development will enable each member's needs to inform the development of the core training programme each year and identify any individual development and training needs which could be provided by other means, including personal study. The plan should also assist councillors by identifying the links between the Council's priorities and their individual learning and development needs, and therefore wider benefits and impact of member learning and development. A member can request a review of their plan at any time should circumstances change.

### *A Balanced Programme*

An annual review of training themes and priorities will be undertaken. The review will ensure that a balance is maintained in the core training programme between:

- knowledge based training to keep members informed about new developments, including legislative changes and new policies, the delivery of Corporate Plan objectives and emerging priorities and policies;
- skills based training to enable members to perform their role effectively, for example on scrutiny techniques, community leadership, chairing meetings and IT skills;
- role-based training which could be for all councillors, e.g. ward member roles, or aimed at members of particular committees. Where appropriate training will be required before a member can participate in all or some of the activities of a committee as set out in the Council's Constitution;
- training that enables more experienced members to continue to develop, and
- training and development opportunities that support the Cabinet and, where appropriate, the shadow Cabinet in their leadership roles.

In order to ensure that this balance is maintained, all training events will be categorised to identify which of the above type or types they fall in to and care will be taken in describing events when they are advertised so that councillors know what to expect from them. This information will be reviewed by the MDMRG each year.

### *Meeting Identified Needs*

The training and development programme, provided through monthly member training days and quarterly planning training days, will be developed to meet the needs identified through individual review meetings and the objectives of providing a balanced programme described above.

Where the development needs of members can be met through attendance at external courses a process exists for approving attendance at the Council's expense (including travel costs) subject to there being sufficient funding available in the member development budget.



The Council will also make use of tools, such as political skills framework or more formal qualification-based training, where these are relevant to the role or the member concerned or could be useful in meeting other development needs identified by the member.

## **6 - Access to Learning**

It is recognised and understood to be beneficial that members come from a variety of backgrounds with different skills, experiences, knowledge and expertise in a wide range of subject areas, and as such each member may have different learning and development needs, and different learning styles.

The objective is that all learning and development opportunities should be open to all the Council's members. No member will be disadvantaged by his or her previous work, life or learning experience in the way learning and development opportunities are offered and accessed. No member will be disadvantaged by his or her race or ethnic origin, gender, sexual orientation, age, disability, political affiliation, or any other reason that cannot be objectively justified. The Council will respond positively to reasonable requests from members regarding how development opportunities can be made more accessible.

Provision is driven by the needs of members and will be generally made on the following basis:

- The core training programme will normally be delivered on weekday evenings.
- As part of setting the annual calendar of meetings one day per month will be allocated as a training day and one day per quarter as a planning training day so that members can have as much notice as possible of the dates on which training is to take place.
- The day of the week selected for training days will take into account the needs of all members and this may require different days to be utilised over the course of the year.
- Where it is appropriate to the course material and important to ensure that as many members as possible have access to training events, courses will be run on several dates.
- Where possible the training programme will be publicised at least three months in advance. Invitations will be sent to all members an appropriate time in advance of each session setting out the purpose and content of the training that will be provided. This will include information about the type of event and whether it has been run before. Information about other development opportunities will also be circulated to members when they arise.
- The Council will explore options for electronic delivery of learning where they can complement other methods to meet members' needs.
- The Members' Allowances Scheme includes provision for allowances, including Carers' Allowance, to be claimed when attending training to reduce barriers that may otherwise exist.

- Course materials from the core training programme will be made available to all councillors via the Members Library (available via Modern gov) and councillors notified when new materials are made available. Where possible and appropriate material will be made available prior to the event.
- Members will be able to access external training courses where these are relevant to their role and development needs and can be made available within the existing budget.
- Members who attend external training courses will be encouraged to share course materials and what they learnt in an appropriate manner.
- Where appropriate opportunities will be sought for elements of training to be member-led to allow experience and knowledge to be shared.
- The Council will engage in joint provision of development opportunities with other authorities when this is beneficial in terms of cost effectiveness or the shared learning experience.

## **7 - Support for Prospective and New Councillors**

The support provided to prospective and new councillors will build on that which has been provided prior to and following previous elections. Improvements will be made based on the feedback that was obtained from the review of the induction arrangements following the elections in May 2023.

The following support will be offered:

- A prospective councillor event to be held 6-12 months before the elections.
- A candidate pack which will give brief information on the Council, its political and officer structure, the role of a councillor and meeting dates. Candidates will be encouraged to observe Council and committee meetings to further their understanding of how the Council operates.
- After the elections each new councillor will be provided with a member handbook providing a more detailed introduction to the Council and practical information about being a councillor.
- An officer point of contact within Democratic Services will be identified to provide support with information and signposting. Officers will also offer newly elected councillors a tour of the Council offices so they can familiarise themselves with key locations and people.
- A comprehensive induction programme will be provided to ensure that newly elected councillors can quickly participate fully in the business of the Council. This will include key training but also more informal sessions where councillors can meet senior officers.
- Councillors who have been elected at by-elections will be provided with a similar induction programme and support.

The Council will continue to support the provision of peer support and/or mentoring for newly elected councillors by more experienced ones. This provides development benefits for both the mentor and the mentee. Prior to

the elections in 2023 officers and the MDMRG will review how this can most effectively be provided.

## **8 – Monitoring and Evaluation**

Evaluation of the programme of member development activities will be undertaken in a variety of ways to ensure that they are responsive to members' needs.

- At least once a year, the MDMRG will evaluate the implementation and effectiveness of this strategy. If necessary, it will be updated to take account of lessons learned, member feedback, latest developments and best practice.
- Wherever possible, evaluation forms will be completed after each training session in the core programme by the participants. Members will be given the choice to provide this feedback via a paper form at the session or electronically afterwards. The results of the feedback will be shared with members. Members who attend externally provided courses will be encouraged to provide feedback to the Council on those courses to ensure value for money is obtained.
- The invitation to each training event will include a list of learning objectives that the event is seeking to achieve. The evaluation forms used for each session will include questions on whether these learning objectives have been met.
- Three to six months after each training event further feedback will be sought from attendees on the impact and benefit that the training has had.
- The process for individual review meetings will include an opportunity for each member to comment on training provision since the last review. This will also give members the opportunity to assess the impact training has had on their ability and capacity and in particular its ongoing benefits. Councillors will be encouraged to produce case studies of those benefits which could be shared with other councillors.
- During the period covered by the strategy at least one comprehensive survey of members will be undertaken to investigate a range of issues relating to their needs and their views of the services provided for them. This will include issues relating to member development.
- Where appropriate exit interviews will be undertaken with members who have resigned or who are not seeking re-election to determine whether member development opportunities contributed to their decision.

Evaluation and feedback will be analysed and will inform the process and provision of member training and will shape future policies in this respect. Each year the MDMRG will review the feedback that is received in respect of member development events and share this information with other councillors. Significant issues will be brought to the attention of the MDMRG at other times if required.

## **9 - Other Member Development Support**

The Council recognises that effective member development includes support and opportunities in addition to training. The Council will, therefore, provide the following to Members:

- Advice and support from within the Strategic Support service, and Democratic Services in particular.
- Role profiles, which have been established for all member roles, including ward councillor as well as those that have special responsibilities such as Cabinet Lead Members and Scrutiny Chairs.
- Access to IT equipment, information, stationery and office space in the Members' Room
- Access to relevant Council and other information electronically through the Members' Room pages on the intranet
- IT equipment for use away from the Council offices, as set out in the Members' Allowances Scheme, and support in how to make best use of this or their own IT equipment.

As part of the survey of members referred to in section 8, information will be gathered about the types of Council and other information that members require and their preferred methods for accessing that information.

## **10 – Delivering the Strategy**

The MDMRG will continue to have a key role in ensuring the aims and actions set out in this strategy are delivered. The roles of the MDMRG are to:

- To monitor the Member Development Strategy and undertake an annual “light touch” review of the implementation and effectiveness of the Strategy;
- Identify the development needs of Members and develop the Member Development Programme within budgetary constraints;
- To ensure linkage to Council aims, priorities and objectives;
- To champion and promote development opportunities, review outcomes and evaluate the effectiveness of the Member Development Programme;
- To promote member engagement and participation and report on attendance;
- To demonstrate continuous improvement;
- To proactively encourage opportunities for prospective Councillors to understand the role of Councillor before standing for election;
- To agree the Induction Programme;

- A nominated member of the group to attend the East Midlands Councils Member Development Group where appropriate;
- To provide a steer and actively participate in the re-accreditation to the East Midlands Member Development Charter (January 2021 is the next review).
- Provide, if necessary, a mechanism for the consideration and approval of training where there are competing requests;
- Monitoring expenditure within the Member Training budget.

The role of co-ordinating member development activity across the Borough Council lies with the Strategic Support service which includes the Democratic Services function. Within the Strategic Support service, the Democratic Services Manager has responsibility for organising the production and delivery of the Member Development programme and arranging the effective and efficient delivery of training and development activities for members, including liaising with internal and external training presenters.

A separate budget for member development has been identified. This is primarily used to fund external trainers providing training at the Borough Council and the attendance by members at external training events. It is also used to fund other member development activity described in this strategy.

## 11 - Action Plan

Intended Outcome	Actions	Date	Success Criteria
Deliver programme of personal review meetings initially for new councillors and thereafter offered to others (should budgets allow)	<ul style="list-style-type: none"> <li>• Circulate introduction to personal reviews and list of options for undertaking them to all members</li> <li>• Introduce form for councillors to identify training needs</li> <li>• Identify preferences of members and prepare any supporting documents, e.g. training records and questionnaires</li> <li>• Complete programme of reviews</li> <li>• Maintain records of training plans identified through reviews and training needs met</li> </ul>	<p>Autumn 2020</p> <p>March 2021 and annually thereafter</p> <p>March 2021 and ongoing thereafter</p> <p>Post 2023 elections a mentoring programme to be put in place for all Members</p>	<p>May 2020 and every 2 years thereafter</p> <p>Proportion of members undertaking a review</p> <p>Proportion of training needs met</p>
Document the process for how development support is provided to the Cabinet	<ul style="list-style-type: none"> <li>• Prepare document on the process for providing development support to the Cabinet</li> <li>• Record previous support that has been provided</li> </ul>	<p>November 2020</p> <p>November 2020</p>	
Explore and test the opportunities provided by e-learning	<ul style="list-style-type: none"> <li>• Review opportunities presented by the Pandemic which have resulted in the provision of recorded MDTs and external virtual training sessions</li> </ul>	<p>March 2021</p>	

<b>Intended Outcome</b>	<b>Actions</b>	<b>Date</b>	<b>Success Criteria</b>
Undertake review of training activities and expenditure in the previous year and priorities and budgets for the year ahead		Quarterly	MDRG receive a budget monitoring report at each meeting
Undertake councillor survey	<ul style="list-style-type: none"> <li>• Draft content to be agreed by MDRG</li> </ul>	May 2022 and final months before 2023 elections	Councillor satisfaction levels
Reaccreditation to the East Midlands Member Development Charter	<ul style="list-style-type: none"> <li>• Prepare submission in support of reaccreditation in consultation with East Midlands Councils</li> <li>• Support inspection process</li> </ul>	January/February 2021	Reaccreditation achieved
Undertake review of the implementation and effectiveness of the strategy	<ul style="list-style-type: none"> <li>• Cabinet and Council approval October/November 2020</li> <li>• Report to MDRG with suggestions/changes</li> </ul>	November 2021 and annually thereafter	MDRG Consulted
Support individuals thinking of becoming councillors	<ul style="list-style-type: none"> <li>• Prepare candidate information pack including information about the Council and the role of a councillor</li> <li>• Hold prospective councillor event</li> </ul>	September 2022  November 2022	Prospective Cllr Recruitment Events well attended
Review arrangements for providing mentor support for newly elected councillors	<ul style="list-style-type: none"> <li>• Identify Democratic Services staff to act as buddies</li> <li>• Identify Cllrs to act as buddies</li> </ul>	January 2023	Mentoring Programme in place with positive feedback

Intended Outcome	Actions	Date	Success Criteria
Support newly elected councillors incorporating feedback following May 2023 elections	<ul style="list-style-type: none"> <li>• Prepare revised councillor handbook</li> <li>• Deliver induction programme</li> <li>• Provide appropriate induction arrangements in the event of a by-election</li> </ul>	<p>March 2023</p> <p>May until September 2023</p> <p>When required</p>	<p>Satisfaction with councillor handbook</p> <p>Satisfaction with induction programme</p> <p>Satisfaction with induction arrangements</p>



CONSULTATION REPONSES

The following summarises the responses received from councillors

**Induction**

I think the welcome talks were well handled overall. However, I think a bit more in terms of functionalities re Full Council and some of the roles of each committee you sit on, wouldn't go amiss. The reason I say this is because there are so many constitutional procedures to the way each session is run. For instance, take questions on motion.

Now I know it always falls under the same part of Full Council and we are, as members, all entitled to put forward a question we feel may be pertinent to Borough matters. However, it somewhat feels a bit of a minefield when trying to equate how to do that when entering the Chamber for the first time. I also think on some of the scrutiny bodies, the remit is a bit vague on paper and perhaps we could have an introductory session before each committee sits for the first time (or even, when there is a change of personnel). I know Licensing, Planning, there is specialist training but bar that I don't ever recollect there being that in depth analysis on other committees.

I realise some of this may be put down to having to learn on the job, but everyone enters the Council at different levels of expertise, experience, knowledge etc and therefore, a fair playing field may just help.

There could be a clear layout of who are the key people in each service, that would help with communication.

Feel that there is nothing new to learn. What is the point of Councillors who have served for many years, some decades, sitting in a meeting hearing the same thing every year which they do for some of the meetings? In order to cater for all members and for them to engage in this important role then there needs to be two levels of training.

For new members then certainly, what is provided is excellent and indeed they should be encouraged to attend all sessions for their first full term of 4 years and that should apply for at least 2 terms if re-elected.

For those Councillors who have served over 10 years then training should be done differently. A basic course should be available across all subjects either via the Library or by listening/watching the basic held meeting. In the event there has been for example new legislation, or such a change to that item, or an issue is of such importance then that should be flagged up to those members asking them to actually attend for those reason. This could actually reduce the workload and possibly the cost but does not need to affect the quality of the training.

## **Councillor Recruitment**

Videos of existing councillors to be shared with people thinking of standing as councillors.

## **IT skills and training**

I am not very confident on IT and emails.

Sometimes it's really easy to get onto zoom and teams but other times it isn't.

Outlook is new so not confident.

There needs to be a section on how new members deal with virtual meetings. The protocol for example what to wear, background etc. How to deal with confidential reports at a virtual meeting that are being taken in a home environment.

## **Role profiles**

As well as Cabinet Lead Members and Scrutiny Chairs I feel a need for Shadow Leads to be involved in this development support. Otherwise they are not learning as individuals rather copying and pasting what officers have told or sent to them only. For them to develop they need to be supported in getting information re their portfolios from other sources.

## **Foreword**

Quoted is "Chains of habit are too light to be felt until they are too heavy to be broken" I feel training has been done this way for so long it will just keep rolling on but it does need to be broken as the quote, and Members length of service be at long last taken in to account instead of every one being treated as a new Councillor

## **Other**

The Democratic Services team as a collective are friendly, kind and welcoming

I've read through it and it all looks great to me.

As I work alone - there is only one of me in my party - it can sometimes feel a bit difficult to find things out.

I have done everything

I would normally say face to face for all these [training] sessions but these days virtually has to be the way.

Evaluation forms still need to be made available after training sessions.

## COUNCIL – 9TH NOVEMBER 2020

### 9. MOTIONS ON NOTICE

#### 9(A) SKY LATERNS AND HELIUM BALLOONS

The following motion on notice has been submitted by the Conservative Group in accordance with Full Council Procedure Rule 9.12:

‘Sky lanterns are like small hot air balloons made of paper with an opening at the bottom where a small fire is suspended. They are very popular at celebrations but can cause great problems. A DEFRA report concluded that the main concern regarding them was concerning that they can cause fires and there have been several significant ones nationally attributed to their use. Helium balloons can be ingested by animals causing serious problems.

This motion calls on the Council to:

- i. Refuse permissions for the release of any sky lanterns or helium balloons from any Council owned land regardless of the purpose for the release;
- ii. Refuse the sale of any sky lanterns or helium balloons at any Council event or property;
- iii. Require officers to introduce a condition of contract relating to outdoor events and organised functions on land or property owned and/or controlled by Charnwood Borough Council to prohibit the release of any sky lantern or helium balloon regardless of purpose;
- iv. To provide information on the website and write to parish and town councils with the Charnwood Borough Council boundary drawing attention to the harmful effects of such lanterns and balloons on the environment and animals.’

**COUNCIL – 9TH NOVEMBER 2020**

**Report of the Chief Executive**

**Part A**

ITEM 12     CHANGES TO THE DELEGATION OF EXECUTIVE  
FUNCTIONS

Purpose of Report

To inform Council of changes to the delegation of Executive functions.

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

Councillor Jonathan Morgan was appointed as Leader of the Council on 21 May 2019 for the Council Term 2019/23.

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. The following is being reported for information:

**Delegation to Leader and Deputy Leader – Commercial Property Purchases and Sales**

The approved Capital Plan for 2020/21 includes funding for investments in commercial properties, and a delegation to the Leader and Deputy Leader of the Council allows for expedient and effective decision making in relation to the purchase and sale of such properties.

The changes, which are set out in the Annex to this report, were approved on 8<sup>th</sup> September 2020.

Item 13 on the agenda sets out the recent commercial property acquisitions under this Executive function delegation.

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*

There are no financial implications associated with the changes to the delegation of Executive functions.

### *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](mailto:karen.widdowson@charnwood.gov.uk)

## DECISION OF THE LEADER – 8<sup>th</sup> September 2020

### Purpose of Decision

To delegate Executive functions regarding the purchase and sale of commercial properties, in accordance with section 9E of the Local Government Act 2000.

### Decision

That the amendments to the delegation of Executive functions regarding commercial properties to the Leader and Deputy Leader of the Council as attached in the Appendix to this decision be made.

### Reason

The approved Capital Plan for 2020/21 includes funding for investments in commercial properties, and this delegation allows for expedient and effective decision making in relation to the purchase and sale of such properties.

### Background

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

- himself or herself;
- the Cabinet;
- another member of the Cabinet;
- a committee of the Cabinet;
- an area committee, or
- an officer of the Council.

The Council's Constitution requires that any decision to change the allocation of Executive functions is reported for information to the next available meeting of the Council.


### Financial Implications

None arising directly from this decision. The financial implications associated with individual purchases and sales will be identified and documents in the relevant delegated decision record.

### Risk Management

No specific risks have been identified in connection with this decision. The risks associated with individual purchases and sales will be identified and documented in the relevant delegated decision record.

Signed:



---

Councillor Jonathan Morgan, Leader of the Council

Date:

8th September 2020

Officer to Contact:

Adrian Ward  
Head of Strategic Support  
(01509) 634573  
adrian.ward@charnwood.gov.uk

Key Decision:

No

Background Papers:

None



## **APPENDIX**

### **Delegations to the Leader of the Council, or in his or her absence to the Deputy Leader of the Council**

#### **Commercial Property Purchases and Sales**

- To approve the purchase of commercial properties in accordance with the relevant parameters set out in the current Capital Strategy.
- To approve the sale of commercial properties where it is considered expedient and in the Council's best interests.

**COUNCIL – 9TH NOVEMBER 2020**

**Report of the Chief Executive**

ITEM 13 URGENT EXECUTIVE DECISIONS EXEMPTED FROM CALL-IN:

ACQUISITION OF COMMERCIAL PROPERTIES

Purpose of Report

To note decisions 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 individual Cabinet members, 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.

***Acquisition of Commercial Properties***

On 8<sup>th</sup> September 2020, Councillor Morgan, as Leader of the Council, took a decision to allocate Executive functions relating to the purchase and sale of commercial properties. Item 12 on this agenda sets out the detail of the decision taken.

In exercising that Executive function, the Leader took decisions to purchase the following commercial properties:

- i. 14 Market Place, Loughborough Town Centre (former butchers' shop)
- ii. Belton Road, Loughborough (car dealership)

The Chair of the Scrutiny Commission was consulted on each transaction and agreed that the decisions be exempted from call-in, as any potential delay arising from a call-in would put the purchase of the properties at risk by delaying the potential completion dates.

The decision records and reports considered can be found in the appendices to this report. At the time of the transactions the reports were classified as exempt as defined in paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972. The passage of time now means that the reports can be made publicly available. However, the item relating to the purchase of the property at Belton Road, Loughborough still contains some exempt information relating to commercially sensitive and legal matters, and as such that information has been redacted from the report and included in an exempt appendix.

#### Implementation Timetable including Future Decisions

As detailed within the Annex to this report.

#### Report Implications

As detailed within the appendices to this report.

Background Papers: None

Officer to Contact: Karen Widdowson  
Democratic Services Manager  
(01509) 634785  
[karen.widdowson@charnwood.gov.uk](mailto:karen.widdowson@charnwood.gov.uk)

#### Appendices

Appendix A - Decision record and report considered by the Leader and relevant officers – 14 Market Place, Loughborough

Appendix B – Decision record and report considered by the Leader and relevant officers – Belton Road, Loughborough

Appendix C – EXEMPT appendix containing information relating to Belton Road, Loughborough

NO LONGER EXEMPT

APPENDIX A

NOT FOR PUBLICATION BY  
VIRTUE OF PARAGRAPHS 3 & 5  
OF PART 1 OF SCHEDULE 12A TO THE  
LOCAL GOVERNMENT ACT 1972

## EXECUTIVE DECISION RECORD

### CABINET LEAD MEMBER: COUNCILLOR MORGAN

#### Reasons for exemption

NO LONGER APPLIES

*Publication of this document and the attached report would involve the likely disclosure of exempt information as defined in paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information. The report provides information about a commercial property purchase and related legal advice. Disclosure of this commercially sensitive information prior to completion of the purchase could put the transaction at risk, and it is not, therefore, in the public interest for it to be disclosed.*

#### COMMERCIAL PROPERTY PURCHASE: Loughborough

#### The Decision

The Leader approves the following recommendations:

1. To acquire the commercial investment property detailed in the Part B report.
2. To approve the Heads of Terms as set out in the appendices of the Part B report and to delegate authority to the Service Director – Commercial Development to continue negotiations and finalise the transaction based on these Heads of Terms.
3. To delegate authority to the Head of Strategic Support to complete the legal transactions.

#### Reasons

1. The town centre commercial property detailed in Part B is fundamental to providing the Enterprise Hub in partnership with Loughborough College, supporting our residents.
2. Delegation of authority will allow for the timely completion of the transaction, as well as timely decision making should additional negotiation be required. The Leader, Deputy Leader, Chief Executive, S151 officer and Monitoring officer will be consulted throughout the transaction to completion.
3. To allow for timely completion and signing of contracts.

#### Authority for Decision

On 8<sup>th</sup> September 2020, the Leader delegated Executive authority to himself, or in his absence to the Deputy Leader, to approve the purchase and sale of commercial properties.

A handwritten signature in blue ink, appearing to read 'J. Menge', with a long horizontal line extending to the right.

Approved:

Date: 02 October 2020

**Leader of the Council**

**NO LONGER EXEMPT**

**SCHEDULE 12A TO THE LOCAL  
GOVERNMENT ACT 1972**

**Decision Record**

**Report of the Strategic Director for Commercial Development**

**Leader member: Councillor Jonathan Morgan**

**PART B**

**Commercial Property Acquisition – 14 Market Place, Loughborough**

Reasons for exemption

Publication of this document and the attached report would involve the likely disclosure of exempt information as defined in paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information. The report provides information about a commercial property purchase and related legal advice. Disclosure of this commercially sensitive information prior to completion of the purchase could put the transaction at risk, and it is not, therefore, in the public interest for it to be disclosed.

Purpose of Report

This report seeks approval to acquire a commercial property.

Recommendation

1. To acquire the commercial property detailed in Part B of the report.
2. To approve the Heads of Terms as set out in the appendices and to delegate authority to the Strategic Director – Commercial Development to continue negotiations and finalise the transaction based on these Heads of Terms.
3. To authorise the Head of Strategic Support to complete the legal transactions.

Reasons

1. The town centre commercial property detailed in Part B is fundamental to providing the Enterprise Hub in partnership with Loughborough College, supporting our residents.
2. Delegation of authority will allow for the timely completion of the transaction, as well as timely decision making should additional negotiation be required. The Leader, Deputy Leader, Chief Executive, S151 officer and Monitoring officer will be consulted throughout the transaction to completion.
3. To allow for timely completion and signing of contracts.

Alternative Options Considered

The alternative to not acquire the property would leave the Council and the College in a position where a suitable location for freehold purchase may not be found and the Enterprise Hub could not be delivered. Further, if the Council were to take a lease on an alternative property instead of this purchase, the lease would create further revenue pressure on the General Fund Revenue Account and the Medium Term Financial Strategy.

Policy Justification & Previous Decisions

The justification for this decision is based on proposals submitted and approved by Charnwood Borough Council in a wider Town Deal paper discussed at the Town Deal Board in July 2020, whereby the creation of a Skills and Enterprise Hub in the Town centre would deliver benefits to

residents of Charnwood. An application for funding from Central Government was made and £750,000 have been received by the Council to implement the project.

#### Implementation Timetable including Future Decisions and Scrutiny

As detailed in the following report, the property in question was examined and considered for purchase in August 2020. On 25 September 2020, Heads of terms were agreed to purchase the property. A formal decision by the Leader to agree Heads of Terms and proceed must be signed within 5 working, or 2 October. The agreed deadline to simultaneously exchange and complete contracts is 15 working days or 16 October, should the results of further due diligence remain favourable. The Chair of Scrutiny Commission has been briefed on the purchase prior to this decision.

#### Report Implications

##### 1. Corporate Plan:

A commercial property investment strategy has been outlined in the Corporate Plan, and an investment fund has been approved by Council and forms part of the Capital Strategy and Capital Programme.

##### 2. Legal:

Section 120 of the Local Government Act 1972 empowers a Borough Council to acquire land for the purpose of any of the Council's functions or for the benefit, improvement or development of their area by agreement inside of or outside of its area.

##### 3. Finance:

This report is effective from 14 September 2020 and has the following financial implications:

Budget Area	Implication
General Fund – Revenue Budget	The General Fund Revenue and Capital Financing implications are contained within Part B of the report (see paragraphs 15 to 17)
General Fund – Capital Programme	The financial implications are contained within the Part B of the report. This proposed acquisition is part of the Commercial Property Investment Scheme as approved within the Capital Strategy and Capital Programme (see paragraphs 15 to 17).
Housing Revenue Account – Revenue Budget	No implications
Housing Revenue Account – Capital Programme	No implications

##### 4. Risk:

Risk	Likelihood	Impact	Overall	Mitigation
The property remains vacant and the Council	1 Unlikely	2 Significant	2 Low	Officers have written agreement in principle of the terms that the College will accept in signing a new lease after purchase.

fails to find a tenant				
The property is destroyed (e.g. fire, flood or other)	1 Remote	3 Serious	3 Low	The Council will be insured against these risks and against the lost rent in the event of building destruction.
The macroeconomic impact of Brexit results in general economic difficulty.	3 Likely	2 Significant	6 Moderate	The Tenant Covenant is strong and is likely to be able to withstand a period of trading difficulty. This will be monitored and managed.  The Tenant has fared fairly well during the course of the COVID19 pandemic to date. They have taken proactive steps to protect their cash flow and are closely monitoring the situation. Retained profit and Net assets remain sizeable.
Ratio of external Debt/Market value	1	1	1 Low	The purchase will be funded with Capital from Central Government, distributed to the Council by way of "Pump-priming" funds related to the Town Deal.
Presence and timing of break clauses & rent reviews	2	2	4 Low	The lease to be signed will be for 10 years with a mutual break in year 3 with 6 months' notice either side. In return for full repairing and insuring obligations, the tenant will receive 3 years rent free, after which a full market rent will be applied, with a 5 yearly rent review.
Age and State of repair	2	2	4 Low	The property is in a poor state of repair. A full building survey has been carried out. As such, shortcomings will be identified. As noted, the purchase and refurbishment will be funded by the Capital grant from Central Government. .
Strength of Market for use / letting	2	2	4 Low	Strong commercial location in Loughborough. Good reversionary and alternative options exist.
Risk of revaluation loss	2	2	4	CIPFA requires LAs to make a prudent provision for MRP. Periodic valuation will be necessary. The Council will establish a property reserve to protect cash flow.

1. Human Resources: None
2. Equality and Diversity: None
3. Sustainability Implications: None

Urgency



The proposed acquisition would be a key decision and the authorising report would contain exempt information, but the full 28 days' notice is unlikely to be possible due to the urgency of the matter.

In the circumstances, agreement was reached with the Chair of the Scrutiny Commission on 1 October 2020 that the decision was urgent and could not reasonably be deferred and was also exempted from Call-in. 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 individual Cabinet members, 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.

#### Exemption

The report contains exempt information by virtue of paragraphs 3 and 5 of part 1 of Schedule 12A of the Local Government Act 1972 and in respect of which, the Proper Officer considers that the public interest in maintaining the exception outweighs the public interest in disclosing the information.

The report contains financial information relating to a proposed land transaction that is subject to contract which, if in the public domain, could adversely affect the Council's ability to achieve a favourable outcome. The report also contains information that is legally privileged.

Key Decision:	Yes
Background Documents:	None
Officer Contact:	Justin Henry <a href="mailto:justin.henry@charnwood.gov.uk">justin.henry@charnwood.gov.uk</a>

## PART B

### Detailed information

#### The Property & Location

1. The proposed acquisition is 14 Market Place in Loughborough Town Centre.



The property is prominently located on Market Place, which forms the dominant high street retail pitch in Loughborough Town Centre. Nearby occupiers consist predominantly of large national retailers which include; McDonalds, Boots, Greggs and Costa Coffee.

#### Property Specification and Inspection

2. The property comprises a two-storey building of brick construction, with a prominent frontage on to Market Place and ornate carved stonework fascia at first floor level. Internally, the ground floor provides an open sales area which benefits from a vinyl flooring throughout, suspended ceiling and led lighting. There is further storage space at ground floor level.

The first floor is accessed via two internal staircases at the front and rear of the property. This was which was previously used as sales and storage. Externally, the property benefits from rear access from George Yard, for loading and servicing. The property also benefits from two electrically operated roller shutter doors to the front.

The site has an EPC rating of "C" (72).

3. The table below outlines the distribution of space within the property.

	Sq M	Sq Ft
Ground floor sales	134.7	1,450
Ground floor stores	16.7	180
First floor sales	101	1,087
First floor stores	46.8	504
<b>Total</b>	<b>299.2</b>	<b>3,221</b>

4. Officers inspected the property on 13 August 2020 and found that the site presents as described.

#### Tenant

5. The property is currently vacant.

#### Tenure

6. The property is to be sold Freehold.

#### Intended Future Use

7. The location will be known as the Loughborough Careers and Enterprise Hub, which will be an entrepreneurial learning environment. This will be delivered through a collaborative partnership between Loughborough College and Charnwood BC with a distinct Skills offer and distinct Enterprise offer.
8. We will provide a compelling and accessible skills offer to those who are not traditional participants in learning and development. Flexible opening hours (including weekend and evening) will provide access to skills advice, learning related employment opportunities, including apprenticeships and the Government's new kickstart initiative and involve the direct delivery of bite size and introductory units of learning to all audiences on a structured and drop in basis.
9. For Enterprise we will bring together problem solvers, innovators and aspiring entrepreneurs into one space to provide the inspiration and tools to rapidly design and test new solutions, connect and collaborate with people from a range of backgrounds and learn the latest methods for building new, resilient businesses with potential to scale. As ideas are developed, we will provide routes to connect more specialist expertise and facilities at Loughborough University, providing access to more advanced specialist equipment through LU Inc., the University's business incubator, for founders to prototype their innovative products and services.
10. The space will provide an anchor for collaborative enterprise activities, facilitating interaction and engagement between the university and local communities e.g. through student groups like Enactus (which focuses on social enterprise formation) or community focussed initiatives led by Loughborough University Student's Union.
11. The Skills and Enterprise Hub will provide a new High Street portal into learning and enterprise for those best engaged through outreach in learning and enterprise development. It will enable those most challenged by the impact of Covid-19 to plan and undertake key aspects of their learning and development in a way which relates to and works for them. It will bring new and contemporary life to a high street location which would otherwise remain vacant and is no longer required from a retail perspective.

#### Future Lease Principles

12. Loughborough College will take a lease on the property for 10 years, with a break either side at year 3. A rent free period of 3 years will be applicable, after which commercial rents will apply to the property in line with the market at that point. All occupation costs, including utilities, rates and building maintenance will fall to the College as occupier.
13. With refurbishment, the total spend on the property, including acquisition, remedial works and fit-out will be no more than £750k. The college will be responsible for managing the fit-out process, with plans and spend to be approved by the Strategic Director – Commercial Development with approval not to be unreasonably withheld and for works to be completed no later than 31 March 2021.

#### Red Flag Due Diligence

14. As the property is vacant, no red flag due diligence has been undertaken on the tenant. The title has been reviewed and no issues exist. A change of use application will be required.

#### VAT

15. As the property is currently vacant, VAT will apply to the purchase price.

Successful Bid

16. A bid from Charnwood Borough Council to the vendor was accepted at £500,000 ex VAT. The Heads of Terms in the Appendix outline the agreement and timetable.

Financial Information

17. The purchase will be funded by a S31 grant from Central Government. The value of the grant is £750,000 and is offered to the Council to fund capital projects that are in line with the Towns Fund intervention framework. These monies must be spent by 31 March 2021.
18. At the level of the bid, total costs to acquire will be:

Purchase price	£500,000
Stamp Duty Land Tax	£14,500
Agent's fees	£10,000
Legal Fees	£5,000
Survey Cost	£7,000
<b>TOTAL</b>	<b>£536,500</b>

19. As this amount falls within the grant level of £750,000 there will be no prudential borrowing for the acquisition. The balance of the grant will be used to refurbish the property. As such, there will be no impact on neither the General Fund Revenue Account nor the General Fund Capital Plan.
20. Once the purchase is completed, a business rates exemption will be sought. This will cover the refurbishment period and will negate revenue obligations until the lease is agreed.
21. As the purchase is funded by grant money, no Minimum Revenue Provision must be made.

---

# Innes England

CHARTERED SURVEYORS  
COMMERCIAL PROPERTY CONSULTANTS

---

## **HEADS OF TERMS**

### **DETAILS OF SALE DRAFT**

2 The Triangle, Enterprise Way, NG2 Business Park, Nottingham NG2 1AE

SUBJECT TO FORMAL CONTRACT

Tel: 0115 924 3243 Fax: 0115 924 2310

Ref: SH/GF

<b>Date</b>	23 <sup>rd</sup> September 2020
<b>Property</b>	Ground and first floor retail premises known as: 14 Market Place Loughborough Leicestershire LE11 3EA  As outlined in the attached marketing particulars for identification purposes only  The property is to be sold with vacant possession.
<b>Vendor</b>	Acai Group 8 Sackville Street London W1S 3DG

## Appendix A: Agreed Heads of Terms

<b>Purchaser</b>	Charnwood Borough Council Southfield Road Loughborough LE11 2TX
<b>Vendor's Solicitor</b>	TBC  FAO: Tel: Email:
<b>Purchaser's Solicitor</b>	Bevan Brittan LLP Fleet Place House 2 Fleet Place London EC4M 7RF  FAO: Ian Caplan Tel: 0370 194 7738 Email: <a href="mailto:ian.caplan@bevanbrittan.com">ian.caplan@bevanbrittan.com</a>
<b>Vendor's Agent</b>	Innes England 2 The Triangle Enterprise Way NG2 Business Park Nottingham NG2 1AE  FAO: Sam Hall Tel: 07929204405 Email: <a href="mailto:shall@innes-england.com">shall@innes-england.com</a>

## Appendix A: Agreed Heads of Terms

<b>Purchaser's Agent</b>	<p>Jones Realty Limited              83 Baker Street              London              W1U 6AG</p> <p>FAO: Andy Byrne              Tel: 07779 611 765              Email: andy@jonesrealty.co.uk</p>
<b>Tenure</b>	The property is held on a freehold basis
<b>Price</b>	£500,000 (five hundred thousand pounds) exclusive of VAT.
<b>VAT</b>	The property is elected for VAT and therefore VAT will be payable in addition to the purchase price
<b>Timings</b>	<p>The purchaser will carry out a measured survey, building survey and environmental survey within 12 working days from agreeing heads of terms.</p> <p>Charnwood Borough Council's Delegated Decision Record approval is to be obtained within 5 working days from agreeing Heads of Terms.</p>
<b>Exchange &amp; Completion</b>	Simultaneous exchange and completion to take place within 15 working days from the purchaser's solicitor receiving title documents and draft contract from the vendor's solicitor.
<b>Costs</b>	Each party is to bare their own legal and professional costs incurred as part of the transaction.
<b>Conditions</b>	<p>Subject to:</p> <ol style="list-style-type: none"> <li>1. Contract</li> <li>2. Council Delegated Decision Record approval</li> <li>3. Measured survey, building survey and environmental survey</li> <li>4. Exclusivity from receipt of title documents and draft contract for 15 working days.</li> </ol>

NO LONGER EXEMPT

APPENDIX B

NOT FOR PUBLICATION BY  
VIRTUE OF PARAGRAPHS 3 & 5  
OF PART 1 OF SCHEDULE 12A TO THE  
LOCAL GOVERNMENT ACT 1972

## EXECUTIVE DECISION RECORD

**CABINET LEAD MEMBER: COUNCILLOR MORGAN**

### Reasons for exemption

NO LONGER APPLIES

*Publication of this document and the attached report would involve the likely disclosure of exempt information as defined in paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information. The report provides information about a commercial property purchase and related legal advice. Disclosure of this commercially sensitive information prior to completion of the purchase could put the transaction at risk, and it is not, therefore, in the public interest for it to be disclosed.*

### COMMERCIAL PROPERTY PURCHASE: Belton Road, Loughborough

#### The Decision

The Leader approves the following recommendations:

1. To acquire the commercial investment property detailed in the attached report.
2. To approve the Heads of Terms as set out in the appendices and to delegate authority to the Service Director – Commercial Development to continue negotiations and finalise the transaction based on these Heads of Terms.
3. To authorise the Head of Strategic Support to complete the legal transactions.

#### Reasons

1. Purchasing this property is a prudent investment and will support the Medium Term Financial Strategy (MTFS). The proposed acquisition is in line with the Council's approved Commercial Property Investment Strategy. By investing capital in the purchase of this property, the Council will receive a revenue income and will be the freehold owner of the property. Ultimately, the purchase will support MTFS, thereby protecting the delivery of services to Charnwood's residents.
2. Delegation of this authority will allow for the timely completion of the transaction, as well as timely decision making should additional negotiation be required. The Leader, Deputy Leader, Chief Executive, S151 officer and Monitoring officer will be consulted throughout the transaction to completion.



3. To allow for timely completion and signing of contracts.

Other Options Considered and Rejected

As set out in the attached report.

Reasons for the matter being dealt with if urgent

The Chair of the Scrutiny Commission has been consulted and has agreed that the decision be exempted from call-in, given its nature and the need to proceed quickly to successfully complete the purchase.

Authority for Decision

On 8<sup>th</sup> September 2020, the Leader delegated Executive authority to himself, or in his absence to the Deputy Leader, to approve the purchase and sale of commercial properties.

Approved: .....



Date: .....

9<sup>th</sup> September 2020

**Leader of the Council**

**Decision Record**

**Report of the Strategic Director for Commercial Development**

**Leader member: Councillor Jonathan Morgan**

**PART A**

Commercial Property Acquisition – Belton Road, Loughborough

Purpose of Report

This report seeks approval to acquire a commercial investment property.

Recommendation

1. To acquire the commercial investment property detailed in Part B of the report.
2. To approve the Heads of Terms as set out in the appendices and to delegate authority to the Strategic Director – Commercial Development to continue negotiations and finalise the transaction based on these Heads of Terms.
3. To authorise the Head of Strategic Support to complete the legal transactions.

Reasons

1. Purchasing this property is a prudent investment and will support the Medium Term Financial Strategy (MTFS). The proposed acquisition is in line with the Council's approved Commercial Property Investment Strategy. By investing capital in the purchase of this property, the Council will receive a revenue income and will be the freehold owner of the property. Ultimately, the purchase will support MTFS, thereby protecting the delivery of services to Charnwood's residents.
2. Delegation of this authority will allow for the timely completion of the transaction, as well as timely decision making should additional negotiation be required. The Leader, Deputy Leader, Chief Executive, S151 officer and Monitoring officer will be consulted throughout the transaction to completion.
3. To allow for timely completion and signing of contracts.

Alternative Options Considered

The alternative to not invest in this property would not realise any additional revenue to support the MTFS. Any investment carries risk; however, these risks have been evaluated and understood.

Policy Justification & Previous Decisions

The justification for this decision is outlined within the financial projections and associated challenges set out within the latest version of the MTFS (approved by Council on 20 January 2020), and the proposed method of addressing that challenge through the acquisition of commercial investment property set out in the current Capital Strategy as well as the forthcoming Capital Strategy due for approval by Council on 4 November 2020.

Implementation Timetable including Future Decisions and Scrutiny

As detailed in the following report, the property in question was examined and considered for purchase in early 2020. With the outbreak of the COVID19 pandemic, the purchase underway at that time was aborted, and all efforts moved to focus on managing the pandemic. Officers were made aware in the weeks prior to this report that the property was still available for purchase. After reviewing previous

surveys and reports, a decision was taken to continue with the purchase. At that point, the Chair of Scrutiny Commission was briefed on the purchase prior to submitting this second bid.

The bid was submitted on Friday 4 September at 7.00pm. The bid was accepted and Heads of Terms (HoT) were agreed on Monday 7 September at 7.30pm. A delegated decision that is supported by this report must be signed by the Leader no later than Monday 14 Sep at 5.00pm. Should the results of further due diligence remain favourable, completion of the acquisition will be completed no later than Monday 21 September at 5pm

#### Report Implications

##### 1. Corporate Plan:

A commercial property investment strategy has been outlined in the Corporate Plan, and an investment fund has been approved by Council and forms part of the Capital Strategy and Capital Programme.

##### 2. Legal:

Section 120 of the Local Government Act 1972 empowers a Borough Council to acquire land for the purpose of any of the Council's functions or for the benefit, improvement or development of their area by agreement inside of or outside of its area.

##### 3. Finance:

This report is effective from 14 September 2020 and has the following financial implications:

Budget Area	Implication
General Fund – Revenue Budget	The General Fund Revenue and Capital Financing implications are contained within Part B of the report (see paragraphs 22 to 27)
General Fund – Capital Programme	The financial implications are contained within the Part B of the report. This proposed acquisition is part of the Commercial Property Investment Scheme as approved within the Capital Strategy and Capital Programme (see paragraphs 22 to 27).
Housing Revenue Account – Revenue Budget	No implications
Housing Revenue Account – Capital Programme	No implications

##### 4. Risk:

Risk	Likelihood	Impact	Overall	Mitigation
The tenant does not renew the lease at expiry.	2 Unlikely	2 Significant	4 Low	<ol style="list-style-type: none"> <li>Charnwood will establish and maintain a property reserve in the event of such a circumstance.</li> <li>The property's location allows for alternative reversionary options e.g. re-let, use change or re-development.</li> <li>The reversionary letting rates are competitive and will not unduly</li> </ol>

				disadvantage Charnwood, given the current circumstances.
The tenant moves staff/operations from this location to alternative locations, decreasing utilisation of the site.	2 Unlikely	2 Significant	4 Low	Regardless of how the tenant uses the space, the tenant remains liable under contract to maintain rent and insurance payments as well as to maintain the building. If the tenant wished to exit the lease and property early, they would be obligated to pay the balance of rents due under the lease. In this case, the tenant and Charnwood would enter (likely protracted) negotiations, during which Charnwood would be able to plan alternative strategies and develop business cases for viability determination.
Tenant fails to pay rent	2 Unlikely	3 Serious	6 Moderate	The property reserve to be established will serve as a buffer and monies would be released to maintain cashflow. Simultaneously, Charnwood would take Legal action to recover any rents unpaid.
The property is destroyed (e.g. fire, flood or other)	1 Remote	3 Serious	3 Low	Charnwood will be insured against these risks and against the lost rent in the event of building destruction.
The macroeconomic impact of Brexit results in general economic difficulty.	3 Likely	2 Significant	6 Moderate	The Tenant Covenant is strong and is likely to be able to withstand a period of trading difficulty. This will be monitored and managed.  The Tenant has fared fairly well during the course of the COVID19 pandemic to date. They have taken proactive steps to protect their cash flow and are closely monitoring the situation. Retained profit and Net assets remain sizeable.
CIPFA updates Statutory Guidance relating to non-financial investments.	2 Unlikely	2 Significant	4 Low	Charnwood is acting in line with the latest guidance (issued 18 November 2019). Should the guidance be updated further, Charnwood will respond accordingly. The direction of anticipated changes is currently unknown. Should the guidance halt investment activity altogether, Charnwood must find alternative income sources and/or reduce expenditure accordingly to compensate.
Tenant's financial stability – the health and viability of the business	3	2	6 Moderate	Motus Group (UK) Ltd have a strong trading history and very well established performance record.

				<p>Moreover, they are making moves to adapt to the Central Government target of electric only vehicles by 2035.</p> <p>The current pandemic has not been easy for Motus; however, they have taken proactive steps to mitigate risk and have strong net asset levels at their disposal.</p>
Tenant Covenant	3	2	6 Moderate	Again, the tenant trades and performs well in normal circumstances and is addressing risks of the current pandemic.
Ratio of external Debt/Market value	1	1	1 Low	The purchase will be funded initially without borrowing, and if borrowed, is likely to be internal borrowing. However, prudence dictates that analysis with borrowings be undertaken to ensure the profitability of the investment.
Ratio of Purchase value/Investment pool value	2	2	4 Low	Consumes 23% of the £10M currently allocated in the Capital Plan. Net yields are outlined above. Prudence dictates that the asset be monitored quarterly for performance.
Presence and timing of break clauses & rent reviews	2	2	4 Low	Rent reviews are upwards only at the 5 <sup>th</sup> and 10 <sup>th</sup> anniversaries of the current lease and are subject to open market value meaning that the property is not over-rented.  Lease end is 1 September 2034, with a tenant only break option at 2 September 2029.
Age and State of repair	2	2	4 Low	The property is maintained fully by the tenant and is in generally good repair. Lease clauses for dilapidations and reinstatements have been reviewed and provide ample recourse and protection to the property owner.  The property is a public showroom. As such, it is very unlikely that the tenant would want to damage their brand by not maintaining the property adequately as this would directly impact on the customer experience and perception.
Strength of Market for use / letting	2	2		Strong commercial location in Loughborough. Good reversionary and alternative options exist.

Risk of revaluation loss	2	2		CIPFA requires LAs to make a prudent provision for MRP. Periodic valuation will be necessary. Charnwood will establish a property reserve to protect cash flow.
--------------------------	---	---	--	---

4. Human Resources: None
5. Equality and Diversity: None
6. Sustainability Implications: None

#### Urgency

The proposed acquisition would be a key decision and the authorising report would contain exempt information, but the full 28 days' notice is unlikely to be possible due to the urgency of the matter.

In the circumstances, agreement was reached with the Chair of the Scrutiny Commission on 9th September 2020 that the decision was urgent and could not reasonably be deferred and was also exempted from Call-in. 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 individual Cabinet members, 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.

#### Exemption

The report contains exempt information by virtue of paragraphs 3 and 5 of part 1 of Schedule 12A of the Local Government Act 1972 and in respect of which, the Proper Officer considers that the public interest in maintaining the exception outweighs the public interest in disclosing the information.

The report contains financial information relating to a proposed land transaction that is subject to contract which, if in the public domain, could adversely affect the Council's ability to achieve a favourable outcome. The report also contains information that is legally privileged.

Key Decision: Yes

Background Documents: Heads of Terms

Officer Contact: Justin Henry  
[justin.henry@charnwood.gov.uk](mailto:justin.henry@charnwood.gov.uk)

## PART B

### Detailed information

#### The Property & Location

1. The proposed acquisition is the Pentagon Vauxhall, Peugeot and Renault Dealership, fronting onto the A6004 Belton Road, immediately to the north of Loughborough Town Centre. Approximately 17,400 cars pass this location daily.



2. The property sits in an established commercial location approximately 1 mile north of the town centre. The property forms part of the successful Belton Road area which is the main retail warehouse, car showroom and trade counter location within Loughborough. Belton Road also provides access into the prime industrial location of Bishop Meadow Industrial Estate which is home to several multi-national businesses. The A6004 Belton Road connects directly, via Epinal Way, to the M1 at J23 3 miles east.
3. Neighbouring occupiers in the area include Home Bargains, Aldi, Inchcape Mercedes, Sandcliffe Ford and Wickes.

Property Specification and Inspection

4. The property comprises a detached, modern car dealership with workshop and valet facilities operating under the Pentagon franchise banner. The dealership is of steel portal framed construction with full height glazed cladding to the front elevation under a metal profiled sheet pitched roof.
5. The workshop element and rear elevation of the dealership have half height masonry facades with composite cladding above. Internally the property provides substantial showroom facilities with integral offices and WC facilities within the showroom. At first floor there are offices which overlook the showroom. Adjoining the showroom is a large workshop incorporating MOT stations, accessed via 7 roller shutter doors. There is a specific parts store between the Vauxhall and the Peugeot / Renault servicing areas with further mezzanine storage above. To the rear of building are the Peugeot / Renault servicing bays and a valet facility. Externally, the site provides 59 display spaces to the front of the showroom with 56 customer / storage spaces to the front and side of the workshop facilities.
6. The site has an EPC rating of “C” (71).
7. The site area is 0.58 hectares (1.42 acres) offering a very low site density of 21%. The table below outlines the distribution of space within the property.

Floor	Use	Area Sq m	Area Sq ft
Ground	Showroom	366.78	3,948
	Workshop	552.95	5,952
	Ancillary / Parts	270.07	2,907
	Valet	37.36	402
First Floor	Showroom Offices	192.08	2,068
	(Mezzanine Parts)	(202.89)	(2,184)
Spaces	Display	59	
	Customer / Compound	56	
<b>Total (Excluding Mezzanine Parts)</b>		<b>1,419.25</b>	<b>15,277</b>

8. Officers inspected the property on Thursday 6 February 2020 and found that the site presents as described. The General Manager acted as escort through the building and noted that there are no major issues identified.

Tenant

9. The site is leased in its entirety to the Motus Group (UK) Ltd (Companies House Reg: 00653665). Motus Group (UK) Ltd is a wholly owned UK subsidiary of Motus Holdings Ltd, the largest automotive dealer in South Africa. Motus acquired the Pentagon Motor Group brand in 2017 and with that 38 franchise outlets on 23 sites across the East Midlands and North of England, further expanding Motus’s presence in the UK.
10. Motus now employs over 3000 staff in the UK with 119 franchise outlets over 72 locations. In addition, the business incorporates seven body repair locations and two specialist truck body building locations. Operating franchises for Alfa Romeo, Citroen, Dacia, DAF, Fiat, Ford, Isuzu, Jeep, Kia, LDV, MAN, Mazda, Mercedes Benz, Mitsubishi, Nissan, Peugeot, Renault, Seat, Vauxhall and Volkswagen across the UK. Combined sales figures place the company well inside the Top 10 of UK automotive dealer groups overall.
11. The Motus Group (UK) Ltd had a pre-pandemic Dun & Bradstreet rating of 4A 2, indicating a tangible net worth of £27.6m and lower than average risk. Since the pandemic, their rating has changed to 4A 3 indicating higher risk with net assets increased to £36.2m.
12. As of 8 September 2020, Dun & Bradstreet’s assessment of the business states:

- a. Overall assessment of this organisation over the next 12 months: **STABLE CONDITION**
- b. Based on the predicted risk of failure: **LIKELIHOOD OF CONTINUED OPERATIONS**



*c. Based on the predicted risk of severely delinquent payments: VERY LOW POTENTIAL FOR SEVERELY DELINQUENT PAYMENTS”*

13. There have been no Court Judgements against the tenant and no adverse financial events.
14. In the most recent set of accounts filed at Companies House on 9 Jul 2020, the following statement on the tenant’s business reaction to the COVID19 pandemic is recorded and shown below:

**Covid-19**

On 11 March 2020 Covid-19 was declared a pandemic and it has had a significant impact on the activities of the company from the middle of March to date. The closure of the company’s vehicle showrooms on 24 March 2020, in response to the UK Government’s regulations, meant that the new and used vehicle sales volumes were significantly lower than expected during the lockdown period. The aftersales businesses were able to continue trading through the lockdown but at reduced levels, the commercial vehicle businesses operated at around 65% of normal levels and in the passenger car businesses only key worker and essential business vehicles could be serviced.

We are thankful and proud of our team members who continue to respond as essential service providers. The wellbeing of our employees and business partners is of paramount importance as we adhere to the government guidelines in all areas of the business.

We have introduced social distancing measures in businesses and have enabled at home working for many employees. Appropriate supplies of PPE are provided to our staff to enable them to carry out their duties in a safe manner. Our priority is to keep operations safe for customers, employees and business partners.

In response to Covid-19 the company has taken a number of internal actions and utilised government schemes available to the business. The company has deferred its March 2020 VAT payment of £6.1m to March 2021, placed non-essential capital expenditure on hold including property developments and property upgrades, taken advantage of PAYE deferrals, deferring payments from March and April 2020 to June 2020 totalling £4.4m, furloughed 54% of its staff (of which 32% still remain furloughed) and implemented a redundancy and voluntary salary reduction programme which have been communicated in May and June 2020. All other supplier payments continue to be made in accordance with the agreed terms.

The company’s vehicle showrooms reopened on 1 June 2020 and the capacity in the aftersales business was increased. In response to this a number of employees were brought back from furlough.

Tenure

15. The property is to be sold Freehold.

Lease

16. The site is leased for a 15-year term from 2 September 2019 at a passing rent of £165,000 (£10.80 per ft<sup>2</sup>), with a tenant break option in September 2029, which requires 6 months written notice. The property is let on a full repairing and insuring basis (FRI) and is subject to a photographic schedule of condition. Rent reviews are 5 yearly, upwards only, and subject to open market value.

Red Flag Due Diligence

17. Officers reviewed the Title and Lease documents prior to inspecting the property and found no anomalies or issues that would prevent Charnwood from acquiring the property. Further due diligence has uncovered a Landlord repair liability for the showroom windows in the property for which a reserve will be created.

VAT

18. The property has been elected for VAT. It is intended that the property will be sold as a Transfer of a Going Concern.

Bid Strategy

19. Over the last 12 months to March 2020, the market for investment properties has struggled to bring forward many quality investments – most activity completed during the period was off market. The

slowdown in movement was largely attributed to Brexit and fears of a No Deal Scenario. Since March 2020 to date, this has been further impacted by the COVID19 Pandemic. This opportunity, however, remains a strong, long-income investment with a robust tenant covenant. Likewise, the size of the purchase is optimal for private investors, property companies and Self Invested Personal Pensions (SIPPs).

20. In February 2020, the advertised asking price was £2.215m, which reflects a 7% Net in Yield (NIY) after Purchaser's costs. This asset sharpened at the bidding stage to £2.475m or 6.26% NIY. Even at this increased price, the asset remained good value and a sound investment.
21. When the opportunity presented itself to acquire the property again, Charnwood and another party were involved. Charnwood was able to secure the property with a bid of £2.3m, with the transaction to be finalised in 10 working days. The revised offer over Charnwood's initial offer gives a saving of £175k against the initial bid and will provide a yield net of total costs of 4.77% (see the table following paragraph 27).

#### Financial Performance

22. The full financial performance of the asset is detailed in the appendix.
23. The purchase will be funded by prudential borrowing. Prudential borrowing can be met through internal borrowing or by external borrowing. However, prudence dictates that analysis with external borrowing be undertaken to ensure the profitability of the investment.
24. At the time of the initial investment it is **highly unlikely** that Charnwood will secure borrowing at 100% of the capital value due to its cashflow position and internal borrowing capacity; therefore, the MTFS will benefit from lower interest costs than shown in the above appraisal. However, the internal borrowing position and associated interest rate risk must be monitored and managed, and additional external debt may need to be taken in the future.
25. In order to understand the impact and contribution this asset will make to Charnwood's MTFS, asset performance must be aligned to the timing of Charnwood's Financial Year and for Charnwood's MRP policy to be applied with a likely level of borrowing. The table below, presented for illustrative purposes, shows the financial return after costs assuming that none of the capital value is externalised and a nominal interest rate, payable internally, is applied.

<b>Charnwood Financial Year</b>	<b>Annual Net Return</b>
20/21	3.373%
21/22	4.774%
22/23	4.736%
23/24	4.697%
24/25	4.658%
25/26	4.617%
26/27	4.576%
27/28	4.533%
28/29	4.489%
29/30	4.444%
30/31	4.398%
31/32	4.351%
32/33	4.302%
33/34	0.397%