Charnwood

CABINET

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

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

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

All other members of the Council
(for information)

You are requested to attend the meeting of the Cabinet to be held in Virtual Meeting - Zoom on Thursday, 15th October 2020 at 6.00 pm for the following business.

Chief Executive

Southfields
Loughborough

2nd October 2020

AGENDA

1. APOLOGIES

2. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

3. LEADER'S ANNOUNCEMENTS

4. MINUTES OF PREVIOUS MEETING 3 - 7

To approve the minutes of the previous meeting.

5. QUESTIONS UNDER CABINET PROCEDURE 10.7

The deadline for questions is noon on Wednesday, 7th October 2020.

6. INTERIM GENERAL FUND BUDGET 2020/21 8 - 25

A report of the Head of Financial Services, for recommendation to Council.

Key Decision

7. UPDATED CAPITAL STRATEGY 2020/21 26 - 86

A report of the Head of Financial Services, for recommendation to Council.

Key Decision

8. REVISED CAPITAL PLAN 2020-23 87 - 100

A report of the Head of Financial Services, for recommendation to Council.

Key Decision

9. CHARNWOOD ENTERPRISE ZONE FORWARD FUNDING 101 - 108

A report of the Strategic Director of Corporate Services.

Key Decision

10. PROCUREMENT SERVICE - CHANGES TO 109 - 156

A report of the Strategic Director – Commercial Development.

Key Decision

11. COMMERCIALISM POSITION STATEMENT 157 - 163

A report of the Strategic Director – Commercial Development.

12. MEMBER DEVELOPMENT STRATEGY 164 - 186

A report of the Head of Strategic Support, for recommendation to Council.

CABINET
17TH SEPTEMBER 2020

PRESENT: The Leader (Councillor Morgan)

Councillors Bailey, Bokor, Harper-Davies, Mercer, Poland, Rattray, Rollings and Smidowicz

Councillor Seaton

Chief Executive
Strategic Director of Corporate Services
Strategic Director - Commercial Development
Head of Strategic Support
Head of Neighbourhood Services
Neighbourhoods and Partnerships Manager
Community Safety Manager
Information Development Manager
Corporate Health & Safety Officer
Democratic Services Officer (LS) and Democratic Services Officer (NA)

APOLOGIES: Councillor Barkley

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

29. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

Councillor Rattray declared a personal interest in respect of Item 8 (Charnwood Community Lottery Review). She would not take part in the meeting during consideration of the item.

30. LEADER'S ANNOUNCEMENTS

No announcements were made.

31. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 13th August 2020 were confirmed as a correct record.

32. QUESTIONS UNDER CABINET PROCEDURE 10.7

No questions had been submitted.

33. PUBLIC SPACE PROTECTION ORDER LOUGHBOROUGH TOWN CENTRE

Councillor Smidowicz joined the meeting at 6.10pm.

Considered, a report of the Head of Neighbourhood Services seeking approval to extend the current Public Spaces Protection Order (PSPO) for Loughborough Town Centre for a further three year period (item 6 on the agenda filed with these minutes).

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

The Head of Neighbourhood Services and the Community Safety Manager assisted with consideration of the report. A correction was made to the report, paragraph 25 in Part B referred to the consultation having commenced on 24th July 2020, the correct date was 24th June 2020.

RESOLVED

1. that approval be given to the extension of the current PSPO for Loughborough Town Centre for a further 3 years from October 20th 2020 as drafted in Appendices 1 and 2 to the report of the Head of Neighbourhood Services;

2. that the Head of Neighbourhood Services, in consultation with the Cabinet Lead Member, be given delegated authority to extend the Order if there are no major changes required to the Order at the renewal time (October 2023), following the required consultation;

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

Reasons

1. To enable the current PSPO for Loughborough Town Centre to be extended.

2. To enable renewal of the PSPO if there are no major changes required.

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

34. ADDITIONS TO ANNUAL PROCUREMENT PLAN 2020-21

Considered, a report of the Strategic Director – Commercial Development seeking approval for additions to the Annual Procurement Plan 2020/21 (item 7 on the agenda filed with these minutes).

The Strategic Director – Commercial Development assisted with consideration of the report. He outlined a further item which required adding to Appendix B for approval "Local Plan Transport Modelling: Assessment of preferred development strategy".

RESOLVED

1. that the contracts over £25,000 and up to £75,000, listed in Appendix A to the report of the Strategic Director – Commercial Development, be let in accordance with Contract Procedure Rules;

2. that the contracts over £75,001 and up to £500,000, listed in Appendix B to the report of the Strategic Director - Commercial Development, be let in accordance with Contract Procedure Rules, with the addition of a further item entitled "Local Plan Transport Modelling: Assessment of preferred development strategy".

Reason

1 &2. To allow contracts of the Council to be let in accordance with Contract Procedure Rules.

Having declared an interest, Councillor Rattray did not take part in the meeting during the consideration of the following item.

35. CHARNWOOD COMMUNITY LOTTERY REVIEW

Considered, a report of the Head of Neighbourhood Services to review the Charnwood Community Lottery 18 months after the first lottery draw in line with the previous Cabinet decision (Cabinet Minute 80, 18th January 2018) (item 8 on the agenda filed with these minutes).

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

The Head of Neighbourhood Services and the Neighbourhoods and Partnerships Manager assisted with consideration of the report. The Head of Neighbourhood Services welcomed several suggestions made regarding the further promotion of the Charnwood Lottery, she would consider those along with, for any future reports, how information was presented and whether comparison with other local authority lotteries could be provided.

RESOLVED

1. that the content of the report be noted and support be given to the continuation of the Charnwood Community Lottery;

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

Reasons

1. To keep Cabinet informed on the progress of the Charnwood Community Lottery since it was introduced 18 months ago.

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

Councillor Rattray re-joined the meeting.

36. ANNUAL HEALTH AND SAFETY PERFORMANCE REPORT 2019-20

Considered, a report of the Head of Strategic Support to inform Cabinet and provide a public record of the Council's health and safety performance (item 9 on the agenda filed with these minutes).

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

The Scrutiny Commission was thanked for its useful pre-decision scrutiny work, both in respect of this item and items considered earlier in the meeting.

The Head of Strategic Support and the Corporate Health and Safety Officer assisted with consideration of the report.

RESOLVED

1. that the Council's health and safety performance over the preceding year, as set out in the Appendix to the report of the Head of Strategic Support, be noted;

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

Reasons

1. It is considered good practice by the Health and Safety Executive, the Institute of Directors and the Royal Society for the Prevention of Accidents for public bodies to publish an annual report on health and safety performance. The Management of Health and Safety at Work regulations 1999 require all employers to review their health and safety management system. Since 2015 the Council has employed BS OHSAS 18001: "Occupational Health & Safety Management Systems" as its base system for managing health and safety.

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

NOTES:

1. The decisions in these minutes not in the form of recommendations to Council will come into effect at noon on Friday, 25th September 2020 unless called in under Scrutiny Committee Procedure Rule 11.7. Decisions in the form of recommendations to Council are not subject to call in.

2. No reference may be made to these minutes at the next available Ordinary Council meeting unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on Friday, 25th September 2020.

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

CABINET – 15TH OCTOBER 2020

Report of the Head of Financial & Property Services

Lead Member: Councillor Tom Barkley

Part A

ITEM 6 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:

Risk Identified	*Likelihood*	*Impact*	*Overall Risk*	*Risk Management actions planned*
Failure to take account of the spending plans of the Council.	Unlikely (2)	Minor (1)	Very Low (2)	Robust budget planning and Budget Monitoring process 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

Officers to contact

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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.

<u>Appendices</u>

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
19,176	**Net Service Expenditure**	**19,038**	**22,643**	**(3,605)**
213	Revenue Contributions to Capital	0	0	0
227	Interest Paid	240	240	0
(562)	Less: Interest on Balances	(500)	(300)	(200)
19,054	**Total Borough Expenditure**	**18,778**	**22,583**	**(3,805)**
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
16,937	**Precept Requirement**	**17,771**	**21,146**	**(3,375)**
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
16,937	**Precept Income**	**17,771**	**21,146**	**(3,375)**

£000 Actual 2019/20	REVENUE BALANCES	£000 Original 2020/21	£000 Revised 2020/21
6,871	**Working Balance at 1 April**	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)
4,498	**Balance at 31 March**	**4,804**	**1,677**
809	**Reinvestment Reserve Balance at 1 April**	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
883	**Balance at 31 March**	**500**	**418**
2,193	**Capital Plan Reserve Balance at 1 April**	1,288	1,980
0	Transfer from/(to) General Fund	0	500
(213)	Funding of Capital Expenditure	0	(630)
1,980	**Balance at 31 March**	**1,288**	**1,850**
101	**Growth Support Fund Balance at 1 April**	5	101
0	Transfer from/(to) General Fund	0	(101)
101	**Balance at 31 March**	**5**	**0**
763	**Other Revenue Reserve Balances at 1 April**	700	1,158
395	Transfers from/(to) Fund one off Item	(45)	(45)
1,158	**Balance at 31 March**	**655**	**1,113**
8,620	**TOTAL BALANCES**	**7,252**	**5,058**

Analysis of variance – Total Borough expenditure

Analysis of variance - Total Borough expenditure		
Sales, fees and charges losses 2020/21	*£000*	*£000*
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	
Total sales, fees and charges losses		**3,300**
Interest and commercialisation income losses		
Interest Reduction Pressure cost	200	
Commercialisation Income	130	
		330
In-year savings identified		
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)	
		(1,747)
COVID-19 related cost pressures		
Fusion Additional Contract Costs relating to Covid	531	
Homelessness £200k	200	
Community support and similar	626	
	1,357	
Other pressures		
Supported Living - increased costs	435	
Insurance increase – revaluation impact	90	
NDR – additional costs due to voids	40	
Total cost pressures		**1,922**
TOTAL IMPACT		**3,805**

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
	Expenditure			
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)	**Expenditure Sub-total**	16,040	16,380	(340)
	Income			
(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)	**Income Sub-total**	(21,904)	(21,485)	(420)
(23,665)	**Net (income)/Cost of service**	(5,864)	(5,105)	(760)
(85)	Transfer from General Fund - Grounds Maintenanc	(84)	(84)	0
2,709	Interest Payable	2,706	2,709	(3)
(124)	Investment Income	(66)	(35)	(31)
(21,165)	**Net Operating Expenditure/(Income)**	(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)	**(Surplus)/Deficit for the year**	**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.

MTFS Projections 2020 - 2023	*2020-21 £000*	*2021-22 £000*	*2022-23 £000*	*Notes*
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
Total Net Expenditure	22,583	19,691	19,539	
Core financing				
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	
Net movement of other reserves				
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	
Projected use of working balance in year	**(1,822)**	**(2,121)**	**(1,696)**	

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

Movement on Working Balance	*2020-21 £000*	*2021-22 £000*	*2022-23 £000*	*Notes*
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	
One-off collection fund adjustments:				
Transfer of EZ business rates to LLEP	(1,100)		0	XI
Adjustment for business rate appeals		1,561		XII
Working balance carried forward	**1,677**	**1,118**	**(578)**	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.

Service pressures identified	*2021-22 £000*	*2022-23 £000*	*Pressure type*
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
	2,090	**2,038**	

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
	1,255	**1,355**	

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.

CABINET – 15TH OCTOBER 2020

Report of the Head of Financial Services

Lead Member: Councillor Tom Barkley

Part A

ITEM 7 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

Risk Identified	*Likelihood*	*Impact*	*Overall Risk*	*Risk Management Actions Planned*
Poor treasury investment decisions due to inadequate treasury management strategies in place	Unlikely 2	Serious 3	Moderate 6	Strategy developed in accordance with CIPFA guidelines and best practice. Adherence to clearly defined treasury management policies and practices
Loss of council funds through failure of borrowers	Remote 1	Major 4	Low 4	Credit ratings and other information sources used to minimise risk Adherence to clearly defined treasury management policies and practices
Volatile market changes (such as interest rates or sector ratings) occur during year	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

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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

<u>Salient features of the proposed Capital Strategy for 2020/21</u>

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 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 governenace 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.

<u>Appendices</u>

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 subect 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 maimum to five years), so do not fall strictly within the definition. However, the Council considers that management of this type of financial instrument should fall within the ambit of the TMSS.

CHANGES TO THE TREASURY MANAGEMENT STRATEGY FOR 2020/21

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

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.

<u>Commercial Investment properties</u>

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 opportiunities present themselves. However, it is envisaged that acquistions, 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 Scurtiny Comission. Therefore, prior to finalising any transaction, reports will be presented to the Chair of Scrutiny Comission at a mimum, 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.

<u>Loans to local enterprises and third parties</u>

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[1]
- 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

[1] 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[2]

- Enterprise Zone: The Council can support the development of infrastructure on its Enterprise Zone sites by taking out a loan to fund projects, repayable fro 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 antipated 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[3] 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.

[2] Although it should be noted that the Town Deal also strongly encourages participation and investment from the private sector

[3] The site sponsors would be either Charnwood Campus (Jayplas) or Loughbourough 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)

APPENDIX B

Charnwood Borough Council

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2020/21

Including Commercial activities/non treasury activities

INDEX

1. INTRODUCTION

1.1 Background

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

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

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

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

CIPFA defines treasury management as:

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

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes 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:

Capital expenditure	***2019/20 Actual £'000***	***2020/21 Revised Estimate £'000***	***2021/22 Revised Estimate £'000***	***2022/23 Revised Estimate £'000***
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
Total	**10,444**	**65,730**	**20,589**	**10,168**

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

Financing of capital expenditure	***2019/20 Actual £'000***	***2020/21 Revised Estimate £'000***	***2021/22 Revised Estimate £'000***	***2022/23 Revised Estimate £'000***
Total Capital Expenditure as per above table	**10,444**	**65,730**	**20,589**	**10,168**
Financed by:				
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
Total Funding	**10,444**	**65,730**	**20,589**	**10,168**

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)

Capital Financing Requirement	*2019/20 Actual £'000*	*2020/21 Revised Estimate £'000*	*2021/22 Revised Estimate £'000*	*2022/23 Revised Estimate £'000*
CFR - Fleet	0	2,400	2,400	2,400
CFR – Commercial Activites ActivitiesActivities	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
Total CFR	**81,820**	**129,220**	**139,220**	**139,220**
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)
Movement in CFR	**0**	**47,400**	**9,032**	**(1,133)**

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.

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

The table shows that the Council has complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments and existing plans. Within the above figures there is 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.

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

The authorised limit for external debt.

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

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

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

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

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

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

In October 2018 the Government published the "Limit of Indebtedness (Revocation) Determination 2018". This removed the HRA debt cap which was £88,770kand 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 6th 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 31st 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 28th 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 9th 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 11th 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 4th June, but that date was subsequently put back to 31st 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: -

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

4.5. Investment risk benchmarking

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

4.6 End of year investment report

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

APPENDICES FOR APPENDIX 12B

B (1). Economic Background

B (2). Minimum Revenue Provision Policy

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

B (4). Approved Countries for Investment

B (5). Approved Brokers for investments

B (6). Current Investments as at 10th September 2020

B (7). Treasury management scheme of delegation

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

APPENDIX B(1)

ECONOMIC BACKGROUND

As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on6th 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 6th 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:

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

Where:

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

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

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

(b) Annuity method

MRP is the principal element for the year of the annuity required to repay over the asset's useful life the amount of capital expenditure financed by borrowing or credit arrangements. The authority should use an appropriate interest rate to calculate the amount. Adjustments

to the calculation to take account of repayment by other methods during repayment period (e.g. by the application of capital receipts) should be made as necessary.

Option 4: Depreciation method

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

Selected Charnwood calculation methods

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

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

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

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

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

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

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

- An average asset life for each project will normally be used. There will not be separate MRP schedules for the components of a building (e.g. plant, roof etc.). Asset life will be determined by the Chief Finance Officer. A standard schedule of asset lives will generally be used (as stated in the Statement of Accounts accounting policies).
- MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets when expenditure is being financed from borrowing the MRP will be deferred until the year after the asset becomes operational.

- Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case, at the discretion of the Chief Finance Officer; this may includecertain 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 policuies.

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

APPENDIX B(4)

APPROVED COUNTRIES FOR INVESTMENTS @14/09/2020

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.

APPENDIX B(5)

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.

Institution	**Colour**	**Amount invested £m**	**Transaction Limit**	**Maturity Date**	**MaxTime Limit**
SloughCouncil	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
TOTAL		**68,830**			

APPENDIX B(7)

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Council

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

(ii) Cabinet

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

(iii) Audit Committee/Overview Scrutiny Board

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

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

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

CABINET – 15TH OCTOBER 2020

Report of the Head of Financial Services

Lead Member: **Cllr Tom Barkley**

Part A

ITEM 8 REVISED CAPITAL PLAN 2020-2023

Purpose 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 apprioval 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.

Risk Identified	*Likelihood*	*Impact*	*Overall Risk*	*Risk Management Actions Planned*
Insufficient funding	Remote (1)	Major (4)	Low (4)	The funding of the Capital Plan is regularly monitored and 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

Risk Identified	*Likelihood*	*Impact*	*Overall Risk*	*Risk Management Actions Planned*
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

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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 amendmends are reflected witin 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[1] (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[2] 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 'proprtionate'. In this case proportionalty 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).

[1] 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.
[2] 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 atrractive 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 arangements 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 groupsand 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:

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

Capital Plan 2020/21 Funded by:	£'000
General Fund:	
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
Total General Fund	**56,789,000**
HRA:	
MRA or equivalent	8,207,200
Contributions from Capital Receipts	734,200
Total HRA	**8,941,400**
Total Funding for 2020/21	**65,730,400**

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.

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

Decrease in Charnwood Community Facilities Grants	**(£118,400)**
The remaining budget over the 3 year plan is revised to £190k .	
Transfer of budget into 2021/22 Beehive Lane Car Park Improvements and refurbishment scheme	**(£100,000)**
Work on windows to take place in 2021/22.	
Decrease in Planned Building Improvements	**(£400,000)**
The remaining budget over the 3 year plan is revised to £300k	
Decrease in Leicestershire Superfast Broadband Phase 3	**(£100,000)**
Scheme no longer required.	
Decrease in Carbon Neutral Action Fund - Block Sum	**(£400,000)**
The commitment to our Carbon Neutral Plan remains but funding has been revised in line with the review of the Strategic Estate.	
Decrease in HRA Door Replacement	**(£500,000)**
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
Shepshed 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 bugdet	(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		
Update Report - Total	**65,730,400**	**20,589,200**	**10,167,600**
Total of 3 Year Revised Capital Plan (2020/21 to 2022/23)			**96,487,200**

CAPITAL PLAN 2020/21

Appendix 2

Scheme Details			2020/21 Original Plan £	2020/21 Revised Budget £	2020/21 Actual Spend 14/9/20 £	2020/21 Balance £	2021/22 Original Plan £	2021/22 Current Budget £	2022/23 Original Plan £	2022/23 Current Budget £	External Funding 2020/21 £	External Funding 2021/22 £	External Funding 2022/23 £
SUMMARY OF CAPITAL PLAN													
Live Schemes													
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**
Sub-total Live Schemes			**11,050,700**	**17,952,200**	**4,421,106**	**13,531,094**	**9,975,500**	**9,423,100**	**9,837,800**	**9,614,000**	**1,662,400**	**1,108,000**	**1,089,200**
Committed Schemes													
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**
Sub-total Committed Schemes			**1,390,000**	**47,463,700**	**81,427**	**47,382,273**	**1,000,000**	**11,000,000**	**500,000**	**500,000**	**0**	**0**	**0**
Third Party Schemes													
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**
Sub-total Third Party Schemes			**0**	**314,500**	**29,567**	**284,933**	**82,800**	**166,100**	**113,000**	**53,600**	**1,013,300**	**166,100**	**53,600**
GF Total			**3,405,000**	**56,789,000**	**4,523,743**	**52,265,257**	**3,676,800**	**13,207,700**	**2,727,000**	**2,443,800**	**2,675,700**	**1,274,100**	**1,142,800**
HRA Total			**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**
Grand Total			**12,440,700**	**65,730,400**	**4,532,100**	**61,198,300**	**11,058,300**	**20,589,200**	**10,450,800**	**10,167,600**	**2,675,700**	**1,274,100**	**1,142,800**
Community Wellbeing													
Live Schemes													
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
SW	Z801	Lighting strategy to support the Masterplan lane strategy - feasiblity 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 & Feasibilty 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 Original Plan £	2020/21 Revised Budget £	2020/21 Actual Spend 14/9/20 £	2020/21 Balance £	2021/22 Original Plan £	2021/22 Current Budget £	2022/23 Original Plan £	2022/23 Current Budget £	External Funding 2020/21 £	External Funding 2021/22 £	External Funding 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
		Sub-total Live Schemes	**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**
Third Party Schemes													
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 facilites 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
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 Playing Field	0	19,300	19,306	(6)	0	0	0	0	19,300	0	0
MB	Z778	Syston Community Garden	0	22,300	0	22,300	0	0	0	0	22,300	0	0
		Sub-total Third Party Schemes	**0**	**314,500**	**29,567**	**284,933**	**82,800**	**166,100**	**113,000**	**53,600**	**314,500**	**166,100**	**53,600**
		Community Wellbeing - Total	**1,256,000**	**6,858,200**	**4,348,691**	**2,509,509**	**933,800**	**767,100**	**519,000**	**635,800**	**453,400**	**216,100**	**84,800**
Corporate Services													
Live Schemes													
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 Original Plan £	2020/21 Revised Budget £	2020/21 Actual Spend 14/9/20 £	2020/21 Balance £	2021/22 Original Plan £	2021/22 Current Budget £	2022/23 Original Plan £	2022/23 Current Budget £	External Funding 2020/21 £	External Funding 2021/22 £	External Funding 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
		Sub-total Live Schemes	**416,000**	**461,100**	**67,629**	**393,471**	**110,000**	**107,600**	**75,000**	**75,000**	**0**	**0**	**0**
Committed Schemes													
SJ		Enterprise Zone	0	15,000,000	0	15,000,000	0	0	0	0	0	0	0
		Sub-total Committed Schemes	**0**	**15,000,000**	**0**	**15,000,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
		Corporate Services - Total	**416,000**	**15,461,100**	**67,629**	**15,393,471**	**110,000**	**107,600**	**75,000**	**75,000**	**0**	**0**	**0**
Commercial Development													
Live Schemes													
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
		Sub-total Live Schemes	**500,000**	**100,000**	**230**	**99,770**	**500,000**	**100,000**	**500,000**	**100,000**	**0**	**0**	**0**
Committed Schemes													
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
		Sub-total Committed Schemes	**0**	**30,000,000**	**0**	**30,000,000**	**0**	**10,000,000**	**0**	**0**	**0**	**0**	**0**
		Commercial Development - Total	**500,000**	**30,100,000**	**230**	**30,099,770**	**500,000**	**10,100,000**	**500,000**	**100,000**	**0**	**0**	**0**
Housing, Planning & Regeneration & Regulatory Services - General Fund													
Live Schemes													
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
		Sub-total Live Schemes	**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**
Committed Schemes													
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
		Sub-total Committed Schemes	**1,390,000**	**2,463,700**	**81,427**	**2,382,273**	**1,000,000**	**1,000,000**	**500,000**	**500,000**	**698,800**	**0**	**0**

CAPITAL PLAN 2020/21

Appendix 2

Scheme Details			2020/21 Original Plan £	2020/21 Revised Budget £	2020/21 Actual Spend 14/9/20 £	2020/21 Balance £	2021/22 Original Plan £	2021/22 Current Budget £	2022/23 Original Plan £	2022/23 Current Budget £	External Funding 2020/21 £	External Funding 2021/22 £	External Funding 2022/23 £
ousing, Planning & Regeneration & Regulatory Services - General Fund - Total			**2,623,000**	**4,369,700**	**107,193**	**4,262,507**	**2,133,000**	**2,233,000**	**1,633,000**	**1,633,000**	**2,222,300**	**1,058,000**	**1,058,000**
Housing, Planning & Regeneration & Regulatory Services - HRA													
Live Schemes													
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
											0	0	0
		Compliance									0	0	0
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
		Stock Maximisation											
PO	Z375	Garages	50,000	50,000	0	50,000	25,000	25,000	25,000	25,000	0	0	0
		Decent Homes											
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
		General Capital Works											
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
		Sub-total Live Schemes	**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**
Housing, Planning & Regeneration & Regulatory Services - HRA - Total			**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**

CABINET - 15TH OCTOBER 2020

Report of the Strategic Director of Corporate Services

Lead Member: Councillor Barkley

Part A

ITEM 9 CHARNWOOD ENTERPRISE ZONE – REQUEST FOR FORWARD FUNDING

Purpose of Report

This report outlines the process through which infrastructure and buildings within the Enterprise Zone area may be financed using future business rate receipts and requests a specific approval for forward funding in respect of the Charnwood Campus site.

Recommendations

1. That Cabinet approve the governance process and funding mechanism proposed in respect of the forward funding of infrastructure and buildings within the Enterprise Zone area.

2. That Cabinet approve a loan to the Leicester & Leicestershire Economic Partnership for an amount of up to £3.5m.

3. That Cabinet give delegated authority to the Strategic Director of Corporate Services, in conjunction with the Lead Member for Finance, to finalise details of the loan agreement and other agreements associated with this transaction.

Reasons

1. To enable the Council to act as the funder of forward funding arrangements.

2. To facilitate the development of the Charnwood Campus site within the Enterprise Zone.

3. To facilitate efficient and timely completion of the loan arrangements.

Policy Justification and Previous Decisions

The Enterprise Zone for Charnwood was designated with effect from 1 April 2017.

The legal agreement between the Council, the Leicester & Leicestershire Economic Partnership (LLEP) and Leicester City Council (as Accountable Body of the LLEP), which sets out the distribution of business rates generated from within the Enterprise Zone and outlines the forward funding mechanism, was approved in draft by Cabinet

following an exempt report presented at the Cabinet meeting of 9 July 2020 (Minute 20E refers).

Generally, the recommendations of this report can be justified under the Corporate Plan heading of 'A thriving economy'.

Implementation Timetable including Future Decisions and Scrutiny

Implementation of the recommendations in this report require that the Revised Capital Plan 2020 – 2023 and Capital Strategy 2020/21 are approved at the Council meeting scheduled for 9 November 2020. Formal signature of the agreed 'Enterprise Zone Business Rates Retention Agreement' by parties to this agreement (including the Council) will also be required.

Scrutiny Commission have the opportunity to scrutinise this report in line with usual arrangements at the meeting of 12 October 2020.

Report Implications

The following implications have been identified for this report.

Financial Implications

If loan repayments from business rates generated within the Charnwood Campus site proceed as planned, then this this will result in a small contribution to the General Fund over the term of the loan.

Risk Management

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

Risk Identified	*Likelihood*	*Impact*	*Overall Risk*	*Risk Management actions planned*
Business rate generation at the EZ site prove insufficient to repay the loan	Remote (1)	Major (3)	Low (3)	• Due diligence on project • Site sponsor is required to underwrite the loan • Pre-existing business rates can be diverted to repay loan

Key Decision: Yes

Background Papers:	Exempt cabinet report of 9 July 2020 - Enterprise Zone Update
Officer(s) to contact:	Simon Jackson Strategic Director of Corporate Services T: 01509 634699 E: simon.jackson@charnwood.gov.uk

Part B

Background

1. The Enterprise Zone (formally, the Loughborough and Leicester Science and Innovation Enterprise Zone, or 'LLEZ') was designated with effect from 1 April 2017. The LLEZ consists of three sites:

   (i). Charnwood Campus site ('Campus'), the site previously owned by Astra Zeneca in Loughborough

   (ii). The Loughborough University Science & Enterprise Park ('LUSEP'), also in Loughborough

   (iii). 'Waterside', an area within Leicester City

2. Generally, the advantages of an Enterprise Zone include:

   - The ability to offer businesses locating (or re-locating) to an Enterprise Zone within five years of designation a five-year business rates holiday (subject to state aid rules and other conditions)

   - Retention of all business rates generated from an Enterprise Zone within the local area (rather than a substantial proportion being remitted to the Government

3. Local arrangements apply to Enterprise Zones in respect of the distribution of retained business rates, re-investment of business rates within the EZ, identification of investment schemes and the governance arrangements associated with these matters.

4. Local arrangements in respect of the LLEZ are set out in the 'Enterprise Zone Business Rates Retention Agreement' which was approved in final draft form by Cabinet at the meeting of 9 July 2020 in exempt session (minute reference 20E refers). At time of drafting this report the agreement was due for signature by all parties imminently; a verbal update on this matter may be offered at the Cabinet meeting.

Principal elements of the Enterprise Zone Business Rates Retention Agreement

5. The Agreement is between Charnwood Borough Council (billing authority), Leicester Leicestershire Enterprise Partnership ('LLEP') and Leicester City Council (as the LLEP Accountable Body).

6. The Agreement is for a period of ten years with a review of the Agreement due by September 2029. This will provide assurance in relation to the business rates agreement in order to support investor confidence but also provides an opportunity to review the Agreement in the event of changes over time.

7. The Agreement sets out a split of the retained rates as negotiated by the parties as follows:

- Charnwood Borough Council 12%
- Leicestershire County Council 2.7%
- Leicestershire Fire & Rescue Service 0.3%

8. In terms of the selection of investment schemes in may be noted that Schedule 3 of the draft Agreement sets out that each Charnwood site will have an Implementation Group that will be chaired by the Chief Executive (or designated officer) of Charnwood Borough Council. The functions of the Implementation Groups are:

- To plan, oversee and advise the LLEP Board on the implementation of the LLEZ sites in Charnwood
- To develop, maintain and implement Implementation Plans for the LLEZ sites in Charnwood
- To recommend the priority and suitability of bids to the LLEP Board for the use of the LLEP retained business rates in accordance with the implementation plans
- To prioritise bids and make recommendations by application of the following criteria:
    - strategic fit – sequential approach referenced to implementation plan, planning and highway considerations
    - generation of retained business rates – amount, risk and speed of return
    - intervention rate and high level value for money, with the bid to be underwritten by the bidder (basically either the Campus or LUSEP)
    - third party funding – match or time critical issues.
    - such other criteria as shall be agreed by the LLEP and the Council in conjunction with the other parties to the Implementation Groups
- To shortlist Bids for recommendation to the LLEP Board

9. The above elements of the Agreement are designed to ensure that Charnwood Brough Council has influence on the direction of the LLEZ while recognising the role of the LLEP and other partners.

10. Once schemes have been through the LLEP approval process there will be the option for Charnwood Borough Council to forward fund projects via a separate and bespoke loan Agreement.

Forward Funding Mechanism

11. The way that forward funding arrangements will be set is as follows:

    I. The LLEP approves the business case for an investment scheme with the site sponsor (which could be either the Campus or LUSEP) in line with the governance processes outlined above.

    II. The funding body – which would usually be the Council – will provide funding to the LLEP enabling the LLEP to make a grant to the site sponsor for the agreed amount

    III. The funding body will be repaid using the 85% LLEP share of business rates generated from the LLEZ site; where the funding body is also the billing authority (as is likely to be the case in practice) loan repayments can be deducted from amounts that would otherwise be remitted to the LLEP

12. The above mechanism is designed to avoid complex accounting arrangements within Accountable Body for the LLEP.

13. In order to allow the Council to act as funding body it is necessary that funds and the associated loans required to provide that funding are reflected in the extant Capital Plan and Capital Strategy. Updated versions of these documents are scheduled for approval at the Council meeting of 9 November 2020, following which (and assuming these are approved) £15m will become available in 2020/21 to provide forward funding for the LLEZ.

14. Typically, it may be expected that the Council will need to take out a loan (which may be via 'internal' or external borrowing) to provide the forward funding. Any loan entered into will reflect the likely profile and timing of cash flows from future business rates, previous funding arrangements relating to the site and projections of total business rates generated by the site over the 25-year life of the LLEZ.

15. Other features of the loan:

    - Where future business rate cash flows permit, the loan will be repaid on a repayment basis; this allows a charge in respect of Minimum Revenue Provision to be avoided

    - A margin will be created between interest rate charges borne by the Council and repayments from business rates generated; this margin will vary on a case by case basis and depend on the risk associated with the loan in terms of the receipt of future business rates projected in the investment scheme business case, and other pre-existing loans relating to that LLEZ site

Forward funding opportunity – Charnwood Campus investment scheme

16. The investment scheme is titled the 'Charnwood Campus Medicinal and Synthetic Chemistry Research Centre'. The business case for this scheme has been approved by the Campus Implementation Group and the LLEP Board in line with the governance arrangements set out previously in this report.

17. The principal objective of the scheme is to reactivate a currently unoccupied world-class chemistry laboratory building to attract strategically important local spin-out company for retention in Leicestershire. The project will upgrade existing research building (B42) to comply with modern regulatory requirements providing specialised laboratories and building the community in the Campus Life Sciences Opportunity Zone.

18. It is also envisaged that the scheme will (extracts from the scheme Business Case):

    - Make available 10,348sqm of highly specialised but unused medicinal chemistry laboratory space that will support the development and growth of pharmaceutical, biotechnology, high-technology, medical technology businesses
    - Generate £336,500 pa in business rates for the LLEZ
    - Ensure that an existing local thriving company does not re-locate outside the region, and in so doing consolidate 60 existing members of staff currently scattered across the region under one roof to improve productivity
    - Create 150 high value jobs within the first 12 months and a total of 312 within 3 – 5 years
    - Create a further 1,500 jobs in the supply chain (based on a 1:5 industry standard ratio where one high value job creates five low value jobs in the supply chain)
    - Achieve growth in the next 3-5 years.

19. It is understood that the Campus have identified a first tenant for the refurbished building.

20. The budgeted cost of the scheme per the approved business case – against which the grant will be awarded – is £3.4m.

Loan arrangements

21. The indicative arrangements in respect of the forward funding arrangements are as follows:

    - The loan (actually a conditional grant) to be made by the Council to the LLEP (or strictly the Accountable Body) would be ~£2m, with the

balance of the grant to the Campus being met from historical business rate generation from the Campus site

- The loan to be repaid over four years, on an annuitised (essentially a repayment) basis
- The interest rate to be the PWLB certainty rate for a four-year annuity loan, plus a risk premium of ~1%

22. As the loan would be a repayment type arrangement no Minimum Revenue Provision charges would arise.

23. The loan would be supported by:

- Grant agreement – essentially an agreement between the LLEP and the Campus
- Underwriting letter, or equivalent, setting out details of the Campus's commitment to underwriting the loan; the Council will be party to this document and must find the covenant set out within the letter as acceptable
- Loan agreement between the Council and the LLEP (or strictly the Accountable Body)

24. Draft versions of these documents are being prepared by Leicester City Council in its role as LLEP Accountable Body; a verbal update on progress may be offered at the Cabinet meeting.

Risk assessment and due diligence

25. Generally, this loan can be considered as a low risk proposition since:

- The Campus site is already generating business rates of around £1.1m per annum that would be attributable to the LLEP to service forward funding arrangements; business rates generated by this Charnwood Campus investment scheme would be over and above this amount
- The Campus business case for the scheme states that the first tenant for the refurbished building has been identified; further, in comparison to other prospective LLEZ investments (such as infrastructure) the timeframe for project delivery is relatively short at eight to ten months
- The loan will be underwritten by Charnwood Campus; in legal terms this will be by a Jayplas group holding company; Jayplas are a locally well-known and perceived as a financially substantial organisation

26. Due diligence will be undertaken to ensure that covenants set out within the underwriting letter can be met by parties representing the campus ownership.

Appendices

None

CABINET - 15TH OCTOBER 2020

Report of the Strategic Director – Commercial Development

Lead Member: Councillor Tom Barkley, Deputy Leader

Part A

ITEM 10 CHANGES TO THE PROCUREMENT SERVICE

Purpose of Report

This report seeks authority to enter into a Service Level Agreement (SLA) with Nottingham City Council and seeks delegations to conduct negotiations and enter into said agreement.

Recommendation

That authority be delegated to the Strategic Director – Commercial Development to negotiate, agree and enter into a Service Level Agreement (SLA) with representatives of Nottingham City Council for the provision of procurement services to Charnwood Borough Council in line with the details provided in the report.

Reason

In order to provide an enhanced procurement service to support the Council in delivery of savings and cost avoidance for the MTFS.

Policy Justification and Previous Decisions

Charnwood Borough Council (CBC) and Nottingham City Council (NCC) are local authorities for the purposes of the Local Government Act 1972 and best value authorities for the purposes of the Local Government Act 1999. Pursuant to the Local Authority (Goods and Services) Act 1970 local authorities may provide services for other public authorities. The proposed arrangement will be established pursuant to the 1970 Act. Legal Services will provide advice and assistance as part of the transfer to the new arrangements and will ensure a suitable Service Level Agreement is agreed. As an interim measure, Legal Services will also assist in the preparation of a Memorandum of understanding if this is the most expedient approach to formalising interim arrangements.

Implementation Timetable including Future Decisions and Scrutiny

The decision will come into effect immediately, subject to Call-in.

The target date for implementation of the Service Level Agreement is 29 January 2021.

Report Implications

The following implications have been identified for this report.

Financial Implications

The cost of the service is £55,000 per year and the proposed arrangement will last for 3 years.

In conjunction with the appointment of Nottingham City Council, two posts of the establishment will be deleted. The total salary budget for these posts of £70,100 will be replaced by the cost of the service and will provide a residual savings to the General Fund Revenue Account of £15,100 per year.

Post	Budget 20/21
Procurement Manager L310	£56,500
Procurement Assistant M267	£13,600
Total Budget	**£70,100**
Less the annual cost of the service	-£55,000
Savings to the General Fund Revenue Account	**£15,100**

Risk Management

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

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
That NCC do not wish to provide the service	Remote (1)	Minor (1)	Very Low (1)	NCC officers have obtained authorisation to provide the service to CBC.
That the service provides limited benefits to CBC	Remote (1)	Serious (3)	Low (3)	As is evidenced by other local authorities that have used this service, significant financial benefits can be achieved.
That CBC employees do not engage fully with the new service	Unlikely (2)	Serious (3)	Moderate (6)	An implementation programme will be provided for all managers. Contract Procedure Rules will be updated to align to the service.

Equality and Diversity

No implications

Crime and Disorder

No implications

Sustainability

No implications

Key Decision:	Yes
Background Papers:	None
Officer to contact:	Justin Henry Strategic Director – Commercial Development 07802 760618 justin.henry@charnwood.gov.uk

Part B

Introduction

1. Robust procurement is essential to the Council to obtain value for money in purchasing goods and services as well as to drive cashable savings and cost avoidance.
2. In the context of the financial challenges facing the Council now and through the medium term, it is more important than ever that this service is fit for purpose and able to support a range of procurement activity.
3. The current Procurement team at the Council consists of two employees: one permanent junior officer and one interim procurement manager whose contract will expire in January 2021. Whilst there is no complaint about the efficacy and quality of the service currently being delivered by these officers, the resources the Council will require in the future will far outweigh the current team's capacity.
4. There are a number of public sector procurement partnerships available which the Council could join to help bolster their capacity; however, the services provided may vary significantly (e.g. capital project and large contract experience) as well as the level of professional expertise (e.g. the number of procurement officers with professional accreditation).
5. This report therefore sets out the case for contracting such a service from Nottingham City Council (NCC).

NCC's service

6. Under powers granted by the Local Authorities (Goods and Services) Act 1970, public bodies can enter contracts with other public bodies for the provision of goods and services.
7. NCC was approached by Ashfield District Council (ADC) in January 2018. ADC had benchmarked several procurement partnership options prior to this point, and enquired with NCC if their services could be provided in the same fashion. Under agreement obtained in March 2018, NCC and ADC formulated a procurement service that remains in situ today and has 3 member Districts (ADC, Mansfield District Council, and Bassetlaw District Council).
8. The NCC procurement team supporting NCC procurement and this service to Districts consists of 20+ officers who are professionally accredited to lead and support large procurement activities such as IT contracts, building/development contracts and service provider contracts. Furthermore, whilst NCC would provide a main contact for Charnwood Borough Council, work undertaken to support us will be spread amongst the team, providing resilience for sickness and holiday absence.
9. NCC spend levels are generally 10 times larger than a District Council which allows NCC to purchase goods and services at more effective prices. As a unitary, many procured elements will be analogous to those purchased by this Council, thereby providing experience and potential leverage of spend to achieve best value for Charnwood.
10. The results delivered by this service are tangible. In the financial year 19/20, NCC achieved £700,000 of cost avoidance for ADC. The service was also audited by ADC's audit team and received an assured rating.

11. Should we not be satisfied with the service as delivered, the agreement can be terminated by either side with 12 months' written notice (see the appendix for the Draft Service Level Agreement).

Financial Implications

12. The cost of the service is £55,000 per year and the proposed arrangement will last for 3 years.
13. In conjunction with the appointment of Nottingham City Council, two posts of the current establishment will be deleted. Those posts are:

Post	Budget 20/21
Procurement Manager L310 (interim)	£56,500
Procurement Assistant M267 (vacant)	£13,600
Total	**£70,100**

14. The total salary budget of £70,100 will be replaced by the cost of the service and will provide a residual savings to the General Fund Revenue Account of £15,100 per year.

Employee Implications

15. The contract for the interim Procurement Manager post will end in January 2021. The current Senior Procurement Officer post is unaffected and will remain part of the establishment.

Appendix: DRAFT SERVICE LEVEL AGREEMENT

DATED

SERVICE LEVEL AGREEMENT

FOR THE PROVISION OF PROCUREMENT SERVICES

between

XXXXXXXX COUNCIL

and

NOTTINGHAM CITY COUNCIL

This agreement is dated

Parties

(1) XXXXXXX of XXXXXXXXXXXXX (**Authority**)

(2) NOTTINGHAM CITY COUNCIL of Loxley House, Station Street, Nottingham NG2 3NG (**Supplier**)

BACKGROUND

(A) The Authority requires procurement services in order to ensure that contracts are procured in accordance with legislative requirements and provide best value to the Authority.

(B) The Supplier is able to provide procurement services to assist the Authority in procuring its corporate contracts.

Agreed terms

1. Definitions and Interpretation

1.1 The following definitions and rules of interpretation in this clause apply in this agreement.

Authorised Representatives: the persons respectively designated as such by the Authority and the Supplier, the first such persons being set out in Schedule 3.

Authority Assets: any materials, software, equipment, internet access and welfare facilities owned or held by the Authority and provided by the Authority to the Supplier for use in providing the Services as outlined in clause 8

Authority's Premises: XXXXXXXXXX which are to be made available for use by the Supplier on the terms set out in this agreement.

Best Industry Practice: the standards which fall within the upper quartile in the relevant industry for the provision of comparable services which are substantially similar to the Services or the relevant part of them, having regard to factors such as the nature and size of the parties, the term, the pricing structure and any other relevant factors.

Bribery Act: the Bribery Act 2010 together with any guidance or codes of practice issued by the relevant government department concerning the legislation.

Catastrophic Failure: any action by the Supplier, whether in relation to the Services and this agreement or otherwise, which in the reasonable opinion of the Authority's Authorised Representative has or may cause significant harm to the reputation of the Authority.

Change: any change to this agreement including to any of the Services.

Change Control Note: the written record of a Change agreed or to be agreed by the parties pursuant to the Change Control Procedure.

Change Control Procedure: the procedure for changing this agreement, as set out in Schedule 4.

Charges: the charges which shall become due and payable by the Authority to the Supplier in respect of the Services in accordance with the provisions of this agreement, as such charges are set out in Schedule 2.

Confidential Information: means all confidential information (however recorded or preserved) disclosed by a party or its Representatives to the other party and that party's Representatives in connection with this agreement, including but not limited to:

a) any information that would be regarded as confidential by a reasonable business person relating to: (i) the business, affairs, customers, suppliers or plans of the disclosing party; and (ii) the operations, processes, product information, know-how, designs, trade secrets or software of the disclosing party;

b) any information developed by the parties in the course of carrying out this agreement;

c) Personal Data;

Contract Year: a period of 12 months, commencing on Service Commencement Date.

Controller: as defined in the Data Protection Legislation.

Data Protection Legislation: the UK Data Protection Legislation and any other European Union legislation relating to personal data and all other legislation and regulatory requirements in force from time to time which apply to a party relating to the use of Personal Data (including, without limitation, the privacy of electronic communications) and the guidance and codes of practice issued by the relevant data protection or supervisory authority and applicable to a party.

Data Subject: as defined in the Data Protection Legislation.

Default: any breach of the obligations of the relevant party (including abandonment of this agreement in breach of its terms, repudiatory breach or breach of a fundamental term) or any other default, act, omission, negligence of statement:

a) in the case of the Authority, of its employees, servants, agents;

b) in the case of the Supplier, of its Sub-contractors or any Supplier Personnel,

in connection with or in relation to the subject matters of this agreement and in respect of which such party is liable to the other.

Default Notice: is defined in clause 4.2.

Dispute Resolution Procedure: the procedure set out in clause 18.

EIRs: the Environmental Information Regulations 2004 (SI 2004/3391) together with any guidance and/or codes of practice issued by the Information Commissioner or relevant government department in relation to such regulations.

FOIA: the Freedom of Information Act 2000 together with any guidance and/or codes of practice issued by the Information Commissioner or relevant government department in relation to such legislation.

Force Majeure: any circumstance not within a party's reasonable control including, without limitation:

a) acts of God, flood, drought, earthquake or other natural disaster;

b) epidemic or pandemic;

c) terrorist attack, civil war, civil commotion or riots, war, threat of or preparation for war, armed conflict, imposition of sanctions, embargo, or breaking off of diplomatic relations;

d) nuclear, chemical or biological contamination or sonic boom;

e) any law or action taken by a government or public authority, including without limitation imposing an export or import restriction, quota or prohibition;

f) collapse of buildings, fire, explosion or accident; and

g) any labour or trade dispute, strikes, industrial action or lockouts (excluding any labour or trade dispute, strike, industrial action or lockout confined to the Supplier's workforce or the workforce of any Subcontractor of the Supplier).

Health and Safety Policy: the health and safety policy of the Authority as provided to the Supplier on or before the Service Commencement Date and as subsequently provided to the Supplier from time to time except any provision of any such subsequently provided policy that cannot be reasonably reconciled to ensuring compliance with applicable Law regarding health and safety.

Information: has the meaning given under section 84 of FOIA.

Law: means any legal provision the Supplier must comply with including any law, statute, subordinate legislation within the meaning of section 21(1) of the Interpretation Act 1978, bye-law, enforceable right within the meaning of section 2 of the European Communities Act 1972, regulation, order, mandatory guidance or code of practice, judgment of a relevant court of law, or directives or requirements of any regulatory body, whether in the UK or elsewhere.

Management Reports: the reports to be prepared and presented by the Supplier in accordance with clause 15 and Schedule 3.

Necessary Consents: all approvals, certificates, authorisations, permissions, licences, permits, regulations and consents necessary from time to time for the performance of the Services.

Payment Plan: the plan for payment of the Charges as set out in Schedule 2.

Personal Data: as defined in the Data Protection Legislation.

Processor: as defined in the Data Protection Legislation.

Prohibited Act: the following constitute Prohibited Acts:

a) to directly or indirectly offer, promise or give any person working for or engaged by the Authority a financial or other advantage as an inducement or reward for any improper performance of a relevant function of activity in relation to obtaining this agreement or any other contract with the Supplier;

b) to directly or indirectly request, agree to receive or accept any financial or other advantage as an inducement or a reward for improper performance of a relevant function or activity in connection with this agreement;

c) committing any offence: (i) under the Bribery Act; (ii) under legislation or common law concerning fraudulent acts; or (iii) of defrauding, attempting to defraud or conspiring to defraud the Authority;

d) any activity, practice or conduct which would constitute one of the offences listed under (c) above, if such activity, practice or conduct had been carried out in the UK.

Relevant Requirements: all applicable law relating to bribery, corruption and fraud, including the Bribery Act 2010 and any guidance issued by the Secretary of State for Justice pursuant to section 9 of the Bribery Act 2010.

Remediation Notice: a notice served by the Authority in accordance with clause 27.1(a).

Replacement Services: any services that are identical or substantially similar to any of the Services and which the Authority receives in substitution for any of the Services following the termination or expiry of this agreement, whether those services are provided by the Authority internally or by any Replacement Supplier.

Replacement Supplier: any third party supplier of Replacement Services appointed by the Authority from time to time.

Representatives: means, in relation to a party, its employees, officers, representatives and advisors.

Request for Information: a request for information or an apparent request under the FOIA or the EIRs.

Services: the services to be delivered by or on behalf of the Supplier under this agreement, as more particularly described in Schedule 1.

Service Commencement Date: DATE

Supplier Party: the Supplier's agents and contractors, including each Sub-Contractor.

Supplier Personnel: all employees, staff, other workers, agents and consultants of the Supplier and of any Sub-Contractors who are engaged in the provision of the Services from time to time.

Term: means the period starting on the Service Commencement Date and ending on DATE or the earlier termination of this agreement in accordance with its terms.

Termination Date: the date of expiry or termination of this agreement.

Termination Notice: any notice to terminate this agreement in accordance with clause 27 (Termination)

Termination Payment Default: is defined in Schedule 2.

TUPE: the Transfer of Undertakings (Protection of Employment) Regulations 2006 (*SI 2006/246*).

UK Data Protection Legislation: all applicable data protection and privacy legislation in force from time to time in the UK including the General Data Protection Regulation (*(EU) 2016/679*), the Data Protection Act 2018, the Privacy and Electronic Communications Directive 2002/58/EC (as updated by Directive 2009/136/EC) and the Privacy and Electronic Communications Regulations 2003 (*SI 2003/2426*) as amended.

Working Day: Monday to Friday, excluding any public holidays in England and Wales.

Working Hours: the period from 9.00 am to 5.00pm on any Working Day.

1.2 Clause, schedule and paragraph headings shall not affect the interpretation of this agreement.

1.3 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality).

1.4 The schedules, appendices and annexures form part of this agreement and shall have effect as if set out in full in the body of this agreement and any reference to this agreement includes the schedules, appendices and annexures.

1.5 A reference to a **company** shall include any company, corporation or other body corporate, wherever and however incorporated or established.

1.6 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.

1.7 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.8 A reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time and includes any subordinate legislation for the time being in force made under it.

1.9 Any obligation in this agreement on a person not to do something includes an obligation not to agree or allow that thing to be done.

1.10 A reference in this agreement to any other agreement or a document is a reference to such other agreement or document as varied or novated (in each case, other than in breach of the provisions of this agreement) from time to time.

1.11 References to clauses and schedules are to the clauses and schedules of this agreement and references to paragraphs are to paragraphs of the relevant schedule.

1.12 Any words following the terms including, include, in particular or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.

Commencement and duration

2. Term

2.1 This agreement shall take effect on the Service Commencement Date and shall continue for the Term until its expiry in accordance with clause 27.

3. Not Used

The services

4. Supply of services

4.1 The Supplier shall provide the Services to the Authority with effect from the Service Commencement Date and for the duration of this agreement in accordance with the provisions of this agreement, including without limitation Schedule 1.

4.2 In the event that the Supplier does not comply with the provisions of clause 4.1 in any way, the Authority may serve the Supplier with a notice in writing setting out the details of the Supplier's default (a **Default Notice**).

5. Not Used

6. Service standards

The Supplier shall provide the Services, or procure that they are provided:

(a) with reasonable skill and care and in accordance with Best Industry Practice;

(b) in all respects in accordance with the Authority's relevant and notified policies; and

(c) in accordance with all applicable Law.

7. Compliance

7.1 The Supplier shall ensure that all Necessary Consents are in place to provide the Services and the Authority shall not (unless otherwise agreed in writing) incur any additional costs associated with obtaining, maintaining or complying with the same.

7.2 Where there is any conflict or inconsistency between the provisions of this agreement and the requirements of a Necessary Consent, then the latter shall prevail, provided that the Supplier has made all reasonable attempts to obtain a Necessary Consent in

line with the requirements of the Services and the Supplier has notified the Authority in writing.

7.3 The Supplier shall (and shall procure that the Supplier Personnel shall) perform its obligations under this agreement (including those in relation to the Services) in accordance with:

(a) all applicable Law regarding health and safety; and

(b) the Health and Safety Policy whilst at the Authority Premises.

7.4 Each Party shall notify the other as soon as practicable of any health and safety incidents or material health and safety hazards at the Authority Premises of which it becomes aware and which relate to or arise in connection with the performance of this agreement. The Supplier shall instruct the Supplier Personnel to adopt any necessary associated safety measures in order to manage any such material health and safety hazards.

7.5 Without limiting the general obligation set out in clause 6, the Supplier shall (and shall procure that the Supplier Personnel shall):

(a) perform its obligations under this agreement (including those in relation to the Services) in accordance with:

(i) all applicable equality law (whether in relation to race, sex, gender reassignment, age, disability, sexual orientation, religion or belief, pregnancy, maternity or otherwise);

(ii) the Authority's equality and diversity policy as provided to the Supplier from time to time;

(iii) any other requirements and instructions which the Authority reasonably imposes in connection with any equality obligations imposed on the Authority at any time under applicable equality law;

(b) take all necessary steps, and inform the Authority of the steps taken, to prevent unlawful discrimination designated as such by any court or tribunal, or the Equality and Human Rights Commission or (any successor organisation); and

(c) at all times comply with the provisions of the Human Rights Act 1998 in the performance of this agreement. The Supplier shall also undertake, or refrain from undertaking, such acts as the Authority requests so as to enable the Authority to comply with its obligations under the Human Rights Act 1998.

8. Authority's Premises and Assets

8.1 The Authority shall, subject to clause 7 and clause **Error! Reference source not found.**, provide the Supplier with access to such parts of the Authority's Premises as the Supplier reasonably requires for the purposes only of providing the Services. The

Supplier's right of access will terminate upon termination of this agreement, subject to clause 8.3.

8.2 The Authority shall provide the Supplier with such accommodation and facilities in the Authority's Premises as is agreed by the parties from time to time.

8.3 Subject to the requirements of clause 31, in the event of the expiry or termination of the agreement, the Authority shall on reasonable notice provide the Supplier with such access as the Supplier reasonably requires to the Authority's Premises to remove any of the Supplier's equipment. All such equipment shall be promptly removed by the Supplier.

8.4 The Supplier shall ensure that:

(a) where using the Authority's Premises and any Authority Assets they are kept properly secure and it will comply and cooperate with the Authority's security requirements from time to time regarding the security of the same;

(b) only those of the Supplier Personnel that are duly authorised to enter upon the Authority's Premises for the purposes of providing the Services, do so;

(c) any Authority Assets used by the Supplier are maintained (or restored at the end of the Term) in the same or similar condition as at the Service Commencement Date (fair wear and tear excepted) and are not removed from Authority Premises unless expressly permitted under this agreement or by the Authority's Authorised Representative; and

(d) any Authority Assets are used with all reasonable care and skill and in accordance with any manufacturer guidelines or instructions.

8.5 The Authority shall maintain and repair the Authority Assets, however, where such maintenance or repair arises directly from the act, omission, default or negligence of the Supplier or its representatives (fair wear and tear excluded) the costs incurred by the Authority in maintaining and repairing the same shall be recoverable from the Supplier as a debt.

8.6 The Supplier shall notify the Authority immediately on becoming aware of any damage caused by the Supplier, its agents or employees to any property of the Authority, to any of the Authority's Premises or to any property of any other recipient of the Services in the course of providing the Services.

8.7 The Supplier shall indemnify the Authority against all and any damage to the Authority Premises and the Authority Assets caused by the same.

Charges and payment

9. Not Used

10. Payment

10.1 In consideration of the provision of the Services by the Supplier in accordance with the terms and conditions of this agreement, the Authority shall pay the Charges to the Supplier in accordance with the Payment Plan.

10.2 Unless otherwise stated in Schedule 2, the Charges:

(a) shall remain fixed during the Term; and

(b) is the entire price payable by the Authority to the Supplier in respect of the Services and includes, without limitation, any royalties, licence fees, supplies and all consumables used by the Supplier, travel costs, accommodation expenses and the cost of Supplier Personnel.

10.3 The Supplier shall invoice the Authority for payment of the Charges beginning of each financial quarter. All invoices shall be directed to the Authority's Authorised Representative and shall contain such information as the Authority may inform the Supplier from time to time.

10.4 Where the Supplier submits an invoice to the Authority in accordance with clause 10.3, the Authority will consider and verify that invoice in a timely fashion or in any event no later than 10 Working Days from receipt of the invoice.

10.5 The Authority shall pay the Supplier any sums due under such an invoice no later than a period of 30 days from the date on which the Authority has determined that the invoice is valid and undisputed.

10.6 Where the Authority fails to comply with clause 10.4 and there is an undue delay in considering and verifying the invoice, the invoice shall be regarded as valid and undisputed for the purposes of clause 10.5 after a reasonable time has passed.

10.7 Where any party disputes any sum to be paid by it then a payment equal to the sum not in dispute shall be paid and the dispute as to the sum that remains unpaid shall be determined in accordance with clause 18. Provided that the sum has been disputed in good faith, interest due on any sums in dispute shall not accrue until the earlier of 28 days after resolution of the dispute between the parties.

10.8 Subject to clause 10.7, interest shall be payable on the late payment of any undisputed Charges properly invoiced under this agreement in accordance with clause 11. The Supplier shall not suspend the supply of the Services if any payment is overdue unless it is entitled to terminate this agreement under clause 27.3 for failure to pay undisputed charges.

10.9 The Charges are stated exclusive of VAT, which shall be added at the prevailing rate as applicable and paid by the Authority following delivery of a valid VAT invoice. The

Supplier shall indemnify the Authority against any liability (including any interest, penalties or costs incurred) which is levied, demanded or assessed on the Authority at any time in respect of the Supplier's failure to account for, or to pay, any VAT relating to payments made to the Supplier under this agreement.

10.10 The Supplier shall maintain complete and accurate records of, and supporting documentation for, all amounts which may be chargeable to the Authority pursuant to this agreement. Such records shall be retained for inspection by the Authority for 6 years from the end of the Contract Year to which the records relate.

11. Interest

11.1 Each party shall pay interest on any sum due under this agreement, calculated as follows:

(a) Rate. 4% a year above the Bank of England's base rate from time to time, but at 4% a year for any period when that base rate is below 0%.

(b) Period. From when the overdue sum became due, until it is paid.

12. Not Used

Staff

13. Not Used

14. Supplier Personnel

14.1 At all times, the Supplier shall ensure that:

(a) each of the Supplier Personnel is suitably qualified, adequately trained and capable of providing the applicable Services in respect of which they are engaged;

(b) there is an adequate number of Supplier Personnel to provide the Services properly;

(c) only those people who are authorised by the Supplier (under the authorisation procedure to be agreed between the parties) are involved in providing the Services; and

(d) all of the Supplier Personnel comply with all of the Authority's policies including those that apply to persons who are allowed access to the applicable Authority's Premises.

14.2 The Authority may refuse to grant access to, and remove, any of the Supplier Personnel who do not comply with any such policies, or if they otherwise present a security threat.

14.3 The Supplier shall replace any of the Supplier Personnel who the Authority reasonably decides have failed to carry out their duties with reasonable skill and care. Following

the removal of any of the Supplier Personnel for any reason, the Supplier shall ensure such person is replaced promptly with another person with the necessary training and skills to meet the requirements of the Services.

14.4 The Supplier shall maintain up-to-date personnel records on the Supplier Personnel engaged in the provision of the Services and shall provide information to the Authority as necessary and appropriate for the provision of the Services. The Supplier shall ensure at all times that it has the right to provide these records in compliance with the applicable Data Protection Legislation.

14.5 The Supplier shall use its reasonable endeavours to ensure continuity of personnel.

Contract management

15. Reporting and meetings

15.1 The Supplier shall provide the Management Reports in the form and at the intervals set out in Schedule 3.

15.2 The Authorised Representatives and relevant Supplier Personnel shall meet in accordance with the details set out in Schedule 3 and the Supplier shall, at each meeting, present its previously circulated Management Reports in the format set out in that Schedule.

16. Monitoring

16.1 The Authority may monitor the performance of the Services by the Supplier.

16.2 The Supplier shall co-operate with the Authority in carrying out the monitoring referred to in clause 17.1 at no additional charge to the Authority.

17. Change control and continuous improvement

17.1 Any requirement for a Change shall be subject to the Change Control Procedure.

17.2 The Supplier shall throughout the Term identify new or potential improvements to the Services that it may become aware of. These may include:

(a) the emergence of new and evolving relevant technologies which could improve the Services;

(b) new or potential improvements to the Services including the quality, responsiveness, procedures, benchmarking methods, performance mechanisms and customer support services in relation to the Services;

(c) new or potential improvements to the interfaces or integration of the Services with other services provided by third parties or the Authority which might result in efficiency or productivity gains or in reduction of operational risk; and

(d) changes in ways of working that would enable the Services to be delivered at lower costs and/or bring greater benefits to the Authority.

17.3 Any potential Changes highlighted as a result of clause 18.3 shall be addressed by the parties using the Change Control Procedure.

18. Dispute resolution

18.1 If a dispute arises out of or in connection with this agreement or the performance, validity or enforceability of it (**Dispute**) then except as expressly provided in this agreement, the parties shall follow the procedure set out in this clause:

(a) either party shall give to the other written notice of the Dispute, setting out its nature and full particulars (**Dispute Notice**), together with relevant supporting documents. On service of the Dispute Notice, the Authorised Representatives shall attempt in good faith to resolve the Dispute;

(b) if the Authorised Representatives are for any reason unable to resolve the Dispute within 30 days of service of the Dispute Notice, the Dispute shall be referred to the Authority's Head of Law and Governance (or equivalent) and the Supplier's Head of Contracting and Procurement (or equivalent) who shall attempt in good faith to resolve it;

(c) if the Authority's Head of Law and Governance (or equivalent) and the Supplier's Head of Contracting and Procurement are for any reason unable to resolve the Dispute within 30 days of it being referred to them, the parties will escalate the dispute to the Chief Executive of each Party who shall attempt in good faith to resolve it; and

(d) if the chief Executives of each Party are for any reason unable to resolve the Dispute within 30 days of it being referred to them, the parties will attempt to settle it by mediation in accordance with the CEDR Model Mediation Procedure. Unless otherwise agreed between the parties, the mediator shall be nominated by CEDR. To initiate the mediation, a party must serve notice in writing (ADR notice) to the other party to the Dispute, requesting a mediation. A copy of the ADR notice should be sent to CEDR. The mediation will start not later than 30 days after the date of the ADR notice.

18.2 The commencement of mediation shall not prevent the parties commencing or continuing court proceedings in relation to the Dispute under clause 42 which clause shall apply at all times.

19. Sub-Contracting and assignment

19.1 Subject to clause 20.2, neither party shall assign, novate, subcontract or otherwise dispose of any or all of its rights and obligations under this agreement without the prior written consent of the other party, neither may the Supplier sub-contract the whole or any part of its obligations under this agreement.

19.2 The Authority shall be entitled to novate (and the Supplier shall be deemed to consent to any such novation) the agreement to any other body which substantially performs any of the functions that previously had been performed by the Authority.

19.3 Provided that the Authority has given prior written consent, the Supplier shall be entitled to novate the agreement where there has been a succession into the position of the Supplier, following a local government reorganisation.

Liability

20. Indemnities

20.1 Subject to clause 21.4, the Supplier shall indemnify and keep indemnified the Authority against all liabilities, costs, expenses, damages and losses incurred by the Authority arising out of:

(a) the Supplier's breach or negligent performance or non-performance of this agreement; or

(b) any claim made against the Authority arising out of the provision of the Services, to the extent that such claim arises out of the breach, negligent performance or non- performance of this agreement by the Supplier or Supplier Personnel.

20.2 The indemnity under clause 21.1 shall apply except insofar as the liabilities, costs, expenses, damages and losses incurred by the Authority are directly caused (or directly arise) from the negligence or breach of this agreement by the Authority or its Representatives.

21. Limitation of liability

21.1 Neither party shall be liable to the other party, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, for any indirect or consequential loss arising under or in connection with this agreement.

21.2 Each party shall at all times take all reasonable steps to minimise and mitigate any loss or damage arising out of or in connection with this agreement, including any losses for which the relevant party is entitled to bring a claim against the other party pursuant to the indemnities in this agreement.

21.3 Subject to clause 22.1 and clause 22.6, the Supplier's aggregate liability:

(a) is unlimited in respect of:

(i) any breach of clause 30; and

(b) in respect of all other claims, indemnities, losses or damages, whether arising from tort (including negligence), breach of statutory duty, or otherwise, arising under or in connection with this agreement, shall be limited in each Contract Year to £50,000.00 (fifty thousand pounds)

21.4 Subject to clause 22.1 and clause 22.6, the Authority's aggregate liability to the Supplier for all claims, losses or damages, whether arising from tort (including negligence), breach of statutory duty, or otherwise, arising under or in connection with this agreement (other than a failure to pay any of the Charges that are properly due and payable and for which the Authority shall remain fully liable), shall be limited in any Contract Year to £50,000.00 (fifty thousand pounds)

21.5 Notwithstanding any other provision of this agreement neither party limits or excludes its liability for:

(a) fraud or fraudulent misrepresentation;

(b) death or personal injury caused by its negligence (or the negligence of its personnel, agents or subcontractors);

(c) breach of any obligation as to title implied by statute; or

(d) any other liability for which may not be limited under any applicable law.

22. Insurance

22.1 The Supplier shall at its own cost effect and maintain with a reputable insurance company a policy or policies of insurance providing as a minimum the following levels of cover:

(a) public liability insurance with a limit of indemnity of not less than ££5,000,000 in relation to any one claim or series of claims;

(b) employer's liability insurance in accordance with any legal requirement for the time being in force in relation to any one claim or series of claims;

(c) professional indemnity insurance with a limit of indemnity of not less than £500,000 (five hundred thousand pounds) in the aggregate;

(the **Required Insurances**). The cover shall be in respect of all risks which may be incurred by the Supplier, arising out of the Supplier's performance of the agreement, including death or personal injury, loss of or damage to property or any other loss. Such policies shall include cover in respect of any financial loss arising from any advice given or omitted to be given by the Supplier.

22.2 The Supplier shall give the Authority, on request, copies of all insurance policies referred to in this clause or a broker's verification of insurance to demonstrate that the Required Insurances are in place, together with receipts or other evidence of payment of the latest premiums due under those policies.

22.3 If, for whatever reason, the Supplier fails to give effect to and maintain the Required Insurances, the Authority may make alternative arrangements to protect its interests and may recover the costs of such arrangements from the Supplier.

22.4 The terms of any insurance or the amount of cover shall not relieve the Supplier of any liabilities under the agreement.

22.5 The Supplier shall hold and maintain the Required Insurances for a minimum of six years following the expiration or earlier termination of the agreement.

Information

23. Freedom of information

23.1 The Parties acknowledge that each is subject to the requirements of the FOIA and the EIRs and shall assist and co-operate with each other to enable a Party to comply with their information disclosure requirements.

23.2 Where a Party receives a request for information in relation which it is holding on behalf of the other Party, it shall:

(a) transfer to the other Party all Requests for Information relating to this agreement that it receives as soon as practicable and in any event within 2 Working Days of receipt;

(b) provide the other Party with a copy of all Information in its possession or power in the form that the other Party requires within such reasonable timescales given by the other Party or where no timescale is given within 5 Working Days;

(c) provide all necessary assistance as reasonably requested by the other Party to enable the other Party to respond to a request for information within the time for compliance set out in section 10 of the FOIA or regulation 5 of the EIR; and

(d) not respond directly to a Request For Information unless authorised in writing to do so by the Authority.

23.3 Each Party shall be responsible for determining at its absolute discretion whether the information:

(a) Is exempt from disclosure in accordance with the provisions of the FOIA or the EIR;

(b) Is to be disclosed in response to a request for information.

23.4 Notwithstanding any other term of this agreement, each Party consents to the publication of this agreement in its entirety (including variations), subject only to the redaction of information that is exempt from disclosure in accordance with the provisions of the FOIA and EIRs.

23.5 A Party shall, prior to publication, consult with the other Party on the manner and format of publication and to inform its decision regarding any redactions but shall have the final decisions in its absolute discretion.

24. Data processing

24.1 Both parties will comply with all applicable requirements of the Data Protection Legislation. This clause 24 is in addition to, and does not relieve, remove or replace, a

party's obligations or rights under the Data Protection Legislation. In this clause 24, **Applicable Laws** means (for so long as and to the extent that they apply to the Supplier) the law of the European Union, the law of any member state of the European Union and/or Domestic UK law; and **Domestic UK Law** means the UK Data Protection Legislation and any other law that applies in the UK.

24.2 The parties acknowledge that for the purposes of the Data Protection Legislation, the Authority is the Controller and the Supplier is the Processor. Schedule 5 sets out the scope, nature and purpose of processing by the Supplier, the duration of the processing and the types of Personal Data and categories of Data Subject.

25. Confidentiality

25.1 Subject to clause 25.2, each party shall keep the other party's Confidential Information confidential and shall not:

(a) use such Confidential Information except for the purpose of performing its rights and obligations under or in connection with this agreement; or

(b) disclose such Confidential Information in whole or in part to any third party, except as expressly permitted by this clause 25.

25.2 The obligation to maintain confidentiality of Confidential Information does not apply to any Confidential information:

(a) which the other party confirms in writing is not required to be treated as Confidential Information;

(b) which is obtained from a third party who is lawfully authorised to disclose such information without any obligation of confidentiality;

(c) which a party is required to disclose by judicial, administrative, governmental or regulatory process in connection with any action, suit, proceedings or claim or otherwise by applicable Law, including the FOIA or the EIRs;

(d) which is in or enters the public domain other than through any disclosure prohibited by this agreement;

(e) which a party can demonstrate was lawfully in its possession prior to receipt from the other party; or

(f) which is disclosed by the Authority on a confidential basis to any central government or regulatory body.

25.3 A party may disclose the other party's Confidential information to those of its Representatives who need to know such Confidential Information for the purposes of performing or advising on the party's obligations under this agreement, provided that:

(a) it informs such Representatives of the confidential nature of the Confidential Information before disclosure; and

(b) it procures that its Representatives shall, in relation to any Confidential Information disclosed to them, comply with the obligations set out in this clause as if they were a party to this agreement,

(c) and at all times, it is liable for the failure of any Representatives to comply with the obligations set out in this clause 25.3.

25.4 If so requested by the disclosing party at any time by notice in writing to the other party, the receiving party shall:

(a) destroy or return to the disclosing party all documents and materials and any copies containing, reflecting, incorporating or based on the disclosing party's Confidential Information; and

(b) erase all of the disclosing party's Confidential Information from its computer and communications systems and devices used by it, or which is stored in electronic form.

25.5 The provisions of this clause 25 shall survive for a period of 5 years from the Termination Date.

26. Audit

26.1 During the Term and for a period of 6 years after the Termination Date, the Authority (acting by itself or through its Representatives) may conduct an audit of the Supplier, including for the following purposes:

(a) to verify the accuracy of Charges (and proposed or actual variations to them in accordance with this agreement) and/or the costs of all suppliers of the Services at the level of detail agreed in Schedule 22 (Payment);

(b) to review the integrity, confidentiality and security of any data relating to the Authority or any service users;

(c) to review the Supplier's compliance with the Data Protection Legislation, the FOIA, in accordance with clause 24 (Data Protection) and clause 23 (Freedom of Information) and any other legislation applicable to the Services;

(d) to review any records created during the provision of the Services;

(e) to review any books of account kept by the Supplier in connection with the provision of the Services;

(f) to carry out the audit and certification of the Authority's accounts;

(g) to carry out an examination pursuant to section 6(1) of the National Audit Act 1983 of the economy, efficiency and effectiveness with which the Authority has used its resources;

(h) to verify the accuracy and completeness of the Management Reports delivered or required by this agreement.

26.2 Except where an audit is imposed on the Authority by a regulatory body or where the Authority has reasonable grounds for believing that the Supplier has not complied with its obligations under this agreement, the Authority may not conduct an audit under this clause 26 more than twice in any calendar year.

26.3 The Authority shall use its reasonable endeavours to ensure that the conduct of each audit does not unreasonably disrupt the Supplier or delay the provision of the Services.

26.4 Subject to the Authority's obligations of confidentiality, the Supplier shall on demand provide the Authority and any relevant regulatory body (and/or their agents or representatives) with all reasonable co-operation and assistance in relation to each audit, including:

(a) all information requested by the above persons within the permitted scope of the audit;

(b) reasonable access to any sites and to any equipment used (whether exclusively or non-exclusively) in the performance of the Services; and

(c) access to the Supplier Personnel.

26.5 The Authority shall endeavour to (but is not obliged to) provide at least 15 Working Days' notice of its intention or, where possible, a regulatory body's intention, to conduct an audit.

26.6 The parties agree that they shall bear their own respective costs and expenses incurred in respect of compliance with their obligations under this clause, unless the audit identifies a material failure to perform its obligations under this agreement in any material manner by the Supplier in which case the Supplier shall reimburse the Authority for all the Authority's reasonable costs incurred in the course of the audit.

26.7 If an audit identifies that:

(a) the Supplier has failed to perform its obligations under this agreement in any material manner, the parties shall agree and implement a remedial plan. If the Supplier's failure relates to a failure to provide any information to the Authority about the Charges, proposed Charges or the Supplier's costs, then the remedial plan shall include a requirement for the provision of all such information;

(b) the Authority has overpaid any Charges, the Supplier shall pay to the Authority the amount overpaid within 20 days. The Authority may deduct the relevant amount from the Charges if the Supplier fails to make this payment; and

(c) the Authority has underpaid any Charges, the Authority shall pay to the Supplier the amount of the under-payment less the cost of audit incurred by the Authority if this was due to a default by the Supplier in relation to invoicing within 20 days.

Termination

27. Termination for breach

27.1 The Authority may terminate this agreement with immediate effect by the service of written notice on the Supplier in the following circumstances:

(a) if the Supplier is in breach of any material obligation under this agreement provided that if the breach is capable of remedy, the Authority may only terminate this agreement under this clause 27.1 if the Supplier has failed to remedy such breach within such period stipulated within a notice from the Authority (a **Remediation Notice**) to do so and where such Remediation Notice clearly sets out the breach and how it is to be remedied; or

(b) if a Catastrophic Failure has occurred;

27.2 The Authority may terminate this agreement in accordance with the provisions of clause 29 and clause 30

27.3 The Supplier may terminate this agreement in the event that the Authority commits a Termination Payment Default by giving 30 days' written notice to the Authority. In the event that the Authority remedies the Termination Payment Default in the 30 day notice period, the Supplier's notice to terminate this agreement shall be deemed to have been withdrawn.

28. Termination on notice

Without affecting any other right or remedy available to it, either party may terminate this agreement at any time by giving 12 months' written notice to the other party.

29. Force majeure

29.1 Provided it has complied with the remaining provisions of this Clause 29, if a party is prevented, hindered or delayed in or from performing any of its obligations under this agreement by a Force Majeure Event (**Affected Party**), the Affected Party shall not be in breach of this agreement or otherwise liable for any such failure or delay in the performance of such obligations.

29.2 The corresponding obligations of the other party will be suspended to the same extent as those of the Affected Party.

29.3 The Affected Party shall:

(a) as soon as reasonably practicable after the start of the Force Majeure Event but not later than 7 days from its start, notify the other party in writing of the Force Majeure Event, the date on which it started, its likely potential duration, and the effect of the Force Majeure Event on its ability to perform any of its obligations under the agreement; and

(b) use all reasonable endeavours to mitigate the effect of the Force Majeure Event.

29.4 An Affected Party cannot claim relief if the Force Majeure Event is attributable to the Affected Party's wilful act, neglect or failure to take reasonable precautions against the relevant Force Majeure Event. The Supplier cannot claim relief if the Force Majeure Event is one which, in accordance with Best Industry Practice, the Supplier should have foreseen and provided for the cause in question.

29.5 The Affected Party shall notify the other party in writing as soon as practicable after the Force Majeure Event ceases or no longer causes the affected party to be unable to comply with its obligations under this agreement. Following such notification, this agreement shall continue to be performed on the terms existing immediately before the occurrence of the Force Majeure Event unless agreed otherwise by the parties.

29.6 If the Force Majeure Event prevents, hinders or delays the Affected Party's performance of its obligations for a continuous period of more than 8 weeks, the party not affected by the Force Majeure Event may terminate this agreement by giving 4 weeks' notice to the Affected Party.

30. Prevention of bribery

30.1 The Supplier represents and warrants that neither it, nor any Supplier Personnel:

(a) has committed a Prohibited Act;

(b) to the best of its knowledge has been or is subject to an investigation, inquiry or enforcement proceedings by a governmental, administrative or regulatory body regarding any Prohibited Act or alleged Prohibited Act; or

(c) has been listed by any government department or agency as being debarred, suspended, proposed for suspension or debarment, or otherwise ineligible for participation in government procurement programmes or contracts on the grounds of a Prohibited Act.

30.2 The Supplier shall promptly notify the Authority if, at any time during the Term, its circumstances, knowledge or awareness changes such that it would not be able to repeat the warranties set out in clause 30.1 at the relevant time.

30.3 The Suppler shall (and shall procure that its Supplier Personnel shall):

(a) not commit a Prohibited Act; and/or

(b) not do or omit to do anything that would cause the Authority or any of the Authority's employees, consultants, contractors, sub-contractors or agents to contravene any of the Relevant Requirements or otherwise incur any liability in relation to the Relevant Requirements.

(c) have and maintain in place its own policies and procedures to ensure compliance with the Relevant Requirements and prevent occurrence of a Prohibited Act;

(d) promptly report to the Authority any request or demand for any undue financial or other advantage of any kind received by the Supplier in connection with performance of this agreement.

30.4 The Supplier shall maintain appropriate and up to date records showing all payments made by the Supplier in connection with this agreement and the steps taken to comply with its obligations under clause 30.3.

30.5 The Supplier shall allow the Authority and its third party representatives to audit any of the Supplier's records and any other relevant documentation in accordance with clause 26.

(a) require the Supplier to remove from performance of this agreement any Supplier Personnel whose acts or omissions have caused the Default; or

(b) immediately terminate this agreement.

30.6 Any notice served by the Authority under clause 30.6 shall specify the nature of the Prohibited Act, the identity of the Party who the Authority believes has committed the Prohibited Act and the action that the Authority has elected to take (including, where relevant, the date on which this agreement shall terminate).

31. Consequences of termination or expiry

31.1 On the expiry of the Term or if this agreement is terminated for any reason, the Supplier shall co-operate fully with the Authority to ensure an orderly migration of the Services to the Authority or, at the Authority's request, a Replacement Supplier.

31.2 On termination or expiry of this agreement the Supplier shall procure that all data and other material belonging to the Authority (and all media of any nature containing information and data belonging to the Authority or relating to the Services), shall be delivered to the Authority forthwith and the Supplier’s Personnel shall certify full compliance with this clause.

31.3 Any provision of this agreement that expressly or by implication is intended to come into or continue force on or after termination or expiry, including clause 20 (Indemnities), clause 21 (Limitation of Liability), clause 22 (Insurance), clause 23 (Freedom of Information), clause 24 (Data Protection), clause 25 (Confidentiality), clause 26 (Audit), clause 27 (Termination for Breach) and this clause 31 (Consequences of termination), shall remain in full force and effect.

31.4 Termination or expiry of this agreement shall not affect any rights, remedies, obligations or liabilities of the parties that have accrued up to the date of termination or expiry, including the right to claim damages in respect of any breach of the agreement which existed at or before the Termination Date.

General provisions

32. Non-solicitation

In order to protect each other's legitimate business interest, neither party shall (except with the prior written consent of the other) during the term of this agreement[, and for a period of one year thereafter, solicit or attempt to solicit or entice away any senior staff of the other party who have been engaged or employed in the provision of the Services or the management of this agreement or any significant part thereof either as principal, agent, employee, independent contractor or in any other form of employment or engagement other than by means of an open national advertising campaign and not specifically targeted at such staff of the other party.

33. Waiver

No failure or delay by a party to exercise any right or remedy provided under this agreement or by law shall constitute a waiver of that or any other right or remedy, nor shall it prevent or restrict the further exercise of that or any other right or remedy. No single or partial exercise of such right or remedy shall prevent or restrict the further exercise of that or any other right or remedy.

34. Rights and remedies

The rights and remedies provided under this agreement are in addition to, and not exclusive of, any rights or remedies provided by law.

35. Severability

35.1 If any provision or part-provision of this agreement is or becomes invalid, illegal or unenforceable, it shall be deemed deleted, but that shall not affect the validity and enforceability of the rest of this agreement.

35.2 If any provision or part-provision of this agreement is deemed deleted under clause 37.1, the parties shall negotiate in good faith to agree a replacement provision that, to the greatest extent possible, achieves the intended commercial result of the original provision.

36. Partnership or agency

36.1 Nothing in this agreement is intended to, or shall be deemed to, establish any partnership or joint venture between any of the parties, constitute any party the agent of another party, or authorise any party to make or enter into any commitments for or on behalf of any other party.

36.2 Each party confirms it is acting on its own behalf and not for the benefit of any other person.

37. Third party rights

37.1 This agreement does not give rise to any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement.

38. Publicity

The Supplier shall not:

(a) make any press announcements or publicise this agreement or its contents in any way; or

(b) use the Authority's name or logo in any promotion or marketing or announcement of orders,

except as required by law, any government or regulatory authority, any court or other authority of competent jurisdiction, without the prior written consent of the Authority, which shall not be unreasonably withheld or delayed.

39. Notices

39.1 Any notice given to a party under or in connection with this contract shall be in writing marked for the attention of the party's Authorised Representative and shall be:

(a) delivered by hand or by pre-paid first-class post or other next working day delivery service at its registered office (if a company) or its principal place of business (in any other case).

39.2 Any notice shall be deemed to have been received:

(a) if delivered by hand, on signature of a delivery receipt or at the time the notice is left at the proper address; or

(b) if sent by pre-paid first-class post or other next working day delivery service, at 9.00 am on the second Working Day after posting.

39.3 This clause does not apply to the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution.

40. Entire agreement

40.1 This agreement and the documents referred to in it constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.

40.2 Each party agrees that it shall have no remedies in respect of any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this agreement. Each party agrees that it shall have no claim for innocent

or negligent misrepresentation or negligent misstatement based on any statement in this agreement.

41. Counterparts

This agreement may be executed in any number of counterparts, each of which when executed and delivered shall constitute an original of this agreement, but all the counterparts shall together constitute the same agreement.

42. Governing law

This agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

43. Jurisdiction

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this agreement or its subject matter or formation (including non-contractual disputes or claims).

This agreement has been entered into on the date stated at the beginning of it.

SIGNED on behalf of)
XXXXXXXX COUNCIL)

Authorised Signatory

SIGNED on behalf of)
NOTTINGHAM CITY COUNCIL)

Authorised Signatory

Schedule 1 Specification

The Supplier shall provide the following to the Authority as the service to be delivered under this agreement ("the Services")

Strategy

- Look for opportunities for income generation via concession contracts
- Supporting councils to improve the lives of citizens through utilising social value measures where relevant within tenders
- Access to the increased buying power of a unitary authority for a range of goods, services and works to help reduce cost.
- Align and support department sourcing strategies with the Council's procurement strategy
- Ensure Council's strategy is referenced and supported in all procurement activity

Management Information

- Monthly procurement reports to identify
    - Savings
    - Spend commitments
    - Procurement activity
    - Social value outcomes
- Transparency reporting

Operational

- Administering tender from start to award of contract including, but not limited to;
    - Support to ensure specifications are appropriate for the requirement
    - Completing tender documentation in line with legislation,
    - Identifying the best way to procure the services
    - Supporting the development of tender evaluation,
    - Criteria for award – price/quality most economically advantageous tender,
    - Co-ordinating responses to questions from suppliers,
    - Co-ordinating tender evaluation,
    - Developing and sending award letters and all other letters related to the tender
- Compliance with regulations – PCR2015, Contract Procedure Rules and project specific when required
- Procurement option appraisals as and when required
- Quarterly review meetings as a minimum with accounts manager
- Soft market testing as and when required
- Quarterly meetings with legal services
- Supplier engagement – market intelligence
- Transparency obligations are met – publishing opportunities and awards

Resources

- Access to a team of procurement specialists ensuring tenders are managed by individuals with relevant experience
- Procurement training
- Review of existing procurement information and processes
- Weekly drop-in sessions
- Due North support
- Forward plan support – PIMS

Schedule 2 Charges and payment

1. Calculation of the Charges

The Charges shall be calculated on the basis of the rates and prices set out in this Schedule.

2. Charges based on a [fixed price and/or shared saving] basis

The cost of the service is a flat rate fee of £xxxxxxx per annum exclusive of V.A.T.

[Savings will be shared as follows:]

3. Payment Plan

The Supplier shall submit invoices to the Authority for payment at the following intervals:

xxxxxxxxx

4. Termination Payment Default

In the event that at any time undisputed Charges amounting to 25% of the Charges have been overdue for payment for a period of 60 days or more, the Authority will have committed a Termination Payment Default.

Schedule 3 Contract management

1. Authorised representatives

1.1 The Authority's initial Authorised Representative:– xxxxxxxxxx

1.2 The Supplier's initial Authorised Representative: Steve Oakley, Head of Procurement and Contracts

2. Meetings

2.1 Type

2.2 Quorum

2.3 Frequency

2.4 Agenda

3. Reports

3.1 Type

3.2 Contents

3.3 Frequency

3.4 Circulation list

Schedule 4 Change control

1. General principles

1.1 Where the Authority or the Supplier sees a need to change this agreement, the Authority may at any time request, and the Supplier may at any time recommend, such Change only in accordance with the Change Control Procedure set out in paragraph 2 of this Schedule 4.

1.2 Until such time as a Change is made in accordance with the Change Control Procedure, the Authority and the Supplier shall, unless otherwise agreed in writing, continue to perform this agreement in compliance with its terms before such Change.

1.3 Any discussions which may take place between the Authority and the Supplier in connection with a request or recommendation before the authorisation of a resultant Change shall be without prejudice to the rights of either party.

1.4 Any work undertaken by the Supplier and the Supplier Personnel which has not been authorised in advance by a Change, and which has not been otherwise agreed in accordance with the provisions of this Schedule 4, shall be undertaken entirely at the expense and liability of the Supplier unless otherwise agreed by the Authority.

2. Procedure

2.1 Discussion between the Authority and the Supplier concerning a Change shall result in any one of the following:

(a) no further action being taken; or

(b) a request to change this agreement by the Authority; or

(c) a recommendation to change this agreement by the Supplier.

2.2 Where a written request for a Change is received from the Authority, the Supplier shall, unless otherwise agreed, submit two copies of a Change Control Note signed by the Supplier to the Authority within three weeks of the date of the request.

2.3 A recommendation to amend this agreement by the Supplier shall be submitted directly to the Authority in the form of two copies of a Change Control Note signed by the Supplier at the time of such recommendation. The Authority shall give its response to the Change Control Note within three weeks.

2.4 Each Change Control Note shall contain:

(a) the title of the Change;

(b) the originator and date of the request or recommendation for the Change;

(c) the reason for the Change;

(d) full details of the Change, including any specifications;

(e) the price, if any, of the Change;

(f) a timetable for implementation, together with any proposals for acceptance of the Change;

(g) a schedule of payments if appropriate;

(h) details of the likely impact, if any, of the Change on other aspects of this agreement including:

(i) the timetable for the provision of the Change;

(ii) the personnel to be provided;

(iii) the Charges;

(iv) the Documentation to be provided;

(v) the training to be provided;

(vi) working arrangements;

(vii) other contractual issues;

(i) the date of expiry of validity of the Change Control Note; and

(j) provision for signature by the Authority and the Supplier;

2.5 For each Change Control Note submitted by the Supplier the Authority shall, within the period of the validity of the Change Control Note:

(a) allocate a sequential number to the Change Control Note; and

(b) evaluate the Change Control Note and, as appropriate:

(i) request further information;

(ii) accept the Change Control Note by arranging for two copies of the Change Control Note to be signed by or on behalf of the Authority and return one of the copies to the Supplier; or

(iii) notify the Supplier of the rejection of the Change Control Note.

2.6 A Change Control Note signed by the Authority and by the Supplier shall constitute an amendment to this agreement.

Schedule 5 Data Processing Agreement (Controller to Processor)

1. INTRODUCTION

1.1 This Schedule 5 is to ensure the protection and security of Data passed from the Authority to the Supplier for Processing or Data accessed by the Supplier on the authority of the Authority for Processing or otherwise received by the Supplier for Processing on the Authority's behalf;

1.2 The GDPR place certain obligations upon a Controller to ensure that any Processor it engages provides sufficient guarantees to ensure that the Processing of the Data carried out on its behalf is secure and protects the rights of the Data Subject;

1.3 This Schedule 5 exists to ensure that there are sufficient security guarantees in place and that the Processing carried out by the Processor on the Controller's behalf complies with obligations under Article 28 of the GDPR;

1.4 This Schedule 5 further defines certain service levels to be applied to all Data related services provided by the Processor.

2. DEFINITIONS AND INTERPRETATION

2.1 In this Schedule 5:

"Data" means any information of whatever nature that, by whatever means, is provided to the Supplier by the Authority, is accessed by the Supplier on the authority of the Authority or is otherwise received by the Supplier on the Authority's behalf, for the purposes of the Processing specified in paragraph 5.4 and shall include, without limitation, any Personal Data;

"Data Breach" means any event, actual or suspected, which has or may be likely to a detrimental effect on the security, integrity or quality of the Data;

"Data Protection Legislation" means: (i) the GDPR, the LED and any applicable national implementing Laws as amended from time to time (ii) the DPA 2018 to the extent that it relates to processing of personal data and privacy; (iii) all applicable Law about the processing of personal data and privacy;

"Data Protection Impact Assessment" means an assessment by the Authority of the impact of the envisaged Processing on the protection of Personal Data;

"Data Subject Access Request" means a request made by, or on behalf of, a Data Subject in accordance with rights granted pursuant to the Data Protection Legislation to access their Personal Data;

"Services" shall have the meaning as defined in Clause 1.1 of this agreement.

"DPA 2018" means the Data Protection Act 2018;

"Controller", "Processor", "Data Subject", "Personal Data", "Personal Data Breach", "Data Protection Officer", "Processing" and "Special Category Personal Data", shall have the same meanings as are assigned to those terms in the GDPR;

"GDPR" means the General Data Protection Regulation (Regulation (EU) 2016/679);

"Good Industry Practice" shall have the meaning as defined in Clause 1.1. of this agreement;

"Law" means any law, subordinate legislation within the meaning of Section 21(1) of the Interpretation Act 1978, bye-law, enforceable right within the meaning of Section 2 of the European Communities Act 1972, regulation, order, regulatory policy, mandatory

guidance or code of practice, judgment of a relevant court of law, or directives or requirements with which EBC is bound to comply;

“LED” means the Law Enforcement Directive (Directive (EU) 2016/680);

“Protective Measures” means appropriate technical and organisational measures to protect against unauthorised or unlawful processing of Personal Data and against accidental loss or destruction of, or damage to, Personal Data which may include: pseudonymising and encrypting Personal Data, ensuring confidentiality, integrity, availability and resilience of systems and services, ensuring that availability of and access to Personal Data can be restored in a timely manner after an incident, and regularly assessing and evaluating the effectiveness of the such measures adopted by it;

“Supplier’s Personnel” shall have the meaning as defined in Clause 1.1 of this agreement;

"Services" means Processing of the Data by the Supplier in connection with and for the purposes set out in **Schedule 1**; and

“Sub-processor” means any third party appointed to process Personal Data on behalf of the Contractor related to this agreement.

2.2 In this Schedule 5 any reference, express or implied, to an enactment (which includes any legislation in any jurisdiction) includes references to:

2.2.1 that enactment as re-enacted, amended, extended or applied by or under any other enactment (before, on or after the date of this Agreement);

2.2.2 any enactment which that enactment re-enacts (with or without modification); and

2.2.3 any subordinate legislation made (before, on or after the date of this Agreement) under that enactment, as re-enacted, amended, extended or applied as described in paragraph 2.2.1, or under any enactment referred to in paragraph 2.2.2.

2.3 In this Schedule 5:

2.3.1 references to a person include an individual, a body corporate and an unincorporated association of persons;

2.3.2 references to a Party to this Agreement include references to the successors or assignees (immediate or otherwise) of that Party.

2.4 Paragraphs 2.1 to 2.3 apply unless the contrary intention appears.

3. APPLICATION OF THIS SCHEDULE 5

3.1 This Schedule 5 shall apply to:

3.1.1 all Data sent by the Authority to the Supplier for Processing from the Service Commencement Date;

3.1.2 all Data accessed by the Supplier on behalf of the Authority for Processing from the Service Commencement Date.

4. DATA PROCESSING

4.1 In consideration of the undertakings provided by the Authority in paragraph 5, the Supplier agrees to Process the Data to which this agreement applies in accordance with the terms and conditions set out in this agreement, and its schedules and annexes, and in particular, the Supplier agrees that it shall:

4.1.1 process that Personal Data only in accordance with **Appendix 1** and the written instructions of the Authority, unless the Supplier is required to do otherwise by Law. If it is so required, the Supplier shall promptly notify the Authority before processing the Personal Data unless prohibited by Law;

4.1.2 ensure that it has in place Protective Measures, which have been reviewed and approved by the Authority, as appropriate to protect against a Data Loss Event having taken account of the:

(i) nature of the Data to be protected;

(ii) harm that might result from a Data Loss Event;

(iii) state of technological development; and

(iv) cost of implementing any measures;

4.1.3 ensure that:

(i) the Supplier's Personnel do not process Personal Data except in accordance with this agreement (and in particular **Appendix 1**);

(ii) it takes all reasonable steps to ensure the reliability and integrity of any Supplier's Personnel who have access to the Personal Data and ensure that they:

(a) are aware of and comply with the Supplier's duties under this paragraph;

(b) are subject to appropriate confidentiality undertakings with the Supplier or any Sub-processor;

(c) are informed of the confidential nature of the Personal Data and do not publish, disclose or divulge any of the Personal Data to any third party unless directed in writing to do so by the Supplier or as otherwise permitted by this agreement; and

(d) have undergone adequate training in the use, care, protection and handling of Personal Data; and

4.1.4 not transfer Personal Data outside of the UK unless the prior written consent of the Authority has been obtained and the following conditions are fulfilled:

(i) the Authority or the Supplier has provided appropriate safeguards in relation to the transfer as determined by the Authority;

(ii) the Data Subject has enforceable rights and effective legal remedies;

(iii) the Supplier complies with its obligations under the Data Protection Legislation by providing an adequate level of protection to any Personal Data that is transferred (or, if it is not so bound, uses its best endeavours to assist the Authority in meeting its obligations); and

(iv) the Supplier complies with any reasonable instructions notified to it in advance by the Authority with respect to the processing of the Personal Data;

4.1.5 at the written direction of the Authority, delete or return Personal Data (and any copies of it) to the Authority on termination of this agreement unless the Supplier is required by Law to retain the Personal Data.

4.2 Subject to clause 4.1, the Supplier shall notify the Authority immediately if it:

4.2.1 receives a Data Subject Access Request (or purported Data Subject Access Request);

4.2.2 receives a request to rectify, block or erase any Personal Data;

4.2.3 receives any other request, complaint or communication relating to either Party's obligations under the Data Protection Legislation;

4.2.4 receives any communication from the Information Commissioner or any other regulatory authority in connection with Personal Data Processed under this agreement;

4.2.5 receives a request from any third party for disclosure of Personal Data where compliance with such request is required or purported to be required by Law; or

4.2.6 becomes aware of a Data Loss Event.

4.3 Taking into account the nature of the Processing, the Supplier shall provide the Authority with full assistance in relation to either Party's obligations under Data Protection Legislation and any complaint, communication or request made under paragraph 4.2 (and insofar as possible within the timescales reasonably required by the Authority) including by promptly providing:

4.3.1 the Authority with full details and copies of the complaint, communication or request;

4.3.2 such assistance as is reasonably requested by the Authority to enable the Authority to comply with a Data Subject Access Request within the relevant timescales set out in the Data Protection Legislation;

4.3.3 the Authority, at its request, with any Personal Data it holds in relation to a Data Subject;

4.3.4 assistance as requested by the Authority following any Data Loss Event; and

4.3.5 assistance as requested by the Authority with respect to any request from the Information Commissioner’s Office or any other regulatory authority, or any consultation by the Authority with the Information Commissioner's Office or such other authority.

4.4 The Supplier shall provide all reasonable assistance to the Authority in the preparation of any Data Protection Impact Assessment prior to commencing any Processing. Such assistance may, at the discretion of the Authority, include:

4.4.1 a systematic description of the envisaged processing operations and the purpose of the processing;

4.4.2 an assessment of the necessity and proportionality of the processing operations in relation to the Services;

4.4.3 an assessment of the risks to the rights and freedoms of Data Subjects; and

4.4.4 the measures envisaged to address the risks, including safeguards, security measures and mechanisms to ensure the protection of Personal Data.

4.5 The Supplier shall maintain complete and accurate records and information to demonstrate its compliance with this paragraph 4.

4.6 The Supplier shall allow for audits of its Data Processing activity by the Authority or the Authority’s designated auditor.

4.7 The Supplier agrees and acknowledges that nothing within this agreement relieves the Supplier of its own direct responsibilities and liabilities under the Data Protection Legislation.

4.8 The Supplier shall designate a Data Protection Officer if required by the Data Protection Legislation.

4.9 The Supplier shall appoint a representative within the European Union if required by the Data Protection Legislation.

4.10 The Authority may, at any time on not less than 30 (thirty) working days' notice, revise this paragraph by replacing it with any applicable controller to processor standard clauses or similar terms forming part of an applicable certification scheme (which shall apply when incorporated by attachment to this agreement).

4.11 The parties agree to take account of any guidance issued by the Information Commissioner's Office or any other replacement regulatory authority. The Authority may on not less than 30 (thirty) working days' notice to the Supplier amend this agreement to ensure that it complies with any guidance issued by the Information Commissioner's Office or such other regulatory authority.

4.12 The Supplier shall notify the Authority immediately if it considers that any of the Authority's instructions infringe the Data Protection Legislation.

4.13 The provisions of this paragraph 4 shall apply during the continuance of the agreement and indefinitely after its expiry or termination.

5. DATA TO BE PROVIDED BY THE AUTHORITY

5.1 The Authority will provide the Data as described in **Appendix 1** to the Supplier.

5.2 The Authority will only provide Data which is relevant to the purpose outlined in paragraph 5.4. The Authority will not provide any Data it considers to be irrelevant or excessive.

5.3 The Data provided by the Authority under this agreement may contain Personal Data and Special Categories of Personal Data as defined by the Data Protection Legislation.

5.4 Data will be provided for the specific purpose set out in **Appendix 1 and Schedule 1.**

5.5 All intellectual property rights in the Data shall belong to the Authority. The Data shall be identified, clearly recorded and marked as such by the Supplier on all media and in all documentation.

6 OBLIGATIONS OF THE AUTHORITY

6.1 The Authority agrees that it shall ensure that it complies at all times with the Data Protection Legislation, and, in particular, the Authority shall ensure that any disclosure of Personal Data made by it to the Supplier is made with the Data Subject's consent or is otherwise lawful.

6.2 For the purposes of this agreement, the provisions that provide the legal basis for this processing of Personal Data are listed below:

(i) GDPR – Article 6(1)(a) - the data subject has given consent to the processing of his or her personal data for one or more specific purposes.

(ii) GDPR – Article 6(1)(b) – processing is necessary for the performance of a contract to which the data subject is a party or in order to take steps at the request of the data subject prior to entering into a contract.

(iii) GDPR – Article 6(1)(c) – processing is necessary for compliance with a legal obligation to which the controller is subject.

(iv) GDPR – Article 6(1)(d) – processing is necessary in order to protect the vital interests of the data subject or another natural person.

(v) GDPR – Article 6(1)(e) - processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in the controller

(vi) GDPR – Article 6(1)(f) - processing is necessary for the purposes of the legitimate interests pursued by the controller or by a third party, except where such interests are overridden by the interests or fundamental rights and freedoms of the data subject which require protection of personal data, in particular where the data subject is a child.

6.3 For the purposes of this agreement, the provisions that provide the legal basis for the processing of Special Categories of Personal Data are listed below:

(i) GDPR – Article 9(2)(a) - The data subject has given explicit consent to the processing of the personal data for one or more specified purposes.

(ii) GDPR – Article 9(2)(b) – processing is necessary for the carrying out of obligations and exercising specific rights of the controller or of the data

subject in the field of employment and social security and social protection law.

(iii) GDPR – Article 9(2)(c) – processing is necessary to protect the vital interests of the data subject or other natural person where the data subject is physically or legally incapable of giving consent

(iv) GDPR – Article 9(2)(d) - processing is carried out in the course of its legitimate activities with appropriate safeguards by a foundation, association or any other not-for-profit body with a political, philosophical, religious or trade union aim and on condition that the processing relates solely to the members or to former members of the body or to persons who have regular contact with it in connection with its purposes and that the personal data are not disclosed outside that body without the consent of the data subjects;

(v)GDPR – Article 9(2)(e) – processing relates to personal data which are manifestly made public by the data subject.

(vi) GDPR – Article 9(2)(f) – processing is necessary for the establishment, exercise or defence of legal claims.

(vii) GDPR – Article 9(2)(g) - processing is necessary for reasons of substantial public interest

(viii) GDPR – Article 9(2)(h) - processing is necessary for the purposes of preventive or occupational medicine, for the assessment of the working capacity of the employee, medical diagnosis, the provision of health or social care or treatment or the management of health or social care systems and services is carried out

(ix) GDPR – Article 9(2)(i) - processing is necessary for reasons of public interest in the area of public health, such as protecting against serious cross-border threats to health or ensuring high standards of quality and safety of health care and of medicinal products or medical devices, on the basis of Union or Member State law which provides for suitable and specific measures to safeguard the rights and freedoms of the data subject, in particular professional secrecy;

(x) GDPR – Article 9(2)(j) - processing is necessary for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes.

7. SUB-PROCESSING

7.1 Before allowing any Sub-processor to process any Personal Data related to this agreement, the Supplier must:

7.1 notify the Authority in writing of the intended Sub-processor and processing;

7.2 obtain the prior written consent of the Authority;

7.3 enter into a written agreement with the Sub-processor which give effect to the terms set out in paragraph 4 such that they apply to the Sub-processor; and

7.4 provide the Authority with such information regarding the Sub-processor as the Authority may reasonably require.

7.9 The Supplier shall remain fully liable for all acts or omissions of any Sub-processor.

8. TERMINATION

8.1 Upon termination of this agreement, the Supplier shall forthwith deliver to the Authority or securely destroy at the Authority's sole option and as described by the Authority in **Appendix 1** all of the Authority's Data in its possession or under its control.

8.2 Paragraph 8.1 is subject to the statutory requirements of retention of Data as legally required.

9. INDEMNITIES IN RELATION TO DATA PROCESSING

9.1 The Supplier shall be liable for and shall indemnify (and keep indemnified) the Authority against each and every action, proceeding, liability, cost, claim, loss, monetary penalty, expense (including reasonable legal fees and disbursements on a solicitor client basis) and demands incurred by the Authority which arise directly as a result of the Supplier's

breach or negligence of the data processing activities under this agreement or non-compliance of the processor obligations under the Data Protection Legislation.

9.2 The Parties acknowledge the provisions of Regulation 82 of the GDPR and any claim made by the Authority under clause 9.1 shall be considered against the provisions of Regulation 82.

APPENDIX 1 TO SCHEDULE 5

Processing, Personal Data and Data Subjects

1. The Supplier shall comply with any further written instructions with respect to processing provided by the Authority.

2. Any such further instructions shall be incorporated into this Appendix.

Description	Description
Subject matter of the processing	Processing of Data which may include Personal Data and Sensitive Personal Data in order to provide the Services
Duration of the processing	As long as is fair and necessary to carry out the Services
Nature and purposes of the processing	To process the information in order to undertake the Services in relation to the Authority's procurement activities. The data to be processed shall be done so in accordance with Data Protection legislation.
Type of Personal Data	Names, addresses, contact details of tenderers/members of the public and those submitting tenders relating to the Authority's contracts. Names, addresses and information relating to any of the Authority's employees which may be subject to TUPE in certain circumstances.
Categories of Data Subject	Tenderers, members of the public and employees

Plan for return and destruction of the data once the processing is complete UNLESS requirement under union or member state law to preserve that type of data	The Personal Data provided under this agreement shall not be kept any longer than necessary and if requested by the Authority must be returned to the Authority, destroyed or erased (including all copies whether paper or electronic) by the Supplier. The Data shall be destroyed in an appropriate manner, as follows: • All electronic data must be destroyed in an appropriate manner which renders it irretrievable. This could be logically, physically, digitally or magnetically destroyed. • All paper documents should be immediately strip shredded or incinerated. The Supplier will provide the Authority with confirmation in writing that all the Data has been destroyed, the date of

CABINET – 15TH OCTOBER 2020

Report of the Strategic Director - Commercial Development
Lead Member: Councillor Jonathan Morgan, Leader of the Council

Part A

ITEM 11 COMMERCIALISM POSITION STATEMENT

Purpose of Report

The report contains the Council's Position Statement on Commercialism and how it is intended to realise the initiative.

Recommendation

That Cabinet note and approve the Commercialism Position Statement.

Reason

To provide clarity to Members and Officers on the meaning and rationale underpinning Charnwood's commercialism aims.

Policy Justification and Previous Decisions

To date, the Council has lacked a Position Statement which outlines the definition and direction of Commercialism. In March 2020, the Strategic Director – Corporate Services brought a paper entitled "Approach to Commercialism" paper to both Scrutiny Commission and Cabinet, noting that a Commercialism Strategy / Position would follow in due course; what follows in Part B is that Statement. The Position Statement also takes into account the work done by the recent Scrutiny Panel on Commercialisation.

Implementation Timetable including Future Decisions and Scrutiny

The report is available for Scrutiny Commission to consider, and if approved, adoption will take effect immediately, subject to call-in.

Report Implications

The following implications have been identified for this report.

Financial Implications

None

Risk Management

There are no specific risks associated with this decision.

Equality and Diversity

None

Crime and Disorder

None

Sustainability

None

Key Decision:	No
Background Papers:	None
Officer to contact:	Justin Henry Strategic Director – Commercial Development 07802 760618 justin.henry@charnwood.gov.uk

Part B

Charnwood Borough Council Position Statement on Commercialism

As a result of the very significant, sustained financial reductions in Central Government funding, as well as increased Budget pressures resulting from COVID19 and inflationary pressures Charnwood Borough Council finds its Budget facing more challenges than ever before.

Adopting commercial behaviours, principles and approaches is the best possible option in the Council's control to sustain its budget and maintain as many services for residents as possible. The adoption of these elements will be supported directly by various strategies and policies coming forward. This document aims to address the specific elements required of Councillors and Officers to move the Council forward.

I. The Council's definition of Commercialism

The Council's accepted definition of commercialism has 3 broad aspects:

1. Generating surplus and reducing subsidy: whether a surplus is generated from new income or the Council reduces its operating costs, the end result is the same – pressure will be eased on the Medium Term Financial Strategy and the General Fund Revenue Account.
2. Commissioning: the Council already commissions several of its services and there is potentially scope to improve this, whether by sourcing alternative providers, commissioning new services, and/or improving the contractually agreed terms and outputs.
3. Behaving Commercially: Fundamental to the previous two aspects, adopting more "commercial" behaviours is essential. The forthcoming People Strategy will address this aspect.

II. The Council's Position

The Council recognises the need to balance bold, innovative action with social value creation when considering any commercial venture. In addition, the Council also recognises the need for achieving best value and efficiency in both service delivery and commercial activity. As such, the following areas will be considered more favourably when evaluating which activities should be pursued:

- Investment in regeneration activity that supports strategic development aims and generates a financial return.
- Where the impact on local business is minimised.
- Where Charnwood's reputation, locally and nationally, would be enhanced.

This position statement does not seek to serve as an action plan; the projects/actions listed later in this document are/will be managed via independent projects and progress will be reported using their respective channels.

In March 2020, Scrutiny Commission and Cabinet received, noted and approved the recommendations set out in a report from the Strategic Director – Corporate Services (the S151 Officer) on the Council's approach to commercialism. In the report, the S151 officer outlined the Criteria for considering any commercial venture:

"Criteria for considering the range of commercial opportunities

1. Can income be generated at scale?
2. Can income streams be developed (at scale) within the next financial year?
3. Can the income streams be delivered with relative certainty?
4. Are there significant financial risks associated with the opportunity?
5. Is there a track record within the Council – or other local authorities – which demonstrate the opportunity is viable?
6. Does the Council have any commercial advantage in addressing an opportunity compared to the private sector (or – potentially – neighbouring local authorities or other public bodies)?
7. (Conversely) is the Council at a commercial disadvantage compared to existing players in the market who may have existing brands, infrastructure or track record of service delivery?
8. Could the private sector respond to the Council entering the market by competing aggressively – e.g. through price competition - such that an initial or extended period of trading losses might ensue?
9. Does the Commercial opportunity come with significant legal or regulatory risk?
10. Does the Council have skills and capacity within the existing workforce that enable the delivery of the commercial opportunity?
11. Could the Council easily access skills and capacity from the employment / interim / consultancy markets that that enable the delivery of the commercial opportunity?
12. Are there political or ethical reasons which may constrain the Council's ability to provide services on a commercial basis? "

Therefore, any potential commercial aspect will be graded against these criteria and assessed independently. Given the complex and many faceted aspects of any opportunity, there is no strict level for pass/fail; opportunities will be assessed on their merits.

It should be noted that not all 'commercial ventures' attempted by Local Authorities have been successful, nor have they delivered all of the benefits envisaged. From the most recent high-profile failure of a Council owned energy company (Robin Hood Energy) to smaller efforts such as commercial trade waste services, not all ventures are successful or will even survive. Indeed the Office for National Statistics maintains data on business births and deaths across the UK and states that the 5 year survival rate for businesses born in

2013 was 42.4%[1], meaning that out of every 10 business ventures started, only 4 will last more than 5 years.

This sobering statistic highlights the reality that no matter how viable a business may appear in the initial planning stage, the odds are not in favour of the business surviving longer term, though some clearly do succeed. Furthermore, forecasted net margins must be sufficient to warrant the undertaking, as it is only the net margin that will bolster the Council's bottom line, not turnover. Should the Council wish to undertake commercial ventures as 'small businesses', stringent planning and viability must be undertaken in the first instance. Furthermore, in an environment where Officers are being asked to do more with less time and money, the additional efforts in terms of net margin must be sufficiently realised to warrant the additional effort and pressure placed on employees.

III. Necessary behaviours

The Strategic Direction document that accompanies the Corporate Strategy 2020-24 and sets out the key operating principles the Council will adopt to achieve its objectives and deliver outstanding services for residents. The direction laid out that relates to our people states, "The Council will…

- develop and encourage leadership at all levels of the Council
- empower employees to take responsibility for the work they do and focus on achieving outcome
- create an agile and flexible workforce which is focused on improving the lives of residents and achieving outcomes…"

The forthcoming People Strategy (Jan 2021) will reference a Management Charter to be developed which will summarise the future role of managers within the organisation, together with a more detailed leadership and management competencies framework. The management development programme will expand and adapt to provide appropriate learning and development opportunities at all levels of the organisation. These development opportunities will include a mixture of e-learning, online and face-to-face events and we will look for varied and greater opportunities to share good practice

The adoption of a commercial approach is key to this upcoming People Strategy and will necessarily bring cultural challenge to the organisation. The key commercial behaviours that should be developed within the Council are:

- Making quick, sound decisions that are evidence based
- Accepting and embracing change
- Being risk aware, not risk averse
- Allowing failure and viewing it as a growth experience
- Changing opinions/approaches swiftly when evidence supports
- Maintaining focus on robust business cases and on Return on Investment

[1] https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemography/2018#business-births-and-deaths-rates-2013-to-2018

IV. Areas of Focus

Several key projects of activity have been identified (and in some cases, have already started) which fall into the Council's definition of Commercialism. Those listed below will form the first tranche of activity. New projects may be introduced, where they will be put under analysis and scrutiny at the relevant project board prior to being implemented.

Area	Commencement Date
1. Commercial focus and analysis: The Council will adopt a commercial approach to analysis and execution, focusing on robust business cases, delivery of Return on Investment and evidence-based assessment of need and value. This will include an analysis of all options available. This delivery is supported by the Strategic Director – Commercial Development, who will provide guidance and facilitate training for employees who require it.	Ongoing
2. Service Reviews: The Council will evaluate current services to ensure that services are delivered in an efficient manner and that income opportunities are captured.	Ongoing
3. Reconfiguring procurement and contracts: The Council commissions a significant level of service and supply in delivering services. This level of spend, as well as the management of contracts currently in place will be reviewed and where able will be reconfigured. Further, further support in this area will be delivered as well as enhanced Contract Procedure Rules, enhancing accountability and responsibility.	Cabinet paper for approval of proposed changes 15 Oct 2020
4. Asset Restructuring: The Council owns significant numbers of assets in the Borough. Some of these assets deliver much needed income to the Council; opportunities to increase the revenue generating capability of these assets will be pursued. Conversely, several Council assets carry heavy costs of occupation in relation to the level of income, if any, that they deliver. Where limited opportunity for net income generation exists, the Council will seek	Ongoing

Area	Commencement Date
to potentially redevelop these opportunities to minimise costs and ensure that the asset is fit for purpose.	
5. Investment: The Council will in parallel look to invest capital in regeneration and commercial opportunities to deliver net benefits in growth and income to the Council in line with the Council's Capital and Investment Strategies.	Ongoing
6. Energy and Carbon Neutrality: The Council will look to invest in energy saving measures as well as renewable energy sources where credible business cases exist and deliver net benefits to the Council.	Ongoing

CABINET – 15TH OCTOBER 2020

Report of the Head of Strategic Support
Lead Member: Councillor Smidowicz

Part A

ITEM 12 MEMBER DEVELOPMENT STRATEGY 2020-2024

Purpose 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 7th 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 karen.widdowson@charnwood.gov.uk Adrian Ward Head of Strategic Support (01509) 634573 adrian.ward@charnwood.gov.uk

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	8th September 2020
Draft Consultation Strategy	Version 1.1	Amended foreword, dates, terms of reference and action plan	11th September 2020
Final Strategy	Version 1.2	Submission to Cabinet on 15th October 2020	29th September 2020

CONTENTS

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 7th 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)	• Circulate introduction to personal reviews and list of options for undertaking them to all members • Introduce form for councillors to identify training needs • Identify preferences of members and prepare any supporting documents, e.g. training records and questionnaires • Complete programme of reviews • Maintain records of training plans identified through reviews and training needs met	Autumn 2020 March 2021 and annually thereafter March 2021 and ongoing thereafter Post 2023 elections a mentoring programme to be put in place for all Members	May 2020 and every 2 years thereafter Proportion of members undertaking a review Proportion of training needs met
Document the process for how development support is provided to the Cabinet	• Prepare document on the process for providing development support to the Cabinet • Record previous support that has been provided	November 2020 November 2020	
Explore and test the opportunities provided by e-learning	• Review opportunities presented by the Pandemic which have resulted in the provision of recorded MDTs and external virtual training sessions	March 2021	

Intended Outcome	Actions	Date	Success Criteria
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	• Draft content to be agreed by MDRG	May 2022 and final months before 2023 elections	Councillor satisfaction levels
Reaccreditation to the East Midlands Member Development Charter	• Prepare submission in support of reaccreditation in consultation with East Midlands Councils • Support inspection process	January/February 2021	Reaccreditation achieved
Undertake review of the implementation and effectiveness of the strategy	• Cabinet and Council approval October/November 2020 • Report to MDRG with suggestions/changes	November 2021 and annually thereafter	MDRG Consulted
Support individuals thinking of becoming councillors	• Prepare candidate information pack including information about the Council and the role of a councillor • Hold prospective councillor event	September 2022 November 2022	Prospective Cllr Recruitment Events well attended
Review arrangements for providing mentor support for newly elected councillors	• Identify Democratic Services staff to act as buddies • Identify Cllrs to act as buddies	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	• Prepare revised councillor handbook • Deliver induction programme • Provide appropriate induction arrangements in the event of a by-election	March 2023 May until September 2023 When required	Satisfaction with councillor handbook Satisfaction with induction programme Satisfaction with induction arrangements

APPENDIX B

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.